18TH INDIA POLICY FORUM LECTURE 2021

The Many Faces of Indian Federalism during a Pandemic

N.K. SINGH

July 15, 2021
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About the India Policy Forum

The India Policy Forum is organised by NCAER, the National Council of Applied Economic Research, India’s oldest and largest independent economic think tank. The IPF, now in its 18th year, is the leading economic policy event in the summer season of Delhi, featuring a galaxy of eminent policymakers, and economists and academics worldwide working on India.

The IPF promotes original economic policy and empirical research on India through commissioned papers presented at the Conference. These papers are discussed by leading researchers and top Indian policymakers, and then edited and published in the annual India Policy Forum Volume.

An international Research Panel of India-based and overseas scholars with an abiding interest in India supports this initiative through advice, active participation at the IPF Conference, and the search for innovative papers that promise fresh insights. An international Advisory Panel provides overall guidance.

In view of the pandemic, the 2021 IPF Conference was a digital event. The Annual IPF Lecture for 2021 was delivered on July 15, 2021, by Mr N.K. Singh, prominent Indian economist, academician, and policymaker, Chairman of the 15th Finance Commission, and President of the Institute of Economic Growth. Mr. Singh’s lecture, titled “The Many Faces of Indian Federalism during a Pandemic”, was attended online by nearly 300 participants.

The detailed lecture is reproduced below.
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The Many Faces of Indian Federalism during a Pandemic

N.K. Singh

Let me, at the outset, express my gratitude to NCAER for inviting me to give this 18th India Policy Forum Lecture on “Federalism during the Pandemic”. I have a long and fruitful association with NCAER. Suman Bery has made an outstanding contribution, and equally, the contribution of Shekhar Shah repositioned NCAER as an exceptional academic think tank and research institution in this part of the country. I would like to thank Poonam Gupta, who, shortly after taking over this responsibility as the new Director General of NCAER, has arranged this exceedingly cohesive event for which I am privileged to give this speech. I am also grateful to my friend, scholar and policy shaper Dr Arvind Panagariya for kindly chairing the session. He continues to make meaningful contributions in fostering dialogue and shaping policy decisions for our new growth challenges.

Constitutions are written with predictability and certainty. They are not designed for Black Swan events like this pandemic. To quote James Madison, “In framing a system which we wish to last for ages, we should not lose sight of the changes which ages will produce.” This is equally applicable to rules, regulations, conventions and laws.

Introduction

The term “Fiscal Federalism” was introduced by the German-born American economist Richard Musgrave in 1959. Wallace E. Oates, writing in 1999 much later on Fiscal Federalism, said that “it is concerned with understanding of which functions and instruments are best centralised and which are best placed in the sphere of decentralised levels of government. This concept applies to all forms of government: unitary, federal and confederal.”

The evolution of fiscal federalism in India has a long genesis. It primarily dates back to the Government of India Act of 1919 and 1935. While the Act of 1919 provided for a separation of revenue heads
between the Centre and the provinces, the 1935 Act allowed for the sharing of Centre’s revenues and for the provision of grants-in-aid to provinces. The Government of India Act, 1935, established the basic structure of fiscal federalism in India, one that survives even today.

Article 1 of our Constitution describes India, that is, “Bharat as a ‘Union of States’ rather than a ‘Federation of States’”. The country is described as a ‘Union’ although its Constitution is federal in structure. On November 4, 1948, while moving the Draft Constitution in the Constituent Assembly, B.R. Ambedkar responded to the question as to why India is a “Union” and not a “Federation of States”:

“The Drafting Committee wanted to make it clear that though India was to be a federation, the federation was not the result of an agreement by the States to join in a federation and that the federation not being the result of an agreement no State has the right to secede from it. The Federation is a Union because it is indestructible.”

Political scientist Alfred Stepan classified India as a “holding together” as opposed to a “coming together” federation. Unlike the federal form of government in the United States, which is described as an indestructible Union composed of indestructible States, India is an indestructible Union of destructible States.

**Institutional Mechanism Envisaged at the Time of Independence**

Broadly speaking, in the evolution of Fiscal Federalism, there has been a marked stability in the process and procedures. The annual budgetary processes of both the Central and the Federal Governments are independent exercises and have to go through the Parliament or State Legislature. The Finance Commission, which was first constituted in 1951 under Article 280 of the Constitution, has had an unbroken legacy. It performs the functions broadly enshrined in Article 280 of the Constitution.

Basically, the President is expected every five years to constitute a Finance Commission with the purpose of advising on the distribution
of the net proceeds of all taxes between the Union and States, and thereafter, its distribution among the States as well as the grants in aids.¹

For most of the post-Independence era, the existence of the Planning Commission injected centralising dependence in more ways than one. The Planning Commission became an unconstitutional parallel institution for the transfer of resources from the Union of States. While the focus of the Finance Commission remained on the revenue account, the Planning Commission was concerned predominantly with the capital account. Successive Finance Commissions commented on this as being inconsistent with the spirit of the Constitution in the devolution of resources. Thus, the 15ᵗʰ Finance Commission performed both these functions mentioned above. There were other developments like the 73ʳᵈ and 74ᵗʰ amendments of the Constitution in 1992 giving status to Panchayat Raj institutions and urban local bodies with specific functions assigned to them under the eleventh and twelfth schedules.

As a coordinating entity between the Centre and the States, two key institutions have subsisted, namely, the National Development Council (NDC) constituted in 1952 to oversee the work of the Planning Commission to approve their five-year plans and their mid-term appraisal, and the formation of the Inter-State Council by a Constitutional Amendment in 1990 based on the recommendations of the Sarkaria Commission Report.

¹Article 280 reads as follows:
1. The President shall, within two years from the commencement of this Constitution and thereafter at the expiration of every fifth year or at such earlier time as the President considers necessary, by order constitute a Finance Commission which shall consist of a Chairman and four other members to be appointed by the President.
2. It shall be the duty of the Commission to make recommendations to the President as to the distribution between the Union and the States of the net proceeds of taxes which are to be, or may be, divided between them under this Chapter and the allocation between the States of the respective shares of such proceeds; the principles which should govern the grants in aid of the revenues of the States out of the Consolidated Fund of India; any other matter referred to the Commission by the President in the interests of sound finance.
3. The Commission shall determine their procedure and shall have such powers in the performance of their functions as Parliament may by law confer on them.
Pre-Pandemic

So, what are the challenges to the Indian Federalism? These are pre-pandemic and have in an opaque way existed for long.

FIRST, the future of the Seventh Schedule. I need to dwell on this a bit. The Seventh Schedule of the Constitution broadly demarcates the functions of governance into three entities. This Schedule distributes the legislative and financial powers between the Union and the States. List I pertains to subjects of the Union, while List II pertains to subjects which belong to the States, and List III in a category called the Concurrent List belongs to both the Union and the States, and in the event of conflicting legislation, the law passed by the Union shall prevail.

Over a period of time, the Concurrent List has sought to occupy increasing space. This is not only by the 42nd Amendment of the Constitution in 1976, which shifted the subjects of forest and education from the State List to the Concurrent List. Furthermore, in the new entry 20A, “population control and family planning” was added to the Concurrent List. This is the bedrock of the subsequent National Population Policy, which anecdotally is currently being debated in multiple forums. This transfer to the Concurrent subjects means the principal obligation in relation to issues of family planning is in the domain of both the Centre and the States except, as said earlier, any central legislation would over-ride any laws made by the States.

While these were through formal Acts entirely through constitutional amendment, there are other ways in which the original demarcations have sought to be whittled down and often metamorphosed. Take, for instance, the issue of entitlement-driven legislations. Some time ago we entered in an era of Entitlement-based Standalone Legislation. The classic examples are the Mahatma Gandhi National Rural Employment Guarantee Act of 2005, the Right of Children to Free and Compulsory Education Act, 2009, and the National Food Security Act, 2013. How do these stand-alone entitlement legislations mesh with the Seventh Schedule of the Constitution? Do they transgress the earmarked borders? And how is it that none of the States, at any stage, opposed the transgression of these limits? There were areas
where the fiscal romantics should have really intervened as employment, education, and food were entirely intended to be in the domain of the States. The issue of the States’ autonomy, I scarcely remember ever came up for serious analytical critiques. Political expediency pervaded Constitutional misgivings.

SECOND, the issue of incongruence of Article 282 of the Constitution with the letter and spirit of the Seventh Schedule. Article 282 of the Constitution says, “The Union or a State may make any grants for any public purpose, notwithstanding that the purpose is not one with respect to which Parliament or the Legislature of the State, as the case may be, may make laws.”

Originally in the Constitution, it was not expected to be an overarching provision but an extraordinary one to be used very sparingly and if I quote Shri K. Santhanam, Chairman of the 2nd Finance Commission on Article 282, he said - “This was not intended to be one of the major provisions for making readjustments between the Union and the States, if that was the idea, then there was no purpose in evolving such a complicated set of relations of shares, assignments and grants. There is no purpose in having two Articles enabling the Centre to assist the States - one through the Finance Commission and the other by more executive discretion. In the latter case, even parliamentary legislation is not needed. Of course, it will have to be included in the Budget. But, beyond being an item in the Budget, no further sanction needs to be taken. Therefore, in my view, this Article was a residuary, a reserve Article, to enable the Union to deal with unforeseen contingencies. *That was how this Article was used both by the British Government and, after transfer of power, before the first year of the first Five Year Plan. Under this Article, only some grow-more-food grants and some rehabilitation grants were given.”

N.A. Palkhivala, Constitutional expert, in his opinion given to the 9th Finance Commission, opined, “Art. 282 is not intended to enable the Union to make such grants as fall properly under Art. 275. Art. 282 embodies merely a residuary power which enables the Union or a State to make any grant for any purpose, irrespective of the question whether the purpose is one over which the grantor has legislative power:”
THIRD, view this along with the changes in Part XII of the Constitution, which resulted in the adoption of GST, designed to make India into one common market and entity. The GST Council which is also a constitutional body takes decisions through its fitment committee on the rates of the GST tax as both the Parliament and State legislatures have assigned their financial powers to this Empowered Committee. In the States that we have visited being part of Finance Commission, the States have often complained that their fiscal autonomy has been circumscribed by the GST and the room for manoeuvre on revenues had been greatly circumscribed. It is a case of pooled sovereignty for the Betterment of Common Good. Nonetheless, the GST Council is still in its nascent phase and needs to revisit its design and decision making process in a more fundamental way. The entire area of GST reforms is an ongoing dynamic. In the Report of the 15th Finance Commission which was submitted, these reforms have been extensively analysed as well as the changes necessary to enable it to fulfil its original purpose. These remain under the active consideration of the government.

**New Challenges**

*I now come to the new challenges posed due to the pandemic.*

It was inevitable that in a global pandemic which emerged for the first time after Independence, the Constitution and the constitutional division of power would be an unchartered territory. The most fundamental lesson from India’s experience with the second wave of the COVID-19 pandemic, is that managing a grave national crisis requires Federalism by way of Fiscal Fraternity of Centre and States. The federal government must inevitably take the anchor’s role.

**Constitutional Play of Events**

From a federal perspective, the Seventh Schedule of the Constitution, which distributes the powers between different constituent units (Union and the States) gives States precedence over the Centre on health. Entry 81 of the Union List grants the legislative power for “inter-state migration; inter-state quarantine” to the Centre; meanwhile, Entries
1, 2, and 6 of the State List give the legislative sphere of “public order,” “police” and importantly “public health and sanitation; hospitals and dispensaries” to the States; but Entries 23 and 29 of the Concurrent List allocate the areas of “social security and social insurance; employment and unemployment” and “prevention of the extension from one State to another of infectious or contagious diseases or pests affecting men, animals or plants” to both the Centre and States. There is thus a significant overlap and opacity in the demarcation of roles, functions, and responsibilities.

The Constitution further states under Article 73 and 162 that the executive power of the Union and States is “coextensive with the legislative power”. Thus, from the constitutional scheme, the State governments are expected to play the primary role in the management of health care, as well as law and order, while the Centre is expected to provide the overarching national leadership, facilitate coordination among key federating units, monitor the overall pandemic situation, and provide financial and other critical assistance to the States.

As the crisis loomed large in India in early March 2020, the Centre and the States invoked two available legal instruments to deal with the crisis. The Centre declared the pandemic as a “notified disaster”, and cited the Disaster Management (DM) Act, 2005, in particular, to impose the nationwide lockdown on 24 March 2020. As the word “disaster” is not present in the Seventh Schedule, the Centre used its residuary powers to invoke the law and to issue various directives to the states as the pandemic situation aggravated.

The States, for their part, turned to the Epidemic Diseases Act, 1897, which empowers the States to deal with an epidemic-like situation. Many State governments used this law to issue State Epidemic Diseases COVID-19, 2020, regulations for their jurisdictions, including restrictions on movement and closure of commercial establishments, offices, and other public places. Various sections of the Indian Penal Code, 1860 were used by the States as a guide for laying down punishments for violators, much before the Centre started to issue its own guidelines.
Key Dynamics of India’s Federal Response

The federal response to the pandemic has evolved in a number of ways. The following comments summarize the key responses, and the dynamics they involved.

First Wave can be described as a play between Central Unilateralism and State Autonomy

The constitutional provisions and existing legislations confer the primary responsibility for handling a situation like the COVID-19 pandemic, to the State government. Nonetheless, the Centre assumed the role of anchor and led from the front in managing the pandemic, particularly during the periods involving national lockdowns (24 March–31 May 2020). As the pandemic threatened human lives and livelihoods, demanding swift action on a national scale, the Centre took over the many responsibilities which otherwise fall within the domain of the State. Among many comprehensive measures, the Centre took a series of decisions to scale up vaccine procurement, knowledge enhancement for setting standards and guidelines for the State and local governments, and mitigation of inter-State externalities.

Therefore, the pandemic reconstituted the invocation of the wider powers of the Centre in full display, especially during the early phase: it was the Centre that imposed the lockdown, and it was also the Centre that monitored State responses including physical distancing norms, regulation of economic activities, and provision of financial packages.

Second Wave: Confederation

The first wave of the pandemic was about ‘unitary’ and understandably a centralised response by the Union. The opposite has been the case during the second wave. Louise Tillin, a known scholar on federalism, captures this trend succinctly, when she says, “India has moved from unilateral centralised decision-making in the first wave to something that approximates unilateral decentralised decision-making—by default—in the second wave”. For one, the Centre during the first wave
acted swiftly and decisively as federal governments are expected to do during national emergencies.

The decentralisation logic became more visible in the case of the vaccination policy. As the country faced acute vaccine shortages, many State governments called for autonomy to procure vaccines from international markets. The Centre acceded, as analysts found it impractical, given the demand-supply mismatch and the competition for vaccines. Several States, which went ahead with tenders for procuring vaccines, found no prospective bidders. This, along with differential pricing of vaccines, created an untenable situation. It soon became a contentious aspect of India’s federal structure as the Centre and the States blamed each other for the confusion. It even required the intervention of the Supreme Court to seek an orderly approach.

**Divergence between States**

Apart from issues of Centre-State coordination, various State Governments ran into conflicts with other State Governments on the availability of oxygen and essential medicines, and seeking to garner access and supply chains. The intervention of the Supreme Court sought to resolve this deadlock between the States. Finally, order prevailed and the issue of vaccine procurement and supplies at the most optimum prices currently rests in the domain of the Central Government as it should be. Equally, the interplay between international diplomacy, foreign policy, encouraging new vaccine supplies in an orderly way is now the new approach which is being adopted for the ongoing pandemic. This would be equally applicable in case the pandemic lingers on or there is an emergence of another variant or what is loosely being called the third or subsequent waves.

Launching the nationwide federal response, the Prime Minister, on April 20, 2021, addressed the nation and appealed for COVID-appropriate behaviour; he also asked the authorities to quickly ramp up responses.
The Way Forward

Ongoing Changes Required—Even Pre-Pandemic

First, the substantive point is to re-look at the Seventh Schedule in a contemporary context. Unless we re-draw the contours of the schedule, some of the incongruities between the contours of the Seventh Schedule and Article 282 of the Constitution and the standalone legislation on various subjects will remain cluttered and opaque.

Both in theory and practice, many beliefs and principles, which prompted our forefathers to give the Constitution its present shape, may need some basic reconsideration. Long before I say so, in a report submitted in 1971 by a Committee called the Rajamannar Committee, formally known as the Centre–State Relations Inquiry Committee, said “that it is desirable to constitute a High Powered Commission consisting of eminent lawyers and jurists and elderly statesmen with administrative experience to examine the entries of List I and List III in the Seventh Schedule of the Constitution and suggest redistribution of entries”. It is time to pay heed and act on this valuable Recommendation.

Second, the asymmetry in the working of the GST Council and the Finance Commission deserves serious considerations. The Finance Commissions recommend the distribution of revenues between the Union and the States and thereafter, among the States as well as to the third tier. The Finance Commission is expected to look at projections of the expenditure and revenue, but the issues of GST rates, exemptions, changes, and implementation of indirect taxes are now entirely within the domain of the GST Council. This leads to unsettled questions on the ways to monitor, scrutinise, and optimise revenue outcomes. Since both the Finance Commission and the GST Council are constitutional bodies, a coordination mechanism between the two is now an inescapable necessity. For the first five years of the GST, a 14 per cent guaranteed compensation by the Goods and Services Tax (Compensation to States Act) 2017, is provided to the States. The fact that the GST Council is a permanent body while the Finance Commission is not and makes awards for a five-year or six-year span further complicates the dynamics. The
commonalities of issues and the absence of any recourse or course correction mechanism is an aspect that many States have highlighted to us. They brought it up sharply during our visit to the States.

**Third,** with the abolition of the Planning Commission, many economists and policy-makers have argued about an institutional vacuum. While the NDC is performing an important function, the States have pleaded for a credible institution acting as a link for a policy dialogue with the Centre. In many countries like Australia, the States came together in 2005 to set up the Council for the Australian Federation to jointly represent their interests in Canberra. While we have an institutional entity like the Inter-State Council, it needs to be rejuvenated and restructured to be made more purposeful, given the institutional vacuum which presently exists. There needs to be serious consideration to build entities by way of a more permanent and credible consultative mechanism.

**Fourth,** reforms in Public Finance Management (PFM) systems are a continuous process. Previous Finance Commissions recommended on various aspects of PFM systems of both the Union and States with a focus on budgetary, accounting processes, and financial reporting. These deserve to be acted upon, given the need for an integrated and cohesive response of both the Centre and the States.

**Fifth, the Post Pandemic Changes Required**

**Re-prioritisation of Expenditure to Critical Care and Needs**

In the light of the pandemic, the endemic neglect of the health infrastructure and the health sector as a whole needs redressal. This must be a high priority because we have become painfully aware that given the multiplicity of factors, this may not be the last pandemic. At a national level, the strengthening of the healthcare infrastructure based on the recommendations of the National Health Mission 2005 and the National Health Mission 2017, public outlays need to be substantially augmented. We cannot get away from strengthening district hospitals and multispecialty care as also the availability of increased manpower, which should be available even in the normal course of our health
programmes. Apart from strengthening of district hospitals, primary health centres at the block level also need substantial strengthening.

Many of these regulatory and other changes have been outlined in the Report of the 15th Finance Commission, which has devoted a special chapter on health. Among other things, these include a permanent national health service based on best international practices, other innovative changes like the Diplomate of National Board (DNB) courses or training of paramedics, which can have immediate multiplier effects. Further, the National Rural Health Mission’s recommendations and some notable examples of well-functioning decentralised health systems in some States would be worthy of replication. In this regard, Rs. 70,051 crores for urban Health and Wellness Centres, building of sub-centres, Primary Health Centres, block-level public health units, support for diagnostic infrastructure for the primary healthcare activities were all recommended by 15th Finance Commission. The financial awards for each of these individual States have been fully accepted by the Government and their implementation has also commenced. The financial awards for the third tier of government for which they were assigned have been fully accepted and implementation has commenced.

**Sixth, Comprehensive National Legislation**

In many ways, the pandemic has also exposed the inadequacies of the existing constitutional and legal provisions in dealing with a pandemic or a health emergency with pan-India dimensions. There are concerns about the vagueness of both the Disaster Management Act, 2005, and the Epidemic Diseases Act, 1897, in the context of a pandemic. While both these laws do not have provisions relating to health emergencies, both the Centre and States resorted to either expansive interpretation or ad hoc measures such as issuing ordinances to protect the frontline workers or ensuring implementation of physical distancing norms. This makes it imperative for the Federal Government to initiate the drafting of a comprehensive National Legislation that can effectively deal with pandemics like COVID-19, and other national emergencies that India could face in the future. A comprehensive National Legislation under the Concurrent Powers is clearly an inescapable priority.
Seventh, More Democratic Decentralisation to the Third Tier

There are extraordinary stories of success by many States strengthening the role of their third tier during the pandemic. Illustratively, the Odisha government in delegating powers to the Sarpanch, in the protocols followed by the Mumbai Municipal Corporation in coordination with the Mumbai Police, and the role of local bodies in Kerala and indeed in other States as well are laudable.2

Eighth, a Review of FRBM Rules

Aligning the fiscal and debt path of both the Centre and the States is an arduous but inescapable task. A differentiated debt path of States, which recognises the present constraints and issues of legacy debt, must be handled with sagacity and sensitivity. This issue has been greatly aggravated during the pandemic.

Many countries have amended their fiscal rules to provide for additional public spending to revive their economies that have been adversely affected by the COVID-19 pandemic. Fiscal rules provide a credible commitment to fiscal prudence. They set numerical limits on fiscal aggregates such as the level of fiscal deficit, public debt, or growth of public expenditure. A key feature of all robust fiscal legislation is the

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2For instance, the Odisha government delegated the sarpanch with the powers of a magistrate to control the movement of migrants and oversee physical distancing norms. Similarly, the Kerala government allowed local bodies to do contact tracing, conduct health camps and sanitation drives, and sensitise people on health protocols. The local governments at the village level also helped “in sustaining agricultural activities by ensuring the labour supply and availability of critical food supply chains in villages.” During the first wave, district-level interventions in Agra (Uttar Pradesh), Bhilwara (Rajasthan), and Pathanamthitta (Kerala) were exemplary in containing the spread of infections. Similarly, municipalities in States like Maharashtra where the COVID-19 cases have been steep, also made innovations in crisis management at different phases of the pandemic. Worth mentioning is the collaboration between the Brihan Mumbai Municipal Corporation (BMC) and the Mumbai Police to supervise quarantine procedures and create public awareness in the Dharavi slums; they succeeded in controlling the COVID situation in the area. The BMC repeated the feat during the second wave by quickly innovating in contact tracing, testing, and expanding medical support by creating ‘ward-level war rooms’. In other words, decentralised responses bore fruits at the local level, wherever governments have delegated powers and trusted these self-governing institutions.
'escape clause'. Such a clause allows for temporary deviation from fiscal targets in the event of unforeseen circumstances. This is in accordance with a limited number of well-defined exceptional circumstances, and prescribing time limits of such deviation and the path of reform to the original targets.

Among the Asian, middle-income emerging peers of India, Indonesia's fiscal rule provides for limiting the fiscal deficit to 3 per cent of GDP in any given year. Indonesia has since decided to suspend its fiscal deficit cap of 3 per cent of GDP during 2020-2022.

In 2018, comprehensive amendments were introduced to the FRBM Act, 2003, to incorporate some of the recommendations of the FRBM Review Committee report chaired by me. Among other changes, the fiscal deficit target of 3 per cent was proposed to be achieved by 31 March 2021. Another key feature of the amendment was to prescribe a relatively more nuanced escape clause. The statutory escape clause permitted the Central Government to deviate from the annual fiscal deficit target on grounds of national security, act of war, national calamity, collapse of agriculture severely affecting farm output and incomes, structural reforms in the economy with unanticipated fiscal implications, or decline in real output growth of a quarter by at least 3 percentage points below its average of the previous four quarters. However, any deviation from the fiscal deficit target could not exceed 0.5 per cent of GDP in a year. The escape clause also mandated that a statement explaining the reasons for deviation and the path of return to fiscal deficit targets should be laid before both houses of parliament.

Even before the pandemic, the escape clause was invoked to informally deviate from the fiscal deficit targets. While presenting the Budget for 2020-21, the Finance Minister used the escape clause to deviate from the fiscal deficit target of 3.3 per cent for 2019-20. The escape clause was also used to deviate from the target for the next financial year, that is, 2020-21. Using the escape clause, the fiscal deficit was relaxed by 0.5 per cent to 3.8 per cent for the financial year ending 31 March 2020, and to 3.5 per cent for the financial year ending 31 March 2021.
The achievement of 3 per cent of the fiscal deficit target was shifted to 31 March 2023.

The Finance Minister, while presenting the Budget Speech, mentioned about the need to draw a fresh fiscal roadmap. This has become an inescapable necessity. Indeed, the Finance Commission has made a pointed suggestion for the Constitution of an Intergovernmental Group—intergovernmental because it must have the Centre and States to evolve a more realistic fiscal roadmap, given the ongoing pandemic and the attendant uncertainties. In the long run, no doubt, fiscal institutions like the Fiscal Council will be of enormous value.

**Federalism to Unitary to Confederation**

The first wave of the pandemic was about unilateralism and an overtly centralised response by the Union. The opposite has been the case during the second wave, which has been more of a form of confederation. A confederation (also known as a confederacy or league) is a union of sovereign groups or states united for purposes of common action. Likewise, the relationship between the member states and the general government and the distribution of powers among them varies.

In the past few months, the country has witnessed an interesting and remarkably coordinated effort by the Centre and States in addressing a collective challenge. These exigency responses will enhance understanding of the Centre-State dynamics and mechanisms for improving federal governance, and more importantly, reinforcing Federal Trust.

The experience offers an opportunity to revisit the recent debate around the federal organisation of powers under the Constitution’s Seventh Schedule. It has been argued that such organisation of powers is not cast in stone and the arrangement requires a review. Such an exercise is indeed necessary, but what should be its broad contours? The review should allow the carving out of the roles of the Centre and States to address hitherto disregarded and emerging concerns—a viral pandemic or climate change, for instance.
Conclusion

Even prior to the pandemic, federalism in India had multiple challenges. Its fragility has been greatly compounded by the under-funded and neglected health system and weak state capacity. The spirit of cooperative federalism, in a broader sense of the term, has been an abiding theme of our federal polity. The most important lesson is one of flexibility—flexibility between unitary, federal, and confederal. The evolving role of the Central Government as a principal anchor in extraordinary times like these is inescapable. The engagement of the State government in not only implementation but in amelioration, containment, roll out, and engagement with all stakeholders, is a synergy without which our responses would not be optimum. Furthermore, going beyond centralisation or decentralisation, the engagement of the third tier of government to the initiatives to both the Central and the State governments would enhance its reach, coverage, and awareness, an important bulwark in times like these.

“Unity is vision; it must have been part of the process of learning to see.”

– Henry Adams

“The significance which is in unity is an eternal wonder.”

– Rabindranath Tagore
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N. K. Singh is a prominent Indian economist, academician, and policymaker. He was Chairman of the 15th Finance Commission, a body established under the Indian Constitution to oversee revenue sharing and other federal fiscal policy matters. Prior to this position, he presided as Chairman of the Fiscal Responsibility and Budget Management Review Committee (FRBM), responsible for setting targets for the government to reduce fiscal deficits. He also served as a member of the Upper House of the Parliament, the Rajya Sabha (2008-2014) during which time he contributed to several prominent Parliamentary Standing Committees, including the Public Accounts Committee, the Committee on Foreign Affairs, and the Committee on Human Resource Development to name a few.

Mr Singh had a long and distinguished career as a member of the Indian Administrative Services before his entry into politics and fiscal policy leadership. He has served as Expenditure Secretary, Revenue Secretary, and Secretary to the Prime Minister of India, and Member, Planning Commission, among other senior leadership roles. He was part of the core group of advisers and strategists during India’s economic reforms of 1991. He was principal interlocutor for negotiations with the World Bank and the International Monetary Fund (IMF) for structural adjustments, loans, and Balance of Payment support instrumentalities.

Mr Singh brings a wealth of national and international experience to the table, having interacted closely with multilateral organisations such as the World Bank, IMF, ADB, and OECD. His early work as First Minister, Economic and Commercial, Indian Embassy, Japan (1981–85) and subsequent contributions to the international economic order were recognised by the Emperor of Japan with the award of the "Order of the Rising Sun - Gold and Silver" in 2016. He was the only Indian in the list of recipients of 2016 Spring Imperial Decorations.

Mr Singh is also a published author with several prominent books to his name: Politics of Change; Not by Reason Alone; The New Bihar: Rekindling Governance and Development. His autobiography, Portraits of Power: Half a Century of Being at Ringside, was released in October 2020, which has brought out more vividly his 40 years of engagement in policy-making. He has been a reputed columnist in leading Indian newspapers including the likes of Hindustan Times, Hindustan, The Indian Express, The Hindu, and Mint.
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