A Constitution is not a static frame but “an organic living institution”. This is particularly true of a flexible, yet resilient, Constitution like that of India, designed to meet the needs and problems of a changing society for generations to come. Nonetheless, due to the dynamic interplay of socio-economic, political and other forces, the intent and actual working of the Constitution some time tend to diverge. For a proper appreciation of the problems and issues that have arisen in the working of Union-State arrangements in the past, different intergovernmental agencies are created by the Government of India which are an essential mechanism to negotiate, regulate and formulate common policies at least in the policy areas of shared jurisdiction. The utility of these institutions is established beyond doubt. A few reforms can go a long way in making them more functional. So it becomes necessary to constitute various Commissions and Committees from time to time to find the problem areas and recommend appropriate solutions for effective utilization and working of these Agencies.

RECOMMENDATIONS OF ADMINISTRATIVE REFORMS COMMISSION

The Government of India constituted the Administrative Reforms Commission headed by Morarji Desai on January 5, 1966 with the five other members to examine Centre-State Relations and recommend to the Union Government the changes required in the Constitution for improving Centre-State Relations in India. This Commission was also asked to give consideration to the need for
ensuring the highest standards of efficiency and integrity in public services and for making public administration a fit institution to carry out the social and economic policies of the Government. The Administrative Reforms Commission submitted its report in 1969.

**Planning Commission and National Development Council**

The Administrative Reforms Commission had argued that, in order to make the Planning Commission a professional body, its control by the political leadership should be reduced. In this context, it recommended that the Prime Minister, who has headed the Planning Commission ever since its inception, should cease to be its chairman, though he and the Finance Minister should continue to remain closely associated with its working.\(^1\) Administrative Reforms Commission did not favour the formal relationship of the Prime Minister and the Finance Minister though it appreciated the imperatives of their close association with the broader planning process. The Administrative Reforms Commission is of the opinion that taking advantage of the chairmanship of the Prime Minister, the Planning Commission has ‘steadily added to its functions and personnel and has stepped into the area of the executive authority of the centre and the state governments’. Consequently, it was being viewed by the people as a parallel cabinet or a super cabinet, thus adding to the levels of decision-making in government. Operationally, it was diluting the responsibilities of the ministers to the legislature.

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and, eventually, to the people. The Administrative Reforms Commission favoured the Prime Minister association with the Planning Commission in the following manner:

While it is necessary to prevent the Planning Commission from developing into a sort of parallel or super cabinet, it should not be deprived of its vital link with the Prime Minister...The Commission recommended that this intimate association should be secured without formally making the Prime Minister the chairman of the commission. Whenever a meeting of the Commission is to be held, copies of the agenda and the connected papers should be sent to him. He may attend the meetings of the Commission, express his views and participate in the discussions. He may also summon a meeting of the Commission and addresses it. He will preside over the meetings of the Commission when he attends it.

The Administrative Reforms Commission suggested that the Planning Commission should be a non-statutory body, having close relation with the Union Government. It needs to submit an annual report to Parliament on plan performance.

The Administrative Reforms Commission also pointed out that the Prime Minister and the Minister members have not been able to contribute significantly to the deliberations of the Planning commission. Besides, experience showed that if the ministers were members of the Commission, the Commission was likely to be

committed to the ministers’ stand with regard to executive matters relating to the implementation of the plan. This affected the Commission’s capacity to make critical appraisal and evaluation of the implementation of the plan by the executive. In any case, the final decision on the plans is taken by the Cabinet and therefore, the association of only some ministers at the initial stage of formulation is premature.

The Administrative Reforms Commission recommended that the allocation of work among the members should be made, keeping in view their special knowledge and expertise. The membership of the Commission has been changing with the change in government or sometimes, even during the tenure of the same government. This has led to discontinuities in approach and emphasis of the Commission. The Commission had suggested that the Planning Commission should have as its secretary a highly qualified person, irrespective of any specific cadre of service. The number of members should not exceed seven. They will be selected on basis of their expertise and experience. Though it would be an ideal arrangement to have a Commission consisting entirely of full-time members, in practice it may sometimes happen that experts, while willing to work as members, may be able to join the Commission only on a part time basis. The members may be appointed on a fixed term of five years. But in order to preserve continuity, the term of one or two members may be extended by a year.
or so. Re-appointments however, may be made only in exceptional cases.

Regarding the National Development Council, the Administrative Reforms Commission suggested that the National Development Council should be reconstituted as Prime Minister to be the Chairman of the Council, while the secretary of the Planning Commission should act as its secretary. The Administrative Reforms commission suggested the functions of the Council as follows:

➢ To prescribe guidelines for the formulation of the National Plan.

➢ To consider the National Plan as formulated by the Planning Commission.

➢ To access resources required for implementing the plan and to suggest ways and means for raising them.

➢ To consider important questions of social and economic policy affecting development.

➢ To review the working of the Plan from time to time and to recommend such measures as are necessary for achieving the aims and targets articulated in the national plan.

Thus, the functional areas of the National Development Council revolve around the broad policies for socio-economic development, formulation of the national plan, resource mobilization and periodical appraisal of the plan-progress. Issues like food distribution, land
reforms, State trading corporation should also figured in the discussions of National Development Council

**Inter-State Council**

The Study Team appointed by Administrative Reforms Commission viewed that an ‘apparatus for effecting regular consultations between the Centre and the States’ was needed, given that Federal Relations were increasingly cooperative. It argued that ‘the fact is that governmental activity in the federal structure, despite a well-defined division of functions, requires common direction in many spheres and co-ordination and co-operation in many others. The Study Team proposed that a large sized Inter-State Council be set up with a Prime Minister, Central Ministers for Home, Finance, Labour, Food and other subjects in the State and the Concurrent Lists, Chief Ministers or their nominees, and other guests of the Council. The Study Team proposed that the Inter-State Council would supplant the existing array of ad hoc inter-governmental agencies. According to its report, the advantage of a single body is that every problem can be viewed by it in the perspective of the whole. The integrated look, necessary in fashioning basic policies of national importance, is missing in the system operative at present. The Report, however, recommended that the conclusions of the Inter-State Council’s conferences’ will be advisory in nature’.

The Administrative Reforms Commission proposed an Inter-State Council, similar to that outlined by its Study Team a Year
earlier. The Report of Administrative Reforms Commission was significantly more reserved about the composition, function, scope and jurisdiction of the proposed Inter-State Council than the Study Team had been. The Administrative Reforms commission Report envisioned an Inter-State Council that continued to operate alongside other similar bodies. This Report stressed that this newly proposed Inter-State Council would not be permanent, its recommendations should only be advisory, its tenure limited to two years, and extended thereafter based on its effectiveness.

**Reports of the Centre-State Relations Inquiry Committee (Rajamannar Committee) 1971**

For articulating the demands for state autonomy, the government of Tamilnadu appointed an Inquiry Committee in 1969 which is popularly known as Rajamannar Committee. The Committee submitted its report on May 27, 1964\(^3\).

In relation to inter-governmental forums, Rajamannar Committee recommended that the Inter-State Council be constituted immediately. It should consist of all the Chief Ministers or their nominees, with equal representation for all the States and the Prime Minister should be its Chairman. No other Union Minister should be there in the Council\(^4\). Every bill of national importance or which is likely to affect the interests of one or more states, before its

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3 This Committee consisted of three members i.e. P.V.Rajamannar (Chairman), A.L.Mudaliar and P.Chandra Reddy.

introduction in parliament, be referred to the Inter-State Council and its views there on should be submitted to parliament at the time of Introduction of the bill. No decision of national importance or which may affect one or more States should be taken by the Union Government except after consultation with the Inter-State Council. Exception may be made in regard to subjects like Defence and Foreign Relations.

The recommendations of the Inter-State council should ordinarily be binding on the Centre and the States. If for any reason any such recommendations is rejected by the Central Government, such laid before parliament and the state legislatures.

**Planning Commission**

The Planning Commission should be placed on an independent footing without being subject to political influences. To secure this objective, it should be placed on a statutory basis by parliament enacting a law providing for the establishment of Planning Commission.\(^5\)

The Commission recommended that the Planning Commission to be established by law should consist of only experts in economic scientific, technical and agricultural matters and specialists in other categories of national activity. No member of the Government of India should be on it. The law to be made in this behalf should deal with the

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tenure, term of office and conditions of service of the members of the Planning Commission which should have a Secretariat of its own. The existing Planning Commission should be abolished.

The duty of the Planning Commission should be to tender advice on schemes formulated by the States. It will also have the responsibility of making recommendation for consideration by the Finance Commission regarding grant of foreign exchange to state for industrial undertaking started by or in the States.

**Sarkaria Commission and its Recommendations (1983)**

With a view to reviewing the working of existing arrangements between the Union and the states in the changed socio-economic scenario, the Government constituted a Commission vide Ministry of Home Affairs Notification No. IV/11017/L/83-CSR dated June 3, 1983 under the chairmanship of Justice R.S. Sarkaria with Shri B. Sivaraman and Dr. S. R. Sen as its members, The terms of reference of the Commission as enunciated in this notification were as under:

a) The commission will examine and review the working of the existing arrangements between the Union and States in regards to powers, functions and responsibilities in all spheres and recommend such changes or other measures as may be appropriate.

b) In examining and reviewing the working of the existing arrangements between the Union and the States and making recommendations as to the changes and measures needed, the Commission will keep in view the social and economic developments
that have taken place over the years and have due regard to the scheme and framework of the Constitution which the founding fathers have designed to protect the independence and ensure the unity and integrity of the Country which is of paramount importance for promoting the welfare of the people.

The Commission observes that new areas of national concern are emerging with economic growth, technological development and socio-political changes. The rapidly expanding governmental functions and routine problems which arise in the day to day working are sorted out through discussions and inter-action at various levels of bureaucracy. More important problems which cannot be resolved at the bureaucratic level are settled through discussions between the concerned Ministers of the Union and the States. However there are problems of still greater importance involving basic issues of national policy. For resolution of such problems and ensuring coordination of policy and action on matters of common interest, through a process of collective consideration, discussion and persuasion by the political heads of the Union and States, the constitution gives to the president power to establish on inter-governmental forum called the Inter-State Council.

Thus the Sarkaria Commission recommended that a permanent Inter-State Council called the Inter-Governmental Council should be set up under Article 263. A separate identity of National Development

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Council should be maintained\(^8\). However its status should be formalized and duties reaffirmed through a presidential order passed under article 263 and it should be renamed as the National Economic and Development Council.

It is an accepted fact that the responsibility and authority go together. In making appointments of constitutional functionaries such as Governors, Comptroller and Auditor General, Chief Election Commissioner, Chairman of the Union Public Service Commission, the President abides by the advice of the Union Council of Ministers, who, in turn, are accountable for the same to Parliament. If for making of these appointments, it is provided that the Inter-State Council consisting of the political executive of the states should also be consulted, it will politicize these appointments. Eminent persons for few of their names being debated in such a Council, where there may be political pulls and pressures, will be deterred from accepting these offices. If the Council is involved in the process of making these appointments, it is sure to dilute the accountability of the Union Executive to Parliament.

The Commission recommended that the Council should consist of a General Body assisted by a smaller Standing committee. The General Body itself needed to go into all the matters referred to it. Normally, all references should in the first instance, go before the Standing committee. If a matter is considered sufficiently important for consideration by General Body, the Standing Committee may refer it to them. The Inter State Council shall meet at least twice a year.

Prime Minister may nominate a Cabinet Minister to preside over the meetings of the Standing Committee when he is unable to attend himself. The Inter-Governmental Council and its Standing Committee should be able to set up ad hoc Sub-Committees to investigate special matter\(^9\).

An independent permanent Secretariat is also recommended as per-requisites for the smooth and proper functioning of the Council. Without an independent permanent Secretariat, the Council will not be able to establish its credibility. One of the important tasks of the Council Secretariat will be to prepare detailed documentation on various issues for discussion before be the Council or its Standing Committee\(^10\).

The spirit of cooperative federalism requires proper understanding and mutual confidence between the Chief Executives of the Union and State Governments. The Inter-Governmental Council can provide suitable opportunities for discussing many of the problems of common interest. This type of working relationship should be considered desirable and essential for the successful working of a dual polity with such large areas of inter-dependence.

**Planning Commission and National Development Council**

Sarkaria Commission after taking an over all view from the conceptual, institutional and functional aspect observed that planning both at the formulation and execution stages has to be a cooperative

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\(^10\) Ibid., p.1134.
process of shared action between the Union and the States. For this purpose National Economic and Development Council should be involved in the formulation of the Plans right from the beginning. The Draft Approach paper should be circulated to the States at least two months in advance of the meeting of the National Economic and Development Council and a preparatory meeting should be held by the Prime Minister with all Deputy Chairman and/or Secretaries of the State Development Boards two weeks prior to the National Economic and Development Council Meeting to consider the Approach paper and Draft five year Plan. Deliberation in the National Economic and Development Council should be so structured as to facilitate meaningful discussions on each item of the agenda\textsuperscript{11}. 

Close and fullest involvement of States at all the stages of plan formation is very essential for the successful implementation of the Plans. On the working groups set up to study sectoral problem in the contest of formulation of the Five-Year Plan, concerning the State Subject, the Deputy Chairman, Planning Commission should appoint a member of a State Planning Board as Chairman and Secretary of the concerned Union Ministry as Vice Chairman and an officer of the Planning Commission as Member Secretary. Coordinated action between the Central and State Working Groups should be ensured. For this, the Central Working Groups themselves should take the

initiative in establishing contact with their counterparts in the States at an early stage.

For improving the procedure of State Plan, it is essential that estimates of additional resources to be mobilized by a State, as approved by the Chief Minister, should be available to the Financial Resources Working Group. Planning Commission should not try to scrutinize in detail all the individual sectoral schemes in the state plans, but concentrate on key ones involving large outlays, foreign exchange component, and inter-sectoral aspects. The practice of states submitting plan proposal aggregating to much higher plan size than that warranted by resource estimated by the Resources Working Group, should be firmly discouraged by the Planning Commission. The meeting between the Deputy Chairman, Planning Commission and State Chief Ministers should concentrate on evaluating the progress made, identification of bottlenecks, review of deviations from plan priorities and the implementation of the programmes for the ensuing year. If the Plan-size of a state is agreed to be substantially enhanced at the meeting between Deputy Chairman, Planning Commission and the State Chief Minister on the promise of ‘new’ resources, this should be regarded as ‘provisional’ and ‘feasibility’ of the same and the priority of allocation amount should be subsequently gone into by the Advisor (State Plans) in consultation with the Subject Division in the Planning Commission\textsuperscript{12}.

The Sarkaria Commission recommended that as the different components of central assistance for the State Plans got incorporated at different point of time, a review is over due. In view of acute overall constraint of resources, a system will have to be evolved which, while ensuring a measure of equity, would at the same time encourage efficiency in the mobilization and use of resources. The National Economic and Development Council is most appropriate forum where such matters should be discussed and national consensus arrived at. A periodic review of the system of earmarking of outlays is also necessary and should be discussed and approved by the National Economic and Development Council along with other aspects of central assistance mechanism before the beginning of each Five Year Plan.

The number of Centrally Sponsored Schemes should be kept to minimum. The need for the Union Government initiating pilot projects even in regard to subjects in the states’ sphere, having an inter state, regional or over all countrywide significance but carrying high national priority, is recognized. But these should be formulated in prior consultation with the States. Once a programme has passed the pilot stage and has been accepted as desirable for implementation on a larger scale, it should appropriately form part of the State Plan. The central assistance towards the Centrally Sponsored Schemes should be kept to minimum in relation to the central assistance for the State plans. The ratio of these recommended by the National Economic and
Development Council, from time to time should be adhered to. The State Governments should be fully involved in determining the contents and coverage of the Central Sponsored Schemes so that the local variations and likely difficulties in their implementation are taken care of. The process of decentralization, in respect of formulation and evaluation of Centrally Sponsored Schemes should be pursued further and differences in local conditions given proper weitage specially with reference to agriculture and poverty alleviation programmes, like IRDP, NREP, and RLEG.

If the Planning Commission is re-constituted by the statute giving it an autonomous status, divorced from the political executive of the Union, its working will be stymied by legalism, rigidities and technicalities, which are inherent in flexible statutes. The task of Planning Commission is now overseen by the National Development Council. This arrangement has well answered about planning needs. This remedy, therefore, lies in reforming these institutions and their working, assuring at the same time full and effective consultation with the states at all stages of planning process so that they feel their role in it is not that of a supplicant, but of an equal participant.... If healthy conventions are established in regard to consultation with the Planning Commission and due weight is given to its recommendations, than all apprehensions in regard to domination by the Union and Planning Commission being a limb of the Union Government would disappear. The Planning Commission must be
consulted in taking all major investments decisions. To remove any misgivings about Planning Commission’s capacity to act objectively, experts with established reputation of professional integrity and caliber should be appointed to its panel for specified term.

After the Report of the Finance commission, the occasion for a review of the Union and States’ finances arises in the context of resource exercise for the Annual and Five Year Plans. It is of utmost importance that the complement of non-plan finances of the states is looked into in detail by the Resource Working Group of the Planning Commission. Detailed analysis of any aberrations and significant deviations from the norms of the Finance Commission should be made. Planning Commission should pay special attention to the efficiency of the monitoring system in the Government by advising on techniques and formats. At the same time it may continue monitoring of specific programmes and keep itself abreast with the progress in the core and priority sector.

In order to build expertise in the Planning Commission, the officers in senior posts should not only have the desired specialization and competence, but should also serve in the organization for sufficiently long periods. Serious attention to this aspect will have to be given by the Planning Commission itself.

The very concept of planning postulates cooperative endeavour in the service of the common man. In a large and diverse country like ours, planned development is critically dependent on consensus and
commitment at all levels to the objectives and strategies of the plans formulated and implemented from time to time. The National Development Council should be made to function more effectively and emerge as the highest political level Inter-governmental body for giving a direction and thrust to planned development of the country. Being the supreme inter-governmental body for all matters related to socio-economic development, it is necessary that National Development Council should be renamed and reconstituted as National Economic and Development Council (NEDC) by Presidential Order. NEDC should formulate its own procedures to enable it to discharge its responsibilities. The Secretary of the Planning Commission shall act as Secretary to the National Economic and Development Council and the Planning Commission shall provide such administrative and other assistance for the work of the Council as may be needed. A standing Committee of the National Economic and Development Council should be constituted consisting of the Prime Minister, Finance Minister, three other Union Ministers nominated by the Prime Minister, Deputy Chairman of the Planning Commission and Government Reserve Bank of India and six Chief Ministers and from each zone selected by rotation or consensus.

The State Planning Board should perform similar functions for the State Governments as the Planning Commission does at the National level. The Chief Minister should be the chairman of the State
Planning Board as his active support and involvement will be essential for the success of the State level Planning\textsuperscript{14}. In any negotiation and discussion with the Planning Commission, the Deputy Chairman or some Member or senior officer of the State Planning Board should invariably represent the State Government, except where participation of the Chief Minister is considered necessary. Consultation with District Planning Boards should be made obligatory for formulating plans at higher levels.

The institutions like Zila Parishads and elected Municipal Corporations need to be significantly strengthened both financially and functionally. Regular elections and sessions of these institutions is must, and means for ensuring the same in all the States. Uniformly should be evolved by the Union Government in consultation with National Economic and Development Council. For this purpose a legislation analogous to Articles 172 and 174 of the Constitution should be undertaken.

It is necessary to evolve a mechanism like Finance Commission at the State level to enable the State Government take on objective view of resources to be devolved or transferred to the Districts. This body could be designated as State Planning and Finance Board.

\textbf{Seminar on Centre-State Relations, Bangalore, August 5-7, 1983}

The Commission observed that all the healthy democracies laws, conventions and institutions have been continuously adapted to

\textsuperscript{14} \textit{Ibid.}, Vol-2, p.49.
reflect the changing needs, aspirations and sensibilities of the people and the changing distribution of political and economic power in society. The Indian polity has undergone profound changes in the last three decades. The people’s participation in the political process has increased rapidly, and economic development has endowed the nation with a strong industrial and commercial base. New interest groups have come up and old ones have withered. All this has profoundly altered the working of Indian Democracy. But not all of the changes have been desirable, or conductive to its smooth functioning. So the seminar re-examine the Centre-State Relations and suggest changes in the interest of ensuring the long term health of Indian Democracy and fostering the Unity and Integrity of the nation.

The Seminar recommended the establishment of Inter-State Council to deal with the problem relating to Union-State Relation. The Council should consist of the Prime minister and all the Chief Ministers, and be used to appoint key personnel to various offices and institutions which pay crucial role in Union-State Relations such as Governors, The Election Commission, The Planning Commission and the Finance Commission. The Inter-State Council should have an independent Secretariat.

The seminar felt that in the realm of economic and financial relations, planning perspectives and decision making process had

become excessively centralized and that decentralisation would promote more efficient use of scarce resources, activation of latest resources and more harmonious relation between the Centre and the States. The Seminar felt that the Planning Commission should be an autonomous body, functioning under the restructured National Development Council. It was further felt that it should concern itself essentially with the planning and investment and divert itself of the responsibility for all forms of government. The Seminar also felt that the present arrangement for plan formulation and implementation at the state level were seriously inadequate. Organized efforts should therefore be made to strengthen planning machinery at the State level in order that there is no mismatch between autonomy and capacity to formulate and implement development programmes. There is also a continuous exchange of planning experience and information between the Central and State Planning Bodies and among the States.

**Recommendations of National Commission to Review the Working Of the Constitution (NCRWC)**

The National Commission to Review the Working of the Constitution was set up by an executive resolution issued by the Secretary, Department of Legal Affairs, Ministry of Law justice and company affairs on February 22, 2000. Justice M.N.Venkatachaliah retired Chief Justice of the Supreme Court of India and a former Chairman of the National Human Rights Commission was the

18  Sripat misra, n.35, p.15.
Chairman of the Commission (NCRWC). The Commission was set up with the objective to examine in the light of experience of the past fifty years, as to how best the constitution can respond to the changing needs of efficient, smooth and effective system of governance and socio-economics development of modern India within the frame work of Parliamentary democracy and to recommend changes if any, that are required in the provisions of the Constitution without interfering with its basic structure or features.\(^{19}\)

The Commission recommended that Article 263 provides a mechanism for resolving problems by collective thinking, persuasion and discussion through a high level coordinating forum, namely Inter-State Council. In view of frequent friction between the Union and the States and between the States, the Article 263 has become more relevant. The Council should be charged with the duty of

a) Inquiring into and advising upon disputes which may have arisen between the States.

b) Investigating and discussing subjects in which some or all of the States have common interest.

c) Making recommendations upon any such subject and, in particular, recommendations for the better coordination of policy and action with respect to that subject.

The Commission observes that article 263 has vast potential and the same has not yet been fully utilized for resolving various problems

concerning more than one state. Of late, it has been observed that where a treaty is entered into by the Union Government concerning a matter in the State List vitally affecting the interests of the States, no prior Consultation is made with them. The forum of Inter-State Council could be very well utilized for discussion of policy matters involving more than one State and arriving at a decision expeditiously.

The Commission while endorsing the recommendations of the Commission on Centre-State Relations (Sarkaria Commission), recommends that in resolving problems and coordinating policy and action, the Union as well as the States should more effectively utilize the forum of Inter-State Council. This will be in tune with the spirit of Cooperative Federalism requiring proper understanding and mutual confidence and resolution of problems of common interest expeditiously.

In this context it may be appropriate to deal with the genesis of corresponding provision (section 135) in the Government of India Act, 1935. The Joint Parliamentary Commission, (Report, pages, 123,124) observed as under-

“It is obvious that if departments or institutions of Co-ordination or research are to be able to rely on appropriations of public funds sufficient to enable them to carry on their work, the joint interests of Provisional Governments in them must be expressed in some regular and recognized machinery of inter-governmental consultation. Moreover, we think that it will be of vital importance to establish such
machinery at the very outset of the working of the new Constitution. Since it is precisely at that moment that institution of this kind may be in most danger of falling between two stools, through failing to enlist the active interests either of the Federal or the Provisional Government, both of whom will have many other more immediate occupation”.

The idea in the last Sentence of report as to the ‘Vital importance’ of establishment of such institutions at the very outset of the working of the Constitution seems to have been misused.

**Recommendation of the Commission on Centre-State Relations (Punchi Commission)**

The Commission on Centre-State Relations was constituted in April 2007. Justice (Retd.) Madan Mohan Punchi was appointed as the Chairman of the Commission. The Commission submitted its report on April 19, 2010 to the Union Minister Shri P.Chidambaram in New Delhi. The Commission was constituted for the purpose to take a fresh took at the various levels of government and their inter-relation. It was asked to make recommendations to meet the emerging challenges. The Commission reviewed the working of the existing arrangements between the Union and the State as per the constitution. It also viewed the social and economic developments, particularly over the last two decades and have due regard for the scheme and frame work of the Constitution.
Recommendations to strengthen and empower the Inter-State Council

On the issue of creating a forum for co-ordination of inter-governmental relation, this Commission is of the considered view that the Inter-State Council (ISC) need to be substantially strengthened and activated as the key player in intergovernmental relations. It must meet at least thrice a year on the agenda evolved after proper consultation with the states. It a decision by consensus does not work in the Inter-State Council, it may be taken by majority in matters of national concern. The Inter-State Council must be empowered to follow up the implementation of its decision for which appropriate statutory provisions should be made.

The government will be well advised to evolve an appropriate scheme to utilize the full potential of ISC in harmonizing Centre-State relations which has become urgent in the changed circumstances. Issues of governance must as far as possible be sorted out through the political and administrative process rather than pushed to long drawn adjudication in the Court.

The Council has not been assigned the function envisaged in clause (a) of article 263 of the Constitution namely, inquiring into and advising upon disputes , which may have arisen between states as recommended by the Sarkaria Commission. Very recently (2008) the Administrative Reforms Commission recommended that the conflict resolution role envisaged for the ISC under article 263(a) of the
Constitution should be effectively utilized to find solutions to disputes among states or between all or some of the states and the union. It further added that the composition of Inter-State Council may be flexible to suit exigencies of the matter referred to it under Article 263. The Supreme Court even suggested an adjudication role to the Council in certain types of disputes involving Union and the States. Particularly on matters of policy where a consensual settlement is desired, the ISC could negotiate a more acceptable resolution of the dispute among the constitution entities.

The Council is empowered under the presidential order of 1990 to work out its own procedures with the approval of the government together with the full range of functional empowerment under Article 263, the Council should have functional independence with a professional Secretariat constituted with experts on relevant fields of knowledge supported by Central and State officials on deputation for limited periods. The Secretary of Inter-State Council should be designated ex-officio Secretary of the department of states reporting directly to the Union Home Minister who is to be ex-officio Deputy Chairman of the Council. Given the Constitutional and quasi-judicial tasks, the Council should have experts in its organizational set up drawn from the disciplines of law, Management and political science besides the All India Services. The proposed legislation should give the Inter-State Council an organizational and management structure different from the government departments and flexible enough to
accommodate management practices involving multidisciplinary skills conductive to federal governance under the Constitution.

Federalism is a living faith to manage diversities and it needs to be supported by institutional mechanisms to facilitate co-operation and co-ordination among the Units and between the Units and the Unions. Co-operative federalism is easily endorsed but difficult to practice without adequate means of consultation at all levels of government. The Constitution has provided only limited institutional arrangements for the purpose and regrettably they are not adequately utilized. In this context, the Commission strongly recommends the strengthening and mainstreaming of the Inter-State Council to make it vibrant forum for all tasks contemplated in clause (a) and (c) of Article 263. Though the article does not provide a dispute settlement function to the Council, it envisages the Council to inquire into and advise on disputes between States towards settlement of contested claims. The Commission is of the view that the Council should be nested with the powers and functions contemplated in article 263 (a) also as it would further enhance the capacity of the Council. The Council can further have expert advisory bodies or Administrative Tribunals with quasi-judicial authority to give recommendation to the Council if and when needed.

The Commission is of the view that the Council is an extremely useful mechanism for consensus building and voluntary settlement of disputes if the body is staffed by technical and management experts.
and given the autonomy required for functioning as constitutional body independent of the Union and the States. It should have sufficient resources and authority to carry out its functions effectively and to engage civil society besides government and other public bodies.

**Recommendation on Planning Commission and plan formulation**

It is the considered view of the Commission that approach to planning needs to be changed in keeping with the changed economic situation. Most of the States favoured flexibility in the formulation and implementation of State Plans. While the Planning Commission may finalize the Five Years Plans in consultation with states to ensure broad correspondence with the national objectives, detailed exercise of approving states, annual plans may not be necessary. The state should be given freedom to plan according to their own needs and priorities within the framework of nationally accepted priorities.

Planning Commission’s role in the post reform period should be that of co-ordination to ensure that the sectoral plans drawn by different ministries are in conformity with the overall objectives of the plan. This may not require parallel subject matter divisions in the Planning Commission. The practice of ministries seeking changes in approved projects may be dispensed with as long as sectoral allocations are adhered to. The Commission also recommended the multi-years budgeting by the Central and State governments at the
earliest. While the Planning Commission may finalise the Five Years Plans in consultation with the states to ensure broad correspondence with the national objectives, detailed exercise of approving State Annual Plans may not be necessary. The States should be given freedom to plan according to their own needs and priorities within the framework of nationally accepted priorities. The plans outlays should be based on realistic estimates of resources and within the fiscal responsibility and budget management targets steps should be taken to restore the share of state plan outlays to the previous levels.

As the Gadgil formula last revised more than 18 years ago, we recommend its revision in the light of recent developments. The Commission also recommended that the number of Centrally Sponsored Schemes should be restricted to flagship programmes of national and regional importance. Accordingly, we recommend reduction in the number of Centrally Sponsored Schemes and their funding in a phased manner spread over the next five years. There should also be flexibility in guidelines governing the implementation of Centrally Sponsored Schemes to suit state-specific situation. The share of poor States in externally aided projects has been negligible. Efforts should taken to enable the poorer states to access the externally aided projects.

The Second Administrative Reforms Commission based upon the input received by a cross section of public opinion and most of the state governments has come to the conclusion that the continuance of
a ‘stand alone’ ministry with partial responsibility for the north-east region is not in long term interest and have therefore recommended its abolition. The Commission is of the view that in place of multiplicity of institutions that are existing at present to address the problem of the north-east, there is a strong case for setting up a single institution. This coordinating and planning role should be undertaken by the Planning Commission which should set up a regional unit by subsuming the North Eastern Council Secretariat and placing Commission preferably located in North East and having the required empowerment and fund.

In the opinion of the Commission, the Planning commission has a crucial role in the current situation. But its role should be that of coordination rather that of micro managing sectoral plan of the central ministries and the states. The planning Commission needs to concentrate on bringing about a system of multi-year budgeting in conjunction with the Ministry of Finance. Planning Commission has an importance role in making recommendations over a wide area of public policy along with the Reserve Bank of India, The Economic Advisory Council to the prime ministers and other Commissions and think tanks 20.

**Specific Suggestions**

Planning in our country involves channelization of development efforts in the context of inter-dependent economic situation and

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20 Internet: http://planningcommission.nic.in/htm.
processes. The National Plan is not only a plan for the Central Sector but also a coordinated plan of the States. As pointed out earlier, a close coordination between the Union and the States in the planning process is essential. The Planning Commission has been performing a dual role as, besides advising and participating in the planning functions of the Union Ministries, it has also been advising the States and coordinating their plans. Its tasks are overseen by the NDC. So the Planning Commission’s role should not be limited to the Central Sector of the economy but also to the State Sector.

The Union and the States have become familiar with the working of the Planning Commission and the National Development Council during recent decades and have become well aware of their merits, utility, deficiencies and limitations. The remedy, therefore, lies in reforming these institutions and their working, assuring at the same time full and effective consultation with the States at all stages of the planning process so that they feel that their role in it is not that of a supplicant, but of an equal participant.

Conventions have a great role to play in this connection. If healthy conventions are established in regard to consultation with the Planning Commission and due weight is given to its recommendations, then all apprehensions in regard to domination by the Union and Planning Commission being a limb of the Union Government would disappear. It is pertinent to note that while the Planning Commission functions as an advisory body, it is the NDC
that takes all the final decisions. The size and contents of the Plan, the objectives and strategies are all decided by the NDC, which is the highest political body at the national level.

No planning process can be successful unless both the Union and the States have and display total commitment to it and observe the necessary discipline. But the State Plans are suffering from the fact that their Planning Boards are not in a position to perform a corresponding role at the State level. If only the State Planning Board were enabled to function in the same manner as the National Planning Commission, there would have been greater adherence to Plan priorities, better maintenance of inter-sectoral balance and less of departmentalization. An effective State level body would greatly help the Planning Commission at the national level in assessing States' resources and making inter-sectoral allocations in a more realistic manner. In fact, the Planning Commission would then be able to limit its scrutiny to the core sector plan of the States, leaving the rest to be determined by the State level body within the broad parameters of the accepted national plan.

Healthy conventions should develop to the effect that the advice given and decisions taken at National Development Council meetings would be respected. Indeed, the very representation by Union Ministers and States’ Chief Ministers with Prime Minister as the Chairman, on this forum, given constitutional status under Article 263, should be a sufficient guarantee for commitment to its decisions.
It need not have technical experts as its members. But it may obtain technical expert advice from the Union and the State Governments and also from other sources whenever necessary. It should formulate its own procedure to enable it to discharge its responsibilities.

A major problem besetting effective functioning of the National Development Council has been that it is too large a body which has not been able to pay collective attention to the details of the matters. To meet this problem, it should have a Standing Committee as mentioned earlier. In fact, the Standing Committee of Chief Ministers set up in late fifties and early sixties was found to have been useful in terms of indepth consideration of issues. It is regrettable that this Committee was later discontinued.

In resolving Centre-State and Inter-State problems and coordinating policy and action, the Union as well as States should more effectively utilize the forum of Inter-State Council. This will be in tune with the spirit of Co-operative Federalism requiring proper understanding and mutual confidence and resolution of problems of common interest expeditiously. Similarly Common Minimum programme(CMP) of the United Progressive Alliance (UPA) government also stressed the need for strengthening Union-State Relations through Inter-Governmental Agencies like Inter-State Council.

The location of Inter-State Council Secretariat in the Union Home Ministry tends to make it an organ of the Central Government rather than an autonomous Federal Agency. Two alternative sites for
its location were considered namely the Cabinet Secretariat and Rajya Sabha Secretariat. The latter would be more appropriate and autonomous ground as Rajya Sabha is the representative chamber of the States of India. Some procedural reforms like holding regular and in-camera meetings with advanced agenda, preparatory groundwork and flexible and consensual rules of business are important in this regard.