

# Panel backs pressing pause button on fiscal deficit target

## Govt May Get Room To Spend More On Infrastructure, Housing

Sidhartha & Surojit Gupta | TNN

**New Delhi:** Days ahead of the 2017-18 Budget, a government-appointed panel on fiscal plans is learnt to have appreciated the Centre's compulsion to meet demands of "inescapable expenditure," a sympathetic view which can potentially provide a headroom for the government to step up spending by putting a pause on the fiscal consolidation plan.

The panel set up to review the Fiscal Responsibility and Budget Management (FRBM) Act, headed by former Planning Commission member N K Singh, submitted its report to finance minister Arun Jaitley on Monday. Sources said it has also advised that the government should avoid "profligacy" but may be allowed to hit the "pause button" to meet pressing and productive spending needs, particularly on infrastructure, housing and social sectors.

The panel's report is expected to feed into the budget, which will be presented before Parliament on Fe-



**NEW SUPPORT:** (From left) CEA Arvind Subramanian, former finance secretary Sumit Bose, FM Arun Jaitley, FRBM committee chairman N K Singh and RBI governor Urjit Patel during the presentation of the report in New Delhi on Monday

bruary 1 and provides the government enough reasons to step up spending on key sectors without compromising on overall need for fiscal consolidation. The window of opportunity provided by the panel's recommendations may provide enough elbow room to the government to spend more in the current financial year and help sectors which may have faced the brunt of the demonetisation drive.

Sources said the FRBM review

panel is learnt to have avoided fixing the fiscal deficit at 3% of GDP by 2017-18. Amendments to the FRBM Act had pushed back the target of achieving 3% fiscal deficit to 2017-18 and the panel is understood to have pushed for a higher ceiling given the spending and stimulus need.

In 2005-06 Budget, then finance minister P Chidambaram had hit the pause button, citing strain on the budget due to recommendations of the 12th Finance Com-

mission. The NDA government had been faced with a similar situation last year but Jaitley had opted to go for fiscal prudence and kept the fiscal deficit at 3.5% of GDP for 2016-17 without compromising on developmental needs.

In his 2016-17 Budget speech, Jaitley had said that the FRBM Act had been under implementation for more than a decade and both Central and state governments had made significant gains from implementation. "There is now a school of thought which believes that instead of fixed numbers as fiscal deficit targets, it may be better to have a fiscal deficit range as the target, which would give necessary policy space to the government to deal with dynamic situations. There is also a suggestion that fiscal expansion or contraction should be aligned with credit contraction or expansion respectively, in the economy," FM had said, while announcing setting up of the panel. The recommendations balance concerns of RBI governor Urjit Patel, who is against pursuing a loose fiscal policy.