States failure in constituting State Finance Commission has affected the empowerment & finances of local bodies. In what ways the 15th Finance Commission can address those problems? Discuss

The Constitutional obligation of the state to set up a finance commission through the 73rd & 74th amendments is a landmark legislation in empowering local bodies fiscally.

However, most states have either failed to constitute or failed to follow the awards of their SFCs, as a result, for instance, no SFCs have been able to give a roadmap for property tax reforms, as the case pointed out in Economic Survey 2016-17

The need is to address the problems of SFCs & suitably correct it, such as —

- There is no formulaic devolution of funds from states to local bodies. and so, the states show bias in fund transfer. Here, the 15th Central Finance Commission [CFC] can look to use Public Finance Management System [PFMS] for efficient tracking of funds while devolution to states.
- Following the implementation of GST, the civic bodies have lost their autonomy to states. Here SFCs must step-up to identify new sources of revenue & 15th CFC can contribute by earmarking additional funds for those states that set-up SFC constitutionally.

- Some urban economists suggests to incorporate the measure of decentralisation in the devolution formula of Central Finance Commission's awards.

CFC are also mandated to augment the consolidated fund of state for local bodies. This is based on the recommendation of SFC. In present scenario, unless SFCs are regularly constituted by the states, the Central Finance Commission must directly deal with local bodies.

While 15th CFC can do less to empower the local bodies, it is the ruling state government that has to be held accountable by stakeholders for not setting up SFCs constitutionally for every 5 years.