

## FRBM Review Committee [N.K.Singh Committee]

The FRBM Review Committee was formed in 2016 under the chairmanship of N.K.Singh with a mandate to review the Fiscal Responsibility & Budget Management (FRBM) Act. This is an important topic for the IAS exam and is a part of the economy segment of the [UPSC syllabus](#).

### FRBM Review Committee

The FRBM Act was enacted in 2003 and in 2016, the government felt that a lot of time had elapsed since the act had come into force and there was a need to review it. Since the time the act was enacted, there were a lot of changes in the Indian economy, which had grown and also been more conducive to foreign investment than it had been in 2003.

The FRBM Review Committee was formed under the chairmanship of a former Revenue and Expenditure Secretary Nand Kishore Singh. The other members of the committee included former RBI Governor Urjit Patel, former Finance Secretary Arvind Subramanian, among others.

The committee submitted its report in 2017.

Read more on the [FRBM Act](#) in the linked article.

### NK Singh Committee Objectives

The objectives of the N.K.Singh Committee were the following:

1. Review comprehensively the FRMB Act in light of the current changes, historical outcomes, international economic developments and global best practices.
2. Give a future fiscal framework and roadmap for the country.
3. Later on, the terms of reference for the committee were widened to seek its views on some recommendations of the 14th [Finance Commission](#) and the Expenditure Management Commission.

### N.K.Singh Committee Recommendations

The committee submitted its report in January 2020 and it was made public in April that year. The major recommendations of the N.K.Singh Committee are discussed below.

- It proposed to replace the FRBM Act, 2003 with a Debt Management and Fiscal Responsibility Bill, 2017.
- Debt to GDP Ratio
  - The debt to GDP ratio should be 38.7% for the central government, 20% for the state governments together by the FY 2022 - 23.
- Fiscal deficit
  - By FY 2022 - 23, the [fiscal deficit](#) should be 2.5% of GDP.
- The committee recommended achieving the above targets by a 'glide path', that is, a steady progress towards them, by achieving annual targets until 2023.
- Fiscal Council
  - It recommended the setting up of an autonomous Fiscal Council, whose role would be:
    - To prepare multi-year fiscal forecasts.
    - To improve fiscal data quality.
    - To suggest changes to the fiscal strategy.
    - To advise the government on fiscal matters.

- The committee recommended that the government could deviate from the targets in the following scenarios:
  - National calamity, war, in considerations of national security, agricultural collapse affecting incomes and outputs.
  - Structural reforms in the economy having fiscal implications.
  - A decline in real output growth of at least 3% below the average of the previous four quarters.
- The 15th Finance Commission should recommend the debt trajectory for each state based on their track record of fiscal health and prudence.
- The centre should borrow from the Reserve Bank of India only when:
  - It has to meet a temporary shortfall in receipts.
  - RBI subscribes to g-secs to fund any deviation from the prescribed targets.
  - RBI buys g-secs from the secondary market.
- Compatibility of monetary and fiscal policies
  - The committee recommended that both the monetary and fiscal policies must ensure macroeconomic stability and growth in a complementary manner.
  - To this end, the inflation targeting regime and fiscal rules have to interact with each other.