

DAY 02

Innovations in Budgeting & Financial Management

01 Green Budgeting: with wide appreciation of concerns of climate change and given India's commitment to reduction in GHG emissions, there is emerging interest in utilising tools such as green budgeting to leverage the fiscal space available with governments. Some state governments are presenting green budgets. A session on green budgeting can help provide some momentum for using this tool more effectively for policy making. Experts from the World Bank will present ideas from international experience. Select States which have explored this space can be invited to present the benefits from using this tool and challenges they face in operationalising this tool.

02 Innovations in state finances: States will be invited to present results of experiments and innovations undertaken by them for augmenting revenues or for better financial management in the state.

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Unveiling the
STATE FORUM
Transform
Prosper
To share Ideas
and Innovations
In State Finances!

- Join Us on 2-3 November 2023
@ NIPFP, New Delhi

Introduction

India is the fifth largest economy in the world and expects to become the third largest economy in the near future. There are aspirations to become a developed country by the time India completes 100 years of its existence and alongside there is an articulated need for improving the quality of life for the citizens. States in India play an important role in translating aspirations and ambitions into actions and achievements. A number of states expressed intentions of expanding their economies to a trillion dollars and have been spelling out policy initiatives for reaching this goal. Sustainable development goals too are another important focus theme for the Union government as well as state governments – with focused effort to step up performance on these goals. Prior to the impact of COVID-19 pandemic, there is a systematic increase in the SDG index for all states.

There are some emerging concerns as well – fiscal sustainability has been undermined following the shock to the economy and the need for enhanced fiscal support during the pandemic. States are also seeking to expand the scope of welfare spending and subsidies, which has raised some concerns on fiscal space. More so given the need for and commitment to augment infrastructure investment, which is considered a pre-requisite for improved investment climate and higher growth. Increased occurrence of disasters with higher intensities following from global warming too are now recognised as another challenge to the economy as well as the fisc.

On the revenue front, with the introduction of goods and services tax (GST), it is recognised that there is a change in the profile of revenues for states with a sharp reduction in autonomy in raising revenues. There is evidence of efforts by states to experiment and innovate to raise revenues as well as to improve delivery of public goods and services.

In partnership with World Bank, the National Institute of Public Finance and Policy proposes to institute an annual **“STATE FORUM”** - a space for sharing analysis on emerging issues with states as well as for states to share their innovations and experiments. The State Forum will be an annual event and Bank will partner for the next three years with NIPFP in organising this event.

Why “State Forum”?

The state forum is meant to be a space to share ideas and experiences in managing state finances in India. There is no forum presently available to the States for sharing of such experiences that provide a comprehensive understanding of their fisc and overall economic direction. There is an annual conference of State Finance Secretaries that RBI convenes usually in May-June but that is confined more to fiscal issues and rarely goes into "success stories" on innovations, reform initiatives or experiments. Even in the heyday of Planning Commission such a forum did not exist. This exercise will be a unique platform which can create significant spillover benefits of knowledge. NIPFP, an institution set up through cooperation between the Union Government and the State Governments, with active engagement with States, is best equipped to host it. The event would begin with an annual overview of the state of State Finances in India, prepared and presented by NIPFP. This would be followed by presentations on analysis of some emerging issues in state finances. Further, a session would be dedicated to “Innovations by States”, where select states would be invited to share the results of any innovative practices initiated in the states, either to augment receipts or to improve expenditure management.

State Forum 2023:

PROGRAMME AGENDA

The first edition of STATE FORUM is being organised during November 02-03, 2023. The proposed agenda is presented below

DAY 01

Emerging issues in State Finances

- 01** Overview of state finances: An analysis of the state finances as reflected in the budgets will be presented to help identify some emerging issues in terms of fiscal sustainability.
- 02** Analysis of Debt and fiscal sustainability of states and introduction to the FSA Toolkit of the World Bank to illustrate gains from using such a comprehensive framework. Experiences of any states in India and/or any countries which have been able to utilise the tool for more effective policy formulation could be presented.
- 03** Understanding subsidies in state finances: There are emerging concerns in India on the nature of spending decisions of governments. While explicit subsidies on food, and fertilizer have been on the radar for a long time, there is now a debate on announcements being made by state governments on say free electricity and free transport. In this context, an analysis of expenditures of states will be presented to understand how expenditures can be classified into subsidies, public goods, merit goods and welfare and explore impact on flexibility in spending decisions.