

ASIAN DEVELOPMENT BANK (ADB) AND THE GOVERNMENT OF INDIA SIGN \$300 MILLION LOAN TO PROMOTE FURTHER FISCAL REFORMS IN WEST BENGAL

The Asian Development Bank and the Government of India signed a \$300 million loan on 24th October, 2017 to continue a series of fiscal reforms in the State of West Bengal to improve the quality of public service delivery.

The Second West Bengal Development Finance Program targets a further increase in public investment through reduction of unproductive expenditure, and savings from efficiencies in revenue collections. The Program will build on earlier intervention under Phase I of the project through the \$400 million Program that targeted a comprehensive fiscal consolidation program in the state.

“The Program aims to further deepen the reforms with focus on expenditure rationalization, improvement in revenue administration, and facilitation of more private investment in the state” said Mr. Sameer Kumar Khare, Joint Secretary, Department of Economic Affairs, Ministry of Finance who signed the loan on behalf of the Government of India.

“The new Program will create the fiscal space necessary to sustain higher public investment in the State which could put the state’s finances on a balanced and sustainable path,” said Mr. Kenichi Yokoyama, ADB Country Director for India, who signed for ADB. The program agreement was signed by Mr. Parwez Ahmad Siddiqui, Secretary, Finance Department, Government of West Bengal.

ADB’s first Program focused on augmenting public investments that reached almost 1.3%, as a percentage of gross state domestic product, in FY2016 from 0.5% in FY2012 while the fiscal deficit reduced to 2.2% from 3.4% in the same period. The new Program will not only target public investment but would also support private investments more directly by creating an infrastructure facility to support project preparation, development, and appraisal, with emphasis on public-private partnerships in health and education. It also seeks to simplify the registration and licensing procedure for micro, small and medium enterprises.

Spread over two years, the Program will also carry forward reforms such as linking medium term expenditure plans to actual budgets, supported by strengthening internal audit system, and enhancements in the integrated financial management system (IFMS). Other activities under the program include improved tax monitoring and continued support for information technology systems in strengthening tax and land administration.

Capital outlay as a percentage of gross state domestic product is expected to rise to 2.2% by FY2022 under the second program, with improved budget allocations geared toward development expenditure.

Accompanying the loan is a technical assistance grant of \$500,000 to strengthen key institutions responsible for carrying out fiscal management reforms in the state.