

Current Public Finance Scenario and Fiscal Federalism

MCHRD

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SCOPE

- **What is PF & Fiscal Federalism ?**
- Why is this topic Important?
- Constitutional Provisions
- The 14 Finance Commission & NITI
- Cooperative and Competitive Federalism in Action
 - Games Gol (UPA and NDA) play
 - Games States Play

Components of Public Finance

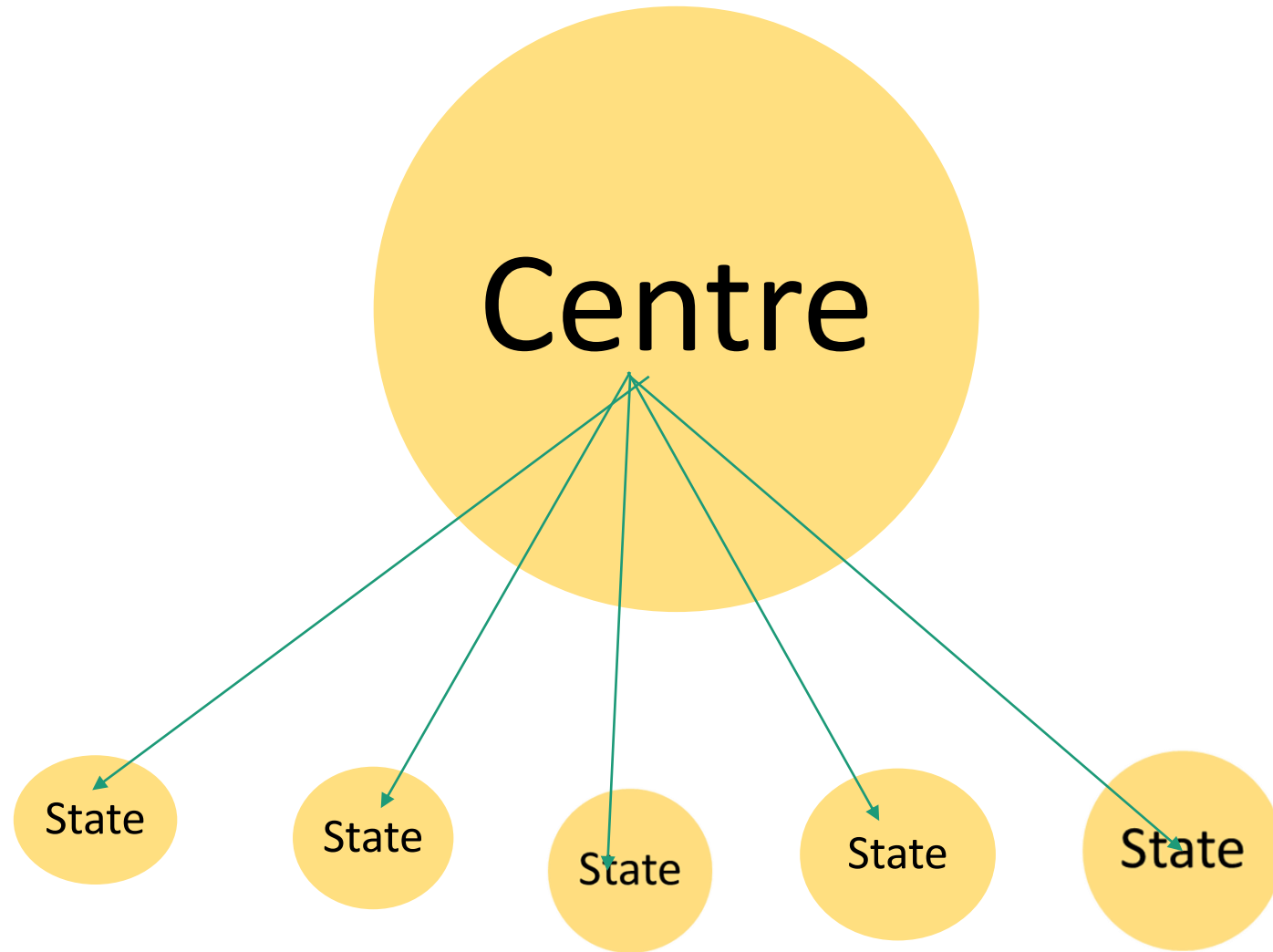
Revenue

Expenditure

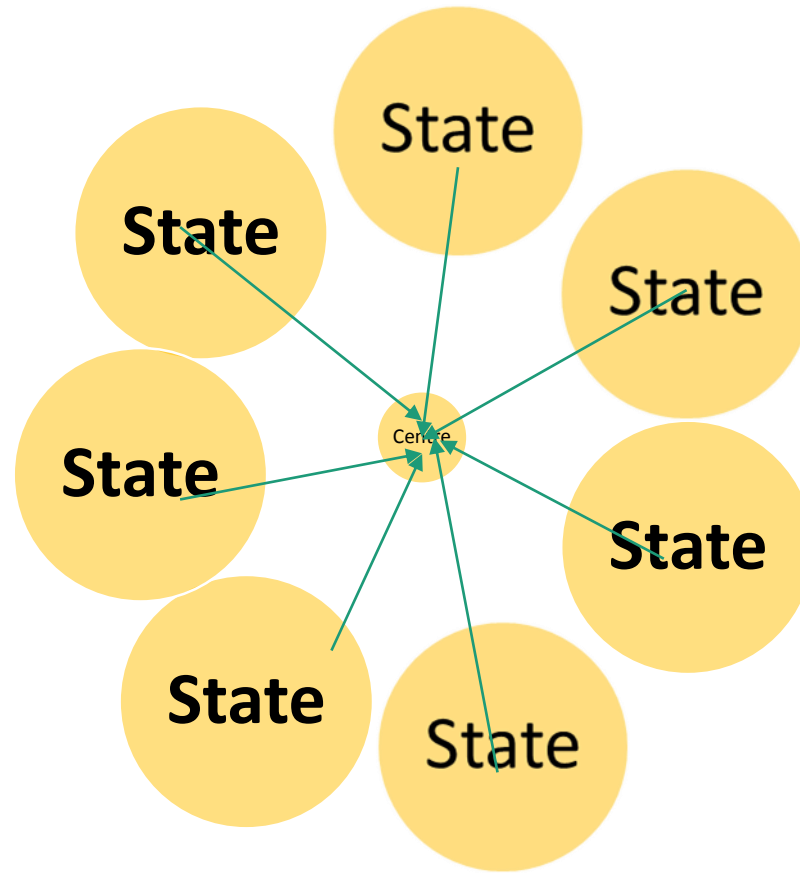
Borrowing

Saving

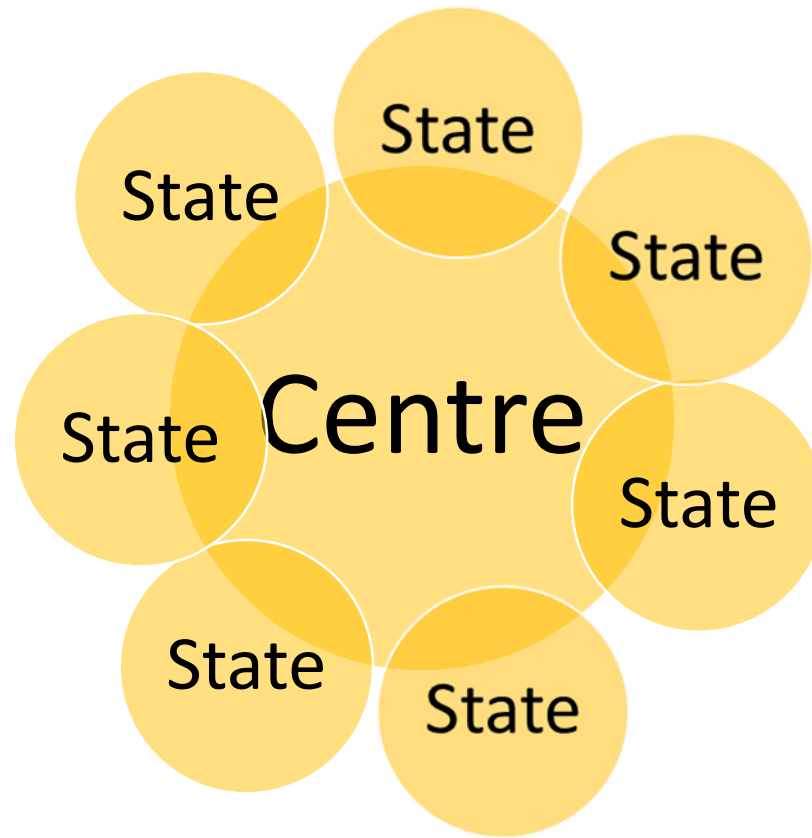
Unitary



Confederation



Federalism



3 Ideas of Federalism?

- Combination of self rule and shared rule
- Distribution of Power
 - Centre
 - Regional
 - Kulturhoheit- autonomy in culture and edu
- Multiple Identities
 - Coexisting with multiple orders of Govt
 - Change with electoral system; levels of development; religious divisions , geography.

Promise of Federalism

- Enhance democracy
 - subsidiarity – closer to citizen, **Empower LG**, Horizontal separation of powers- induce competition
- Improve governance
 - **improve accountability**. Customised approach, allow regional variation
- Manage ethno linguistic diversity
 - Language; Religion, ethnic

Foundations of of Federalism

- Legal
 - Constitution- combination of rules constituting a polity
 - Referee- Constitutional Court
- Political
 - How to balance autonomy of a region with universal rights for individual citizens - political rather than legal issue
 - Belgium/ Switzerland
 - Customised approach, allow regional variation

Foundations of Federalism

- **Social**
 - Territorial based communities given autonomy
 - Livingston
 - *Institutional devices both in form and function are only the surface manifestations of the deeper federal quality of society that lies beneath the surface. The essence of federalism lies not in the institutional or constitutional structure but in society itself*
 - Politics and society determine the day to day workings of federalism as well as its its long term strategy

Barriers to Federalism

- Lack of territorial concentration
- Communities too small
- Different communities may have competing claims to the same region
- Creation of states may create a new minority
- Recentralisation
 - Capacity
 - National Projects

SCOPE

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 - Games Gol (UPA and NDA) play
 - Games States Play

Two Reasons

- Centre/States want more resources
- States can borrow less money

**Table 4.4: Poverty Ratio and Number of Poor in 2011-12
based on Proposed Methodology**

S. No.	States/UTs	RURAL		Urban		Total	
		% age of Persons	No. of Persons (lakhs)	% age of Persons	No. of Persons (lakhs)	% age of Persons	No. of Persons (lakhs)
1	Andhra Pradesh	12.7	71.5	15.6	45.7	13.7	117.3
2	Arunachal Pradesh	39.3	4.3	30.9	1.0	37.4	5.3
3	Assam	42.0	114.1	34.2	15.4	40.9	129.5
4	Bihar	40.1	376.8	50.8	61.4	41.3	438.1
5	Chhattisgarh	49.2	97.9	43.7	26.9	47.9	124.8
6	Delhi	11.9	0.5	15.7	26.3	15.6	26.7
7	Goa	1.4	0.1	9.1	0.8	6.3	0.9
8	Gujarat	31.4	109.8	22.2	58.9	27.4	168.8
9	Haryana	11.0	18.4	15.3	14.0	12.5	32.4
10	Himachal Pradesh	11.1	6.9	8.8	0.6	10.9	7.5
11	Jammu & Kashmir	12.6	11.7	21.6	7.6	15.1	19.3
12	Jharkhand	45.9	117.0	31.3	25.5	42.4	142.5
13	Karnataka	19.8	74.8	25.1	60.9	21.9	135.7
14	Kerala	7.3	12.3	15.3	26.0	11.3	38.3
15	Madhya Pradesh	45.2	241.4	42.1	86.3	44.3	327.8
16	Maharashtra	22.5	139.9	17.0	88.4	20.0	228.3
17	Manipur	34.9	6.7	73.4	6.3	46.7	12.9
18	Meghalaya	26.3	6.4	16.7	1.0	24.4	7.4
19	Mizoram	33.7	1.8	21.5	1.2	27.4	3.1
20	Nagaland	6.1	0.8	32.1	1.9	14.0	2.8
21	Orissa	47.8	169.0	36.3	26.0	45.9	195.0
22	Punjab	7.4	12.9	17.6	18.7	11.3	31.6
23	Rajasthan	21.4	112.0	22.5	39.5	21.7	151.5
24	Sikkim	20.0	0.9	11.7	0.2	17.8	1.1
25	Tamil Nadu	24.3	91.1	20.3	72.8	22.4	163.9
26	Tripura	22.5	6.1	31.3	3.2	24.9	9.3
27	Uttar Pradesh	38.1	600.9	45.7	208.2	39.8	809.1
28	Uttarakhand	12.6	8.9	29.5	9.4	17.8	18.4
29	West Bengal	30.1	188.6	29.0	86.8	29.7	275.4
30	Puducherry	5.9	0.2	8.6	0.7	7.7	1.0
31	Andaman & Nicobar Islands#	6.6	0.2	4.9	0.1	6.0	0.2
32	Chandigarh#	12.0	0.0	21.5	2.3	21.3	2.3
33	Dadra & Nagar Haveli#	55.2	1.0	15.3	0.3	35.6	1.3
34	Daman & Diu#	0.0	0.0	17.6	0.4	13.7	0.4
35	Lakshadweep#	0.6	0.0	7.9	0.0	6.5	0.0
	All India	30.9	2605.2	26.4	1024.7	29.5	3629.9

Where India Stands- Health

	HDI Rank Value 2015	Life Expectancy Birth 2014 (in Years)	Public Exp on Health 2013 (% of GDP)	U5MR	MMR
Germany	06	80.9	8.7	4	7
Brazil	75	74.5	4.7	14	69
China	90	75.8	3.1	14	32
S. Africa	116	57.4	4.3	45	140
India	130	68.0	1.2	49	167

Where India Stands- Health

Table 9.1 : Selected Indicators of Human Development for Major States

Sl. State		Life expectancy at birth						Infant mortality rate (Per 1000 live births)						Birth rate (Per 1000)		Death rate (Per 1000)		Total Fertility Rate (TFR)	
		2001-05			2009-13			2005			2013			2005	2013	2005	2013	2005	2013
		Male	Female	Total	Male	Female	Total	Male	Female	Total	Male	Female	Total	Total	Total	Total	Total	Total	Total
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
1	Andhra Pradesh	62.8	67.5	65.0	65.5	70.4	67.9	56	58	57	39	40	39	19.1	17.4	7.3	7.3	2.0	1.8
2	Assam	58.4	60.3	59.2	61.9	65.1	63.3	66	69	68	53	55	54	25.0	22.4	8.7	7.8	2.9	2.3
3	Bihar	64.2	64.1	64.2	67.3	68.0	67.7	60	62	61	40	43	42	30.4	27.6	8.1	6.6	4.3	3.4
4	Gujarat	63.7	67.8	65.7	66.0	70.5	68.2	52	55	54	35	37	36	23.7	20.8	7.1	6.5	2.8	2.3
5	Haryana	65.0	68.2	66.5	65.8	70.9	68.2	51	70	60	40	42	41	24.3	21.3	6.7	6.3	2.8	2.2
6	Himachal Pradesh	67.4	71.8	69.5	69.0	73.1	71.0	47	51	49	33	36	35	20.0	16.0	6.9	6.7	2.2	1.7
7	Jammu & Kashmir	67.1	69.9	68.4	70.6	74.0	72.0	47	55	50	36	38	37	18.9	17.5	5.5	5.3	2.4	1.9
8	Karnataka	63.9	68.5	66.1	66.4	70.8	68.5	48	51	50	30	32	31	20.6	18.3	7.1	7.0	2.2	1.9
9	Kerala	70.5	76.7	73.6	71.8	77.8	74.8	14	15	14	10	13	12	15.0	14.7	6.4	6.9	1.7	1.8
10	Madhya Pradesh	58.9	60.5	59.7	62.5	65.5	63.8	72	79	76	52	55	54	29.4	26.3	9.0	8.0	3.6	2.9
11	Maharashtra	66.3	69.7	68.0	69.4	73.4	71.3	34	37	36	23	25	24	19.0	16.5	6.7	6.2	2.2	1.8
12	Odisha	59.6	62.1	60.8	63.8	65.9	64.8	74	77	75	50	52	51	22.3	19.6	9.5	8.4	2.6	2.1
13	Punjab	67.5	70.2	68.8	69.1	73.4	71.1	41	48	44	25	27	26	18.1	15.7	6.7	6.7	2.1	1.7
14	Rajasthan	63.0	66.0	64.5	65.4	70.0	67.5	64	72	68	45	49	47	28.6	25.6	7.0	6.5	3.7	2.8
15	Tamil Nadu	65.7	65.7	67.2	68.2	72.3	70.2	35	39	37	20	21	21	16.5	15.6	7.4	7.3	1.7	1.7
16	Uttar Pradesh	60.6	61.1	60.8	62.5	65.2	63.8	71	75	73	49	52	50	30.4	27.2	8.7	7.7	4.2	3.1
17	West Bengal	65.7	68.9	67.2	68.5	71.6	69.9	38	39	38	30	33	31	18.8	16.0	6.4	6.4	2.1	1.6
	India	63.1	65.6	64.3	65.8	69.3	67.5	56	61	58	39	42	40	23.8	21.4	7.6	7.0	2.9	2.3

Source : Sample Registration System and SRS Statistical Report, Office of the Registrar General of India, Ministry of Home Affairs.

Where India stands – Education

Sl.No.	States/Union Territories	1951	1961	1971	1981	1991	2001	2011
1	2	3	4	5	6	7	8	9
1	Andhra Pradesh	na	21.2	24.6	35.7	44.1	60.5	67.0
2	Arunachal Pradesh	na	7.1	11.3	25.6	41.6	54.3	65.4
3	Assam	18.5	33.0	33.9	na	52.9	63.3	72.2
4	Bihar	13.5	22.0	23.2	32.3	37.5	47.0	61.8
5	Chhattisgarh	9.4	18.1	24.1	32.6	42.9	64.7	70.3
6	Gujarat	21.8	31.5	37.0	44.9	61.3	69.1	78.0
7	Haryana	na	na	25.7	37.1	55.9	67.9	75.6
8	Himachal Pradesh	na	na	na	na	63.9	76.5	82.8
9	Jammu & Kashmir	na	13.0	21.7	30.6	na	55.5	67.2
10	Jharkhand	12.9	21.1	23.9	35.0	41.4	53.6	66.4
11	Karnataka	na	29.8	36.8	46.2	56.0	66.6	75.4
12	Kerala	47.2	55.1	69.8	78.9	89.8	90.9	94.0
13	Madhya Pradesh	13.2	21.4	27.3	38.6	44.7	63.7	69.3
14	Maharashtra	27.9	35.1	45.8	57.2	64.9	76.9	82.3
15	Manipur ^a	12.6	36.0	38.5	49.7	59.9	70.5	76.9
16	Meghalaya	na	26.9	29.5	42.1	49.1	62.6	74.4
17	Mizoram	31.1	44.0	53.8	59.9	82.3	88.8	91.3
18	Nagaland	10.5	22.0	33.8	50.3	61.7	66.6	79.6
19	Odisha	15.8	21.7	26.2	33.6	49.1	63.1	72.9
20	Punjab	na	na	34.1	43.4	58.5	69.7	75.8
21	Rajasthan	8.5	18.1	22.6	30.1	38.6	60.4	66.1
22	Sikkim	na	na	17.7	34.1	56.9	68.8	81.4
23	Tamil Nadu	na	36.4	45.4	54.4	62.7	73.5	80.1
24	Tripura	na	20.2	31.0	50.1	60.4	73.2	87.2
25	Uttar Pradesh	12.0	20.9	24.0	32.7	40.7	56.3	67.7
26	Uttarakhand	18.9	18.1	33.3	46.1	57.8	71.6	78.8
27	West Bengal	24.6	34.5	38.9	48.7	57.7	68.6	76.3
28	Andaman & Nicobar Islands	30.3	40.1	51.2	63.2	73.0	81.3	86.6
29	Chandigarh	na	na	70.4	74.8	77.8	81.9	86.0
30	Dadra & Nagar Haveli	na	na	18.1	32.9	40.7	57.6	76.2
31	Daman & Diu	na	na	na	na	71.2	78.2	87.1
32	Delhi	na	62.0	65.1	71.9	75.3	81.7	86.2
33	Goa	23.5	35.4	52.0	65.7	75.5	82.0	88.7
34	Lakshadweep	15.2	27.2	51.8	68.4	81.8	86.7	91.8
35	Puducherry	na	43.7	53.4	65.1	74.7	81.2	85.8
	All India^a	18.3	28.3	34.5	43.6	52.2	64.8	73.0

Source : Office of the Registrar General of India, Ministry of Home Affairs.

Some Jargon

OTR-Own tax revenue : sales tax, excise , land registration

NTR -Non tax revenue : Charges at exams, hospitals, offices , lease rents

RR-Revenue Receipts = OTR + NTR

CT- Central Transfers :
share of taxes from GOI +
Share of grants from GOI

Revenue Receipts of State Governments(Amount in ` billion)

Item	2010-11	2011-12	2012-13	2013-14 (RE)	2014-15(BE)
Revenue Receipts (a+b)	9,354	10,985	12,520	14,986	18,567
a. States' Own Revenue (i+ii)	5,524	6,565	7,718	8,867	9,958
i. States' Own Tax	4,607	5,574	6,546	7,529	8,399
ii. States' Own Non-Tax	917	991	1,173	1,338	1,559
b. Central Transfers (i+ii)	3,830	4,420	4,802	6,120	8,609
i. Shareable Taxes	2,195	2,556	2,915	3,320	3,858
ii. Grants-in Aid	1,635	1,864	1,887	2,800	4,751
Share of CT in RR	41%	40%	38%	41%	46%
GIA	17%	17%	15%	19%	26%

OTR and Current Transfers of Gen Cat States

State	2004-08 (Avg.)*		2008-10 (Avg.)		2010-13 (Avg.)	
	OTR/ GSDP	CT/RR	OTR/ GSDP	CT/RR	OTR/ GSDP	CT/RR
I. General Category	7	36.3	6.7	38.1	7.4	37.7
1. Andhra Pradesh	7.6	31.4	7.6	32.6	8.1	30.6
2. Bihar	4.3	78.6	4.7	75.1	5.1	74.3
3. Chhattisgarh	7.2	41.8	7	44.2	7.8	43.5
4. Goa	7.3	15.2	6.4	15.7	7.2	18.0
5. Gujarat	6.5	23.8	6.3	24.8	7.2	22.3
6. Haryana	8.1	14.1	6.1	21.6	6.7	20.6
7. Jharkhand	4.4	52.6	5.7	55.8	5	57.6
8. Karnataka	9.8	25.9	9	30.1	9.9	29.6
9. Kerala	7.6	29.3	7.7	26.5	8.3	24.4
10. Madhya Pradesh	7.2	46.3	7.2	46.0	8.4	47.0
11. Maharashtra	7	19.0	6.9	22.9	7.3	21.4
12. Odisha	5.6	54.2	5.4	54.3	6	51.7
13. Punjab	7.3	18.7	6.3	19.0	7.7	22.7
14. Rajasthan	6.8	41.2	6.3	42.4	6.2	39.9
15. Tamil Nadu	8.8	25.8	8	26.8	9	23.4
16. Uttar Pradesh	6.5	52.1	6.5	52.2	7.5	52.6
17. West Bengal	4.5	49.5	4.2	48.0	4.8	53.2

OTR and Current Transfers of Spl Cat States

State	2004-08 (Avg.)*		2008-10 (Avg.)		2010-13 (Avg.)	
	OTR/ GSDP	CT/RR	OTR/ GSDP	CT/RR	OTR/ GSDP	CT/RR
II. Special Category	4.9	70.3	4.9	70.4	5.6	71.4
1. Arunachal Pradesh	1.8	82.4	2.4	80.0	3.1	87.3
2. Assam	5.2	62.3	5.2	62.8	5.7	65.9
3. Himachal Pradesh	5.5	61.8	5.4	57.3	6.6	58.1
4. Jammu and Kashmir	5.7	78.1	6.4	76.9	7.1	74.0
5. Manipur	1.8	91.1	2.3	88.9	3.4	89.4
6. Meghalaya	3.4	77.9	3.3	79.0	4.1	80.0
7. Mizoram	1.9	90.4	2.1	91.3	2.4	91.8
8. Nagaland	1.6	91.8	1.7	90.8	2.2	92.0
9. Sikkim	7.5	41.0	4.7	49.3	3.6	63.0
10. Tripura	3	86.5	3.3	87.1	4.2	84.1
11. Uttarakhand	6.1	55.2	5.2	56.3	5.6	54.1
All States	5.7	39.5	5.7	41.3	6.2	40.8

Item	ODISHA				HARYANA			
	2012-13 (Accounts)	2013-14 (Budget Estimate)	2013-14 (Revised Estimate)	2014-15 (Budget Estimate)	2012-13 (Accounts)	2013-14 (Budget Estimate)	2013-14 (Revised Estimate)	2014-15 (Budget Estimate)
1	2	3	4	5	2	3	4	5
TOTAL REVENUE (I+II)	439,369.1	512,989.8	538,101.5	671,469.6	336,335.3	437,803.3	416,359.4	476,901.4
I. TAX REVENUE (A+B)	289,991.4	335,088.8	330,088.8	381,521.1	266,211.3	322,682.4	302,345.2	343,847.1
A. State's Own Tax Revenue (1 to 3)	150,341.3	176,050.0	171,050.0	198,626.5	235,590.0	287,843.4	265,891.0	303,747.5
1. Taxes on Income (i+ii)	1,359.9	1,600.0	1,600.0	1,760.0	–	–	–	–
2. Taxes on Property and Capital Transactions (i to iii)	9,650.9	15,200.0	10,200.0	11,220.0	33,392.2	38,693.3	34,380.0	39,635.0
3. Taxes on Commodities and Services (i to vii)	139,330.5	159,250.0	159,250.0	185,646.5	202,197.8	249,150.1	231,511.0	264,112.5
i) Sales Tax (a to e)	96,846.8	110,950.0	110,950.0	131,100.0	153,765.8	192,886.1	174,000.0	199,300.0
ii) State Excise	14,986.4	17,250.0	17,250.0	19,837.5	32,364.8	40,000.0	38,500.0	43,500.0
iii) Taxes on Vehicles	7,461.9	9,000.0	9,000.0	9,720.0	8,873.0	8,500.0	10,500.0	11,750.0
iv) Taxes on Goods and Passengers	13,425.4	15,000.0	15,000.0	17,234.0	4,707.6	5,200.0	5,750.0	6,500.0
v) Taxes and Duties on Electricity	5,904.8	6,400.0	6,400.0	7,040.0	1,919.7	2,014.0	2,111.0	2,322.5
vi) Entertainment Tax	313.6	159.5	159.5	314.9	498.6	468.0	550.0	620.0
vii) Other Taxes and Duties	391.6	490.5	490.5	400.1	68.5	82.0	100.0	120.0
B. Share in Central Taxes (i to ix)	139,650.1	159,038.8	159,038.8	182,894.6	30,621.3	34,839.0	36,454.2	40,099.6
II. NON-TAX REVENUE (C+D)	149,377.7	177,901.0	208,012.7	289,948.5	70,124.0	115,120.9	114,014.2	133,054.3
C. State's Own Non-Tax Revenue (1 to 6)	80,780.3	68,250.0	74,750.0	80,240.0	46,731.5	51,624.8	50,662.1	58,665.7
D. Grants from the Centre (1 to 5)	68,597.3	109,651.0	133,262.7	209,708.5	23,392.5	63,496.1	63,352.1	74,388.6
Total Central Support	208,247.4	268,689.8	292,301.5	392,603.1	54,013.8	98,335.1	99,806.3	114,488.2
Central Support % of TRR	47%	52%	54%	58%	16%	22%	24%	24%

Item	WEST BENGAL				PUNJAB			
	2012-13 (Accounts)	2013-14 (Budget Estimates)	2013-14 (Revised Estimates)	2014-15 (Budget Estimates)	2012-13 (Accounts)	2013-14 (Budget Estimates)	2013-14 (Revised Estimates)	2014-15 (Budget Estimates)
1	2	3	4	5	2	3	4	5
TOTAL REVENUE (I+II)	682,957.5	884,032.8	811,344.5	1,059,782.0	320,511.5	426,659.1	398,505.8	448,936.8
I. TAX REVENUE (A+B)	540,347.6	650,534.4	632,953.2	732,107.5	266,463.7	333,560.0	309,195.9	338,803.2
A. State's Own Tax Revenue (1 to 3)	328,084.9	397,836.3	391,000.0	454,139.6	225,875.6	285,240.0	264,036.0	284,800.0
1. Taxes on Income (i+ii)	4,602.1	5,282.9	4,835.9	4,999.9	—	—	—	—
2. Taxes on Property and Capital Transactions (i to iii)	63,809.5	84,428.6	71,934.9	82,282.2	29,576.2	34,860.0	25,600.0	28,180.0
3. Taxes on Commodities and Services (i to vii)	259,673.3	308,124.8	314,229.2	366,857.4	196,299.4	250,380.0	238,436.0	256,620.0
i) Sales Tax (a to e)	185,547.6	227,839.8	234,426.5	274,726.6	132,179.3	177,600.0	167,496.0	177,600.0
ii) State Excise	26,214.3	32,020.2	32,020.2	38,104.1	33,319.6	41,800.0	40,000.0	46,000.0
iii) Taxes on Vehicles	12,215.5	13,899.7	13,899.7	16,679.6	9,947.2	13,500.0	13,200.0	13,500.0
iv) Taxes on Goods and Passengers	12,837.2	14,375.0	14,359.1	16,515.4	—	—	—	—
v) Taxes and Duties on Electricity	18,371.5	13,800.0	13,368.6	14,037.4	20,353.1	16,940.0	16,940.0	18,600.0
vi) Entertainment Tax	671.4	708.4	673.5	764.5	230.2	300.0	520.0	680.0
vii) Other Taxes and Duties	3,815.8	5,481.7	5,481.7	6,029.9	270.1	240.0	280.0	240.0
B. Share in Central Taxes (i to ix)	212,262.7	252,698.1	241,953.2	277,967.9	40,588.1	48,320.0	45,159.9	54,003.2
II. NON-TAX REVENUE (C+D)	142,609.9	233,498.3	178,391.3	327,674.6	54,047.8	93,099.1	89,309.9	110,133.6
C. State's Own Non-Tax Revenue (1 to 6)	19,181.5	17,561.9	18,953.2	19,903.5	26,292.1	27,360.2	35,650.3	27,830.0
D. Grants from the Centre (1 to 5)	123,428.4	215,936.4	159,438.1	307,771.1	27,755.8	65,738.9	53,659.6	82,303.6
Total Central Support	335,691.1	468,634.5	401,391.3	585,739.0	68,343.9	114,058.9	98,819.5	136,306.8
Central Support % of TRR	49%	53%	49%	55%	21%	27%	25%	30%

What is Politics??

- An organised process, which at its core is a **struggle over both the extraction as well as the deployment of society's resources** . Who should be taxed and who should get these resources and to what extent ?
- This process involves interaction between all stakeholders , ie –PLAYING GAMES !! . These interactions include pleading, threatening , bargaining, compromising, negotiating and arbitrating.
- Who are the stakeholders ? Centre/State Governments. Also between different political, caste , region, class and religion based formations.

How to increase Resources ?

- States TRR
 - Tax
 - Non Tax
 - Devolution from Centre
- Reduce Expenditure
- Increase borrowing

Two Reasons

- Centre/ States want more resources
- States can borrow less money

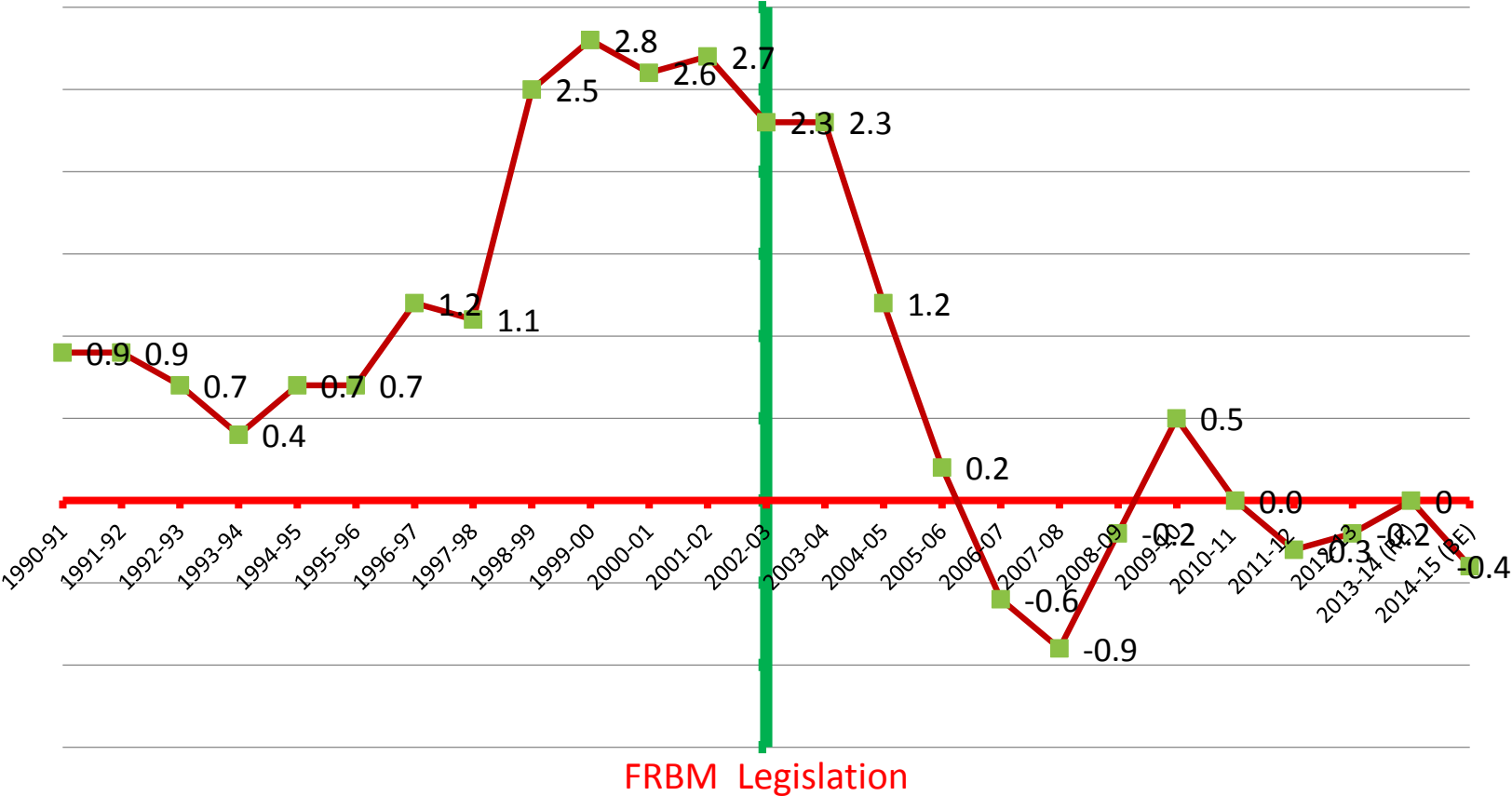
Some more jargon

CASE 1		CASE 2	
Salary	1,00,000	Salary	1,00,000
Living Expenses	1,15,000	Living Expenses	80,000
Car Purchase	5,00,000	Car Purchase	5,00,000
Bank Loan	5,15,000	Bank Loan	4,80,000
Revenue Deficit	-15,000	Revenue surplus	+20,000
Fiscal Deficit	5,15,000	Fiscal Deficit	4,80,000

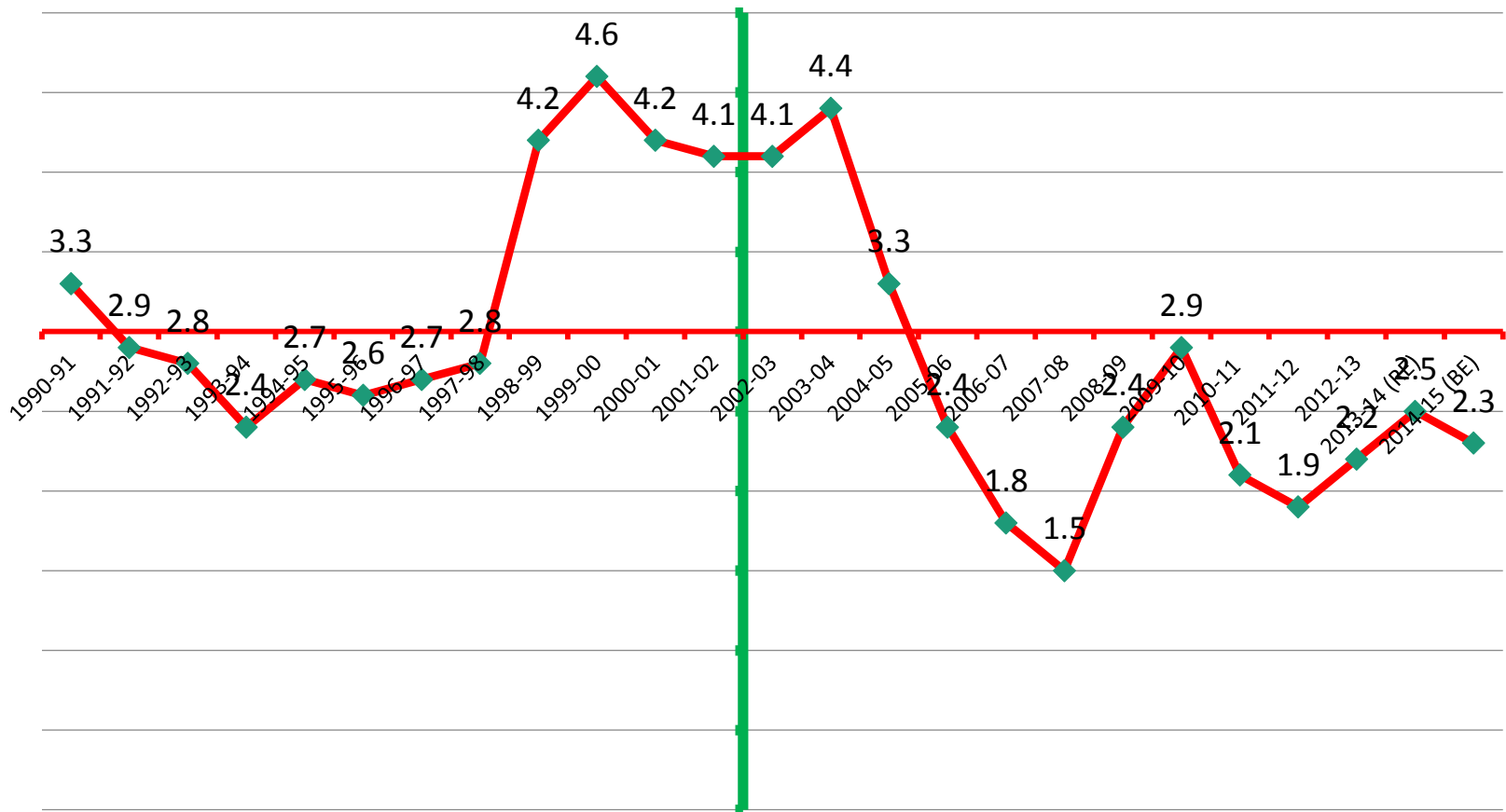
Golden Rule- Rev Def = 0 or +ve

Fiscal Deficit 3 % of GSDP

All States Revenue Deficit (% of GDP)



All States Fiscal Deficit (%GDP)



SCOPE

- What is Fiscal Federalism ?
- Why is this topic Important?
- **Constitutional Provisions**
- The 14 Finance Commission & NITI
- Cooperative and Competitive Federalism in Action
 - Games Gol (UPA and NDA) play
 - Games States Play

Fiscal Relations

- Part XII- Finance, Property, Contracts and Suits
- Four Chapters
- Chapter 1 – a) Finance. Articles 264-281
- b) Miscellaneous Financial Provisions Articles 282-291
- Chapter II – Borrowing Articles 292- 293
- Chapter III- Property, Contracts, rights, liabilities, suits and obligations
- Chapter IV- Right to property

Fiscal Relations

Part XIII- Trade, Commerce and Intercourse within the Territory of India .

Only one Chapter Articles 301 – 307

301- Freedom of trade, commerce and intercourse

302 - Power of Parliament to impose restrictions on trade, commerce etc

303 – Restrictions on legislative powers of Union and States

304 – Restrictions on trade , commerce etc among states

305 & 307- Savings, appointment of authority

Fiscal Relations

Article 246 : Subject matter of Laws :

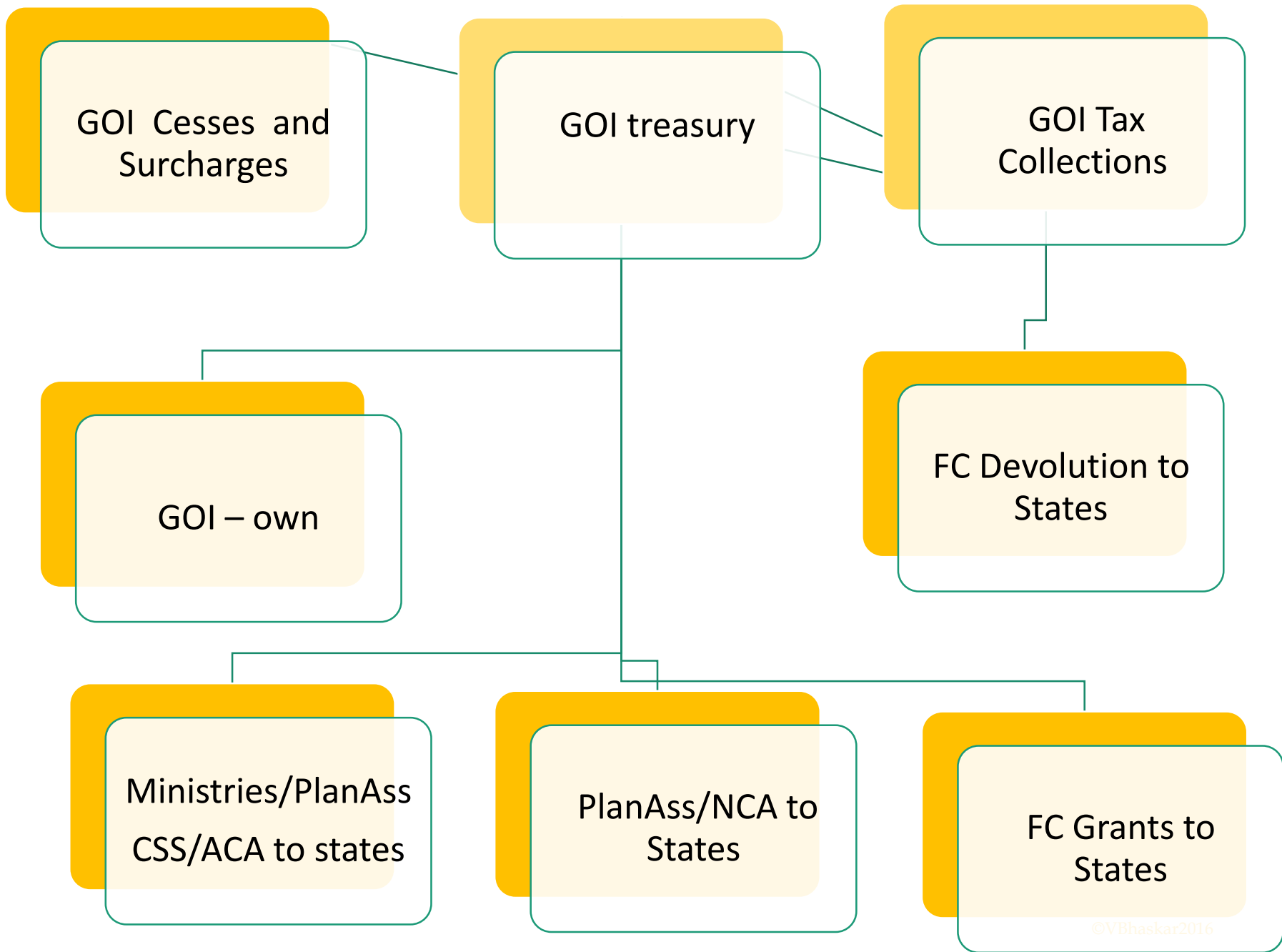
(1) Union List : Parliament has exclusive power to make laws with respect to any of the matters enumerated in List I in the Seventh Schedule

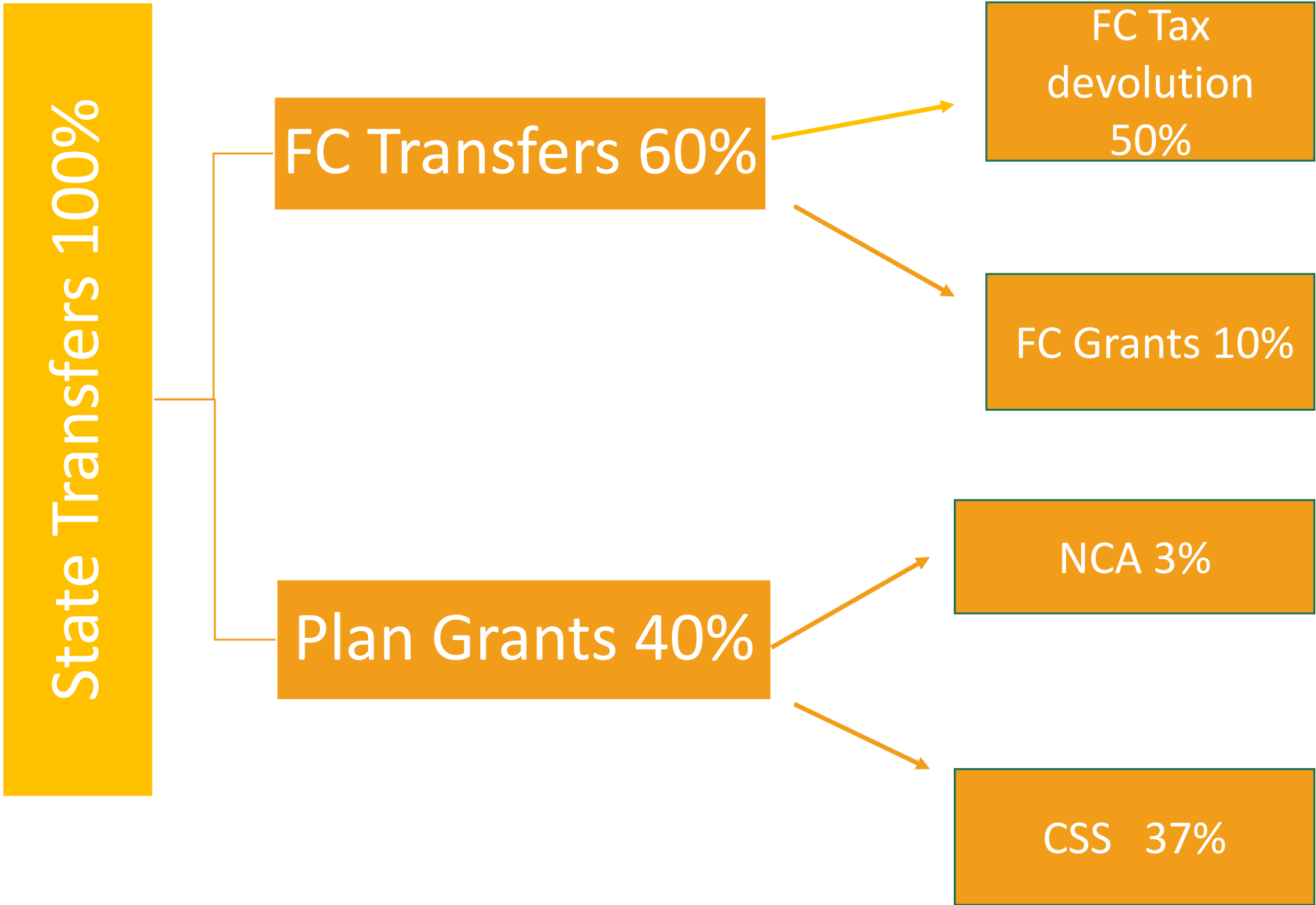
(2) Concurrent List: Parliament, and the Legislature of any State also, have power to make laws with respect to any of the matters enumerated in List III in the Seventh Schedule

(3) State List: The Legislature of any State has exclusive power to make laws for such State or any part thereof with respect to any of the matters enumerated in List II in the Seventh Schedule

Asymmetry between Union and States

- Taxation Powers
- Expenditure responsibilities
- Role of Finance Commission





Article 280- Finance Commission

- Distribution of net taxes between Union and States and allocation between states of net shares
- Principles governing grants in aid out of CFI
- Measures to augment CF of States to supplement resources of Panchayats on the basis of the recommendations of the SFCs

Finance Commission Instruments

- Share of net proceeds of Union's shareable taxes
- Grants-
 - ✓ General Purpose
 - ✓ Special Purpose
 - ✓ Equalisation

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14th Finance Commission



Constitutional Body

First Commission set up in 1951 for the period 1952 to 1956

Fourteenth Finance Commission set up in Jan 2013 for the period 2015-2020

Criteria – vertical

- Centre's revenue and expenditure responsibilities
- State's revenue and expenditure responsibilities

	11 FC	12 FC	13 FC	14 FC
Devoluti on %age	29.5	30.5	32	42

Criteria – horizontal

- Equity-Neutral (e.g. Area- Population)
- Equity (e.g. Income – Poverty)
- Efficiency
- Fiscal Discipline

Gadgil Versus 13th /14 FC

Criteria	Gadgil	13 FC	14 FC
1. A Population (1971)	60.00	25.0	17.5
B Population (2011)			10
2. Area		10	15
3.Per Capita income	25.00	47.5	50
4.Special Problems**/Environment	7.50		7.5
5.Performance/Fiscal Discipline	7.50	17.5	
Total	100	100	100

Table 1						
Aggregate Transfers to states as a percentage of divisible pool						
2014-15 BE	2015-16	2016-17	2017-18	2018-19	2019-20	
61.88	62.75	63.09	63.39	63.66	63.89	
Source : FFC report						

Table 3. Transfers from the Union to State Governments - Rs crore

No	Transfer Category	14-15 BE	15-16 BE	Difference
1	State share of divisible pool	382,216	523,958	141,742
2	Non Plan assistance to states	69,095	107,566	38,471
3	Plan Assistance to States	332,319	216,609	-115,710
4	Less Recovery of loans and advance	8,686	8,817	131
5	Net Transfer to States	774,944	839,316	64,372
6	GDP	12,653,762	14,108,945	
7	Transfer to states as %age of GDP	6.12%	5.95%	-0.17%
8	Divisible pool (inferred)	1,194,425	1,247,519	
9	Transfer as %age of Divisible pool	64.88%	67.28%	
<i>Source : Gol Budget Documents 15-16</i>				

PC

- Approval and Monitoring all Central Programs
- Approve CSP and allocation to Ministries - ACA
- Approve State Plan – NCA
- Approve Externally aided projects – Spl CA
- Think Tank : PMEAC ?
- NDC

NITI

- Institution and Commission?
 - 15-16 budget provision – Rs 20,000 crore as special assistance
 - NITI budget 87 crore versus 90 crore in 14-15

- Mandate
 - Evolve a shared vision of national priorities
 - Foster Cooperative Federalism
 - Guidance on specific issues
 - Advice on Plan Implementation

- An important evolutionary change from the past will be replacing a centre-to-state one-way flow of policy by a genuine and continuing partnership with the states. The institution must have the necessary resources, knowledge, skills and, ability to act with speed to provide the strategic policy vision for the government as well as deal with contingent issues. Perhaps most importantly, the institution must adhere to the tenet that while incorporating positive influences from the world, no single model can be transplanted from outside into the Indian scenario. We need to find our own strategy for growth. The new institution has to zero in on what will work in and for India. It will be a Bharatiya approach to development.
- 12. The institution to give life to these aspirations is the NITI Aayog (National Institution for Transforming India). This is being proposed after extensive consultation across the spectrum of stakeholders including inter alia state governments, domain experts and relevant institutions. The NITI Aayog will work towards the following objectives
 - a. To evolve a shared vision of national development priorities, sectors and strategies with the active involvement of States in the light of national objectives. The vision of the NITI Aayog will then provide a framework 'national agenda' for the Prime Minister and the Chief Ministers to provide impetus to
 - b. To foster cooperative federalism through structured support initiatives and mechanisms with the States on a continuous basis, recognizing that strong States make a strong nation
 - c. To develop mechanisms to formulate credible plans at the village level and aggregate these progressively at higher levels of government
 - d. To ensure, on areas that are specifically referred to it, that the interests of national security are incorporated in economic strategy and policy
 - e. To pay special attention to the sections of our society that may be at risk of not benefitting adequately from economic progress
 - f. To design strategic and long term policy and programme frameworks and initiatives, and monitor their progress and their efficacy. The lessons learnt through monitoring and feedback will be used for making innovative improvements, including necessary mid-course corrections
 - g. To provide advice and encourage partnerships between key stakeholders and national and international likeminded Think Tanks, as well as educational and policy research institutions
 - h. To create a knowledge, innovation and entrepreneurial support system through a collaborative community of national and international experts, practitioners and other partners
 - i. To offer a platform for resolution of inter-sectoral and inter-departmental issues in order to accelerate the implementation of the development agenda
 - j. To maintain a state-of-the-art Resource Centre, be a repository of research on good governance and best practices in sustainable and equitable development as well as help their dissemination to stake-holders
 - k. To actively monitor and evaluate the implementation of programmes and initiatives, including the identification of the needed resources so as to strengthen the probability of success and scope of delivery
 - 1. To focus on technology upgradation and capacity building for implementation of programmes and initiatives
 - m. To undertake other activities as may be necessary in order to further the execution of the national development agenda, and the 2016 objectives mentioned above



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The project is likely to be completed in the next seven years during 12th and 13th Plan period.



150



353



CHAPTER - 3

THE PLAN

3.1 The allocations for the Annual Plan were made, keeping in view the objectives and strategies outlined in the Twelfth Five Year Plan (as approved by the National Development Council on December 27, 2012). The Plan proposes a three pronged strategy of faster, sustainable and more inclusive growth. While determining the Plan allocations, Planning Commission assessed the needs and requirements of the Ministries/ Departments in terms of their ongoing major programmes including Flagship and Centrally Sponsored Schemes.

BACKGROUND TO THE ANNUAL PLAN 2014-15 (REGULAR BUDGET):

3.2 The Annual Plan 2014-15, being the third

- (iii) For all CSS, funds will be placed with the Administrative Ministries for transfer to the States through the Consolidated Fund of the States concerned in 2014-15 (BE).
- (iv) At least 10% of the outlay of CSS would be kept as Flexi funds.
- (v) Central Plans will now comprise only Central Sector Schemes. Under the Demands for Grants of Ministries, the inter-se distribution of funds between Central Plan (comprising only Central Sector Scheme) and Central Assistance to State Plan (now comprising earlier “ACA” such as AIBP, JNNURM, BADP etc. as well as CSS) would undergo a change. Some ACA

Coop Federalism

- CM's Subgroups on
 - CSS
 - Skill development
 - Swachh Bharat
- CSS
 - Core Schemes: 60/40 and 90/10
 - Optional Schemes 50/50 and 80/20
 - Core of Core – social protection and social inclusion should continue with existing funding pattern..

Coop Federalism

- Skill Development
 - State Skill Development Missions – Diff Sectoral Priorities
 - Training in PPP
 - Inclusion
 - Resource dependent
 - Outcome focus
- Swachh Bharat
 - Behaviour change strategy
 - Education strategy
 - Funding Requirements – 75:25 and 90/10; Levy cess
 - Strong institutional mechanism
 - Technological support

Coop Federalism

Business Standard

NITI Aayog asks Centre to devise formula to transfer funds to states

NITI Aayog will give its inputs and recommendations based on consultations with all state governments

BS Reporter | New Delhi February 08, 2016 Last Updated at 00:17 IST

Competitive Federalism

- Ease of Doing Business Index – Ranking of states
- Reforms in State list /Concurrent list
 - Labour Laws – Raj, MP, Guj, AP, Mah?
 - Land Laws -
 - Acquisition
 - Tenancy /leasing

SCOPE

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 - Games States Play

Competitive and Cooperative Federalism

We want to promote co-operative federalism in the country. At the same time, we want a competitive element among the states. I call this new form of federalism Co-operative and Competitive Federalism” - Prime Minister Narendra Modi

SCOPE

- What is PF & Fiscal Federalism ?
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- Cooperative and Competitive Federalism in Action
 - Games Gol (UPA and NDA) play
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Thank You

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Reference “14 Finance Commission- Stance on Devolution and Grants” V Bhaskar. Economic and Political Weekly 23 May 2015