



India: West Bengal Development Finance Program

Project Name	West Bengal Development Finance Program		
Project Number	44453-014		
Country / Economy	India		
Project Status	Closed		
Project Type / Modality of Assistance	Loan Technical Assistance		
Source of Funding / Amount	Loan 2926-IND: West Bengal Development Finance Program		
	Ordinary capital resources	US\$ 400.00 million	
	TA 8203-IND: Supporting West Bengal Development Finance Program		
	Technical Assistance Special Fund	US\$ 700,000.00	
Strategic Agendas	Inclusive economic growth		
Drivers of Change	Gender Equity and Mainstreaming Governance and capacity development		
Sector / Subsector	Public sector management / Public expenditure and fiscal management		
Gender	Some gender elements		
Description	The proposed program seeks to facilitate implementation of a comprehensive fiscal consolidation program in West Bengal. This will generate fiscal savings and thereby assist West Bengal to augment and sustain growth-enhancing development financing.		
Project Rationale and Linkage to Country/Regional Strategy	<p>Following the change in the Government in West Bengal in May 2011, there have been discussions on the possible introduction of a comprehensive support program to bring public finances in West Bengal onto a stable and sustainable path while improving development financing in the state. Accordingly, the Department of Economic Affairs (DEA), the Government of India (GoI) wrote to ADB on 19 September 2011 requesting ADB to hold discussions with the Government of West Bengal (GoWB) in this regard.</p> <p>West Bengal is a densely populated state, 4th largest in India, with a population of 91 million. West Bengal is strategically located in eastern India bordering Bangladesh, Bhutan, and Nepal. Despite many achievements in the recent past, the deteriorating fiscal situation in West Bengal has placed added pressures on public resources constraining the delivery of public goods and services in the state. Over the years, the state government disregarded maintaining sound and sustainable public finances, leading to highest deficit figures in 2010-2011 among all the states in India. The revenue and fiscal deficit figures recorded 3.7% and 4.6% of gross state domestic product (GSDP), respectively. Similarly, the own tax revenue at 4.6% of GSDP in 2010-2011 clearly reveals the lowest tax efforts among all the states in India. The committed expenditures of the government (on salaries, pensions, and interest payments alone) have almost exhausted the total revenue receipts of the state in recent years, requiring the state to undertake ever larger borrowings to finance these expenditures, thereby trapping the state in a vicious cycle of mounting current account (revenue) and fiscal deficits.</p> <p>A major contributory factor to fiscal distress is the state's low tax revenue performance. The own tax to GSDP ratio in West Bengal stood at 4.6% in 2010-2011 as against the average of 7.3% in all general category states and 9.5% in Karnataka. Even the average of the special category states was higher than West Bengal. The underlying analysis of West Bengal public finances suggests that the inadequacies of tax administration is one of the important factors contributing to low tax to GSDP ratio.</p> <p>The deteriorating fiscal situation of the Government of West Bengal (GoWB, the Government) has had negative consequences for GoWB's development agenda. In particular, the increase in debt and resulting debt service payments has reduced fiscal space limiting the ability of the Government to make effective use of public spending to meet its policy priorities. More directly, increasing interest payments has resulted in a large opportunity cost as the disproportionate share of the fiscal adjustment fell on capital spending. Indeed, capital outlay to GSDP in West Bengal has been declining from a low rate of 1.2% of GSDP in 1994-1995 to 0.4% in 2003-2004 and is currently the lowest in India (0.8% in 2010-2011). Accordingly, limited public funds available to finance investment as well as to preserve the capital stock through spending on operation and maintenance have had serious impact on the state's growth potential, and capacity to improve service delivery.</p> <p>These have had an adverse impact both in terms of (i) effectively using the budget as an instrument to set policy priorities particularly through discretionary spending, and more importantly (ii) constraining investment both public and indirectly private investment and undermining economic growth and development in the state. Needless to say, these have also had serious implications for manufacturing growth in the state leading to narrowing of the commercial tax base.</p>		
Impact	Development financing has improved in a sustained manner.		
Project Outcome			
Description of Outcome	Greater fiscal space is achieved in the government budget.		
Progress Toward Outcome	1) Fiscal deficit GSDP ratio is expected to be 1.8% by FY2014, even with additional capital expenditure. 2) Own-revenue GSDP ratio improved by 1 percentage point during FY2010 -FY2014 3) Debt stock GSDP ratio declined by more than 5 percentage points from 40.5% of GSDP in FY2010 to 35.3% in FY2013.		
Implementation Progress			
Description of Project Outputs	1. Improved expenditure efficiency 2. Improved revenue efforts 3. Efficient debt management		
Status of Implementation Progress (Outputs, Activities, and Issues)	All the relevant policy actions have been complied with. The program loan was closed on 24 July 2014.		
Geographical Location	State of West Bengal		
Safeguard Categories			
Environment	C		
Involuntary Resettlement	C		
Indigenous Peoples	C		

Summary of Environmental and Social Aspects	
Environmental Aspects	
Involuntary Resettlement	
Indigenous Peoples	
Stakeholder Communication, Participation, and Consultation	
During Project Design	
During Project Implementation	
Responsible ADB Officer	Akin, Cigdem
Responsible ADB Department	South Asia Department
Responsible ADB Division	Public Management, Financial Sector and Trade Division, SARD
Executing Agencies	Finance Department - Government of West Bengal FS-WB@NIC.IN Finance Department , Government of West Bengal Writers' Building, Kolkata 700001, India

Timetable	
Concept Clearance	11 Jul 2012
Fact Finding	26 Jun 2012 to 06 Jul 2012
MRM	09 Aug 2012
Approval	30 Oct 2012
Last Review Mission	-
Last PDS Update	08 Sep 2014

Loan 2926-IND

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
30 Oct 2012	06 Nov 2012	26 Nov 2012	30 Nov 2014	-	24 Jul 2014

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	400.00	Cumulative Contract Awards			
ADB	400.00	17 Jun 2022	400.00	0.00	100%
Counterpart	0.00	Cumulative Disbursements			
Cofinancing	0.00	17 Jun 2022	400.00	0.00	100%

TA 8203-IND

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
30 Oct 2012	12 Nov 2012	12 Nov 2012	30 Jan 2015	-	24 Mar 2015

Financing Plan/TA Utilization						Cumulative Disbursements		
ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
700,000.00	0.00	0.00	0.00	0.00	0.00	700,000.00	17 Jun 2022	529,575.00

Project Page	https://www.adb.org/projects/44453-014/main
Request for Information	http://www.adb.org/forms/request-information-form?subject=44453-014
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