सत्यमेव जयते
Finance Commission
Of India

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FIFTEENTH FINANCE COMMISSION OF INDIA—OECD
HIGH-LEVEL ROUNDTABLE ON FISCAL RELATIONS ACROSS LEVELS OF GOVERNMENT
Wednesday 4 April 2018, Aftab Mehtab Hall
The Taj Mahal Hotel, No.1 Man Singh Road, New Delhi

A. Agenda

9.00 – 9.30 OPENING SESSION

Opening Address by Mr. Shaktikanta Das, Member, 15th Finance Commission of India

Introduction by Mr. Junghun KIM, Chair, OECD Fiscal Network and Vice President, KIPF, Korea

9.30 – 11.00 SESSION 1: "Sub-national debt, medium-term fiscal targets and sustainability" (Annex Questions 1-3)

This session will cover the conceptual framework to determine medium term debt and fiscal targets for both general government and sub-national governments, including how to determine fiscal and debt targets and trajectories, and make them more sustainable. Top-down and bottom-up approaches will be discussed with country examples.

OECD speakers:

Ronnie Downes, Deputy Head of Budget Division, OECD Public Governance Directorate
Isabelle Joumard, Head of India Desk, OECD Economics Department

International discussant:

Daniel Plaatjies, Chairman, Financial and Fiscal Commission, South Africa

11.00 – 11.15 COFFEE/TEA BREAK

11.15 – 13.00 SESSION 2: "Revenue sharing, conditional transfers and fiscal equalisation" (Annex Questions 4-7)

This session will discuss how best to share tax revenues across levels of government, allocate transfers, design conditional grants, and determine fiscal balances. It will include how to avoid moral hazard problems, strengthen incentives, and promote tax collection efforts. And what role can and should fiscal equalisation schemes play in offsetting fiscal disadvantages, including sectoral.

OECD speakers:

David Bradbury, Tax Policy Division, OECD Centre for Tax Policy and Administration
Sean Dougherty, Senior Advisor, OECD Network on Fiscal Relations

International discussant:

Jonathan Coppel, Commissioner, Australian Productivity Commission

13.00 – 13.45 Lunch Break

13.45 – 15.15 SESSION 3: "The quality of public spending, performance incentives and regional development" (Annex Questions 8-9)

This session will examine the effects of fiscal policy on growth and employment, with relevant country examples. It will address the quality of public spending for regional development. Multi-level governance instruments that can make the most of public investment, while helping to maintain fiscal stability, will be discussed (e.g. performance incentives, performance grants, conditionality and contractual arrangements). In addition, the use of fiscal instruments for addressing the challenge of the informal sector will also be considered.

OECD speakers:

Rudiger Ahrend, Head of Section, OECD Centre for Entrepreneurship, Regions & Cities
Piritta Sorsa, Head of Country Studies Division 4, OECD Economics Department

International discussant:

Peter Berkowitz, Head of Unit, Head of Unit for Smart and Sustainable Growth, Directorate General for Regional and Urban Policy, European Commission

15.15 – 15.30 COFFEE/TEA BREAK

15.30 – 17.30 PM SESSION 4: "Fiscal rules, sub-national debt and insolvency frameworks" (Annex Questions 10-16)

This session will cover best practices in the design of fiscal rules, enforcement and the promotion of fiscal discipline. It will include the use of cyclically adjusted positions, the role of budget transparency, sub-national debt management, and the role of insolvency frameworks for sub-national governments.

OECD speakers:

Ronnie Downes, Deputy Head of Budget Division, OECD Public Governance Directorate
Hansjörg Blöchliger, Former Advisor to the OECD Network on Fiscal Relations

International discussant:

Philipp Päcklar, Senior Advisor, Intergovernmental Fiscal Relations Department, Austria

17.30 – 18.00 P.M. CLOSING REMARKS:

Mr. Luiz de Mello, Director, OECD Economics Department

Mr. Shaktikanta Das, Member, 15th Finance Commission of India

OECD Contacts:
Mr. Sean Dougherty, *OECD Network on Fiscal Relations[1], sean.dougherty@oecd.org*
Ms. Asees Ahuja, *OECD Global Relations Secretariat, asees.ahuja@oecd.org*

[1] More information on the OECD Network on Fiscal Relations across Levels of Government can be found here: http://oe.cd/fiscalnetwork

ANNEX: Questions posed by the Fifteenth Finance Commission

1. *What should be the conceptual framework to determine medium term debt and fiscal targets for the general government. For the centre and states. How can economic theory guide us?*
2. *Please present concrete examples of large federations from Asia and Latin America. How do large federations determine fiscal and debt targets for general government? And how do they decide on trajectories for centre and states?*
3. *Can there be conflicts between a top-down and bottom-up approaches? For example, if we start from the general government, how do we decide on the split between centre and states. Alternatively, can we conduct the analysis separately for centre and states, and then add up? How do other countries do it?*
4. *In a top-down approach, once the overall target for states is determined, how should targets on overall states' fiscal balance be split amongst the centre and the states? In particular, how should tax revenues be split? If states are allowed a larger share of centre's tax revenue, should they target lower deficits? Please illustrate with experiences from large federations.*
5. *Once the share of the states is decided, how should it be split across different states? What if they are split equally? Would that create potential moral hazard problems that could result in fiscal neglect for certain states? This question is especially relevant, given that there is significant variation across states in fiscal prudence, as well in the intensity of tax collection efforts in India.*
6. *How can incentives be built into the system? How can moral hazard and free riding issues be avoided? How can race to the bottom to get special grants be avoided?*
7. *Should states with more fiscal prudence, lower debt ratios, and higher growth potential, be allowed higher deficits? Should fiscally less prudent states be allowed to borrow less, and perhaps be helped more with other forms of resources such as grants?*
8. *How should the effects of fiscal policy on growth and employment figure in developing the framework?*
9. *How should the role of the informal sector and its implications for employment generation be incorporated in the fiscal framework?*
10. *Should there be expenditure rules? For the states?*
11. *Should states be allowed escape clauses? In case of disasters? How to define and calibrate disasters. Please illustrate from experiences of other countries.*
12. *Should the targets be based on cyclically adjusted fiscal positions?*
13. *How are cyclically adjusted fiscal positions calculated in other countries? How is output gap estimated? Is there any country where state level fiscal deficits are adjusted for cyclical position?*
14. *How can fiscal discipline be enforced at the state level? What mechanisms do other countries have?*
15. *What role can markets play? Can they act as an external enforcement discipline? Please illustrate from general federations. Do less fiscally prudent states in other large countries face penalties from the market? Are costs of borrowing across states related to fiscal prudence in other countries? Can there be frictions that reduce the sensitivity of costs of borrowing to fiscal and other variables across states.*
16. *How can such frictions be reduced? Please present case studies from state-level auctions in other large countries.*