

FM seeks outside perspective as economic crisis deepens

As measures to curb outward capital flows backfire and the economy sinks further into crisis, the government is trying to get an international perspective on the problem.

In a meeting with India's representatives at multilateral institutions on August 21-22, Finance Minister P Chidambaram will reflect upon the current economic situation and get the outside view on it.

India Executive Directors at these global institutions-- Mukesh Prasad at World Bank, Rakesh Mohan at International Monetary Fund (IMF) and Umesh Kumar at Asian Development Bank (ADB)— will meet the finance minister and his team along with top officials from other infrastructure ministries at a two-day conference starting Wednesday.

This is the first time that all three EDs would be meeting the finance minister under one roof. Besides a discussion on the state of the Indian as well as the global economy, the conference will focus on stepping up infrastructure funding to India by these institutions.

“Till now three of the executive directors were operating in silos. One did not know what the other was doing. Now everybody will come together and discuss India's current negotiations with multilateral institutions, G20 developments, and infrastructure financing requirement among other issues. There will also be a session on the Indian economy,” said an official.

Though the meeting is part of finance ministry's annual interaction with India's representatives at these global institutions, the difference this time is that it is being held in New Delhi with all three of them together. Such interactions usually take place when the executive directors visit India or when the finance minister is in Washington or Manila to attend their annual meetings.

“The idea is two-fold — to update the executive directors on the current thinking of the government of India and to bring all three institutions on the same page. The executive directors will also give their feedback and update the government on concerns about the economy,” the official added.

The executive directors will make some presentations and infrastructure ministries, such as roads, will be present at the conference in order to assess to what extent financing is available for them.

The meeting assumes significance amid continuing fall in currency and equity markets. Rupee has breached the mark of 64 against a dollar and markets have lost significantly on fears that the government would bring capital controls. The reaction

came after the Reserve Bank of India put restrictions on capital flow out of the country. The government is trying to restrict current account deficit at 3.7% of the GDP this year. It touched an all-time high of 4.8% in 2012-13.

Executive directors have a dual responsibility, as representatives of the multilateral institution's member country/countries that appointed or elected them, and as officials at the institution, representing interests and concerns of their respective countries.

Separately, finance ministry officials are also in constant touch with other officials of these institutions. There are murmurs that India may seek some assistance from these institutions, but finance ministry officials deny it. Such talks are usually kept secret till the last moment.

(Business Standard)