

No election year extravaganza: FM

Ahead of announcing a five-year fiscal correction path, Finance Minister P Chidambaram has assured foreign institutional investors (FIIs) of avoiding fiscal profligacy in an election year. This is despite the likely roll-out of the food security law next financial year.

While the temptation of fiscal profligacy was high in an election year, Chidambaram stated with the fiscal deficit already very high, there was no room for giving into the temptation, according to a report by Bank of America and Merrill Lynch, which recently co-hosted an interaction of the finance minister and other senior government officials with leading FIIs.

The finance minister said for 2013-14, he would table a fully fledged Budget, not an interim one.

On the Parthasarathi Shome committee report, he told FIIs he sought a resolution to all disputes in the FDI space, the report stated. He, however, did not give any specific comment on the Shome committee's draft recommendation to do away with short-term capital gains tax and consider raising securities transaction tax. The final report of the committee, he said, would be put in the public domain in a few days, and the final General Anti Avoidance Rules might be released by the month-end.

He told FIIs the government would shortlist 89 large projects that were stuck, adding it was considering removing the bottlenecks for each. He added the proposed National Investment Board (NIB) would likely be cleared at a Cabinet meeting soon. Though this proposal was on the agenda at a Cabinet meeting last week, it couldn't be taken up, as all departments and ministries didn't respond to the Cabinet note.

On environment clearances to projects, he said the proposed NIB would monitor these. It would also have the authority to grant clearances in case of a bottleneck. Reportedly, the environment ministry did not favour setting up of the NIB.

The finance minister also stated he had met officials from eight leading public sector undertakings (PSUs) that were sitting on cash and had asked them to commit investments this year, as well as in the next. He added the chief executives of these PSUs would be responsible for meeting the targets set for each.

The FIIs suggested offshore money be managed from India, to which Chidambaram said he wanted to bring jobs and business to India.

Chidambaram stated for now, there was no threat of a rating downgrade.

He said the government was holding talks with central bank officials on whether FII debt limits could be raised in sectors in which these been exhausted.

Chidambaram also sought details to address procedural issues to try to include India in major bond indices globally.

He said India's current account deficit (CAD) could not be wiped out in the foreseeable future, and sought robust capital flows to finance CAD.

The finance minister stressed power sector reforms were on track and the problem of coal was being resolved. He, however, said the issue of gas was still worrisome, and a resolution to this would take time.

Chidambaram exuded confidence of reaching an agreement with states to roll out the Goods and Services Tax from April 1, 2013.

(Business Standard)