

Assures there's enough food stock to tackle the drought-like condition; stimulus versus deficit is govt tightrope walk

Don't be over-pessimistic: PM

ENS ECONOMIC BUREAU
NEW DELHI, SEPTEMBER 1

THE Prime Minister today projected a gradual return to normalcy for the economy, but his government's policy responses will be put to test as it begins unwinding the fiscal stimulus — the Plan panel has projected a massive Rs-1,60,000 crore resource shortfall over the next two years.

A drought-like situation and an uncomfortable inflation outlook by March 2010 will only make it tougher for the government and the Reserve Bank of India to keep up the growth momentum in the coming months.

Asking the nation not to be "over-pessimistic" on the drought-like situation in certain parts of the country, Prime Minister Manmohan Singh said his government would do everything necessary to tackle it. Seeking to allay apprehensions on a possible food crisis, he assured that the country had enough food stock to meet any exigency.

"The meeting was not meant to focus in detail on the drought, but I agree with the general approach that while we must do everything necessary to tackle the drought, we should not be over-pessimistic," Singh said while chairing the first full meeting of the Planning Commission.

The Prime Minister emphasised that to contain the impact of the drought-like situation, the National Rural Employment Guarantee Programme was important and efforts should be made to converge this programme and other agricultural and rural schemes to minimise the impact of drought this fiscal.

Initiating the discussion after the PM, Planning Commission deputy chairman Montek Singh Ahluwalia made it clear that given the impact of the global slowdown, India's GDP would average a growth rate of just 7.8 per cent over the Eleventh Plan period (2007-08 to 2011-12) against the targeted 9 per cent. This would mean lower revenues, and hence availability of fewer resources to meet the government's ambitious expenditure programmes.

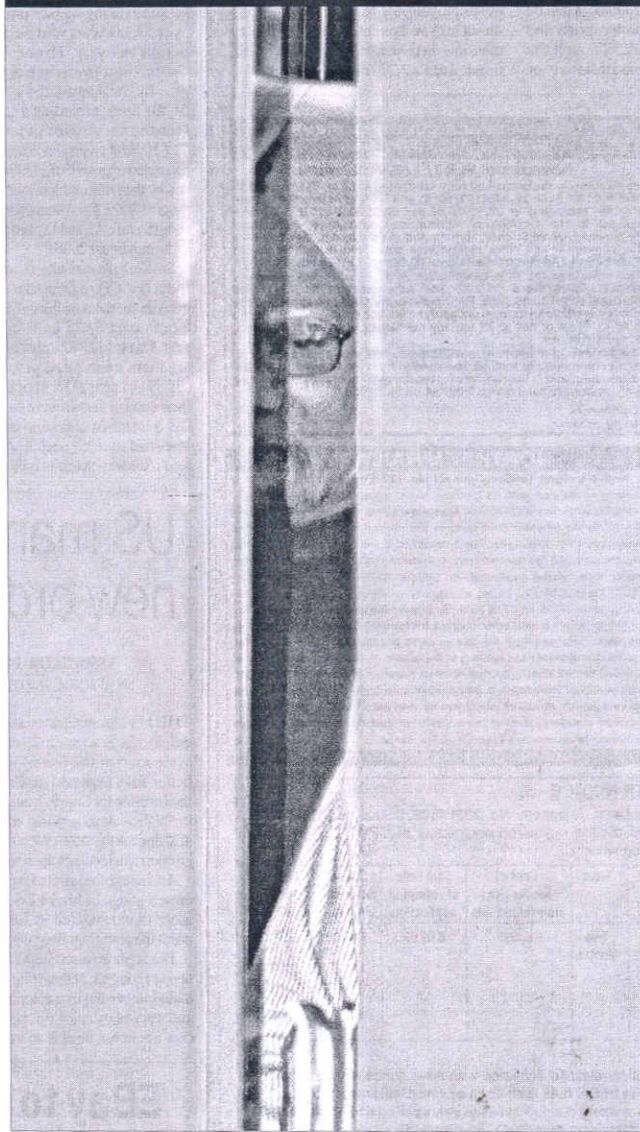
To make good the shortfall, Ahluwalia pitched for pruning subsidies, and an aggressive plan to sell government stake in PSUs — only to run into a wall of opposition from the Trinamool Congress. The Trinamool Congress chief, who was present at the meeting, voiced strong reservations against disinvestment, arguing that there were other ways to raise funds.

Finance minister Pranab Mukherjee made it amply clear that fiscal prudence must begin in right earnest in 2010-11. A high deficit of 6.8 per cent of GDP is seen as untenable by his ministry, and he has already charted out a plan for cutting deficits beginning next fiscal.

With limited resources and a plan to reduce deficits, the government will have to walk a tightrope, especially with the drought-like situation and inflation outlook by March 2010.

In a note prepared for this meet the plan panel conceded that kharif crops were badly hit and in the worst-case scenario food grain production could slide by 29 million tonnes to 205 million tonnes. "In this case agriculture GDP may contract by up to 6 per cent. The decline in food grain production will put some pressure on open market food prices in 2009-10. If the extent of crop losses is more than projected above, the impact will be more pronounced. In the worst-case scenario of farm sector GDP declining by 6 per cent, overall DGP growth could be limited to 5.5 per cent" it said. According to official information, total loss in kharif food grain production could be in the region of 16 million tonnes.

Caught in a narrowing fiscal space



Prime Minister Manmohan Singh arrives at the full Planning Commission meeting in New Delhi on Tuesday.

PREM NATH PANDEY

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—MANMOHAN SINGH, Prime Minister

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— PLANNING COMMISSION

Minister Mamata lunges at disinvestment policy



NEW DELHI: The Left may not be a part of UPA-II, but its lingering effect continues to haunt the Congress-led government, as its key ally Trinamool Congress has echoed communist sentiments by asking the government to reconsider its move to embark on aggressive disinvestment to mobilise resources. Participating in the full planning commission meeting chaired by Prime Minister Manmohan Singh, TMC chief and railway minister Mamata Banerjee is understood to have expressed reservations on the government's disinvestment plan, wherein it

seeks to mobilise more money this fiscal. She told the meeting that instead of seeking to mobilise money by divesting stake in profit-making PSUs, the Centre should rather scout for other options such as promoting public-private partnership (PPP) in major infrastructure projects. Banerjee is said to have argued that at a time when most nations are intervening to insulate their economies from the onslaught of the grinding economic downturn, it may not be befitting to reduce government stake from the public sector enterprises. **ENS**