

## **FM crosses Montek hurdle, courtesy PM**

The Gross Budgetary Support (GBS) for Plan expenditure in Budget 2013-14 was finalised only last weekend — after Prime Minister Manmohan Singh stepped in to resolve a difference of opinion between the finance ministry and the Planning Commission.

Behind the GBS figures, to be revealed in the Budget next week — lies a fierce tug of war between Finance Minister P Chidambaram and Planning Commission Deputy Chairman Montek Singh Ahluwalia in which Prime Minister Manmohan Singh eventually threw his weight behind the finance minister.

Chidambaram, who had been meeting the PM virtually every day to keep him in the loop about Budget preparations, had sought his help in keeping expenditure low so that the Centre's fiscal deficit could be limited to 5.3 per cent of Gross Domestic Product this year and reduced further next year. (This is a departure from the past practice when former FM Pranab Mukherjee used to meet the PM to inform him about the Budget, rather than consult him). Chidambaram had met with deep resistance from almost all sections of the government — the most from the Planning Commission.

The commission had been pressing for GBS for Plan expenditure to be raised at least 12 per cent from last year to Rs 5.83 lakh crore for 2013-14.

At his last meeting, Chidambaram reminded the PM that he had promised he would present a "responsible Budget" during his roadshow to several countries recently. If GBS was not kept in control, that would be violation of his commitment — not in India but abroad.

Singh had initially weighed in with the Planning Commission's contention that a higher GBS was necessary to keep the economy going, fuel consumption and promote growth. The GBS of Rs 5.21 lakh crore for the current financial year is 18 per cent higher than the 2011-12 Budget estimate of Rs 4.41 crore.

However, when Chidambaram emphasised India could not spend its way to economic oblivion the money it did not have, the PM counselled the commission to bring its demand down.

The intervention is significant, also because it suggests a recalibration of power equations within the government. Ahluwalia has always been considered the prime minister's most trusted advisor. Now, the PM seems to have more than one.

Besides, it is unlikely the Prime Minister's Economic Advisory Council, headed by C Rangarajan and considered a sounding board by the PM, would give its review of the economy before the Budget is presented this year, it is learnt.

This comes against the backdrop of confusing policy statements from multiple agencies making the Budget-making task even more difficult in a difficult year.

*(Business Standard)*