

● POLITY

● ECONOMICS

● TECHNOLOGY

● ECOLOGY

POLITY AND GOVERNANCE

PRESIDENT INVITES MODI TO FORM NEW GOVERNMENT

CONTEXT: President Droupadi Murmu invited Narendra Modi to form the next government after the NDA re-elected him as its leader, beginning his third term as Prime Minister.

BACKGROUND: Earlier in the day, NDA leaders, including N. Chandrababu Naidu, Nitish Kumar, and Eknath Shinde, met the President to show support for the new government. At the NDA Parliamentary Party meeting, Modi emphasized coalition consensus, with senior leaders proposing him as the Parliamentary Party leader and Lok Sabha Leader.



Highlights from NDA Parliamentary Party Meeting

- **Good Governance Emphasis:** Modi highlighted NDA partners' good governance and their power in 22 States, strengthening the coalition's position.
- **Criticism of Congress:** Modi criticized Congress for not securing 100 seats even after 10 years in Opposition.
- **Rejection of Election Doubts:** Modi dismissed Opposition claims of NDA's election victory as a loss, emphasizing the democratic process's integrity.
- **NDA Leaders' Praise:** Allies praised Modi, calling him a visionary and crediting him for India's global prestige.
- **Commitment to Consensus:** Modi emphasized striving for consensus in his government, recalling contributions of old NDA leaders like Vajpayee.

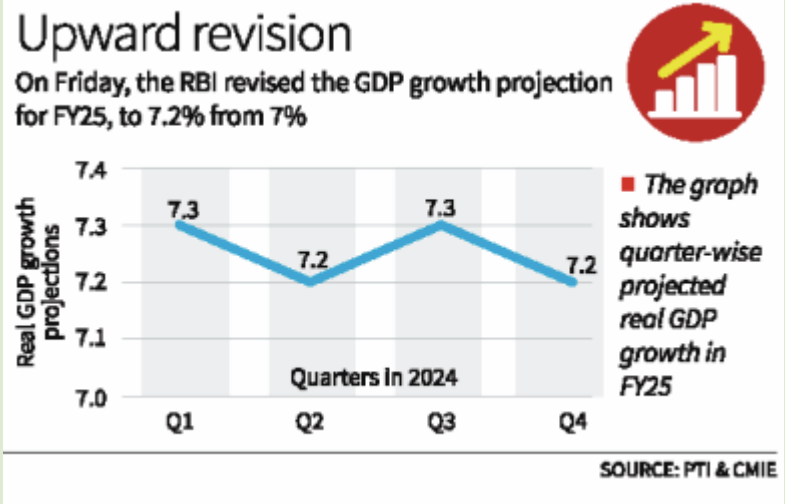
Andhra Pradesh Chief Minister-elect N. Chandrababu Naidu praised the joint BJP, Jana Sena Party, and TDP campaign efforts in Andhra Pradesh. Bihar Chief Minister Nitish Kumar affirmed unwavering support for PM Modi, emphasizing Bihar's needs. Maharashtra Chief Minister Eknath Shinde highlighted the enduring Sena-BJP alliance, calling it a "Fevicol Bond."

ECONOMICS

RBI KEEPS REPO RATE UNCHANGED, RAISES GDP FORECAST TO 7.2%

CONTEXT: The RBI's Monetary Policy Committee kept the repo rate at 6.5% for the eighth consecutive time, maintaining its focus on combating high inflation.

BACKGROUND: The MPC has revised its GDP growth forecast for FY 2024-2025 from 7% to 7.2%. It aims to withdraw accommodation to prevent inflation from rising while supporting growth. RBI Governor Shaktikanta Das emphasized achieving a medium-term CPI inflation target of 4% within a +/- 2% band.



RBI's Monetary Policy Committee Decisions and Economic Projections

- **Divided MPC Decision:** Mr. Das and three MPC members voted to keep the repo rate at 6.5%, while two members voted for a reduction.
- **Majority Stance on Inflation:** The majority retained a cautious stance to guide inflation towards the 4% target despite disinflation signs.
- **Growth Resilience:** High-frequency indicators show resilience in 2024-25, with an above-normal monsoon expected to boost agriculture and rural demand.
- **Increased GDP Growth Forecast:** Real GDP growth for 2024-25 is projected at 7.2%, up from 7%, with balanced risks.
- **Sequential Inflation Moderation:** Inflation moderated from 5.1% in February to 4.8% in April 2024, but food inflation remains high.
- **Uncertainty in Food Inflation:** Rising adverse climate events create uncertainty in the food inflation trajectory, with other

factors posing upside risks.

- CPI Inflation Projection: CPI inflation for 2024-25 is projected at 4.5%, with a temporary fall below the target expected in Q2.

Monetary Policy Committee (MPC)

- Statutory Framework Creation: The RBI Act, 1934, was amended in 2016 to establish a statutory MPC framework.
- Constitution of MPC: Under Section 45ZB, the central government constitutes a six-member MPC to set the benchmark policy rate.
- MPC Composition: The MPC consists of the RBI Governor (Chairperson), RBI Deputy Governor, one RBI Board nominee, and three government representatives.
- Tenure and Quorum: External members serve four-year terms, and the quorum for meetings is four, including the Governor or Deputy Governor.
- Decision-Making Process: MPC decisions are made by majority vote, with the RBI Governor having a casting vote in case of a tie, and decisions are binding on the RBI.

Rise of NOTA Votes in Northeast India Elections

- Increase in NOTA Votes: NOTA votes rose from 0.71% in 2019 to 0.81% in 2024 in the Northeast region.
- Voter Dissatisfaction: This increase suggests dissatisfaction with candidates amidst frequent party switching by MLAs.
- Futility Perception: Voters may perceive electing leaders who prioritize personal gain over development promises as futile.
- High NOTA Constituencies: Dibrugarh (32,255), Kaziranga (24,431), and Darrang-Udalguri (23,204) recorded the highest NOTA votes.
- Expert Opinion: Pranay Bordoloi of NKTV attributed the rise to dissatisfaction with candidate choices and governance issues.

Understanding NOTA in Indian Elections

- Definition and Purpose: NOTA is a ballot option allowing voters to express disapproval of all candidates.
- Empowerment of Electors: It gives voters the right to reject candidates while maintaining the secrecy of their choice.
- First Use and Legal Basis: NOTA was first used in 2013 in state assembly elections following a Supreme Court directive.
- Vote Count Clarification: NOTA votes are counted but considered as 'invalid votes' and do not affect election outcomes.
- Effect on Election Results: Even if NOTA receives the highest votes, the candidate with the next highest votes wins.

POLITY AND GOVERNANCE

PERCENTAGE OF NOTA VOTES DIPS NATIONALLY, RISES IN NORTHEAST

CONTEXT: The nationwide use of NOTA decreased in the 2024 Lok Sabha election compared to 2019, but Northeastern India exhibited a contrasting trend.

BACKGROUND: The Northeast region, comprising eight states, holds 25 parliamentary seats, with Assam having the highest at 14, followed by two seats each in Arunachal Pradesh, Manipur, Meghalaya, and Tripura, and one seat each in Mizoram, Nagaland, and Sikkim. In the recent elections, the percentage of NOTA votes nationwide decreased from 1.06% in 2019 to 0.99%.



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INDIAN POLITY

THE CENTRE IS NOTIONAL, THE STATES THE REAL ENTITIES

CONTEXT: The 2024 general election results signal increased democratization with regional parties gaining seats in both the ruling and opposition benches, strengthening India's federalism.

BACKGROUND: During the recent general election campaign, Centre-State relations became contentious as Opposition-ruled states raised concerns over perceived threats and grievances, including inadequate resource transfers and withheld funds. The Supreme Court has been handling numerous disputes between these states and the Centre, emphasizing the need for amicable resolution amid rising discord over federalism.



Federal Financial Relations in India

- **Types of Issues:** States handle education, health, and social services independently. Infrastructure and water sharing require agreements. Currency and defence need a unified approach.
- **Resource Mobilization:** Centre collects major taxes efficiently, including PIT, corporation tax, customs duty, and excise duty. GST is shared between Centre and States.
- **Resource Control:** Centre controls most resources, necessitating devolution to States for fulfilling their responsibilities.
- **Role of Finance Commission:** Appointed by Centre, decides on fund devolution and State shares, setting terms that can favour the Centre.
- **Bias and Conflict:** Perceived bias in Finance Commissions against States, assuming fiscal irresponsibility and undue demands on Centre.
- **State Strategies:** States demand higher shares by showing lower revenue and higher expenditure, making Finance Commission an arbiter.

Federal Financial Relations and Autonomy in India

- **Developmental Disparities:** States vary widely in development stages and resource availability, necessitating differentiated financial support from the Finance Commission.

- **Resource Redistribution:** Finance Commission is tasked with devolving more funds to poorer States, but the gap persists despite efforts.
- **Resentment of Rich States:** Richer States contribute more taxes but receive proportionately less, leading to resentment despite benefiting from market dynamics and resources of poorer States.
- **Centre-State Expenditure:** Centre allocates resources through Finance Commission awards and various schemes, leading to conflicts over allocation and benefits.
- **Political Allocation:** Centre accused of favouring certain States politically, causing grievances among Opposition-ruled States.
- **Autonomy vs. Federalism:** States' autonomy must operate within a national framework for the greater good, balancing common goals with diversity.

Strengthening Federalism: The Role of the Sixteenth Finance Commission

- **Reversing Fraying Federalism:** The Sixteenth Finance Commission should strengthen the Union of States and ensure even-handed treatment and less friction among rich and poor States.
- **Governance and Development:** Governance quality at both Centre and States impacts investment productivity and development pace, with corruption and cronyism being major hurdles.
- **Enhanced Devolution:** Raise the substantial devolution of resources from Centre to States beyond the current 41%, curtailing the Centre's overbearing role.
- **Joint Schemes and Credit Issues:** Address joint schemes like PDS and MGNREGS where the Centre asserts undue credit, penalizing States for not complying.
- **Undermining Federalism:** The Centre's assertiveness with public funds collected from States undermines federalism, where States and local bodies are the real economic entities.
- **Equal Partnership:** Advocate for joint decision-making by Centre and States as equal partners in utilizing the country's resources, facilitated by the 2024 election results.

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ECOLOGY AND ENVIRONMENT

REMOULDING THE GLOBAL PLASTICS TREATY

CONTEXT: Ongoing talks for an international treaty on plastic pollution highlight the need to support informal waste collectors in the global transition, given alarming recycling rates.

BACKGROUND: According to the OECD Global Plastic Outlook, global plastic waste production reached 353 million tonnes in 2019, more than doubling since 2000 and projected to triple by 2060. Only 9% of this waste was recycled, with informal workers responsible for 85% of the recycling, thereby crucially contributing to waste management and environmental sustainability.



Challenges Faced by Informal Waste and Recovery Sector in Plastic Value Chains

- **Vulnerability of Workers:** Workers in the informal waste and recovery sector (IWRS) are highly vulnerable in plastic value chains.
- **Risks Faced:** Risks include increasing privatization of waste management, waste-to-energy projects, and exclusion from Extended Producer Responsibility (EPR) norms.
- **Significant Role:** The IWRS plays a major role, accounting for 80% of municipal solid waste recovery in many cities globally.
- **Environmental Impact:** Around 60 million tonnes of plastic from municipal solid waste pollute the environment due to inadequate collection and mismanagement.
- **Neglect in Strategies:** Strategies to reduce plastic pollution often neglect to involve the recovery capacities and skills of the IWRS.
- **Impact on Livelihoods:** This oversight worsens livelihood vulnerabilities and undermines existing informal recovery systems.

The Global Plastics Treaty and Informal Waste Pickers

- **Global Plastics Treaty:** A legally binding agreement to reduce and eliminate plastic pollution is being pursued.
- **Intergovernmental Negotiating Committee (INC):** Established to oversee the treaty's development and implementation, with meetings held globally.

- **Role of International Alliance of Waste Pickers (IAWP):** Advocates for the formalization and integration of waste pickers into plastic pollution discussions.
- **Challenges and Definitions:** The need for clarity in defining terms like "just transition" and the informal waste sector remains crucial.

As the INC-5 approaches, India advocates for enhancing repair, reuse, refill, and recycling in tackling plastic pollution. The focus remains on integrating informal waste pickers into EPR norms to ensure a just transition. The Global Plastics Treaty should safeguard their livelihoods, promoting social justice and equity.

INTERNATIONAL RELATIONS

SHEIKH HASINA TO BE FIRST OF FOREIGN LEADERS TO ARRIVE FOR MODI'S SWEARING-IN

CONTEXT: Bangladesh Prime Minister Sheikh Hasina is set to arrive in Delhi on Saturday, invited by Narendra Modi to attend his swearing-in ceremony on Sunday evening.

BACKGROUND: Ms. Hasina will arrive early, preceding Sri Lankan President Ranil Wickremesinghe, Bhutanese Prime Minister Tshering Tobgay, and Nepal's Prime Minister P.K. Dahal "Prachanda." Maldivian President Mohamed Muizzu will also attend with a large delegation. This reflects Mr. Modi's diplomatic engagement with SAARC and BIMSTEC countries.



India's Foreign Relations Agenda: Focus on Neighbours and Global Outreach

- **Invitations to Neighbours and Indian Ocean Region:** India is focusing on its close neighbours and the Indian Ocean Region for the new government's swearing-in ceremony.
- **Excluded Countries:** Pakistan and Afghanistan, with deteriorating ties, were not invited; all other neighbouring countries will attend.
- **Packed Foreign Travel Agenda:** Prime Minister Modi will attend the G-7 outreach in Italy and meet leaders from major economies.
- **Upcoming SCO Summit:** Modi will attend the SCO Summit in

Kazakhstan, his first bilateral visit abroad in his third term.

- Senior Participation in Peace Summit: India will participate at a senior level in the peace summit in Switzerland.

India-Bangladesh Relations: Cooperation and Challenges

- Foundation of Relationship: India supported Bangladesh during its independence struggle in 1971 against Pakistan.
- Trade Partnership: India is Bangladesh's second largest trade partner, with exports worth USD 2 billion.
- Comprehensive Economic Partnership Agreement (CEPA): A joint feasibility study was concluded in 2022 to enhance economic ties, especially as Bangladesh loses LDC status after 2026.
- Resolution of Issues: Both nations resolved long-standing issues like the Land Boundary Agreement and maritime disputes.
- Infrastructure Development: Inauguration of the Akhaura-Agartala Rail Link and cooperation in energy, including electricity imports to Bangladesh.
- Transboundary River Waters: India and Bangladesh share 54 common rivers; agreements like the Ganga Waters Treaty are in place, but issues like Teesta and Feni rivers are still under negotiation.
- Challenges: Issues such as illegal migration, drug smuggling, and growing Chinese influence in Bangladesh pose challenges to India-Bangladesh relations.

BACKGROUND: The Chinese Embassy in India reiterated Beijing's objection to Taiwan's President William Lai Ching-te congratulating Prime Minister Narendra Modi, asserting that Taiwan is an integral part of China. They emphasized that China is the sole legal government representing all of China, backed by international consensus. Engagement with SAARC and BIMSTEC countries.



Diplomatic Exchange Between India and Taiwan Amidst Chinese Opposition

- Global Leaders' Congratulations: Several global leaders, including Taiwan's President, congratulated Mr. Modi on the NDA's majority in the recent Lok Sabha election.
- Taiwan-India Partnership: President Lai expressed Taiwan's commitment to expand partnership with India on trade, technology, and other sectors.
- Modi's Response: Mr. Modi thanked President Lai and expressed hope for closer ties, emphasizing mutually beneficial economic and technological partnership.
- Chinese Response: Chinese Foreign Ministry spokesperson Mao Ning rejected the exchange, stating there is no such thing as a 'president' of Taiwan.
- Taiwan's Reaction: Taiwan's Foreign Ministry criticized Beijing's response, emphasizing that Taiwan remains dedicated to building partnerships with India based on mutual benefit and shared values.

INTERNATIONAL RELATIONS

THERE IS NO SUCH THING AS 'PRESIDENT' OF THE TAIWAN REGION: CHINA EMBASSY

CONTEXT: The Chinese Embassy in India restated Beijing's objection to an exchange of messages between Taiwanese President and Prime Minister Modi, asserting Taiwan as part of China.

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