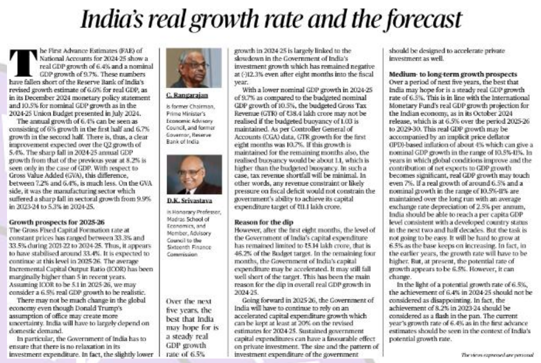
18th Jan, 2025

1. India's Real Growth Rate and the Forecast
GS 3 (Economy)

- **Why in News:**
  - The **First Advance Estimates (FAE) of National Accounts for 2024-25 indicate a real GDP growth rate of 6.4%** and a **nominal GDP growth rate of 9.7%.**
  - **These figures,** while significant, **fall short of the RBI December 2024 revised growth estimates of 6.6% for real GDP and 10.5% for nominal GDP** as projected in the Union Budget of 2024-25.
  - The **deviation highlights emerging challenges in sustaining robust economic growth in India,** compounded by both domestic and international factors.



India's real growth rate and the forecast

The First Advance Estimates (FAE) of National Accounts for 2024-25 show a real GDP growth of 6.4% and a nominal GDP growth of 9.7%. These numbers have fallen short of the Reserve Bank of India's revised growth estimate of 6.6% for real GDP, as in its December 2024 monetary policy statement and 10.5% for nominal GDP growth as in the 2024-25 Union Budget presented in July 2024.

The annual growth of 6.4% can be seen as consisting of 6% growth in the first half and 6.7% growth in the second half. There is, thus, a clear improvement expected over the Q2 growth of 5.4%. The sharp fall in 2024-25 annual GDP growth from that of the previous year at 8.2% is seen only in the case of GDP. With respect to Gross Value Added (GVA), this difference, between 7.2% and 6.4%, is much less. On the GVA side, it was the manufacturing sector which suffered a sharp fall in sectoral growth from 9.9% in 2023-24 to 5.3% in 2024-25.

Growth prospects for 2025-26

The Gross Fixed Capital Formation rate at constant prices has ranged between 33.3% and 33.5% during 2021-22 to 2024-25. Thus, it appears to have stabilised around 33.4%. It is expected to continue at this level in 2025-26. The average Incremental Capital Output Ratio (ICOR) has been marginally higher than 5 in recent years. Assuming ICOR to be 5.1 in 2025-26, we may consider a 6.5% real GDP growth to be realistic.

There may not be much change in the global economy even though Donald Trump's assumption of office may create more uncertainty. India will have to largely depend on domestic demand.

In particular, the Government of India has to ensure that there is no relaxation in its investment expenditure. In fact, the slightly lower growth in 2024-25 is largely linked to the slowdown in the Government of India's investment growth which has remained negative at (-)12.3% even after eight months into the fiscal year.

With a lower nominal GDP growth in 2024-25 of 9.7% as compared to the budgeted nominal GDP growth of 10.5%, the budgeted Gross Tax Revenue (GTR) of ₹38.4 lakh crore may not be realised if the budgeted buoyancy of 1.03 is maintained. As per Controller General of Accounts (CGA) data, GTR growth for the first eight months was 10.7%. If this growth is maintained for the remaining months also, the realised buoyancy would be about 1.1, which is higher than the budgeted buoyancy. In such a case, tax revenue shortfall will be minimal. In other words, any revenue constraint or likely pressure on fiscal deficit would not constrain the government's ability to achieve its capital expenditure target of ₹11.1 lakh crore.

Reason for the dip

However, after the first eight months, the level of the Government of India's capital expenditure has remained limited to ₹5.14 lakh crore, that is 46.2% of the Budget target. In the remaining four months, the Government of India's capital expenditure may be accelerated. It may still fall well short of the target. This has been the main reason for the dip in overall real GDP growth in 2024-25.

Going forward in 2025-26, the Government of India will have to continue to rely on an accelerated capital expenditure growth which can be kept at least at 20% on the revised estimates for 2024-25. Sustained government capital expenditures can have a favourable effect on private investment. The size and the pattern of investment expenditure of the government should be designed to accelerate private investment as well.

Medium- to long-term growth prospects

Over a period of next five years, the best that India may hope for is a steady real GDP growth rate of 6.5%. This is in line with the International Monetary Fund's real GDP growth projection for the Indian economy, as in its October 2024 release, which is at 6.5% over the period 2025-26 to 2029-30. This real GDP growth may be accompanied by an implicit price deflator (IPD)-based inflation of about 4% which can give a nominal GDP growth in the range of 10.5%-11%. In years in which global conditions improve and the contribution of net exports to GDP growth becomes significant, real GDP growth may touch even 7%. If a real growth of around 6.5% and a nominal growth in the range of 10.5%-11% are maintained over the long run with an average exchange rate depreciation of 2.5% per annum, India should be able to reach a per capita GDP level consistent with a developed country status in the next two and half decades. But the task is not going to be easy. It will be hard to grow at 6.5% as the base keeps on increasing. In fact, in the earlier years, the growth rate will have to be higher. But, at present, the potential rate of growth appears to be 6.5%. However, it can change.

In the light of a potential growth rate of 6.5%, the achievement of 6.4% in 2024-25 should not be considered as disappointing. In fact, the achievement of 8.2% in 2023-24 should be considered as a flash in the pan. The current year's growth rate of 6.4% as in the first advance estimates should be seen in the context of India's potential growth rate.

Over the next five years, the best that India may hope for is a steady real GDP growth rate of 6.5%

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The views expressed are personal

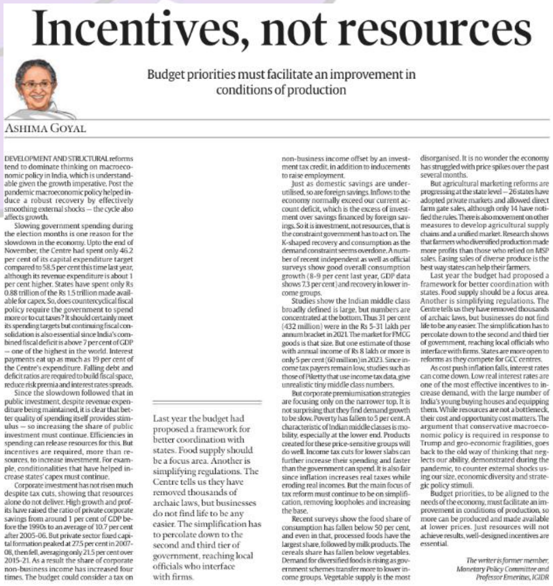
- **Analysis of the 2024-25 Economic Performance and Reason Behind the Dip**
  - The **annual GDP growth rate of 6.4% during 2024-25 reflects an improving trend within the fiscal year,** with growth accelerating from 6% in the first half to 6.7% in the second half.
  - This **demonstrates recovery from the lowest point (5.4%) during the second quarter (Q2) of the fiscal year 2024-25.**
  - However, the **decline from the 8.2% growth achieved in 2023-24 underscores the transient nature of the previous year's performance.**
  - The **manufacturing sector, in particular, experienced a sharp slowdown,** with growth dipping from 9.9% in 2023-24 to 5.3% in 2024-25, a key factor contributing to the lower overall Gross Value Added (GVA).
  - **Government investment trends also play a crucial role** in this scenario.
  - **Capital expenditure growth by the Government of India has been subdued**, with only 46.2% of the ₹11.1 lakh crore Budget target achieved by the end of the first eight months of 2024-25.
  - Despite potential acceleration in the final months, **the shortfall in government spending has directly affected overall growth.**
- **Prospects for Growth in 2025-26**
  - **The Role of Investment**
    - **Investment activity**, reflected in the Gross Fixed Capital Formation (GFCF) rate, **has shown consistent stabilisation around 33.4% over the past few years.**
    - This **stability provides a solid foundation for economic growth**, indicating sustained capital deployment in productive activities.
    - **Maintaining this level of investment in 2025-26 will be critical,** particularly as India aspires to bridge its infrastructure deficit and boost industrial capacity.
    - Public sector capital expenditure is a pivotal driver of investment activity.
    - **To catalyse private investment, the government will need to adopt an aggressive approach to infrastructure spending,** ensuring an annual growth rate of at least 20% in capital expenditure based on the revised estimates for 2024-25.
    - This **strategy can create a multiplier effec**t, increasing private sector participation, enhancing productivity, and generating employment.
  - **Private Investment and Domestic Demand**
    - The **alignment of government policies with the needs of the private sector will play a critical role** in improving investment.
    - **By creating a favourable environment through regulatory reforms, fiscal incentives**, and robust public-private partnerships (PPPs), **India can attract more private capital into infrastructure, manufacturing, and technology.**

    - Additionally, sustained domestic demand, driven by rising income levels and urbanisation, will ensure that private investments yield substantial returns.
- **The Role of Incremental Capital Output Ratio (ICOR)**
    - **India's average ICOR,** a measure of investment efficiency, has **remained slightly above 5 in recent years.**
    - This **suggests that every ₹5.1 of investment generates ₹1 of GDP.** To achieve a 6.5% growth rate in 2025-26, **the current ICOR must be maintained or improved.**
    - **Lowering ICOR through enhanced productivity and innovation will be crucial in maximising the returns** on both public and private investments.
- **Global Economic Uncertainty**
    - **External factors, including geopolitical shifts** and global economic conditions, will **significantly influence India's growth trajectory.**
    - The **uncertainty surrounding global trade and financial flows, exacerbated by Donald Trump's return to office** and potential shifts in U.S. foreign policy, **may create challenges** for India's export-driven industries.
    - However, **India's relatively low dependence on external demand and a large domestic market provide a cushion** against global shocks.
- **Fiscal Policy and Revenue Mobilisation**
    - A **critical aspect of the growth strategy for 2025-26** is **ensuring fiscal discipline** while sustaining high levels of capital expenditure.
    - The **Government of India's ability to achieve its capital expenditure** targets **will depend on effective revenue mobilisation.**
    - **In 2024-25, despite nominal GDP growth falling short** of the budgeted 10.5%, **tax revenue growth has shown resilience, with a realised buoyancy of about 1.1.**
    - This trend, if sustained, will ensure minimal revenue shortfalls, enabling the government to maintain its focus on developmental expenditure without exacerbating fiscal deficits.
- **Boosting Productivity through Reforms**
    - **Structural reforms in critical sectors**, including agriculture, labour markets, and financial systems, **will play a decisive role in ensuring sustained growth.**
    - For example, **modernising agriculture through technology and market reforms can unlock higher productivity.**
    - Similarly, **labour reforms can facilitate greater workforce participation** and skill development, contributing to a more competitive manufacturing sector.
- **Energy and Sustainability**
    - **India's transition to renewable energy** and its commitment to sustainability **also hold significant growth potential.**
    - **Investment in green infrastructure**, solar and wind energy, and electric vehicles (EVs**) can create new economic opportunities** while reducing reliance on fossil fuels.
    - This **alignment with global sustainability goals will not only attract foreign investment but also position India as a leader** in the global energy transition.
- **Sectoral Growth Dynamic**
    - **Key sectors** such as manufacturing, services, and construction **will be instrumental in achieving the targeted growth rate.**
    - Revitalising **manufacturing through initiatives like Make in India and focusing on innovation in technology-driven sectors can enhance productivity.**
    - Meanwhile, **the service sector, particularly IT, financial services, and tourism, is expected to remain a significant contributor to GDP growth**, supported by digitalization and global outsourcing opportunities.

- **Evaluations of the Current Growth Rate in the Context of Long-Term Growth Projections**
  - **Long-Term Growth Projections**
    - **Over the next five years, India's potential GDP growth rate is estimated at 6.5%,** aligning with the International Monetary Fund's (IMF) projections for the Indian economy from 2025-26 to 2029-30.
    - **Nominal GDP growth during this period is expected to range between 10.5% and 11%,** driven by an implicit price deflator (IPD)-based inflation of about 4%.
    - **In favourable global conditions, real GDP growth could rise to 7%,** particularly if net exports make a significant contribution.
    - **Achieving this growth trajectory would position India for developed country status** within the next two and a half decades.
    - However, **maintaining consistent growth will become increasingly challenging as the economic base expands**.
    - Early years will demand higher growth rates to lay the foundation for sustained performance.
  - **Evaluating the Current Growth Rate**
    - **In this context, the 6.4% growth rate for 2024-25 should not be viewed as disappointing**. Instead, it reflects the economy's alignment with its potential growth trajectory.
    - **The remarkable 8.2% growth in 2023-24 can be seen as an anomaly**, fuelled by post-pandemic recovery and other transient factors.
    - **The 2024-25 performance, while modest, underscores the need for strategic planning to capitalise on domestic demand** and enhance productivity.
- **Conclusion**
  - **India's growth story** is marked by a **delicate balance between aspiration and realism.**
  - The **6.4% growth in 2024-25 signals a return to a more sustainable trajectory**, with future growth heavily reliant on proactive government policies, strategic investments, and private sector participation.
  - **In the medium term, a focus on structural reforms and capital investment will be vital** to achieve and sustain the 6.5% potential growth rate.
  - While challenges remain, **the steady alignment with long-term growth potential sets a promising foundation for India's economic ambitions.**

2. Why the budget must prioritise incentives, not just resources

GS 3 (Economy)



Incentives, not resources

Budget priorities must facilitate an improvement in conditions of production

ASHIMA GOYAL

DEVELOPMENT AND STRUCTURAL reforms tend to dominate thinking on macroeconomic policy in India, which is understandable given the growth imperative. Post the pandemic macroeconomic policy helped induce a robust recovery by effectively smoothing external shocks — the cycle also affects growth.

Slowing government spending during the election months is one reason for the slowdown in the economy. Upto the end of November, the Centre had spent only 46.2 per cent of its capital expenditure target compared to 58.5 per cent this time last year, although its revenue expenditure is about 1 per cent higher. States have spent only Rs 0.88 trillion of the Rs 1.5 trillion made available for capex. So, does countercyclical fiscal policy require the government to spend more or to cut taxes? It should certainly meet its spending targets but continuing fiscal consolidation is also essential since India's combined fiscal deficit is above 7 per cent of GDP — one of the highest in the world. Interest payments eat up as much as 19 per cent of the Centre's expenditure. Falling debt and deficit ratios are required to build fiscal space, reduce risk premia and interest rates spreads.

Since the slowdown followed that in public investment, despite revenue expenditure being maintained, it is clear that better quality of spending itself provides stimulus — so increasing the share of public investment must continue. Efficiencies in spending can release resources for this. But incentives are required, more than resources, to increase investment. For example, conditionalities that have helped increase states' capex must continue.

Corporate investment has not risen much despite tax cuts, showing that resources alone do not deliver. High growth and profits have raised the ratio of private corporate savings from around 1 per cent of GDP before the 1990s to an average of 10.7 per cent after 2005-06. But private sector fixed capital formation peaked at 27.5 per cent in 2007-08, then fell, averaging only 21.5 per cent over 2015-21. As a result the share of corporate non-business income has increased four times. The budget could consider a tax on non-business income offset by an investment tax credit, in addition to inducements to raise employment.

Just as domestic savings are underutilised, so are foreign savings. Inflows to the economy normally exceed our current account deficit, which is the excess of investment over savings financed by foreign savings. So it is investment, not resources, that is the constraint government has to act on. The K-shaped recovery and consumption as the demand constraint seems overdone. A number of recent independent as well as official surveys show good overall consumption growth (8-9 per cent last year, GDP data shows 7.3 per cent) and recovery in lower income groups.

Studies show the Indian middle class broadly defined is large, but numbers are concentrated at the bottom. Thus 31 per cent (432 million) were in the Rs 5-31 lakh per annum bracket in 2021. The market for FMCG goods is that size. But one estimate of those with annual income of Rs 8 lakh or more is only 5 per cent (60 million) in 2023. Since income tax payers remain low, studies such as those of Piketty that use income tax data, give unrealistic tiny middle class numbers.

But corporate premiumisation strategies are focusing only on the narrower top. It is not surprising that they find demand growth to be slow. Poverty has fallen to 5 per cent. A characteristic of Indian middle classes is mobility, especially at the lower end. Products created for these price-sensitive groups will do well. Income tax cuts for lower slabs can further increase their spending and faster than the government can spend. It is also fair since inflation increases real taxes while eroding real incomes. But the main focus of tax reform must continue to be on simplification, removing loopholes and increasing the base.

Recent surveys show the food share of consumption has fallen below 50 per cent, and even in that, processed foods have the largest share, followed by milk products. The cereals share has fallen below vegetables. Demand for diversified foods is rising as government schemes transfer more to lower income groups. Vegetable supply is the most disorganised. It is no wonder the economy has struggled with price spikes over the past several months.

But agricultural marketing reforms are progressing at the state level — 26 states have adopted private markets and allowed direct farm gate sales, although only 14 have notified the rules. There is also movement on other measures to develop agricultural supply chains and a unified market. Research shows that farmers who diversified production made more profits than those who relied on MSP sales. Easing sales of diverse produce is the best way states can help their farmers.

Last year the budget had proposed a framework for better coordination with states. Food supply should be a focus area. Another is simplifying regulations. The Centre tells us they have removed thousands of archaic laws, but businesses do not find life to be any easier. The simplification has to percolate down to the second and third tier of government, reaching local officials who interface with firms. States are more open to reforms as they compete for GCC centres.

As cost push inflation falls, interest rates can come down. Low real interest rates are one of the most effective incentives to increase demand, with the large number of India's young buying houses and equipping them. While resources are not a bottleneck, their cost and opportunity cost matters. The argument that conservative macroeconomic policy is required in response to Trump and geo-economic fragilities, goes back to the old way of thinking that neglects our ability, demonstrated during the pandemic, to counter external shocks using our size, economic diversity and strategic policy stimuli.

Budget priorities, to be aligned to the needs of the economy, must facilitate an improvement in conditions of production, so more can be produced and made available at lower prices. Just resources will not achieve results, well-designed incentives are essential.

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The writer is former member, Monetary Policy Committee and Professor Emeritus, IGIDR

- **Why in News:** India's current macroeconomic policy are focusing on fiscal challenges, slowing government spending, and the need for structural reforms to boost investment and growth. It reflects on the effects of the pandemic and the government's fiscal stance in the face of a global and domestic slowdown, considering the future fiscal priorities for the Indian economy.
- **Government Spending and Fiscal Policy**
  - **Slowing Government Capital Expenditure**: As of November, the Centre has spent only 46.2% of its capital expenditure target, down from 58.5% in the previous year. States have similarly underutilized their capital expenditure allocation.
  - **Fiscal Consolidation and Deficit Concerns**: India's combined fiscal deficit stands above 7% of GDP, one of the highest globally, with interest payments consuming 19% of the Centre's expenditure. Hence, there is a pressing need for fiscal consolidation to build fiscal space and reduce debt risks.

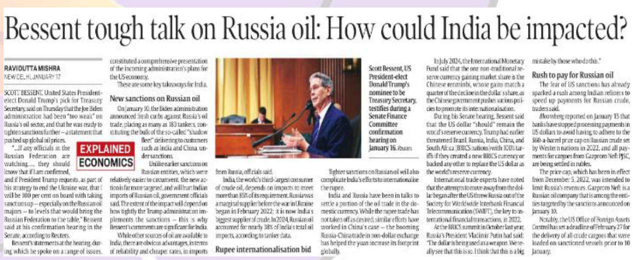
- **Countercyclical Fiscal Policy**: To stimulate growth, it is essential for the government to meet its capital expenditure targets while also focusing on reducing the fiscal deficit. Efficiencies in spending and incentivizing investment are crucial.

- **Investment and Private Sector Challenges**
    - **Private Investment Constraints**: Despite tax cuts, private corporate investment has remained stagnant. Corporate savings have increased significantly, but the fixed capital formation rate has declined, indicating a gap between available resources and actual investment.
    - **Utilizing Domestic and Foreign Savings**: India faces a dual issue of underutilized domestic savings and foreign savings, with inflows exceeding the current account deficit. Therefore, the constraint is not a lack of resources but the lack of effective investment.
    - **Tax Reforms and Corporate Strategy**: A proposal for a tax on non-business income, offset by investment credits, could encourage more investment. Additionally, addressing income tax issues and simplifying the tax structure should remain a priority for better resource allocation.
- **Agricultural and Structural Reforms**
    - **Agricultural Marketing Reforms**: Many states have adopted private markets and allowed direct farm gate sales, but only 14 states have notified the necessary rules. Agricultural supply chain development is critical for improving farmer income and food supply.
    - **Food Supply and Regulation**: As food consumption patterns evolve, with rising demand for processed foods, simplifying agricultural regulations and coordinating better with states can improve food supply chains and reduce price spikes.
    - **Reform Implementation at the Ground Level**: Despite the Centre's efforts to simplify laws, businesses continue to face challenges at the local government level. More effective implementation at state and local levels is necessary for successful reforms.

3. Impact of Proposed US Sanctions on Russian Oil and India's Energy Landscape

GS 2 (international Relations)

- **Why in News:**
    - Scott Bessent, United States President-elect Donald Trump's nominee for Treasury Secretary, **outlined plans to intensify sanctions on Russia's oil sector** during his Senate confirmation hearing.
    - His remarks highlight the incoming administration's strategy to address the Ukraine war and its broader implications, including significant effects on global oil prices and India's energy trade.


Bessent tough talk on Russia oil: How could India be impacted?

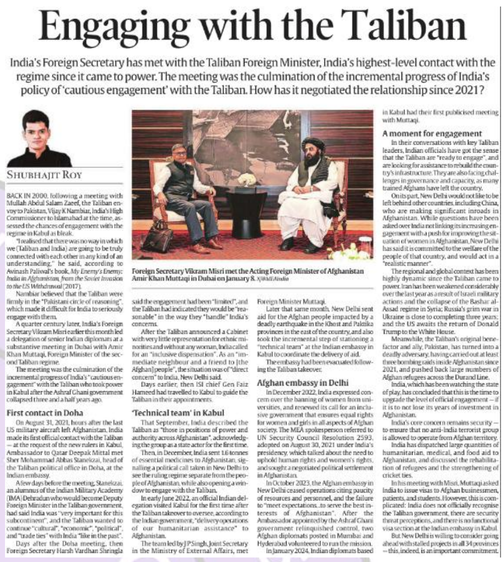
EXPLAINED ECONOMICS

- **New Sanctions on Russian Oil:**
    - **Tightened restrictions:**
        - On January 10, the Biden administration imposed new sanctions aimed at curbing the nation's oil trade.
        - The upcoming Trump administration may enforce these sanctions more stringently, especially targeting Russian oil majors.
    - **Scope of sanctions:**
        - **Targeted entities:** Russian oil producers Gazprom Neft and Surgutneftegas.
        - **Affected vessels:** 183 tankers associated with Russia's "shadow fleet."
        - **Impacted services**: Russia-based oilfield service providers.
        - **Objective:** Disrupt revenue streams fueling Russia's war efforts.
        - **Deadline for compliance:** The US Office of Foreign Assets Control has set February 27 as the deadline for the delivery of crude loaded before January 10, under the new sanctions.

- **Implications of Proposed US Sanctions on Russian Oil on India and India's Response:**
  - **Impact on India:**
    - Bilateral trade between India and Russia surged to $65.7 billion in 2023-24.
    - Russia has become India's largest crude oil supplier, **constituting nearly 38% of its imports in 2024**, a significant increase from pre-Ukraine war levels.
    - The imposition of **a $60-per-barrel price cap by G7 nations redirected Russian oil exports from Europe to Asia**, with India and China being key consumers.
    - India, dependent on imports for over 85% of its crude oil needs, **faces challenges due to the cost-efficiency and reliability of Russian oil.**
  - **India's response:**
    - **Commitment to energy security:**
      - India's oil imports, including those from Russia, are guided by energy security needs and global market conditions.
      - External Affairs Ministry spokesperson Randhir Jaiswal stated that India has **no plans to reduce its oil purchases from Russia** despite the sanctions.
    - **Rush to pay for Russian oil:**
      - Indian refiners are **expediting payments** for Russian crude to circumvent potential US penalties.
      - Transactions for Gazprom Neft crude, a Russian oil giant, are being processed in **Rubles** instead of dollars to bypass the $60-a-barrel price cap set in 2022.
- **Analysing Rupee Internationalisation Bid Amid Proposed US Sanctions on Russian Oil:**
  - **Challenges ahead:**
    - Efforts to settle India-Russia oil trade in rupees face hurdles as tighter sanctions could disrupt these negotiations.
    - In contrast, Russia-China trade in non-dollar currencies has **bolstered the yuan's global footprint.**
  - **Global reserve currency dynamics:**
    - The US dollar remains dominant, but efforts by BRICS nations to develop alternatives, such as **a potential BRICS currency**, have intensified since 2022.
    - The attempts to move away from the dollar began after the **US threw Russia out of the Society for Worldwide Interbank Financial Telecommunication (SWIFT)**, the key to international financial transactions, in 2022.
  - **US stance:**
    - During his hearing, Bessent reaffirmed the importance of **maintaining the US dollar's status as the world's reserve currency.**
    - Former President Trump previously **threatened BRICS nations with tariffs if they pursued a rival reserve currency.**
- **Conclusion:**
  - **India's proactive engagement with the US** reflects its commitment to maintaining energy security while navigating the complexities of international sanctions.
  - As one of Russia's top oil buyers, **India continues to prioritize its economic and strategic interests amidst evolving global dynamics.**

4. India's Engagement with Taliban-Led Afghanistan
GS 2 (International Relations)

- **Why in News:** India is engaging with the Taliban but remains cautious. India seeks regional stability, security, and better access to Central Asia.



- **Background**
    - India had previously been cautious about engaging with the Taliban after the group took control of Afghanistan in August 2021.
    - Before that, India had a strong relationship with Afghanistan, helping with development projects, providing scholarships, and building infrastructure like roads and hospitals.
    - The **fall of Kabul to the Taliban in 2021** disrupted India's influence, giving rivals like Pakistan and China a greater foothold in the region.
    - However, India's approach to the Taliban has changed recently, as it navigates the new geopolitical reality.
    - India has reportedly been in indirect talks with the **Haqqani Network**, a powerful faction of the Taliban responsible for attacks on Indian interests. However, India is unlikely to have formal relations with the Haqqani faction due to its links with Pakistan and its role in past attacks against India.
- **India's Approach: Pragmatism and Opportunism**
    - India's new strategy is shaped by two key ideas
        - **Strategic Pragmatism**: India is balancing its interests by engaging with the Taliban while setting aside past ideological differences. It focuses on regional stability and security rather than political disagreements.
        - **Strategic Opportunism**: India is also taking advantage of tensions between the Taliban and Pakistan. By condemning Pakistan's airstrikes in Afghanistan in December 2024, India showed its disapproval of Pakistan's actions, positioning itself as a responsible regional power.
    - **India's Strategic Interests**
        - India's engagement with the Taliban helps it secure several strategic goals:
            - **Regional Connectivity**: India wants to use Afghanistan to improve its access to Central Asia, bypassing Pakistan's ports.
            - **Security**: India aims to prevent terrorism and maintain regional stability, especially by countering groups like Lashkar-e-Tayyiba (LeT) and Jaish-e-Mohammed (JeM), which are active in Kashmir.
            - **Humanitarian and Development Aid**: India continues to provide aid and build goodwill among the Afghan people, who have historically supported India's involvement in Afghanistan.
    - **Risks of Engaging with the Taliban**
        - The biggest risk is the Taliban itself, as it is linked to terrorist organizations and has a history of violence.
        - Despite its attempts to appear more moderate, India remains cautious about fully trusting the Taliban.
- **Why the Taliban is Significant for India?**
    - **Terrorism Threat:** India is concerned about Afghanistan becoming a base for groups like Lashkar-e-Tayyaba (LeT), Jaish-e-Mohammad (JeM), and ISKP, which target Indian interests. India aims to prevent Afghanistan from being a hub for anti-India terrorist groups, especially after the Taliban's return to power.
    - **Regional Diplomacy:** Countries like Russia, China, Iran, and Central Asian nations have normalized ties with the Taliban, pushing India to do the same to secure its influence in Afghanistan and the region.

- **Space to Counter Pakistan:** Deteriorating Pakistan-Taliban ties give India space to secure its interests in Afghanistan and reduce Pakistan's influence there.
- **Chabahar Port:** India's development of Chabahar port in Iran aims to bypass Pakistan's Karachi and Gwadar ports, ensuring trade with Afghanistan and Central Asia. Engagement with the Taliban is key to enhancing connectivity.

5. Lokpal
GS 2 (Governance)

- **Why in News:** The Foundation Day of the Lokpal of India was held for the first time on 16th January at Manekshaw Centre, New Delhi, in the august presence of the Chief Justice of India.
- **About Lokpal:**
  - It is a **statutory body** established under the **Lokpal and Lokayuktas Act 2013**.
  - **Mandate**: To **inquire into allegations of corruption against** certain **public functionaries** and for related matters.
  - **Organisational Structure:**
    - It consists of a **chairperson and eight Members,** out of whom **four are Judicial Members.**
    - The **Chairperson** should be **either the former Chief Justice of India,or a former Judge of the Supreme Court**, **or an eminent person** who fulfills the eligibility criteria as specified.
    - The **judicial member** of the Lokpal should be e**ither a former Judge of the Supreme Court** or a **former Chief Justice of a High Court**.
    - A minimum of **fifty percent** of the Members will be from **SC/ST/OBC/Minorities and women.**
  - **How are members appointed**
    - The Chairperson and the Members are **appointed by the President** of India on the **recommendation of a selection committee composed of** the **Prime Minister** as the Chairperson, the **Speaker of Lok Sabha,** the **Leader of Opposition in Lok Sabha,** the **Chief Justice of India**or a **Judge nominated by him**/her, and **one eminent jurist.**
    - They hold office for a **term of five years** from the date on which they enter upon the office **or until they attain** the age of **70 years**, whichever is earlier.
    - The salary, allowances, and other **conditions of services of the Chairperson** are the **same as** that of the **Chief Justice of India**.
    - The salary, allowances, and other **conditions of services of the members** are the **same as** that of a **Judge of the Supreme Court**.
  - **Jurisdiction**
    - It has jurisdiction to inquire into allegations of corruption against anyone who is or has been **Prime Minister**, a **Minister** in the Union government, or a **Member of Parliament,** as well as **officials of the Union Government under Groups A, B, C, and D.**
    - It covers c**hairpersons, members, officers, and directors of any board, corporation, society, trust, or autonomous body** either **established by an Act** of Parliament **or wholly or partly funded by the Union or State**
    - It also **covers any society, trust, or body that receives a foreign contribution above Rs 10 lakh.**
    - A **complaint** under the Lokpal Act should be in the prescribed form and **must pertain to an offence under the Prevention of Corruption Act, 1988,** against a public servant.
    - There is **no restriction on who can make such a complaint.**
    - When a complaint is received, the **Lokpal may order a preliminary inquiry** by its Inquiry Wing or any other agency **or refer it for investigation by any agency, including the CBI**, if there is a prima facie case.
    - The Lokpal, with **respect to Central government servants**, shall **refer the complaints to** the **Central Vigilance Commission** (CVC).

- **Exceptions for Prime Minister:**
  - Lokpal **cannot inquire into allegations** against the PM re**lating to international relations, external and internal security, public order, atomic energy, and space**.
  - Also, **complaints** against the PM are **not to be probed unless the full Lokpal bench considers the initiation of the inquiry and at least 2/3rds of the members approve it.**
- **Powers of Lokpal:**
  - It has powers to **superintendence over and to give direction to the CBI.**
  - If it has referred a case to the CBI, the **investigating officer in such a case cannot be transferred without the approval of Lokpal.**
  - **Powers to authorize CBI for search and seizure** operations connected to such cases.
  - The **Inquiry Wing of the Lokpal** has been vested with the **powers of a civil court**.
  - Lokpal has **powers of confiscation of assets, proceeds, receipts, and benefits** arisen or **procured by means of corruption** in special circumstances.
  - Lokpal has the power to **recommend the transfer or suspension of public servants** connected with the allegation of corruption.
  - Lokpal has the power to **give directions to prevent the destruction of records** during the preliminary inquiry.
  - In terms of Section 48 of the said Act, the Lokpal is req**uired to present annually to the President a report** on the work done by it, **which is** caused to be **laid in both the Houses of the Parliament.**

MCQ Current Affairs
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1. Which of the following countries does *not* border the Gulf of Aden?
a) Yemen
b) Somalia
c) Djibouti
d) Oman

2. What does the Information Ratio (IR) measure?
a) The risk-free rate of return in an investment
b) The ability of a portfolio to match and exceed a benchmark's returns
c) The number of trades executed by a portfolio manager
d) The impact of interest rates on stock market performance

3. Global Risk Report, recently in news, is published by:
a) United Nations Environment Programme
b) World Bank
c) World Metrological Organisation
d) World Economic Forum

4. With reference to New Sanchar Saathi Mobile App, consider the following:
A. It is designed to fortify telecom security and empower citizens.
B. It has a feature of directly reporting suspected calls and SMS using app from mobile phone logs.
C. It helps in verifying the authenticity of mobile handsets.

How many of the above statements are correct?

a) One only
b) Two only
c) All three
d) None of the above

5. Consider the following statements regarding Hyperspectral Imaging Satellite:
A. They are designed to beam down data in hundreds of wavelengths to detect problems.
B. They help in detecting subtle changes in chemical compositions, vegetation health and water quality.

Which of the statements given above is/are correct?

a) A only
b) B only
c) A and B
d) Neither of two

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1. d
2. b
3. d
4. c
5. c