

MODI SEEKS TO SCRIPT SINGAPORE-LIKE SUCCESS STORIES AS INDIA INKS MOUS

INTERNATIONAL RELATIONS



Singapore Integral to India's 'Act East' Policy: PM Modi

Prime Minister Narendra Modi emphasized Singapore's crucial role in India's 'Act East' policy, stating India aims to replicate Singapore-like success stories within its territory. During his visit to Singapore, Mr. Modi met Singaporean Prime Minister Lawrence Wong and oversaw the signing of key agreements, including an MoU on semiconductors to strengthen supply chain resilience.

New Thiruvalluvar Cultural Centre

Mr. Modi announced the opening of the first Thiruvalluvar Cultural Centre in Singapore, named after the famous Tamil poet-philosopher. This initiative comes as both nations prepare to celebrate the 60th anniversary of their bilateral relations in 2025.

Singapore: A Partner and Inspiration

In his speech, Mr. Modi described Singapore as not just a partner, but an inspiration for developing countries. He highlighted shared democratic values and stressed the importance of Singapore in India's strategic regional outreach.

Tribute to Indian-Origin Population

The Prime Minister also paid tribute to the Indian-origin population in Singapore, acknowledging their contribution to solidifying bilateral relations. He expressed gratitude for the respect Singapore has shown to Indian icons like Subhas Chandra Bose and historic landmarks like Little India.

Discussions on Key Areas of Cooperation

The meeting between Mr. Modi and Mr. Wong also touched upon cooperation in defence, security, maritime awareness, education, artificial intelligence, and the situation in Myanmar.

6 MAOISTS WERE KILLED IN A GUNFIGHT WITH POLICE IN TELANGANA

INTERNAL SECURITY



Bhadradi Kothagudem, Telangana: In a significant blow to the Communist Party of India (Maoist), six of its cadres were killed in an encounter with police forces in the early hours of Thursday. The incident occurred near Mothe village in Bhadradi Kothagudem district.

The encounter took place around 6:45 AM when a police patrol team came across a group of Maoists in the forest area. A gunfight ensued, resulting in the deaths of six Maoists. Five weapons, including two AK-47 rifles, an SLR, a .303 rifle, and a pistol, were recovered from the site along with ammunition and other materials.

Two policemen from the Greyhounds, the anti-naxal force of the Telangana police, sustained injuries during the encounter and were immediately rushed to a hospital. Their condition is reported to be stable.

The incident is a setback for the Maoists, who have been attempting to reestablish their presence in the Karakagudem region, once a stronghold of the outfit. Sources believe that Lachanna, the secretary of the CPI (Maoist) Manuguru Area Committee, may have been killed in the encounter.

NO FRICTION BETWEEN CENTRE, STATES ON GST FRONT, SAYS FINANCE MINISTER

POLITY & GOVERNANCE



Union Finance Minister Nirmala Sitharaman dismissed claims by Opposition leaders about friction between the Centre and States over Goods and Services Tax (GST). Speaking at an event in Chennai organized by the Revenue Bar Association, she emphasized the collaborative nature of GST Council meetings, where Finance Ministers from various political parties work together to simplify and rationalize GST rates.

Collaboration in Revenue Generation

Sitharaman stressed the importance of respecting the federal structure in ensuring effective revenue generation. She highlighted that the Centre and States must work together not only in development activities but also in widening the tax base. She denied any friction, stating that discussions in GST Council meetings focus on tax simplification, rationalization, and compliance ease.

Commitment to Simplifying GST

The Finance Minister reaffirmed the government's commitment to simplifying tax compliance and reducing the GST burden where possible. She noted that the average GST rate had dropped to 12.2% in 2023 from a revenue-neutral rate of 15.3% in 2017.

Not a Burden on Consumers

Sitharaman emphasized that GST is not a burden on common people, with nearly 60% of consumer goods attracting a GST rate of 5% or less. The Group of Ministers (GoM) continues to explore further rate reductions and rationalization.

PAC TO TAKE UP 'PERFORMANCE REVIEW' OF REGULATORY BODIES

POLITY & GOVERNANCE



PAC TO REVIEW REGULATORY BODIES AND INFRASTRUCTURE CHARGES

Performance Audit: The Public Accounts Committee (PAC) is set to conduct a performance review of various regulatory bodies. This includes a comprehensive audit of the charges levied on users of public infrastructure, such as airports and highways.

Subjects for Investigation: The PAC has identified five key areas for its own initiative investigations:

- 1. Review of Regulatory Bodies:** The committee will scrutinize the functioning of regulatory bodies like the Securities and Exchange Board of India (SEBI) and the Telecom Regulatory Authority of India (TRAI).
- 2. Audit of Infrastructure Charges:** The PAC will delve into the charges levied on users of public infrastructure, ensuring their fairness and transparency.
- 3. Other Areas:** The committee will also explore other relevant subjects as part of its investigations.
- 4. Overall Objective:** Through these reviews, the PAC aims to assess the effectiveness of regulatory bodies and ensure the equitable distribution of burdens related to public infrastructure usage.

KERALA TOPS CITIZEN-CENTRIC REFORMS CATEGORIES IN CENTRE'S LATEST RANKINGS

POLITY & GOVERNANCE



Business and Citizen-Centric Reforms: Kerala has emerged as a leader in India's business-centric reforms, securing the top spot in two categories. Additionally, the state has excelled in seven categories of citizen-centric reforms, as announced by the Union Ministry of Commerce and Industry.

Recognition and Awards: Industries Minister P. Rajeev received the Business Reforms Action Plan '22 (BRAP 22) award from Union Minister of Commerce Piyush Goyal at the Conference of State Industries Ministers.

Key Areas of Excellence: Kerala's business-centric reforms focused on facilitating utility permits and tax payments. For citizens, the state's achievements included online single

window systems, streamlined certificate issuance, efficient public distribution systems, and improvements in transport and employment services.

Positive Feedback and Recognition: Kerala garnered over 95% positive responses from existing businesses in these reform areas. The state's policies and effective implementation at the local level have contributed to its success.

JOINT MILITARY VISION MUST BE EVOLVED TO FACE FUTURE WARS: DEFENCE MINISTER

DEFENCE & SECURITY



Defence Minister Calls for Joint Military Vision
Union Defence Minister Rajnath Singh urged the development of a joint military vision to address future wars, highlighting the importance of space and electronic warfare capabilities. Speaking at the Joint Commanders' Conference in Lucknow, Singh emphasized integrating advancements in artificial intelligence (AI) to meet modern challenges.

Ensuring National Security

While India enjoys a period of relative peace, Singh stressed the need for vigilance amidst global volatility. He called for a strong national security component and fail-proof deterrence to tackle future threats.

Lessons from Global Conflicts

Drawing attention to the Russia-Ukraine war, Israel-Hamas conflict, and Bangladesh's situation, Singh encouraged commanders to analyze these conflicts, predict future challenges, and prepare for unforeseen events. He underscored the importance of a coordinated and proportional military response to provocations.

INCOME INEQUALITY

ECONOMICS & DEVELOPMENT

CONTEXT: The ILO's report highlights the growing income inequality caused by automation and AI, emphasizing the need for urgent measures like increased job creation, universal basic income, and inheritance taxes to address this global challenge.

Rising Income Inequality: A Global Challenge

Automation and Income Inequality

The ILO's report highlights the link between automation and declining labor income share, leading to increased income inequality. The gender gap in employment opportunities is particularly alarming for developing nations.

Addressing Income Inequality

Various solutions have been proposed, including universal basic income and increased job creation. However, the acceleration of income inequality due to automation and AI raises concerns about the effectiveness of these measures.

The Need for Innovative Solutions

To address the growing income gap, developing nations may need to explore alternative strategies such as inheritance taxes to redistribute wealth and promote social equity.

WHAT IS THE VERTICAL FISCAL IMBALANCE?

ECONOMICS & DEVELOPMENT

Estimation of VFI after devolution of taxes

The 15th Finance Commission had noted that India has had a larger, and rising, vertical fiscal imbalance (VFI) than most other federations

Year	VFI after tax devolution (as a ratio)	The desired share of tax devolution to eliminate VFI (%)
2015-16	0.12	47.82
2016-17	0.13	48.24
2017-18	0.12	47.59
2018-19	0.11	47.38
2019-20	0.18	51.17
2020-21	0.28	56.87
2021-22	0.14	47.90
2022-23 (RE)	0.20	51.42
Average (excluding 2020-21 and 2021-22)		48.94



THE GIST

As the 15th Finance Commission noted, States incur 61% of the revenue expenditure but collect only 38% of the revenue receipts. In short, the ability of the States to incur expenditures is dependent on transfers from the Union government.

The problem of VFI falls under the purview of the Finance Commission. Many States have raised the demand that the share of tax devolution from the net proceeds must be fixed at 50% by the 16th Finance Commission.

SOURCE: COMPUTED FROM UNION BUDGET DOCUMENTS, AND STATE FINANCES: A STUDY OF THE BUDGETS, RBI.

VERTICAL FISCAL IMBALANCE IN INDIA: A CHALLENGE FOR THE 16TH FINANCE COMMISSION

The Problem of VFI

India's federal system suffers from Vertical Fiscal Imbalance (VFI), where States incur more expenditures than they can generate in revenue. This imbalance has been exacerbated by the concentration of revenue with the Union government.

The Role of the Finance Commission

The Finance Commission is tasked with addressing VFI by distributing taxes between the Union and State governments. The 15th Finance Commission noted the need to reduce VFI and recommended a share of tax devolution from net proceeds.

Calculating VFI

To estimate VFI, we calculate the ratio of States' Own Revenue Receipts (ORR) and tax devolution to their Own Revenue Expenditure (ORE). A ratio less than 1 indicates a VFI deficit.

The Demand for Increased Tax Devolution

Many States have demanded a 50% share of tax devolution from net proceeds. This demand is supported by our analysis, which suggests that a 49% share is necessary to eliminate VFI, given current expenditure levels.



"If you invest more in your education, then you are likely to get more interest in it."

—Benjamin Franklin

Conclusion

Addressing VFI is crucial for a healthy fiscal federalism. The 16th Finance Commission must consider increasing tax devolution to empower States and improve the efficiency of public spending.

CAN KERALA ACCESS FUNDS FROM THE LOSS AND DAMAGE FUND?

POLITY & GOVERNANCE



THE GIST

- The Loss and Damage Fund (LDF) was established at the 2022 UNFCCC Conference (COP27) in Egypt to provide financial support to regions suffering both economic and non-economic losses caused by climate change.
- India has suffered over \$56 billion in damages from weather-related disasters between 2019 and 2023. Despite this, India has prioritised mitigation activities over adaptation in its National Climate Action Policy and budgets.
- Adaptation and loss and damage needs are more acutely felt at the ground level by State governments.

Consequently, it is the State governments that often bear most of the financial burden for disaster recovery efforts.

• Can Kerala Access the Loss and Damage Fund?

Understanding the Loss and Damage Fund

- The Loss and Damage Fund (LDF) was established at COP27 to provide financial assistance to regions affected by climate-induced losses. However, accessing these funds can be complex, especially for subnational entities like Kerala.

India's Role in Climate Finance

India has suffered significant damages due to climate-related disasters but has primarily focused on mitigation rather than adaptation. This focus has limited its engagement in Loss and Damage dialogues. India needs a clear legal and policy framework to streamline climate finance, particularly for adaptation and loss and damage.

State Interventions in Kerala

- Kerala has borne the brunt of disaster recovery costs, as exemplified by the Rebuild Kerala Development Programme. However, the lack of a standardized assessment process for disaster-related damages hinders access to the LDF.

Challenges and Opportunities

- Kerala and India face challenges in accessing and managing climate finance, particularly for loss and damage. By establishing a domestic policy framework focused on locally led adaptation and clear guidelines for accessing LDF funds, India can better protect itself from the impacts of climate change.

IN CHINA-AFRICA SUMMIT, XI PLEDGES \$50-BN FUNDS, HELP FOR JOB CREATION

INTERNATIONAL RELATIONS



Xi Pledges \$50 Billion for Africa

At the China-Africa summit, Chinese President Xi Jinping announced over \$50 billion in financing for Africa over the next three years. More than 50 African leaders and UN Secretary General Antonio Guterres attended the forum in Beijing, where Xi emphasized deepening cooperation in infrastructure, agriculture, and trade.

Key Financial Commitments

Xi stated that over half of the funds would be in credit, with \$11 billion in various forms of assistance

and \$10 billion in investments from Chinese firms. Additionally, he promised to help create one million jobs in Africa.

Military and Security Support

China will provide \$141 million in military assistance, train 6,000 military personnel, and 1,000 police officers from Africa.

Strengthening China-Africa Ties

UN chief Guterres highlighted that growing China-Africa ties could drive the renewable energy revolution. China, Africa's largest trading partner, continues to invest in the continent's natural resources and infrastructure development.

A MONTH SINCE HASINA WAS FORCED OUT, DHAKA'S NEW RULERS ASK FOR 'PATIENCE'

INTERNATIONAL RELATIONS



Hasina Ousted Amid Uprising

A student-led movement in Bangladesh ousted Prime Minister Sheikh Hasina on August 5 after weeks of protests over government jobs turned into a nationwide revolt. Over 600 people were killed in the clashes, and Hasina, 76, fled to India.

Yunus Takes Charge

Nobel laureate Muhammad Yunus formed an interim government, pledging to restore peace, fight corruption, and prepare for elections. His Cabinet includes two student leaders and aims to overhaul public

institutions, including the Election Commission.

Ongoing Unrest

Despite a return to normalcy, unrest lingers. Garment workers demand better wages, and Hasina, facing murder charges, remains in exile. Cases against her associates have sparked fears of politically motivated “vigilante justice.”

Economic and Political Challenges

Although universities have reopened, student attendance remains low, and the economy is struggling after weeks of shutdown. Yunus has asked for patience, as some call for his government to remain until meaningful reforms are enacted, while others urge swift elections.

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www.vedhikiasacademy.org

Head Office:

Vedhik IAS Academy
Mercy Estate,
MG Road, Ravipuram,
Ernakulam-682 015,

Corporate office:

Vedhik IAS Academy
Samkalp Bhawan, Plot No.15,
Sector 4, Rama Krishna Puram,
New Delhi, Delhi-110022

Regional office

Vedhik IAS Academy
202, Raheja Chambers, 12,
Museum Road. Bangalore -
560001. Karnataka, India.

GCC Office:

Bobscoedu,

Bobsco Trading & Contracting Co. W. L . L
Office 22, Dream Tower 1,
Road: 2701, Adliya, Kingdom of Bahrain
www.bobscoedu.com

