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India, Bhutan sign pact for first joint hydel project

Kholongchhu Hydro Electric Power (HEP) project:

- India and Bhutan took a major step forward for the construction of the 600 MW **Kholongchhu project**, their first hydropower joint venture project in Bhutan's less developed eastern region of Trashiyangtse.
- The project's "Concession agreement," which was signed in the presence via video-conference of External Affairs Minister S. Jaishankar in Delhi, and Bhutan's Foreign Minister Tandi Dorji and Economic Affairs Minister Loknath Sharma in Thimphu, marks a shift as it is the first time an India-Bhutan hydropower project will be constructed as a 50:50 joint venture, not as a government-to-government agreement.
- Speaking at the ceremony, both Foreign Ministers called the agreement a "milestone" in the India-Bhutan partnership, under which four hydropower projects have been built in the last 30 years totalling a capacity of 2,100 MW, and another two are under construction. The Kholongchhu project is one of four additional projects agreed to in 2008, as a part of India's commitment to help Bhutan create a total 10,000 MW of installed capacity by 2020.

Mutually beneficial;

- "[The] hydro power sector has been the most visible symbol of the mutually beneficial bilateral cooperation between two countries.

Signed in 2014

- The inter-governmental agreement for the Kholongchhu project was signed after prolonged negotiations on the structure of the joint venture, in April 2014, and the foundation stone was laid when Prime Minister Narendra Modi travelled to Thimphu a few months later.
- However, progress on preparing the site ground to a halt in December 2016 over India's new power tariff guidelines (on **Cross Border Trade of Electricity - CBTE**), until the government amended its guidelines after negotiations with the Bhutan government. During Monday's ceremony, the Bhutanese Foreign Minister said the delay had "some benefits" as many issues on the ground were ironed out during the period.



- According to the agreement finalised, the construction for the **Kholongchhu Hydro Electric Power (HEP) project** will begin soon, and be completed in the second half of 2025.

Will free grains scheme stay?

- The government remains tight-lipped on the possible extension of the **Pradhan Mantri Garib Kalyan Anna Yojana**, which was announced by Finance Minister Nirmala Sitharaman as part of the first relief package during the COVID-19 pandemic. The scheme ends on June 30.
- The scheme, announced for a three-month period, covered 80 crore ration card holders. Each household was provided 5 kg of foodgrains (rice or wheat) and 1 kg of pulses (only channa) free of cost.

Details:

- According to the latest information provided by the Union Food and Public Distribution Ministry, 116.02 lakh tonnes of foodgrains have been lifted under the scheme.
- In April, 93% of the grains allotted to the States was distributed targeting 74.05 crore beneficiaries. In May, the distribution stood at 91% reaching 72.99 crore beneficiaries and in June, 71% of the allocation went to 56.81 crore beneficiaries.
- According to the **Food Corporation of India**, there was a stock of 266.29 lakh tonnes of rice and 550.31 lakh tonnes of wheat as on June 28. This is excluding the ongoing purchase of wheat and paddy stocks that have not yet reached the godowns. Each month, only about 55 lakh tonnes is required for distribution to ration card holders.

Additional information

Food Corporation of India:

- **Food Corporation of India (FCI)** is a **Public Sector Undertaking**, under the **Department of Food & Public Distribution, Ministry of Consumer Affairs, Food and Public Distribution**.



- FCI is a **statutory body** set up in 1965 under the **Food Corporations Act 1964**. It was established against the backdrop of major shortage of grains, especially wheat.
- Simultaneously, **Commission for Agricultural Costs and Prices (CACP)** was created in 1965 to recommend remunerative prices to farmers.
- It has primary duty to undertake purchase, store, move/transport, distribute and sell food grains and other foodstuffs.

UN declaration delayed over climate text

Key Points:

- U.S. concerns over a paragraph on climate in a UN commemorative declaration have further delayed the statement's release after tough negotiations successfully resolved previous issues around the text.
- The declaration, celebrating the 75th anniversary of the UN Charter on June 26, had already been delayed until 6 p.m. on Friday as countries — successfully — worked out a compromise around language that some, including India, had objected as being too aligned with Chinese government thought.
- Lines on climate in the declaration include: “We need to adapt to the circumstances and take transformative measures. We have a historic opportunity to build back better and greener. We need to immediately curb greenhouse gas emissions and achieve sustainable consumption and production patterns in line with the **Paris Agreement and the 2030 Agenda**. This cannot wait.”

Additional information

What is the Paris Agreement?

- The Paris Agreement of 2015 is a historic international accord that brings almost 200 countries together in setting a **common target to reduce global greenhouse emissions in an effort to fight climate change**.



- The pact seeks to keep global temperature rise to below 2 degrees Celsius from pre-industrial levels, and to try and limit the temperature increase even further to 1.5 degrees Celsius.
- To this end, each country has pledged to implement targeted action plans that will limit their greenhouse gas emissions.
- The Agreement asks rich and developed countries to provide financial and technological support to the developing world in its quest to fight and adapt to climate change.

Sustainable Development Goals (SDGs):

- The Sustainable Development Goals (SDGs), are officially known as Transforming our world: the 2030 Agenda for Sustainable Development. There are 17 Sustainable Development Goals, associated 169 targets and 304 indicators. This included the following goals:



1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture
3. Ensure healthy lives and promote well-being for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure availability and sustainable management of water and sanitation for all



7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
10. Reduce inequality within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Millennium Development Goals(MDGs) vs Sustainable Development Goals(SDGs):

As the MDG deadline approaches, about 100 crore people still live on less than \$1.25 a day – the World Bank measure on poverty. More than 80 crore people do not have enough food to eat. Now let's have a quick look on why we need SDGs.

- MDGs were too narrow.
- MDGs failed to consider the root causes of poverty.
- The millennium development goals made no mention of human rights.



- In reality MDGs were considered targets for poor countries to achieve from the finance of wealthy countries.
- Every country will be expected to work towards achieving the SDGs.
- Goal 16 has a target to promote the rule of law and equal access to justice.
- MDGs were drawn up by a group of men in the basement of UN headquarters.
- Establishing post-2015 goals was an outcome of the Rio+20 summit in 2012, which mandated the creation of an open working group to come up with a draft agenda. Alongside the open working group discussions, the UN conducted a series of “global conversations”.

Government gives nod for export of PPEs

- The Directorate General of Foreign Trade has permitted the export of personal protection equipment (PPE) medical coveralls with a permitted quota of 50 lakh PPEs a month.
- As per a June 29 notification, a monthly quota of 50 lakh PPE medical coveralls for COVID-19 has been fixed for the issuance of export licences to eligible applicants. All items that are a part of PPE kits and listed in the description in the notification dated June 22, however, continue to be prohibited for exports and these shall not be covered under the export quota.

Significance:

- Export of the coveralls will not only protect health workers globally, but also revive the Indian apparel sector.

RBI schedules Op. Twist for July 2

- The Reserve Bank of India (RBI) has scheduled another round of bond sale and purchase auction of ₹10,000 crore each on July 2.
- The RBI will purchase longer tenure government bonds, that are maturing in 2027, 2029, 2031 and 2033, while selling four securities of shorter maturity, two of them maturing this year and two next year.



Significance:

- **Operation Twist** is primarily aimed at managing yields.
- The move will help soften the yields on long tenure bonds — that have stayed elevated — and help the government in borrowing funds at a lower rate.

Additional information

What is 'Operation Twist'?

- 'Operation Twist' is RBI's **simultaneous selling of short-term securities and buying of long term securities through open market operations (OMO)**. Under this mechanism, the short-term securities are transitioned into long-term securities.

How does RBI manage 'Operation Twist'?

- This operation involves buying and selling government securities simultaneously in order to bring down long-term interest rates and bolster short-term rates.
- There is an **inverse relationship between the bond prices and their yields**. As the central bank buys long-term securities (bonds), their demand rise which in turn pushes up their prices.
- However, the bond yield comes down with an increase in prices. Yield is the return an investor gets on his (bond) holding/investment.
- **The interest rate in an economy is determined by yield**. Thus, lower long-term interest rates mean people can avail long-term loans (such as buying houses, cars or financing projects) at lower rates.
- **This also results in a dip in the expected returns from long-term savings** which tilts the balance from saving towards spending. Hence, cheaper retail loans can help encourage consumption spending which is the largest GDP component in the economy.

How does it affect investors?

- Fixed income investors with higher exposure to long term debt will benefit from easing yield of long-term bonds.



- Consumers/borrowers will also profit from 'Operation Twist' as the retail loans will now get cheaper.
- Previously banks were forced to price their retail loans at higher rates owing to high yields on long-term government borrowings. Cheaper retail loans mean a boost in consumption and spending in the economy which in turn will revive growth.

What are Open Market Operations?

- The RBI manages and controls the liquidity, rupee strength and monetary management through purchase and sale of **government securities (G-Secs) in a monetary tool called Open market Operations.**
- OMOs are the market operations conducted by the RBI by way of sale and purchase of G-Secs to and from the market with an objective to adjust the rupee liquidity conditions in the market on a durable basis.
- When the RBI feels that there is excess liquidity in the market, it resorts to sale of securities thereby sucking out the rupee liquidity. Similarly, when the liquidity conditions are tight, the RBI may buy securities from the market, thereby releasing liquidity into the market. On Friday, the yield on 10-year benchmark bonds fell by 13 bps to 6.60 per cent, following the RBI announcement.