

## FATF Adopts Mutual Evaluation Report (MER) of India

- The **Financial Action Task Force (FATF)** has adopted the **Mutual Evaluation Report (MER)** for India, evaluating the country's effectiveness in combating money laundering (ML), terrorist financing (TF), and proliferation financing.
  - As a result, India has been placed in the 'regular follow-up' category, a distinction shared by only four other G20 countries.
- **About FATF**
  - The FATF is an intergovernmental organization **established in 1989 by the G7** to develop measures to combat money laundering. India became a member of the **FATF in 2010**.
- **Understanding Money Laundering**
  - Money laundering is the process of making illegal proceeds appear legitimate. It involves three stages:
    1. **Placement:** Introducing illegal funds into the financial system.
    2. **Layering:** Concealing the source of the funds through complex transactions.
    3. **Integration:** Integrating the now-laundered money into the economy as legitimate funds.
- **Key Achievements in India's MER**
  - **Risk Mitigation:** Successfully addressing risks related to ML, TF, and proceeds from laundering activities like corruption, fraud, and organized crime.
  - **Digital Economy Transition:** Moving from a cash-based to a digital economy.
  - **Financial Inclusion:** The JAM Trinity (Jan Dhan, Aadhaar, Mobile) has significantly increased financial inclusion and digital transactions, making transactions more traceable.
- **Recommendations**
  - **Strengthen Supervision:** Improve the supervision and implementation of preventive measures in non-financial sectors.
  - **Address Delays:** Reduce delays in concluding ML and TF prosecutions.
  - **Prevent Abuse in Non-Profit Sector:** Implement measures to prevent the non-profit sector from being exploited for TF, using a risk-based approach.

## RBI Reviews Ways and Means Advances Scheme for State Governments/UTs

- The **Reserve Bank of India (RBI)** has increased the **Ways and Means Advances (WMA)** limit for States and Union Territories (UTs) from **Rs 47,010 crore to Rs 60,118 crore**.
  - This change aims to help States and UTs manage their fiscal situations more effectively. Besides WMA, the **Special Drawing Facility (SDF) and Overdraft (OD)** facility are also important financial tools available to States and UTs, governed by the **RBI Act of 1934**.
- **Ways and Means Advances (WMA)**
  - **Purpose:** WMAs are provided by the RBI to States and UTs to cover temporary mismatches in cash flows of receipts and payments. This facility is also available to the Union Government.
  - **Types:**
    - **Normal WMA:** Provided after the special WMA is exhausted.
    - **Special WMA (Special Drawing Facility or SDF):** Has a lower interest rate compared to normal WMA.
  - **Interest Rates:** Linked to the repo rate.
- **Special Drawing Facility (SDF)**
  - **Collateral:** States can avail the SDF against the collateral of Consolidated Sinking Fund (CSF), Guarantee Redemption Fund (GRF), Auction Treasury Bills (ATBs), etc.
  - **Reserve Funds:** CSF and GRF are reserve funds maintained by some States with the RBI.
- **Overdraft Facility**
  - **Usage:** Provided when the financial needs of a State exceed its SDF and WMA limits.
  - **Conditions:** States and UTs can generally avail overdraft for up to 14 consecutive days, though the RBI may provide relaxation in certain cases.

## Fiscal Deficit

- During the first ten months of FY24, **India's fiscal deficit** was **₹11.03 trillion**, as reported by the **Controller General of Accounts**.
- **Fiscal Deficit**
  - A fiscal deficit occurs when the government's total expenditure exceeds its total revenue. It represents the amount the government needs to borrow within a financial year and is usually expressed as a percentage of the country's Gross Domestic Product (GDP).
- **Impact of Fiscal Deficit**
  - **Positive Impact:** Fiscal deficits can stimulate a sluggish economy by increasing spending, which can boost investment and economic activity.
  - **Negative Impact:** Long-term deficits can harm economic growth and stability. Persistent high deficits can lead to increased government borrowing, resulting in inflation, higher interest rates, and economic instability.
- **Government's Targets**
  - For FY24, the government aims to reduce the fiscal deficit to **5.8% of GDP**, down from **6.4%** in the previous fiscal year.
  - By FY25, the goal is to further lower the fiscal deficit to **5.1% of GDP**.

## Banks' Gross NPA Ratio Moderates To 12-Year Low Of 2.8% In March 2024: RBI Report

- According to the Reserve Bank of India (RBI), the gross **non-performing assets (GNPA) ratio** of scheduled commercial banks is expected to improve to 2.5 percent by March 2025.
- This **GNPA estimate for March 2025** is based on macro stress tests conducted to evaluate the resilience of banks' balance sheets against unexpected shocks from the macroeconomic environment.
  - These stress tests cover various risks, including credit risk, interest rate risk, and liquidity risk, to assess the stability of commercial banks.
- **Stress Tests**
  - **Purpose:** To project the impact of adverse economic conditions on banks' loan portfolios and capital ratios over a one-year period.
  - **Scenarios:** The RBI uses a baseline scenario and two adverse scenarios (medium and severe) to forecast potential impairment or bad loans and capital adequacy.
- **Gross Non-Performing Assets (GNPA) Ratio**
  - The GNPA ratio measures the proportion of a bank's total loan assets that are classified as non-performing. **Non-performing assets (NPAs)** are loans or advances where the borrower has ceased to pay interest or principal repayments.
    - **Higher GNPA Ratio:** Indicates a higher risk of loan defaults, suggesting financial distress for the bank as a larger portion of its loan portfolio is not generating income.
    - **Lower GNPA Ratio:** Indicates a healthier loan portfolio with fewer loans at risk of default, implying better asset quality and financial stability.
- **Impact of NPAs**
  - **Profitability:** Higher NPAs require more provisions, which can reduce profits.
  - **Liquidity:** NPAs tie up capital that could otherwise be used for lending, potentially limiting the bank's ability to expand its loan portfolio.
  - **Regulatory Compliance:** Banks must regularly report their GNPA ratios to regulators as part of financial transparency and risk assessment measures.

## RIMPAC Exercise

- The 29th edition of the biennial **Rim of the Pacific (RIMPAC)** exercise began with an opening ceremony in **Hawaii, USA**.
- **About RIMPAC**
  - **Significance:** World's largest international multilateral maritime exercise, including India's participation.
  - **Objective:** To foster relationships, improve interoperability, and promote peace and stability in the Indo-Pacific region.

## Artificial Intelligence Preparedness Index (AIPI) By IMF

➤ The **International Monetary Fund (IMF)** has released the **Artificial Intelligence Preparedness Index (AIPI) Dashboard**, which ranks countries based on their readiness for AI integration.

### ➤ Key Highlights

- **Top Ranking:** Singapore holds the 1st position.
- **India's Ranking:** India is positioned at 72nd.

### ➤ About the AIPI Dashboard

- **Coverage:** Tracks AI readiness in 174 economies.
- **Assessment Areas: Evaluates countries based on:**
  - **Digital Infrastructure:** The technological framework available.
  - **Human Capital and Labour Market Policies:** Skills and policies supporting the workforce.
  - **Innovation and Economic Integration:** The ability to innovate and integrate economically.
  - **Regulation and Ethics:** Governance and ethical guidelines surrounding AI.

### ➤ Countries are classified into three categories:

- **Advanced Economy (AE)**
- **Emerging Market Economy (EM)**
- **Low-Income Country (LIC)**

## National Quality Assurance Standards (NQAS) Assessment

➤ The **Ministry of Health and Family Welfare** has introduced the **Virtual NQAS Assessment and the Spot Food License** initiative to support the "**Healthcare for All**" campaign.

### ➤ About the Initiatives:

- **NQAS Assessment:**
  - **Purpose:** Launched for Ayushman Arogya Mandirs (AAM) and Integrated Public Health Laboratories (IPHL).
  - **Compliance:** Follows Indian Public Health Standards (IPHS).
  - **IPHS:** A digital platform for real-time monitoring of public health facilities, offering a detailed view of assessment and compliance status.
- **Spot Food License Initiative:**
  - **Objective:** Provides instant issuance of licenses and registrations through the nationwide IT platform, the Food Safety and Compliance System (FoSCoS).
  - **Goal:** To streamline and simplify the licensing and registration processes.

## North Atlantic Treaty Organization (NATO)

➤ The **Dutch Prime Minister** is set to become the new **Secretary General of NATO**.

### ➤ About NATO:

- **Founded:** 1949
- **Headquarters:** Brussels, Belgium
- **Treaty:** North Atlantic Treaty (Washington Treaty)
  - **Core Principle:** Collective Defense.
  - **Authority:** Article 51 of the United Nations Charter.
  - **Rights:** Affirms the inherent right of independent states to individual or Collective Defense.
- **Members:** 32 (including Sweden, which joined in 2024)

## World Bank Approves 2nd Round Of 1.5 Billion Dollars In Financing To Help India Accelerate Development Of Low-Carbon Energy

➤ The **World Bank** has approved a second round of financing, amounting to **\$1.5 billion**, to support India's efforts in developing **low-carbon energy**.

➤ This funding aims to promote the **market for green hydrogen**, electrolyzers, and increase the use of renewable energy. In June 2023, the **World Bank** approved the initial **\$1.5 billion** for the **First Low-Carbon Energy Programmatic Development Policy Investment**.

➤ This support aligns with India's ambitious **National Green Hydrogen Mission** and its energy transition goals. The Indian government aims to achieve **500 GW of installed renewable energy capacity by 2030** and reach **net zero emissions by 2070**.