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THE HINDU ANALYSIS

TOPICS COVERED

- **India and Sri Lanka sign 7 MoUs, enhance ties in defence, energy (GS – II)**
- **European Union envoys discuss climate action with Indian officials (GS – II & III)**
- **Boost financial regulators' autonomy: IMF-World Bank (GS – III)**

India and Sri Lanka sign 7 MoUs, enhance ties in defence, energy

Context

- Sri Lanka is recovering from a severe economic crisis since 2022.
- India has supported Sri Lanka with over \$4 billion aid and loan restructuring.

India and Sri Lanka sign 7 MoUs, enhance ties in defence, energy

Agreements signed during Modi's visit cover defence, energy, digitisation, health; interest rates on loans to Sri Lanka cut; \$100 million of loans converted into grants; island nation expresses gratitude to India for support in its economic recovery

Meera Srinivasan
COLOMBO

India and Sri Lanka inked seven MoUs – including one on defence cooperation – during Prime Minister Narendra Modi's visit to the island nation on Saturday, even as Sri Lankan President Anura Kumara Dissanayake reaffirmed his government's commitment to ensuring that Sri Lankan territory is not used to undermine India's security or regional stability.

"We believe that we have shared security interests. The security of both countries is interconnected and co-dependent. I am grateful to President Dissanayake for his sensitivity towards India's interests," Mr. Modi said in his address following the signing of the MoUs at the Presidential Secretariat.

Expanding cooperation
The MoUs signed were on the topics of energy sector cooperation – including energy grid connection and developing Trincomalee as an energy hub in partnership with the United Arab Emirates, digitisation efforts, health, and multi-sectoral assistance to Sri Lanka's Eastern Province, taking off on discussions held during President Dissanayake's visit to



Strengthening cooperation: Prime Minister Narendra Modi with President Anura Kumara Dissanayake ahead of a bilateral meeting at the Presidential Secretariat in Colombo. AFP

New Delhi in December 2024. Briefing the media later, Foreign Secretary Vikram Misri described the defence sector MoU as an "umbrella agreement" that provided a framework to pursue ongoing defence sector cooperation in a more "structured" manner.

During the ceremony, the leaders virtually launched a cold storage plant in the central Dambulla district, and a solar power plant in the eastern Trincomalee district.

Further, India has decided to reduce the interest rates on loans extended to Sri Lanka to support the country's external debt

treatment, Mr. Modi said, adding that loans totalling over \$100 million have been converted to grants.

'Global leader'

"We have witnessed India's remarkable rise and success. We sincerely applaud the way India has positioned itself not only as a regional power, but also as a global leader," Mr. Dissanayake said. He later thanked India for its "unwavering commitment and support" to Sri Lanka's economic recovery and through its debt restructuring process.

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'Bottom-trawling ban must to end fisheries conflict'

COLOMBO

Sri Lanka's Tamil political leaders on Saturday urged India to ban bottom trawling in order to resolve the fisheries conflict affecting the fishermen of northern Sri Lanka and Tamil Nadu. Ilankai Tamil Arasu Katchi general secretary M.A. Sumanthiran recalled the 2016 agreement between India and Sri Lanka to "expedite the transition towards ending the practice of bottom trawling at the earliest". » PAGE 7

Tamil parties call for India's continued role

Meera Srinivasan
COLOMBO

The historic Indo-Lanka Accord of 1987 remains the only instrument to achieve a political solution for the Tamils of the island, and India's "legitimate involvement" will be important to reach this goal, Sri Lanka's Tamil parties told Prime Minister Narendra Modi on Saturday.

Mr. Modi, who is in the island nation on a state visit, held talks with different

groups of Opposition politicians on Saturday afternoon.

He met with a delegation of leaders and representatives from Tamil parties of the north and east, including the Ilankai Tamil Arasu Katchi (ITAK), All Ceylon Tamil Congress, People's Liberation Organisation of Tamil Eelam, and the Tamil Eelam Liberation Organisation.

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Key MoUs Signed (7 Total)

1. **Defence Cooperation** – Structured umbrella agreement for long-term collaboration.
2. **Energy Sector** – Trincomalee Energy Hub with UAE; India-Lanka power grid interconnection.
3. **Digitisation** – Sharing India's population-scale digital solutions.
4. **Health** – Recognition of Indian pharmacopeia; cooperation in public health.
5. **Eastern Province Development** – India to support infrastructure and livelihoods.
6. **Solar and Cold Storage Plants** – Launched in Trincomalee and Dambulla.
7. **Loan Support** – \$100M converted into grants; reduced interest rates.

Strategic Significance

- Counters China's influence (e.g. Hambantota Port, refinery deals).
- Deepens India's regional leadership and neighbourhood-first policy.

Issues Raised

- **Fisheries Conflict:** Sri Lankan Tamils urge India to ban bottom trawling.
- **Tamil Concerns:** Tamil parties seek India's role in implementing 1987 IndoLanka Accord.

Positives

- Boost to defence, energy, and digital diplomacy.
- Strengthens India's goodwill and influence in the Indian Ocean.

Challenges

- Unresolved fisheries disputes.
- Need for timely execution of MoUs.

Conclusion

- India's MoUs with Sri Lanka signify strategic, economic, and diplomatic depth. Sustained follow-up and addressing Tamil and maritime issues are key to long-term success.

European Union envoys discuss climate action with Indian officials

Context & Background

Climate envoys from Denmark, Germany, the Netherlands, Sweden, and the EU met Indian officials in Delhi to deepen cooperation on climate action, trade, and investment ahead of COP30 (Brazil, Nov 2025).

European Union envoys discuss climate action with Indian officials

Joint diplomatic mission aims at reinforcing EU-India cooperation on climate action, trade, and investment, particularly in the lead-up to future international climate talks; the attempt is to better understand India's challenges and objectives

Jacob Koshy
NEW DELHI

Climate envoys representing Denmark, Germany, the Netherlands, Sweden, and the European External Action Service (EEAS) held a series of meetings in New Delhi earlier this week with officials from the Prime Minister's Office, the Ministries of Environment, Forest and Climate Change, and New and Renewable Energy, and representatives from industry and research institutions.

The joint diplomatic mission aimed to reinforce EU-India cooperation on climate action, trade, and investment, particularly in the lead-up to future international climate negotiations. Organised in coordination with the European Commission (EC), the talks come in the wake of the recent visit by the College of Commissioners in February, when Prime Minister Narendra Modi and EC Pre-



Furthering dialogue: European Union climate envoys during a discussion with officials from the Ministry of New and Renewable Energy in New Delhi. (ANI/PTI)

sident Ursula von der Leyen announced expediting the conclusion of the India-EU Free Trade Agreement by 2025-end. Speaking at a briefing on Friday, Prince Jaime de Bourbon de Parme, Climate Envoy for the Netherlands, highlighted the significance of the relationship. "India is an incredibly important trading partner. We are recal-

ibrating and refocusing on our partners. The EU is a stable partner in a very dynamic world. Following our meetings, we sense that India too is extremely receptive," he said.

Anthony Agotha, Special Envoy for Climate and Environment at the EEAS, emphasised the reliability of the European Union. "Coming from the EU, you [India] do not always have

to like us. We do not have the monopoly on virtue, but neither on vice. What you see is what you get. We fulfil our treaties. As PM Modi and the EC President have reiterated, we are big democracies, huge pluralist societies with an intent to uphold the multi-lateral order," Mr. Agotha said.

This year, the 30th edition of the annual climate meet is expected to take

place in Belem, Brazil in November. While bilateral meetings involving climate envoys are not unusual, the U.S. withdrawal from the Paris Agreement as well as the tariff war unleashed by President Donald Trump has thrown up questions on decisive future action on climate.

The joint diplomatic mission, organised in coordination with the European Commission, comes in the wake of the recent visit by the college of European Commissioners in February. The five European envoys travelled to Delhi not only to underline that the EU is staying the course on its clean transition but also to listen to and better understand India's challenges and objectives with a view to the further diplomatic strengthening of India-EU cooperation on multilateral climate diplomacy and bilateral climate related trade and investment, an accompanying statement added.





Background

- EU-India Clean Energy & Climate Partnership began in 2016.
- India-EU Free Trade Agreement (FTA) talks aim for conclusion by end of 2025.
- EU-India Trade and Technology Council supports tech and trade dialogues.

Key Objectives

- Strengthen climate cooperation (green hydrogen, renewables).
- Enhance trade and investment relations.
- Align strategic and multilateral climate goals.

Impacts

- **For India:** Tech transfer, green finance, EU market access. For
- **EU:** Stable partnership, access to India's growing economy, global climate leadership.

Positives

- Shared democratic and climate goals.
- Boost to green tech collaboration and exports.

Challenges

- Differences on tariffs, sustainability clauses, and regulations.
- Complex FTA negotiations.

Way Forward

- Regular high-level dialogue.
- Focus on mutual benefits in climate tech, policy harmonization, and trade liberalization.

SOLVE MCQ

Which of the following is a primary objective of the EU-India Clean Energy & Climate Partnership?

- (a) Promotion of nuclear energy
- (b) Strengthening climate cooperation on green hydrogen and renewables
- (c) Enhancing military cooperation
- (d) Focusing solely on trade negotiations

Answer: (b) Strengthening climate cooperation on green hydrogen and renewables

Explanation:

The EU-India Clean Energy & Climate Partnership, which began in 2016, focuses on deepening climate cooperation between the EU and India, particularly in areas like green hydrogen and renewable energy. The partnership aims to align strategic climate goals, enhance cooperation on clean energy technologies, and contribute to global climate leadership. This aligns with the key objectives of the partnership, especially ahead of major climate conferences like COP30.

Boost financial regulators' autonomy: IMF-World Bank

Context

- The IMF-World Bank's Financial Sector Assessment Program (FSAP) report evaluates India's financial system.
- It highlights the need to strengthen autonomy of financial regulators like RBI, SEBI, IRDAI.





Boost financial regulators' autonomy: IMF-World Bank

Current laws allow govt. to control senior managements and boards of regulators, says IMF-World Bank report; it suggests transfer of appellate authority power from MoF to an independent agency

Ashley Coutinho
MUMBAI

The power and independence of financial regulators needs to be strengthened with legislative and institutional changes, a global report based on a recent assessment of the Indian financial system said.

Current laws allow the government to control senior managements and boards of regulators, the IMF-World Bank report said. The Ministry of Finance (MoF) is the appellate authority for the RBI and has the power to over-



Wings clipped: RBI has limited power to compel PSB mergers, pre-approve/sack board members and supersede boards. REUTERS

turn the latter's supervisory decisions. In 2019, the government overturned the RBI's decision to revoke the licence of a small urban cooperative bank.

"While the RBI has taken steps to strengthen corporate governance, it has limited power to compel PSB mergers, pre-approve and remove board

members, and supersede the boards. State-owned banks and some insurers are governed by statutes, limiting regulators' powers over them," said the report based on the work of the Financial Sector Assessment Programme mission that visited India last year.

The IMF recommended transferring the appellate authority power from MoF to an independent agency.

Similarly, IRDAI should have power to take critical supervisory actions against the dominant State-owned life insurer.

(The writer is with The Hindu businessline)

Key Issues

- MoF controls key appointments and can overturn regulatory decisions.
- In 2019, MoF reversed RBI's order to cancel a cooperative bank's license.
- RBI lacks powers over PSBs: cannot preapprove/remove board members or enforce mergers.

Recommendations

- **Shift appellate authority** from MoF to an **independent agency**.
- **Legally empower regulators** to act against stateowned banks and insurers.
- Give IRDAI more control over LIC and other SOEs.

Potential Benefits

- Better oversight and governance.
- Increased investor confidence.
- Alignment with global regulatory standards.

Challenges

- Resistance from ministries and SOEs.
- Need for careful transition and checks to ensure accountability.

Way Forward

- Amend laws to ensure **true independence** of financial regulators.
- **Set up independent appellate bodies**.
- Continuous review and stakeholder engagement.





SOLVE MCQ

Which of the following is a key recommendation made by the IMF-World Bank's Financial Sector Assessment Program (FSAP) report to enhance India's financial sector governance?

- (a) Shifting appellate authority from the Ministry of Finance (MoF) to an independent agency
- (b) Full privatization of state-owned banks
- (c) Increasing the Ministry of Finance's control over financial regulators
- (d) Banning the cooperative banks sector in India

Answer: (a) Shifting appellate authority from the Ministry of Finance (MoF) to an independent agency

Explanation:

The FSAP report highlights the need to strengthen the autonomy of financial regulators in India, such as the RBI, SEBI, and IRDAI. A key recommendation is to shift appellate authority from the Ministry of Finance (MoF) to an independent agency. This move would help ensure that regulators have more power and independence in their decision-making processes, free from potential political interference.





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