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Argasia Education PVT. Ltd. (GST NO.-09AAPCAI478E1ZH)
Address: CS9 Noida, opposite to Priyagold Building gate, Sector 02,
Pocket I, Noida, Uttar Pradesh, 201301, CONTACT NO:-8448440231

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ADB LOANS \$200 MILLION FOR INDIA'S WASTE MANAGEMENT IMPROVEMENT

SYLLABUS MAPPING:

GS-3– *Economic*–ADB Loans \$200 Million for India's Waste Management Improvement

FOR PRELIMS:

Discuss the significance of ADB's \$200 million loan to India for waste management improvement. What potential impacts could this investment have on environmental sustainability and public health in the country?

FOR MAINS:

Analyze the implications of the Asian Development Bank's \$200 million loan to India for waste management improvement. Consider the potential economic, social, and environmental benefits, as well as the challenges that India might face in implementing effective waste management practices?

RECENT CONTEXT:

In recent years, India has faced a mounting challenge in managing its waste, a problem exacerbated by rapid urbanization, population growth, and inadequate infrastructure. In response to these pressing issues, the Asian Development Bank (ADB) has approved a significant loan of \$200 million to enhance India's waste management systems. This funding is not merely a financial injection; it represents a strategic commitment to fostering environmental sustainability, improving public health, and promoting economic development.

BACKGROUND ON INDIA'S WASTE MANAGEMENT CRISIS

India generates an estimated 62 million tons of waste each year, a figure that is expected to rise as urban populations continue to grow. The current waste management practices in many Indian cities are insufficient, leading to severe environmental degradation, health hazards, and quality-of-life issues for millions of residents.

The signatories to the loan agreement for the Swachh Bharat Mission 2.0 -Comprehensive Municipal Waste Management in Indian Cities Program were Juhi Mukherjee, Joint Secretary, Finance Ministry, and Mio Oka, Country Director for Asian Development Bank (ADB) – India Resident Mission, the Manila-based multilateral funding agency said in a statement on Tuesday.

After signing the loan agreement, Mukherjee said that the programme supports the objectives of the government's Swachh Bharat (Clean India) Mission – Urban 2.0 by enhancing sanitation and solid waste management infrastructure, including waste segregation, collection and disposal.

1. **Urbanization and Waste Generation**

The rapid urbanization witnessed in India, with cities expanding at an unprecedented rate, has outpaced the development of waste management infrastructure. Urban areas produce approximately 70% of the total waste generated in the country, and without effective systems in place, the management of this waste has become a daunting task.

2. **Public Health Concerns**

Improper waste disposal has direct implications for public health. Landfills often overflow, leading to the contamination of air and groundwater. Inadequate waste segregation results in hazardous materials being mixed with general waste, posing additional risks. Diseases linked to poor sanitation and waste management are on the rise, impacting vulnerable populations the most.

3. **Environmental Impact**

The environmental repercussions of ineffective waste management are severe. Landfills contribute significantly to greenhouse gas emissions, while open dumping leads to soil and water pollution. The lack of recycling and composting facilities means that valuable resources are lost, exacerbating the environmental crisis.

OBJECTIVES OF THE ADB LOAN

The ADB's loan aims to address these multifaceted challenges through a comprehensive approach that targets both infrastructure and community engagement. The key objectives of the funding include:

1. **Infrastructure Development**

The loan will support the construction and upgrading of waste processing and treatment facilities in select cities. This includes setting up modern composting units, recycling plants, and sanitary landfills equipped with the latest technology to minimize environmental impact.

2. **Technological Integration**

The introduction of advanced technologies for waste segregation, processing, and disposal will be a cornerstone of the initiative. These technologies will improve efficiency and effectiveness, allowing for better waste management outcomes.

3. **Capacity Building and Training**

Empowering local governments and communities is critical for sustainable waste management. The ADB initiative will include training programs to enhance the skills of municipal staff and raise public awareness about waste management practices.

4. **Policy Framework Enhancement**

The initiative aims to support the development of effective policy frameworks that encourage sustainable waste management practices. This includes promoting the adoption of waste segregation at source and implementing extended producer responsibility (EPR) for waste generators.

EXPECTED BENEFITS

1. **Environmental Sustainability**

Improved waste management practices will significantly reduce the amount of waste sent to landfills, lower greenhouse gas emissions, and promote recycling. These changes will contribute to national and global environmental sustainability goals.

2. **Economic Growth**

Investing in waste management can stimulate economic development by creating jobs in the waste management sector and related industries. Additionally, fostering a circular economy can enhance resource efficiency and reduce costs for municipalities.

3. **Public Health Improvement**

By minimizing waste-related pollution and promoting proper waste management practices, the initiative is expected to lead to improved public health outcomes. Reducing disease outbreaks associated with unmanaged waste can significantly benefit communities, particularly vulnerable populations.

4. **Community Engagement and Awareness**

Engaging communities in waste management efforts can foster a culture of sustainability. Awareness campaigns and educational programs will encourage residents to adopt responsible waste disposal and recycling practices, ultimately leading to behavioral changes.

IMPLEMENTATION CHALLENGES

1. **Funding and Resource Allocation**

Ensuring that the funds are used efficiently and reach the intended projects is crucial. Transparency and accountability mechanisms will need to be in place to prevent misallocation and corruption.

2. **Infrastructure Gaps**

Many regions, particularly rural and semi-urban areas, still lack basic waste management infrastructure. Bridging these gaps will require careful planning and significant investment beyond the ADB loan.

3. **Behavioral Change**

Changing public attitudes towards waste management can be challenging. Sustained education and engagement efforts will be necessary to promote responsible behaviors and encourage community participation.

4. **Inter-Governmental Coordination**

Effective waste management requires collaboration among various government levels and departments. Streamlining processes and ensuring coherent policies will be essential for the success of this initiative.

CASE STUDIES OF SUCCESSFUL WASTE MANAGEMENT

1. **Sweden**

Sweden has become a global leader in waste management and recycling, with over 99% of its waste being recycled or used for energy recovery. The country has implemented strict regulations and incentives for recycling and waste reduction, showcasing the effectiveness of a comprehensive waste management strategy.

2. **South Korea**

South Korea's "Volume-Based Waste Fee" system has significantly reduced waste generation. By charging residents based on the amount of waste they produce, the country has encouraged recycling and composting. This approach has successfully altered consumer behavior and reduced landfill reliance.

3. **Germany**

Germany's "Green Dot" system requires manufacturers to take responsibility for packaging waste, encouraging them to design products that generate less waste. This model has not only improved recycling rates but also engaged businesses in sustainable practices.

CONCLUSION

The ADB's \$200 million loan to India for waste management improvement is a pivotal step toward addressing one of the country's most pressing challenges. By focusing on infrastructure development, technological integration, capacity building, and community engagement, this initiative has the potential to transform waste management practices across urban centers in India.

As the global community increasingly recognizes the importance of sustainable waste management, India's initiative, backed by ADB funding, could serve as a model for other developing nations facing similar issues. Through effective implementation and collaboration among stakeholders, India can not only improve its waste management systems but also pave the way for a cleaner, healthier, and more sustainable future.



PRELIM QUESTION:

- Q. Which of the following is the primary objective of the \$200 million loan provided by the Asian Development Bank (ADB) to India?
- A. To promote renewable energy sources
 - B. To improve waste management systems
 - C. To enhance agricultural productivity
 - D. To support urban transportation infrastructure

Answer: B

MAINS QUESTION:

- Q. In what ways can effective waste management contribute to environmental sustainability in India. explain?(150words)

"Capital Expenditure: The Catalyst for Economic Growth"

This article covers "Daily Current Affairs" and the topic details of "Capital Expenditure: The Catalyst for Economic Growth"

Syllabus mapping:

GS-3: Economy- Government Budgeting.

For Prelims:

What is the CapEx, its types, and recent trends in CapEx?

For Mains:

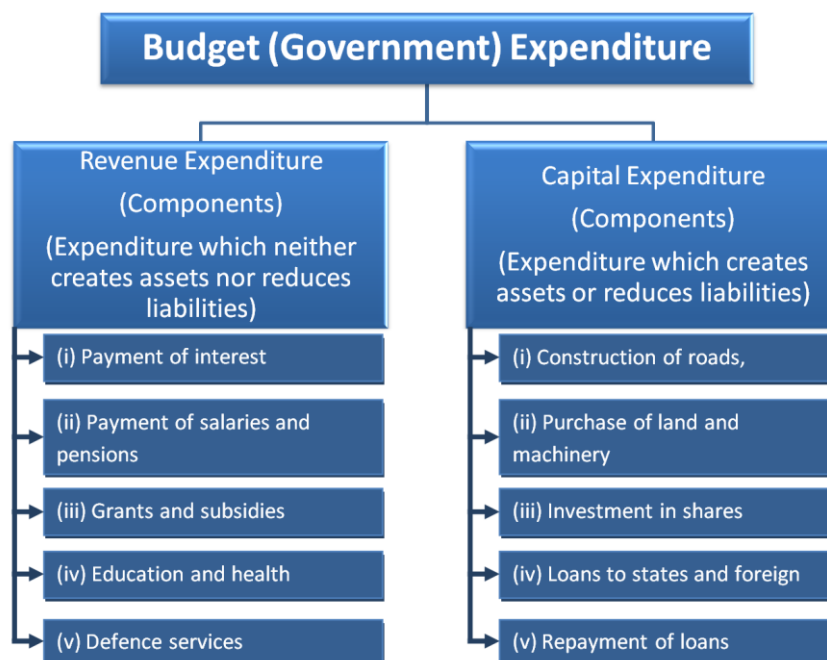
What is the significance of the CapEx in overall economic development what are the reasons for the decline/ increase in CapEx and how India can manage the CAPEX with revenue expenditure?

Why in the News?

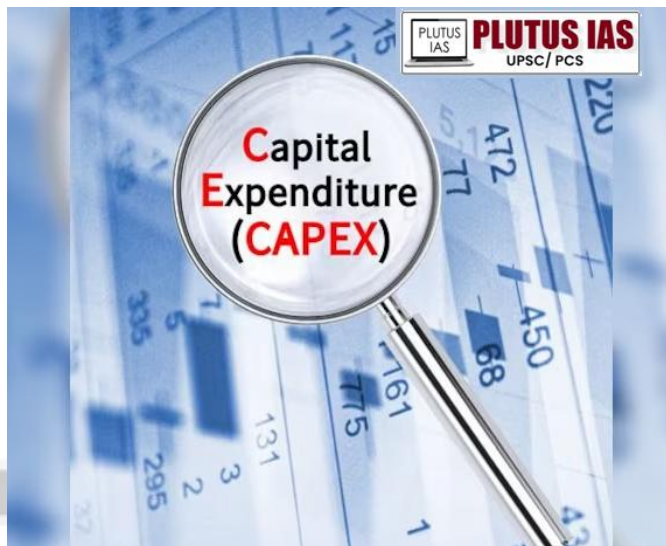
Union Finance Minister Smt. Nirmala Sitharaman recently chaired the second meeting to review Capital Expenditure (CapEx) for the Ministry of Railways in New Delhi.



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What is the CapEx?



Capital Expenditure (CapEx) refers to government spending focused on acquiring, upgrading, or maintaining physical assets and infrastructure that benefit society. This includes investments in roads, schools, hospitals, public transport, and other essential facilities aimed at enhancing public services and long-term economic growth.

Effective capital expenditure (Capex) in India is the total government spending on investments that create long-term assets and infrastructure, plus grants given to the states, for creating capital assets. It's a measure of the true extent of public investment by the central government.

Types of Government CapEx:

Infrastructure Projects: Roads, bridges, and public transportation systems.

Public Facilities: Schools, hospitals, and community centers.

Equipment and Technology: Purchase of machinery for public services, such as waste management or emergency response.

Land Acquisitions: Buying land for future development or conservation.

Examples of Government CapEx

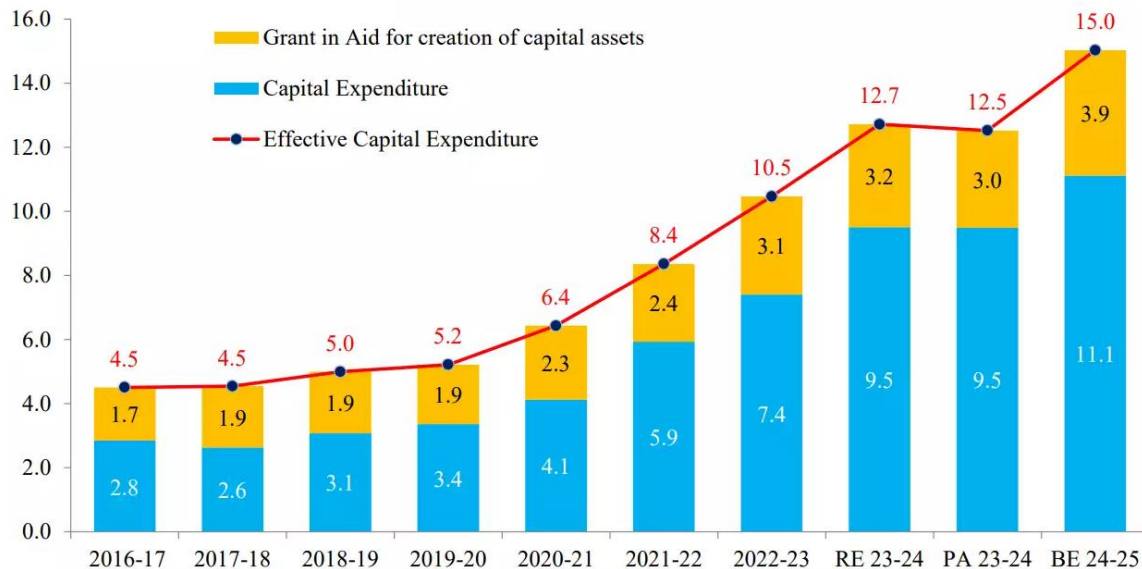
Infrastructure Development: A government might invest Rs 500 crore in building a new highway, improving connectivity, and promoting economic activities in the region.

Public Health Facilities: Allocating funds to upgrade hospitals can improve healthcare services and enhance community well-being.

Education Infrastructure: Investing in new school buildings or renovating existing ones can lead to better educational environments for students.

पूंजीगत व्यय की प्रवृत्ति TREND IN CAPITAL EXPENDITURE

(₹ in lakh crore)



वित्त वर्ष 2023-24 के लिए अंतिम वास्तविक आंकड़ें लेखा परीक्षित नहीं हैं और परिवर्तन के अधीन हैं।
Provisional Actuals for FY 2023-24 are unaudited and subject to change.

Reasons for the increased CapEx in recent years:

Government Initiatives and Policies: The National Infrastructure Pipeline (NIP), Make in India, and production-linked Incentive Scheme are the vehicles for increasing the CapEx in the recent period.

Focus on Economic Recovery: Following the economic disruptions caused by the COVID-19 pandemic, the government has prioritized CapEx to stimulate growth and job creation.

Public Sector Investment: Increased spending by public sector enterprises, specifically railways and roads to bolster economic activity.

Increased Budget Allocations: Recent budgets have allocated a higher percentage to CapEx, reflecting a commitment to long-term development.

Financing and Investment: Low interest rates and favorable lending conditions have made it easier for both the government and private sectors to finance capital projects.

Emphasis on Infrastructure Development: Recognition of the need for improved infrastructure in transportation, energy, and urban development has driven up CapEx.

Public-Private Partnerships (PPP): Growth in PPP models has led to increased investment from the private sector in infrastructure projects, complementing government spending.

Technological Advancements: Investments in digital infrastructure like **Digital India Mission**, and technology-driven projects have also seen a rise, aligning with global trends.

Environmental Sustainability: Growing emphasis on sustainable development has led to investments in green infrastructure, such as renewable energy projects.

Features of the CapEx:

Long-term Investments: CapEx represents long-term investments, meaning the assets purchased or upgraded typically have a useful life of one year or more. For example, constructing a bridge or a school has benefits that extend for decades.

Budgeting and Planning: Effective CapEx requires careful budgeting to ensure that funds are allocated efficiently. Governments need to assess the potential economic impact of their investments and ensure they align with long-term goals.

Impact on the Economy: Properly executed CapEx can lead to job creation, improved infrastructure, and enhanced quality of life for citizens. For example, investing in public transport can reduce congestion and pollution, while building schools can improve educational outcomes.

Monitoring and Accountability: Government CapEx is closely monitored by taxpayers, analysts, and policymakers to ensure that funds are spent wisely. Regular reviews and audits help in assessing the effectiveness and efficiency of capital projects.

Depreciation Considerations: Just like in the private sector, the value of capital assets owned by the government can depreciate over time. This impacts future budgeting and funding requirements for maintenance or replacements.

Importance of Capital Expenditure (CapEx)

Creation of Long-Term Assets: CapEx leads to the development of physical assets, such as infrastructure and facilities, which can generate revenue over many years.

Boosting Economic Capacity: By adding or improving production facilities, CapEx enhances operational efficiency and increases the economy's ability to produce goods and services.

Labor Participation: Investments in infrastructure and development projects can create jobs, increase labor participation, and drive economic growth.

Repayment of Loans: CapEx also includes the repayment of loans, which reduces liabilities and strengthens the financial position of the government.

Future Revenue Generation: Well-planned capital investments can yield significant returns in the future, supporting ongoing public services and economic stability.

Fiscal Discipline: While essential, governments must exercise caution with CapEx to avoid overspending. For instance, in the financial year 2019-20, capital expenditure was 14.2% of the Budget Estimates, leading to necessary cuts in public spending to meet deficit targets.

Challenges that limit the CapEx Impacts:

1. Rapid Rise in Interest Rates: the global scenario is impacting the real potential of government expenditure.

2. Inflation Impact on Capital Allocation: In the last few years the RBI has not been able to limit inflation to the prescribed upper limit this erodes the value of rupees and limits the Capital expenditure's impact on the economy.

3. Impact of Increased Energy Prices: Due to Global uncertainty India which is the second largest importer of crude oil diverted the funds from the capital accounts.

4. CapEx Challenges in a Recession: India's ICOR is still high compared to the other developed countries which reflects the capital expenditure is not contributing to sustainable growth.

5. Capital and Human Resource Constraints: Due to the NPA and Crowding out effects banks are averting the loans to the private sector and this is limiting the public-private partnership.

6. Impact of Extreme Weather: In recent times this has become one of the major challenges which limit government expenditure, in fact, extreme weather like landslides and floods in some states are consuming the government budget.

7. Unequal developments: The infrastructure projects and developmental projects are concentrated in the particular states. For example, Maharashtra, Gujarat, Tamilnadu, etc.

Ways to boost the CapEX impacts on the economy:

1. Increase Public Investment: The government can allocate more funds to the healthcare, education, and infrastructure sectors to boost the CapEx impact on the economic development.

2. Leverage Public-Private Partnerships (PPPs): Attract Private Investment: Encourage collaboration with private firms for infrastructure projects, sharing risks and rewards.

3. Streamline Regulatory Processes: The simplification of the approvals and enhancing transparency can increase investments. The use of the MCA portal can help in this.

4. Focus on Emerging Sectors: The government now can focus on green energy and other innovative technologies that will help to boost the economy.

5. Improve Financial Access: Provide favorable financing options for capital projects, especially for small and medium enterprises (SMEs).

6. Regional Development Initiatives: The direct CapEx towards emerging regions like Bihar, Uttar Pradesh, and eastern India will address the regional disparities.

7. Promote Skill Development: The Skill India program and other programs have the potential to provide skills to many youths. Hence government can directly invest in such reward-giving programs.

8. Utilize Technology for Efficiency: Implement advanced project management and monitoring tools to optimize CapEx deployment.

Conclusion:

Capital Expenditure is a critical tool for governments aiming to enhance public services, stimulate economic growth, and improve the overall quality of life for their citizens. Effective planning, execution, and monitoring of CapEx projects ensure that these investments yield long-term benefits and sustainability.

Prelims Question:

Q. Consider the following expenditures:

1. Payment of Officials in the defense ministry.
2. Purchases of a new machine in ministry
3. Repairing the existing government vehicle
4. Construction of the road in a remote area
5. Transferring the ownership of the Air India
6. Paying debt of the World Bank.
7. Investment in the Government Securities.

How many mentioned above are classified as part of the capital expenditure (CapEx) of the Government of India?

- A. Only two
- B. Only three
- C. Only Four
- D. Only five.

ANSWER: B

Mains Question:

Q. Account for the recent increase in the capital expenditure of the government of India and mention the significance of the CapEX for the economic development in India.

(150 words 10 marks)

[Munde Dhananjay Navnath](#)

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Info@plutusias.com 8448440231 www.plutusias.com