GS Mains Daily Answer Writing

Week 7 (day 1)

Model Structures

1. Examine the role of supermarkets in supply chain management of fruits, vegetables, and food items. How do they eliminate the number of intermediaries? (150 words)

Model Structure

Introduction

- India is one of the leading producers of vegetables, fresh fruits and a number of food items. Marketing of fruits and vegetables especially is more challenging than many industrial products because of their perishability, seasonality and bulkiness.
- A supermarket is a self-service shop offering a wide variety of food and household products.

Main Body

- The roles of supermarkets in supply chain management are as follows:
    - Transportation: The perishability of fruits, vegetables and other food items require swift transportation facility so that their freshness remains intact. Supermarkets are equipped with such swift transportation facilities.
    - Better Storage Facilities: The better refrigeration facilities provided by supermarkets increases the shelf-life of these products so that consumers can purchase them fresh.
    - Price Discovery: Most of the supermarkets purchase these products directly from the farmers, helping in the better discovery of prices for them.
    - Supermarkets help in elimination of intermediaries such as agents and auctioneers.
    - Farmer-Supermarket ties can help farmers earn extra income as a number of intermediaries are eliminated.
    - Quality control - Quality of fruits and vegetables can be improved as farmers will be having incentive due assured sell of their produce in supermarkets.

- Supermarkets can be of critical importance when it comes to the need of robust forward linkages in agro logistics
- Case study: Reliance Fresh

Conclusion

- Thus, supermarkets can play an important role in logistics of fruits and vegetables from the perspective of customers as well as farmers.

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2. It is believed that monetising underutilised public assets will bring in required capital and help build new infrastructure to boost the economy. Discuss the statement in light of the recently launched National Monetisation Pipeline. (250 words)

Model Structure

Introduction

- The National Monetisation Pipeline (NMP), prepared by the NITI Aayog, aims to create a virtuous cycle of "develop, commission, monetise and invest" in national infrastructure.
- It aims to unlock value in brownfield projects by engaging the private sector, transferring to them revenue rights and not ownership in the projects, and using the funds generated for infrastructure creation across the country.

Main Body

- Rational for NMP
  - India needs more infrastructure but the public sector simply doesn't have the resources to build it.
  - Building new infrastructure has two constraints for any country including India:
    - Access to patient, predictable and cheap capital; and
    - Execution capability, where government and private agencies can take up multiple marquee projects simultaneously.
  - Thus, NMP is devised to provide a stimulus to improve the infrastructure sector.
- Advantages of NMP

- Generate Resource Augmentation: NMP will help the government get access to capital via interested private parties.
  - These investors will maintain and operate the monetised assets, generating cash flows, but also create technical and human resource capacity in the infrastructure sector.
- Government Maintains the Ownership of Asset: The existing brownfield, de-risked assets, which are part of the four-year monetisation pipeline, will help create execution capacities for new greenfield assets.
  - The government is monetising the rights to operate and maintain the assets, not their ownership.
- Fair Value Share: Contracts will be designed in a way that the government receives fair present value from the monetisation, while private parties get enough operational flexibility and regulatory visibility.
  - Moreover, given that the contract terms can be 25 years or even higher, the bidding interest shows investors are confident of long-term regulatory stability and certainty.
- Better Targeted: NMP introduces no new financial liability to the taxpayers and, in fact, represents a better targeted "user pays" structure.
  - Eg. If a stadium in Delhi is not monetised, taxpayers around the country as a whole will pay for its upkeep. But a monetised stadium is paid for only by those accessing the facilities in Delhi. This is a much better way to generate operational revenues.

- Associated Challenges
  - Realising Adequate Value: The First and foremost criticism is whether adequate value from the assets will be realised or not.
    - This depends on the quality of the bidding process and whether enough private players are attracted to bid.
  - Execution Risk: There will be execution risk in such a large programme. However, this is exactly why NMP is not adopting a one-size-fits-all approach.
  - Issue of Taxpayers' Money: The taxpayers have already paid for these public assets — and, so, why should they pay again to a private party to use them.

- Suboptimal Contractual Enforcement: A criticism is born out of scepticism about a sub-optimal contractual and judicial framework to make such a plan a success.
- Monopolistic Outlook: A few business houses will corner the bulk of the assets offered under NMP.

Conclusion

- Way Forward
    - Dispute Resolution Mechanism: Strengthening the judicial processes can not be much emphasised. Efficient and effective dispute resolution mechanisms will naturally and automatically accrue to the design and execution of NMP too.
    - Streamline PPP: Recent experience suggests that public-private partnerships (PPP) now involve transparent auctions, a clear understanding of the risks and payoffs, and an open field for any and all interested parties. Thus, the utility of PPP in greenfield projects can not be neglected.
    - Transparent Bidding: Transparent bidding is one of the most important parts of the NMP project. Thus, maintaining transparency is the key to adequate realisation of the asset value.