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**German Federal Ministry for Economic Cooperation and
Development**

**Summary of the evaluation
“Export promotion in India - Indo-German Export Promotion Project (IGEP)”**

Evaluation Division

German Development Co-operation with India

Short version of the evaluation

“Export promotion in India Indo-German Export Promotion Project (IGEP)”

Summary

The aim of the Indo-German Export Promotion Project (IGEP) is to increase the export revenue of small and medium-sized enterprises (SMEs) in India by making them more effective in areas relevant to competition. In addition, the project is designed to help improve the general business climate and to have a positive impact on the framework conditions for exporting industrial goods. In the promotion period to date, project measures have focused on providing advisory services to export-oriented SMEs. In addition, the first public-private partnerships have been initiated and implemented, and CIM experts have been assigned to support training institutes for the export sector.

Following the country's long import substitution phase, Indian companies were not familiar with the conditions that prevail on the export markets; the project is designed to benefit firms in sectors with potential competitive advantages by helping them gain access to the export markets, particularly in Germany and in the European Union (EU) in general. A few years after the project began, extensive macro-economic reforms were implemented and the Indian economy was opened up for foreign trade; this considerably improved the framework conditions for developing exports. Nevertheless, the project was continued on the grounds that the improved framework conditions constituted a necessary, but not sufficient criterion for speeding up Indian exports to Germany and Europe. SMEs that have so far been producing for the protected domestic market require additional information and consultancy services in order to be able to harness the opportunities for successful export strategies created by the macro-economic reforms, and to make the geographical and qualitative leap to the demanding European markets. The IGEP has managed to achieve statistically relevant results here: during the decade from 1992 to 2002, there was an above-average increase in exports in the sectors promoted by the project.

The project has responded to new market requirements in Germany and Europe flexibly and dynamically and has addressed new thematic areas (child labour, social and environmental standards, promotion of joint ventures). A wide range of instruments (integrated CIM experts, PPP measures, privatisation) has been used to do so. Now, 16 years after the project began, German promotion is to be phased out, and a "consultancy services against payment" approach is to be pursued. Other actors are now in a position to offer comparable information and consultancy services too, helping to pave the way to the export market for Indian firms. The Indian export promotion agencies are becoming increasingly autonomous and effective. In addition, a growing number of German and European importing firms are setting up purchasing offices in India in order to seek out potentially efficient suppliers; these offices also monitor and enforce technical standards for the export market, environmental and social standards and, above all, their own quality standards on site. The project has helped draw attention to the competitiveness of Indian exports in Germany and Europe and has encouraged reputable importing firms to open purchasing agencies in India, thus recognising the competitive advantages they offer.

Findings

The project objectives are very largely compatible with national goals. Enhancing competitiveness is an integral part of Indian reform policy. The more successful this policy is, the greater the scope for further deregulation and liberalisation measures, which in turn lead to an increase in growth opportunities for the Indian economy as a whole. The Indian

Government is also increasingly recognising the role of the private sector as a key driving force behind development.

In organisational terms, the project is attached to the Ministry of Commerce and Industry (MoC) as the responsible political executing agency at the level of India's central government. At implementation level, the project cooperates with several umbrella associations and, in line with its sectoral focus, with various sectoral institutions. Due to the large number of partners in cooperation, the associated activities and the additional role it has assumed in coordinating CIM experts and PPP projects, the IGEP has long since taken on the character of an extensive programme.

In the complex relations between specific isolated activities, the sector organisations and the higher business-sector organs, the IGEP often assumes the role of information provider and intermediary, and can thus be described as an "information broker". The requirements and activities associated with this role are difficult to plan, as they arise on the basis of current needs. The project has been excellent in demonstrating this flexibility.

The IGEP has made a demonstrable and significant contribution to securing existing jobs and creating new ones for poor population groups in traditional and semi-traditional sectors. The employment effects are highly relevant from the point of view of gender orientation too. In the crafts, carpet making, leather processing, textiles, clothing and silk sectors, women account for more than 50% of workers. In southern India, women account for almost 70% of workers in the leather industry (shoes, clothing, bags, small leather goods and saddler's goods). Women's earnings are the only monetary income in some households. Having their own income improves women's status in the family and society. These measures are being accompanied by successful efforts undertaken by the project to increasingly integrate social standards into export promotion. In the traditional and semi-traditional sectors, women greatly benefit from compliance with minimum wages, remuneration for overtime, rules on working hours, occupational safety, basic medical care, old-age pension schemes, and the elimination of hazardous substances in production.

Given the framework conditions, the organisational arrangement chosen was sensible. India's institutional infrastructure in the field of business and export promotion was initially regarded as inefficient. However, bypassing this infrastructure has had the disadvantage that for too long, too little attention was paid to improving these structures. It was not until the end of the 1990s, ten years after the project began, that the project goals were modified: measures were extended to reach beneficiaries outside the direct target group, and the intermediary level was regarded as the crucial level for ensuring that project achievements were sustainable.

When then, from a development-policy point of view, is the critical threshold reached for this kind of organisational structure and workflow? When does an independently operating, subsidised, foreign-run service unit begin to pose an obstacle to the development of national structures? Free or subsidised (public-sector) services usually make it more difficult or even impossible for private suppliers to provide these services. In development cooperation geared towards market economy criteria, public-sector services are only justified in the long term if sovereign regulatory functions are performed, which is definitely not the case in the present project. Similarly, the use of the free brokerage services provided by the IGEP may mean that associations and institutions are prevented from dealing with their members themselves and finding joint solutions to problems.

Recommendations

1. The project can be phased out in June 2005, as planned, because its objectives have been achieved. Until then, all of the IGEP's consultancy and support measures should be implemented by the relevant state and parastatal export promotion institutions and by the business-sector organs.
2. Sub-activities of the IGEP project that compete with services provided by private organisations or by institutions operating in the private sector should and can now be

carried out by these organisations. These include implementing certification audits, searching for partners for joint ventures, investments by German companies and general support for German firms in India. As a private-sector foundation, the IGEP Foundation can provide these services in the future too.

3. The concept of corporate social responsibility provides scope for regulatory tasks by the state in future too. These tasks can be usefully promoted through technical cooperation (TC). The planned TC project "National Foundation for Corporate Excellence" appears to be suitable for assuming such measures. However, care should be taken to implement this project separately from the IGEP to ensure that the target group is aware that the project approach is a different one, and to avoid the project being seen as a source of subsidies. The same applies to the project "Exchange of experience on privatisation".
4. In future, development cooperation (DC) with India should move away from the direct promotion of companies and should focus more strongly on the meso level by strengthening the capacity of Indian institutions in the field of quality assurance, environmental management, corporate social responsibility etc. The disadvantage of distorting competition with other consultancy service providers (associations, private management consultants) and preventing the creation of a market for business development services outweighs the chance of achieving rapid success by boosting exports among the promoted companies and sectors.

Conclusions

The project is unusual in that it was prompted by the desire on the part of the heads of government of both Germany and India at the time to achieve rapid success in overcoming the Indian trade deficit with Germany. This made it possible to attach the project directly to the Ministry of Commerce – outside bureaucratic Indian structures – and to grant it a relatively high degree of autonomy in determining its promotion strategy and instruments, in selecting the sectors and companies to be promoted, and in choosing the partner institutions. The advantages of this unusual type of project were a prompt improvement in exports, which has generated "bandwagon" effects and attracted more attention from German actors for India's increasingly differentiated supply of competitive industrial goods. This has created the necessary conditions for more extensive commercial relations between the two countries; as a result, Indian exports can continue to gain momentum in future even without direct assistance from Germany.

In future, DC with India in the priority area of economic reform and development of the market system should devote greater efforts

- to allowing the as yet underdeveloped half of India to benefit to a greater extent from the development of the market system and from the integration of the modern half (or modern third?) of India into the global economy, a process that is now progressing under its own steam, and
- to limiting the local and global pollution necessarily associated with industrial development. In doing so, Indian industry and the partner organisations should be made aware of the opportunities for linking efforts to achieve economic efficiency with the conservation of scarce natural resources.

Basic data

Project title:	Indo-German Export Promotion Project (IGEP)
Start of the project:	February 1988
End of the project:	June 2005
Earmarked amount:	EUR 24,082,000
BMZ division operating the project:	Division 203

Implementing organisation: GTZ

Evaluation period:

1–13 December 2003

Experts

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