

TERMINAL EVALUATION OF THE EXPORT PROMOTION SCHEMES OF THE DC(H) OFFICE

23/10/20



A STUDY COMMISSIONED BY DEVELOPMENT COMMISSIONER (HANDICRAFTS)



**INDIAN INSTITUTE OF FOREIGN TRADE
July 2008**



PREFACE

The terminal evaluation on export promotion scheme of handicrafts is the second in series of study conducted for the Development Commissioner for Handicrafts office. The earlier study conducted between 2003-04 was a mid-term evaluation of the export promotion scheme. The key outcomes of the earlier study emphasized on product development measurers as compared to publicity and marketing.

The grant disbursal pattern between 1997-2002 showcased that approximately Rs. 11.87 crore was sanctioned under the export promotion scheme of which 9.64 crores was under the head of publicity and marketing. Rs. 1.64 crores was only channelised towards product development. This was one of the major impetus point of the study, that was highlighted.

In the earlier study there were areas like uniform cluster development, awareness about of the schemes and bringing in more flexibility in the disbursal format also, on which suggestions were made.

The terminal evaluation of the export promotion scheme also highlights a similar kind of concern. It also explores areas like how the specific intervention of the scheme has helped exporters. These interventions could be in the form of designing projects and through participation in trade fair and buyer seller meets.

The scheme is a very important step towards encouragement of cluster development and particularly for the SMEs sector. It, therefore, becomes important that awareness of the scheme and also disbursal of the fund is done uniformly. In light of India's changing approach in the global market and export thrust that has been generated in the last few years, the scheme may require effective interventions and generate possible and genuine success stories. We hope the report is useful for the DC(H) Office in revaluating the scheme again.

The institute is grateful to the DC(H) office for providing an opportunity to work on a challenging project such as this.

K. T. Chacko
Director

30th July 2008

CONTENTS

PREFACE	i
EXECUTIVE SUMMARY	1
EXTRACT FROM THE LAST REPORT	8
INTRODUCTION AND RESEARCH METHODOLOGY	18
REVIEW OF SECONDARY LITERATURE	21
FINDINGS FROM THE FIELD STUDY	35
RECOMMENDATIONS AND CONCLUSIONS	45
ANNEXURES	48
RERERENCE	112

EXECUTIVE SUMMARY, KEY FINDINGS AND RECOMMENDATIONS

The last evaluation done for the DC(H) office had yielded a few key aspects to the scheme on which IIFT had observed that the schemes needs to be re-looked at. Notably the observation was on the product development on which the grant allocation must be channelised more as compared to the head of Publicity and Marketing. The second aspect on which IIFT had observed that the dissemination of the grant at a more regional level for which regional handicraft pockets can also be explored. Third key aspect which was also highlighted that grant being allocated for a particular fair/tradeshow at a particular destinations must be given for at least a period of three year, which gives both the recipients and the DC(H) to understand fair effectiveness and long term sustainability of grant disbursal towards the fair.

This year the scheme review was done on the same parameters and the terms of reference and this was a mid term evaluation, essentially to weigh the scheme in light of the 11th plan outlay. The research methodology and objective of the study are listed below:

RESEARCH METHODOLOGY

The terms of reference for the study were as follows:

1. Identify the main beneficiaries of the scheme
2. Analyse the relative significance placed to the different components of the scheme by intended beneficiaries
3. Analyse whether distribution of gains among exporters is equitable and efficient in terms of the export increment obtained
4. Analyse whether intended beneficiaries have received the targeted benefits
5. Analyse whether the shortcomings, if any, can be attributed to the scheme or the implementation thereof
6. Identify the modifications required in the scheme in the light of market response and altered business environment, particularly the WTO regulations on financial assistance for export promotions.

For the above terms of reference the study was divided into two parts.

(i) **Desk Research**

(ii) **Field Research:**

a. Sample profile:

- i. For exporters who have availed the scheme
- ii. For exporters who have never availed the scheme
- iii. For exporters who have stopped availing the scheme
- iv. All councils or organisations

b. Sample Size:

- i. For exporters who have availed the scheme: 75
- ii. For exporters who have never availed the scheme: 75
- iii. For exporters who have stopped availing the scheme: 50
- iv. All councils or organizations: 8

c. Field of the study: The study was conducted across Delhi and NCR, Moradabad, Meerut, Raipur, Ahmedabad, Bhopal and Hyderabad.

d. Questionnaires: Structured disguised questionnaire attached in Annexure 3

Based on the methodology and the objectives submitted following are the key findings from the study.

Key Findings: (Desk Research)

1. In the earlier study conducted a larger part of the grant disbursement was on publicity and marketing followed by product development and social and welfare measures. As compared to the grant disbursement between 1998-2002 which is as follows the grant disbursement in 2003-2006 (April-Nov 2006) are as follows:

Grant Heads	Total grant disbursement component break up	
	Amount (in Rs. lacs) (1997-2002)	Amount (in Rs. lacs) (2003-2006) accounted till Nov. 2006)
Product Development	161.872	3257.14
Publicity and Marketing	964.486	485.63
Social and other welfare measures	61.53	15
Total	1187.888	3757.77

The quantity of grant disbursement has been higher and the proportion of funds allocated to the three heads has largely remained the same. It was also felt that the format of disbursement wherein a large amount of fund was channeled towards fairs and exhibitions as in the past has continued in the 2003-06 time frame also.

2. New scheme beneficiaries particularly from regional belts like Chattisgarh, Assam, Karnataka and Rajasthan figure in the list of beneficiaries.
3. Traditional scheme beneficiaries like EPCH, CEPC, COHANDS or IICT prominently feature in the list, however, from the traditional states like UP, Tamil Nadu and West Bengal there are new scheme beneficiaries not featuring till 2002 like UPICO, WBIDC, J&K Corporation, MPHL&HC etc.
4. The percentage contribution of grant disbursement in publicity and promotion has risen drastically as against grant disbursement done towards product development and social & other welfare measures.
5. The social and welfare measure head has shown maximum amount of fall in terms of response to the grants.

Key Findings: (Field Research)

In the later part of the study done to discuss the scheme and its fallout with the beneficiaries, following were the key participants who were contacted to understand the scheme ramifications:

1. EPCH
2. EEPC
3. CEPC
4. M.P. Laghu Udyog Nigam Ltd.
5. Craft Council of India, Chennai
6. ARTFED, Guwahati
7. NCDPD
8. APHDC

Some of the key takeouts from the interaction with the beneficiaries are as follows:

1. Most respondents opined on the documentation which they felt should be made online or more systematic so as the time spent on the process part can be reduced.
2. The actual cost of participation or the event cost is not met up through the scheme and it becomes difficult for smaller member exporters to participate in the event for which grant has been obtained.
3. Beneficiaries also opined that the scheme must be able to evolve with the time in terms of service charge component which can be introduced as a component given to the councils and organisations in helping better implementation of the scheme.

In the later part of the study, non-scheme beneficiaries were also contacted to get their feedback on the scheme and any possible feedback they have on the scheme and in the format of disbursal. Also scheme beneficiaries featuring in the 1997-2002 timeframe who did not feature in the 2003-06 list were also contacted to understand their absence from the current list of beneficiaries.

1. Lack of scheme awareness among non-grant beneficiary was the key reason for not availing the grants.
2. Most beneficiaries who have availed the grant in the past felt that the current requirement did not exist or it was possible that the application to avail was forwarded however, it met with negative response.
3. Some non-beneficiaries also opined that the scheme was only marketable in the known circle of the DC(H) office and beyond the beneficiary identified it becomes difficult for them to consider. Also the process of documentation also is cumbersome which, entails to loss of valuable time in case an important trade fair or exhibition deadline has to be met.
4. Organisations opine that the schemes are largely for the members and hence the direct benefits received by the members or not are also proof of the scheme being availed for future or not.

Recommendations and conclusions

Some of the key outcomes of the terminal evaluation of the study conducted are very similar to the study conducted earlier as a part of the mid term evaluation in 2003-04.

1. The first issue which will be critical for DC(H) to immediately consider is the distribution of grant amount under the three heads. As discussed in the last report also the scheme still rolls out a substantial sum in marketing and publicity as shown also in Table 1 below.

Table 1: Total grant disbursement component break up

Grant Heads	Amount (in Rs. lacs) (1997-2002)	Amount (in Rs. lacs) (2003-2006 accounted till Nov. 2006)
Product Development	161.872	3257.14
Publicity and Marketing	964.486	485.63
Social and other welfare measures	61.53	15
Total	1187.888	3757.77

Source: DC(H)

A comparison of the previous and current study shows how the grant disbursement has been done and this needs to be reviewed thoroughly. Also the fact whether the focus will continue to be on the publicity and marketing. Since, for the SME's particularly, one of the major grant beneficiaries' product quality and R&D cost remains a huge concern the fund disbursement pattern may be again reviewed.

2. The issue of WTO was reviewed this year also and there are no possible impact that has been found as a part of the subsidies and the countervailing subsidies issue of the WTO.
3. As there is a more Cluster approach in the SME's and particularly in the handicraft sector it becomes important that the scheme may now be looked at

more on regional integration part and the cluster approach to promotion may be considered.

4. As mentioned in the earlier report also the marketing of the scheme in regional belts still remains a big challenge. This time the scheme has made inroads with the help of J&K Corporation in up north, but beyond that the regional integration remains a challenge.
5. The service charge component as raised by the councils and organizations earlier was also mooted this time for the kind of services they impart at the clusters.
6. Documentation was also felt was extremely time consuming both at the council and the beneficiaries level. However, they all agreed the new changes in making it e-enabled have helped to gain a lot of information locally through the web site support.

ACTION POINTS TO MAKE THE SCHEME MORE EFFECTIVE

1. The scheme has to be focused more on clusters and the regional integration will be important. In the last meeting with the DC(H) office and presentation made there were discussions also made to this effect, where a lot of effort is being made towards the same by DC(H) office.
2. The role of the various institutions and the councils who work at the state level will have to be mobilized accordingly.
3. The documentation being an extremely cumbersome part of the process is a perennial problem with most beneficiaries.
4. The service charges component as proposed by the councils and the institutions cannot be institutionalized as discussed since the same will be difficult to account for under audit rules.
5. It was also felt that the grant being allocated for a particular fair/tradeshow at a particular destination must be given for at least a period of three years. Then only it gives some kind of leverage for judging the final effectiveness of the scheme.

6. The grant utilization aspect in context of the certificate must be developed through a standardized format, which had been proposed in the last mid term evaluation also. The current lack of format makes it confusing for the beneficiaries at times to submit.
7. The study has a future scope of assessing on a specific cluster how has the scheme worked and it can help in developing cases out of individual instances who have been able to take the benefit of the scheme more proactively.
8. In terms of some of the findings that have been generated from the response, it is also suggested that the scheme beneficiaries who have stopped availing the scheme may also be cultivated further to avail the scheme, particularly those who have stopped because of the complexities in availing the scheme.

CHAPTER 1

EXTRACT FROM THE LAST REPORT SUBMITTED ON THE EVALUATION OF THE EXPORT PROMOTION SCHEME FOR THE DC(H) OFFICE

RESEARCH METHODOLOGY

The terms of reference for the study were as follows:

1. Identify the main beneficiaries of the scheme
2. Analyse the relative significance placed to the different components of the scheme by intended beneficiaries
3. Analyse whether distribution of gains among exporters is equitable and efficient in terms of the export increment obtained
4. Analyse whether intended beneficiaries have received the targeted benefits
5. Analyse whether the shortcomings, if any, can be attributed to the scheme or the implementation thereof
6. Identify the modifications required in the scheme in the light of market response and altered business environment, particularly the WTO regulations on financial assistance for export promotions

For the above terms of reference the study was divided into two parts.

(iii) Desk Research

(iv) Field Research

(i) Desk Research: The desk research largely entailed to evaluating the export promotion scheme and the format of the same. Further, five year period data with respect to the scheme beneficiaries were obtained from the DC(H) office and evaluation with respect to the following aspects were done:

- a. The scheme amount sanctioned individually under the three heads of the scheme
- b. The profile of the scheme beneficiary and the total amount sanctioned to these beneficiaries

- c. The kind of participation of the scheme beneficiaries
- d. The three individual heads under which each of these organisations have taken grant and the total grant amount
- e. The continuity in the grant being availed over the five year period data available

Desk research also involved understanding schemes of other organisations, councils, Ministries involved in similar grant schemes to the Handicraft and non-Handicraft sector too. Particularly the MDA/MAI schemes of the Ministry of Commerce was important to consider as it specifically provided for the export markets for both Handicraft and non-handicraft sector. The data was analysed and based on the inferences the second part of the study was initiated.

(ii) Field Research: Field research comprised of meeting the scheme beneficiaries and assessing their responses with respect to the terms of reference particularly the evaluation of the financial ramifications of the scheme and the marketing imperatives of the scheme.

a. Sample profile:

- i. For exporters who have availed the scheme
- ii. For exporters who have never availed the scheme
- iii. For exporters who have stopped availing the scheme
- iv. All councils or organisations

b. Sample Size:

23 exporters, councils, organisations, design developers and bodies involved in export or export assistance but grant size exceeds more than 10 lacs.

After the first round of presentation to the DC(H) office feedback with respect to the size of the sample covered was discussed and was felt to be small in size. Further, members in the presentation also felt that particularly the exporters in the belt of Jaipur, Moradabad & Saharanpur could be an ideal location to identify the right representation of the sample to be covered for the study. The revised report

is therefore a collation of responses received from the additional respondents which are totaling 25 in number.

c. Field of the study: Delhi, Bhopal, Kolkata, Jaipur, Moradabad and Sahranpur.

d. Questionnaires:

Structured disguised questionnaire for the study was developed. (For detailed questionnaire refer to Annexure 2 of the report)

e. Limitation of the study: 3-4 major respondents have not responded. Assistance of DC(H) will be sought to get their response.

KEY FINDINGS

1. DESK RESEARCH

1. Most of the fund has been channelised towards the head “*Publicity and Marketing*” followed by Product Development and Social Welfare Measures
2. Within Publicity and marketing Fairs and Exhibitions abroad has been the prime sub-head for availing funds.
3. Workshops and Training programmes under the head “Product and Development” also accounts for major share of the grant outflow.
4. Design and development and development of looms also occupies a substantial share
5. EPCH, CEPC, AICTFC (now merged with CEPC), COHANDS, HHEC are the bigger beneficiaries
6. Councils and organisations do not forward the grants to the exporters but provide subsidies in fair participation or in any event cost they are participating in.
7. At the end of the activity the beneficiary forwards an activity report and audited financial report to the DC(H) office.

Difference between the MDA/MAI scheme and DC(H) scheme

The DC(H) grant is sector specific in nature and the grant largely focuses on the handicraft sector. However, the point on Product Development and the social welfare measures are unique to DC(H), which is missing in the MDA/MAI grant. Some of the visible points of differences are:

1. The DC(H) office grant focuses on the Product Development and Social and Welfare measures which are not covered in the MD/MAI grant
2. The schemes of the MOC have a difference in the percentage of grant disbursement. Also in certain cases of DC(H) schemes full reimbursements are done
3. The exporters have a turnover ceiling for availing MDA from the MOC unlike grants from the DC(H) except that exporters have to be registered with EPCH or CEPC or a registered exporter.
4. In most cases of DC(H) the funds sanctioned are case to case basis unlike MOC where according to the format and the guidelines laid down the adherence is rigid.
5. However, grant cannot be given for the same activity by both parties.

2. FIELD STUDY

A. Significance of the different components of the scheme

Based on the inputs received from the beneficiary during the field study the components and the flow chart of activity to be followed are as follows:

1. The nature of activity for which benefit sought: The beneficiary initially has to evaluate the kind of activity for which the benefit is being sought. The activity could be publicity and marketing related or could be product development or social welfare measures. The activity earmarked by the beneficiary has to be slotted under any of the three heads.
2. Does the scheme cover the benefit/activity: The second aspect being of whether the scheme covers the activity for which the benefit is being sought.
3. Documentation involved in applying for the scheme
4. Grant of the scheme (based on the fund disbursement format of the head under which the grant has been availed): The fund flow pattern for the activity depending on the head for which benefit is being availed.
5. Quarterly activity report or as may be decided of the activity: All beneficiaries have to submit a progress report of the activity. The submission time frame is decided on a mutual agreement quarterly or accordingly.

6. Final activity report: The final activity report is a document illustrating the detailed listing of the activity.
7. Audited financial report of the beneficiary: The audited financial report is a critical document which is to be submitted to the DC(H). Auditors on behalf of the DC(H) office also evaluate the accounts over a period of time.

B. Effectiveness of the export scheme in terms of export increment obtained

The terms of reference further tries to explore the effectiveness of the grant from the perspective of:

- (i) the distribution of gains among exporters is equitable and efficient in terms of the export increment obtained;
- (ii) and analyse whether the intended beneficiaries have received the targeted benefits.

Keeping this into the frame of discussion the heads on which the responses have been taken are:

- (i) Decision to seek export markets
- (ii) Development of export markets
- (iii) Reasons for increasing the number of export markets
- (iv) Export orientation by grant recipients and non-grant recipients

For understanding the effectiveness of scheme utilization the respondents have been classified under the following heads:

- A. Group A: Availing grant from the last 1-2 years
- B. Group B: Availing grant for the last 3-8 years
- C. Group C: Availing grant for the last 9+ years
- D. Exiters
- E. Non-grant recipients

(i) DECISION TO SEEK EXPORT MARKETS

The DC(H) grant seems to be more effective in the case of the category C respondents who have been seeking grant in the last 9+ years, whereas in the case of category A and

B the reasons declining domestic market and limited growth in domestic market are relevant.

(ii) DEVELOPMENT OF EXPORT MARKETS

For the grant recipients the responses have been high between the market visits, DC(H) assistance and the DC(H) workshops which have had high to critical influence in the development of export markets. Whereas in the case of non-grant recipients the responses have been different, wherein the market research, markets visits have had high influence for development of export plans but the non-availability of the DC(H) grant or assistance has meant the same having virtually no influence in development of export markets.

(iii) REASONS FOR INCREASING THE NUMBER OF EXPORT MARKETS

Data reveals that the grant recipients have been able to avail the new export opportunities, soliciting overseas enquiries better as compared to the non-grant recipients. Infact the first parameter on which the response has been assessed is the influence with respect to the availability of the grants. There most of the grant recipients have given positive response towards increasing the number of export markets as a direct influence of the grant being received.

(iv) EXPORT ORIENTATION BY GRANT AND NON-GRANT RECIPIENTS

The export orientation is directly correlated with the nature of grant respondents. The higher the export orientation the grant recipients are the one who have benefited the most as compared to the non-grant recipients.

C. Have the intended beneficiaries received the targeted benefits?

With respect to the given objectives of the schemes the beneficiaries where of the opinion that:

1. The schemes helps in assisting with the development of an export culture
2. It has helped them enter new markets

3. Participation in fairs of repute particularly International fairs are now feasible
4. Respondents, particularly the councils and the organisations assisting exporters felt that the scheme benefits particularly the small or medium level exporters who are looking for new markets. Large or established exporters usually have products and markets at hand; hence it is the SME which benefits the most.
5. Exporters who have directly availed the scheme also felt that the schemes under the head of the Publicity and Marketing have been most suited to their needs.
6. Organisations involved in design development or social welfare measures in the power loom sector have also benefited from the scheme. (NCDPD and the Philippines experience)

D. Feedback on the shortcomings of the scheme or in the implementation of the scheme

4. Most respondents felt that in the last one year the scheme the format has become difficult to fill. Some information required is not possible to fill while at the time of applying for the grant.
5. Exporters, particularly small in size and from the handicraft sector seemed unaware of the grant scheme which, is more from lack of marketing beyond the regular beneficiaries.
6. Beneficiaries also felt that the grant release pattern and the amount now approved as grant has changed which puts pressure on the councils, since participation costs have gone up and it becomes difficult for the new and small exporters to participate.
7. Respondents, particularly the councils, bodies and organisations also felt that the scheme does not benefit the individual interest of theirs and hence the incentives at time to avail the schemes are negative.
8. Respondents also felt that at times the documentation involved in the grant to be availed are time consuming which can be curtailed to a large extent. Online access to the form submission should be feasible which they feel is currently lacking, especially for outstation recipients.

RECOMMENDATIONS & CONCLUSIONS

The study recommends and concludes that:

The outcome of the study specifically seems to point towards a few imminent issues which are:

- (i) *The present distribution of the grant amount under the three heads of the scheme*
- (ii) *The information dissemination of the scheme information in regional export pockets*
- (iii) *Assessment of the scheme as against the MDA/MAI scheme*

Some of the recommendations based on the three points underlined above and also as a summation of the research undertaken are as follows:

1. The first issue which will be critical for DC(H) to immediately consider is the distribution of grant amount under the three heads. It will be imperative to assess whether the total amount of 9+ crores towards publicity and marketing is understandable as compared to approximately 1.6 crores in product development.
2. Though the schemes are well received but the marketing of the schemes has been restricted within the domain of few beneficiaries only. The information dissemination of the scheme will be important. The regional information centre or offices of DC(H) who are in direct touch with the exporters and handicraft export promotion bodies must ensure that the scheme information and details are marketed well within such pockets. Leaflets, brochures and pamphlets in local language must be promoted besides Hindi and English.
3. Most councils and organisations involved in export assistance felt that the scheme must have a service charge scheme which must have a provision of being retained by the councils.

4. Documentation in the current context is time consuming and at times the kind of information required becomes difficult to provide. Lack of information will summarily mean rejection of the application too. In such a case the information to be provided must be conditional to the final grant amount to be released
5. The DC(H) must go back and assess how the grant is being utilized in terms of purpose for which it has been taken. If the same is for participation in a fair abroad, information with regard to query generated, sales generated and prospects likely to convert must be accounted for. If the same is for product development the endeavour must be to assess how well the workshop was received and what benefits are the participants receiving from the same in future.
6. The DC(H) will have to make concerted efforts to provide larger part of the grants towards the head product development and design & social and welfare measures.
7. The grant must be assessed as against the MDA/MAI grant, which is non-sector specific but with larger outlay. The MDA/MAI promotes more on the promotion and the publicity front.

ACTION POINTS TO MAKE THE SCHEME MORE EFFECTIVE

1. The marketing of the schemes has to be more handicraft pocket specific rather than institution specific. The regional pockets of handicraft as identified by the DC(H) must be the regional centers for promotion of the scheme.
2. Regional Handicraft Corporations and particularly at the state level has to be involved in the micro implementation which is currently restricted to a few states only.
3. Though documentation is an integral part of the grant disbursement but certain information which cannot be furnished while at the time of applying may be considered while submitting the report and may be made conditional to the final grant release.

4. A component on overhead charges pertaining to secretarial cost, expenses on telephones, photocopies, faxes, long distance calls, etc., which the beneficiaries do not account for currently, may be considered, however, with deliberations within the DC(H) office
5. It was also felt that the grant being allocated for a particular fair/tradeshow at a particular destinations must be given for at least a period of three year, which gives both the recipients and the DC(H) to understand fair effectiveness and long term sustainability of grant disbursal towards the fair.
6. The grant utilization effectiveness is a key area to consider, where the researcher found that most exporters or export assisting bodies are concerned with the submission of the activity report and the audited financial report.
7. The study has a future scope of assessing the effectiveness of the schemes in light of the activity for which the grant was obtained and gauge how well the schemes have been utilized under the three individual heads.

CHAPTER 2

INTRODUCTION AND RESEARCH METHODOLOGY

The last evaluation of the export promotion scheme done during 2003-04 had yielded results, which showcased more on the fund disbursement format and the methodology through which the grant was channelised. It also tried to identify clusters and explore the awareness level about the scheme. Further, it also tried to analyse whether the schemes are being currently availed, or have not been availed at all or had been availed in the past.

This particular terminal evaluation tries to focus on the aspect of the scheme effectiveness and whether the scheme requires any structural changes in the 11th plan outlay. Further to this, it was also felt that the scheme should also be able to showcase the interventions in the requisite clusters and how it has been able to help the necessary scheme beneficiaries.

The report has been generated on the basis of the fund disbursement for the financial year, 2003-04, 2004-05, 2005-06 and 2006-07. **The fund disbursement heads, beneficiaries and the amount of disbursement is attached herewith in Annexure 1.** The basic scheme format remains the same wherein the three heads; Product Development, Publicity & Marketing and Social & other Welfare measures. The analysis of scheme and the disbursement format has been done in Chapter 3.

This study which follows the earlier study conducted in 2003-04, titled as mid term evaluation of the export promotion scheme, focuses more on the structural part of the schemes and any recommendations that needs to be made before the 11th plan outlay to make the scheme more effective. In the draft report submitted to the DC(H) office and the presentation made thereafter on 1st February 2007, there were several recommendations (**the extract of the discussion is also attached herewith in Annexure 2**), which have also been integrated in the ensuing report.

In light of the above discussion, the research methodology of the study is discussed in this section of the report. The terms of reference for the study were as follows:

1. Identify the main beneficiaries of the scheme

2. Analyse the relative significance placed to the different components of the scheme by intended beneficiaries
3. Analyse whether distribution of gains among exporters is equitable and efficient in terms of the export increment obtained
4. Analyse whether intended beneficiaries have received the targeted benefits
5. Analyse whether the shortcomings, if any, can be attributed to the scheme or the implementation thereof
6. Identify the modifications required in the scheme in the light of market response and altered business environment, particularly the WTO regulations on financial assistance for export promotions

For the above terms of reference the study was divided into two parts.

(v) **Desk Research**

(vi) **Field Research**

(i) Desk Research: The first part of the study focused on assessing the grant disbursement and is there any kind of pattern that comes from the disbursement. It also evaluates the key beneficiaries from the scheme and how they have been able to disburse the scheme within the clusters. As the scheme is disbursed within the organizations and institutions who are promoting and facilitating exports it is also pertinent to work out the effects at the regional level.

(ii) Field Research: The second part of the study involves field study, involving visits to clusters where the exporters are located in Delhi & NCR and other cities where the beneficiaries of the schemes are located. The details of the sampling technique are mentioned herewith.

a. Sample profile:

- i. For exporters who have availed the scheme
- ii. For exporters who have never availed the scheme
- iii. For exporters who have stopped availing the scheme
- iv. All councils or organisations

b. Sample Size:

- i. For exporters who have availed the scheme: 75
- ii. For exporters who have never availed the scheme: 75
- iii. For exporters who have stopped availing the scheme: 50
- iv. All councils or organizations: 8

c. Field of the study: The study was conducted across Delhi and NCR, Moradabad, Meerut, Raipur, Ahmedabad, Bhopal and Hyderabad.

d. Questionnaires: Structured disguised questionnaire had been developed for the study and sample of the same has been attached in Annexure 3.

CHAPTER 3

REVIEW OF SECONDARY LITERATURE

3.1. UNDERSTANDING THE SCHEME FUND FLOW PATTERN

The grant disbursement of the four calendar years has been included in the secondary literature review. In the earlier study conducted a larger part of the grant disbursement was on publicity and marketing followed by product development and social and welfare measures. As compared to the grant disbursement between 1998-2002 which is as follows the grant disbursement in 2003-2006 (April-Nov 2006) are as follows:

Table 3.1: Total grant disbursement component break up

Grant Heads	Amount (in Rs. lacs) (1997-2002)	Amount (in Rs. lacs) (2003-2006 accounted till Nov. 2006)
Product Development	161.872	3257.14
Publicity and Marketing	964.486	485.63
Social and other welfare measures	61.53	15
Total	1187.888	3757.77

Source: DC(H)

The quantity of grant disbursement has been higher and the proportion of funds allocated to the three heads has largely remained the same. It was also felt that the format of disbursement wherein a large amount of fund was channeled towards fairs and as in the past has continued in the 2003-06 time frame also. New scheme beneficiaries particularly from regional belts like Chattisgarh, Assam, Karnataka and Rajasthan figure in the list of beneficiaries. Traditional scheme beneficiaries like EPCH, CEPC, COHANDS or IICT prominently feature in the list, however, from the traditional states like UP, Tamil Nadu and West Bengal there are new scheme beneficiaries not featuring till 2002 like UPICO, WBIDC, MPHL&HC etc. The percentage contribution of grant disbursement in publicity and promotion has risen drastically as against grant disbursement done towards product development and social & other welfare measures. The social and welfare measure head has shown maximum amount of fall in terms of response to the grants.

The grant disbursement pattern is also analysed in the context of the top scheme beneficiaries as depicted in Table 3.2. EPCH (Export Promotion Council for Handicrafts) has been one of the biggest beneficiaries of the scheme, followed by COHANDS and CEPC (Carpet Export Promotion Council).

Table 3.2: Top Scheme Beneficiaries

Sl. No.	Year	Amount Released (in Lakhs)
	2003-04	
1	EPCH	361.43
2	COHANDS	137.1
3	CEPC	205.7
	2004-05	
1	EPCH	107.02
2	CEPC	159.35
3	J & K Corpn.	109.52
	2005-06	
1	EPCH	538.46
2	J & K HC (S&E) Corp. Ltd.	287.26
3	COHANDS	106.56
	2006-07 (accounted till Nov 06)	
1	EPCH	134.27
2	COHANDS	118.43
3	CEPC	74.8

(Figure in Rs. Lacs), Source: DC(H) Office

Table 3.2 illustrates the various heads under which the scheme has been disbursed and on a year to year basis the maximum heads under which the disbursement has been done. The lion's share of the grant has been disbursed under the head *and trade fair participations in India and abroad*. There is also a substantial amount of sum spent on the workshops, product development seminars and the marketing costs. However, in the four calendar year evaluated there has been no or minimum expenditure incurred under the head, "Social and other welfare measures". The gap between the expenditure on the publicity and marketing as compared to the product development cost is quite high.

TABLE 3.3
Disbursal of grant component (2003-04 to 2006-07)

S. No.	Component	2003-04	2004-05	2005-06	2006-07	Total
1	Product Development					
1a	Workshop and Training Programme in Packaging and in Export Procedures/ Management	1.26				1.26
1b	Training of Artists/Master craftsperson/Designers	18.41	25.09	7.5		51
1c	Workshop/Seminar in India and Abroad	163.26	53	24.48	11.89	252.63
1d	Selection of Designers, Artists for development of prototypes for exports and invitation to foreign designers	42.22	155.39	101.86	7.44	306.91
						611.8
2	Publicity & Marketing					
2a.i	Participation in International fair(s)/exhibition(s) abroad	621.87	605.23	1159.39	361.83	2748.32
2a.ii	Participation in Buyers-Sellers Meet(s) in India and Abroad	9.4	22.86		26.1	58.36
2a.iii	Conducting Market Studies Abroad	2.04				2.04
2a.iv	Deputation of craftsperson	9.2				9.62
2a.v	Advertising & Marketing	30.04	51.12	145.11	33.75	260.02
2b	Organising International Handicrafts Trade Fairs/ Buyers-sellers meets	38.58	75			113.58
						3191.94
3	Social and Other welfare measures					
3a	Enforcement/welfare measures					
3a.i	Registration of Looms, surveillance of registered looms	6				6

3a.ii	Engagement of lobbyist	9				9
3b	Welfare measures to resolve labour related or other social problems					
3c	Labeling Initiative etc.					
						15

(Figure in Rs. Lacs), Source: DC(H) Office

The following tables list the institutions who have received grant in serial order of high to low.

Table 3.4: 2003-04

1	EPCH	Asia Pacific Week, Berlin	69.02
2	EPCH	Participation in Dallas Festival, USA	49.46
3	EPCH	Folk Craft Festival at Spain	33.87
4	EPCH	IHFG(Autumn) - 03	30
5	EPCH	IHFG(Spring) - 04	30
6	EPCH	2 ND Folk Craft Festival at Caracas	10
7	EPCH	Aggressive Marketing of J&K HC. During IHFG(Spring) - 04.	9.5
8	EPCH	11 workshops on export marketing	8.25
9	EPCH	Workshop at Puri (Orissa)	4.6
10	EPCH	Exh. Cum-Buyer-Seller-Meet at Johannesburg, SA	3
11	EPCH	Printing of catalogue	2.33
12	EPCH	Pre-feasibility Study for organizing FOI, LAC, Brazil	2.04
13	EPCH	SEAR CANADA	6.72
14	EPCH	Workshop at Bhubaneshwar (Orissa)	1.36
15	EPCH	VII World Bamboo Congress	100
16	EPCH	Workshop at Bhubaneshwar	1.28
		EPCH	361.4
1	CEPC	Carpet Expo - (Spring) -04	30
2	CEPC	Participation in Atlanta Rug Show	25
3	CEPC	Organised International Seminar/	25

		Conference on Hand knotted Carpet	
4	CEPC	Carpet Expo - (Autumn) 03	23.23
5	CEPC	Buyer-Seller-Meet at SA	9.4
6	CEPC	Carpet Expo (Spring) - 03	9
7	CEPC	Payment of CEPC for hiring of lobbyist firm	9
8	CEPC	Surveillance of Register Looms in 6 Districts of U.P.	6
9	CEPC	Folk Craft Festival, Berlin	5.93
10	CEPC	Carpet Expo (Autumn) - 02	5
11	CEPC	Exhibition on Hand knotted carpets in Melbourne (Australia)	4.65
12	CEPC	Workshop/Seminar	2
13	CEPC	Participation in Domotex Fair-04 (Germany)	49.75
14	CEPC	Deputation of Chairman, CEPC to New Zealand	1.74
		CEPC	205.7
1	COHANDS	Participation in IHGF (Autumn) - 03	22.84
2	COHANDS	Participation in IHGF (Spring) - 03	10.55
3	COHANDS	Participation in IHGF (Spring) - 04	7.69
4	COHANDS	Africi Show	3.65
		COHANDS	44.73
1	NCDPD	Training Surface Finishing, Kolkata	19.94
2	NCDPD	Design Product Development Training for Artisans in Surface Finishing, New Delhi	15
3	NCDPD	Participation in World Bamboo Expo	14.56
4	NCDPD	Training to Craftsperson's/Artisans in Design & Technology on Handicrafts at New Delhi	12.5
5	NCDPD	Participation in IHGF (Autumn) - 03	12.5
6	NCDPD	Participation in IHGF(Spring)-03	4.33

		NCDPD	78.83
2	Asian Heritage Foundation	For thematic Pavilion "Tree of Life" and demonstration by craftsperson in Lotus Bazaar, Barcelona (Spain)	75
10	Crafts Council of Maharashtra	Organized Design show-03 at Mumbai	28.86

Table 3.5: 2004-05

1	EPCH	Portuguese Fair	20
2	EPCH	IHGF(S) 05	20
3	EPCH	Sweden Exh.	13.04
4	EPCH	Portuguese Fair	12.39
5	EPCH	Participation in Mauritius Fair 30.3.05 to 3.4.05	11.26
6	EPCH	Brazil Exh.	11.13
7	EPCH	Preparation of 5 CDs	7.5
8	EPCH	Sears Canada	5.01
9	EPCH	Workshop at Hyderabad	1.5
10	EPCH	Workshop at Mysore	0.8
11	EPCH	Vertical Portal	1.87
12	EPCH	2 workshops at Amethi & Raibareilly	2.52
			107.02
1	CEPC	Carpet Expo (A)	20
2	CEPC	Carpet Expo (S) 05	20
3	CEPC	Lore Exh.	11.65
4	CEPC	2 BSM at Japan & Brazil	7.61
5	CEPC	BSM at Varanasi	0.95
1	COHANDS	Brazil Exh.	50
2	COHANDS	IHGF (A)	41.83
3	COHANDS	Boston Gift Fair	20.62
4	COHANDS	IHGF (S) 05	19.98
5	COHANDS	Atlanta Fair	12.04
6	COHANDS	Reimb. for IHGF (S) 04	7.7
7	COHANDS	Milan, Italy	4.6
8	COHANDS	Exh. USA	2.58
			159.35
1	NCDPD	Product Designing & Training of Artisans	10.14
2	NCDPD	2 Product Dev. Programmes	10
3	NCDPD	2 Product Dev. Programmes	9.35
4	NCDPD	To Organize 3 Trg. Prog.	7.5

5	NCDPD	Reimb. - Training of MC	5.59
6	NCDPD	2 PDPS	4.55
7	NCDPD	4 Workshops at Jodhpur & Shaharanpur	2.23
			49.36
1	J & K Corpn.	Marketing Promotion Prog.	39.5
2	J & K Corpn.	Birmingham Fair	28.18
3	J & K Corpn.	Rand Show, Sa	21.11
4	J & K Corpn.	Carpet Oasis	20.73
			109.52
1	KCCI	Dubai Festival	19.93
2	KCCI	Participation in IHGF(S) 05	14
3	KCCI	2 PDPS	10
4	KCCI	Carpet Fair Spring 05	3.12
			47.05
1	Crafts Council of India, Chennai	5 Product Development	49.62
2	Crafts Council of India, Chennai	BSM at New Delhi	9.3
3	Crafts Council of India, Chennai	Trg. of Craftsperson in Stone & Glass in London	1.86
			60.78
1	UPICO	Brazil Exh.	13.27
2	UPICO	Tokyo Fair	9.43
3	UPICO	Czech Republic	11.33
			34.03

Table 3.6: 2005-06

1	EPCH	Organising Indian Handicrafts & Gifts Sourcing Show at Pragati Maidan, New Delhi during 1-5 March, 2006.	355
2	EPCH	Organising 4 exhibition under Brand Promotion at Chicago, Atlanta, Las Vegas & Dallas, USA during Jan., 06.	79.42
3	EPCH	Participation in Toronto and Tokyo exhibition during March, 2006	24.47
4	EPCH	Festival of India in Poland during 16-18 June, 2005	19.81
5	EPCH	Foreign Publicity of IHGF(Autumn)-05 at Pragati Maidan, New Delhi	17.5

6	EPCH	Organising IHGF(S)-06 during Feb.-March, 2006	17.5
7	EPCH	For Internal and External publicity of Carpet Expo-(Autumn)-05 from 15-17 Oct., 2005 at Varanasi.	15
8	EPCH	For Internal and External publicity of Carpet Expo-(Spring)-06 during Feb.-March, 2006 at New Delhi/Noida.	15
9	EPCH	Participation in House & Gift Fair of South America at Brazil from 20-23 August, 2005	14.46
10	EPCH	Organised Folk Craft Festival of India at Toronto (Canada) during 5-8th Aug., 2005	12.26
11	EPCH	Participation in Africa Exh. Cape Town SA from 9-11 Nov., 2005	11.64
12	EPCH	Organised Folk Craft Festival of India at Germany from 9-14 October, 2005	11.04
13	EPCH	Participate in India Initiative in Warsaw, Poland during 16-18 June, 2005	10.31
14	EPCH	Organised Seminar/Workshop during Carpet Expo (Autumn) from 15-17 October, 2005	9.38
15	EPCH	Participation in SME & HC Fair in Mauritius during 6-10 April, 2005	9.29
16	EPCH	Organizing Seminar during IHGF(S)-06 during Feb.-March, 2006	5
			627.1
1	COHANDS, New Delhi	Participation in House and Gift Show South Africa at Brazil during 20-23 August, 2005	23.13
2	COHANDS, New Delhi	Participation in Made in India Exhibition at Lahore from 10-16 Nov., 2005	20.87
3	COHANDS, New Delhi	Participation in Asia Week at Milan(Italy) from 24.9.2005 to 02.10.2005	19.43
4	COHANDS, New Delhi	Participation in Atlanta Fair, USA during Jan. 14-17, 2005	17.04
5	COHANDS, New Delhi	Participation in IHGF(A)-05 from 13-17, October, 2005 at Pragati Maidan, New Delhi.	14.15
6	COHANDS, New Delhi	Participation in IHGF(S)-06 during Feb., 16-20, 2006	11.94
			106.6

1	J & K HC (S&E) Corpn. Ltd.Srinagar	Participation in Atlanta Fair, USA from 15-19 July, 2005	49.89
2	J & K HC (S&E) Corpn. Ltd.Srinagar	Participation in California Gift Show, USA during July, 22-25, 2005	48.68
3	J & K HC (S&E) Corpn. Ltd.Srinagar	Organising 4 PDP in Crewel & Cross Stitch during 2005-06	40
4	J & K HC (S&E) Corpn. Ltd.Srinagar	Participation in New York Show from 16-19 Oct., 2005 at USA	24.15
5	J & K HC (S&E) Corpn. Ltd.Srinagar	Participation in Dubai Shopping Festival Dubai from 26 Oct., to 6 Nov., 2005	22.29
6	J & K HC (S&E) Corpn. Ltd.Srinagar	Participation in Carpet Oasis Fair, Dubai during 15.01.05 to 10.02.05	20.73
7	J & K HC (S&E) Corpn. Ltd.Srinagar	Participation in IHGF(A)2005 from 13-17 Oct., 2005 at Pragati Maidan, New Delhi	20
8	J & K HC (S&E) Corpn. Ltd.Srinagar	Participation in Domotex Fair during January 14-17, 2006 at Germany	13.87
9	J & K HC (S&E) Corpn. Ltd.Srinagar	Participation in Domotex Fair during January 15-18, 2005	10.27
10	J & K HC (S&E) Corpn. Ltd.Srinagar	Printing of catalogue, brochure & folder	4.5
			254.4
1	UPICO	Ukraine during 22-25 Oct, 2005	20.46
2	UPICO	Participation in Indian Handicrafts Exhibition at Brazil	13.27
3	UPICO	Participation in Trade Fair at Czechoslovakia from 18-21 March, 2005	11.33
4	UPICO	Organising Indian Technical & Trade Fair at Paris (France) from 15-18 Dec., 2005	10.78
			55.84
1	NCDPD, New Delhi	Organising 4 PDPs on Bell Metal, Ceramics & Blue Art Pottery, Paper Machine, Wood & Metal	20
2	NCDPD, New Delhi	Participation in IHGF(A)-2005 from 13-17 October, 2005 at Pragati Maidan, New Delhi	15.04
3	NCDPD, New Delhi	To organize 3 Trg. Programme	7.5
4	NCDPD, New Delhi	Printing of catalogue on international quality	3.38
5	NCDPD, New Delhi	Organising PDP on Basketry Bamboo	3.36
			49.28

Table 3.7: 2006-07

1	EPCH	Printing of 6 product catalogues	33.75
2	EPCH	Organising 2 exhibitions in USA (High Point & Chicago) during 2006-07.	30.1
3	EPCH	IHGF(A)-05 from 13-16 Oct., 2006	17.5
4	EPCH	Organising IHGF(S)-06 during Feb. 16-20, 2006	17.5
5	EPCH	IHGF(S)-07 from 22-26 Feb., 2007 at Greater Noida	17.5
6	EPCH	Organising Seminar during IHGF(A)-05	10
7	EPCH	Participation in Folk Craft Festival in South Africa during Nov. 9-12, 2005	7.92
			134.27
1	COHANDS	Participation in Birmingham Fair, UK (Feb.07) and Panama (March 07)	51.17
9	COHANDS	Participation in Muba Plus Fair, Switzerland Fair from 2-11 March, 2007	17.23
12	COHANDS, New Delhi	Participation in India International Trade Fair at Pragati Maidan from 14-27 Nov. 2006	16.15
13	COHANDS	Organising Sourcing Show at Kolkata during 22.12.06 to 01.01.07	15.5
19	COHANDS	IHGF(S)-07 during Feb/March 2007	9.9
23	COHANDS	Participation in IHGF(A)-06 at Greater Noida	8.48
			118.43
7	CEPC	BSM at Jaipur 17-18 October, 2006	17.5
8	CEPC	Carpet EXPO(A)-06 from 14-16 Oct, 2006 at Varanasi	17.5
14	CEPC	Carpet EXPO(A)-05 from 15-17 Oct., 2005 at Varanasi	15

15	CEPC	Carpet EXPO(S)-06 from 18-21 Feb, 06 at New Delhi	14.51
24	CEPC	Participation in Regional Handknotted Carpet Exhibition from 28-30 August, 05 at Karachi	8.4
31	CEPC	Organising workshop/seminar at Varanasi from 15-16 October, 2005	1.89
			74.8
30	HHEC	IHGF(S)-06 from 16-20 Feb. 06 at Greater NOIDA	3.09
10	HHEC	Participation in Belgium Fair during Oct. 2007	16.99
			20.08
21	Karnataka state Handicrafts Dev. Corpn.	Participation in ASD?AMD Show in New York during 15-18 Jan. 07	8.69
29	Karnataka state Handicrafts Dev. Corpn.	Participation in Barcelona Fair, Spain during Sept 9-12, 2005	4.79
			13.48

3.2 KEY TAKEOUTS FROM THE DESK RESEARCH

1. Most of the fund has been channelised under the head “*Publicity and Marketing*” and specifically for participation in “*and Trade Fairs*”. In the last review done of the scheme as a part of the mid term evaluation, the same head of Publicity and Marketing had garnered the maximum allocation also. This reveals that no major deviation has happened in terms of disbursal.
2. However, this year under the head “*Social and Other Welfare Measures*” no major disbursal has been done and as compared to the last study done, which saw close to 60 lakhs being disbursed under this head, this year the amount reached only 15 lakhs.
3. The disbursal under the head of “*Product and Marketing*” was quite less as compared to that of Publicity and Marketing.

4. As compared to last study the major disbursements this time has been on and trade fairs, which is why share in the other heads have gone down.

3.3 WTO REGULATIONS AND THE DC(H) EXPORT PROMOTION SCHEME

Since the last time the scheme was evaluated in 2003-04 there are no major changes that have undergone in the WTO head which covers such subsidies. The DC(H) export promotion scheme is covered under the head “**The Agreement on Subsidies and Countervailing Measures (ASCM)**”.¹ This agreement does two things: it disciplines the use of subsidies, and it regulates the actions countries can take to counter the effects of subsidies. It says a country can use the WTO’s dispute settlement procedure to seek the withdrawal of the subsidy or the removal of its adverse effects. Or the country can launch its own investigation and ultimately charge extra duty (known as “countervailing duty”) on subsidized imports that are found to be hurting domestic producers.

The agreement contains a definition of subsidy. It also introduces the concept of a “specific” subsidy — i.e. a subsidy available only to an enterprise, industry, group of enterprises, or group of industries in the country (or state, etc) that gives the subsidy. The disciplines set out in the agreement only apply to specific subsidies. They can be domestic or export subsidies.

The agreement defines two categories of subsidies: *prohibited and actionable*. It originally contained a third category: *non-actionable subsidies*. This category existed for five years, ending on 31 December 1999, and was not extended. The agreement applies to agricultural goods as well as industrial products, except when the subsidies are exempt under the Agriculture Agreement’s “peace clause”, due to expire at the end of 2003.

Prohibited subsidies are subsidies that require recipients to meet certain export targets, or to use domestic goods instead of imported goods. They are prohibited because they are specifically designed to distort international trade, and are therefore likely to hurt other countries’ trade. They can be challenged in the WTO dispute settlement procedure where they are handled under an accelerated timetable. If the dispute settlement procedure confirms that the subsidy is prohibited, it must be withdrawn immediately. Otherwise, the

¹ Source: www.wto.org

complaining country can take counter measures. If domestic producers are hurt by imports of subsidized products, countervailing duty can be imposed.

Actionable subsidies: In this category the complaining country has to show that the subsidy has an adverse effect on its interests. Otherwise the subsidy is permitted. The agreement defines three types of damage they can cause. One country's subsidies can hurt a domestic industry in an importing country. They can hurt rival exporters from another country when the two compete in third markets. And domestic subsidies in one country can hurt exporters trying to compete in the subsidizing country's domestic market. If the Dispute Settlement Body rules that the subsidy does have an adverse effect, the subsidy must be withdrawn or its adverse effect must be removed. Again, if domestic producers are hurt by imports of subsidized products, countervailing duty can be imposed. Some of the disciplines are similar to those of the Anti-Dumping Agreement. Countervailing duty (the parallel of anti-dumping duty) can only be charged after the importing country has conducted a detailed investigation similar to that required for anti-dumping action. There are detailed rules for deciding whether a product is being subsidized (not always an easy calculation), criteria for determining whether imports of subsidized products are hurting ("causing injury to") domestic industry, procedures for initiating and conducting investigations, and rules on the implementation and duration (normally five years) of countervailing measures. The subsidized exporter can also agree to raise its export prices as an alternative to its exports being charged countervailing duty. Subsidies may play an important role in developing countries and in the transformation of centrally-planned economies to market economies. Least-developed countries and developing countries with less than \$1,000 per capita GNP are exempted from disciplines on prohibited export subsidies. Other developing countries are given until 2003 to get rid of their export subsidies. Least-developed countries must eliminate import-substitution subsidies (i.e. subsidies designed to help domestic production and avoid importing) by 2003 — for other developing countries the deadline was 2000. Developing countries also receive preferential treatment if their exports are subject to countervailing duty investigations. For transition economies, prohibited subsidies had to be phased out by 2002. A detailed listing of the ASCM is attached as **Annexure 4**.

As per the directives of ASCM, there is no major impact on the scheme and since the objective of the scheme remains by and large for product and market development, hence the issue of subsidy does not come up in this case. Moreover the Export promotion scheme is more for market development and encouragement of trading in the foreign markets. It is no way subsidizing the production/ manufacture of goods. Also the eligibility procedure of grants bounds the beneficiaries to contribute to the expenditure on components under which the grant is given (The exporters are not given 100 % of the expenditure incurred on the promotional activities), thus making the grant an additional expenditure and not as expenditure reducing assistance. Also to be noted is that the grant going to exporters directly is only under the participation in / buyer seller meets etc. The rest goes to the export promotion councils and organizations which utilize it basically to increase awareness about the opportunities in the sector and disseminate information on the developments in the international trading environment.

CHAPTER 4

FINDINGS FROM THE FIELD STUDY

The study was conducted in Delhi and NCR, Moradabad, Meerut, Raipur, Ahmedabad, Bhopal and Hyderabad. The objectives of the study were to assess the following issues:

7. **Identify the main beneficiaries of the scheme:** The main beneficiaries of the scheme has been discussed extensively in Chapter 3, wherein the classification has been done on the basis of:
 - a. The scheme beneficiaries and the total grant allocation done
 - b. The major beneficiaries of the scheme and the grant allocation done to them on the basis of the different heads of the grant
 - c. Overall assessment of each beneficiary and the kind of fund flow that has been done for the grant.
 - d. Overall assessment under head of the grant and how has the fund been channelised towards product development or marketing activities or for social and other welfare measures.
8. Analyse the relative significance placed to the different components of the scheme by intended beneficiaries:
9. Analyse whether distribution of gains among exporters is equitable and efficient in terms of the export increment obtained
10. Analyse whether intended beneficiaries have received the targeted benefits
11. Analyse whether the shortcomings, if any, can be attributed to the scheme or the implementation thereof
12. Identify the modifications required in the scheme in the light of market response and altered business environment, particularly the WTO regulations on financial assistance for export promotions: *This section has been covered in Chapter 3 of the report extensively.*

Point number 2-5 have all been covered as a part of the primary data study and the responses have been taken from the following profile of respondents:

- (i) Respondents who have availed the grant scheme: They include all kinds of individuals who are members of the organizations who have availed the grants indirectly. *(Total number covered: 75)*
- (ii) Respondents who have not availed the grant scheme: They all are individuals who have never availed the scheme. *(Total number covered: 75)*
- (iii) Respondents who have stopped availing the scheme: They include all individuals who have availed the scheme in the past but have now stopped availing the scheme. *(Total number covered: 50)*
- (iv) Respondents from councils and organizations: They include all direct beneficiaries of the schemes. *(Total number covered: 8)*

(All figures in Annexure 5 of this chapter)

(i) Findings from Respondents who have availed the grant scheme: They include all kinds of individuals who are members of the organizations who have availed the grants indirectly.

1. Source of funding of export activities and export promotion activities: Most respondents said that a major part of their funding for the export promotion activities were their own, however, in some cases the funding was partly from the DC(H) office also. However, the larger organizations have specifically mentioned in some cases that the entire promotional funding has been their own. Smaller outfits have however, mentioned that they are put under too much official formalities for grant disbursement for which it becomes difficult to avail the grants.
2. Activities and/or improved business practices adopted as a result of engaging in sporting activities: As is shown in **Figure 4.1** most of the activities has been carried out under the head, “*Business and export planning*” and “*Development of new products*”.
3. The third part of the study tried to probe on the kinds of heads under which the grant has been availed. As shown in **Figure 4.2** in Annexure 5, most respondents have availed the grant under the head publicity and marketing, followed by product development. Most respondents opined that the grants under the head publicity and marketing was used for participating in trade fairs, buyer-sellers meet or any other kind of promotional activities. A small part of them said they

- were availed for product development also and none of them used for any kind of social welfare measures, perhaps which is more of disbursement under the organizational or institutional head.
4. For questions 9, which tried to cover the aspect of the number of years the grant has been availed, most respondents said they were availing between last 3-8 years, where 5 years was the highest and the number of new entrants availing the grant was also fairly large in number. As regards the procedure for availing grant, most said that they took the institutional support through the EPC's or any other local governing institutions that assist them for taking the grants. **Figure 4.3** illustrates the number of years through which the respondents have availed the grant. It clearly shows that most respondents have availed the grant between the period five to eight years. As regards any changes that the respondents are aware of, they could not specifically point out any changes in the grant, but felt that there are some changes that the scheme has undergone, since the time it was launched.
 5. The next part of the questionnaire was on assessment on the eligibility criteria for applying to the scheme, wherein the opinion was being taken from the respondents. As per **Figure 4.4** Most were satisfied to moderately satisfied with the scheme eligibility criteria, however, some who were not satisfied, felt that there were too many clauses to fulfill for obtaining the grant and felt that the grant under the MAI was easier to obtain.
 6. The next question was based on the systems followed for the fund disbursement and the documentation involved in the same, to which opinion was being sought. Most respondents were not satisfied with the system and felt it was too cumbersome from documentation point of view, which needs to be simplified. **Figure 4.5** illustrates the point.
 7. The next area where the respondent was asked to comment was on the impact the grant had in terms of boosting the export promotion activity of the respondent. Most respondents felt that the impact may not be substantial in nature but it definitely helped get a platform to make a start. On a long term sustenance basis, the onus still remains with the respondent to leverage it. **Figure 4.6** illustrates the

- point, where the majority of the respondents agree moderately towards the scheme helping create an impact on their export promotion activity.
8. The next question related to how availing the scheme has helped in reducing the financial risk attached with export promotion activity. The response was quite clear and almost 100% did not agree to the statement and felt that the scheme was not full proof enough to secure them from any kind of losses to be incurred. Infact, there are several miscellaneous expenditure incurred while in promotion activities, which the scheme never accounts for. **Figure 4.7** illustrates the point.
 9. The next question analyses the impact the scheme had in terms of impact on sales. This is perhaps an important part of the questionnaire, since it gives direct response on the key issues. Typically, respondents were unanimous that direct response to sales maybe difficult to obtain, but the scheme has given a platform for the respondents to participate in various trade fairs, exhibitions, buyer seller meets and various kind of business meets etc., which leverages the company. Such active participation on a consistent basis provides 5-7% weightage towards the sales. **Figure 4.8** may not be an actual representation of the fact, since there was a large amount of response which was open ended towards this particular question. However, the figure gives a perspective, nonetheless.
 10. On the issue of price being altered owing to availing of scheme, there was almost unanimous negative response and they felt that there are so many other expenditures that does not permit price to be altered, even when the scheme is availed.
 11. The last part of the questionnaire was on suggestions with respect to the scheme and the ways in which the scheme can be made more effective. This particular section has four questions to it, each one exploring a perspective of the respondent. **Figure 4.9, 4.10 and 4.11** illustrates the importance of the various factors while planning for the export business. Figure 4.10 particularly emphasizes on several important parameters which are critical to the planning for export business and what importance do the respondents place on such parameters. Also Figure 4.11 illustrates the suggestions made in improving the scheme and to make it more

effective. Individual suggestions have come in terms of looking at each aspect of the scheme and how to make it more relevant for the target audience.

(ii) Respondents who have not availed the grant scheme: They all are individuals who have never availed the scheme.

This particular section covered all respondents who have never availed the grant scheme. This also tries to probe the reasons why the grant has possibly never been availed by them and how they look forward to the availing of the grant.

1. The first question was similar to the earlier section, where the respondents were asked to evaluate the activities engaged in since the time the respondents have got involved in export related activities. In effect, are there any special measures or any kind of re-engineering that the respondent is doing to his business. **Figure 4.12** illustrates the responses received, in which respondents can have more than two factors that they have added on to the business. Most of the respondents have added on new products or that have substantially changed the processes for the manufacture of such export related products. After this, they have focused on quality related issues and then strategic alliances and other related activities.
2. The next part of the questionnaire was on why the scheme was not availed and **Figure 4.13** gives response on the same. Most respondents were unaware of the scheme and since the study was conducted in clusters, in various states hence they said they were unaware of the scheme. Also a large part of the response was on the complex procedures involved in availing the scheme. Some of the respondents also said that there was favoritism that was done in grant disbursement. There was a small percentage of respondents who said they were technically not eligible for availing the scheme.
3. The next question in this section was about the scheme effectiveness and did it all help the exporters. There were parameters on which the respondents had to respond where the scheme actually helped. Respondents were unanimous in two particular responses, helping find new markets and helping in sharing costs of export and export promotion activities as is evident from **Figure 4.14**.
4. The next question was for all those respondents who were aware of the scheme and what are the specific components of the scheme that the participants can

recall. The number of participants, who were aware of the scheme, knew more about the publicity and marketing aspect of the scheme and less about the remaining two. **Figure 4.15** is an evidence of the same, where the scheme has not been marketed properly.

5. The next question on the scheme and awareness as to any changes done in the scheme, in the recent past, most participants, since were not aware of the scheme, hence any modifications done to the same, was not in the knowledge of most respondents.
6. The next question was an extension of the earlier question where the participants were asked, why the scheme was not availed by them. In case the respondent had mentioned lack of awareness, this particular question was an attempt to probe further on the lack of awareness part. The question asked was more of a cue to enquire, whether the respondent will now make attempts to know more of the scheme and in what ways it can help him/her. Participants said that they would make the effort to find if the scheme will be of any help to them. Since they keep on hearing of various governmental schemes, but the biggest challenge for them is to go through the cumbersome process of availing it.
7. The next particular question was again an extension of the earlier question where the scheme was not availed owing to the complex nature of documentation and other formalities required to avail the scheme. This particular question tried to assess the suggestions the respondent had to ease the scheme availability process. The compilation of the responses is in the next chapter (5) as a part of the recommendations and conclusions.
8. The next question was on respondent making effort to make oneself eligible for the scheme, as he finds himself ineligible to avail the scheme. Most responses were negative in this case.
9. On the next question of scheme not suiting the area/scope of operation of the respondent, responses were positive to avail if the scheme was in future modified to his/her requirement.
10. The third part of the questionnaire was on the respondent's business and the kind of efforts he has made for the business to thrive and his future plans towards the

growth of the business. The first part of the question was on probing the importance placed in determining the level of expenditure in export promotion activities. **Figure 4.16** illustrates the various parameters on which the planning for expenditure on export promotion activities is based on. Most respondents were of the opinion that the export activities of the past and the future will decide on the budget allocation followed by planning for new markets or any new kind of technologies.

11. The next question was on the aspect of the factors they thought important in planning for the export activities. **Figure 4.17** illustrates the factors in which the participation in trade fairs, appointing representatives and setting up of website were considered important factors for planning for the export activities.
12. On the last part of the section where they were asked to suggest improvement in the system to avail grant, most respondents declined since they were incapable of doing so, as the grants have never been availed.

Respondents who have stopped availing the scheme: They include all individuals who have availed the scheme in the past but have now stopped availing the scheme.

The next section covered the respondents who have availed the grant in the past but have not stopped availing the grant, for various reasons. This part covers them in detail.

1. The first part of the questionnaire tried to probe on the activities adopted to improve the business and the various activities are listed as in **Figure 4.18**. The aspect of the introducing new or substantially changed processes generated maximum response.
2. The second part of the questionnaire was the most important part of the questionnaire on which the response was generated. **Figure 4.19** generated the response towards the same, where most respondents said that the scheme was either not relevant to them or they have themselves stopped taking interest in the scheme. In the other reasons most of them felt that the scheme did not seem feasible to them and they were more comfortable with out the scheme.
3. In the next question whether the scheme was effective for the participants or not the response is enumerated in **Figure 4.20**. Most respondents felt that the scheme

- helped particularly in two things, one was helping find new markets and the second was in sharing the cost of promotion and marketing to a certain extent.
4. About the scheme awareness almost all participants were 100% aware since they have all availed the scheme at some point in time.
 5. As regards the changes etc. in the scheme they are not aware off, since its been sometime they have availed the scheme.
 6. As regards the suggestions to make the scheme less hassle-free and less time taking the suggestions is compiled in Chapter 5 as part of recommendations and conclusions.
 7. The next part of the questionnaire tried to probe on the issue of importance placed on the expenditure allocation for export promotion activities, importance of the parameters on which the export business is dependant on and the suggestions to make some components of the scheme more effective. **Figure 4.21, 4.22 and 4.23** compiles the information.

Respondents from councils and organizations: They include all direct beneficiaries of the schemes.

This particular section compiles the feedback received from the various councils and organizations. In the study done to discuss the scheme and its fallout with the beneficiaries, following were the key participants who were contacted to understand the scheme ramifications:

- EPCH
 - EEPC
 - CEPC
 - M.P. Laghu Udyog Nigam Ltd.
 - Craft Council of India, Chennai
 - ARTFED, Guwahati
 - NCDPD
 - APHDC
1. On the first part of the questionnaire which tried to probe on the opinion of the scheme and its benefits, **Figure 4.24** compiles the information. Most of the

- councils and organizations though that the scheme was effective more for finding new markets and for sharing a part of the cost for the participation in export promotion activities.
2. **Figure 4.25** further lists the various parameters on which the scheme beneficiaries are short listed by the councils and organizations for the availing of the grant. The firm location plays a very important role and also the total turnover of the firm too.
 3. The second part of the question which probes on the selection criteria tries to look at the various selection criteria for selection of the scheme beneficiaries. In the above chapter the scheme beneficiary parameters were discussed. Later, the councils and the organizations were also asked about the process through which the fund disbursement pattern is followed and how the final report is submitted to the ministry was also discussed.
 4. It was also probed as to the process followed in terms of taking reports from the scheme beneficiaries was also discussed.
 5. In the third part of the study, ways and means to monitor the scheme was also discussed. It was probed as to the mechanics followed by the councils in monitoring the scheme and what ways the utilization is being done by the members and if there are steps being taken to check such kind of faults.
 6. The last part of the questionnaire was on the suggestions for improvement in the scheme from the councils and organizations were asked for in which the suggestions are compiled in the Chapter 5 of the report.

Summarization of the responses from the scheme and non-scheme beneficiaries:

Some of the key takeouts from the interaction with the beneficiaries are as follows:

9. Most respondents opined on the documentation which they felt should be made online or more systematic so as the time spent on the process part can be reduced.
10. The actual cost of participation or the event cost is not met up through the scheme and it becomes difficult for smaller member exporters to participate in the event for which grant has been obtained.

11. Beneficiaries also opined that the scheme must be able to evolve with the time in terms of service charge component which can be introduced as a component given to the councils and organizations in helping better implementation of the scheme.

In the later part of the study, non-scheme beneficiaries were also contacted to get their feedback on the scheme and any possible feedback they have on the scheme and in the format of disbursal. Also scheme beneficiaries featuring in the 1997-2002 timeframe who did not feature in the 2003-06 list were also contacted to understand their absence from the current list of beneficiaries.

5. Lack of scheme awareness among non-grant beneficiary was the key reason for not availing the grants.
6. Most beneficiaries who have availed the grant in the past felt that the current requirement did not exist or it was possible that the application to avail was forwarded however, it met with negative response.
7. Some non-beneficiaries also opined that the scheme was only marketable in the known circle of the DC(H) office and beyond the beneficiary identified it becomes difficult for them to consider. Also the process of documentation also is cumbersome which, entails to loss of valuable time in case an important trade fair or exhibition deadline has to be met.
8. Organizations opine that the schemes are largely for the members and hence the direct benefits received by the members or not are also proof of the scheme being availed for future or not.

CHAPTER 5

RECOMMENDATIONS AND CONCLUSIONS

Some of the key outcomes of the terminal evaluation of the study conducted are very similar to the study conducted earlier as a part of the mid term evaluation in 2003-04. Based on the four key heads who have been covered as discussed in Chapter 4, the recommendations and conclusions are a summarization of the same. The grant recipients, non-grant recipients, recipients who have stopped availing and the various councils and organizations who act as nodal points for the grant disbursement are the four heads covered as a part of the study.

7. The first issue which will be critical for DC(H) to immediately consider is the distribution of grant amount under the three heads. As discussed in the last report also the scheme still rolls out a substantial sum in marketing and publicity as shown also in Table 5.1 also.

Table 5.1: Total grant disbursement component break up

Grant Heads	Amount (in Rs. lacs) (1997-2002)	Amount (in Rs. lacs) (2003-2006 accounted till Nov. 2006)
Product Development	161.872	3257.14
Publicity and Marketing	964.486	485.63
Social and other welfare measures	61.53	15
Total	1187.888	3757.77

Source: DC(H)

A comparison of the previous and current study shows how the grant disbursement has been done and this needs to be reviewed thoroughly. Also the fact whether the focus will continue to be on the publicity and marketing. Since, for the SME's particularly one of the major grant beneficiaries' product quality and R&D cost remains a huge concern the fund disbursement pattern may be again reviewed.

8. The issue of WTO was reviewed this year also and there are no possible impact that has been found as a part of the subsidies and the countervailing subsidies issue of the WTO, as discussed in Chapter 3 of the report.

9. As there is a more Cluster approach in the SME's and particularly in the handicraft sector it becomes important that the scheme may now be looked at more on regional integration party and the cluster approach to promotion may be considered.
10. As mentioned in the earlier report also the marketing of the scheme in regional belts still remains a big challenge. This time the scheme has made in roads with the help of J&K Corporation in up north, but beyond that the regional integration remains a challenge.
11. The service charge component as raised by the councils and organizations earlier was also mooted this time for the kind of services they impart at the clusters.
12. Documentation was also felt was extremely time consuming both at the council and the beneficiaries level. However, they all agreed the new changes in making it e-enabled have helped to gain a lot of information locally through the web site support.

ACTION POINTS TO MAKE THE SCHEME MORE EFFECTIVE

8. The marketing of the schemes has to be more handicraft pocket specific rather than institution specific. The regional pockets of handicraft as identified by the DC(H) must be the regional centers for promotion of the scheme.
9. Regional Handicraft Corporations and particularly at the state level has to be involved in the micro implementation which is currently restricted to a few states only.
10. Though documentation is an integral part of the grant disbursement but certain information which cannot be furnished while at the time of applying may be considered while submitting the report and may be made conditional to the final grant release.
11. A component on overhead charges pertaining to secretarial cost, expenses on telephones, photocopies, faxes, long distance calls, etc., which the beneficiaries do not account for currently, may be considered, however, with deliberations within the DC(H) office

12. It was also felt that the grant being allocated for a particular fair/tradeshow at a particular destinations must be given for at least a period of three year, which gives both the recipients and the DC(H) to understand fair effectiveness and long term sustainability of grant disbursal towards the fair.
13. The grant utilization effectiveness is a key area to consider, where the researcher found that most exporters or export assisting bodies are concerned with the submission of the activity report and the audited financial report. The accountability for the scheme does not go beyond the submissions of the quarterly reports, the final activity report and the audited financial report. However, the accountability for the scheme implementation effectiveness is beyond the submission of these mandatory reports. A steering committee must evaluate the complete redressal system from the time scheme is disbursed to the submission of the final completion report will be necessary.
14. The study has a future scope of assessing the effectiveness of the schemes in light of the activity for which the grant was obtained and gauge how well the schemes have been utilized under the three individual heads.

ANNEXURE 1

Statement of grant released to the Organization Wise/State Wise during 2003-04 under Export Promotion Scheme/International Collaboration			
Sl. No.	Name of Organization	Activities	Amount Released (in Lakhs)
I	Assam		
1	ARTFED, Guwahati	Printing of Catalogue on State Crafts of Assam	3.71
2	Crafts Council of Assam	Participation in Exhibition at Malaysia	0.46
	Total I		4.17
II	Andhra Pradesh		
1	APHDC	Participation in Domotex Fair (Germany)	5.51
2	APHDC	Participation in Birmingham Fair (UK)	6.85
	Total II		12.36
III	Delhi		
1	EPCH	Participation in Dallas Festival, USA	49.46
2	EPCH	2 ND Folk Craft Festival at Caracas	10
3	EPCH	Asia Pacific Week, Berlin	69.02
4	EPCH	IHFG(Autumn) - 03	30
5	EPCH	Pre-feasibility Study for organizing FOI, LAC, Brazil	2.04
6	EPCH	Folk Craft Festival at Spain	33.87
7	EPCH	VIIth World Bamboo Congress	100
8	EPCH	IHFG(Spring) - 04	30
9	EPCH	Aggressive Marketing of J&K HC. During IHFG(Spring) - 04.	9.5
10	EPCH	SEAR CANADA	6.72
11	EPCH	Exhibition Cum-Buyer-Seller-Meet at Johannesburg, SA	3
12	EPCH	Workshop at Bhubaneshwar (Orissa)	1.36
13	EPCH	Workshop at Puri (Orissa)	4.6

14	EPCH	Workshop at Bhubaneswar	1.28
15	EPCH	11 workshops on export marketing	8.25
16	EPCH	Printing of catalogue	2.33
17	CEPC	Folk Craft Festival, Berlin	5.93
18	CEPC	Carpet Expo (Autumn) - 02	5
19	CEPC	Carpet Expo (Spring) - 03	9
20	CEPC	Participation in Atlanta Rug Show	25
21	CEPC	Participation in Domotex Fair - 04 (Germany)	49.75
22	CEPC	Organised International Seminar/ Conference on Handknotted Carpet	25
23	CEPC	Carpet Expo - (Autumn) 03	23.23
24	CEPC	Exhibition on Handknotted carpets in Melbourne (Australia)	4.65
25	CEPC	Payment of CEPC for hiring of lobbyist firm	9
26	CEPC	Carpet Expo - (Spring) -04	30
27	CEPC	Buyer-Seller-Meet at SA	9.4
28	CEPC	Workshop/Seminar	2
29	CEPC	Surveillance of Register Looms in 6 Districts of U.P.	6
30	CEPC	Deputation of Chairman, CEPC to New Zealand	1.74
31	COHANDS	Participation in IHGF (Autumn) - 03	22.84
32	COHANDS	Participation in IHGF (Spring) - 04	7.69
33	COHANDS	Africi Show	3.65
34	COHANDS	Participation in IHGF (Spring) - 03	10.55
35	NCDPD	Participation in IHGF (Spring) - 03	4.33
36	NCDPD	Training to Craftspersons/Artisans in Design & Technology on Handicrafts at New Delhi	12.5
37	NCDPD	Participation in IHGF (Autumn) - 03	12.5

38	NCDPD	Design Product Development Training for Artisans in Surface Finishing, New Delhi	15
39	NCDPD	Participation in World Bamboo Expo	14.56
40	NCDPD	Training Surface Finishing, Kolkata	19.94
41	Dastkari Haat Samiti	Participation Craft Design Workshop Festival in Durban, SA	3.75
42	Dastkari Haat Samiti	Indo Pakistan Workshop	9.79
43	Delhi Blue Pottery Trust	Workshop on Development of Prototypes of Pottery at New Delhi	7.28
44	ITDC	Workshop/Exh. Buddhist Conclave	7.98
45	ITDC	Deputation of Crafts Persons Wood Carver for live	1.43
46	NIFT	Organised Product Development for Design Show - 04	1.96
47	Asian Heritage Foundation	For thematic Pavilion "Tree of Life" and demonstration by craftperson in Lotus Bazar, Barcelona (Spain)	75
48	World Bamboo Congress	As a fee of organising VIIth World Bamboo Congress	16.01
49	M/s Media Transasia (I) Ltd.	Releasing of advertisement in Swagat Magazine	8.2
50	M/s Outlook Group	Releasing of advertisement in Outlook Magazine	12.34
	Total III		845.36
IV	Gujarat		
1	NID, Ahmedabad	For Design Product Development & Workshop at SA	4.89
2	NID, Ahmedabad	Workshop on Product Development	1
	Total IV		5.89
V	Madhya Pradesh		
1	MPHL & HC Vikas Nigam Bhopal	LISBON Fair (Portugal)	6.8
2	MPHL & HC Vikas Nigam Bhopal	Participation in Birmingham Fair (UK)	5.92
	Total V		12.72
VI	Maharashtra		

1	Crafts Council of Maharashtra	Organised Design show-03 at Mumbai	28.86
VII	Tamil Nadu		
1	Crafts Council of India, Chennai	Organised exhibition at Turkmenistan	12.35
2	Crafts Council of India, Chennai	Participation in Kish Island (Iran) Exh.	2.33
3	SIPPO	Organised Workshop on export marketing and procedure at Trichi	1.26
4	TNHDC	Participation in Exh. at Malaysia	3.38
	Total VII		19.32
VIII	Uttar Pradesh		
1	UPICO	Organised China Fair	10.8
2	UPICO	Organising Trade Fair in Tokyo	9.43
3	IICT	4 Workshops and Training of Mastercraftpersons for Market Development on metal Fibre	3.95
	Total VIII		24.18
IX	West Bengal		
1	Crafts Council of W.B.	Organised Intl. Seminar SUTRA	13.75
2	JMDC, Kolkata	Organised Symposium at Kolkata	4.61
	Total IX		18.36
	Total I		4.17
	Total II		12.36
	Total III		845.36
	Total IV		5.89
	Total V		12.72
	Total VI		28.86
	Total VII		19.32
	Total VIII		24.18
	Total IX		18.36
	Grand Total		971.22

Statement of Grant released to the organization/State wise during 2004-05 under Export Promotion Scheme of the International Collaboration			
Sl. No.	Name of Organisation	Activities	Amount Released (in Lakhs)
I	Assam		
1	ARTFED, Guwahati	Participation in Birmingham Fair, UK	4.41
2	ARTFED, Guwahati	Participation in Milan, Fair	7.38
3	Assam Govt.Mktg. Corpn.	For Participation in Czech Exh.	13.43
4	NEHHDC	Printing of Catalogue	2.25
	Total I		27.47
II	Andhra Pradesh		
1	A.P.H.D.C.	4 Exhibitions	1.37
III	Bihar		
1	Aditi	Toronto, Canada Fair	3.28
IV	Delhi		
1	EPCH	Sears Canada	5.01
2	EPCH	Portuguese Fair	12.39
3	EPCH	Portuguese Fair	20
4	EPCH	Vertical Portal	1.87
5	EPCH	IHGF(S) 05	20
6	EPCH	Preparation of 5 CDs	7.5
7	EPCH	Participation in Mauritius Fair	11.26
8	EPCH	Workshop at Hyderabad	1.5
9	EPCH	2 workshops at Amethi & Rai Bareilly	2.52
10	EPCH	Brazil Exhibition	11.13
11	EPCH	Workshop at Mysore	0.8

12	EPCH	Sweden Exhibition	13.04
13	CEPC	Lore Exhibition	11.65
14	CEPC	Carpet Expo (A)	20
15	CEPC	Carpet Expo (S) 05	20
16	CEPC	BSM at Varanasi	0.95
17	CEPC	2 BSM at Japan & Brazil	7.61
18	COHANDS	Brazil Exhibition	50
19	COHANDS	Boston Gift Fair	20.62
20	COHANDS	Milan, Italy	4.6
21	COHANDS	IHGF (A)	41.83
22	COHANDS	Atlanta Fair	12.04
23	COHANDS	Reimbursement for IHGF (S) 04	7.7
24	COHANDS	IHGF (S) 05	19.98
25	COHANDS	Exhibition USA	2.58
26	NCDPD	Reimb. - Training of MC	5.59
27	NCDPD	To Organise 3 Trg. Prog.	7.5
28	NCDPD	2 Product Dev. Programmes	10
29	NCDPD	2 Product Dev. Programmes	9.35
30	NCDPD	2 PDPS	4.55
31	NCDPD	Product Designing & Training of Artisans	10.14
32	NCDPD	4 Workshops at Jodhpur & Shaharanpur	2.23
33	NIFT	Philippines Exh.	17.28
34	NIFT	Dsyn	1.96
35	Dastkari Haat Samithi	India Pak Workshop	7.48
36	Dastkari Haat Samithi	Indo-Vietnam PD	19.68

37	Sanskriti Pratisthan	PD in Basketry	9.75
38	KAARUKUL	3 Product Dev. Prog.	29.87
39	Art Galceri	2 PDPS in Glass Art	10
40	DTTDC	Hanoi-M/C Depp.	1.04
41	DTTDC	ITB, Berlin	1.22
42	HHEC	IHGF (S) 05	3.43
43	Asian Heritage Foundation	Barcelona	91
	Total IV		568.69
V	Gujarat		
1	NID Ahmedabad	Design Dev. W.S.	5.83
VI	J & K		
1	J & K Corpn.	Marketing Promotion Prog.	39.5
2	J & K Corpn.	Carpet Oasis	20.73
3	J & K Corpn.	Birmingham Fair	28.18
4	J & K Corpn.	Rand Show, Sa	21.11
5	KCCI	Dubai Festival	19.93
6	KCCI	2 PDPS	10
7	KCCI	Participation in IHGF(S) 05	14
8	KCCI	Carpet Fair Spring 05	3.12
	Total VI		156.57
VII	Madhya Pradesh		
1	MP HL & HC	Portugal Fair	4.21
2	MP Laghu Udyog	PDP	2.64
3	MP HC&HL	Birmingham Fair	4.7
	Total VII		11.55

VIII	Maharastra		
1	Crafts Council of Maharastra	BSM At Mumbai	5
2	Crafts Council of Maharastra	3 PDP at Mumbai	15
	Total VIII		20
IX	Nagaland		
1	NHHDC, Dimapur	Participation in Moscow Exh.	0.67
X	Tamil Nadu		
1	Crafts Council of India, Chennai	5 Product Development	49.62
2	Crafts Council of India, Chennai	BSM at New Delhi	9.3
3	Crafts Council of India, Chennai	Trg. of Craftperson in Stone & Glass in Londaon	1.86
4	SIPPO, Madurai	2 Workshops at Salem & Kanyakumari	2.33
	Total X		63.11
XI	Uttar Pradesh		
1	UPICO	Tokyo Fair	9.43
2	IICT	Int. workshop at Bhadohi	8.8
3	UPICO	Czech Republic	11.33
4	UPICO	Brazil Exh.	13.27
5	IICT	4 workshops & training	3.44
	Total XI		46.27
XII	West Bengal		
1	W.B. Ind. Dev. Corpn. Kolkata	Milan Fair, Italy	14.1
2	CCI,WB	SUTRA	13.75
	Total XII		27.85
		Grand Total (I - XII)	935.54

TERMINAL EVALUATION OF THE EXPORT PROMOTION SCHEME

The last evaluation done for the DC(H) office had yielded a few key aspects to the scheme on which IIFT had observed that the schemes needs to be re-looked at. Notably the observation was on the product development on which the grant allocation must be channelised more as compared to the head of Publicity and Marketing. The second aspect on which IIFT had observed was the dissemination of the grant at a more regional level for which regional handicraft pockets can also be explored. Third key aspect which was also highlighted that grant being allocated for a particular fair/tradeshaw at a particular destinations must be given for at least a period of three year, which gives both the recipients and the DC(H) to understand fair effectiveness and long term sustainability of grant disbursal towards the fair.

This year the scheme review was done on the same parameters and the terms of reference and this was a mid term evaluation, essentially to weigh the scheme in light of the 11th plan outlay. The research methodology and objective of the study are listed below:

RESEARCH METHODOLOGY

The terms of reference for the study were as follows:

1. Identify the main beneficiaries of the scheme
2. Analyse the relative significance placed to the different components of the scheme by intended beneficiaries
3. Analyse whether distribution of gains among exporters is equitable and efficient in terms of the export increment obtained
4. Analyse whether intended beneficiaries have received the targeted benefits
5. Analyse whether the shortcomings, if any, can be attributed to the scheme or the implementation thereof

6. Identify the modifications required in the scheme in the light of market response and altered business environment, particularly the WTO regulations on financial assistance for export promotions

For the above terms of reference the study was divided into two parts.

(vii) Desk Research

(viii) Field Research

(i) Desk Research

(ii) Field Research:

a. Sample profile:

- i. For exporters who have availed the scheme
- ii. For exporters who have never availed the scheme
- iii. For exporters who have stopped availing the scheme
- iv. All councils or organisations

b. Sample Size:

Depending on the number of scheme beneficiaries

c. Field of the study: Depending on the location of the beneficiaries.

d. Questionnaires: Structured disguised questionnaire will be developed.

Based on the methodology and the objectives submitted following are the key findings from the study.

Key Findings: (Desk Research)

6. In the earlier study conducted a larger part of the grant disbursement was on publicity and marketing followed by product development and social and welfare measures. As compared to the grant disbursement between 1998-2002 which is as follows the grant disbursement in 2003-2006 (April-Nov 2006) are as follows:

Total grant disbursement component break up

Grant Heads	Amount (in Rs. lacs) (1997-2002)	Amount (in Rs. lacs) (2003-2006 accounted till Nov. 2006)
Product Development	161.872	3257.14
Publicity and Marketing	964.486	485.63
Social and other welfare measures	61.53	15
Total	1187.888	3757.77

The quantity of grant disbursement has been higher and the proportion of funds allocated to the three heads has largely remained the same. It was also felt that the format of disbursement wherein a large amount of fund was channeled towards fairs and exhibitions as in the past has continued in the 2003-06 time frame also.

7. New scheme beneficiaries particularly from regional belts like Chattisgarh, Assam, Karnataka and Rajasthan figure in the list of beneficiaries.
8. Traditional scheme beneficiaries like EPCH, CEPC, COHANDS or IICT prominently feature in the list, however, from the traditional states like UP, Tamil Nadu and West Bengal there are new scheme beneficiaries not featuring till 2002 like UPICO, WBIDC, MPHL&HC etc.
9. The percentage contribution of grant disbursement in publicity and promotion has risen drastically as against grant disbursement done towards product development and social & other welfare measures.
10. The social and welfare measure head has shown maximum amount of fall in terms of response to the grants.

Key Findings: (Field Research)

In the later part of the study done to discuss the scheme and its fallout with the beneficiaries, following were the key participants who were contacted to understand the scheme ramifications:

9. EPCH
10. EEPC
11. CEPC
12. M.P. Laghu Udyog Nigam Ltd.
13. Craft Council of India, Chennai
14. ARTFED, Guwahati
15. NCDPD
16. APHDC

Some of the key takeouts from the interaction with the beneficiaries are as follows:

12. Most respondents opined on the documentation which they felt should be made online or more systematic so as the time spent on the process part can be reduced.
13. The actual cost of participation or the event cost is not met up through the scheme and it becomes difficult for smaller member exporters to participate in the event for which grant has been obtained.
14. Beneficiaries also opined that the scheme must be able to evolve with the time in terms of service charge component which can be introduced as a component given to the councils and organisations in helping better implementation of the scheme.

In the later part of the study, non-scheme beneficiaries were also contacted to get their feedback on the scheme and any possible feedback they have on the scheme and in the format of disbursal. Also scheme beneficiaries featuring in the 1997-2002 timeframe who did not feature in the 2003-06 list were also contacted to understand their absence from the current list of beneficiaries.

9. Lack of scheme awareness among non-grant beneficiary was the key reason for not availing the grants.
10. Most beneficiaries who have availed the grant in the past felt that the current requirement did not exist or it was possible that the application to avail was forwarded however, it met with negative response.
11. Some non-beneficiaries also opined that the scheme was only marketable in the known circle of the DC(H) office and beyond the beneficiary identified it becomes difficult for them to consider. Also the process of documentation also is cumbersome which, entails to loss of valuable time in case an important trade fair or exhibition deadline has to be met.
12. Organisations opine that the schemes are largely for the members and hence the direct benefits received by the members or not are also proof of the scheme being availed for future or not.

**EXTRACT FROM THE LAST REPORT SUBMITTED ON THE EVALUATION
OF THE EXPORT PROMOTION SCHEME FOR THE DC(H) OFFICE**

RESEARCH METHODOLOGY

The terms of reference for the study were as follows:

1. Identify the main beneficiaries of the scheme
2. Analyse the relative significance placed to the different components of the scheme by intended beneficiaries
3. Analyse whether distribution of gains among exporters is equitable and efficient in terms of the export increment obtained
4. Analyse whether intended beneficiaries have received the targeted benefits
5. Analyse whether the shortcomings, if any, can be attributed to the scheme or the implementation thereof
6. Identify the modifications required in the scheme in the light of market response and altered business environment, particularly the WTO regulations on financial assistance for export promotions

For the above terms of reference the study was divided into two parts.

(ix) Desk Research

(x) Field Research

(i) Desk Research: The desk research largely entailed to evaluating the export promotion scheme and the format of the same. Further, five year period data with respect to the scheme beneficiaries were obtained from the DC(H) office and evaluation with respect to the following aspects were done:

- f. The scheme amount sanctioned individually under the three heads of the scheme

- g. The profile of the scheme beneficiary and the total amount sanctioned to these beneficiaries
- h. The kind of participation of the scheme beneficiaries
- i. The three individual heads under which each of these organisations have taken grant and the total grant amount
- j. The continuity in the grant being availed over the five year period data available

Desk research also involved understanding schemes of other organisations, councils, Ministries involved in similar grant schemes to the Handicraft and non-Handicraft sector too. Particularly the MDA/MAI schemes of the Ministry of Commerce was important to consider as it specifically provided for the export markets for both Handicraft and non-handicraft sector. The data was analysed and based on the inferences the second part of the study was initiated.

(ii) Field Research: Field research comprised of meeting the scheme beneficiaries and assessing their responses with respect to the terms of reference particularly the evaluation of the financial ramifications of the scheme and the marketing imperatives of the scheme.

a. Sample profile:

- i. For exporters who have availed the scheme
- ii. For exporters who have never availed the scheme
- iii. For exporters who have stopped availing the scheme
- iv. All councils or organisations

b. Sample Size:

23 exporters, councils, organisations, design developers and bodies involved in export or export assistance but grant size exceeds more than 10 lacs.

After the first round of presentation to the DC(H) office feedback with respect to the size of the sample covered was discussed and was felt to be small in size. Further, members in the presentation also felt that particularly the exporters in the belt of Jaipur, Moradabad & Saharanpur could be an ideal location to identify the

right representation of the sample to be covered for the study. The revised report is therefore a collation of responses received from the additional respondents which are totaling 25 in number.

c. Field of the study: Delhi, Bhopal, Kolkata, Jaipur, Moradabad and Sahranpur.

d. Questionnaires:

Structured disguised questionnaire for the study was developed. (For detailed questionnaire refer to Annexure 2 of the report)

e. Limitation of the study: 3-4 major respondents have not responded. Assistance of DC(H) will be sought to get their response.

KEY FINDINGS

1. DESK RESEARCH

1. Most of the fund has been channelised towards the head “*Publicity and Marketing*” followed by Product Development and Social Welfare Measures
2. Within Publicity and marketing Fairs and Exhibitions abroad has been the prime sub-head for availing funds.
3. Workshops and Training programmes under the head “Product and Development” also accounts for major share of the grant outflow.
4. Design and development and development of looms also occupies a substantial share
5. EPCH, CEPC, AICTFC (now merged with CEPC), COHANDS, HHEC are the bigger beneficiaries
6. Councils and organisations do not forward the grants to the exporters but provide subsidies in fair participation or in any event cost they are participating in.
7. At the end of the activity the beneficiary forwards an activity report and audited financial report to the DC(H) office.

Difference between the MDA/MAI scheme and DC(H) scheme

The DC(H) grant is sector specific in nature and the grant largely focuses on the handicraft sector. However, the point on Product Development and the social welfare measures are unique to DC(H), which is missing in the MDA/MAI grant. Some of the visible points of differences are:

6. The DC(H) office grant focuses on the Product Development and Social and Welfare measures which are not covered in the MD/MAI grant
7. The schemes of the MOC have a difference in the percentage of grant disbursement. Also in certain cases of DC(H) schemes full reimbursements are done
8. The exporters have a turnover ceiling for availing MDA from the MOC unlike grants from the DC(H) except that exporters have to be registered with EPCH or CEPC or a registered exporter.
9. In most cases of DC(H) the funds sanctioned are case to case basis unlike MOC where according to the format and the guidelines laid down the adherence is rigid.
10. However, grant cannot be given for the same activity by both parties.

2. FIELD STUDY

A. Significance of the different components of the scheme

Based on the inputs received from the beneficiary during the field study the components and the flow chart of activity to be followed are as follows:

8. The nature of activity for which benefit sought: The beneficiary initially has to evaluate the kind of activity for which the benefit is being sought. The activity could be publicity and marketing related or could be product development or social welfare measures. The activity earmarked by the beneficiary has to be slotted under any of the three heads.
9. Does the scheme cover the benefit/activity: The second aspect being of whether the scheme covers the activity for which the benefit is being sought.
10. Documentation involved in applying for the scheme

11. Grant of the scheme (based on the fund disbursement format of the head under which the grant has been availed): The fund flow pattern for the activity depending on the head for which benefit is being availed.
12. Quarterly activity report or as may be decided of the activity: All beneficiaries have to submit a progress report of the activity. The submission time frame is decided on a mutual agreement quarterly or accordingly.
13. Final activity report: The final activity report is a document illustrating the detailed listing of the activity.
14. Audited financial report of the beneficiary: The audited financial report is a critical document which is to be submitted to the DC(H). Auditors on behalf of the DC(H) office also evaluate the accounts over a period of time.

B. Effectiveness of the export scheme in terms of export increment obtained

The terms of reference further tries to explore the effectiveness of the grant from the perspective of:

- (iii) the distribution of gains among exporters is equitable and efficient in terms of the export increment obtained;
- (iv) and analyse whether the intended beneficiaries have received the targeted benefits.

Keeping this into the frame of discussion the heads on which the responses have been taken are:

- (v) Decision to seek export markets
- (vi) Development of export markets
- (vii) Reasons for increasing the number of export markets
- (viii) Export orientation by grant recipients and non-grant recipients

For understanding the effectiveness of scheme utilization the respondents have been classified under the following heads:

- A. Group A: Availing grant from the last 1-2 years
- B. Group B: Availing grant for the last 3-8 years
- C. Group C: Availing grant for the last 9+ years

D. Exiters

E. Non-grant recipients

(v) DECISION TO SEEK EXPORT MARKETS

The DC(H) grant seems to be more effective in the case of the category C respondents who have been seeking grant in the last 9+ years, whereas in the case of category A and B the reasons declining domestic market and limited growth in domestic market are relevant.

(vi) DEVELOPMENT OF EXPORT MARKETS

For the grant recipients the responses have been high between the market visits, DC(H) assistance and the DC(H) workshops which have had high to critical influence in the development of export markets. Whereas in the case of non-grant recipients the responses have been different, wherein the market research, markets visits have had high influence for development of export plans but the non-availability of the DC(H) grant or assistance has meant the same having virtually no influence in development of export markets.

(vii) REASONS FOR INCREASING THE NUMBER OF EXPORT MARKETS

Data reveals that the grant recipients have been able to avail the new export opportunities, soliciting overseas enquiries better as compared to the non-grant recipients. Infact the first parameter on which the response has been assessed is the influence with respect to the availability of the grants. There most of the grant recipients have given positive response towards increasing the number of export markets as a direct influence of the grant being received.

(viii) EXPORT ORIENTATION BY GRANT AND NON-GRANT RECIPIENTS

The export orientation is directly correlated with the nature of grant respondents. The higher the export orientation the grant recipients are the one who have benefited the most as compared to the non-grant recipients.

C. Have the intended beneficiaries received the targeted benefits?

With respect to the given objectives of the schemes the beneficiaries were of the opinion that:

7. The schemes help in assisting with the development of an export culture
8. It has helped them enter new markets
9. Participation in fairs of repute particularly International fairs are now feasible
10. Respondents, particularly the councils and the organisations assisting exporters felt that the scheme benefits particularly the small or medium level exporters who are looking for new markets. Large or established exporters usually have products and markets at hand; hence it is the SME which benefits the most.
11. Exporters who have directly availed the scheme also felt that the schemes under the head of the Publicity and Marketing have been most suited to their needs.
12. Organisations involved in design development or social welfare measures in the power loom sector have also benefited from the scheme. (NCDPD and the Philippines experience)

D. Feedback on the shortcomings of the scheme or in the implementation of the scheme

15. Most respondents felt that in the last one year the scheme the format has become difficult to fill. Some information required is not possible to fill while at the time of applying for the grant.
16. Exporters, particularly small in size and from the handicraft sector seemed unaware of the grant scheme which, is more from lack of marketing beyond the regular beneficiaries.
17. Beneficiaries also felt that the grant release pattern and the amount now approved as grant has changed which puts pressure on the councils, since participation costs have gone up and it becomes difficult for the new and small exporters to participate.

18. Respondents, particularly the councils, bodies and organisations also felt that the scheme does not benefit the individual interest of theirs and hence the incentives at time to avail the schemes are negative.
19. Respondents also felt that at times the documentation involved in the grant to be availed are time consuming which can be curtailed to a large extent. Online access to the form submission should be feasible which they feel is currently lacking, especially for outstation recipients.

RECOMMENDATIONS & CONCLUSIONS

The study recommends and concludes that:

The outcome of the study specifically seems to point towards a few imminent issues which are:

- (iv) *The present distribution of the grant amount under the three heads of the scheme*
- (v) *The information dissemination of the scheme information in regional export pockets*
- (vi) *Assessment of the scheme as against the MDA/MAI scheme*

Some of the recommendations based on the three points underlined above and also as a summation of the research undertaken are as follows:

1. The first issue which will be critical for DC(H) to immediately consider is the distribution of grant amount under the three heads. It will be imperative to assess whether the total amount of 9+ crores towards publicity and marketing is understandable as compared to approximately 1.6 crores in product development.
2. Though the schemes are well received but the marketing of the schemes has been restricted within the domain of few beneficiaries only. The information dissemination of the scheme will be important. The regional information centre or offices of DC(H) who are in direct touch with the

exporters and handicraft export promotion bodies must ensure that the scheme information and details are marketed well within such pockets. Leaflets, brochures and pamphlets in local language must be promoted besides Hindi and English.

3. Most councils and organisations involved in export assistance felt that the scheme must have a service charge scheme which must have a provision of being retained by the councils.
4. Documentation in the current context is time consuming and at times the kind of information required becomes difficult to provide. Lack of information will summarily mean rejection of the application too. In such a case the information to be provided must be conditional to the final grant amount to be released
5. The DC(H) must go back and assess how the grant is being utilized in terms of purpose for which it has been taken. If the same is for participation in a fair abroad, information with regard to query generated, sales generated and prospects likely to convert must be accounted for. If the same is for product development the endeavour must be to assess how well the workshop was received and what benefits are the participants receiving from the same in future.
6. The DC(H) will have to make concerted efforts to provide larger part of the grants towards the head product development and design & social and welfare measures.
7. The grant must be assessed as against the MDA/MAI grant, which is non-sector specific but with larger outlay. The MDA/MAI promotes more on the promotion and the publicity front.

ACTION POINTS TO MAKE THE SCHEME MORE EFFECTIVE²

² The revised draft report contains a few additional suggestions which are attached in Annexure 5 as a part of the recommendations.

15. The marketing of the schemes has to be more handicraft pocket specific rather than institution specific. The regional pockets of handicraft as identified by the DC(H) must be the regional centers for promotion of the scheme.
16. Regional Handicraft Corporations and particularly at the state level has to be involved in the micro implementation which is currently restricted to a few states only.
17. Though documentation is an integral part of the grant disbursement but certain information which cannot be furnished while at the time of applying may be considered while submitting the report and may be made conditional to the final grant release.³
18. A component on overhead charges pertaining to secretarial cost, expenses on telephones, photocopies, faxes, long distance calls, etc., which the beneficiaries do not account for currently, may be considered, however, with deliberations within the DC(H) office
19. It was also felt that the grant being allocated for a particular fair/tradeshow at a particular destinations must be given for at least a period of three year, which gives both the recipients and the DC(H) to understand fair effectiveness and long term sustainability of grant disbursement towards the fair.
20. The grant utilization effectiveness is a key area to consider, where the researcher found that most exporters or export assisting bodies are concerned with the submission of the activity report and the audited financial report.
21. The study has a future scope of assessing the effectiveness of the schemes in light of the activity for which the grant was obtained and gauge how well the schemes have been utilized under the three individual heads.

(Also attached is the extract of the mid term evaluation submitted in 2003-04)

³ One of the key outcome of the presentation to the DC(H) office was on the format of the final activity report that could be developed by IIFT and the same can be standardized, to be used by all beneficiaries for submitting the final activity report. Refer to Annexure 7 for the format on the “final activity report” format.

**QUESTIONNAIRE FOR RESPONDENTS
WHO HAVE AVAILED THE GRANT SCHEME**

Part A: Introduction:

1. What is the nature of product/services exports you are currently engaged in?
2. For how long have you been engaged in export business?
3. What has been your turnover in the last ten years?

Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8	
Year 9	
Year 10	

4. What was your total export in the last ten years?

Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8	
Year 9	
Year 10	

5. From which sources do you fund your ***export activities***?
6. From which sources do you fund your ***export promotion activities***?
7. Which of the following activities and/or improved business practices have you adopted as a result of engaging in exporting activities (please tick or comment as appropriate, more than one may apply)?

	Establishing networks with similar sized and focused exporters
	Forming strategic alliances with market, technical, research or other organizations
	Increasing commitment to R&D
	Instituting appropriate Quality Management processes
	Business and export planning
	Development of new products

	Introduction of new or substantially changed processes
	Regular training for staff
	Other (please specify)

Part B: About the scheme

8. What are the types of grant schemes you have availed under the export promotion measures? (Please circle the ones you have availed)

Part 1- Product Development

- a. Workshop and Training Programme in packaging and in export procedures/management
- b. Training of artists/mastercraftspersons/designers
- c. Selection of designers, artists for development of prototypes for exports and invitation to foreign designers

Part 2: Publicity and Marketing

- Participation in the International fair(s)/exhibitions(s) abroad
- Participation in Buyers-Sellers Meet(s) in India and abroad
- Conducting Market Studies abroad
- Deputation of craftpersons for live demonstration during various fairs/foreign exhibitors/ Cultural Exchange programme agreed between India and other countries

Part 3: Social and other welfare measures

- Enforcement/welfare measures for eradication of child labour in Indian handknotted carpet industry
- Any other measures including welfare measures to resolve labour related or other social problems being faced by handicraft exporters
- Any initiatives including labeling initiative to counter problem arising out of national and international laws and regulations and standard in the areas of environment and social factors in exports.

9. For how many years have you been availing the scheme?

10. Briefly describe the procedures that you have been following to avail the scheme as per the DCH office instructions?

11. Have you been consistently availing the scheme over the last five years or has there been a break in between? If so, why?

12. Are you aware of any changes/alterations in the grant scheme? If so, what are they?

13. The scheme has some rules of eligibility that apply to determine whether or not you are able to receive a grant. Are you satisfied with the eligibility criteria?

Highly satisfied	Satisfied	Moderately Satisfied	Dissatisfied	Highly dissatisfied	Not applicable
------------------	-----------	----------------------	--------------	---------------------	----------------

14. The scheme follows a funding pattern and release of funds, which includes preparation of proposal under the scheme, submission of proposal/claims and finally monitoring of the scheme. Are you satisfied with the systems adopted for the same?

Highly satisfied	Satisfied	Moderately Satisfied	Dissatisfied	Highly dissatisfied	Not applicable
------------------	-----------	----------------------	--------------	---------------------	----------------

15. To what extent has the grant helped you in export promotion activity? If not or marginal influence, please state the reason?

None	Marginal	Moderate	Large	Substantial	Not applicable
------	----------	----------	-------	-------------	----------------

16. In relation to the total financial resources of your business applied to export activities, to what extent has the receipt of the grant reduced financial risk? If not or marginal influence, please state the reason?

None	Marginal	Moderate	Large	Substantial	Not applicable
------	----------	----------	-------	-------------	----------------

17. To what extent has the availing of the scheme helped you in increasing your sales? (Probe in the specific context of the category of grant sought) If not or marginal influence, please state the reason?

None	Marginal	Moderate	Large	Substantial	Not applicable
------	----------	----------	-------	-------------	----------------

18. What are the systems of fund release?

19. Probe a given situation where the exporter has availed a certain component of the scheme under a certain head and how it has helped in increasing sales/profitability.

20. Does your pricing of the products get affected due to the availing the scheme? If so, how?

21. Do you think that availing the scheme under the marketing/promotional activities has helped in export growth for the year 2006-07?

None	Marginal	Moderate	Large	Substantial	Not applicable
------	----------	----------	-------	-------------	----------------

If not, why and if yes why?

Part C: Suggestions for the scheme:

22. What proportion of your export growth in 2006-07 would you attribute to your export marketing/promotional activities?

23. What importance do you place on the following in determining your level of expenditure on export promotion activities each year?

	None	Marginal	Moderate	Large	Substantial	Not applicable
Last year's export sales	1	2	3	4	5	6
Anticipated export sales	1	2	3	4	5	6
Anticipated domestic sales	1	2	3	4	5	6
Overseas market enquiries	1	2	3	4	5	6
Planned promotion of new products/technologies/services	1	2	3	4	5	6
Targeting new markets	1	2	3	4	5	6
Availability of council funding	1	2	3	4	5	6
Others (please specify)	1	2	3	4	5	6

Please identify the importance of the following in the development of your export business?

	None	Marginal	Moderate	Large	Substantial	Not applicable
Market research	1	2	3	4	5	6
Market Visits	1	2	3	4	5	6
Development of export plan	1	2	3	4	5	6
Participation in trade	1	2	3	4	5	6

fairs						
Attending council workshops	1	2	3	4	5	6
Appointment of an overseas representative	1	2	3	4	5	6
Establishment of an overseas office	1	2	3	4	5	6
Council assistance	1	2	3	4	5	6
Website presence	1	2	3	4	5	6
Others (please specify)	1	2	3	4	5	6

24. It is possible that you desire some improvement in the scheme. Kindly indicate your weightage to the following improvements.

	None	Marginal	Moderate	Large	Substantial	Not applicable
Completion of registration form	1	2	3	4	5	6
Grants entry documentation	1	2	3	4	5	6
Application & supporting schedules	1	2	3	4	5	6
Eligibility Criteria	1	2	3	4	5	6
Services provided by staff members	1	2	3	4	5	6
Fund amount sanctioned						

25. While preparing the grant claim, what was the approximate man hours _____ involved and the cost Rs. _____ incurred?

26. What other comments do you wish to make with respect to the grant scheme?

QUESTIONNAIRE FOR RESPONDENTS
WHO HAVE NOT AVAILED THE GRANT SCHEME

Part A: Introduction

What is the nature of product/services exports you are currently engaged in?

1. For how long have you been engaged in export business?
2. What has been your turnover in the last ten years?

Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8	
Year 9	
Year 10	

3. What was your total export in the last ten years?

Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8	
Year 9	
Year 10	

4. From which sources do you fund your **export activities**? (Please tick the one appropriate)
5. From which sources do you fund your **export promotion activities**? (Please tick the one appropriate)
6. Which of the following activities and/or improved business practices have you adopted as a result of engaging in exporting activities (please tick or comment as appropriate, more than one may apply)?

<input type="checkbox"/>	Establishing networks with similar sized and focused exporters
<input type="checkbox"/>	Forming strategic alliances with market, technical, research or other organizations
<input type="checkbox"/>	Increasing commitment to R&D
<input type="checkbox"/>	Instituting appropriate Quality Management processes
<input type="checkbox"/>	Business and export planning
<input type="checkbox"/>	Development of new products

	Introduction of new or substantially changed processes
	Regular training for staff
	Other (please specify)

Part B: About the scheme

7. What are the reasons for not availing the scheme? (please tick as applicable)

	Was not aware of the scheme (Go to Q.12)
	Was not eligible under the grant scheme (Go to Q.14)
	Did not feel like availing the scheme due to the time taking procedures and formalities to be fulfilled (Go to Q.13)
	Schemes do not suit the nature of business (Go to Q.15)
	Any other (Please specify)

8. Do you feel that the schemes have effectiveness in terms of helping exporters:
(Tick the one you feel appropriate)

	Increasing export turnover
	Helping to find new markets
	Fetching good prices for products
	Reduce financial risks while operating in international markets
	Helping in sharing costs of export and export promotion activities
	Any other (Please specify)

9. If you are aware of the grant scheme can you recall the following components in the grant scheme?

Part 1- Product Development

- d. Workshop and Training Programme in packaging and in export procedures/management
- e. Training of artists/mastercraftspersons/designers
- f. Selection of designers, artists for development of prototypes for exports and invitation to foreign designers

Part 2: Publicity and Marketing

- Participation in the International fair(s)/exhibitions(s) abroad
- Participation in Buyers-Sellers Meet(s) in India and abroad
- Conducting Market Studies abroad
- Deputation of craftpersons for live demonstration during various fairs/foreign exhibitors/ Cultural Exchange programme agreed between India and other countries

Part 3: Social and other welfare measures

- Enforcement/welfare measures for eradication of child labour in Indian handknotted carpet industry
 - Any other measures including welfare measures to resolve labour related or other social problems being faced by handicraft exporters
 - Any initiatives including labeling initiative to counter problem arising out of national and international laws and regulations and standard in the areas of environment and social factors in exports.
10. If you are aware of the scheme, are you aware of any changes/alterations in the scheme over the years? If so, please elucidate.
 11. If you are not aware of the scheme, do you think initiatives will be now be taken at your end to learn more of the scheme and try and avail it, or you feel it is a waste of time. Why?
 12. If the process of availing the scheme is cumbersome, what are your specific suggestions to reduce the downtime to avail the scheme?
 13. Since the time you have found yourself ineligible for the scheme, have you made any efforts to be a part of the grant scheme. If so, what are they?
 14. Why does the scheme not suit your export area operations? In the near future, if the activities are in sync with the schemes, is there a possibility of your availing the scheme benefit.

Part C: Suggestions for the scheme:

15. What proportion of your export growth in 2002-03 would you attribute to your export marketing/promotional activities?
16. What importance do you place on the following in determining your level of expenditure on export promotion activities each year?

	None	Marginal	Moderate	Large	Substantial	Not applicable
Last year's export sales	1	2	3	4	5	6
Anticipated export sales	1	2	3	4	5	6
Anticipated domestic sales	1	2	3	4	5	6
Overseas market enquiries	1	2	3	4	5	6
Planned promotion of new products/technologies/s ervices	1	2	3	4	5	6
Targeting new markets	1	2	3	4	5	6
Availability of council funding	1	2	3	4	5	6
Others (please specify)	1	2	3	4	5	6

17. Please identify the importance of the following in the development of your export business?

	None	Marginal	Moderate	Large	Substantial	Not applicable
Market research	1	2	3	4	5	6
Market Visits	1	2	3	4	5	6
Development of export plan	1	2	3	4	5	6
Participation in trade fairs	1	2	3	4	5	6
Attending council workshops	1	2	3	4	5	6
Appointment of an overseas representative	1	2	3	4	5	6
Establishment of an overseas office	1	2	3	4	5	6
Council assistance	1	2	3	4	5	6
Website presence	1	2	3	4	5	6
Others (please specify)	1	2	3	4	5	6

18. It is possible that you desire some improvement in the scheme. Kindly indicate your weightage to the following improvements.

	None	Marginal	Moderate	Large	Substantial	Not applicable
Completion of registration form	1	2	3	4	5	6
Grants entry documentation	1	2	3	4	5	6
Application & supporting schedules	1	2	3	4	5	6
Eligibility Criteria	1	2	3	4	5	6
Services provided by staff members	1	2	3	4	5	6

19. What other comments do you wish to make with respect to the grant scheme?

**QUESTIONNAIRE FOR RESPONDENTS
WHO HAVE STOPPED AVAILING THE GRANT SCHEME**

Part A: Introduction:

1. What is the nature of product/services exports you are currently engaged in?
2. For how long have you been engaged in export business?
3. What has been your turnover in the last ten years?

Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8	
Year 9	
Year 10	

4. What was your total export in the last ten years?

Year 1	
Year 2	
Year 3	
Year 4	
Year 5	
Year 6	
Year 7	
Year 8	
Year 9	
Year 10	

5. From which sources do you fund your **export activities**? (Please tick the one appropriate)
6. From which sources do you fund your **export promotion activities**? (Please tick the one appropriate)
7. Which of the following activities and/or improved business practices have you adopted as a result of engaging in exporting activities (please tick or comment as appropriate, more than one may apply)?

	Establishing networks with similar sized and focused exporters
	Forming strategic alliances with market, technical, research or other organizations
	Increasing commitment to R&D
	Instituting appropriate Quality Management processes
	Business and export planning
	Development of new products

	Introduction of new or substantially changed processes
	Regular training for staff
	Other (please specify)

Part B: About the scheme:

8. Why have you stopped availing the scheme? (Please tick as applicable)

	Ceased export marketing
	Not eligible for the scheme any more
	The procedure to avail the grant was time taking and cumbersome
	Coordination problem with the council/organisation who provide the scheme benefits
	Any other (Please specify)

9. Do you feel that the schemes have effectiveness in terms of helping exporters:
(Tick the one you feel appropriate)

	Increasing export turnover
	Helping to find new markets
	Fetching good prices for products
	Reduce financial risks while operating in international markets
	Helping in sharing costs of export and export promotion activities
	Any other (Please specify)

10. If you are aware of the grant scheme can you recall the following components in the grant scheme?

Part 1- Product Development

- g. Workshop and Training Programme in packaging and in export procedures/management
- h. Training of artists/mastercraftspersons/designers
- i. Selection of designers, artists for development of prototypes for exports and invitation to foreign designers

Part 2: Publicity and Marketing

- Participation in the International fair(s)/exhibitions(s) abroad
- Participation in Buyers-Sellers Meet(s) in India and abroad
- Conducting Market Studies abroad
- Deputation of craftpersons for live demonstration during various fairs/foreign exhibitors/ Cultural Exchange programme agreed between India and other countries

Part 3: Social and other welfare measures

- Enforcement/welfare measures for eradication of child labour in Indian handknotted carpet industry
 - Any other measures including welfare measures to resolve labour related or other social problems being faced by handicraft exporters
 - Any initiatives including labeling initiative to counter problem arising out of national and international laws and regulations and standard in the areas of environment and social factors in exports.
11. Are you aware of any changes/alterations in the scheme over the years? If so, please elucidate.
12. If the process of availing the scheme is cumbersome, what are your specific suggestions to reduce the downtime to avail the scheme?
13. Under what circumstances and regulation are you currently ineligible to apply? Have you made any efforts to be a part of the grant scheme? If so, what are they?
14. Why did you stop export business?

Part C: Suggestions for the scheme:

15. What proportion of your export growth in 2002-03 would you attribute to your export marketing/promotional activities?
16. Do you think that availing the scheme further under the marketing/promotional activities has helped in export growth for the year 2006-07?

Not an influence	Marginal influence	Moderate influence	Major influence	Critical influence	Not applicable
------------------	--------------------	--------------------	-----------------	--------------------	----------------

17. What importance do you place on the following in determining your level of expenditure on export promotion activities each year?

	None	Marginal	Moderate	Large	Substantial	Not applicable
Last year's export sales	1	2	3	4	5	6
Anticipated export sales	1	2	3	4	5	6
Anticipated domestic sales	1	2	3	4	5	6
Overseas market enquiries	1	2	3	4	5	6
Planned promotion of new products/technologies/ services	1	2	3	4	5	6
Targeting new markets	1	2	3	4	5	6
Availability of council funding	1	2	3	4	5	6
Others (please specify)	1	2	3	4	5	6

- Please identify the importance of the following in the development of your export business?

	None	Marginal	Moderate	Large	Substantial	Not applicable
Market research	1	2	3	4	5	6
Market Visits	1	2	3	4	5	6
Development of export plan	1	2	3	4	5	6
Participation in trade fairs	1	2	3	4	5	6
Attending council	1	2	3	4	5	6

workshops						
Appointment of an overseas representative	1	2	3	4	5	6
Establishment of an overseas office	1	2	3	4	5	6
Council assistance	1	2	3	4	5	6
Website presence	1	2	3	4	5	6
Others (please specify)	1	2	3	4	5	6

18. It is possible that you desire some improvement in the scheme. Kindly indicate your weightage to the following improvements.

	None	Marginal	Moderate	Large	Substantial	Not applicable
Completion of registration form	1	2	3	4	5	6
Grants entry documentation	1	2	3	4	5	6
Application & supporting schedules	1	2	3	4	5	6
Eligibility Criteria	1	2	3	4	5	6
Services provided by staff members	1	2	3	4	5	6

19. What other comments do you wish to make with respect to the grant scheme to make it more friendly and easy to avail?

**QUESTIONNAIRE FOR RESPONDENTS
FROM COUNCILS AND ORGANISATIONS**

Part A: Introduction:

1. How many members are enrolled in your organisation?
2. What was the year of set-up of the council/organisation?
3. Kindly classify the members into the following sub-heads. (Mention basis of classification too)

Large Exporters	
Medium Exporters	
Small Exporters	

4. Do all members of your association receive grant scheme?

Large Exporters	
Medium Exporters	
Small Exporters	

5. What impact does the grant have the exporters?

None	Marginal	Moderate	Large	Substantial	Not applicable
------	----------	----------	-------	-------------	----------------

6. Does the size of the business have any relationship with the amount of grant received?
7. What has been the percentage rise in the members over the years in the councils?
8. What has been the percentage rise in the members for availing the scheme or alternatively has there been a decline?
9. Does the council personally undertake any activities which are a part of the schemes? If so, kindly elucidate on the same.
10. What are your opinions with respect to the schemes benefits:

	Increasing export turnover
	Helping to find new markets
	Fetching good prices for products
	Reduce financial risks while operating in international markets
	Helping in sharing costs of export and export promotion activities
	Any other (Please specify)

Part B: Selection Criteria

11. What are the parameters on which selection of the exporter/member to the council dependant on?

	Turnover of the firm
	No. of branches/outlet
	Total volumes of export business
	Firm location
	Market coverage
	Any other (Please specify)

-
12. What are the parameters on which selection of the exporter/member for the grant is dependant on?

	No. of branches/outlet
	Total volumes of export business
	Firm location
	Market coverage
	Any other (Please specify)

-
13. What is the ratio of grant to total expenditure incurred? (Full payment/50% payment/Any other)
14. After availing the grant scheme do you have to submit a report for the task completion?
15. The mode of the fund disbursal has been developed by you in house or as per Ministry instructions?
16. What are the procedures for fund disbursal from the ministry?
17. Do you feel that the system needs changes or should exist as is?

Part C: Monitoring of the scheme:

18. What are the steps that you follow to ensure that the flow of the grant has been in the right direction and best returns are ensured?
19. What are the measures to monitor the system of grants being given and for further utilization of the same?
20. What are the procedures followed to audit the exporter's activities after the grant is disbursed?
21. Do exporters/members submit audited/unaudited financial results after the completion of the purpose for which the grant has been sanctioned?
22. What are the other reports submitted by the exporters/members besides the financial reports?
23. What are the steps undertaken by you for to oversee the activities for which the member has received the grant?

Part D: Suggestions to improve:

24. In your opinion do the existing heads and categories of grants needs change/alterations? If so, kindly elucidate.

25. Kindly enlist the changes, if any, in the scheme over the years.

26. What is your opinion on the eligibility criteria for the grant schemes?

None	Marginal	Moderate	Large	Substantial	Not applicable
------	----------	----------	-------	-------------	----------------

27. Do you recommend any changes to the same? If yes, kindly elucidate.

28. Do you feel that the funds being sanctioned under the three broad heads are justified or the scope can be expanded further?

29. Your suggestions if any.

PART I: GENERAL PROVISIONS

*Article I**Definition of a Subsidy*

- 1.1** For the purpose of this Agreement, a subsidy shall be deemed to exist if:
- (a)(1) there is a financial contribution by a government or any public body within the territory of a Member (referred to in this Agreement as “government”), i.e. where:
 - (i) a government practice involves a direct transfer to funds (e.g. grants, loans, and equity infusion), potential direct transfer of funds or liabilities (e.g. loan guarantees);
 - (ii) government revenue that is otherwise due is foregone or not collected (e.g. fiscal incentives such as tax credits)⁴;
 - (iii) a government provides goods or services other than general infrastructure, or purchase goods;
 - (iv) a government makes payments to a funding mechanism, or entrusts or directs a private body to carry out one or more of the type of functions illustrated in (i) to (iii) above which would normally be vested in the government and the practice, in no real sense, differs from practices normally followed by governments;

or
 - (a)(2) there is any form of income or price support in the sense of Article XVI of GATT 1994;

and

 - (b) a benefit is thereby conferred.

⁴ In accordance with the provision of Article XVI of GATT 1994 (Note to Article XVI) and the provisions of Annexes I through III of this Agreement, the exemption of an exported product from duties or taxes borne by the like products when destined for domestic consumption, or the remission of such duties or taxes in amounts not in excess of those which have accrued, shall not be deemed to be a subsidy.

1.2 A subsidy as defined in paragraph 1 shall be subject to the provisions of Part II or shall be subject to the provision of Part III or V only if such a subsidy is specific in accordance with the provisions of Article 2.

Article 2

Specificity

2.1 In order to determine whether a subsidy, as defined a paragraph 1 of Article 1, is specific to an enterprise or industry or group of enterprises or industries (referred to in this Agreement as “certain enterprise”) within the jurisdiction of the granting authority, the following principles shall apply:

- (a) Where the granting authority, or the legislation pursuant to which the granting authority operates, explicitly limits access to a subsidy to certain enterprises, such subsidy shall be specific.
- (b) Where the granting authority, or the legislation pursuant to which the granting authority operates, establishes objectives criteria or conditions⁵ governing the eligibility for, and the amount of, a subsidy, specificity shall not exist, provided that that eligibility is automatic and that such criteria and conditions are strictly adhered to. The criteria or conditions must be clearly spelled out in law, regulation, or other official document, so as to be capable of verification.
- (c) If notwithstanding any appearance of non-specificity resulting from the application of the principles laid down in subparagraphs (a) and 9b), there are reasons to believe that the subsidy may in fact be specific, other factors may be considered. Such factors are: use of a subsidy programme by a limited number of certain enterprises, predominant use by certain enterprises, the granting of disproportionately large amount of subsidy to certain enterprises, and the manner in which discretion has been exercised by the granting authority in the decision to grant a subsidy.⁶ In applying this subparagraph, account shall be taken of the extent of diversification of economic activities within the jurisdiction of the granting authority, as well as of the length of time during which the subsidy programme has been in operation.

2.2 A subsidy which is limited to certain enterprises located within a designated geographical region within the jurisdiction of the granting authority shall be specific. It is understood that the setting or change of generally applicable tax rates by all levels of government entitled to do so shall not be deemed to be a specific subsidy for the purpose of this Agreement.

2.3 Any subsidy falling under the provision of Article 3 shall be deemed to be specific.

⁵ Objectives criteria or conditions, as used herein, mean criteria or conditions which are neutral, which do not favour certain enterprise over others, and which are economic in nature and horizontal in application, such as number of employee or size of enterprise.

⁶ In this regard, in particular, information on the frequency with which applications for a subsidy are refused or approved and the reasons for such decisions shall be considered.

2.4 Any determination of specificity under the provisions of this Article shall be clearly substantiated on the basis of positive evidence.

PART-II: PROHIBITED SUBSIDIES

Article 3

Prohibition

- 3.1** Except provided in the Agreement Agriculture, the following subsidies, within the meaning of Article 1, shall be prohibited:
- (a) subsidies contingent, in law or in fact⁷, whether solely or as one of several other conditions, upon export performance, including those illustrated in Annex I⁸:
 - (b) subsidies contingent, whether solely or as one of several other conditions, upon the use of domestic over imported goods.
- 3.2** A Member shall neither grant nor maintain subsidies referred to in paragraph 1.

Article 4

Remedies

- 4.1** Whenever a Member has reason to believe that a prohibited subsidy is being granted or maintained by another Member, such Member may request consultations with such other Member.
- 4.2** A request for consultations under paragraph 1 shall include a statement of available evidence with regard to the existence and nature of the subsidy in question.
- 4.3** Upon request for consultations under paragraph 1, the Member believed to be granting or maintaining the subsidy in question shall enter into such consultations as quickly as possible. The purpose of the consultations shall be to clarify the facts of the situation and to arrive at a mutually agreed solution.
- 4.4** In no mutually agreed solution has been reached within 30 days⁹ of the request for consultations, any Member party to such consultations may refer the matter to the Dispute Settlement Body ("DSB") for the immediate establishment of a panel, unless the DSB decides by consensus not to establish a panel.

⁷ This standard is met when the facts demonstrate that the granting of a subsidy, without having been made legally contingent upon export performance, is in fact tied to actual or anticipated exportation or export earnings. The mere fact that a subsidy is granted to enterprise which export shall not for that reason alone be considered to be an export subsidy within the meaning of this provision.

⁸ Measures referred to in Annex I as not constituting export subsidies shall not be prohibited under this or any other provision of this Agreement.

⁹ Any time-periods mentioned in this Article may be extended by mutual agreement.

4.5 Upon its establishment, the panel may request the assistance of the Permanent Group of Experts¹⁰ (referred to in this Agreement as the “PGE”) with regard to whether the measure in question is a prohibited subsidy. If so required, the PGE shall immediately review the evidence with regard to the existence and nature of the measure in question and shall provide an opportunity for the Member applying or maintaining the measure or demonstrate that the measures in question is not a prohibited subsidy. The PGE shall report its conclusions to the panel within a time-limit determined by the panel. The PGE’s conclusions on the issue of whether or not the measures in question is a prohibited subsidy shall be accepted by eh panel without modification.

4.6 The panel shall submit its final report to the parties to the dispute. The report shall be circulated to all Members within 90 days of the date of the composition and the establishment of the panel’s terms of reference.

4.7 If the measure in question is found to be a prohibited subsidy, the panel shall recommend that the subsidizing Member withdraw the subsidy without delay. In this regard, the panel shall specify in its recommendation the time-period within which the measure must be withdrawn.

4.8 Within 30 days of the issuance of the panel’s report to all Members, the report shall be adopted by the DSB unless one of the parties to the dispute formally notifies the DSB of its decision to appeal or the DSB decides by consensus not to adopt report.

4.9 Where a panel report is appealed, the Appellate Body shall issue its decision within 30 days from the date when the party to the dispute formally notifies its intention to appeal. When the Appellate Body considers that it cannot provide its report within 30 days, it shall inform the DSB in writing of the reasons for the delay together with an estimate of the period within which it will submit its report. In no case shall the proceedings exceed 60 days. The appellate report shall be adopted by the DSB and unconditionally accepted by the parties to the dispute unless the DSB decides by consensus not to adopt the appellate report within 20 days following its issuance to the Members¹¹

4.10 In the event the recommendation of the DSB is not followed within the time-period specified by the panel, which shall commence from the date of adoption of the panel’s report or the Appellate Body’s report, the DSB report, the DSB shall grant authorization to the complaining Member to take appropriate¹²

4.11 In the event a party to the dispute requests arbitration under paragraph 6 of Article 22 of the Dispute Settlement Understandings (“DSU”), the arbitrator shall determine whether the countermeasures are appropriate.¹³

¹⁰ As established in Article 24.

¹¹ If a meeting of the DSB is not scheduled during this period, such a meeting shall be held for this purpose.

¹² This expression is not meant to allow countermeasures that are disproportionate in light of the fact that the subsidies dealt with under these provisions are prohibited.

¹³ The expression is not meant to allow countermeasures that are disproportionate in light of the fact the subsidies dealt with under these provisions are prohibited.

4.12 For purpose of disputes conducted pursuant to this Article, except for time-periods specifically prescribed in this Article, time-periods applicable under the DSU for the conduct of such disputes shall be half the time prescribed therein.

PART-III: ACTIONABLE SUBSIDIES

Article 3

Adverse Effects

No Member should cause, through the use of any subsidy referred to in paragraphs 1 and 2 of Article 1, adverse effects to the interests of other Members, i.e.:

- (a) injury to the domestic industry of another Member¹⁴;
- (b) nullification or impairment of benefits accruing directly or indirectly to other Members under GATT 1994 in particular the benefits of concessions bound under Article II of GATT 1994¹⁵
- (c) serious prejudice to the interests of another Member.¹⁶

Article 6

Serious Prejudice

6.1 Serious prejudice in the sense of paragraph (c) of Article 5 shall be deemed to exist in the case of :

- (a) the total ad valorem subsidization¹⁷ of a product 5 per cent¹⁸
- (b) subsidies to cover operating losses sustained by an industry;
- (c) subsidies to cover operating losses sustained by an enterprise, other than one-time measures which are non-recurrent and cannot be repeated for that enterprise and which are given merely to provide time for the development of long-term solutions and to avoid acute social problems;
- (d) direct forgiveness of debt, i.e. forgiveness of government-held debt, and grants to cover debt repayment.¹⁹

¹⁴ The term “injury to the domestic industry” is used here in the same sense as it is used in Part V.

¹⁵ The term “nullification or impairment” is used in this Agreement in the same sense as it is used in the relevant provisions of GATT 1994, and the existence of such nullification or impairment shall be established in accordance with the practice of application of these provisions.

¹⁶ The term “serious prejudice to the interests of another Member” is used in this Agreement in the same sense as it is used in paragraph 1 of Article XVI of GATT 1994, and includes threat of serious prejudice.

¹⁷ The total ad valorem subsidization shall be calculated in accordance with the provisions of Annex IV.

¹⁸ Since it is anticipated that civil aircraft will be subject to specific multilateral rules, the threshold in this subparagraph does not apply to civil aircraft.

¹⁹ Members recognize that where royalty-based financing for a civil aircraft programme is not being fully repaid due to the level of actual sales falling below the level of forecast sales, this does not in itself constitute serious prejudice for the purpose of this subparagraph.

6.2 Notwithstanding the provisions of paragraph 1, serious prejudice shall not be found if the subsidizing Member demonstrates that the subsidy in question has not resulted in any of the effects enumerated in paragraph 3.

6.3 Serious prejudice in the sense of paragraph (c) of Article 5 may arise in any case where one or several of the following apply:

- (a) the effect of the subsidy is to display or impede the imports of a like product of another Member into the market of the subsidizing Member;
- (b) the effect of the subsidy is to displace or impede the exports of a like product of another Member from a third country market;
- (c) the effect of the subsidy is a significant price undercutting by the subsidized product as compared with the price of a like product of another Member in the same market or significant price suppression, price depression or lost sales in the same market;
- (d) the effect of the subsidy is an increase in the world market share of the subsidizing Member in a particular subsidized primary product or commodity²⁰ as compared to the average share it had during the previous period of three years and this increase follows a consistent trend over a period when subsidies have been granted.

6.4 For the purpose of paragraph 3(b), the displacement of impeding of exports shall include any case in which, subject to the provisions of paragraph 7, it has been demonstrated that there has been a change in relative shares of the market to the disadvantage of the non-subsidized like product (over an appropriately representative period sufficient to demonstrate clear trends in the development of the market for the product concerned, which, in normal circumstances, shall be at least one year). "Change in relative shares of the market" shall include any of the following situations: (a) there is an increase in the market share of the subsidized product; (b) the market share of the subsidized product remains constant in circumstances in which, in the absence of the subsidy, it would have declined; (c) the market share of the subsidized product declines, but at a slower rate than would have been the case in the absence of the subsidy.

6.5 For the purpose of paragraph 3(c), price undercutting shall include any case in which such price undercutting has been demonstrated through a comparison of prices of the subsidized product with prices of a non-subsidized like product supplied to the same market. The comparison shall be made at the same level of trade and at comparable times, due account being taken of any other factor affecting price comparability. However, if such a direct comparison is not possible, the existence of price undercutting may be demonstrated on the basis of export unit values.

6.6 Each Member in the market of which serious prejudice is alleged to have arisen shall, subject to the provisions of paragraph of Annex V, make available to the parties to a dispute arising under Article 7, and to the panel established pursuant to paragraph 4 of Article 7, all

²⁰ Unless other multilaterally agreed specific rules apply to the trade in the product of commodity in question.

relevant information that can be obtained as to the changes in market shares of the parties to the dispute as well as concerning prices of products involved.

6.7 Displacement or impediment resulting in serious prejudice shall not arise under paragraph 3 where any of the following circumstances exist²¹ during the relevant period:

- (a) prohibition or restriction on exports of the like product from the complaining Member or on imports from the complaining into the third country market concerned;
- (b) decision by an importing government operating a monopoly of trade or state trading in the product concerned to shift, for non-commercial reasons, imports from the complaining Member to another country or countries;
- (c) natural disasters, strikes transport disruptions or other *force majeure* substantially affecting production, qualities, quantities or prices of the product available for export from the complaining Member;
- (d) existence of arrangements limiting exports from the complaining Member;
- (e) voluntary decrease in the availability for export of the product concerned from the complaining Member (including, *inter alia*, a situation where firms in the complaining Member have been autonomously reallocating exports of this product to new markets);
- (f) failure to conform to standards and other regulatory requirements in the importing country.

6.8 In the absence of circumstances referred to in paragraph 7, the existence of serious prejudice should be determined on the basis of the information submitted to or obtained by the panel, including information submitted in accordance with the provision of Annex V.

6.9 This Article does not apply to subsidies maintained on agricultural products as provided in Article 13 of the Agreement on Agriculture.

Article 7

Remedies

7.1 Except as provided in Article 13 of the Agreement on Agriculture, whenever a Member has reason to believe that any subsidy referred to in Article 1, granted or maintained by another Member, results in injury to its domestic industry, nullification or impairment or serious prejudice, such Member may request consultations with such other Member.

²¹ The fact that certain circumstances are referred to in this paragraph does not, in itself confer upon them any legal status in terms of either GATT 1994 or this Agreement. These circumstances must not be isolated, sporadic or otherwise insignificant.

7.2 A request for consultations under paragraph 1 shall include a statement of available evidence with regard to (a) the existence and nature of the subsidy in question, and (b) the injury caused to the domestic industry, or the nullification or impairment, or serious prejudice²² caused to the interest of the Member requesting consultations.

²² In the event that the request relates to a subsidy deemed to result in serious prejudice in terms of paragraph 1 of Article 6, the available evidence of serious prejudice may be limited to the available evidence as to whether the conditions of paragraph 1 of Article 6 have been met or not.

7.3 Upon request for consultations under paragraph 1, the Member believed to be granting or maintaining the subsidy practice in question shall enter into such consultations as quickly as possible. The purpose of the consultations shall be to clarify the facts of the situation and to arrive at a mutually agreed solution.

7.4 If consultations do not result in a mutually agreed solution within 60 days²³, any Member party to such consultations may refer the matter to the DSB for the establishment of a panel, unless the DSB decides by consensus not to establish a panel. The composition of the panel and its terms of reference shall be established within 15 days from the date when it is established.

7.5 The panel shall review the matter and shall submit its final report to the parties to the dispute. The report shall be circulated to all Members within 120 days of the date of the composition and establishment of the panel's terms of references.

7.6 Within 30 days of issuance of the panel's report to all Members, the report shall be adopted by the DSB²⁴ unless one of the parties to the dispute formally notifies the DSB of its decision to appeal or the DSB decides by consensus not to adopt the report.

7.7 Where a panel report is appealed, the Appellate Body shall issue its decision within 60 days from the date when the party to the dispute formally notifies its intention to appeal. When the Appellate Body considers that it cannot provide its report within 60 days, it shall inform the DSB in writing of the reasons for the delay together with an estimate of the period within which it will submit its report. In no case shall the proceedings exceed 90 days. The appellate report shall be adopted by the DSB and unconditionally accepted by the parties to the dispute unless the DSB decides by consensus not to adopt the appellate report within 20 days following its issuance to the Members.²⁵

7.8 Where a panel report or an Appellate Body report is adopted in which it is determined that any subsidy has resulted in adverse effects to the interests of another Member within the meaning of Article 5, the member granting or maintaining such subsidy shall take appropriate steps to remove the adverse effects or shall withdraw the subsidy.

7.9 In the event the Member has not taken appropriate steps to remove the adverse effects of the subsidy or withdraw the subsidy within six months from the date when the DSB adopts the panel report or the Appellate Body report, and in the absence of agreement on compensation, the DSB shall grant authorization to the complaining Member to take countermeasures, commensurate with the degree and nature of the adverse effects determined to exist, unless the DSB decides by consensus to reject the request.

7.10 In the event the party to the dispute requests arbitration under paragraph 6 of Article 22 of the DSU, the arbitrator shall determine whether the countermeasures are commensurate with the degree and having nature of the adverse effects determined to exist.

²³ Any time-periods mentioned in this Article may be extended by mutual agreement.

²⁴ If a meeting of DSB is not scheduled during this period, such a meeting shall be held for this purpose.

²⁵ If a meeting of DSB is not scheduled during this period, such a meeting shall be held for this purpose.

PART IV: NON-ACTIONABLE SUBSIDIES

Article 8

Identification of Non-Actionable Subsidies

- 8.1 The following subsidies shall be considered as non-actionable²⁶:
- (a) subsidies which are not specific within the meaning of Article 2;
 - (b) subsidies which are specific within the meaning of Article 2 but which meet all of the conditions provided for in paragraphs 2(a), 2(b) or 2(c) below.
- 8.2 Notwithstanding the provisions of Parts III and V, the following subsidies shall be non-actionable:
- (a) assistance for research activities conducted by firms or by higher education or research establishments on a contract basis with firms if:²⁷,²⁸,²⁹

the assistance covers³⁰ not more than 75 per cent of the costs of industrial research³¹ or 50 per cent of the costs of pre-competitive development activity³²,³³ and provided that such assistance is limited exclusively to:

²⁶ It is recognized that government assistance for various purposes is widely provided by Members and that the mere fact that such assistance may not qualify for non-actionable treatment under the provisions of this Article does not in itself restrict the ability of Members to provide such assistance.

²⁷ Since it is anticipated that civil aircraft will be subject to specific multilateral rules, the provisions of this subparagraph do not apply to that product.

²⁸ Not later than 18 months after the date of entry into force of the WTO Agreement, the Committee on Subsidies and Countervailing Measures provided for in Article 24 (referred to in this Agreement as “the Committee”) shall review the operation of the provisions of subparagraph 2(a) with a view of making all necessary modifications to improve the operation of these provisions. In its consideration of possible modifications, the Committee shall carefully review the definitions of the categories set forth in this subparagraph in the light of the experience of Members in the operation of research programmes and the work in other relevant international institutions.

²⁹ The provisions of this Agreement do not apply to fundamental research activities independently conducted by higher education or research establishments. The term “fundamental research” means an enlargement of general scientific and technical knowledge not linked to industrial or commercial objectives.

³⁰ The allowable levels of non-actionable assistance referred to in this subparagraph shall be established by reference to the total eligible costs incurred over the duration of an individual project.

³¹ The term “industrial research” means planned search or critical investigation aimed at discovery of new knowledge, with the objective that such knowledge may be useful in developing new products, processes or services, or in bringing about a significant improvement to existing products, processes or services.

³² The term “pre-competitive development activity” means the translation of industrial research findings into a plan, blueprint or design for new, modified or improved products, processes or services whether intended for sale or use, including the creation of a first prototype which would not be capable of commercial use. It may further include the conceptual formulation and design of products, processes or services alternative and initial demonstration or pilot products, provided that these same projects cannot be converted or used for industrial application or commercial exploitation. It does not include routine or

- (i) costs of personnel (researchers, technicians and other supporting staff employed exclusively in the research activity);
 - (ii) costs of instruments, equipment, land and buildings used exclusively and permanently (except when disposed of on a commercial basis) for the research activity;
 - (iii) costs of consultancy and equivalent services used exclusively for the research activity, including bought-in-research, technical knowledge, patents, etc.;
 - (iv) additional overhead costs incurred directly as a result of the research activity;
 - (v) other running costs (such as those of materials, supplies and the like), incurred directly as a result of the research activity.
- (b) assistance to disadvantaged regions within the territory of a Member given pursuant to a general framework of regional development³⁴ and non-specific (within the meaning of Article 2) within eligible regions provided that:
- (i) each disadvantaged regions within the territory designed contiguous geographical area with a definable economic and administrative identity;
 - (ii) the region is considered as disadvantaged on the basis of neutral and objective criteria³⁵, indicating that the region's difficulties arise out of more than temporary circumstances; such criteria must be clearly spelled out in law, regulation, or other official document, so as to be capable of verification;

periodic alterations to existing products, production lines, manufacturing processes, services, and other on-going operations even though those alterations may represent improvements..

³³ In the case of programmes which span industrial research and pre-competitive development activity, the allowable level of non-actionable assistance shall not exceed the simple average of the allowable levels of non-actionable assistance applicable to the above two categories, calculated on the basis of all eligible costs as set forth in items (i) to (v) of this subparagraph.

³⁴ A "general framework of regional development" means that regional subsidy programmes are part of an internally consistent and generally applicable regional development policy and that regional development subsidies are not granted in isolated geographical points having no, or virtually no, influence on the development of a region.

³⁵ "Neutral and objective criteria" means criteria which do not favor certain regions beyond what is appropriate for the elimination or reduction of regional disparities within the framework of the regional development policy. In this regard regional subsidy programmes shall include ceilings on the amount of assistance which can be granted to each subsidized project. Such in terms of investment costs or cost of job creatin. Within such ceilings the distribution of assistance shall be sufficiently broad and even to avoid the predominant use of a subsidy by, or the granting of disproportionately large amounts of subsidy to, certain enterprise as provided for in Article 2.

- (iii) the criteria shall include a measurement of economic development which shall be based on at least one of the following factors:
 - one of either income per capita or household income per capita, or GDP per capita, which must not be above 85 per cent of the average for the territory concerned;
 - unemployment rate, which must be at least 110 per cent of the average for the territory concerned;

as measured over a three-year period; such measurements, however, may be a composite one and may include other factors.
- (c) assistance to promote adaptation of existing facilities³⁶ to new environmental requirements imposed by law and /or regulations which result in greater constraints and financial burden on firms, provided that the assistance:
 - (i) is a one-time non-recurring measure; and
 - (ii) is limited to 20 per cent of the cost of adaptation; and
 - (iii) does not cover the cost of replacing and operating the assisted investment, which must be fully borne by firms; and
 - (iv) is directly linked to and proportionate to a firm's planned reduction of nuisances and pollution, and does not cover any manufacturing cost savings which may be achieved; and
 - (v) is available to all firms which can adopt the new equipment and/or production processes.

8.3 A subsidy programme for which the provisions of paragraph 2 are invoked shall be notified in advance of its implementation to the Committee in accordance with the provisions of Part VII. Any such notification shall be sufficiently precise to enable other Members to evaluate the consistency of the programme with the conditions and criteria provided for in the relevant provisions of paragraph 2. Member shall also provide the Committee with yearly updates of such notifications, in particular by supplying information on global expenditure for each programme, and on any modification of the programme. Other Members shall have the right to request information about individual cases of subsidization under a notified programme.³⁷

8.4 Upon request of a Member, the Secretariat shall review a notification made pursuant to paragraph 3 and, where necessary may require additional information from the subsidizing Member concerning the notified programme under review. The Secretariat shall report its findings to the Committee. The Committee shall, upon request promptly review the findings of the Secretariat (or, if a review by the Secretariat has not been requested, the notification itself), with a view to determining whether the conditions and criteria laid down in paragraph 2 have not

³⁶ The term "existing facilities" means facilities which have been in operation for at least two years at the time when new environmental requirements are imposed.

³⁷ It is recognized that nothing in this notification provision requires the provision of confidential information, including confidential business information.

been met. The procedure provided for in this paragraph shall be completed at the latest at the first regular meeting of the Committee following the notification of a subsidy programme, provided that at least two months have elapsed between such notification and the regular meeting of the Committee. The review procedure described in this paragraph shall also apply, upon request, to substantial modifications of a programme notified in the yearly updates referred to in paragraph 3.

8.5 Upon the request of a Member, the determination by the Committee referred to in paragraph 4, or a failure by the Committee to make such a determination, as well as the violation, in individual cases, of the conditions set out in a notified programmes, shall be submitted to binding arbitration. The arbitration body shall present its conclusions to the Members within 120 days from the date from the date when the matter was referred to the arbitration body. Except as otherwise provided in this paragraph, the DSU shall apply to arbitration conducted under this paragraph.

Article 9

Consultations and Authorized Remedies

9.1 If, in the course of implementation of a programme referred to in paragraph 2 of Article 8, notwithstanding the fact that the programme is consistent with the criteria laid down in that paragraph, a Member has reasons to believe that this programme has resulted in serious adverse effects to the domestic industry of that Member, such as to cause damage which would be difficult to repair, such Member may request consultations with the Member granting or maintaining the subsidy.

9.2 Upon request for consultations under paragraph 1, the Member granting or maintaining the subsidy programme in question shall enter into such consultations as quickly as possible. The purpose of the consultations shall be to clarify the facts of the situation and to arrive at a mutually acceptable solution.

9.3 If no mutually acceptable solution has been reached in consultations under paragraph 2 within 60 days of the request for such consultations the requesting Member may refer the matter to the Committee.

9.4 Where a matter is referred to the committee, the committee shall immediately review the facts involved and the evidence of the effects referred to in paragraph 1. If the committee determines that such effects exist, it may recommend to the subsidizing Member to modify this programme in such a way as to remove these effects. The Committee shall present its conclusions within 120 days from the date when the matter is referred to it under paragraph 3. In the event the recommendation is not followed within six months, the Committee shall authorize the requesting Member to take appropriate countermeasures commensurate with the nature and degree of the effects determined to exist.

Figure 4.1: Heads under which export related activities have been done

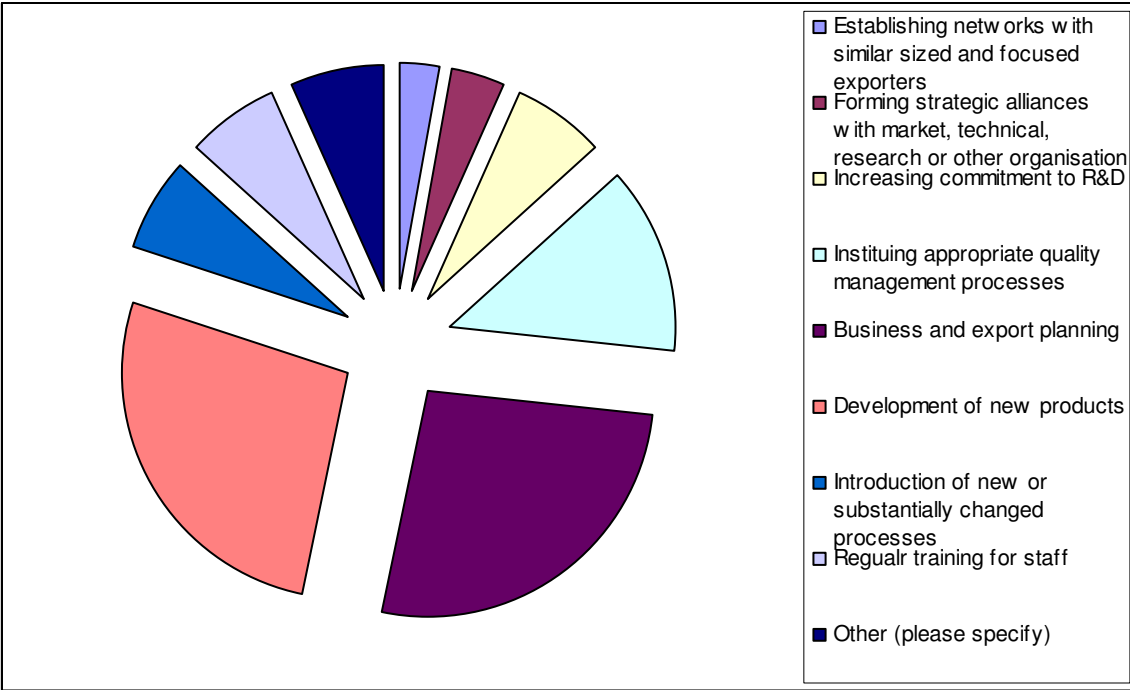


Figure 4.2: Heads under which grant has been availed

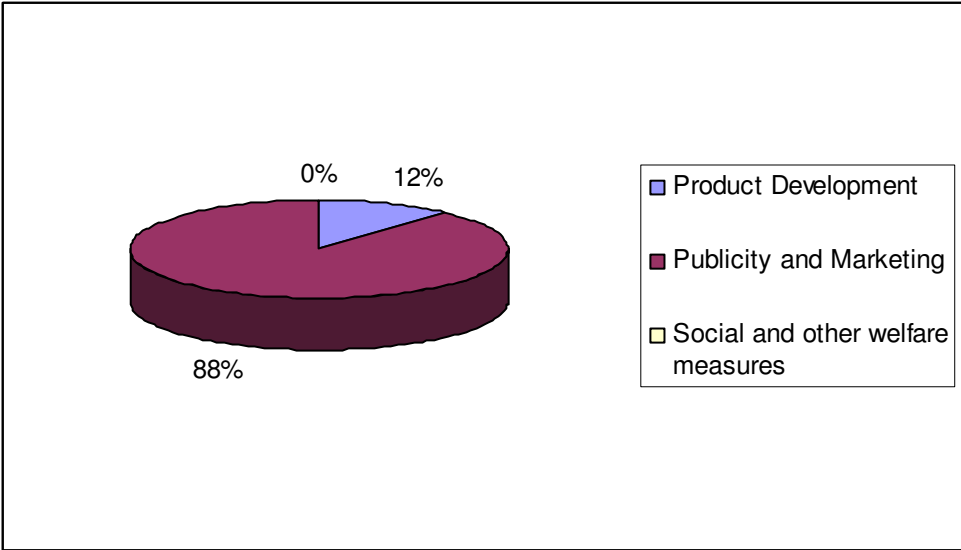


Figure 4.3: Number of years for which grant has been availed

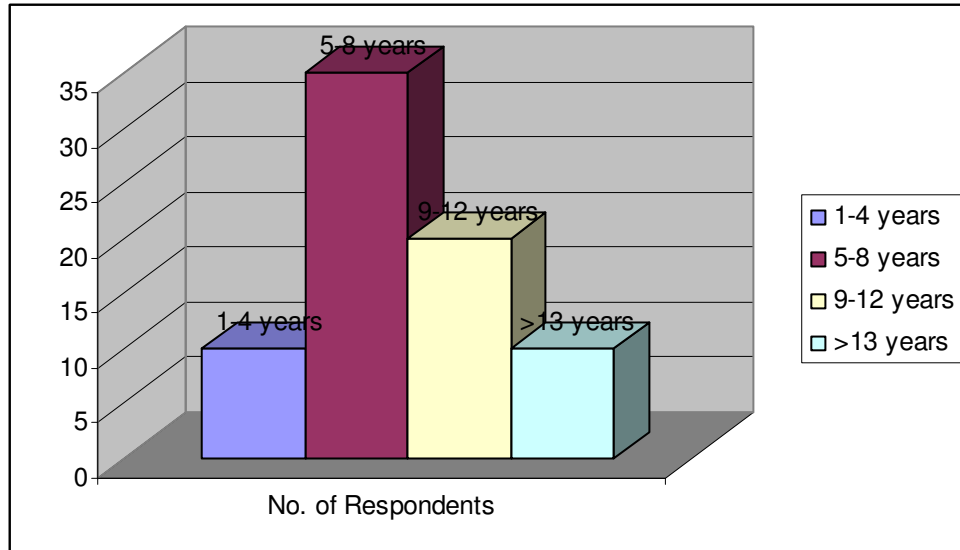


Figure 4.4: Satisfaction with respect to eligibility criteria of the grant

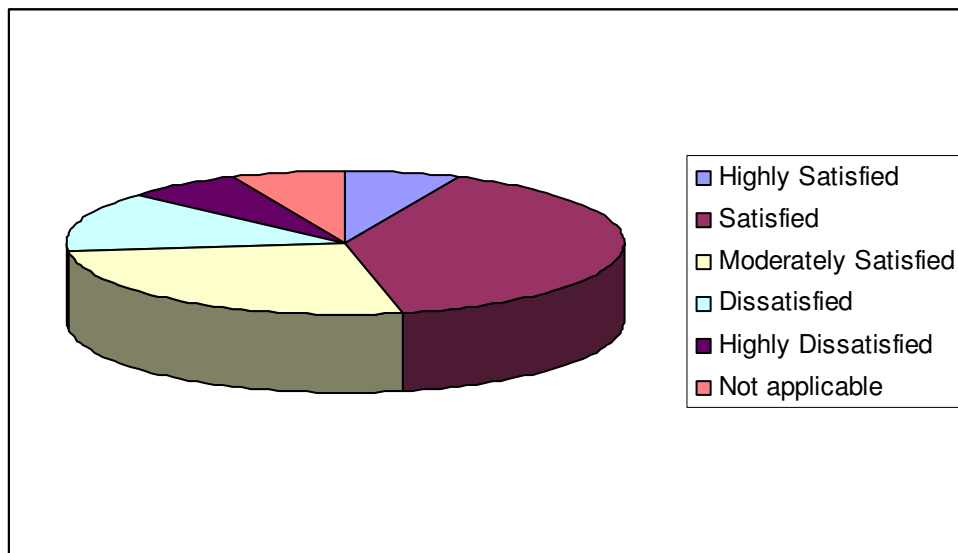


Figure 4.5: Satisfaction with respect to systems followed with respect to fund disbursal

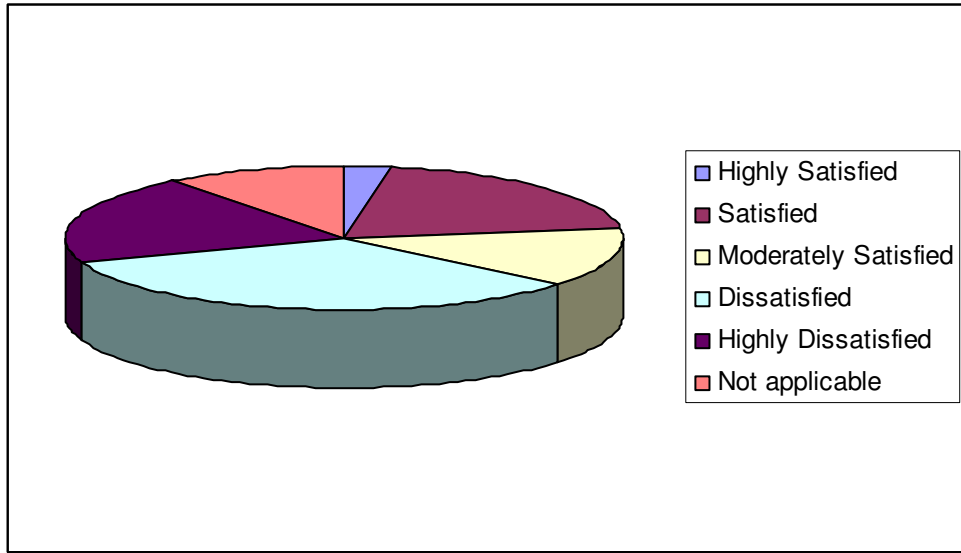


Figure 4.6: Satisfaction with the impact of scheme on the promotion of the export activity

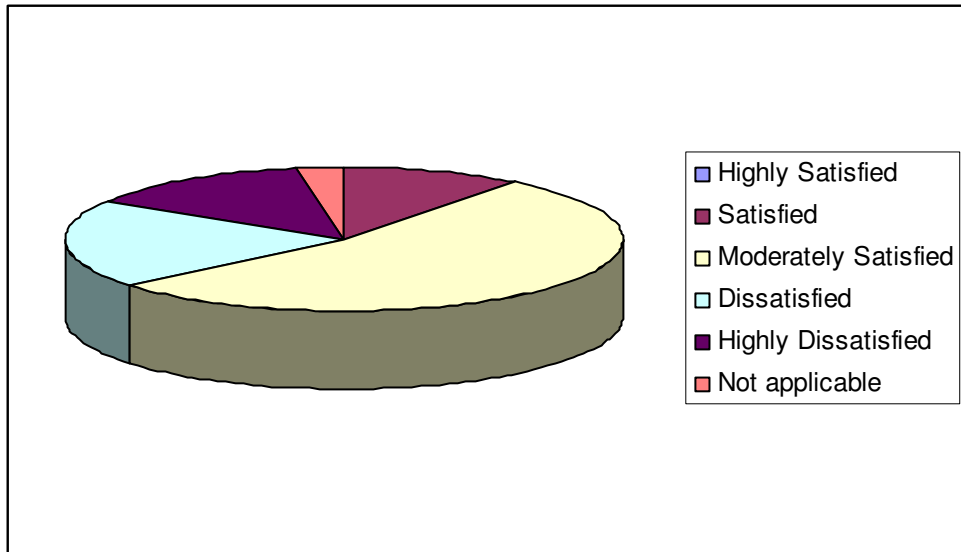


Figure 4.7: Scheme availing helps in reducing financial risk attached with export promotion activity

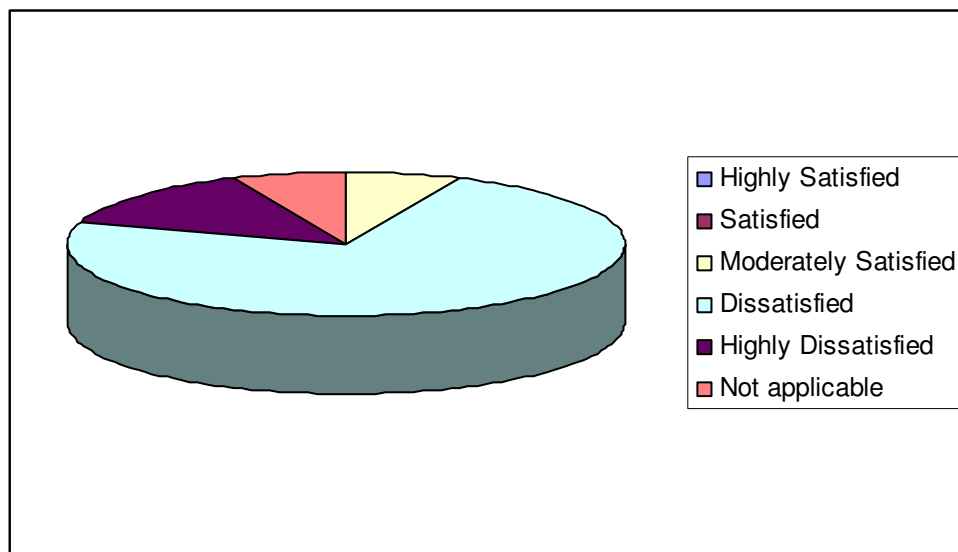


Figure 4.8: Impact of scheme on sales turnover

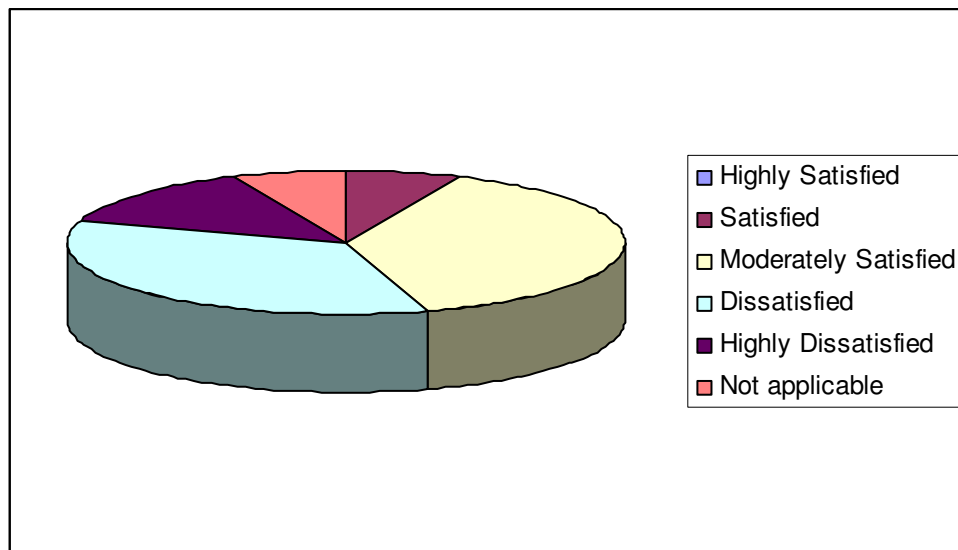


Figure 4.9: Importance of various parameters in expenditure determination for export promotion activities

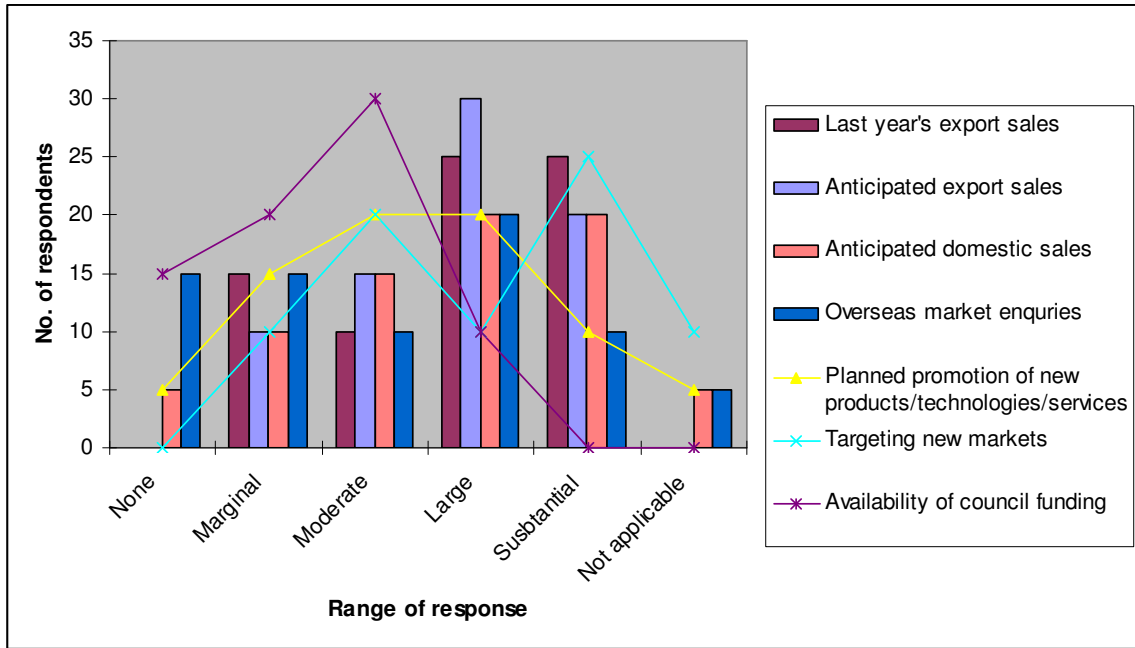


Figure 4.10: Importance of various parameters in development of export business

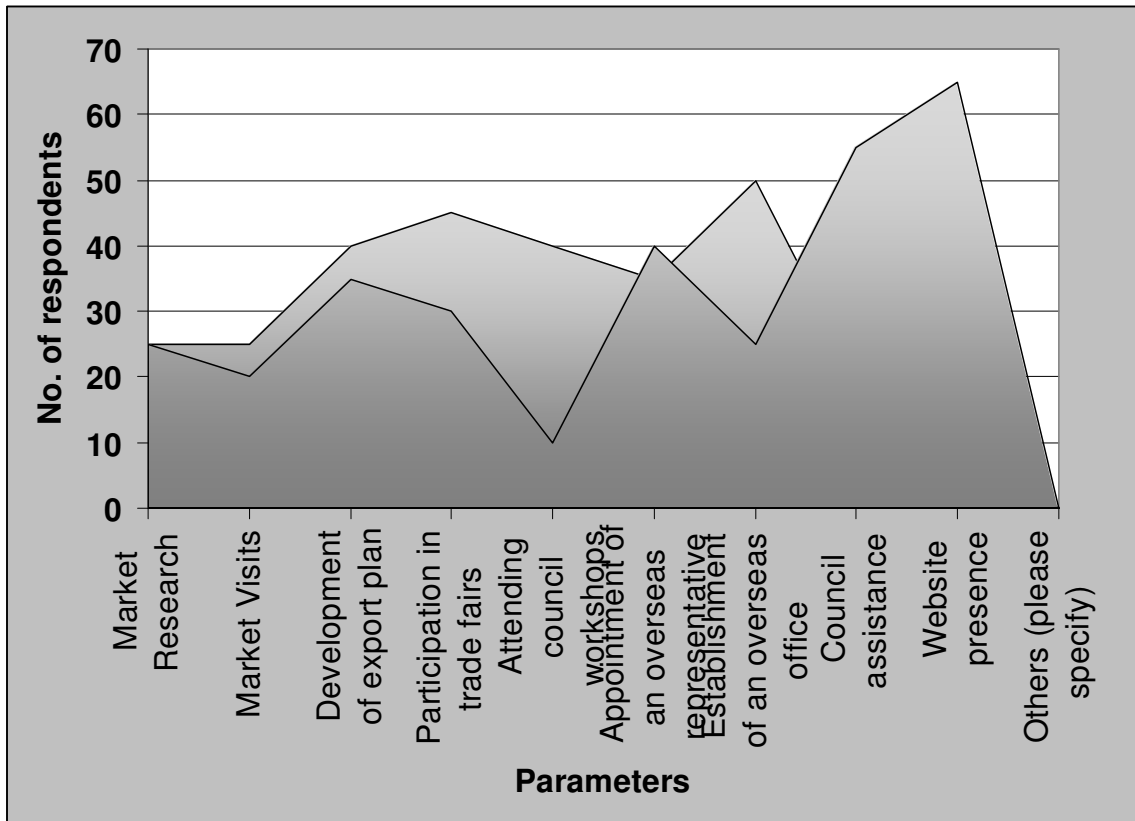


Figure 4.11: Suggestions or improvements in the various components of the scheme and the weightage attached to the suggestions

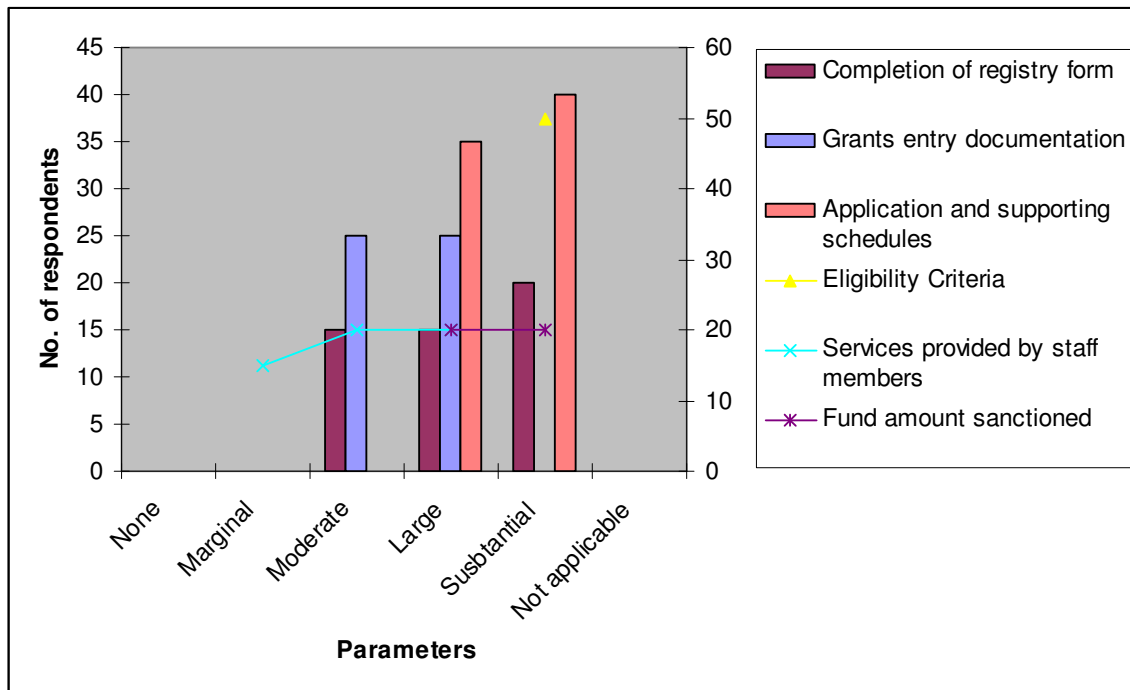


Figure 4.12: Activities undertaken to improve existing business while entering into export business

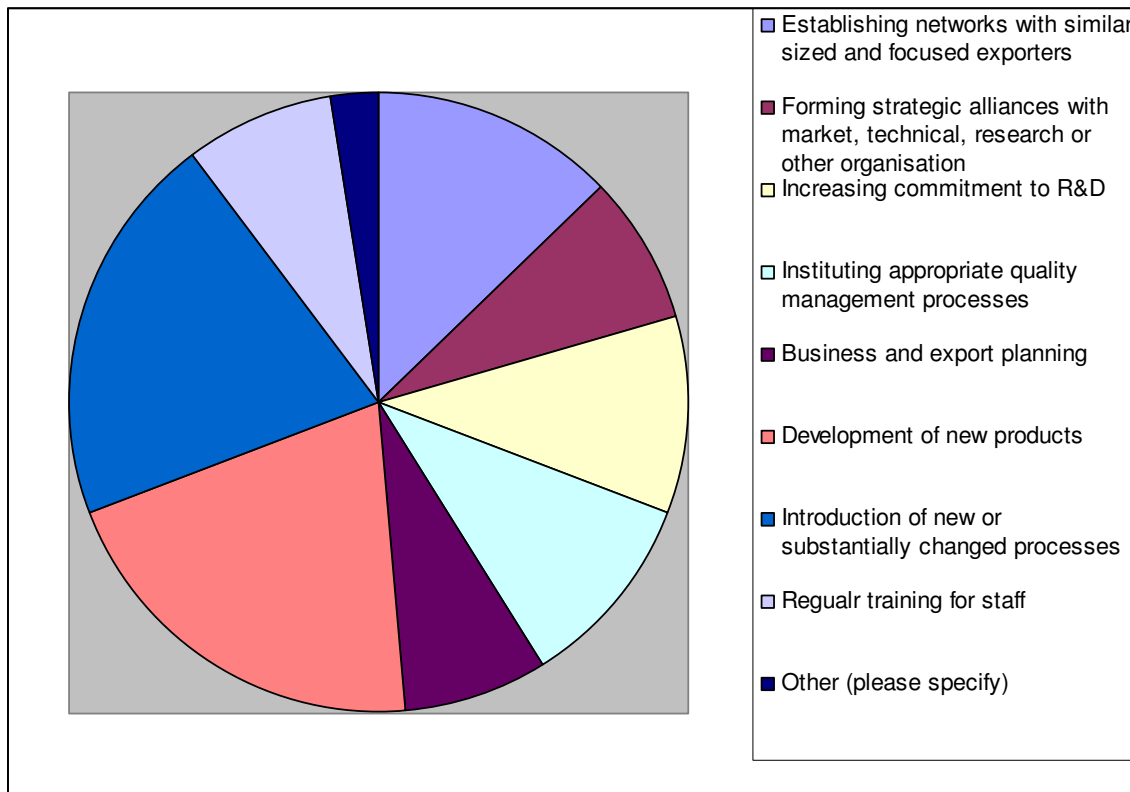


Figure 4.13: Reasons for not availing the scheme

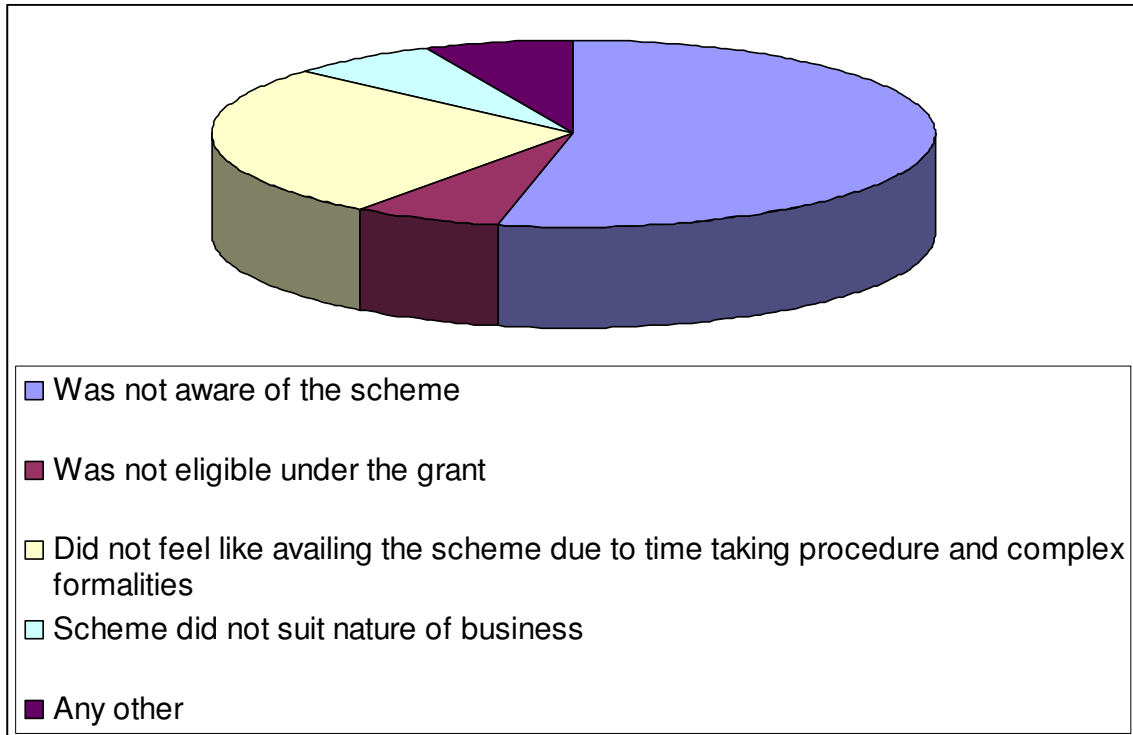


Figure 4.14: Effectiveness of schemes in helping exporters

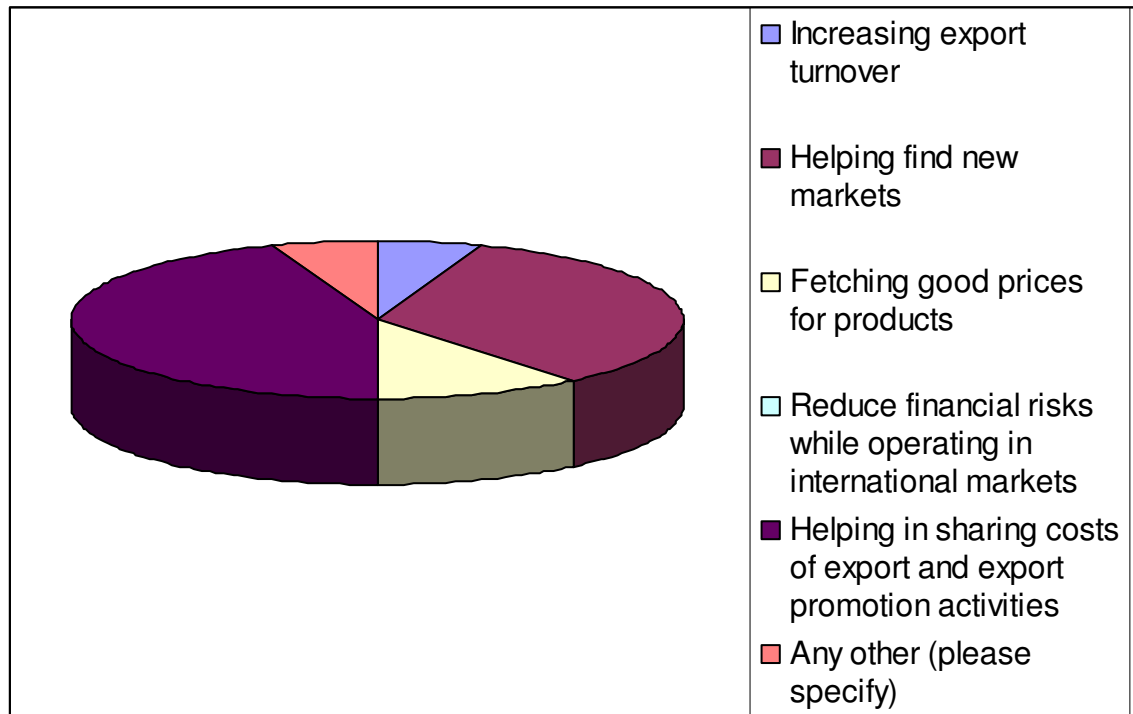


Figure 4.15: Awareness about the various components of the scheme

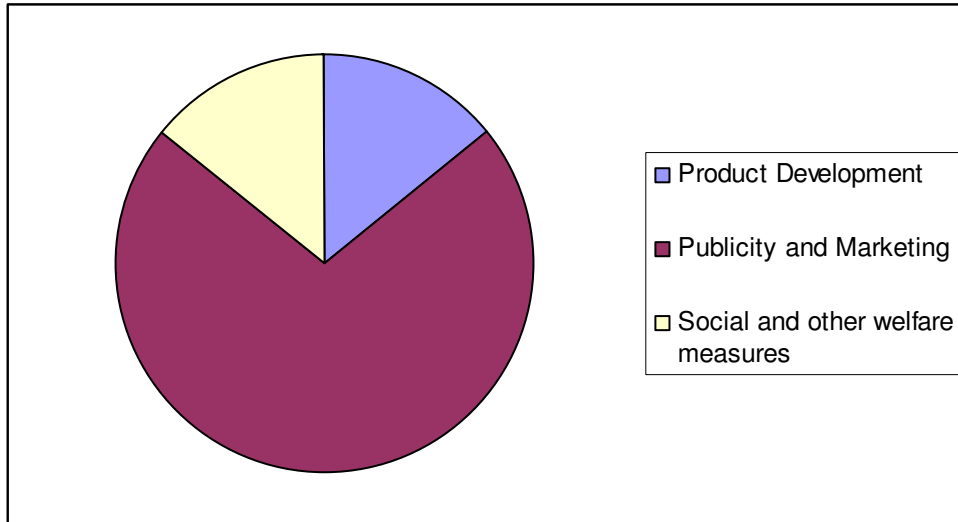


Figure 4.16: Importance placed in parameters for determination of expenditure on export promotion activities

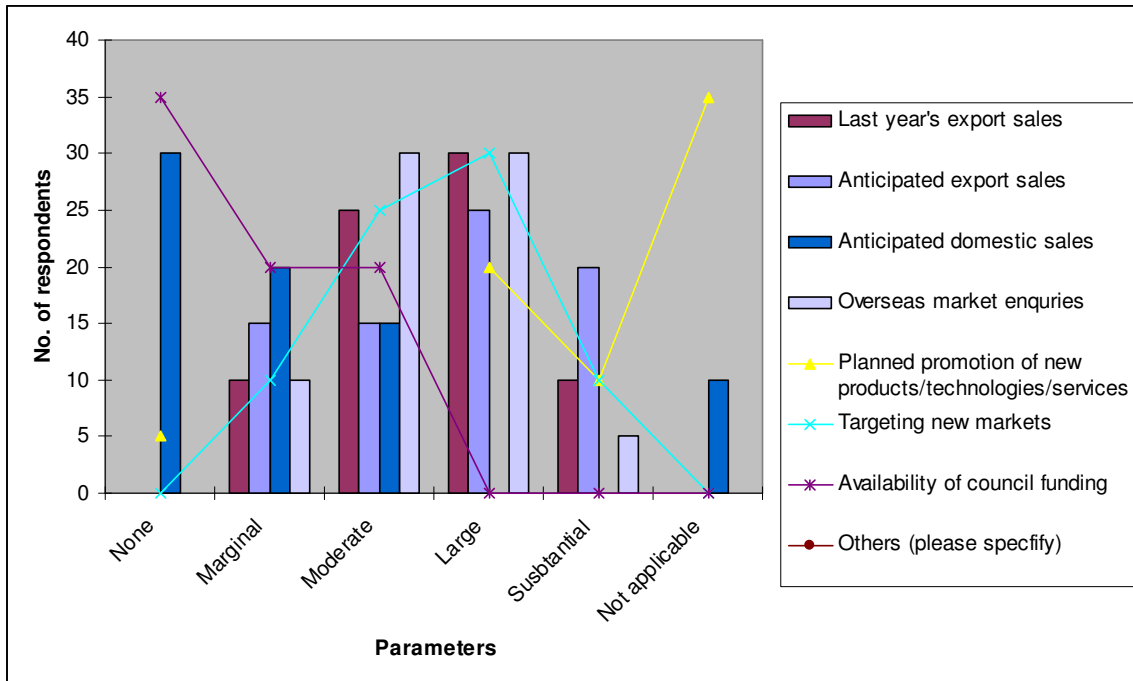


Figure 4.17: Importance of various parameters in development of export plan

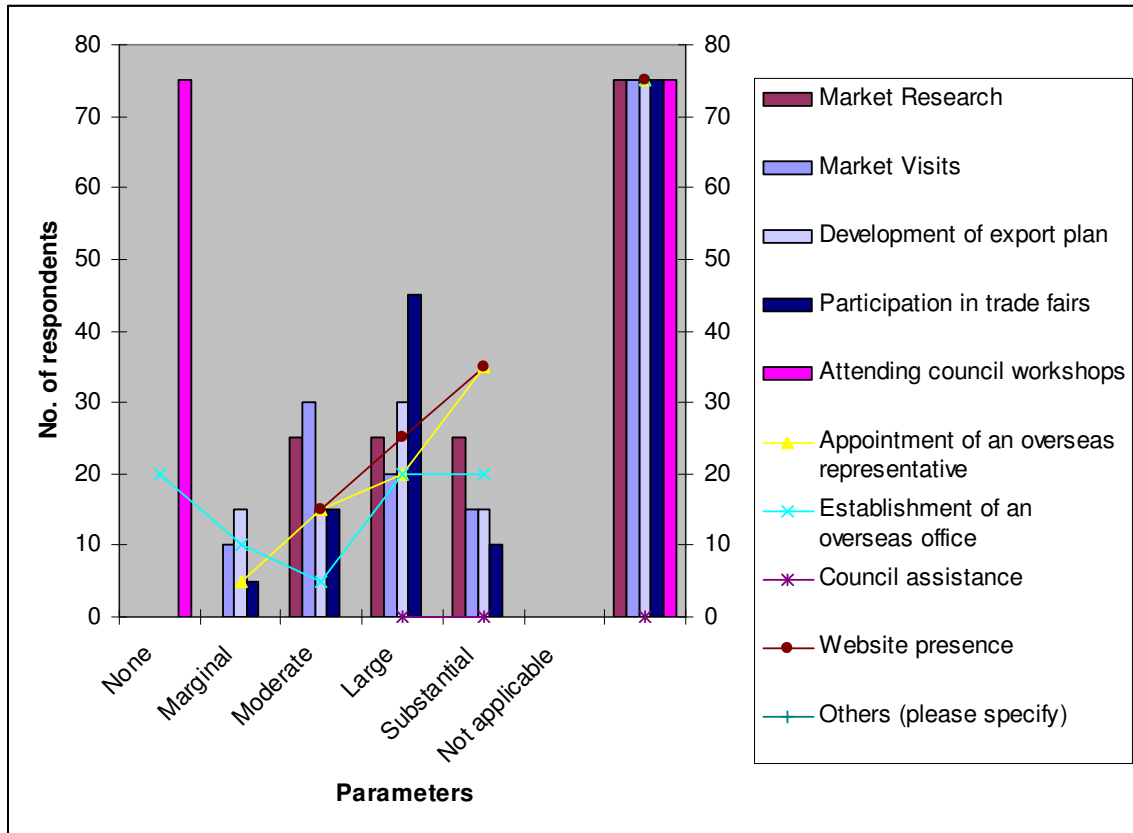


Figure 4.18: Heads under which export related activities have been done

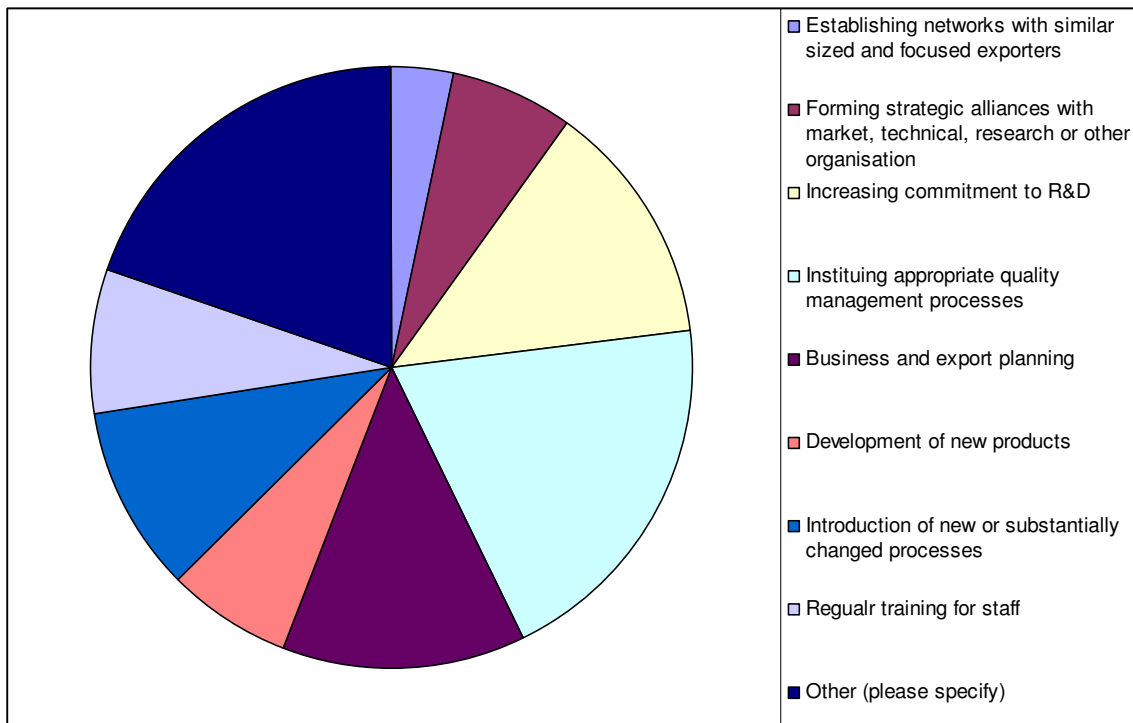


Figure 4.19: Reasons for not availing grants

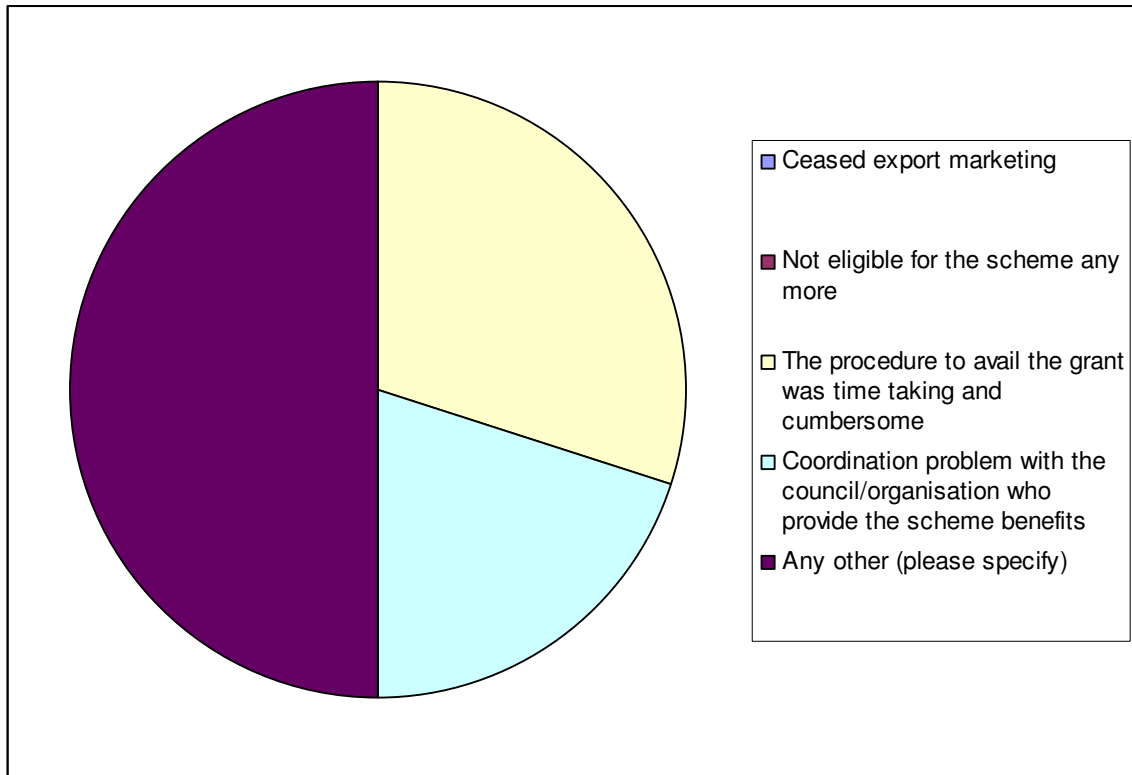


Figure 4.20: Scheme effectiveness in helping exporters

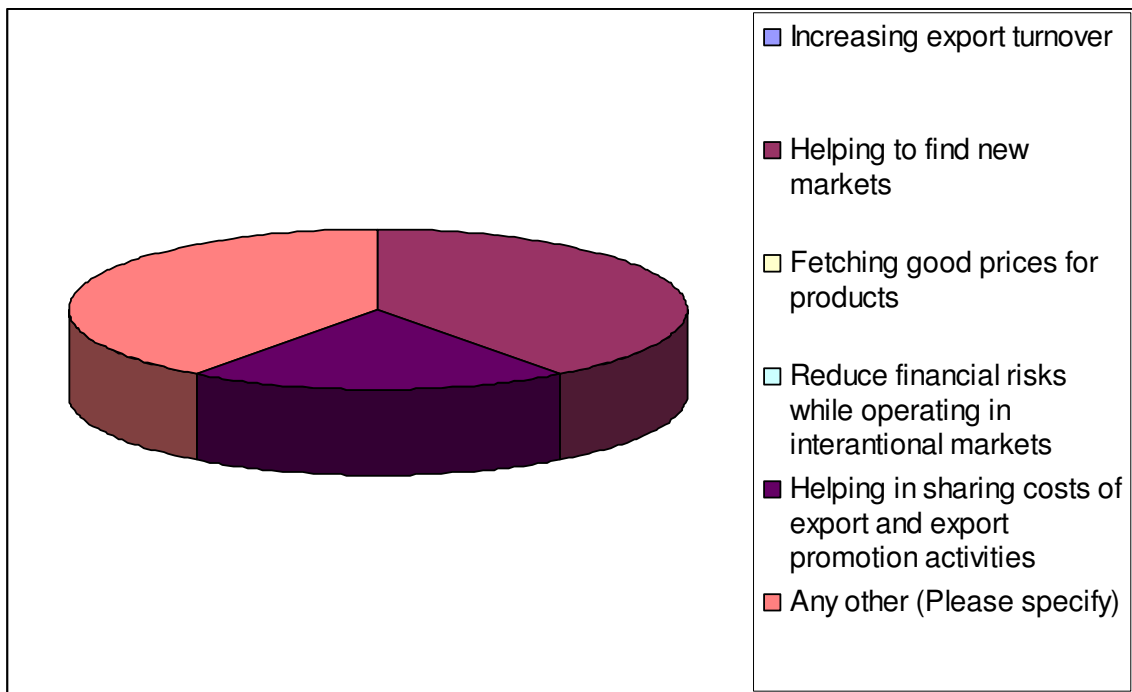


Figure 4.21: Importance of various parameters in expenditure determination for export promotion activities

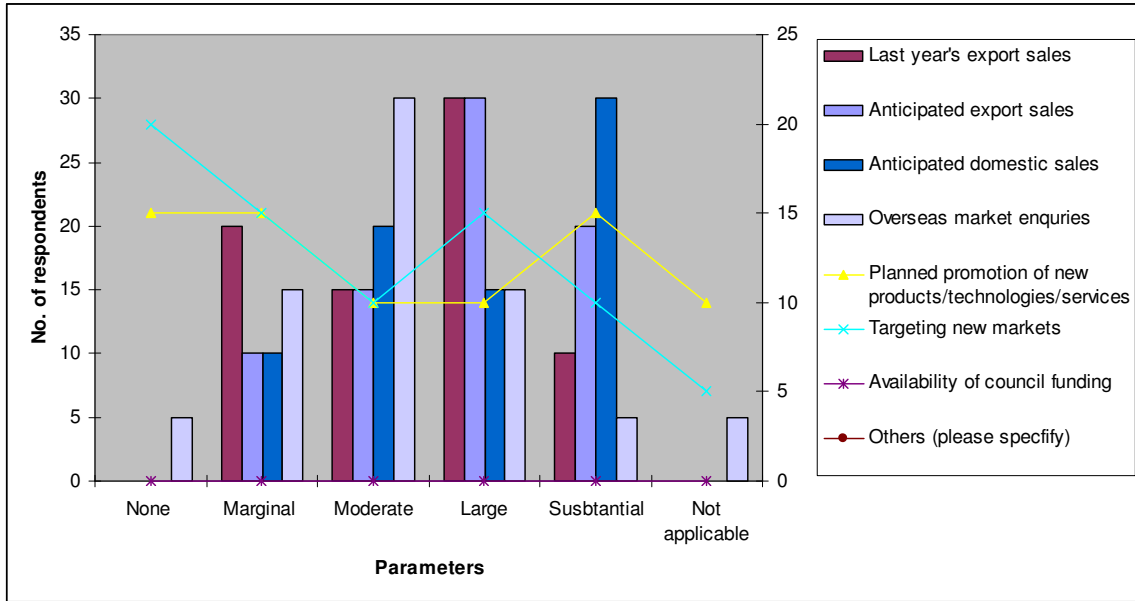


Figure 4.22: Importance of various parameters in development of export business

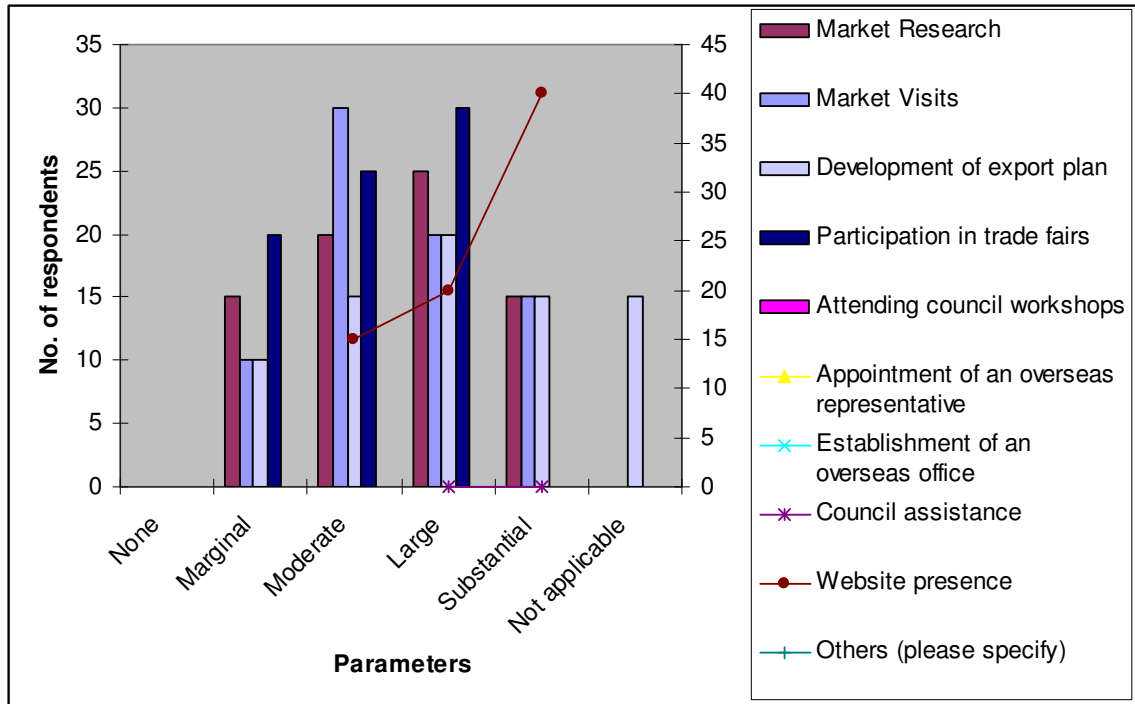


Figure 4.23: Suggestions or improvements in the various components of the scheme and the weightage attached to the suggestions

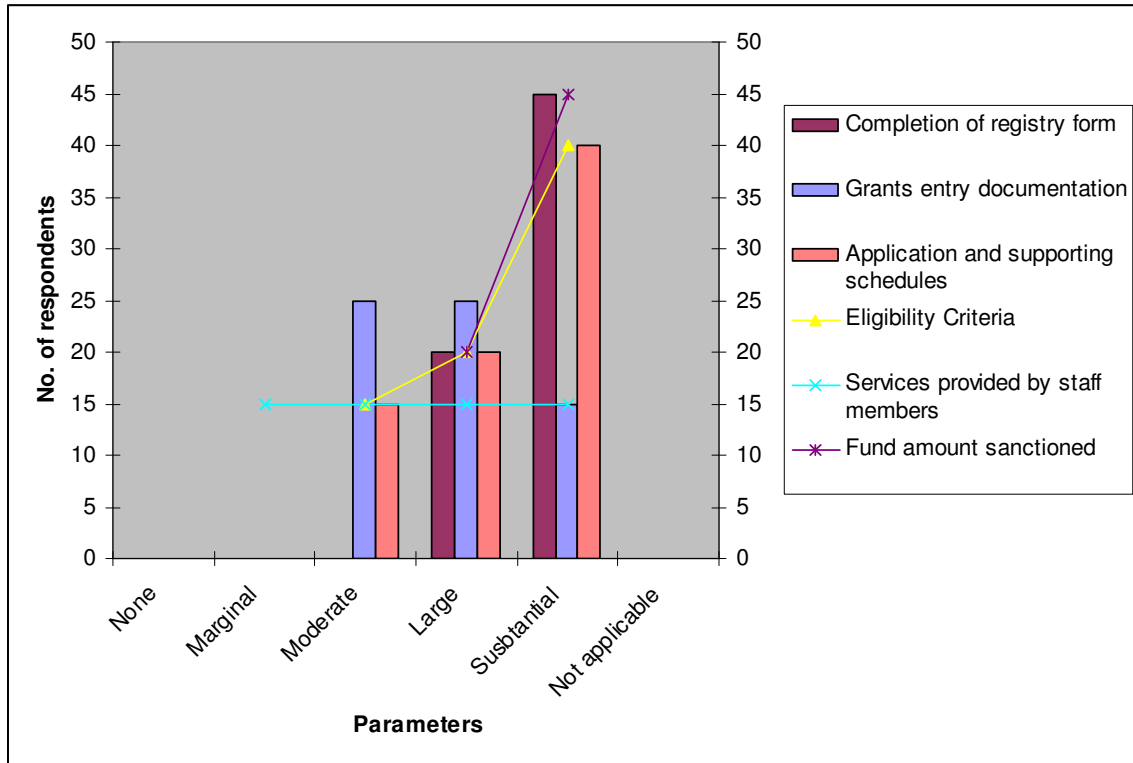


Figure 4.24: Factors that helps the exporters by availing the scheme

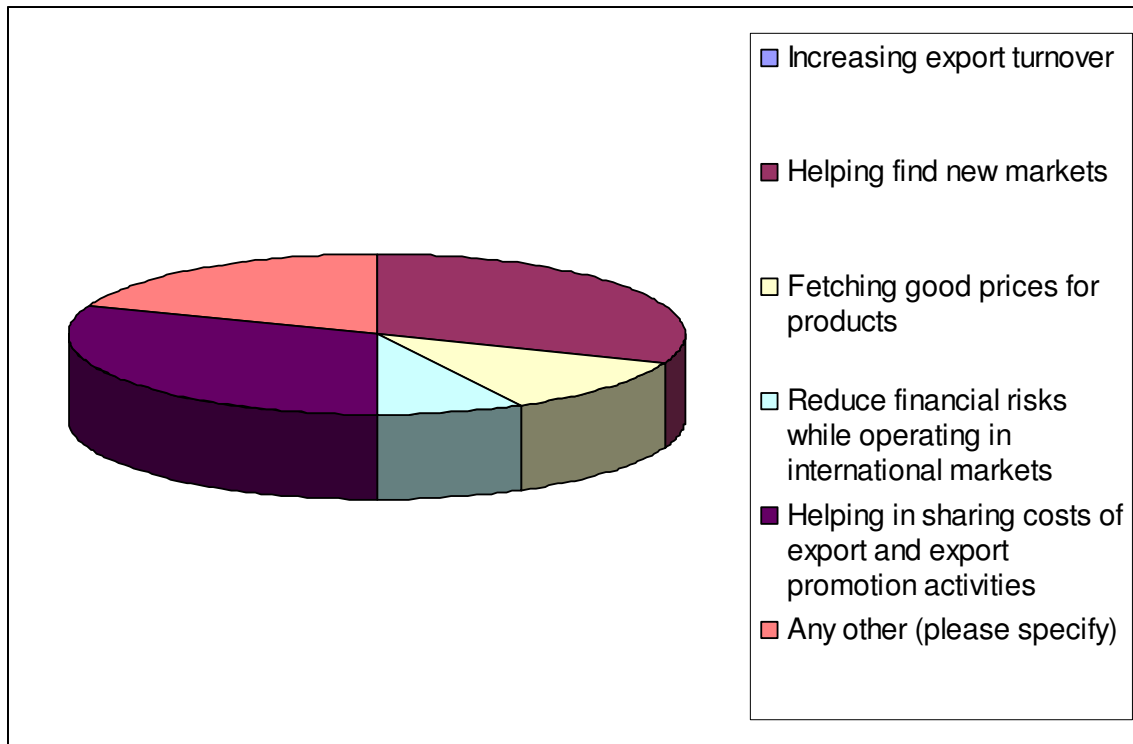
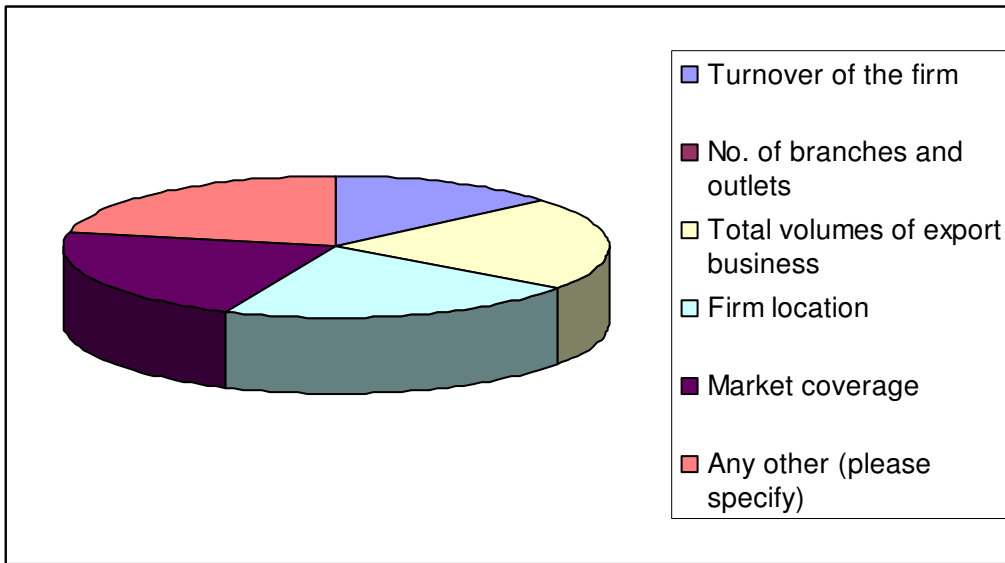


Figure 4.25: Parameters on which the selection of the exporter/member is dependant on



REFERENCES

1. Review of the Export Market Development Grants Scheme, Australian Trade Commission, 2000
2. WTO Issues and Indian Concerns. India and the WTO
3. Anne O. Krueger, The WTO as an International Organisation. The University of Chicago Press, Chicago and London. 1998.
4. http://indianhandicrafts.org.in/schemes/details/export_details.doc
5. http://indianhandicrafts.org.in/schemes/schemes_main.asp
6. http://commerce.nic.in/mai_guide.pdf
7. <http://www.fisme.org.in/MDA%20FAQ.doc>
