**UNIT – 4**

**Projects & consultancy exports**

There has been a substantial transformation of India’s export structure in the recent years. India has now emerged as a major exporter of capital equipment and other sophisticated items, including projects and consultancy services. Projects exports are regarded as a key indicator of technological maturity and industrial capabilities of a country. In fact, the future of India’s export trade depends on how far performance in these sectors can be further improved.

**Projects exports:**

1. Turnkey projects namely those which involve the rendering of services like design, civil construction, erection and commissioning of plant or supervision thereof along with the supply of equipment.
2. Engineering services contracts, involving the supply of services alone, such as design erection commissioning or supervision of erection and commissioning.
3. Consultancy services contracts, which may include the preparation of feasibility studies, project reports, preparation of designs and advice to the project authority on specification for plant and equipment, preparation of tender documents, evaluation of tenders and purchase of plant and equipment.
4. Civil construction contracts with or without preparation of designs or drawings for the civil work to be undertaken.

The categories mentioned above are not to be treated as mutually exclusive. A project contract includes supply of service or equipment, coming under more than one of the categories.

**Project Export Profile:**

During the last 26 years, India has achieved a moderate success in the export of capital goods, projects and civil engineering jobs. On an average these categories account for about 40 per cent of India’s total engineering exports.

The success achieved by Indian companies in the field of construction contracts is, however, much more spectacular. The Middle Eastern countries because of their oil revenue emerged as very important markets for infrastructural projects. Till the year 1981, the construction projects worth Rs 5,170 crores approximately were secured. About 80 per cent of these contracts were secured by the Indian construction companies in Iraq and Libya. These contracts were mainly for the constructions of (1) Townships, (2) Airports, (3) High Rise Buildings, (4) Water & Sewerage Treatment plants, (5) Flyovers and (6) New Railway lines. The year 1981 which is considered to be the peak year provided contracts worth Rs 1,594 crores to Indian construction companies. Since 1981 however a decline has set in construction project exports. However, there has been a consistent increase in recent years.

Civil Construction Turnkey projects and consultancy won by Indian Firms:

In the year 1982 Civil Constructions Project value was Rs 451 crores. In the years 2000-01 (Apr-Dec) Civil Construction Project value was Re 1,225 crores and Turnkey Projects was 1,833 and Consultancy services was 4,241 crores.

The decline was basically due to two factors:

1. The fall in oil prices has dramatically reduced the purchasing power of the Middle Eastern countries
2. Most of the basic infrastructural projects have since been completed. Demand is now shifting away from construction to industrial projects.

The contracts secured in the recent years have been quite diverse in nature indicating the growing versatility and technological capabilities of Indian project exporters. The West Asian region still continues to be the major market accounting for half of the total project export contracts. The markets in South East Asia and sub-Saharan African account for the remaining half.

**Consultancy Exports**

Indian has just made an entry in the field of consultancy exports. Until recently, export of consultancy services was dominated by the developed countries. India which reportedly has the third largest engineering manpower is now in a position to enter this highly sophisticated and expanding segment of world trade. Indian has over 200 consultancy and design organizations. Foreign exchange earned from consultancy exports stood at Rs 1,369 crores during 1993-94 as against only Rs 1 crore in 1974-75. The major areas in which Indian consultancy has achieved considerable success are technical management (O & M) of cement plants, agricultural research services, setting up of molasses based distilleries, sugar projects, petrochemicals industries, design programming, computer software cooling tower systems, fuel firing systems, architectural, structural, electrical and air-conditioning engineering designs, transport and communication management, economic feasibility reports market surveys etc. The major countries where exports of consultancy services were made are France, Japan, Norway, the UK, the USA Russia, Holland, Switzerland, Sweden, Kuwait, Muscat, UAE, Saudi Arabia, Iraq, Algeria, Oman, Ethiopia, Cameroon, Tanzania Singapore, Hong Kong, Sri Lanka, Korea, Indonesia, Pakistan, Malaysia and Laos.

**Incentives Available:**

The following incentives and facilities are available to Indian consultancy organizations:

1. Consultancy services: exporters whose annual foreign exchange earnings by way of export of services are not less than Rs 5 lakhs, are eligible for foreign exchange facilities for business development, purchase of tender documents, payment of commission bid bonds etc.
2. In order to cover risks, ECGC has designed policies to cover specific transactions services exports.
3. Marketing Development Assistance is provided to consultancy organizations which are registered with FIEO for undertaking market studies opening of foreign offices, publicity campaigns and feasibility studies.
4. Under Section 80-O of the Income Tax Act, consultancy organizations are entitled to a deduction of up 50 per cent of the net foreign exchange earnings in computing total income.
5. EWIM bank has introduced a scheme under which deferred payment facilities are available from EXIM bank in respect of consultancy jobs to be undertaken from India.
6. Facilities are also available for bid preparation as per the details given above projects exports.
7. 100 percent income tax exemption on export profits from computer software.
8. Setting up a “Consultancy Trust Fund” of US $ 0.5 million with the World Bank to be utilized for engaging Indian consultants for World Bank financed projects.

**RBI gas simplified the export procedures to promote project exports as follows:**

1. Limit for clearance of proposals by the authorized dealers as well as Exim Bank has been revised upward.
2. Need for obtaining Pre-Bid clearance from authorized dealers/ Exim Bank for overseas Projects has been dispensed with.
3. Authorization to Authorized dealers/ Exim bank to clear the proposals involving bridge finance up to 25 per cent of the contract value.
4. Allowing exporters to maintain a single foreign currency account for more than one contract being executed abroad in the same country subject to conditions stipulated by authorized dealer/Exim Bank.
5. In case of third country purchases, it has now been decided that letters of credit may be established by any authorized dealer on back-to-back basis, subject to same terms and conditions.
6. Authorized dealers/Exim Bank Working Group may now consider and approve project export proposals/serve contracts abroad involving all types of guarantees required to be furnished in connection with execution of projects/contracts abroad.

OCI in consultation with the industry has evolved a Medium Term Export promotion Strategy paper which provides guidelines for future action. Apart from the above the OCI on its part is organizing meetings, conferences, workshops with a view to provide platform of interaction of all constituents of this sector. Besides OCI is also mounting trade delegations and organizing/participating in national and international exhibitions.