

**GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA**

STARRED QUESTION NO:85
ANSWERED ON:28.11.2011
NATIONAL MANUFACTURING POLICY
Adhalrao Patil Shri Shivaji;Kodikunnil Shri Suresh

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

- (a) whether the Government has approved the creation of National Investment and Manufacturing Zones (NIMZs) under the new National Manufacturing Policy (NMP);
- (b) if so, the salient features thereof alongwith the details of the mode of investment, the expected employment generation and increase in the Foreign Direct Investment inflow as a result thereof;
- (c) the benefits likely to accrue to the manufacturing industry as a result of this policy;
- (d) whether difference of opinion between the Ministries of Environment and Forests and of Labour and Employment over the proposed NMP have been resolved ; and
- (e) if so, the details thereof?

Answer

THE MINISTER OF COMMERCE & INDUSTRY (SHRI ANAND SHARMA)

(a) to (e) : A statement is laid on the table of the House.

STATEMENT REFERRED TO IN REPLY TO LOK SABHA STARRED QUESTION NO.85 FOR ANSWER ON 28TH NOVEMBER ,2011 NATIONAL MANUFACTURING POLICY.

(a) & (b): Yes Madam. National Investment and Manufacturing Zones (NIMZs) will be developed as integrated industrial townships with state-of-the art infrastructure and land use on the basis of zoning; clean and energy efficient technology; necessary social infrastructure; skill development facilities; etc., to provide a productive environment to persons transitioning from the primary sector to the secondary and tertiary sectors. An NIMZ would have an area of at least 5000 hectares in size. The State Governments will be responsible for selection of land suitable for development of the NIMZ. The land may constitute Government owned land; private lands falling within the proposed NIMZs; and land under existing industrial areas/estates/sick and defunct units including PSUs. NIMZs would be managed by Special Purpose Vehicles (SPVs) which would ensure master planning of the Zone; pre-clearances for setting up the industrial units to be located within the zone and undertake such other functions as specified in the various sections of this policy. To enable the NIMZ to function as a self governing and autonomous body, it will be declared by the State Government as an Industrial Township under Art 243 Q(c) of the Constitution.

The Central Government will bear the cost of master planning for the NIMZ. It will improve/provide external physical infrastructure linkages to the NIMZs through Public Private Partnerships (PPP) to the extent possible or else solely. Viability Gap Funding (VGF) through existing schemes would be provided for the purpose. Moreover, requisite budgetary provisions for creations of these linkages will also be made, wherever necessary. It is envisaged that the infrastructure development of the zone would mainly be undertaken by private developers. Keeping in view the long gestation periods and substantial lead time before income streams commence, appropriate financial support in the form of VGF under the Ministry of Finance 'open scheme for support to PPP in infrastructure', exploring of long term soft loans from multilateral financial institutions and permission to raise external commercial borrowings have been envisaged.

As envisaged in the objectives of the NMP, it is expected that the 100 million jobs will be created by the end of 2022 with the full implementation of this policy.

No specific targets in respect of Foreign Direct Investment (FDI) inflow have been envisaged in the policy. However, FDI in NIMZs would be allowed through automatic route for sectors which currently attracts FDI investments under automatic route.

(c): The Policy envisages creation of large integrated industrial townships in the form of NIMZs with state-of-the-art facilities and adequate infrastructure such as rail, road, ports, airports and telecom. The Special Purpose Vehicle (SPV) in NIMZs envisaged in the policy will function as a self governing and autonomous body in respect of important clearances such as environmental clearances and matters relating to labour laws including labour welfare. This will greatly help the industry in reducing the compliance burden while setting up new units. Further the industry would also be benefitted as the Central Government through its institutions and schemes will provide institutional infrastructure for productivity, quality, testing facilities, design capabilities, innovation and skill development within

the NIMZs. Incentives, in the form of tax concessions and government subsidies to industry, for indigenous development of technology, are also incorporated in the policy.

The following fiscal incentives have been incorporated in the policy for the manufacturing industry:

- i. Venture Capital Funds with a focus on SMEs in the manufacturing sector, will be granted tax pass-through status;
- ii. A separate fund will be created with the Small Industries Development Bank of India (SIDBI) using the shortfalls against MSE credit targets for commercial banks;
- iii. Rollover relief from long term Capital Gains Tax will be provided to individuals on sale of a residential property whenever such sale consideration is invested in the equity of new start-up SME company in the manufacturing sector for the purchase of new plant and machinery;
- iv. Liberalisation of banking norms for banks investing in Venture Capital Funds with a focus on SMEs in the manufacturing sector will be taken up in consultation with the RBI;
- v. Liberalisation of IRDA guidelines for insurance companies investing in Venture Capital Funds with a focus on SMEs in the manufacturing sector will be taken up in consultation with the IRDA;
- vi. Cost of placement cells in an ITI set up in a NMIZ will be provided by the Central Government for the first five years;
- vii. Polytechnics and SPV in NMIZ will be provided Viability Gap Funding by the Central Government for covering the capital costs as per VGF guidelines of the Ministry of Finance
- viii. The Government will provide weighted standard deduction of 150% of the expenditure incurred on PPP projects for skill development (such as private institutions, ITIs) in coordination with the National Skill Development Corporation;
- ix. All buildings with more than 2000 sq meter of built up area in a NMIZ which obtain green rating under the Indian Green Building Council (IGBC/LEED) or GRIHA systems will be eligible for an incentive of Rs 2 lakhs;
- x. Units practicing zero water discharge will be eligible for 10% one time capital subsidy on the relevant equipment/systems subject to actual usage for one year and third party certification;
- xi. The SMEs will be provided 25% of expenditure incurred on water audit subject to a maximum of Rs 1 lakh;
- xii. The SMEs will be provided 25% of expenditure incurred on environmental audit subject to a maximum of Rs 1 lakh;
- xiii. SMEs will be able to access the patent pool and/or part reimbursement of the technology acquisition costs upto a maximum of Rs 20 lakhs for the purpose of acquiring patented technologies; and
- xiv. incentives consisting of five percent interest reimbursement of the nominal interest charged by lending agency and ten percent capital subsidy will be provided for production of equipment/ machines/ devices for controlling pollution, reducing energy consumption and for water conservation out of the Technology Acquisition and Development Fund (TADF).

(d) & (e): Yes Madam. In the Group of Ministers' (GoM) meeting held on 14th October, 2011, it was decided that the Secretaries of the concerned Ministries will prepare an appropriate formulation to address the concerns raised by the Ministry of Labour & Employment and Ministry of Environment & Forests. The agreed formulation was duly approved by the GoM and suitably incorporated in the policy.