

## **CLUSTERING AND AGGREGATION: NATIONAL INVESTMENT AND MANUFACTURING ZONES**

The 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. These NIMZs would be managed by 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. In sum, the NIMZs would be large areas of developed land, with the requisite eco-system for promoting world class manufacturing activity. They would be different from SEZs in terms of size, level of infrastructure planning, and governance structures related to regulatory procedures and exit policies.

### **Land for NIMZs**

- (a) Size of land for NIMZ – An NIMZ would have an area of at least 5000 hectares in size.
- (b) Availability of land- The State Government will be responsible for selection of land suitable for development of the NIMZ including land acquisition if necessary. The land may constitute:
  - i. Government owned land;
  - ii. Private lands falling within the proposed NIMZ, to be acquired by the State Government;
  - iii. Land under existing industrial areas/estates/sick and defunct units including PSUs.

Guiding principles- Following guiding principles will be applied by the State Government for the purpose:

- i. Preferably in waste lands; infertile and dry lands not suitable for cultivation;
  - ii. Use of agricultural land to the minimum;
  - iii. All acquisition proceedings to specify a viable resettlement and rehabilitation plan;
  - iv. Reasonable access to basic resources like water;
  - v. It should not be within any ecologically sensitive area or closer than the minimum distance specified for such an area.
- (c) Ownership – It is left to the State Government to adopt a model that it considers most workable. It may:
    - i) Keep the ownership with state government itself;

- ii) transfer the ownership to a state government undertaking;
  - iii) Have joint ownership with a private partner;
  - iv) Adopt any other appropriate model.
- (d) Irrespective of the model adopted, the state government will ensure that the land can be mortgaged by the prospective allottees for securing financial assistance from banks/FIs.
  - (e) After identification of the land, it will be the responsibility of the state government to get the environmental impact study conducted for a prospective NIMZ. DIPP in consultation with Ministry of Environment & Forests will notify designated agencies for conducting the study.
  - (f) At least 30% of the total land area proposed for the NIMZ will be utilized for location of manufacturing units. The states may reserve a certain percentage of the land as appropriate, in a zone, for MSMEs.
  - (g) The State Government will bear the cost of the resettlement & rehabilitation package for the owners of acquired lands, if any. An arrangement to recover the costs could be put in place in collaboration with the SPV.

### **Administrative Structure for NIMZs**

The administrative structure of NIMZ will comprise of a Special Purpose Vehicle, a developer, State Government and the Central Government.

### **Special Purpose Vehicle (SPV):**

The Central Government shall, by notification in the Official Gazette, notify an NIMZ. An SPV will be constituted to exercise the powers conferred on, and discharge the functions assigned to it under this Policy to manage the affairs of the NIMZ. Every SPV shall be a legal entity by the name of the NIMZ. This SPV can be a company, including a Section 25 company depending upon the MOU between stakeholders.

### **Constitution of SPV**

Keeping in view the financial participation of different stakeholders (govt., public sector or private participants), an appropriate financial and administrative structure of the SPV will be agreed to among different stakeholders giving due representation to nominees of different stakeholders on the Board of SPV. The CEO of the SPV will be a senior Central/State government official. The SPV will include an official/expert conversant with the work relating to pollution control/environmental protection. There shall be a provision to have a suitable representation of the allottees and subsequently the industrial units.

### **Functions of SPV**

Each SPV will undertake such tasks/measures as it thinks fit for the development, growth, operation and management of the NIMZ. These tasks/measures will include:

1. Master planning of the Zone.

2. Preparation of a strategy for development of the Zone and an action plan for self regulation to serve the purpose of the policy. These shall be submitted to the Board of Approval.
3. Selection of Developer/Co-developers for the development and maintenance of infrastructure internal to the NIMZ;
4. Formulation of rules and procedures for development, operation, regulation and management of the NIMZ;
5. Enforcement of the above rules and Master Plan;
6. Obtaining prior environmental clearance under the provisions of EIA Notification 2006, if the area is more than 500 ha and the clearances under the Air and Water Act as applicable to an individual unit, which clearances would be expedited / facilitated by SPV.
7. Working out an arrangement with the State Government regarding revenue streams including levy of user or service charges or fees or rent for the use of infrastructure/properties in the NIMZ and creation of specific mechanisms for specialized services. As far as possible, land to manufacturing industry will be provided on land cost plus development charge basis with the option of payment in installments. Workers' housing will be provided at reasonable rates with cross subsidization from high end residential/commercial areas, if necessary.
8. Promotion of investment, both foreign and domestic, into the NIMZ;
9. Implementation of Resettlement & Rehabilitation package;
10. Any other function as may be decided mutually between state government and other stakeholders.

### **Developer**

SPV can take up the work of development on its own through various agencies/contractors or take up the development in partnership with a developer who shall be selected through a transparent process. Development can be in stages.

### **State Government:**

#### **Water Requirement**

In keeping with the overall master plan, the SPV will work out the requirement of water both for industrial and housing activities. The state government, as far as possible, will allocate surface water from sources from which it would be viable to draw water for the NIMZ. The NIMZ would be enabled to have/own facilities for tapping/extraction, treatment and distribution of water. There should be a long term agreement with SPV on water rate payable on raw water linked to WPI or any other suitable index.

**Power connectivity** – The generation, transmission and distribution of electricity in NIMZ will be facilitated as follows:

- i. State Government will facilitate the creation of captive power plants by Private Players (including the SPV of the NIMZ) with full authority for generation, transmission and distribution. The units will also be allowed to seek open access as per the regulations of the State Electricity Regulatory Commission;
- ii. The SPV or its agent, for the NIMZ shall be deemed to have license to supply electricity and develop the distribution network for the same and shall be deemed to be a licensee under section 14 of Electricity Act, 2003;
- iii. The SPV or its agent will have an option to purchase electricity for NIMZ from any State Electricity Company/Corporation or any other generator of electricity including Central PSU.

**Infrastructure linkages** -

The State Government, applying for NIMZ, will ensure that after notifying the area, all physical infrastructure and utilities linkages under its jurisdiction are provided within one year from the date of notification failing which the NIMZ may be denotified.

**Any other functions** as mentioned in specific sections of this policy.

**Central Government:** The Department of Industrial Policy and Promotion will act as the nodal agency for the central government in matters pertaining to the NIMZs.

The application for setting-up of NIMZ will be forwarded by the state to the DIPP for approval. DIPP will constitute a Board of Approval, which will consider all applications for establishment of NIMZs and approve such proposals as are found feasible. Each NIMZ will be notified separately by DIPP.

In case an amendment is required to the concept and design of the project, as encapsulated in the preliminary project report submitted by the State Government, the same will be considered by the Board of Approval.

**Role:**

- i. The Central Government will bear the cost of master planning for the NIMZ;
- ii. The Central Government will improve / provide external physical infrastructure linkages to the NIMZs including Rail, Road (National Highways), Ports, Airports, and Telecom, in a time bound manner. This infrastructure will be created / upgraded through Public Private Partnerships to the extent possible. Viability Gap Funding through existing schemes will be provided. Wherever necessary, requisite budgetary provisions for creation of these linkages will also be made;
- iii. The Central Government through its institutions and schemes will provide institutional infrastructure for productivity, quality (testing facilities etc.) and design capabilities, encouraging innovation and skill development within the NIMZ;
- iv. The Central Government will undertake, along with the State Government concerned, the promotion of domestic as well as global investments in NIMZs;
- v. Any other role as mentioned in specific sections of this policy.

## **Funding of internal infrastructure in an NIMZ**

Infrastructure development in an NIMZ would require large investments which cannot be drawn solely from public financing. Such projects have long gestation periods and substantial lead time before income streams commence. While latent demand may exist for the zone, its actual materialization will take place only when the infrastructure projects have been implemented and technical tie-ups have been made. It is envisaged that the infrastructure development of the zone will in a large number of cases be undertaken by private developers. Given the afore-stated nature of this activity, there is a need to provide appropriate financial support/incentives to the developers.

### **For this purpose:**

- i) Viability Gap Funding (VGF): Under the Ministry of Finance Scheme for Support to Public Private Partnerships in Infrastructure' in the form of capital grant at the stage of project construction will be given as per the VGF guidelines. The total Viability Gap Funding under this scheme shall not exceed twenty percent of the total project cost. Additionally, the State Government or its agencies may also provide funding out of their budget as may be feasible.
- ii) Long term soft loans from multilateral financial institutions: Soft loans from multilateral institutions will be explored for funding infrastructure development in NIMZ. Assistance would be provided for negotiating non-sovereign multilateral loans by providing back-to-back support, if necessary.
- iii) External Commercial Borrowings: The developers of NIMZs will be allowed to raise ECBs for developing the internal infrastructure of the NIMZs.