

GUIDELINES FOR DEVELOPMENT OF SPECIAL ECONOMIC ZONES (SEZs)

1. BACKGROUND:

India was one of the first in Asia to recognize the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced in the EPZ format, a Special Economic Zones (SEZs) Policy was announced in April 2000. The policy intended to make SEZs an engine for economic growth. SEZs in India functioned from 1.11.2000 to 09.02.2006 under the provisions of the Foreign Trade Policy and fiscal incentives were made effective through the provisions of relevant statutes. To instill confidence in investors and signal the Government's commitment to a stable SEZ policy regime, a comprehensive Special Economic Zone legislation was enacted June 2005, which came into effect on 10th February, 2006. The response to the Scheme has been overwhelming. In short span of about three years since SEZ Act and Rules were notified in February, 2006, formal approvals have been granted for setting up of 578 SEZs out of which 340 have been notified. Out of the total employment provided to 4,18,129 persons in SEZs as a whole 2,83,425 persons is incremental employment generated after February, 2006 when the SEZ Act has come into force. Physical exports from the SEZs have increased from Rs.66,638 crore in 2007-08 to Rs.99,689 crore in 2008-09, registering a growth of 50%. There has been overall growth of export of 620% over past five years (2003-04). The exports during the first two quarters of the current financial year (2009-10) has been to the tune of Rs.89,750 crores (approx.)

Keeping in view the fact that a number of approved Special Economic Zones are at various stages of implementation and based on experience gained so far, formulation of certain broad guidelines to govern the development of SEZs has been considered appropriate to ensure environmentally sustainable well planned development of the SEZs.

2. SITE IDENTIFICATION, LAND ACQUISITION AND R&R:

The provisions of the Land Acquisition Act and the Resettlement and Rehabilitation Policy as framed by the Ministry of Rural Development will be applicable for acquisition of land for SEZ also.

However, while identifying the location for setting up of Special Economic Zones, the promoter may keep in view the following aspects:

- (i) As far as possible, SEZs may be located outside an urban agglomeration/municipal limit.
- (ii) Sufficient land and water resources for the population envisaged in the SEZs should be available.
- (iii) Cultivable land should be considered only if adequate quantum of other land is not available. First preference should be for acquisition of waste and barren land, followed by single crop land and double crop land necessary to meet the contiguity requirements.
- (iv) Site shall have potential for development as a self-contained entity along with environmental sustainability.
- (v) As far as possible SEZs shall be self-contained with respect to basic facilities and requirements.

- (vi) The developer may also strive to create facilities such as industrial training centres, ITIs, vocational training programmes and other such community development programmes for the benefit of the people impacted by the establishment of the Zone in association with the Government or Non-Governmental agencies as considered appropriate.

3. DEVELOPMENT PLAN FOR SEZ:

3.1 The Developer of the SEZ shall make a Development Plan, keeping in view the following aspects:

- (i) Site analysis and assessment of physical and natural resources.
- (ii) Broad spatial plan showing land use pattern, road and other infrastructure.
- (iii) Activity nodes for location of industrial, commercial, trade and commerce and other employment generating activities serving as nucleus for development around which other activities are likely to come up.
- (iv) Sectoral infrastructure plan, including fast track and efficient linkages/provision of transportation with the mother city and other urban centres of the region.
- (v) Development Plan for SEZ be prepared with a perspective of 20-25 years and shall be broken up into short term Action Plans of five years each.
- (vi) The plans need to be adequately backed by investments plans/programmes for infrastructure to be implemented in a phased manner.
- (vii) Planning of SEZs may adopt different kind of development low-rise and low-density development or high rise, medium density or high-rise and high-density urban form depending on the availability of land requirement of the operating units.
- (viii) Developers of the SEZs would strive to address environmental aspects as prescribed by law, planned green areas, ground water recharging areas and disaster mitigation aspects.

3.2 Role of State Government: SEZs may be located in a regulated or any non-regulated area. For a SEZ falling within the regulated area, the State Government may constitute an Empowered Committee under the Chairmanship of Chief Secretary and consisting of representatives from various Ministries/Departments to prepare the guidelines for the development of Special Economic Zone with regard to land usage, floor space level, environmental provisions, safety measures and such other matters as may be required. It may also ensure compliance of the approved master plan and may approve any modification in the plan if required by the Developer and provide the guiding principles for town planning and urban development standards to be implemented by the developer.

In case of SEZ falling in a non-regulated area, the master plan should conform to the overall urban development guidelines, if there are none by the State Government.

- A. The authority for approving the building plans may be delegated to the Approval Committee of the Zone headed by the Development Commissioner. The Committee will also have nominee of the concerned Department of the State

Government to ensure compliance to the policy of the State Government on the subject.

- B. Telecommunications: A Zone 'should' have optical fibre connectivity to provide state-of-the-art high speed communication link for audio and video to the users in the zone. There should be a video conferencing facility in the office of the Developer and the DC in the Zone which should be operational for use by the DC for reviews as well as for meeting with the State Government Departments/Central Government Departments as well as investors.
- C. Housing: Five per cent of the total area should be used for constructing low cost housing and dormitories in all SEZs of a size of 100 hectares or more. In case of a SEZ of a size of less than 100 hectares, developers should provide low cost housing /dormitories to the employees depending upon the need of the SEZ as per the National Urban Housing Policy 2007. Developer should rent out these houses to the employees of units. The units could take these houses on long-term lease for renting out to their employees. The housing facilities created in the non-processing area could also be allowed to be used by persons who are working for establishment relating to SEZ developers, units and or are users of infrastructure facilities created in the SEZ. In case a unit, having houses on long lease closes down, these can be transferred to other working units or the developer.

Proper space for street vendors in the commercial areas shall be provided keeping in view the National Policy on Urban Street Vendors, 2009.

- D. Mass Transportation: Developer should provide mass transportation facilities in the Zone. The State Government should provide appropriate connectivity for mass transportation from the nearby towns to the Zone and the Developer should take appropriate steps for the same.

3.3 The Master Plan approval should be granted by the State Government on a time bound basis within 45 days of submission of Draft Master Plan related documents. This would include clearance from the land ceiling provisions. For this purpose, the guidelines circulated by the Department of Commerce vide letter No:H.5/3/2007-EPZ dated 24.1.2008 to the State Governments on creation of Empowered Committee for granting all kinds of State Government's approval may be kept in view.

4. PHYSICAL INFRASTRUCTURE:

- (i). External Connectivity: External connectivity for SEZs being critical to the success of the SEZ, State Governments should evolve a development plan and create adequate external infrastructure for the SEZs on a time bound basis.
- (ii). Water Supply: There should be planning for adequate provision for water supply to meet both residential and non-residential demand of water. Best practices should be adopted for conservation and recycling of water. The Zone should be adequate facilities for rain water harvesting. If water is drawn in bulk from an existing water supply system, the storage reservoir may suitably be sited.

- (iii). Drainage: The drainage system should be designed based on the soil conditions, ie. Water absorption capacity of the soil, area of open spaces and other non-residential uses. The storm water drainage system shall be designed keeping in view the historical rainfall intensity of the area.
- (iv). Sewerage: Adequate and appropriate sewerage system should be put in place by the SEZ developer in accordance with the developmental plan. Sewerage treatment plant facilities may be provided for the SEZ as a whole. The prevailing wind direction should also be considered while orienting the development in the pockets adjoining treatment plant. For pockets adjoining sewerage treatment plants, think clusters of trees should be planted to act as a buffer.
- (v). Solid Waste management: Properly designed enclosures at suitable places in the SEZ should be provided for depositing segregated solid waste. Appropriate landfill sites away from the SEZ should be earmarked.
- (vi). Power Supply: It would be appropriate that the SEZ is self-dependent on power supply and the SEZs should be able to provide 7 x24 hours uninterrupted quality power supply. It would be desirable for Developer to undertake distribution of power either on its own or through a Co-Developer and source power from power plants located in other SEZs or set up a captive power plant.
- (vii) Medical & Food Facilities: Developers shall provide appropriate medical facilities in the zone for use by the residents & employees. Developers should also provide low cost food facilities for workers living in dormitories.
- (viii) Training and Manpower: The developer shall be responsible for setting up technical education facilities on need basis in non processing area which will include Polytechnics, courses for higher education as well as facilities for evening classes for the nearby areas of each Zone to provide qualified manpower in the units coming up in the Zone.
- (ix) Regional Development: SEZs being centres for economic activity, will have the influence of developing township around it. State Government therefore should look at the development of the area around the Zone in a planned manner in particular for SEZs around which there is no commercial or industrial activity. Developers will work with the State Government to achieve the same objective.

5. Priority to Small Scale Units in SEZ:

Setting up of “Small Scale Units” as defined under the Micro, Small and Medium Enterprises Development Act, 2006, in the SEZs, should be encouraged. Accordingly the SEZ developers should make a conscious attempt to bring small scale units in the SEZs. Development Commissioners of the Central Government SEZs should ensure that preference is given to the

small scale units while allotting space in the SEZs. Similarly in respect of other SEZs also the SEZ developer should give a preference to the SSI units while allotting space in the SEZs.

DCs of the IT/ITES SEZs may ensure that the IT/ITES SEZs are advised to set up incubators of size of minimum 200 seats.

DCs will review the same in the meeting of UAC each month.

6. Industrial Township:

State Government should take appropriate steps to declare the SEZs as industrial townships under Article 243 Q of the Constitution with appropriate governing body giving suitable representation to the SEZ developer, units and SEZ residents.

7. General:

The developer and State Government should take a long term view for developing infrastructure facilities within the Zone, particularly in case of multi-sector SEZs.
