

**Department of Industrial Policy & Promotion**  
**Office of the Economic Adviser**

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**Subject: - Strategic Plan for the Department of Industrial Policy and Promotion**

Department of Industrial Policy & Promotion (DIPP) primarily concerns with formulation of industrial policy and facilitating improved industrial performance. The economic reforms since 1991 has led to a paradigm shift in both the industrial policy framework and the key drivers of industrial growth. Industrial licensing and capacity regulations has generally been abolished and the role of private corporate sector has substantially been enhanced. There has, therefore, been a shift in policy stand from commands and controls to identify constraints and find solution in a collaborative way. DIPP has reoriented itself in this changed scenario for a sustained industrial performance.

**Section 1: Vision, Mission, Objectives and Functions of the Department**

1.1 Indian economy has also witnessed a structural shift over the years. While there has been a sharp decline in the share of agriculture from 43.1% during 1950-92 to around 15% in 2009-10, the share of industry has only increased from 22% (1950-92) to 26%. The share of manufacturing has generally remained sticky in the post reform period. The increase in the growth of services, while being sustained over last twenty years, however may not be able to provide the required acceleration in the overall GDP growth.

1.2 The DIPP, as a nodal Department for Industrial Policy and Promotion, therefore, aims at creating conducive environment to accelerate growth of industries to a sustained double digit level. The Department, therefore, needs to conceive policies that would improve the share of manufacturing in GDP from existing around 16% to a minimum

of 20% in 2016-17 (over the next five years). The current data indicates that while it will continue to be a difficult task, none the less it is feasible.

1.3 There has also been a structural shift in the Indian industry particularly in the manufacturing sector. This sector has indeed shown resilience to compete in the global market. A sharp recovery of the manufacturing sector in India in 2009-10, despite a global recessionary trends indicate that a medium to long term growth of over 10 per cent in manufacturing could be achieved with proper policy support. Long term manufacturing trends also indicate that in the post reform period, after some initial hick ups, output and employment has shown a continuous growth. Total number of persons engaged in organized manufacturing which had declined to 7.8 million persons in 2001-02, from a level of 10.2 million in 1995-96, increased to 11.3 million in 2008-09, showing a U shaped recovery. (Figure 1 in Annex) This is now getting reflected into the skill gaps.

1.4 The two factors that will critically affect the manufacturing growth rate are the levels of investments and technology. India's investment GDP ratio has continuously been increasing. It crossed 30% mark for the first time in 2004-05. The domestic savings however, has generally been inadequate to meet the investment requirements. The Department as the nodal department for formulating the foreign investment policy, therefore, also aims at improving India's global share in FDI. This department has a vision to increase India's share in global FDI from 1.3% in 2007 to 5% by 2016-17. India has already emerged as one of the most preferred destinations for foreign investment and this eminent position will need to be sustained. Since in a globalised economy manufacturers have the choice to locate in any part of the world to get a competitive advantage, DIPP will aim at sustaining this "preferred location" status for India.

1.5 In view these, three most important goals that are set for the next five years (2012-2017) are:

1. Achieve a sustained double digit growth of the manufacturing sector and to increase the share of manufacturing in GDP to 20% by 2017 and 25% by 2022.
2. To increase FDI inflows to India by improving its global share from 1.3% in 2007 to 5% by 2017.
3. To encourage creation of intellectual property by streamlining the procedure of filing, examining and granting of intellectual property rights.

1.6 Consistent with these mission goals, the objectives of DIPP have been identified as under:

### **Objectives**

1. To accelerate industrial growth by providing financial, infrastructural and other support.
2. To facilitate foreign investment in industries and coordinate faster implementation of investment approvals.
3. To facilitate development of industries in North East and other special category States.
4. To improve intellectual property regime consistent with our international commitments and increase output and efficiency in Trade Mark and Patent Offices.
5. To create a sound information base of macroeconomic indicators of production and prices
6. To initiate measures towards procedural changes to make functioning of the Department more transparent and responsive.

## **Functions**

1. Formulation and implementation of industrial policy and administration of Industries (Development & Regulation) Act, 1951.
2. Monitoring and stimulation of industrial growth in general and performance of industries specifically assigned to DIPP.
3. Promotion of industrial development in North East and special category states of J &K, Himachal Pradesh and Uttarakhand through appropriate incentives.
4. Formulation of Foreign Direct Investment Policy and promotion and facilitation of direct foreign and non-resident investments in industrial and service projects.
5. Association as nodal department for investment related issues in Bilateral/Regional Economic Cooperation Agreements.
6. Formulation of policies relating to Intellectual Property Rights in the field of Patents, Trade Marks, Industrial Design and Geographic Indication of Goods and administration of regulations and rules under IPR.
7. Compilation of Wholesale Price Index and monthly industrial production statistics for use in construction of Index of Industrial Production.

## **Section 2: Assessment of situation**

2.1 The key drivers for manufacturing competitiveness are a combination of primary drivers (labour, raw materials and energy), contributing drivers (physical infrastructure, fiscal & monetary policy and its legal and regulatory system) and local factors (supplier's net work, local business environment, size of the market and the quality of social infrastructure). Government policies directly or indirectly affect all these three drivers.

## **2A: External Factors**

2.2 The achievement of goals of industrial development as indicated above considerably depends on external factors, important among them are the following:-

- i) The Indian economy has substantially integrated itself with the world. As per the CMIE's data base, the share of exports (forex earning) in the total sales of the corporate sector engaged in manufacturing in India has increased from 4.4 per cent in 1990 to 16.3 per cent in 2008-09. The industrial performance, therefore, considerably depends on the external economic environment and GDP growth in other countries. (Annex Table 1)
- ii) As in the case of the exports, the manufacturing sector is also depending to a considerable extent on import of capital goods, raw materials, intermediates and even finished products. The share of imports (forex spending) of Indian manufacturing sector has increased from 11.3 per cent in 1990-91 to 32.8 per cent in 2008-09. (Annex Table 2)
- iii) In an economy getting increasingly integrated, the domestic interest rates, inflation and exchange rates significantly affect the industrial production. High interest rates relative to other countries and an appreciating rupee considerably influence the domestic production through the impact on various sectors may not be uniform
- iv) The new insights on manufacturing competitiveness indicate that the innovation and technologies would be the critical factor for gaining and sustaining manufacturing competitiveness. In technology, besides availability and the institutional system of

accessing it, important thing is also of acquiring and assimilating it in the production process. This also requires skill development. The Indian industry is currently facing significant skill shortages, and skill mismatch. The National Skill Development Corporation (NSDC) has identified skill gaps of 240 to 250 million persons in different industry groups (Annex Table 3). The PM's Council on Skill Development has a mission of creating additional 500 million skilled persons by 2022.

- v) Infrastructural availability is one of the contributing factors for manufacturing growth. Availability of infrastructure, which is largely nontradeable, and its cost are critical for the manufacturing sector. The broad sectoral requirements of funds for infrastructure (assuming increase in requirement between 11<sup>th</sup> and 12<sup>th</sup> Year Plan at the same rate) could be around US \$ 1100-1200 billion. Assuming that around 10% of the GDP would get allocated to the infrastructure sector, the average annual gap in the availability of domestic resources and requirements of funds for infrastructure could be between US\$ 20 to 30 billion each year. Related to the infrastructure is an issue of environment. A judicious approach needs to be evolved for industrial development which at the same time is environmentally sustainable.

## **2B: DIPP's Stakeholders**

2.3 There are multiple stakeholders for industrial development. Industries are not only the producers of real sector goods but are also users of raw materials, labour, infrastructure and other services. Their activities affect all sectors and they in turn are affected by the developments in other areas. However, broadly the stakeholders for the DIPP could be grouped as under:

**Stakeholders Analysis – their power and stake**

<b>Group/Individuals</b>	<b>Power</b>		<b>Stake</b>	
	<b>How can they help us</b>	<b>How can they block us</b>	<b>What would they want from us</b>	<b>What do we want from them</b>
Industries	Contributing to production growth and being competitive	While industry would also like the growth, their inactions may affect it adversely.	Enabling policy environment and support at global forums.	Efficient operation, affirmative action and socially responsive behaviour
Financial Institutions	Providing credit support, independent appraisal of projects	Delayed disbursement, higher cost, limited support to innovative projects	Credible information	Transparent procedure and efficient handling of projects
Skill Developers	Industry specific skills training, development of relevant and marketable skills	Outdated courses, skill mis match	Policy environment, proper incentive structure	Responsive to industry needs and a wider coverage
Research Institutions	Product innovation	Delay and lack of coordination with user industries	conducive environment, incentive structure	Understanding of shifts in demand, creating intellectual property
Infrastructure Providers	Improved availability and competitive cost	Gaps in supplies, high cost, delays in projects.	Conducive environment, incentive structure, financial availability, transparent regulatory infrastructure	Timely completion of projects, no cost over runs
States/Local Bodies	Providing land and other infrastructure, environmental clearances.	Multiplicity of agencies could cause delays	Industry to be sensitive to local needs and aspirations	Single window clearances, quick response
Community	Supporting the industries		Sensitive to local needs/aspirations	supportive

## **2 C: DIPP's Strengths and Weaknesses**

2.4 The DIPP is a catalyst and a facilitator. Its major strength lies in its ability to facilitate industries and effectively articulate their concerns. By formulating industrial policies in a collaborative way, the Department takes on board the industries and their concerns.

2.5 Nearly 20 years of working in an environment which has witnessed near complete elimination of capacity licensing and industrial reforms, DIPP has reoriented itself to support industries. Its greatest strength lies in its acceptability by the industry and industry associations as investor friendly and supportive to the growth of manufacturing. The Department has close interactions with the Ministries/Departments in the Union and States, Multilateral Agencies, Bilateral G to G and B to B interactions to safeguard domestic industry interests.

2.6 DIPP is not a department which looks at the regulations or regulatory mandate as its strengths. Nor does it look at its limited plan size as its weakness. Overall resource availability with industry is far greater than even a significant increase in its plan resources could be considered. Yet, with limited resources, the Department provides either the bridge resources or support to the industries in special category states to achieve higher industrialization.

2.7 DIPP is the single most important source of information on economic parameters on prices, production and investment. Credible information flow and its dissemination provide it with added strength. The e-biz portal, which the Department has developed will also provide all such information that a potential investor needs to reduce the uncertainties resulting in better preparation of investment proposals.

## **2D: What DIPP needs to learn and how?**

2.8 DIPP needs to learn four critical things. First, it should learn how to coordinate among various stakeholders. Second, it should learn to become an effective catalyst for industrial development and come out with acceptable solutions to various industry issues. Third, DIPP should learn to strengthen its information base. The strengthening of information base relate not only to the industry specific information of production, prices, technology and competitiveness position but also the ones which cuts across industries. Fourth, it should learn and develop a seamless system of providing access to the information, procedures relating to what could broadly be referred as “doing business” or business perceptions including facilitating industry to use this platform to reduce its transaction costs.

## **Section 3: Outline of Strategy**

### **3A: What are potential strategies?**

3.1 Development strategy proposed for the Department is consistent with its objectives and in line with the aspirations of the stakeholders. It has also been formulated on the basis of the critical assessment of the strength and weaknesses of the department and the opportunities and challenges facing the Indian manufacturing sector. These are based on the series of discussions with the Department in consultation with stakeholders. The important initiatives are outlined in subsequent paragraphs.

### **To accelerate industrial growth by providing financial, infrastructural and other support**

3.2 **Strategic initiative 1:** DIPP has already prepared a discussion paper formulating a new manufacturing policy, which has identified

critical interventions that are required for sustaining/accelerating the manufacturing growth. It would be the endeavor of the Department to have the new manufacturing policy implemented expeditiously. Within the broad contours of the manufacturing policy, the Department would undertake studies to understand the industry specific concerns. Industrial policy requires reconciliation of the interests of many interacting sectors within the industry. The promotion of capital goods industry needs to take into consideration the concerns of the user industries. A Note on Capital Goods, particularly from the point regulating the import of secondhand capital goods has already been prepared with wider stakeholders' consultation. That is also true of industries in different stages of processing, basic goods, intermediates and final products. The right balance would require continuous consultations with both pan industry and industry specific associations. The consultations also need to involve the other stake holders such as labour, land owners and environment protection.

3.3 DIPP has certain assigned industries, such as, leather, cement and construction, light engineering, paper, consumer durables, FMCG, rubber, plastic, explosives. It is also the nodal department for all such industries which are not assigned to any other Department. DIPP would undertake comprehensive studies to understand strengths and weaknesses of these industries, the threats which these industries face and the opportunities for them. Planning Commission has already identified three industries covering cement, leather and paper for identifying the policy support. DIPP will start sequentially beginning with these industries to identify the policy support that may be needed for its assigned industries.

3.4 Besides investment, the other two most important factors that would be required for sustaining industrial competitiveness are skill development and availability of adequate infrastructure at affordable

cost. While most of these activities are in the domain of other departments, the DIPP would coordinate with other stake holders, Ministries and Departments so that competitiveness of Indian manufacturing is sustained. DIPP also implements a scheme for upgradation of industrial infrastructure in select industry clusters. Compared to the overall infrastructure requirements, this scheme is kind of only a token support, improvement in cluster selection and its proper implementation would continue to be DIPP's priority. The scheme would continue to provide infrastructure support in identified clusters.

**3.5 Strategic initiative 2:** Domestic industry also needs safeguarding their interests against dumping, non tariff barriers and other discriminatory practices. These are dynamic issues and require constant dialogue and fine tuning of possible options. DIPP in consultation with industry and through its own industry specific studies pursue this objective.

**3.6 Strategic initiative 3:** The scorching pace of urbanization is another major challenge facing the country in the coming decades. DIPP is taking the concept of urbanization as the engine of manufacturing growth by developing the Delhi Mumbai Industrial Corridor (DMIC) as a global manufacturing and investment destination utilizing the high capacity 1483 km long western Dedicated railway Freight Corridor (DFC) as the backbone. It aims at developing futuristic industrial cities in India on a global scale. In Phase I of the Project, to coincide with the completion of the DFC in 2012, six Investment Regions of more than 200 sq km each and six industrial areas of about 100 sq km (one in each State) have been identified for development as given below:

#### Short listed Investment Regions

- Dadri-Noida-Ghaziabad Investment Region in Uttar Pradesh

- Manesar-Bawal Investment Region in Haryana
- Khushkhera-Bhiwadi-Neemrana Investment Region in Rajasthan
- Pitampur-Dhar-Mhow Investment region in Madhya Pradesh
- Bharuch-Dahej Investment Region in Gujarat
- Igatpuri-Nashik-Sinnar Investment Region in Maharashtra as General Manufacutirng Investment Region;

#### Short listed Industrial Areas

- Meerut-Muzaffarnagar Industrial area in Uttar Pradesh;
- Faridabad-Palwal Industrial Area in Haryana;
- Jaipur-Dausa Industrial Area in Rajasthan;
- Neemuch Industrial Area in Madhya Pradesh
- Vadodara-Ankleshwar Industrial Area in Gujarat,
- Alewadi/Dighi in Maharashtra

### **To facilitate foreign investment in industries and coordinate faster implementation of investment approvals**

3.7 **Strategic initiative 4:** DIPP is the nodal department for formulation of policy with regard to the foreign direct investment. It would be its endeavor to maintain India's position as one of the most preferred destination for foreign investment. The department would, therefore, continue to maintain a transparent policy regime and would update on a regular basis the Manual of Policies. DIPP releases a manual of policies as a single document covering all the previous Press Notes and provide all details on FDI policy to facilitate investment. The manual would be updated twice a year and would be released on 30<sup>th</sup> September and 31<sup>st</sup> March. It will continue to obtain regular feedback on policies through interaction with industry and industry associations and global investors. Department initiated a process of preparing a concept paper

on FDI issues for a more responsive policy regime. These discussion papers have facilitated taking on board the views of the stake holders.

3.8 The DIPP would strengthen the “invest India” initiative of having direct interface with the investors. It will continue to have G2G and B2B meetings at multilateral and bilateral levels and contact potential investors to understand their concerns.

3.9 **Strategic initiative 5:** For improving the access under the National e-governance Plan, DIPP has set up an e-biz project on a mission mode. The e-biz portal will be a single window service for the end users. It will provide major services to the end users covering the life cycle of their business operations. Set up under public private mode, the pilot phase of the project covers 9 Ministries/Departments of the Central Government and 5 States and provides 29 services. More and more services would be added to this portal to provide end users with an easy access to the services of the Centre, State and local governments for their business related needs. The coverage of the project will be extended to all States and Districts across all India in a phased manner in next 10 years.

### **To facilitate development of industries in North East and other special category States**

3.10 **Strategic initiative 6:** For accelerating industrial development in the entire North Eastern Region (NER), DIPP had launched an Industrial Policy in December 1997. In order to stabilize the existing investments and to attract new investment in NER, NEIP, 1997 was revised and the new ‘**North East Industrial and Investment Promotion Policy (NEIIPP), 2007**’ was notified on 1.4.2007. Under this scheme, benefits are available to new industrial units as well as existing industrial unit on their substantial expansion, for a period of 10 years from the date of

commencement of commercial production. North Eastern Development Finance Corporation (NEDFi), Guwahati has been designed as the nodal agency for disbursement of various subsidies. A midterm review of the policy would be undertaken in 2012 for any correction that may be necessary.

3.11 DIPP also implements similar industrial development packages of special category states of Uttarakhand, Himachal Pradesh and Jammu and Kashmir. These packages have a short residual life as of today. Department is already planning impact assessment of the interventions so as to identify appropriate policy interventions for development of industries in these areas.

3.12 The Transport Subsidy Scheme (TSS) was introduced in 1971 to promote industrialization in remote, hilly and inaccessible areas of the country. The scheme is applicable to the States of Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland, Sikkim, Tripura, Himachal Pradesh, Jammu & Kashmir, Union Territories of Andaman & Nicobar Islands, Lakshadweep; the hilly districts of Uttar Pradesh now forming part of Uttarakhand and the Darjeeling District of West Bengal. The scheme was evaluated by CAG and Deloitte. The findings of the evaluation report of the independent agency Deloitte, who submitted their report in December 2009, underscore that, while the scheme has been able to stimulate industrial growth by encouraging outside entrepreneurs to invest in the target States, the benefit of the scheme has not really led to proliferation of industrial units and also has not percolated to the local people of the region. It is felt that in order to give a further boost to the industrialization process in the States concerned, the scheme needs to be continued with necessary modifications to provide adequate safeguards to prevent possible leakages and misuse, and also to preserve the fragile ecological balance of the North-East and other hilly and remote areas. DIPP has prepared a

Note with wider consultation for further improving the efficacy of the policy.

## **To improve intellectual property regime consistent with our international commitments and increase output and efficiency in Trade Mark and Patent Offices**

3.13 **Strategic initiative 7:** DIPP is the controlling department for intellectual property regime. Department has taken several initiatives to modernize and streamline the intellectual property administration in the country in view of its strategic significance. In the context of globalization and liberalization of the economy and increasing thrust on innovations and creativity, intellectual property has assumed a greater significance. Procedural simplification, ease of filing IPRs, quicker registration of the intellectual property and ensured protection are the areas that would have focused attention of the Department. The e-filing facility for IPR has already been established. DIPP through the National Institute of Intellectual Property Management has also been creating awareness among many IP right holders of the benefits registration and educating general public about IPRs. It will continue to sensitize the enforcement agencies so that intellectual property is fully protected. The patent information system, which maintains a comprehensive collection of patent classifications and patent related literature on worldwide basis, is proposed to be further strengthened. The Department has already initiated a process of outsourcing prior art search. The digitization of IP records is in process and after the completion of the backlog of records it will be maintained fully updated on a real time basis.

3.14. DIPP will initiate a process of classifying all intellectual property records in an appropriate classification so that industry is fully aware of the intellectual property, its specific sector so that they can engage in an

effective way in developing, accessing, assessing and acquiring new technology. The current classification system is too aggregative.

**To create a sound information base of macroeconomic indicators of production and prices**

3.15 **Strategic initiative 8:** DIPP is one of the major Departments for generating important macro data on prices and production. Timely dissemination of quality information would continue to remain a priority for the Department. It released the Wholesale Prices Index with 2004-05 as the base on September 14, 2010. DIPP plans to compile a new Stage of Processing Index, which would more realistically indicate the cost escalations at different stages of production. The new index is proposed to be launched during the 12<sup>th</sup> Five Year Plan period and would run concurrent with WPI. DIPP is also in the process of compiling a set of Service Price Indices. The new set of price indices would help in better estimation of GDP, Investment and other macro parameters.

3.16 DIPP is also a major source of data for compilation of the Index of Industrial Production (IIP). It gets monthly production returns from all IDR units. Though the submission of these returns is mandatory, there has not been proper monitoring of these returns, other than for the products which are covered in the IIP basket. In the next five years, DIPP would compile all such monthly production returns, starting with the bigger units.

**To initiate measures towards procedural changes to make functioning of the Department more transparent and responsive**

3.17 **Strategic initiative 9:** In skill development, DIPP visualizes its role essentially in two ways. In the first place, it would coordinate with

industry associations about updating on a regular basis the skill sets that are needed. DIPP will also make an attempt to identify an association or dominant private sector players in identified employment intensive sectors in designing appropriate curriculum and an accreditation system. Industry is getting involved in creating training infrastructure. Experiences of CII member companies who have adopted ITIs indicate a strong need of handholding. Though it has been a slow process, the key is to persist. In the second place, as the Industry Associations have already prepared a Voluntary Code of Conduct (VCC), DIPP would make efforts so that in a phased manner, VCC is extended to all establishments with a threshold level of employment.

### **3B: Engagement with stakeholders**

3.18 Department of Industrial Policy & Promotion (DIPP) interacts with a variety of stakeholders including the Departments in the Ministries of India, State Governments, premier Industry Associations (pan India, pan industry) such as CII, FICCI, ASSOCHAM, industry specific associations and others. Consultations with the stakeholders are regularly held through meetings, seminars and discussion papers. The core agenda of the stakeholders are consistent with the aspirations of the departments and consultations are need-based. DIPP intends to engage the stakeholders on a regular basis and adopt an institutional mechanism for their engagements.

3.19 The NEIIPP already provides for an Empowered Committee with Secretary DIPP as the Chairman and comprising Secretaries of the other Departments and the Chief Secretaries of the NE States as its members. The policy also provides for a High Level Advisory Committee for an institutional consultation process.

3.20 The establishment of the National Manufacturing Competitiveness Council (NMCC) as an autonomous institution within DIPP has considerably improved the engagement with the stakeholders. NMCC has industry representations and the key Ministries/Departments as its members, which facilitates regular interaction with stakeholders and also understand the perspective of various Departments in the Government on issues relating to industrial performance and interventions/strategy needed.

3.21 Planning Commission has also recently constituted a forum of interaction with stakeholders. This forum, on which Secretary, DIPP is a Member, interacts with industry associations. The industry associations in this forum are a cross section covering not only the pan India, pan industry associations but associations at regional and sector levels.

3.22 The department has also started releasing discussion papers on important issues for a wider consultation with stakeholders. The discussion papers such as on FDI in Defence, FDI in Retail, Compulsory Licensing for Drugs & Pharmaceuticals, Manufacturing Policy and others have attempted to provide the stakeholders cross sectional views on these issues, encourages them to submit their own assessment and facilitate decision making.

### **3C: How would the Department build its capabilities?**

3.23 The learning process of the Department will be both usual interaction but would also include expert studies, outsourced but results internalized to improve its way of understanding industry concerns and designing appropriate interventions/support.

### 3D: What are the Priorities?

3.24 The priorities of the strategic initiatives have been decided on the basis of the acceptability of the stakeholders and effectiveness of these interventions. While deciding the strategic initiatives, it has also been taken into consideration that these fit into DIPP's strength and addresses the weaknesses in understanding the issues.

<b>S No.</b>	<b>Strategic initiative</b>	<b>Weight</b>	<b>Basis of prioritization</b>	<b>Reason for inclusion</b>
1	Policy initiatives for assigned industries- cement, leather, paper	20	Acceptability and effectiveness	Fits DIPP's strength
2	Safeguarding domestic industry interests	5	Acceptability and effectiveness	Fits DIPP's strength and to overcome weakness in understanding issues
3	Delhi Mumbai Industrial Corridor Project	5	Acceptability and effectiveness	Fits DIPP's strength
4	FDI policy	15	Acceptability and effectiveness	Fits DIPP's strength
5	E Biz project	5	Acceptability and effectiveness	Fits DIPP's strength
6	Fine tuning the policy interventions for industrial development in specified areas- North East and others	10	Acceptability and effectiveness	Fits DIPP's strength
7	Streamlining IPR Information and approval system	20	Acceptability and effectiveness	Fits DIPP's strength and to overcome weakness in understanding issues
8	Improving the information base for industrial production and prices	10	Acceptability and effectiveness	Fits DIPP's strength and to overcome weakness in understanding issues
9	Institutional arrangement of effectively engaging stakeholders	10	Acceptability and effectiveness	Fits DIPP's strength

## **Section 4: Plan Implementation**

4.1 Strategic initiatives of the Department has been identified consistent with the policies and functions of the Department and are aligned to its vision. It is based on the consultation with the stakeholders and it is proposed to have an institutional mechanism of engaging them on a regular basis.

4.2 DIPP is a Department which pre-dominantly considers the policy interventions that are required for the growth of industries. Its plan size is very limited. However, as a chief coordinator for industrial growth, its learning is fairly vast. Department needs to understand and consistently improve on its knowledge base with regard to the constraints which the industry faces in sustaining its competitive advantages. Similarly it needs to update its information base on a regular basis and identify the new areas for which information may be needed.

4.3 Plan allocation for the Department for 2011-12 is Rs.1300 crore and allocation in the 11<sup>th</sup> Plan was a little over Rs.4000 crore. Even if the allocation is substantially enhanced in the 12<sup>th</sup> Five Year Plan, the Department would be able to finance the critical resource gaps in a limited manner. It would continue, therefore, to look at providing industry the support at policy level and at the level of coordinating with other Departments.

4.4 The measurement methodology for success indicators would be based on the following:

- i) In case of the parameters where the success indicators relate to release of assistance, percentage relation of the allocated amount would be considered;

- ii) In case of the indicators, which relate to sanctioning of the projects, the number of projects sanctioned/approved/operationalised would be used as the measurement of success.
- iii) In case of the success indicators, which relate to creation of institutional arrangements or better information flow or coordination, timeliness, more user/response friendly would be proposed for the measurement of success.

4.5 The goal of the department is to increase the share of manufacturing to 25% of GDP over next ten years. The strategic initiatives outlined in the plan flow from this objective and the performance of the initiative is to achieve annual industrial growth consistent with the broad objective of achieving the manufacturing share. As a part of the strategy specific initiatives have been outlined for encouraging productivity and production, improving the investment climate, encouraging innovation and enterprise. The annual milestone would flow from the broad agenda.

## **Section 5: Linkages between Strategic Plan and RFD**

5.1 The RFD of the Department is fully consistent with the strategic plan. The objectives of the strategic plan and RFD are similar. Since RFD is to be prepared on annual basis, the strategic plan provides the broad guidelines for the sequential achievements of the objectives. The actions and success indicators proposed in RFD are perfectly aligned with the strategic plan development.

## **Section 6: Cross Departmental and cross functional issues**

### **6A: Linkages with potential challenges likely to addressed in 12<sup>th</sup> Plan**

6.1 Planning Commission has identified 12 potential challenges that the 12<sup>th</sup> Five Year Plan is likely to address. These challenges include: enabling capacity for growth; enhancing skill and faster generation of employment; managing the environment; markets for efficiency and inclusion; decentralization, empowerment and information; technology and innovation; securing the energy future for India; accelerated development of transport infrastructure; rural transformation and sustained growth of agriculture; managing urbanization; improved access to quality education; and better preventive and curative healthcare. The strategic plan and the initiatives proposed have a direct linkage with the potential challenges that are likely to be addressed in the 12<sup>th</sup> Five Year Plan. A matrix of potential challenges of the 12<sup>th</sup> Plan and strategic initiatives planned is indicated in para 6.2.

<b>S. No.</b>	<b>Potential Challenges of the 12<sup>th</sup> Plan</b>	<b>Strategic initiative planned</b>
<b>1</b>	<b>Enabling capacity for growth</b>	<ul style="list-style-type: none"> <li>• Policy initiatives for assigned industries- cement, leather, paper to be covered in first phase</li> <li>• Safeguarding domestic industry interests</li> <li>• FDI policy</li> <li>• Fine tuning the policy interventions for industrial development in specified areas- North East and others</li> </ul>
<b>2</b>	<b>Managing urbanization</b>	<ul style="list-style-type: none"> <li>• Delhi Mumbai Industrial Corridor Project</li> </ul>
<b>3</b>	<b>Enhancing skills and faster generation of employment</b>	<ul style="list-style-type: none"> <li>• Institutional arrangement of effectively engaging stakeholders</li> </ul>
<b>4</b>	<b>Technology and innovation</b>	<ul style="list-style-type: none"> <li>• Streamlining IPR Information and approval system</li> <li>• E Biz project</li> </ul>
<b>5</b>	<b>Decentralization, empowerment and information</b>	<ul style="list-style-type: none"> <li>• Improving the information base for industrial production and prices</li> </ul>

**6B: Identification and management of cross departmental issues including resource allocation and capacity building issues**

6.2 The strategic plan of the Department has factored in the cross departmental issues as are relevant. DIPP, however, is mainly responsible for formulating policies with regard to the industrial and FDI sector. In so far as the implementation of the industrial policy is concerned, DIPP implements policies with respect to assigned industries. For the other industries, there are other Departments/Ministries and cross department issues arise only at the level of the policy formulation. A final decision on these issues is taken in consultation with the departments and approvals at an appropriate level. The support of Planning Commission in making available adequate funds for various initiatives, particularly DMIC as a flagship and innovative programme, would be necessary. In case of the industrial support initiatives for NE and other special category States and the Transport Subsidy Scheme, allocations of schemes are demand driven as the allocation would need to match the demands. However, at this stage, it is difficult to indicate the requirements.

6.3 DIPP is closely associated with the planning process and is represented on the Steering Committees and Working Groups at cross sectoral and sector levels. The sectoral level working groups have representation from other departments, trade and industry associations, specific industrial houses and other experts to ensure that the policy and strategic interventions adopted are consistent with the industry expectations.

### **6C: Cross functional linkages with departments/offices**

6.4 The Department is organized in a manner that the functional responsibilities are assigned to the Joint Secretaries. Synergies and relationships are of a nature which allows close consultations. The senior management team is able to provide a collective leadership.

## **6D: Organizational review and role of agencies and wider public service**

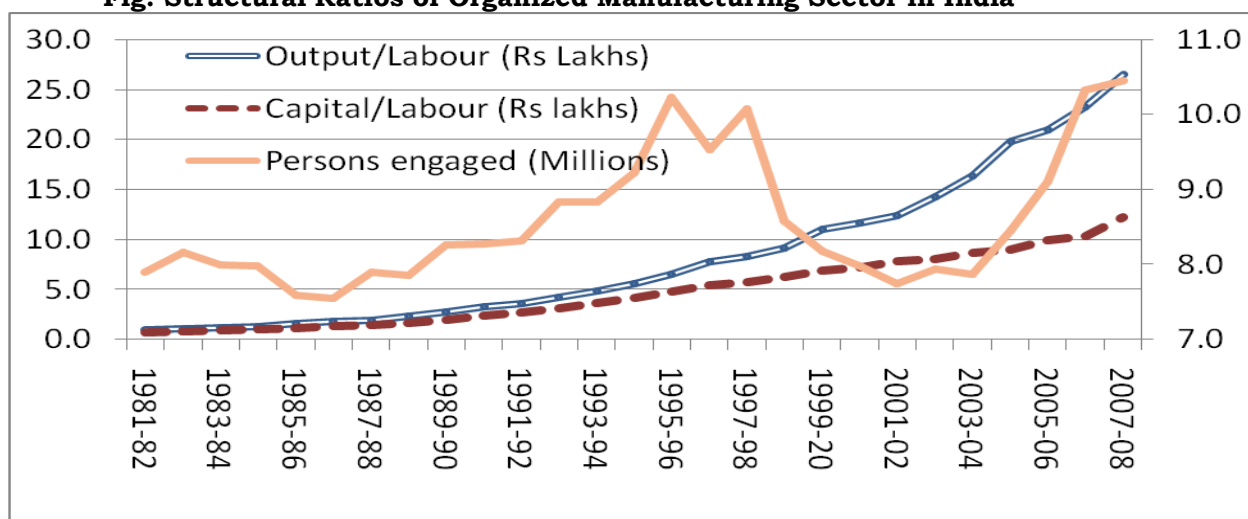
6.5 While the broad role of the organization is to promote industrial development, it may have sectoral shift in terms of a broad industry or a group of industries to be given a preferential treatment. Department has autonomous bodies and institutions attached to it. These autonomous bodies/institutions are sector specific or an activity specific. Department has also been able to ensure that each autonomous body also prepares a RFD in consultation with the Joint Secretary concerned. The citizens' charter and the grievance redressal mechanism of the department and its autonomous institutions including attached and subordinate offices is already placed on the website of the department and other respective Responsibility Centres. The recommendation of the Administrative Reforms Commission has a relevance of the department as has been accepted by the Government had already been implemented.

## **Section 7: Monitoring and Review Arrangements**

7.1 The monitoring and the initiatives proposed in the strategic plan would be on a continuous basis and the plan would be reviewed on an annual basis. The mid-term review would be undertaken coinciding with the mid-term review of the Five Year Plan. For both monitoring and review, institutional arrangement would be evolved so that these are done in a time bound and predicated manner.

7.2 The industrial growth considerably depends on exogenous factors, which among others include the enabling macroeconomic environment, interest rate structure, the exchange rate. Interest rates in India are decided based on the commercial perception of the financial institutions and are market determined. Similarly, in case of exchange rates, interventions are only to keep the rates aligned and avoid sharp

fluctuations. The rate in itself is again market determined. DIPP cannot influence these exogenous factors and are to be taken as given. The role of Department, therefore, is more of supporting the industry, understanding their concern and attempts to solve their problems through a consultation process.

**Fig: Structural Ratios of Organized Manufacturing Sector in India**

Source: Annual survey of Industries, Central Statistical Organisation

**Table 1: Share of Forex earning in sales of the Manufacturing companies**

	1992-97	1997-2002	2002-07	2007-08	2008-09
Food & beverages	11.3	11.0	11.0	12.1	12.9
Chemicals	5.5	6.2	11.3	17.5	16.3
Petroleum products	3.3	3.3	8.7	16.9	15.5
Rubber/Plastic products	9.4	10.3	14.5	15.8	16.4
Gems & jewellery	65.1	57.6	70.9	73.7	69.8
Leather products	39.8	38.6	41.6	41.4	38.6
Machinery	5.4	6.5	9.5	11.4	13.3
Metals & metal products	8.4	10.0	16.8	18.9	17.5
Non-metallic mineral products	13.0	17.8	25.6	28.7	26.7
Paper & paper products	3.4	3.5	6.1	4.4	4.0
Textiles	15.5	22.5	24.5	26.6	24.6
Transport equipment	6.6	5.8	7.9	10.1	13.0
Manufacturing	7.8	8.9	12.8	16.7	16.3

Source- CMIR Corporate Data base

**Table 2: Share of Forex spending in sales of the Manufacturing Companies**

	1992-97	1997-2002	2002-07	2007-08	2008-09
Food & beverages	4.1	6.9	9.4	9.1	10.2
Chemicals	21.0	25.1	32.6	42.6	45.0
Petroleum products	26.1	30.8	39.1	50.6	51.3
Rubber/Plastic products	13.9	10.8	13.5	16.3	18.9
Gems & jewellery	48.7	44.7	59.6	69.4	69.4
Leather products	13.8	11.5	12.9	13.4	12.1
Machinery	14.3	15.1	18.2	18.6	20.8
Metals & metal products	15.4	14.3	19.3	26.2	28.9
Non-metallic mineral products	12.2	15.8	22.6	29.8	30.8
Paper & paper products	11.5	11.4	13.7	15.0	15.9
Textiles	11.0	9.7	11.6	11.6	11.6
Transport equipment	14.5	14.0	14.1	17.6	20.7
Manufacturing	15.5	18.2	23.7	29.8	32.8

**Source- CMIE Corporate Data base****Table3: Incremental human resource requirement till 2022 (in million persons)**

Industry	Incremental requirement	Industry	Incremental requirement
Select informal employment sectors (domestic help, beauticians, facility management, security guards)	37.6	IT and ITES	5.3
Auto and Auto Components	35	Gems and Jewellery	4.6
Building and Construction Industry	33	Leather and Leather Goods	4.6
Textiles and Clothing	26.2	Banking, Financial Services, and insurance	4.2
Transportation and Logistics	17.7	Tourism and Hospitality services	3.6
Organised Retail	17.3	Furniture and Furnishings	3.4
Real Estate Service	14	Electronics and IT hardware	3.3
Healthcare	12.7	Media and Entertainment	3
Food Processing	9.3	Chemicals and Pharmaceuticals	1.9
Education and Skill Development	5.8	Construction Material and Building Hardware	1.4
Incremental			240 To 250

**Source- National Skill Development Corporation- Presentation made to the Planning Commission**