

Government plans infrastructure status for SEZs; move to ease financing norms

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The government plans to facilitate easier financing norms to activities pertaining to the manufacturing and services hubs envisaged under the proposed revamped law for Special Economic Zones (SEZs), also known as Development (Enterprise and Services) Hub Bill, 2022.

This will be done by giving them infrastructure status, at par with sectors such as road, rail waterways, airports, to improve access to finance and enable long-term borrowing from lenders at easier terms.

The government hopes to pass the DESH Bill in the ongoing monsoon session. Once the Bill is passed, the commerce ministry, in consultation with the finance ministry's department of economic affairs will work closely towards finalising the rules and will be dovetailed into the existing masterlist of infrastructure sub-sector, people aware of the matter told Business Standard.

"Once the Bill is passed by Parliament, the Centre will amend the master list of infrastructure sub-sectors of the Ministry of Finance and grant all components of development hubs infrastructure status. The subject to conditions will be specified in the rules," one of the persons cited above said.

The official further said the department of commerce has circulated the draft Bill for inter-ministerial consultations and hopes to get an approval from the Cabinet soon. "We have started

getting responses from various government departments and ministries. So far, the department of economic affairs has also been on board with the decision to give infrastructure status to all components of these hubs," the official said.

The new draft DESH Bill seeks to set up "development hubs" for promoting economic activity, generating employment, integrating with global supply and value chains and maintaining manufacturing and export competitiveness, developing infrastructure facilities, promoting investments, including in research and development (R&D).

Such hubs will also include existing SEZs.

These development hubs will be further classified into enterprise and service hubs.

While enterprise hubs will permit both manufacturing and services activities, services hubs will permit only services activities.

The new bill will replace the existing law governing SEZs. The announcement of a new law was made by Finance Minister Nirmala Sitharaman in the Union Budget in February. The idea is to develop large manufacturing and investment hubs and go beyond the export-oriented approach, making such zones compliant with World Trade Organization (WTO) norms, give these hubs access to the domestic market and enable easy entry and exits of units.

What is the DESH Bill?

The revamped law for Special Economic Zones (SEZs) is also known as Development (Enterprise and Services) Hub (DESH) Bill, 2022. The new draft DESH Bill seeks to set up "development hubs" for promoting economic activity, generating employment, integrating with global supply and value chains and maintaining manufacturing and export competitiveness, developing infrastructure facilities, promoting investments, including in research and development.