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# **National Manufacturing Competitiveness Council**

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## **Note on the Progress of the work done by NMCC including on the National Strategy for Manufacturing**

### **1. Presentation made by the NMCC to the National Advisory Council**

- i. The National Manufacturing Competitiveness Council (NMCC) made a presentation to the National Advisory Council (NAC), chaired by Smt. Sonia Gandhi in New Delhi on 18<sup>th</sup> February, 2006, on the progress of the work being done by the Council, who had by that time finalized the National Strategy for Manufacturing (NSM).
- ii. The NAC appreciated the contribution being made by the NMCC and broadly endorsed the recommendations contained in the National Strategy. The Council stressed the importance of focusing on specific employment-intensive industries like textiles (including handlooms), leather goods, handicrafts and agro/food processing. It was recognized that effective implementation mechanism need to be put in place to ensure time-bound action on the recommendations. It was decided that Government of India would, accordingly, be addressed in this regard.

### **2. Current Status of Growth Manufacturing sector:**

- i. The Manufacturing Sector in India grew annually at an average of 6.3 percent during 1991-2003 as against over 12% in China. The low levels of manufacturing growth had its adverse impact on the balance growth of economy and employment generation. The contribution of services to GDP increased from 49.1% in 1991 to 51% in 2003 while the contribution of agriculture decreased from 31.3% to in 1991 to 22.1% in 2003. The contribution from industry remains stagnant around 27% of GDP and that of the manufacturing component to 17% of GDP between 1991 and 2003. The manufacturing growth rate accelerated to 7.38% in 2003-04, further to 9.13% in 2004-05 and 9.15% in 2005-06.
- ii. For the first time ever, the six monthly manufacturing Sector has shown a vigorous growth of 12.1% during April to September, 2006, compared to 9.5% during the same period of last year. Out of the 17 manufacturing areas classified by the National Industrial Classification of the Central Statistical Organisation (CSO) except two, namely, Leather and 'Wood and Wood Products' all others are showing positive growth. Leather sector which has been identified as one of the priority sectors in the National Common Minimum Programme (NCMP) has recorded a negative growth rate of -4.84% in the year 2005-06 and the six months quick estimates of 2006-07 continue to show a negative growth rate of -6.3%. The Department of Industrial Policy & Promotion have been asked to take urgent measures not only to stem the slide but also ensure that this important sector posts healthy growth rate.

- iii. A note on the robust growth of manufacturing sector during the past two years has been submitted to the Chairman, NAC by Chairman, NMCC to keep NAC informed of the progress.

## **FOLLOW UP ON THE OBSERVATIONS OF NATIONAL ADVISORY COUNCIL IN ITS TWENTY-SECOND MEETING ON THE WORK DONE BY NMCC**

### **3. Setting up a High Level Committee on Manufacturing**

- i. In line with the observations made by the National Advisory Council in its meeting held on 18th February, 2006 and in order to ensure speedy resolution of the problems involving different agencies and effective implementation of the Strategy, Government has constituted a High Level Committee on Manufacturing, under the Chairmanship of the Hon'ble Prime Minister for resolving policy issues that may arise in the operationalisation of the plans for the growth of various sub-sectors of manufacturing. The other members of the Committee are: Minister Commerce & Industry; Finance Minister; Minister of the sub-sector concerned; Deputy Chairman Planning Commission; Chairman Economic Advisory Council, Principal Secretary to Prime Minister; and Chairman, NMCC. While Chairman, NMCC is the Member/ Convener, Member Secretary, NMCC would be the permanent invitee to the above Committee. The Committee will be serviced by the PMO assisted by the NMCC.
- ii. In its 1st Meeting, held on 4th August, 20067 under the Chairmanship of the Hon'ble Prime Minister, the HLCM decided:
  - a) To adopt the National Strategy for Manufacturing (NSM) and that all efforts should be made to implement the recommendations contained in it at the earliest.
  - b) (i) An Empowered Sub-Committee of the HLCM was constituted with Dr. V. Krishnamurthy as its Chairman to take decisions as necessary and to take the HLCM issues requiring attention at highest level.
    - (ii) The following sectors would be taken up on priority and brought before the HLCM:
      - Textiles and Garments
      - Food & Agro Processing
      - Leather and Footwear
      - IT Hardware and Electronics
      - Skills Development
      - Problems of small & medium industries including cluster development.

### **4. Constitution of the Empowered Sub-Committee of HLCM:**

- i. With a view to facilitating the functioning of the HLCM, an Empowered Sub-committee has been constituted under the Chairmanship of Dr. V.

Krishnamurthy, Chairman NMCC to formulate/ review / approve policy papers and proposals for submission to the HLCM. This Empowered Sub Committee will monitor the follow up action on implementation of the decisions taken by the HLCM and will also act as the main executive body of the HLCM and submit its periodical reports for consideration of the HLCM. The Sub-Committee will be serviced by the NMCC and concerned Ministries will render required assistance to the Sub-Committee.

## **5. Meetings of the Empowered Sub-Committee**

- A. **The First Meeting of the Empowered Sub-Committee** was held on 26<sup>th</sup> October, 2006 under the Chairmanship of Dr. V. Krishnamurthy, Chairman, NMCC in New Delhi. The issues discussed in the above meeting of the Sub-Committee include operationalisation of the NSM; action plan for the growth of the Food Processing Industries Sector besides reviewing the implementation of the National Manufacturing Competitiveness Programme and status of manufacture of Advance Technology Products.

### **Operationalisation of the National Strategy for Manufacturing**

“The National Strategy for Manufacturing” (NSM) has been adopted by the Government of India for implementation.

The operationalisation of the National Strategy for Manufacturing was discussed in the 1st meeting of the Empowered Sub-Committee of the HLCM on 26.10.2006 and it was decided:

- i. As a first step, the NMCC has written to all concerned Departments of the Government of India to take follow up action on the recommendations contained in the NSM pertaining to them and send suitable action plans to the NMCC for further processing and taking to the Empowered Sub-Committee of the HLCM for decision making.
- ii. The Empowered Sub-Committee would periodically prioritize the recommendations contained in the NSM for implementation by various Departments.
- iii. Such of those recommendations which do not require much consultation and can easily be implemented would be taken up for immediate action.
- iv. The Committee also reviewed further action in respect of the six priority sub-sectors identified by the HLCM, namely, Textiles & Garments, Food & Agro Processing, Leather & Footwear, IT Hardware & Electronics, Skills Development and Problems of Small & Medium industries including cluster development. It was decided to take up issues as required relating to these sectors to the HLCM at the earliest and wherever possible before the end of December, 2006. In that context, the following decisions were taken:
  - a. The Textile Ministry will prepare a detailed programme which would not limit itself only to the plan funds or taxation issues but workout a framework of longer term growth and of enhancing competitiveness on a global scale early. The Ministry of Textiles will send a revised action plan to NMCC as decided in the meeting taken

by the Principal Secretary to PM on 18.9.2006 and communicated vide PMO I.D. No.300/31/C/5/05-ES.I (Vol. IV) dated 25.9.2006 and bring the issues to the HLCM.

- b. The Leather Sector should be covered comprehensively while preparing the action plan including both the export and the domestic market looking at the bigger picture including the employment generation by the Department of Industrial Policy & Promotion.
  - c. The IT Hardware and Electronics would be taken up based on the report of the Sub-Group and deliberations of the Task Force constituted by the Principal Secretary to PM.
  - d. It was felt that Skill Development being a very important area which transcends all industry verticals lot of emphasis has to be given. The work of skill development below the ITI level and at the ITI level both require enormous efforts given the magnitude of the challenge with such large numbers of youth joining the work force and to make them employable. Similarly, the progress on issues relating to Polytechnics and Engineering Colleges need to be pursued by the Ministry of HRD.
  - e. It is necessary to quickly work on all the six priority areas identified and to bring them before the HLCM for appropriate decisions before January, 2007 to enable timely decisions. This will also ensure policy coherence and enable feeding into the Budget and plan exercise.
- iv. *Review of the Status of Manufacture of Advanced Technology Products:* The status of the manufacture of Advanced Technology Products (ATPs) in India was reviewed. The note of NMCC had brought out the poor status of India in the area of Advanced Technology Products. The share of ATPs in India's manufacturing export basket is very minimal. The members noted that the situation requires urgent corrective action and decided that a focused approach on Advance Technology Products should be attempted. An Expert Group for the purpose had been suggested in the National Strategy for Manufacturing (NSM). This needs to be constituted early. A proposal would be taken to the HLCM for constitution of the Expert Group. Chairman, NMCC would recommend suitable names for inclusion in the Expert Group.

#### **B. Second Meeting of the Empowered Sub-Committee of the HLCM:**

- i. The 2<sup>nd</sup> Meeting of the Empowered Sub-Committee was held on 27<sup>th</sup> November, 2006 under the Chairmanship of Dr. V. Krishnamurthy, Chairman, NMCC in New Delhi. The issues discussed in the above meeting of the Sub-Committee include Action Plan for the Growth of the Food Processing Industries Sector; Operationalisation of the Visionary Leaders for Manufacturing Programme (VLMP); Action Plan for the Growth of Textiles and Garments Sector in addition to the review of the implementation of the National Manufacturing Competitiveness Programme (NMCP).

- ii. The Action Plan for the growth of the Food Processing Industries Sector was discussed in the 2nd Meeting of the Empowered Sub-Committee of the HLCM and it was felt that the programmes proposed by the Secretary, FPI were modest and require further measures to achieve growth of around 12%-14%. While proposing additional policies and measures, as conceived in the programmes already proposed, outcomes should enable increase in the incomes of the farmer, reduce wastages, reduce cost to the consumers, improve exportability and generate additional employment. Using our basic strengths, we should also work out how we can contribute to the world. Organic food was one of the areas requiring supplementary Action Plan. There is synergy between setting up the Abattoirs and Leather manufacturers as they will be in a position to access good quality leather from the Abattoir. Advance action will be required to take up various schemes proposed by MFPI this year provided it is able to secure funding. The proposals will be modified based on the discussions and taken to the HLCM.
- iii. The Action Plan for the growth of Textiles & Garments sector was also discussed with Secretary, Textiles and highlighted some important indicators of the sector and suggested Government interventions urgently needed on the broad areas of raw material, duty structure, Technology Upgradation Fund Scheme (TUFS), Textiles Parks and Brand Image. Chairman said that the Ministry of Textiles should set for itself some milestones to strengthen this sector and approach NMCC for resolving any issues coming in its way. He emphasized that a coordinated approach is required to address the entire gamut of the problem so that Indian Textiles Industry can prosper and become globally competitive. It was decided that based on discussions and the inputs from NMCC a detailed proposal for decision making will be brought to the next Empowered Sub-Committee of the HLCM meeting by the Ministry of Textiles.
- iv. **Operationalisation of the 'Visionary Leaders for Manufacturing Programme' (VLMP).**

It was decided to constitute the Apex Committee chaired by the Chairman, NMCC as suggested in Annexure-I to the Agenda Items. It was decided to follow up with the different stakeholders to finalise the curriculum and make necessary preparatory arrangements in order to start the programme from 01.08.2007.

## **7. National Manufacturing Competitiveness Programme**

- i. The Finance Minister in his Budget Speech on 28<sup>th</sup> Feb., 2006 announced the finalization of a five-year National Manufacturing Competitiveness Programme by the National Manufacturing Competitiveness Council. In the Programme Ten schemes have been drawn up including schemes for promotion of ICT, mini tool rooms, design clinics and marketing support for SMEs. Implementation will be in the PPP model.
- ii. The programme finalized by NMCC and sent to Ministry of SSI in December 2005 for getting approvals mainly deals with firm level competitiveness. It is designed to address the issues of competitiveness in the background of global challenges. The important components of the scheme include a

National Programme on Application of Lean Manufacturing for the SMEs, Promotion of ICT among the SMEs, Technology and Quality Upgradation Support for SMEs, Support for Entrepreneurial and Managerial Development of SMEs, Enabling SMEs to become Competitive through Quality Management Standards, Enhanced use of Design Expertise and Intellectual Property Rights and necessary Marketing Support/Assistance to SMEs.

- iii. The progress of getting approvals for NMCP was reviewed by the Empowered Sub-Committee on 27.11.2006. It was noted that even though the scheme was announced in the Budget in February 2006 the necessary approvals have not been made. The Sub-Committee felt that the programme should be operationalised at the earliest. Additional Secretary, Department of Expenditure mentioned that as seven out of the ten components could be processed departmentally and for the larger components action will be expedited to get the approvals from the Finance Ministry. DC (SSI) mentioned that the requirement of funds for supporting these programmes in the current year would be only about Rs.20 crore which could be considered so that the programme commences during the year itself. The Ministry of SSI would pursue for early implementation.

#### **8. Meetings of NMCC**

The full Council has met six times so far. **The Hon'ble Prime Minister** addressed the members of the Council on 06.01.2005 and 13.01.2006. The last meeting of the Council was held on 18-8-2006. The Seventh Meeting of the Council is proposed to be held on 18.12.2006.

#### **9. National Manufacturing Initiative**

The National Manufacturing Initiative as announced by the Hon'ble President and the Hon'ble Prime Minister would be put in a framework of short, medium and long term actions with a time frame of one year, five years and 10 years respectively during discussions in the Empowered Sub-Committee of the HLCM arising out of the dialogue with the Ministries.

#### **10. Promotion of ICT in Manufacturing**

NMCC and Microsoft Corporation India Private Limited have launched collaboration for competitiveness enhancement programme for small and medium enterprise in Indian manufacturing sector. Microsoft and NMCC propose to create knowledge networks amidst identified clusters across the country to facilitate backward and forward linkages, a key essential for manufacturing sector. The networks will enhance access to markets, improve skills through relevant and focused training and provide for relevant and customized solution for the manufacturing sector. Microsoft and NMCC will work together to provide a framework for knowledge networks which will help create a self sustaining eco system of knowledge creation and sharing with industry associations. To start with three clusters have been identified for ICT intervention. These are: Ahmedabad Pharmaceuticals Cluster, Pune Auto Cluster and Tirupur Textile Cluster. Microsoft and NMCC has jointly prepared a booklet giving details of the objectives of the Project "Vikas" and how it will help entrepreneurs in usage of ICT in the manufacturing sectors to increase their competitiveness. A National manufacturing portal is also proposed to be launched for helping the SME sector.

## 11. Sub-sector engagements

- i. The NMCC has identified the following sectors that emerge in the forefront of growth and employment because of unique opportunities they enjoy at the present time. Textiles and garments ; Leather and Leather goods; Auto components; Drugs & pharmaceuticals; Food processing; Chemicals & Petrochemicals; IT hardware/ electronics; Skill Development; Ports & Shipping industry; Capital goods industry; Paper industry; Minerals & Metals and Steel. In addition to the above mentioned sub-sectors NMCC has initiated further discussions on various sectors having growth potential for global competitiveness and employment generation. In addition to the mentioned sub-sectors' NMCC would be initiating further discussions on various sectors having growth potential for global competitiveness and employment generation. Sub- sector wise engagements are a part of the national strategy for enhancing competitiveness of manufacturing sector and will fit into overall manufacturing strategy appropriately. Meetings are being held with the various concerned Ministries and stakeholders to follow up on these sub-sectors.
- ii. However, to begin with intense discussions as well as action are being taken in respect of the six priority sectors identified by the HLCM chaired by the Hon'ble Prime Minister.

## 12. Studies being taken up by NMCC:

- i. NMCC plans to conduct several studies. Some illustrative studies identified in the National Strategy for Manufacturing for taking up specific studies are: Lowering cost of manufacturing, National vocational educational qualifications system. Global Best Practice [Manufacturing advisory service], Re-engineering Procedures, Enhancing competitiveness of unregistered firms, low productivity of Labour [PSUs], Firm level competitiveness [Strategies and road map development], Lean Manufacturing advisory centre, Development of MIS for NMCC and Survey of business climate and further NMCC can look at drafting comprehensive innovation policy from the perspective of the manufacturing sector which would help to increase the competitiveness of Indian manufacturing sector. The NMCC would be working with the various stakeholders in launching the National Manufacturing Mission and actively coordinate the various activities arising out of the implementation of the 'National Strategy for Manufacturing' in order to energize and sustain the growth of the manufacturing sector in the country.
- ii. Accordingly, the NMCC has engaged ICRIER, CMIE, NPC and IIM, Ahmedabad for conducting studies/surveys on its behalf as per detailed given below:-
  - (a) ICRIER
    - (i) Automobile Industry: Determinants of Competitiveness and Global Integration of the Indian Auto Industry
    - (ii) Labour Intensity and Employment Potential of the Indian Manufacturing.
  - (b) CMIE: For providing the Information Infrastructure for Institutions (I-Cube) Service to NMCC

- (c) NPC: Study on Productivity and Competitiveness of Indian Manufacturing Sectors (Textiles & Garments, Food Processing, Leather & Leather Products, IT Hardware & Electronics, Skills Development, Problems of small & medium industries including cluster development, Auto-components and Chemical & Petrochemicals.
- (d) IIM, Ahmedabad: 3<sup>rd</sup> National Manufacturing Competitiveness Survey

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