

## TOWARDS AN INVESTOR - FRIENDLY CLIMATE

Along with the steps to solve the fiscal crisis, the main focus of the reforms effected in the State of Kerala during the past three years has been on the promotion of investments.

25.2 Many innovative pro-investor, pro-enterprise **policy measures** have been announced in succession during the last two years by the State Government, namely, Industrial Policy, Biotechnology Policy, IT Policy, SEZ Policy and Labour Policy. These policy measures have set the background for the transformation of the State as the emerging industrial destination in the country. Special importance is being given to the development of infrastructure in the State; an Infrastructure Bill has been introduced in the Assembly and is under the consideration of a Select Committee. The salient features of the above policies are as given below –

### A. INDUSTRIAL POLICY

- The Industrial Policy 2003 aims to accelerate the industrial growth in the State by attracting a steady stream of investment in industry, infrastructure and core strength sectors by creating a congenial investment climate in the State.
- The ultimate goals of the Industrial Policy are indicated below:
  - Enhanced and sustained industrial growth rate and generation of higher employment in industry.
  - Creation and maintenance of an investment friendly climate and facilitation of measures to maximize global and local investment in industry
  - Maximisation of private investment in infrastructure development, with Government investment only in areas/functions where private investment cannot be attracted.
  - Elimination of all restrictive labour practices, ensuring cordial industrial relations and establishment of a new work culture, with productivity orientation and productivity-linked wages.
  - Special legal dispensation enabling a more liberalized environment within notified industrial zones, parks and estates.
- Nurturing the scarce entrepreneurial talent for the sustainable creation of industrial wealth with special emphasis on technically qualified persons, those from the business community, women and disadvantaged sections.
- Co-ordination of industry with the educational system in order to produce and update the particular knowledge and skills required by industry from time to time.
- Re-engineering the Government's delivery mechanism (departments and agencies as well as systems and procedures) to make them responsive, result-oriented and transparent.
- Special development of sunrise sectors including information technology, biotechnology, food and agro processing, infrastructure and service with high growth potential.
- Maximisation of value addition within the State for indigenous produce and minerals and intensive growth (particularly export-oriented) of Kerala's products and services.
- Industrial development in a manner compatible with energy conservation and environmental concerns.
- Ensuring cost effectiveness and accountability by restructuring public enterprises.
- Providing a social safety net for those adversely affected by industrial restructuring.
- Reducing Government involvement in commercial activities and industrial production gradually.
- Empowerment of the traditional sector to face up to global challenges by appropriate technology, productivity improvement, design / development and marketing.
  - Kerala Institute of Entrepreneurship Development (KIED) has been established at Kalamassery with the objective of developing entrepreneurship

- and Entrepreneurship Development Clubs.
- Regarding sick units the role of government shall be enhanced from curative action to diagnosis and preventive action backed by an early warning system for industrial sickness. Government also proposes to bring out a one time settlement scheme for sales tax and electricity dues for sick industrial units so as to facilitate their revival.
  - The Government proposes to meet the threats faced by the traditional industries effectively by measures like introduction of appropriate mechanization and technology, removal of inefficiencies in the system, professionalising marketing and export and facilitating large investment of private capital in these sectors which are now mostly dominated by co-operatives.
  - To attract private sector investment badly needed in these sectors, a special scheme of investment subsidy with adequate incentives will be implemented, so that our reliance on co-operatives heavily dependant financially on the government for investment (often to the extent of 95% or more) will be reversed.
  - A cluster based approach for production, developing a brand equity for marketing and R&D efforts to create new processes are also proposed.
  - To uplift the handloom industry, The State plans to supplement the central schemes provided through DDHPY (Deen Dayal Hathkargha Prothsaan Yojana). The State plans to implement cluster development programme in selected centres.
  - In the coir sector, the government invites substantial private investment (now dominated by cooperatives). Entrepreneur development, research and technology up-gradation programmes are planned to enhance productivity and maintain the competitive edge.
  - Appropriate initiatives are proposed to re-vamp the Khadi and Village Industries by rectifying the mismatch in the spinning and weaving sectors, ensuring value addition especially to agriculture products.
  - Treating the handicrafts sector on par with the other traditional industries for incentives and concessions, cluster-based development, common facilities, mechanized production to reduce costs, targeting the global market and promotion of entrepreneurs in the business of production and marketing of handicrafts are the corner stones of the handicrafts development policy.
  - A special programme is proposed for cultivation of bamboo, creation of new designs for innovative products in the handicrafts sector along with the appropriate skill development, promotion of bamboo-based modern industries supported by technology adaptation and development by R & D organizations.
  - Modernization of the cashew industry to enhance productivity, lowering of the local costs of production to prevent the shifting of this industry to other low wage regions and strengthening further the dominant position of Kerala cashew in the global market are proposed.
  - The Government desires to correct the policy on textiles on the lines of the Government of India's Textile Policy. The Government also proposes for phased introduction of power looms in the state. The Governments aim in the Weaving / Garment Units sector are to promote state of the art units of international quality.
  - As agro/food-processing industry has enormous potential in the State, the Government will actively promote it, bringing immense benefits to the economy, adding value to agricultural produce, enhancing rural employment and incomes
  - Depending up on the specific sector and location of investment, investment subsidies varying from 10% subject to a maximum of Rs. 10 lakhs to 25% subject to maximum of Rs. 25 lakhs is proposed. Investment in pollution control devices, R&D, expansion, diversification, modernization etc are also eligible for subsidy.
  - Government to consider a special package of incentives, for investment above Rs. 50 crores.
  - Government will consider a special package of incentives for channelising FDI and for large infrastructure projects.
  - Exemption from Electricity Duty and Enhanced Tariff

Source: Kochi Port Trust

- Exemptions from Electricity Duty for five years to new industrial units from the date of commencement of their commercial production (as per G.O.(MS)No.71/90/ID dated 21-05-1990) to continue.
- All new industrial units starting commercial production between 01-01-2002 and 31-12-2006 will be charged for a period of five years the same tariff payable at the time of commencement of their commercial production irrespective of subsequent enhancements of tariff.
  - All new units being set up in the various industrial parks and Corridor/Zones *declared by State Government or by Central Government* will be exempted from payment of stamp duty and registration fee *for the first registration*.
  - The Government shall organize a well-planned and sustained marketing campaign to promote Kerala as an ideal investment destination. Periodic The task force headed by the Minister (Industries) will co-ordinate investment promotion activities. A Special Cell has been constituted in KSIDC to provide escort facilities to NRIs/ foreign direct investors, especially from the Gulf. It shall also function as a Technology Development Cell.
  - A State Level Export Promotion Committee has been constituted and KINFRA has been nominated as the nodal agency to sanction export related infrastructure projects under the Assistance to States for Developing Export Infrastructure Scheme
  - The Directorate of Industries & Commerce will be restructured to play the role of facilitator and to act as a promotional agency with simplified systems and procedures rather than as a regulatory agency.
  - The Single Window Clearance Boards at the State, District and Industrial Area levels will co-ordinate the issue of clearances required by new industrial units being set up in the State within specified time-frames. The PSUs that impose an unsustainable burden on the exchequer will be restructured. The State Government shall constantly co-ordinate with the Government of India, for ensuring higher Central investment in Kerala.
- The Government will help entrepreneurs and PSUs obtain patents/intellectual property rights (IPR).
- A task force headed by the Minister (Industries & Social Welfare) with the Principal Secretary (Industries), Secretary (IT), Secretaries (Industries), Managing Director, KSIDC and the Director of Industries and Commerce as members will be constituted. Investors/entrepreneurs would be free to approach the Secretary (Industries) who will be nominated as the Nodal Officer of this task force.

## B. IT POLICY

- The IT Industry Policy document endeavours to delineate a strategy for harnessing the opportunities and the resources offered by Information Technology for the comprehensive social and economic development of the State. This strategy has been conceived keeping in view the fact that Information Technology constitutes the primary instrument for facilitating Kerala's emergence as a leading **knowledge society** in the region.

25.3 **The Policy initiatives** comprise a three pronged strategy aimed at:

- Creating an appropriate pro-business, pro-enterprise, legal, regulatory and commercial framework to facilitate the rapid growth of the IT industry in the state.
- Establishing Kerala as a global center for excellence in Human Resources, through the creation of a large pool of diverse, multi-skilled technically competent manpower in the State and
- Establishing an internationally competitive business infrastructure and environment for the IT industry in the State, on par with the best facilities and practices worldwide.
- In line with this broad strategy, the Government have set the following immediate

objectives for the promotion of the IT industry in the State.

- To establish Kerala as a leading IT destination in the country within the next five years.
- To provide a nurturing and enabling environment conducive to the vigorous growth of the local IT industry in the State.
- To significantly enhance direct and indirect employment creation in the IT sector.
- To attain a minimum growth level of 100% every year in IT.
- To significantly accelerate the levels of investment inflows including foreign capital into the hardware, software and ITES sectors.
- To aggressively promote the State as the destination of choice for emerging IT business opportunities including IT Enabled Services, new media products and E-services. To establish ITES as the definitive core competence of the State.
- To develop Kochi as an international media and ICT hub.

25.4 To consolidate and expand the Technopark, Trivandrum as a leading software and HR Centre in the region.

### C. BIOTECHNOLOGY POLICY

- The BT policy for Kerala is designed to catalyse the development and application of BT, taking advantage of the State's resources and emphasizing its specific needs while meeting global requirements. The policy is aimed to ensure the rapid exploitation of pipeline technologies and opportunities available in the State to products and processes and to promote the sustained build-up of an elite knowledge cadre and knowledge base through the strengthening and creation of educational and R&D institutions, establishing infrastructure and putting in place administrative, regulatory, legal and finan-

cial framework conducive for investment and growth of BT enterprises, for the economic development and human welfare.

- To achieve the Kerala vision in Biotechnology, ensure hassle-free implementation and provide sustained leadership and resources, the following two major initiatives will be, undertaken to create:
  - Kerala Biotechnology Board
  - Kerala Biotechnology Commission
- The Chief Minister of Kerala would be Chairman of the **KERALA BIOTECHNOLOGY BOARD** with the ministers for Industry, Information technology, Agriculture and Health, Chief Secretary and Vice-Chairman of State's Planning Board, two eminent industrialists and two Biotechnology Scientists/Technocrats as Members with an eminent Scientist who is also the executive Vice-President of the Kerala State Council for Science, Technology and Environment as Convener.
- The Board will organize a corpus of Rs.100 Crores to create infrastructure in BT including BT Parks by collecting a Biotech Development Fund from the stake holding Departments of Industry, Health, Agriculture, Forest etc. The contribution of each Department will be in conformity with the anticipated benefits. In addition a BT Development Fund will earmark 1% of the Annual Plan Allocation of the Departments benefiting by BT. Another avenue is to seek grants from international Agencies and involve private and public Enterprises.
- The Biotechnology Board will take all top level administrative and financial decisions to create the best milieu in the country for growth of BT. The Board will liaise with National and International agencies and will ensure appropriate and timely implementation of the Policy. It will endeavour to provide the Biotechnology Enterprises of the State a consistent, competitive edge.

- **KERALA BIOTECHNOLOGY COMMISSION** will be responsible for the implementation of the BT policy and related guidelines laid down by the Biotechnology Board,. The Chairman of the Commission will be an eminent scientist who is also the Executive Vice-President of the Kerala State Council for Science, Technology and Environment. The Commission will have five members including two leading biotechnologists and entrepreneurs/industrialists. Three of the Members will preferably be from outside of Kerala State. The Commission will co-opt concerned Government officials as Members as required. The Commission will be the effective think-tank of the Board and will identify focus areas of investment and prioritise projects for implementation and will be responsible for utilization of BT Development Fund. It will prepare a road-map of BT initiatives, encourage private-public sector interaction and assess and approve project proposals.
- Kerala State has decided to establish Biotech Parks with the lead taken by KINFRA. The essential components, apart from customized lab units, of the biotech park are:
- **Bio resource Centre** as a hub to provide infrastructure, equipment. facilities and services to assist the tenants and clients of the park.
  - **Technology Incubator** with the capability to develop and license, in collaboration with R&D institutions, proprietary technologies to the tenants and clients in the State and elsewhere.
  - **Training Centre** where technology skill packages can be imparted in biotech streams, e.g., molecular biology, genetic transformation, immunology, tissue culture, fermentation and down stream processing and instrumentation.

#### D. SEZ POLICY

- Government of India have introduced the concept of Special Economic Zones (SEZ's) in the year 2000. The Exim Policy of the Government of India has been amended to define SEZ's as foreign territory for the purpose of trade operations, duties and tariff. The Customs Act, 1962 has also been amended to place the SEZ's outside the Customs territory of India
- The Cochin Export Processing Zone has already been converted into an SEZ. Government have already taken the lead to develop a Greater Cochin SEZ by adding on more phases of the SEZ at Cochin Port.
- The Government have already announced setting up of 3 other Industrial Development Zones at Thiruvananthapuram, Kanjikode (Palakkad) and Kozhikode. These IDZ's may also be converted to SEZ's subject to the framework of SEZ's determined by the Government of India from time to time.
- It has now been decided that the policy will apply to proposed SEZ's at Kochi, Thiruvananthapuram, Kanjikode (Palakkad), Kozhikode and at any other SEZ in Kerala subject to the framework of SEZ's determined by Government of India from time to time.
- An exclusive Development Commissioner of each SEZ will look after all matters pertaining to the SEZ's in the State. The Development Commissioner shall fulfill a three fold role:
- **Regulation:** To provide clearances under various statues and regulations of Government of India and State Government.
  - **Facilitation :** To facilitate clearances not granted within the SEZ and to advise Government on issues requiring policy amendments or clarifications.
  - **Promotion :** To undertake marketing of the SEZ's along with the SEZ Developer. The Government shall endeavour to delegate to the Development Commissioner or to a body headed by the Development Commissioner such powers as are necessary for expediting clearances for Developers and units in the SEZ.

- SEZ's will be notified as an Industrial area under the Kerala Industrial Single Window Clearance Board and industrial Township Area development Act, 1999 and exempted from obtaining permits from Municipalities / Grama Panchayats / Town Planning Department / Development Authorities for construction of buildings for starting an industrial undertaking. Wherever the area of SEZ is large enough, the State Government will declare the SEZ's as Industrial Township under the Kerala Industrial Single Window Clearance Board and Industrial Township Area Development Act, 1999 to enable the SEZ's function as self-governing autonomous municipal bodies.
- A Single Window Clearance Board will be notified for each SEZ under the Kerala Industrial Single Window Clearance Board and Industrial Township Area Development Act, 1999 for providing fast-track clearances under that Act.
- The Government shall continuously endeavour to provide a simplified business working environment within the SEZ. All clearances outside the ambit of that Act will have pre-laid guidelines and time frames for processing approvals. A self-certification regime will be introduced for all industries in the SEZ. To the extent possible regulation and governance of the SEZ shall rest with the Development Commissioner. Physical inspections would be undertaken in accordance with a schedule prepared in consultation with Development Commissioner.
- Government by themselves or through the SEZ shall ensure the provision of adequate water supply within the SEZ.
- The SEZ Developer will ensure supply of uninterrupted good quality power to the SEZ's at competitive rates. To this end, the SEZ Developer shall have freedom to arrange dedicated provision of power for the SEZ including generation, transmission and distribution and in fixing tariffs for the SEZ subject to the approval of the statutory authority in this regard. The SEZ Developers may establish a Captive Power Plant (CPP) to meet the requirements of all consumers within the SEZ. The SEZ Developer may procure power from NTPC or any other IPP, which could be wheeled through the State grid at a charge to be mutually agreed upon. The SEZ Developer would be entitled to get the exclusive license for the retail distribution of power within the SEZ. The SEZ Developer will also be permitted to establish grid connectivity for distribution of power within the Zone, subject to his entering into a separate agreement with Kerala State Electricity Board (KSEB) on mutually acceptable terms. Power from the State grid shall be supplied as per requirement for which no 'stand-by charge' will be realized: it will be charged on 'pay and use' basis. Surplus electricity generated in the SEZ shall be purchased by the KSEB on mutually acceptable terms. Power generated within the SEZ's shall be exempted from payment of electricity duty for a period of 10 years from the date of commissioning.
- Developers of SEZ 's and industrial units and other establishments within the SEZ's will be exempted from all State and local taxes and levies including Sales Tax. Purchase Tax, Entry Tax etc. in respect of all transactions made between units / establishments within the SEZ. If due to tax system constraints it is not advisable to grant direct exemption to the transactions the State taxes paid would be reimbursed.
- Amendments shall be made in State level rules and legislations governing levy of Sales Tax, Turnover Tax, Purchase Tax, Entry Tax, VAT, State Level Cesses, Betterment Levies etc. reflecting the position that the SEZ is foreign territory outside the Customs territory of India and hence outside the State for purposes of trade tariffs duties and taxes so that sales from the DTA into the SEZ shall count as exports and sales from the SEZ's to the DTA shall count as imports. SEZ Developers and units in SEZ's shall be exempted from payment of Stamp Duty and Registration fees for transactions involving land or built-up area in the SEZ's.
- The power of the Labour Commissioner, Government of Kerala shall be delegated to the designated Development Commissioner or other authority in respect of the area within the SEZ. Steps will be taken for grant of permissions / licences required from the Chief Inspector of Factories and Boilers within the SEZ's themselves by stationing exclusive personal for the purpose. Except in emergent circumstances the prior permission of the Development Commissioner or other designated authority of SEZ would be required for

the conduct of inspection of industrial units and other establishments within the SEZ by State Government agencies. Government also proposes to permit self-certification to the extent possible for SEZ Units and establishments in respect of various labour laws.

- Government proposes to institute a consolidated annual return format under various labour laws.
- The power to grant provisional and permanent SSI Registration and Letter of Intent and registration of Information Technology units, will be delegated to the development Commissioner or other designated authority in respect of units in SEZ's.
- Directorate of Industries & Commerce, Kerala State, Kerala State Industrial Development Corporation, Kerala Industrial Infrastructure Development Corporation, Resident Commissioner, Kerala House, New Delhi shall provide effective escort services to entrepreneurs / promoters who are desirous or making investments in SEZ.
- The State Government shall make appropriate and exclusive arrangements within SEZ's for the maintenance of law and order.

## E. LABOUR POLICY

- Labour policy initiatives are aimed at creating a favourable environment for a planned effort, facilitating industrial promotion and revival along with legislative and structural changes to bring in an environment devoid of restrictive labour practices, but protecting the rights and interests of the workers.
- Minimizing adversarial Labour relations and providing Labour market security, employment security, work security, and income security for the working population.
- Promote ideal employee-employer relationships and to curb undesirable labour practices and adversarial labour relations through suitable legislation, through conscientisation, awareness raising and appropriate administrative interventions.
- With in the purview of the existing laws, entrepreneur will have rights for engaging labour and shall not be inhibited by any claims from 'sons of the soil', displaced persons from acquired land, construction, contract labour and dependents of employees.
- All restrictive labour practices including intimidation, "gherao", harassment of managers and their families, and extortion of any kind will be treated as criminal offences and dealt with accordingly.
- Management will have the prerogative to deploy workers in any section of the unit as part of a multi craft approach.
- Government will endeavour to prevent stoppages of work in projects on account of industrial disputes; especially during the first five years of the project. The Government will also severely discourage deleterious practices such as 'go-slow'.
- To prevent the occurrence of disruptive wildcat strikes and lockouts, Government will declare certain vital industries and establishments as "public utilities" under the Industrial Disputes Act.
- Special conciliation mechanisms will be set up by Government if, required, exclusively for entrepreneurs and projects with investment of Rs 150 crores or more in order to ensure that labour disputes are handled on site in a pro-active manner.
- The viability of a project depends on the completion of construction and commissioning within the time and cost estimate. Work stoppages whether due to labour dispute or non-fulfillment of obligations by builders will not be permitted.
- Government will attempt to reduce the needless proliferation of Trade unions in establishments, without detriment to the rights and interests of the work force. Legislation will be enacted for conduct of referenda and laying down norms for the recognition of Trade Unions in industries and establishments.
- There is a need to expedite the industrial dispute resolution mechanism of the labour judiciary, including the Labour courts, Industrial Tribunals, Workmen's Compensation Commissioners etc. Government will make requisite amendments to the rule and procedures governing the functioning of these bodies to speed up and streamline this process. The provisions for publication of the awards of Labour Courts and Tribunals in the Government Gazette will be amended to expedite enforcement.
- The Government will also enact requisite State amendments to the Industrial Disputes Act to enable workmen or management to approach Labour Courts/Industrial Tribunals directly, if the conciliation process proves to be ineffective.

- The Kerala Headload Workers Act 1978 is an enactment providing social security net to a category of workers. However certain unforeseen practices relating to loading and unloading have since become an irritant phenomena perceived as a stumbling block for industrial growth in the State. A separate legislation to do away with these practices without affecting the rights and interests of the labour will be enacted.
- A special monitoring system will be instituted for ensuring work place security and dignified working conditions for women workers.
- Enforcement committees will be constituted at district levels on a sectoral basis for monitoring the enforcement of statutory rules, welfare measures and safety conditions of workers.
- For the effective implementation of the Minimum Wages Act, Government will expand the category of employment's under the schedule to the Act. Wages shall be revised for each category of employments without delay and the payment of minimum wages effectively supervised. Government shall take initiative to implement minimum wage for South Indian States, as part of the measures to implement the national minimum wage policy.
- The Child Labour (Prohibition & Regulation) Act will be aggressively enforced and Government will endeavour to make Kerala the first State in the country to be free of Child Labour.

25.5 The labour enforcement machinery is grossly inadequate to cope with the multitude of labour laws and the various establishments that require surveillance. The enforcement strategy will be to reduce the burden on the existing machinery and to encourage employers and other stakeholders to proactively participate in the implementation of this strategy on a voluntary compliance basis.

**THE LABOUR SITUATION HAS SIGNIFICANTLY CHANGED IN THE STATE IN THE DIRECTION OF STABLE INDUSTRIAL RELATIONS AND REMOVAL OF NEGATIVE PRACTICES:**

- ❖ Changes in the economic environment have improved the industrial relations scenario of Kerala. This is dramatically evident in the statistics. The number of industrial disputes in Kerala have plummeted dramatically.
- ❖ The number of disputes arising each year was

around 7800 in 1991, while it is around 3000 odd now.

- ❖ Government have enacted the “Kerala Loading and Unloading (Regulation of Wages and Restriction of Unlawful Practices) Act, 2002” for attracting Investment and eliminating residual negative perceptions about Kerala Labour”.
- ❖ Certain retrograde practices in the loading and unloading sector have been made cognisable criminal offences.
- ❖ In specifically notified areas, employers have the right to carry out loading and unloading work by using workers of their own choice.
- ❖ Claiming wages above Ceiling wages is now a punishable offence.

**Self-certification system has been introduced in IT/ITES and is being extended:**

- ◆ To eliminate “Inspector raj”, routine inspections by Labour Law inspectors have been eliminated in key sectors like IT/ITES.
- ◆ Establishments can give “Self Certification” declarations to the Labour Department, inspections would be resorted to only in case of substantive complaints.
- ◆ Self Certification regime will be extended to other sunrise industries.

**The following enactments are expected shortly:**

- “The Industrial Employment (Prohibition of Obstructive Practices) Bill” to eliminate irritants/impediments to new projects arising from local employment claims.
- An enactment to simplify the procedure in maintaining registers and records by employers.
- A Trade Union Recognition Bill for limiting the number of Tus in establishments and its recognition is underway.

25.6 The dispute resolution procedure has been simplified to enable early settlement of disputes.

25.7 TO FACILITATE UNINTERRUPTED WORKING several restrictions have been removed in sunrise industries.

- The following restrictions have been liberalised in sunrise sectors like IT/ITES:
  - ❑ Daily and weekly hours of work
  - ❑ Spreadover
  - ❑ Opening and closing hours
  - ❑ Closing of shops and granting of weekly

holidays

- ❑ Employment of women and persons below seven-teen years during night
- ❑ This will be extended to other key sectors.

**The declaration of services as Public utilities has been extended:**

- ◆ All Export oriented Units and all other units incidental thereto in the Cochin Special Economic Zone
- ◆ Fertilizers
- ◆ Transport other than railways for the carriage of passengers or goods, by land or water
- ◆ Agricultural Products processing
- ◆ Information Technology
- ◆ Infotainment
- ◆ Textiles other than Cotton textiles
- ◆ Film and Video
- ◆ High Tech
- ◆ Electronic Food Stuff Processing

25.8 In these industries wildcat strikes become illegal and punishable. More industries will be notified on a need basis.

### NEW INITIATIVES

- ❖ For all major projects and investments, dedicated tripartite Industrial Relations Committees will be set up to settle issues on the spot.
- ❖ Handholding for investors on labour aspects - nodal officers for each key project.
- ❖ Government will actively discourage stoppages of work or other impediments to productivity.

25.9 In the wake of the liberal policy measures announced, the State Govt. launched a massive drive to bring investments to the State and the year 2002-2003 witnessed a major event - the first-ever effort of its kind by the Government of Kerala - **the Global Investor Meet (GIM)**. Organised on the 18<sup>th</sup> & 19<sup>th</sup> of January 2003 at the International Convention Centre, Kochi, the GIM was designed as the culmination of the efforts made and turned out to be the platform for a unique commune of local, national and international investors.

25.10 The efforts towards the conduct of GIM had been evolved over an year through road shows, interactions and meetings with prospective investors both from inside the country and abroad. An unprecedented and structured effort was put in by the State Government towards the conduct of GIM. Select projects across the core competencies of the State, namely Information Technology, Infrastructure, Tourism, Edu-

cation & Health, Agriculture & Biotechnology and Urban Development & Real Estate were identified in association with the various Dept.s of State Government through consultants of international repute and showcased during GIM.

25.11 The Global Investor Meet was a grand success. GIM attracted an unprecedented massive offer to the State, of **investment proposals** aggregating Rs. 26,000 crores, despite the present economic slowdown. MoUs have been entered into for 96 projects, totalling an investment of Rs. 11,159.45 crores. Additionally, investment decisions to the tune of Rs. 10,000 crores have been announced by major public sector enterprises such as NTPC and private sector groups that include Reliance Group, Infosys, Microsoft and Sutherland – USA. The major portion of this constitutes projects announced by the Hon'ble Prime Minister in the GIM Inaugural Function viz., expansion of Kochi Refineries and the Thermal Power Plant of NTPC, as also the joint sector Mineral Processing project between Indian Rare Earths Ltd. & National Mineral Development Corporation Ltd. And expressions of Interest called for in the context of GIM have resulted in responses received for an additional 12 projects, which together would augment investments to the tune of Rs. 2,210 crores. Other than the above, on account of this Government's initiatives prior to the GIM in the last financial year, about Rs. 3,000 crores worth of investments have been attracted into the State. (A detailed write-up on the investment proposals generated during GIM is given in Annexure 2).

25.12 In order that the MoUs signed during GIM may be examined on a case-to-case basis, the projects to be implemented prioritised, the possible bottlenecks in project development identified and smooth implementation ensured, the State Government devised a special mechanism for the implementation of projects taken up under GIM - **The Investment Promotion Board (IPB)**.

25.13 The IPB, devised as a fast track mechanism for clearing of projects, is a committee of secretaries headed by the Chief Secretary. The IPB performs the functions of an empowered committee of Government and gives its recommendations to the council of ministers where policy and interdepartmental issues are involved; as also in cases where decisions are to be taken by the Council. The IPB also recommend clearances for project proposals/project ideas taken up by the Board for consideration.

25.14 The Investment Promotion Board, during its initial meetings, had considered in detail the various aspects relating to i) the Functions of IPB ii) Nature of projects to be taken up by IPB and iii) the Method of Operation and forwarded to Government the recommendations in this regard. (The Govt. orders constituting the IPB and detailing the role and functions are given as Annexure 3). The requirements of prospective investors exploring investment opportunities in the State in the wake of GIM are also being given careful consideration by the IPB.

25.15 The **Kerala State Industrial Development Corporation (KSIDC)**, the premier promotional agency of the State Government, has been re-structured to take on the task of developing industrial, economic and social infrastructure in the State. The Memorandum of KSIDC has been amended to include identifying the infrastructure needs of the State, structure projects to bridge the gaps and thereby spherehead a balanced growth over the core competencies of the State, viz., physical and social infrastructure. Innovative steps to achieve this mission have been taken already. Implementation of **Industrial Growth Centres**, a central Govt. initiative for the development of industrially backward districts, is being undertaken by KSIDC. (A note on the four industrial growth centres, at Kannur, Kozhikode, Alappuzha and Malappuram is provided as Annexure 4).

**25.16 Kerala Infrastructure Development Corporation (KINFRA)**, the organisation specially constituted to provide requisite infrastructure for projects in the State, is actively involved in developing industry – specific parks across the length and breadth of the State. (Details on the various projects developed by KINFRA as also the facilities provided therein are given in Annexure 5).

25.17 Also, a **Modernising Government Programme (MGP)** has been drawn up as part of the strategy of Government to overhaul and improve its services to the people of the State. The trust in MGP is to facilitate public servants and elected officials to serve the citizens of Kerala more effectively, efficiently and equitably with greater accountability. This transformation will facilitate the achievement of the human development and poverty reduction targets envisaged in the tenth Five year Plan

25.18 The highlights of the development approach of Kerala conceptualised in the MGP strategy document recently approved by the Cabinet are

- To provide an effective support system to new investors.
- To provide effective guidance/advice to investors
- To provide escort service to investors so as to remove all hurdles in setting up enterprises.
- To ensure hassle-free issue of licenses and clearances from a single-point
  - To eliminate the “Inspector Raj”
  - De-layering of the decision-making mechanism
- To rationalise licensing and its procedure in tune with liberalised business environment so as to attract private investment in the State
  - To streamline the regulatory framework so as to make it relevant to the present market requirement
  - To reduce transaction costs in dealing with government while setting up and running a business
  - To make the system more transparent and easily accessible

## F. KERALA RENEWABLE ENERGY POLICY

25.19 In order to develop a proper energy mix in the State the policy of renewable energy has been enunciated. The focus of the policy is development of non-conventional energy sources and provision of single window services for technical assistance, sourcing of finances and project clearance. Private participation is to be encouraged along with facilitation of decentralised micro level power generation.

25.20 The key features of the policy include:

- 1) All Power producers generating grid-grade electricity using non-conventional energy source would be deemed as “eligible producers”. In the case of small hydro projects installed station capacity should be below 25 MW.
- 2) Power producers generating electricity for captive consumption would also be treated as eligible producers.
- 3) There is no restriction on legal structure for entrepreneurs – companies, co-operatives, partnerships, local governments, registered societies, NGOs and individuals are eligible.
- 4) All new projects using renewable energy sources would be given industry status with eligibility for incentives available to industries.

- 5) Equipments for renewable energy would be exempted from Entry Tax.

### G.POLICIES ON THE ANVIL

#### I. Kerala Infrastructure Development Bill:

25.21 This Bill outlines the Government policy for infrastructure development and is now before the Select Committee. The Bill provides for the following type of concession agreements.

- Build, Own, Operate and Transfer on the basis of user fees.
- Build, Own, Operate and Maintain on the basis of user fees.
- Building and Transfer on the basis of payment as per amortization schedule.
- Build, Lease and Transfer whereby during the lease period rent would be paid by the Government agency.
- Build, Transfer and operate whereby the ownership would be immediately transferred but the operation would be continued on user charges.
- Lease Management whereby a Government project is given for operation and maintenance on lease.
- Management whereby Operation and Management of the project is transferred as per agreement.
- Rehabilitate, Operate and transfer where an existing asset has to be rehabilitated.
- Rehabilitate, Own, Operate and Maintain where an existing project is vested in a person.
- Service contract for performance of services.
- Supply, Operate and Transfer in the case of machinery and equipment.
- Joint venture where joint financing and implementation is envisaged.

25.22 All these types of public-private partnership arrangements can be made by government, local governments, or government agencies in a fair and transparent manner once the law is enacted.

#### II. Draft Export Policy

25.23 The Export Policy under consideration has the following salient features:

##### ➤ Export Incentive

25.24 Export activity will be declared as a public utility and the units which exports more than 50% of their production will be given special status. Some

of the export incentives for such units include.

- Exemption from sale tax or entry tax on raw material, consumables, material handling equipment, intermediaries, semi-finished and sub assembled products.
- Total exemption from power cut.
- Investment subsidy to all the industry who exports a minimum of 50% of their total turnover.
- Refund of taxes paid on inputs.
- Green card facility for establishment and recognized Export Houses for free movement of export cargo from any point to the airport or sea port.
- Special Market Development Assistance Scheme in addition to the Central scheme.
- **Incentives and facilities for 100 percent Export Oriented Projects.**
  - Duty free import of capital goods, component/spare, office equipment, raw materials, consumable etc.
  - Supplies made to a 100 percent EOU from Domestic Tariff Area (DTA) are treated as deemed exports and exempted from taxes and duties.
  - Sales are allowed as DTA in the ratio of 25:75 in relation to export sales.
  - Liberal conditions for foreign equity participation.
  - Well streamlined procedures for all clearances.
  - Exemption for corporate income tax for a continuous block of 5 year during the first 8 years of operations.
  - Even more liberalized packages for export – oriented electronics Hardware Technology Parks.
- **Income Tax holiday**
  - Income Tax holiday for 5 years to industrial units in Idukki and Wayanad Districts.
- **Other Export Promotion Schemes**
  - Under Zero duties scheme capital goods can be imported without duty against the commitments of exports of six times CIF value of imported capital goods to be met over 8 years.
- **Special subsidies to tourism related projects.,**

### III. Draft Policy For Development Of Maritime Sector And Port Infrastructure

25.25 The draft Port policy focuses on the following seven ports initially.

- 1) Vizhinjam
- 2) Thankassery
- 3) Alappuzha
- 4) Munambam
- 5) Ponnani
- 6) Beypore
- 7) Azhikkal.

25.26 The policy encourages private sector participation in existing Ports, development of new Ports especially for handling POL and Trans-shipment, development of Container Terminals, multi-purpose Jetties including captive Jetties, marinas, warehouses, provisions of port service including cranes etc.

25.27 The private partners would be selected through competitive bidding as well as in specific case through suo motu bids and “Swiss Challenge” approach.

25.28 Coastal shipping, tourism and travel, port related industries and marine industries would also be encouraged. The partnership agreements would be on the basis of those modes outlined in the Infrastructure Bill.

### H. TOURISM VISION 2025

25.29 This Vision envisages increase of earnings at 10% per annum and generation of employment opportunities at 10,000 persons per year and also an annual rate of growth of 7% in foreign tourist arrivals and 9% in the case of domestic tourists. Focus areas include; development of infrastructure, quality assurance

through classification and monitoring, conservation of heritage sites, development of tourism oriented infrastructure, promotion of souvenir industry, development of specific tourism products like Eco-tourism, ethnic cuisine and Ayurveda, tourist security and so on.

25.30 The following incentives are proposed.

#### Incentives Offered To Private Sector Investments

##### ➤ Investment subsidy

25.31 General investment subsidy of 10% of capital cost including land, building, furniture, furnishings, equipment, landscaping etc. subject to a maximum of Rs. 10.00 lakhs will continue for approved tourism units. Additional subsidy on the following will also be provided

- Investment in pollution control facilities and equipment's such as solid/liquid waste management equipment's for recycling of wastewater, sanitation facilities, captive power generation (generators) etc @ 15% of such investments subject to a separate ceiling of Rs. 5.00 lakhs
- Projects with capital investment exceeding Rs.50.00 crores may be considered for a special incentive package except tax – based incentives, not below the benefits otherwise eligible, on a case – to-case basis
- Special package of incentives will be considered for channeling foreign Director Investment (FDI) in tourism and infrastructure project

##### ➤ Electricity tariff concession

25.32 The existing system of remitting the commercial tariff and getting the difference of commercial tariff and industrial tariff from Department of Tourism will continue.