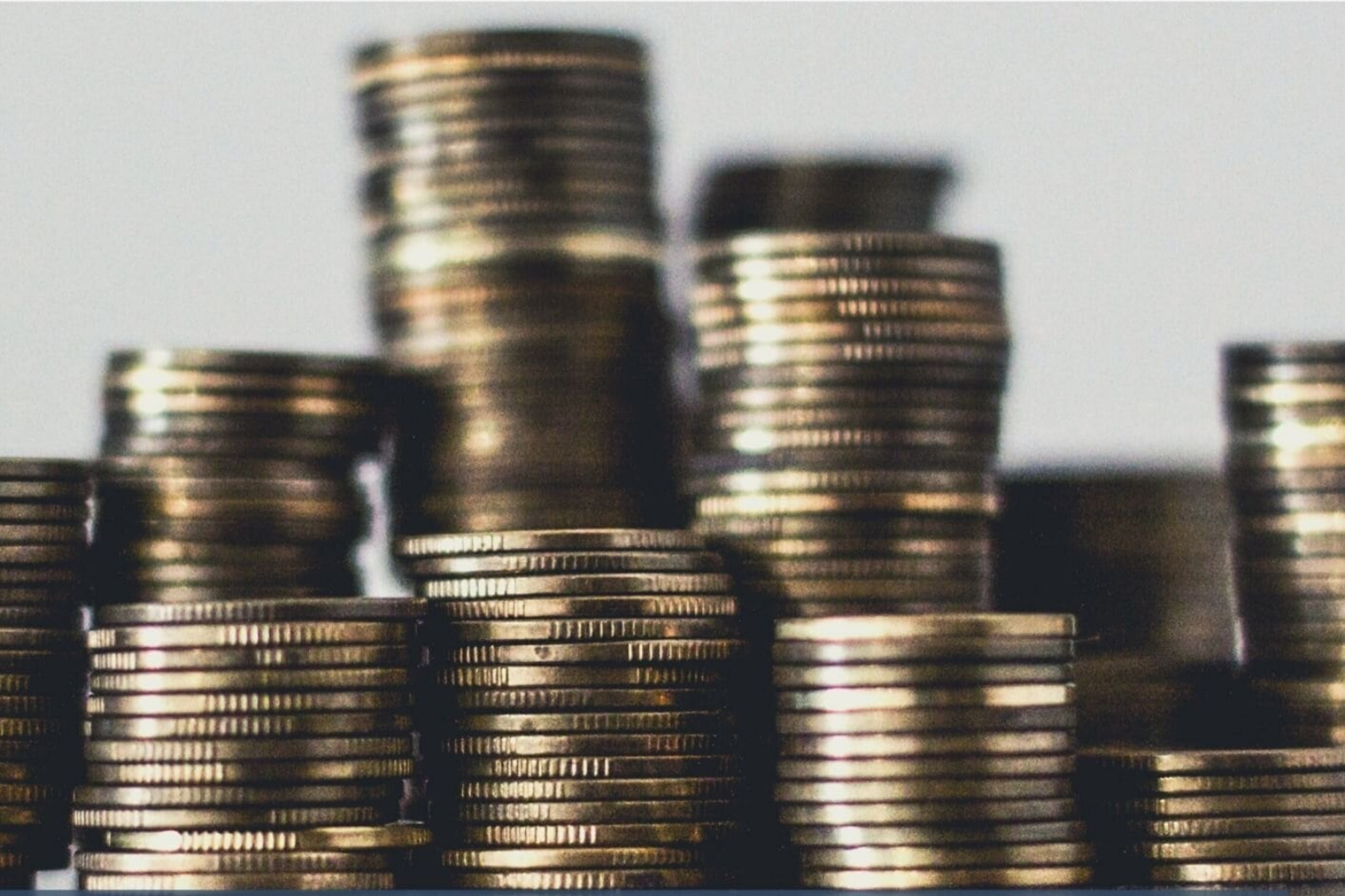
THE COCHIN CHAMBER OF COMMERCE & INDUSTRY

Celebrating a Storied Past & a Priceless Legacy



KERALA STATE PRE BUDGET MEMORANDUM 2021 - 22

Prepared by:
The Research Wing of the Cochin Chamber of Commerce & Industry

S. No	Theme	Suggestion	Justification
1	Ease of Doing Business	New Industrial Policy for the State	The State Government unveiled its last State Industrial Policy in July 2018. The State witnessed two major floods, a pandemic induced economic slowdown etc. in the interim. This coupled with the fact that Non Resident Keralites from the Middle East are returning to the state puts our economy in a difficult position. We need to realign our State policy in such a way that investments, job creation etc. happens on a large scale to meet local demands. Ideally the policy should be revised every three/five years in consultation with stakeholders and the public at large.
2	Ease of Doing Business	Compliance relaxation for industries	The Government needs to support the industry for a quick revival of the State's economy. This could ideally be done by providing relief under various heads like property tax, rent, cess, electricity tariff etc. that are directly under the purview of the State Government. Major municipal bodies may be instructed or requested to provide such relief to industries. The Government may also consider issuing a blanket order suspending/relaxing the collection of fees, tax, cess etc., instituted

			under various State Laws for a period of 2-3 years.
3	Ease of Doing Business	Enable 24 hours shopping	Section 10(2) of the Kerala Shops and Commercial Establishment Act, 1960 permits the Government by general or special order, to fix the time at which any establishment or class of establishments shall be opened or closed in any local area. The Tamil Nadu Government vide G.O (Ms).No. 60 dated 28th May 2019 permitted all Shops and Establishments to keep their establishments open for 24/7 all days of the year for a period of three years with effect from the date of publication of the notification. Karnataka also declared a similar relaxation in the first week of 2021. A similar notification under section 10(2) can boost the retail trade and tourism potential of the State
4	Ease of Doing Business	Prescribing minimum number of employees for registration of Shops	In Kerala, all shops and commercial establishments have to be registered under the Act irrespective of the number of workers. Recent amendments in states like Gujarat (Gujarat Shops and Establishments Regulation of Employment and Conditions of Service Act, 2019), Maharashtra (Maharashtra Shop and Establishment Regulation of Employment and Service Condition Act 2017) , Tamil Nadu (Tamil Nadu Shops and Establishments Amendment Act, 2018) etc. have set 10 employees as the benchmark requiring the employer to seek license and registration

			under this Act. The Kerala Government can consider providing relief to the establishments employing less than ten workers in this regard.
5	Ease of Doing Business	Renewal of registration of Shop licences	Section 5 A (5) of the Kerala Shops and Commercial Establishment Act, 1960 prescribes a one year validity to the registration certificate granted under this Act, requiring employers to renew the certificate on a yearly basis. States like Maharashtra amended their provisions to increase the period to ten years. The Odisha Government vide the Draft Odisha Shops and Commercial Establishments (Amendment) Rules, 2019 circulated on 13th June 2019 proposes to do away with the requirement to renew registration of shops and commercial establishments; registration will soon remain valid till revoked / furnishing of an undertaking of closure. Taking a cue from these developments, the Kerala Government should also increase the validity period of facilitating the ease of starting and doing business in Kerala.
6	Ease of Doing Business	Publish whitepaper on Ease of Doing Business in Kerala and consult stakeholders	It is vital to organise structured consultations with relevant stakeholders and the public at large to solicit inputs and discuss the jump start needed for business growth in Kerala. These consultative processes can improve the confidence of industry in the

			Government's efforts.
7	Ease of Doing Business	Mandating prior consultations on all policy measures relating to business.	As a measure to make 'business reforms' more participatory, the Government can consider replicating the Karnataka Government's notification mandating consultations on all policy measures relating to business. Karnataka Circular : https://kum.karnataka.gov.in/KUM/PDFS/Circular.pdf
8	Ease of Doing Business	Representation of Industry organisations in the Committee to woo foreign investors	On 25th May 2020, the Chief Minister announced a Committee to woo foreign investors. The Committee headed by the Chief Secretary is expected to reach out to foreign nations for investments. This could be effective if the Government also onboards industry organisations with international connections. The Cochin Chamber's diplomatic connections with various countries could be utilised for the same.
9	Ease of Doing Business	Invest India like Facilitation Cell at State level with Industry representation and Participation	Most of the Kerala Government initiatives are run with minimal participation from the industry members. Some initiatives should be tweaked to increase private participation creating a win-win situation for the Government and the industries of the State.

			Taking cue from various experiences shared by developed nations, the Government of India had set up Invest India as the National Investment Promotion and Facilitation Agency of India which also acts as the first point of reference for investors in India. Invest India was formed in 2009 under Section 25 of the Companies Act 1956 for promotion of foreign investment with 49% equity of the then Department of Industrial Policy and Promotion, Ministry of Commerce and Industry and 51% shareholding by FICCI. The current shareholding pattern of Invest India is 51 % of Industry Associations (i.e. 17% each of FICCI, CII & NASSCOM) and the remaining 49% of Central and 19 State Governments. This Invest India team recently won the United Nations award for investment promotion. Similarly, Kerala's investment promotion work should be entrusted with a single entity where industries have representation, participation etc.
10	Ease of Doing Business	Develop a Kerala Competitiveness Index Report	Kerala regularly features in the top of rankings relating to Human Development Indices. The push from the Central Government on State level ease of doing business rankings has created a regular platform for discussion and reforms for the business sector. The World Economic Forum annually releases competitiveness scores of 140

			countries based on aspects like institutions, infrastructure, macroeconomic environment, health, education, efficiency of goods market, labour market efficiency, technological readiness etc. comprising a total of 119 indicators. The Kerala Government should consider adopting the World Economic Forum's Global Competitiveness Index format at the State level. For instance, the Government of Andhra Pradesh has collaborated with the World Economic Forum to create the State's Competitive Index Report. Andhra Pradesh stands equivalent to the 49th rank globally when compared to India which is at the 58th rank (2018). Developing a Kerala Competitiveness Index report with the help of relevant stakeholders will enable Kerala in prioritising the reforms required to position Kerala in the global market. This report could be prepared with the help of agencies like the State Planning Board, the Centre for Development Studies, the KSIDC etc. in consultation with World Economic Forum experts.
11	Ease of Doing Business	Unveil State Export Promotion Policy	A 2017 research study on Kerala's export competitiveness conducted by the Kerala State Industrial Development Corporation (KSIDC) and the Federation of Indian Export Organisations (FIEO) had emphasised the need to explore new sectors in the export domain. States like Andhra Pradesh and

			Karnataka have dedicated, State specific Export Promotion Policies that have boosted the confidence of the exporter community in those States. Kerala has the potential to become the export facilitation hub in the country with the presence of the International Container Transhipment Terminal (ICTT) Vallarpadam, the Cochin International Airport and the proposed Vizhinjam Port. However, only a strong policy supporting the operations undertaken by the exporting community can trigger a massive growth in this sector. The Government should draft a comprehensive Export Policy in consultation with the exporting community in Kerala, incorporating the suggestions made in the Federation of Indian Associations Export Organisation's study report on Kerala State Export Competitiveness.
12	Ease of Doing Business	MSME Clinic for MSME revival	The Telangana Government in 2017, set up an Industrial Clinic to rehabilitate sick MSMEs by offering them financial and consultancy support. The Telangana Industrial Health Clinic Ltd (TIHCL) was set up as a fintech driven Non-Banking Finance Company (NBFC) with equity participation from the Government of Telangana, the Government of India, financial institutions and MSMEs offering managerial, technological and marketing support to revive, rehabilitate and

			restructure sick but viable MSMEs. Within two years, 104 MSMEs have registered with the TIHCL for revival and 42 units are on the path to revival. A similar clinic-like support ecosystem can boost the confidence of the struggling trading community in Kerala. The existing Vyavasaaya Bhadratha scheme could be expanded on these lines.
13	Ease of Doing Business	Suspend levying of Professional tax	The Constitution of India and the Income Tax Act empowers the State to levy a Professional Tax subject to a maximum of Rs.2500 per annum. Various employer and employee organisations have requested the Government to defer the levying of professional tax for at least for a period of six months during the lockdown. The levy is based on the ability to pay and considering the crisis situation, the State Government should exempt employees from paying professional tax for the next 3-6 months.
14	Ease of Doing Business	Support for Real Estate Projects	On 15th May, the Kerala Real Estate Regulatory Authority provided a 6 months extension for all expired and ongoing projects. The sector has faced immense pressure owing to reasons like floods, amendment of building rules in 2019, the Maradu demolition etc. The government of Kerala should take special initiatives to boost the sector. The Government could consider the waiving of registration charges and stamp duty on construction

			projects for a stipulated period of time. The Government should also consider revisiting the Building Rules in consultation with relevant stakeholders.
15	Ease of Doing Business	Setup USDA's Foreign Agricultural Service like Agency	The United States Department of Agriculture's Foreign Agricultural Service is responsible for releasing reports on markets in different countries for different products. This data serves as a resource for researchers in aiding the Government through evidence based policy interventions. A similar governmental or quasi-governmental institution exclusively dedicated to track the market of products, trade barriers, compliance hurdles etc. can play a huge role in improving the import export landscape in Kerala. The data will also enable the exporters in taking informed decisions.
16	Ease of Doing Business	Retail Trade Policy for the State	A high per capita income and a consumption driven economy makes Kerala an ideal location for becoming a prominent retail hub in India. The tag of 'popular tourist destination' also favours the State's chances. However, the State hasn't really been able to make major inroads in the retailing sector. The retail trading community has struggled a lot during the floods and the subsequent imposition of the flood cess. Requiring the upgradation of the GST system for this has only added to the burden. Currently, a

			prospective retail entrepreneur has to obtain at least 20-30 licences to start his retail business in Kerala. This makes it difficult to establish and operate businesses here. States like Karnataka, Andhra Pradesh and Maharashtra, have formulated dedicated retail trade policies for their States, envisioning global competitiveness in the retail sector. The existence of a strong community trained in the essentials of supply chain management are also crucial for achieving the retail hub target. Taking a cue from the relevant State specific policies, the Government of Kerala may consider drafting a State specific Retail Policy after consulting relevant stakeholders.
17	Industry	Transferring CMDRF funds to SDMA to support industries	Industry made immense contributions to the struggling State economy during 2018 floods the, 2019 landslides and the 2020 pandemic. However, the clarification issued by the Government of India has placed industries in a tough situation. The clarification states that the contributions to CM Relief Fund wouldn't fall under CSR contribution whereas contribution to SDMA would be considered as a CSR contribution. To address this, the Kerala Government on 17th June 2020 had empowered the State Disaster Management Authority to open the Kerala State Disaster Mitigation Fund (SDMF-Contributory). The

			Government should consider transferring all contributions made to CMDRF from 1st March 2020 to 17th June 2020 to reduce the possible burden on the industries that are struggling to cope with the pandemic shock. The Tamil Nadu Government made necessary arrangements for a similar transfer vide order dated 8th April 2020. https://prsindia.org/files/covid19/notifications/2079.TN_CMRF_Contribution_CSR_Apr%208.pdf
18	Ease of Doing Business	Logistics Policy for State	According to the Ministry of Commerce (Government of India) - Deloitte Logistics Ease Across Different States Report 2018 study on logistics infrastructure in States, Kerala's score on facilitating an operating environment is the lowest in the country. The Report was based on the responses from the operators in the State who highlighted aspects such as road restrictions, labour policy and frequent disruptions by transport unions. High Port charges at the DP World operated Cochin Terminal etc. makes exporters prefer other ports like Tuticorin for their business. Subsequently, the Kerala Industrial and Commercial Policy 2018 made an attempt to prioritise logistics by envisaging a logistics park in every industrial park, a logistics hub in Kochi, skill development etc. However, the situation in Kerala demands a dedicated 'logistics policy'

			that addresses the specific concerns raised by the stakeholders. Initiatives have been taken by Maharashtra and the Central Government to prioritise the logistics sector for wooing industrial players and facilitating the ease of doing business.
19	Ease of Doing Business	Promoting innovation	The inauguration of the Kerala Technology Innovation Zone in Kochi as an innovation hub is definitely a boost for the tech community in Kerala. However, we need to facilitate more avenues for local innovations through institutionalised funding. Kerala should take a cue from the Karnataka Government which is planning to set up regulatory sandboxes in the State which will allow companies to test innovative technologies in a controlled environment. It would be helpful to allocate a sum annually to MLAs for promoting innovation at their Assembly Constituency level (similar to the 'One MP One Idea' scheme in the MPLADS guidelines). This can either be an additional fund or a portion carved out of the existing LAC fund. The same can be implemented with the help of the Kerala Development and Innovation Strategic Council and the District Planning Authorities. This will also provide an opportunity for the constituents in constructively engaging in the nation building process.

20	Ease of Doing Business	Industry 4.0 ready state	Kerala's excellence in technology related fields should also translate into efforts at the policy level. The Kerala Blockchain Academy (KBA), a path breaking initiative of the State Government in collaboration with the Indian Institute of Information and Technology and Management, Trivandrum is the first of its kind in India . The State should set an example by finalising sector specific policies to drive the 4.0 revolution. We need a structured policy framework to promote and nurture initiatives in the emerging tech space. training for students to prepare themselves for industrial Revolution 4.0 could be institutionalised.
21	Industry	Entrepreneurship in school curriculum	Kerala was one of the first States to adopt policy measures for promoting student entrepreneurship at the School and College levels. The State Level Policy inspired the Government of India in the drafting and finalising the National Innovation and Startup Policy, 2019 for students and faculty. The Central Government's policy identifies the need to impart entrepreneurship education to students at curricular/ co-curricular/ extra-curricular levels through elective/ short term or long-term courses. Institutions should take proactive measures to promote entrepreneurship through

			structured engagement with players in the sector. The latest reports on unemployment show that Kerala has the highest Unemployment Rate (UR) of 12.5 per cent. The situation demands a more aggressive approach towards creating a 'State of job creators instead of being a State of job seekers.' Modules on the successful entrepreneurs, ways to set up business in the State , sources of funding etc. should be made available to students to understand the window of opportunities in each sector. This will equip them to take informed decisions before taking an entrepreneurial plunge. Kerala can take a cue from the Delhi Government that proposed to introduce "Entrepreneurship Mindset Curriculum", as a mandatory subject for the students of Classes 9 to 12 studying in their Government-run schools.
22	Development	Development Impact Bonds for Social Investment	Development Impact Bonds(DIB), is a results-based development investment contract that involves three parties: a private investor, an outcome payer, and an implementing partner/service provider. The private investor invests money to carry on certain development projects that promises measurable social outcomes. On achieving these outcomes, the private player is paid back in capital along with interest. According to the India Development Review, the first DIB in India was launched by a non-profit, Educate

			Girls, in association with UBS Optimus Foundation and Children's Investment Fund Foundation. It has surpassed both its targets (increased girls' enrolment and improved learning outcomes) by 116 percent and 160 percent respectively. A total of 768 girls were part of the experimental project initiated by Educate Girls. It was found that the learning outcomes were 28 percent higher than girls who did not opt for the Educate Girls project. It would be fruitful to consider the possibility of governmental level institutionalising /facilitating of Development Impact Bonds in Kerala. A return on this investment is expected to motivate more private players to the development sector.
23	Governance	People's Policy Campaign	The State Government should institutionalise a pre-legislative consultation through a policy initiative, preferably a legislation which imposes a legal obligation on policymakers to consult the public, thereby providing citizens a right to participate in the policymaking process while at the same time penalising Officers for finalising the Bill without scrutiny or invalidating the laws for flawed policy making process etc. It would be useful to create a portal for uploading calls for comments initiated by different departments. This portal should also upload the comments received from various stakeholders to ensure transparency. The Telecom Regulatory

			Authority model could be followed.
24	Industry	Finalisation of Maritime Rules	Section 106 of the Maritime Board Act, 2017 empowers the Government to make rules. However, the Government hasn't finalised the Maritime Rules under the Act. The delay in finalisation of rules were clearly pointed out by the Speaker of Kerala Legislative Assembly in his ruling dated 12th June 2019. The Government should expedite the rulemaking process. The draft version of the rules should be placed in the public domain for stakeholder consultation. The rules should give a better clarity and understanding on the implementation of the Act.
25	Industry	Urgent inclusion of more industry organisations in State Ports Consultative Committee Local Advisory Committee for Ports	On 2nd April 2020, the Government of Kerala notified the constitution of the State Ports Consultative Committee (Section 102 of the Act) and Local Advisory Committee for Ports (Section 103 of the Act). A plain reading of Section 106(2) d mandates the notification of rules before the constitution of the Local Advisory Committee since these rules prescribe the terms and conditions for appointment of members of the Local Advisory Committee. The Government should also include non-FICCI, non CII industry organisations that have considerable representation from the maritime sector.
26	Industry	Draft a State Port Policy	Kerala is blessed with the presence of one major port and 17 minor ports. Kerala has the

			potential to become a hub with the presence of the International Container Transhipment Terminal (ICTT) Vallarpadam and the proposed Vizhinjam Port. However, we need a comprehensive Port Policy outlining the Government's plan for the development of the Port scenario in the State. States like Gujarat, Maharashtra, Andhra Pradesh, Karnataka etc. have dedicated State specific Port Policies.
27	Industry	Port based SEZ in Willingdon Island	The Kerala Industrial Infrastructure Development Corporation in 2019 solicited the Chamber's input for developing a Port based Industrial Zone in the Willingdon Island. Currently, a Port Based Economic Zone is operational in Jawaharlal Nehru Port Trust, Mumbai. The Kandla Port in Gujarat had floated global tenders in 2014 for the development of a Port-based Multi-Product Special Economic Zone (PBMPSEZ) and received expressions of interest from more than 25 global players. It must be noted that port based industrialisation is expected to facilitate the setting up of Coastal Economic Zones as envisaged under the Sagarmala project. A roadmap for the implementation of the Port Based Multi Product Special Economic Zone at Willingdon Island should be prepared in consultation with relevant stakeholders. A participatory approach can improve public confidence in the project.

28	Industry	Representation of Industry in the Expert Committee on Economy	On 5th May 2020, the Government of Kerala constituted an Expert Committee which would conduct a study on the impact of Covid-l9 and the consequent lockdown measures on the public finances of the State and on the various sectors of its economy. The current six member committee comprises bureaucrats, a policy expert from the State Planning Board and economics professors. While we have the utmost regard to the expertise of the eminent members in the Committee, we believe that the industry associations, being vital instruments for a productive economy, have been left out. Their absence and missed opportunity to provide inputs will definitely impact the perspective and solutions arrived at by the Committee. We strongly feel that representation of members from the industry sector would boost the confidence of all stakeholders in addition to revitalising the economy through the facilitation of a strong and speedy revival at the earliest. A separate email id for the expert Committee should be created to facilitate conversations.
29	Urban Governance	Expansion of Cochin Corporation Limits	The Cochin Corporation has 94.88 sq km within its limits and the same has been the story since the last 50 years. The city has expanded manifold. The State Government should take steps to include more local bodies under the Corporation limits to enable a focussed approach for development.

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<tr><th colspan="4">WHILE OTHERS GREW, KOCHI STAYED THE WAY IT WAS BORN</th></tr>
<tr><th>Corporation</th><th>Year of formation</th><th>Area during formation (km²)</th><th>Present Area (km²)</th></tr>
<tr><td>T'Puram</td><td>1940</td><td>30.66</td><td>214.86</td></tr>
<tr><td>Kozhikode</td><td>1962</td><td>84.26</td><td>118.59</td></tr>
<tr><td>Thrissur</td><td>2000</td><td>101.42</td><td>101.42</td></tr>
<tr><td>Kollam</td><td>2000</td><td>58.18</td><td>73.03</td></tr>
<tr><td>Kannur</td><td>2015</td><td>78</td><td>78</td></tr>
<tr><td>Kochi</td><td>1967</td><td>83.52</td><td>94.88</td></tr>
<tr><th colspan="4">AS COMPARED TO OTHER TIER-II CITIES</th></tr>
<tr><td>Lucknow</td><td>1960</td><td>79.16</td><td>349</td></tr>
<tr><td>Pune</td><td>1950</td><td>138.65</td><td>31.26</td></tr>
<tr><td>Ahamedabad</td><td>1950</td><td>191</td><td>464.16</td></tr>
<tr><td>Jaipur</td><td>1994</td><td>111.8</td><td>484.64</td></tr>
<tr><td>Surat</td><td>1966</td><td>21.95</td><td>326.52</td></tr>
<tr><td>Visakhapatnam</td><td>1979</td><td>76.32</td><td>540</td></tr>
<tr><td>Coimbatore</td><td>1981</td><td>105.6</td><td>246.75</td></tr>
<tr><td>Mangaluru</td><td>1980</td><td>132.45</td><td>184.45</td></tr>
<tr><td>Kochi</td><td>1967</td><td>83.52</td><td>94.88</td></tr>
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Image courtesy : Indian Express (10th December 2020)
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<td>30</td>
<td>Industry</td>
<td>Establishment of Willingdon Island based Maritime Cluster</td>
<td>In Ascend Kerala 2020, the Government proposed the setting up of a Maritime Cluster at par with leading international maritime centers and also develop a policy guideline for functioning of the maritime cluster. The proposed project seeks to develop core, financial & regulatory and others services (tourism, maritime museum etc.). The Government should prioritise and expedite the implementation of this project.</td>
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31	Industry	Plantation Policy for the State	The Cochin Commerce & Industry commends the Government in taking proactive steps towards framing a Plantation Policy for the State. We appreciate the fact that the Hon'ble Minister for Labour, Mr. T P Ramakrishnan took the initiative to organize a Workshop in Cochin on the 21st of January 2020 to discuss the draft Plantation Policy with the stakeholders. In this connection and as submitted at the Workshop, we would like to emphasise the fact that the Plantation Policy that the Government finally adopts will be effective only if the Revenue, Forests and Industries Departments are also brought into the picture. The success in implementing the Policy will depend on the efficient coordination and cooperation between all departments and agencies concerned. The Government should finalise the policy incorporating the suggestions and facilitate the sector revival.
32	Industry	Natural Gas	Kerala charges 14.5% on Natural Gas whereas Tamilnadu charges only 5.5%. This issue needs to be addressed especially as the GAIL pipleline has been commissioned so as to kickstart the consumption
33	Industry	Power	The system of charging Cross-Subsidy on Open Access Power needs a relook
34	Healthcare	Unified Healthcare Act	The current situation points towards the need

			for overhauling the outdated health laws in the State. The present legal framework has limitations on the nature of interventions that the State can make in respect to public health in emergency situations. The laws do not adequately address the problem of non-observance of medical restraints by the suspected patients, potentially giving rise to public health crisis situations. We need a complete overhaul of the current regime that is confusing and difficult to implement. The southern districts of Kerala fall under the purview of the Travancore-Cochin Public Health Act, 1955, whereas the northern districts follow the Madras Public Health Act, 1939. The Kerala Government had circulated a Draft Public Health Actin 2009 for public consultation. The State Health policies finalised in 2013 and 2018 have also emphasised the need for a unified Kerala Public Health Act combining the existing laws and incorporating the provisions catering to the current public health needs in the State. The State Government should take necessary steps to ensure that a new law, incorporating the needs of the society and the various sectors involved, is in place to address issues arising out of public health situations.
35	Healthcare	Regulation of Covid treatment charges at Private hospitals	In August 2020, the Government removed the control over Private Hospitals by removing the

			tariffs fixed for Covid 19 treatment. This has resulted in a situation where high risk patients from middle income families end up in debt traps because of the hospital bills running into Lakhs. Most hospitals are charging 10-15 thousand per day for Covid treatment with the treatment period being 7-10 days for an average patient. Even in this case, a patient ends up paying a bill of 1 Lakh rupees during this pandemic whereas the citizens are struggling to adjust to the economic distress. Noting the same, the Supreme Court passed an order on 18th December where it opined that provisions are to be made by the State Government and the local administration to ensure a cap on the fees charged by the private hospitals. (Case -suo Motu Writ Petition (Civil) No.7 Of 2020 Re: The Proper Treatment of Covid 19 Patients and Dignified Handling of Dead Bodies in the Hospitals etc. **https://www.Livelaw.In/Top-stories/Affordable-treatment-private-hospitals-supreme-court-right-to-health-167407)**

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