

Government of Kerala

## **INDUSTRIAL POLICY 2001**

### **PREAMBLE**

The State of Kerala has attained worldwide acclaim for its achievements in improving the physical quality of life of the people, and in the creation of social infrastructure, particularly in health and education systems. While this focus has led to an all round quality of life that is significantly superior to that of other Indian States, industrial growth has not been commensurate with the State's potential.

Although various initiatives have been taken in the recent past for promoting industrial growth, bold and forward looking measures would be required if Kerala is to capitalise on its unique strengths, and attain its deserved position as a leading industrial State in the region. This policy, accordingly, seeks to provide a strong impetus to the industrial growth of the State.

The Government recognises that for promoting rapid industrial development, there should be a basic measure of agreement between the various stakeholders and interest groups about the desired policy objectives and the means of their attainment; between present and prospective investors, the workforce and trade unions, and informed public opinion. In pursuit, therefore, of uniform and consensual policy initiatives in related areas, this policy is being announced in conjunction with a progressive labour policy.

It is hoped that the vision and approach delineated in this policy shall facilitate rapid industrial progress and define a new paradigm of industrial development in the State.

### **The Kerala Advantage**

Kerala has an enviable tradition of literacy and social development, is endowed with unique natural resources and is supported by a thriving diaspora.

**High quality human capital and social development.** Kerala has enviable human resources. Its literacy levels are over 90 per cent, significantly above the country average, especially for women. On social indicators, too, Kerala is well ahead of other Indian states. The state scores the highest among all Indian states on the UNDP Human Development Index. Its female-to-male ratio is the best in the country, and among the best in the world. It has the most extensive medical infrastructure and the lowest infant mortality rate in the country. Moreover, at 25 per cent, the number of people below the poverty line in the state is significantly less than the national average of 35 per cent.

**Traditional areas of strength.** Kerala's long, scenic coastline has provided ample opportunities for sectors such as tourism and marine products. The State is now one of the highest earners of tourism revenues in the country and one of the world's premier tourist destinations. In addition, Kerala has begun to leverage its strength in ayurveda, unani, naturopathy, and other traditional healthcare systems that are growing in popularity throughout the world. The state is also the leading producer of natural rubber, coconuts, pepper, and cardamoms and the second largest producer of tapioca, cashew nuts and coffee.

**Economically successful diaspora.** NRIs from Kerala are economically successful, and remit significant amounts to their home state. Over the past 5 years, deposits from non-resident Keralites have grown at a healthy 15 per cent CAGR, and account for an impressive 13 per cent of the country's total NRI deposits. This could grow further, through a systematic programme on the lines of the initiatives undertaken by the Chinese Government.

However, the performance of the State in the industrial sector leaves much to be desired. The hopes and aspirations of people of Kerala can be fulfilled only by bringing in a paradigm shift in the policies hitherto followed and articulating a vision of Kerala, new and bold.

Kerala offers numerous advantages to investors. A study conducted by the Confederation of Indian Industry (CII) across 18 states in India, on the attractiveness of the states in attracting investments, rated Kerala as the third best in the country in overall ranking.

**Kerala's Ranking Among 18 Indian States**

|                               |    |
|-------------------------------|----|
| Law & order                   | 1  |
| Education, health expenditure | 1  |
| Social sector                 | 2  |
| Affluence                     | 3  |
| Infrastructure penetration    | 5  |
| Investment attractiveness     | 5  |
| General Achievement           | 6  |
| Finance                       | 6  |
| Labour                        | 8  |
| Investment climate            | 13 |
| Overall Composite Rank        | 3  |

*Source: CII sponsored study in September 2000.*

However, as is evident from the CII study, Kerala's rank is relatively low with regard to investment climate, labour relations and general achievement. It is imperative that the negative perceptions, real or perceived of the State are changed in order that private domestic and foreign direct investment is channelised for the creation of wealth for the entrepreneur and the development of the State.

Some steps already identified by experts would be to correct the unfavourable labour policies, enhance substantially the quality and relevance of content of professional/higher education, introduce user-friendly policies and procedures for investors, simplify and rationalize laws and foster a culture of user-to-pay rather than free entitlement.

Old mind-sets, conceptions and prejudices will have to be cast aside and a series of measures which are at once bold and innovative will have to be undertaken to facilitate the flow of investible resources into the State, creating work for the unemployed and higher incomes for the entrepreneurs and the State spurring on all round economic growth.

#### OBJECTIVES

The Industrial Policy 2001 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. Considering the constraints that the State faces in increasing productivity and growth in the other sectors, it is the industrial and service sectors that hold out the most promise.

The growth in the industrial sector is contingent on massive investment. Such investment cannot obviously come from the Government's budget, as it would involve an unbearable level of taxation. The solution lies in attracting private investment into the State by creating an environment that favours such investment.

The ultimate goals of the Industrial Policy 2001 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.

#### MEASURES PROPOSED

1. **LABOUR**
2. **SMALL SCALE INDUSTRIES**
3. **TRADITIONAL INDUSTRIES**
4. **TEXTILES**
5. **SICK UNITS**
6. **ELECTRONICS & INFORMATION TECHNOLOGY**
7. **INFRASTRUCTURE DEVELOPMENT**
8. **SERVICE SECTOR INDUSTRIES**
9. **INCENTIVES**

10. **FOOD PROCESSING INDUSTRY**
11. **BIOTECHNOLOGY**
12. **SIMPLIFICATION OF PROCEDURES**
13. **INVESTMENT PROMOTION**
14. **STATE PUBLIC SECTOR**
15. **CENTRAL INVESTMENT**
16. **TECHNOLOGY UPGRADATION, QUALITY CERTIFICATION, INTELLECTUAL PROPERTY**
17. **MINING**

## 1. LABOUR

The State Government is bringing out a comprehensive labour policy and necessary legislation to back up the policy. This will bring desirable changes in the labour market and environment. While correcting the current perception of Kerala labour by investors, it will build on strengths like the short learning curve, high skill, intelligence and adaptiveness of the State's workforce.

## 2. SMALL SCALE INDUSTRIES

The small-scale industrial sector will be equipped to cope with global competition by suitable upgradation of technology, cost reduction techniques and sound management. For this, the Department of Industries and Commerce is to be re-engineered into a competent and professional support agency for the SSI sector. The personnel of this ISO 9002 certified Department will be trained appropriately and sector-specific cells created which will interact with expert consultants to formulate profiles of projects viable for Kerala, after conducting potential / demand surveys. The existing industrial co-operative societies will be modernised and new ones promoted under the Self-reliant Co-operatives legislation. Sector specific clusters of industrial units will be promoted with the assistance of financial institutions and skill development facilitated through common facility centres and training institutions.

Private participation will be encouraged for the development of infrastructure including new industrial estates and plots, with the Government acquiring suitable land for entrepreneurs, identified by them. Household units, especially to generate employment among women, will be promoted both in the production and service sectors. The intensive industrialization programme will be used to improve the documentation, technical knowledge and management facilities with increased emphasis on technology upgradation for small-scale industry and dissemination of information using digital technology and networking. SIDCO will be moulded into an efficient,

professional agency for marketing of SSI products with common branding and publicity as well as for other self-sustainable lines of business.

### 3. TRADITIONAL INDUSTRIES

The traditional industries in Kerala particularly coir, handlooms, khadi, bamboo-based, handicrafts, artisanal and village (cottage) industries etc. are plagued by problems of high cost production, low quality, absence of diversified product range, inappropriate technology and incapacity for professional marketing and export. Increased mechanization, large scale of production and global competition in quality and price pose the threat of massive redundancies in these high employment sectors of Kerala, which may result in poverty and social problems.

The Government proposes to meet these threats 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. While continuing budgetary support would be required to sustain the employment in these sectors, the policy and administrative action will be focused on project/programme financing by financial institutions with margin money grants or loans from the Government rather than full finance/grants to apex co-operative bodies / Development Corporations / Boards. Special projects for technology upgradation and reduction of pollution will also be supported jointly by the Government and financial institutions.

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. Agencies created primarily as apex organizations and for marketing of traditional industry products like coir, handloom, khadi, cottage industry products, handicrafts etc. will be given programme funding rather than the non- conditional grants and share participation given in the past in order to avoid wastage of scarce Government resources on high overheads and to ensure delivery of their services (particularly marketing) in the most cost effective manner, using private sector finance and initiative at the retail level.

The development and production of value added, diversified and innovative products from traditional industries is proposed to be done by a cluster based approach which will ensure the critical mass for forward integration. Marketing, both domestic and global, is to be promoted by developing brand equity for Kerala's traditional industry products. Research and development to create new processes and appropriate machinery will be funded on a project-to-project basis with the provision for success fees linked to effective commercialization and commissioning.

#### (i) Handlooms

Around 50000 handlooms both in the private sector and in over 750 co-operative societies provide employment to about 1.25 lakh weavers. Kerala State Handloom Weavers Co-operative Society (HANTEX), the apex organization of the co-operatives and Kerala State Handloom Development Corporation Ltd (HANVEEV) providing services (especially marketing) to individual weavers, are the principal development agencies assisting the Department of Handlooms and Textiles.

The handloom industry faces a serious crisis, owing to (i) competition from cheap powerloom cloth from other states (ii) scarcity of quality yarn (iii) price escalation of yarn, dyes, chemicals and other raw materials (iv) the shrinking market for handlooms in Kerala (v) non-demand based production and inadequacy of new designs and (vi) inefficiencies in the system, particularly in the co-operative sector.

The Deen Dayal Hathkargha Prothshahan Yojana (DDHPY) introduced by the Government of India is a comprehensive scheme for the development of the handloom industry. The assistance provided by the Government of India is sometimes insufficient considering the wages and quality of living in Kerala and hence it may be supplemented by State schemes. Welfare schemes of the Government of India will also be popularized and implemented in the above manner.

#### (ii) Coir

Over 3 lakh direct workers exist in the coir sector, most of them attached to the over 500 coir co-operatives in Kerala. Adequate low cost production of coir fibre from the coconut husk is to be ensured by systematic collection of husk from farmers, conversion to fibre by a mechanized process in the de-fibring units to be set up on a large scale by private entrepreneurs. Further investments will not be made by the State in the co-operative defibring units set up. In order to maintain the quality and the relatively high wages in the coir-spinning sector, special emphasis will be given to develop and popularise spinning ratts with high productivity and appropriate mechanization. The existing viable spinning co-operatives will be restructured and modernised. Coirfed and the Kerala State Coir Corporation are to focus their activities in marketing and development/popularisation of innovative products such as geo-textiles, as originally envisaged and not in production.

Geo-textiles and other innovative products from the biodegradable coir yarn are to be developed and made acceptable for civil engineering and other varied applications where massive potential demand exists both in India and abroad. Entrepreneur development, research and technology

up-gradation programmes along with substantial private investment in the coir sector (now dominated by cooperatives) will be facilitated. Appropriate technology will be introduced to enhance productivity and maintain the competitive edge of Kerala coir, now seriously threatened by other fibres including polymers and coir products from the other states. Quality improvement, value addition, innovation, technology up-gradation, diversification and export-oriented growth capitalising on the eco-friendliness of coir will constitute the development strategy for the coir sector.

### (iii) Khadi & Village Industries

The khadi sector has at present most of the problems indicated for traditional industries including handloom, but in a more acute form. As the production process is totally manual, one unit of khadi cloth needs several times the man-days needed by the mechanized textile sector and 4 times of that of the handloom sector. At present there is a mismatch in production between the spinning and weaving sectors in Kerala, which is proposed to be rectified by expanding the weaving sector by retraining of trainable spinners as weavers and providing new looms to them. Innovative designs in keeping with consumer demand including in silk, permissible mechanization, standardization of quality, incentives for private sector production of ready made garments from khadi cloth, efficient marketing through private outlets with common branding and facilitation of global exports are envisaged.

Village (cottage) industries is the only sector where investment incentives (given in the form of margin money grant of 25% / 30%) are directly linked to employment generation. Massive employment through new village industries is to be promoted by offering to prospective entrepreneurs project profiles based on potential/ demand surveys, ensuring value addition especially to agricultural produce and popularizing modern techniques of marketing. The Kudumbashree model of development will be adopted especially in rural areas to generate sustainable employment and enterprises.

### (iv) Handicrafts

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. An innovative approach of attracting outsourced production contracts for the ethnic handicrafts of other countries and regions will be attempted, considering Kerala's strengths of comparatively low cost production and high quality of workmanship in handicrafts. Skill development training and common facility centres for the provision of commonly needed but expensive equipment and



professionalisation of marketing and export through the public and private sectors are also integral to this strategy.

(v) Bamboo

Considering the major scope for development of bamboo in Kerala both as a raw material for the traditional handicraft sector as well as for modern industry (as in China), 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.

(vi) Cashew

Massive infusions of Government funds have not been able to ensure adequate work to cashew workers in the co-operative and public sectors as the cashew industry is facing a crisis of crashing prices internationally. Ensuring adequate local production of raw cashew nuts by appropriate legal and other facilitative measures, modernization of the 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 the proposed measures.

#### 4. TEXTILES

Hardly 20% of the textiles requirement of the state is met by local production, which comprises principally of the handloom and khadi sectors, the powerloom sector (which produces over 75% of the requirement nationally) not having been encouraged adequately in Kerala for fear of aggravating the already problematic traditional sectors. The Government desires to correct this policy on the lines of the Government of India's Textile Policy with adequate safeguards to prevent massive redundancies in the handloom and khadi sectors.

(i) Powerlooms

Steps shall be taken for the phased introduction of powerlooms in the private sector by training the younger and capable traditional handloom weavers and providing loans / incentives to enable them to switch over to powerloom production as a household industry. Factory type handloom societies which opt to upgrade to powerlooms as well as new entrepreneurs will be encouraged to set up new powerloom units with adequate incentives. The products of the powerloom industry, especially those of the upgraded societies may be marketed on a wholesale basis by Kerala State Textile Federation (TEXFED) which will be strengthened to function as a development agency for the powerloom sector.

(ii) Spinning Mills

The spinning mills of Kerala, especially those in the co-operative sector are unable to meet the price competition due to low productivity, high overheads, obsolete technology and inadequate funding for modernization and working capital requirements. The State Government shall, through the Department of Handloom & Textiles and TEXFED, enable units in the private and co-operative sectors to sustain themselves by offering technical advice and other services.

### (iii) Weaving / Garment Units

The Government shall encourage, by a package of incentives and support, new entrepreneurs who wish to start state-of-the-art textile/ garment units of international quality as also existing industrialists who wish to upgrade, modernize, add value or expand their activities, considering the immense scope for domestic demand as well as the new opportunities for exports following the lifting of the barriers and restrictions as per the Multi Fibre Agreement by the end of 2004.

## 5. SICK UNITS

Past efforts to identify and revive sick industrial units have not been effective, possibly because they have not been backed by an in-depth analysis of the causes of industrial sickness. The role of government shall be enhanced from curative action to diagnosis and preventive action backed by an early warning system for industrial sickness. At the micro level, effective interventions by expert taskforces at the district level shall be made to avoid impending sickness in identified industrial units and to advise the Government to take policy and fiscal initiatives at the macro level, which would avoid the propensity/ endemicity of certain sectors for sickness.

## 6. ELECTRONICS & INFORMATION TECHNOLOGY

In the high growth area of electronics and Information Technology (IT), the emphasis will be on attracting substantial private investment in software, hardware and telecommunications. Technology parks and other infrastructure will be encouraged to be set up in the private sector. The Government shall immediately set up a state-of-the art Tool Room-cum-Training Centre to enable the hardware electronic industry (including embedded system based industries) to use the latest CAD/CAM technology for their requirements. A separate IT Policy will be brought out

## 7. FOOD PROCESSING INDUSTRY

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. A comprehensive study will be arranged to identify and promote the key products for which the State has comparative advantages in agro / food processing. Infrastructure such as Food Parks, incentives for units manufacturing innovative value-added products, specialized entrepreneurial development programmes, sourcing and

development of the required technology, financial assistance for setting up of cold chains from the farm to the retail outlets, export facilitation etc are on the anvil. A separate division in the Industries Department with a Secretary to Government to be in charge of food processing will be created to give focussed attention to this sector.

## 8. BIOTECHNOLOGY

The twenty first century is expected to be the century of the life sciences. Biotechnology (BT) is poised to make significant contributions in agriculture, human and animal health care, environment management and process industries. The strategy of the State will be to:

- ❖ Establish an internationally competitive business infrastructure and environment for the BT industry in the State, on par with the best facilities and practice worldwide.
- ❖ Develop Kerala as a global centre of excellence in biotechnology by up-to-date education and training for the creation of a large pool of multi-skilled, technically competent manpower and organizations for state of the art biotechnology research in the State with the assistance of Rajiv Gandhi Centre for Biotechnology, Thiruvananthapuram.
- ❖ Create an appropriate pro-business, pro-enterprise, legal, regulatory and commercial framework to facilitate the rapid growth of BT industry in the State.
- ❖ Develop and use BT incubators in appropriate institutions to nurture nascent enterprises and provide laboratory equipment and mentoring support.

The Government of Kerala will encourage adaptation, import substitution and indigenisation of technology. Consultancy/studies will be used to identify and develop areas in biotechnology suitable for the State, such as medical/agricultural/industrial biotechnology etc. The biotechnology park of Kerala Industrial Infrastructure Development Corporation (KINFRA) will integrate resources and provide a focussed institutional set up for accelerated commercial growth of BT.

The area for BT could include:

- i) Industrial process biotechnology,
- ii) Medical and healthcare products such as immunodiagnostics, recombinant DNA therapeutics,
- iii) Agricultural applications such as biopesticides, biofertilisers, micropropagation,
- iv) Bioinformatics
- v) Bio-degradable plastics and other materials

The state-level task-force on biotechnology will co-ordinate the efforts of the Department of Industries, other development agencies and R&D Centres for the integral development of biotechnology industry in the state.

## 9. INFRASTRUCTURE DEVELOPMENT

### (i) General

The overall approach towards the development and upgradation of infrastructure will be to enable optimum utilization of the State's opportunities and resources with the involvement of the private sector.

The Government shall endeavour to facilitate notified Special Economic Zones and bring in a special legal dispensation enabling a more liberalized environment within specified industrial parks, estates and notified areas.

The Kerala Infrastructure Development Act is expected to kick-start the private infrastructure development of the State and bring about revolutionary changes in the availability and quality of infrastructure in the State.

Transparent methods for inviting expressions of interest shall be adopted wherever private participation in infrastructure is involved, especially in projects where protection of public interest is to be given top priority. Whenever expressions of interest are inadequate or the process fails to identify promoters satisfying the pre-requisites, alternate methods such as entering into MoUs may be resorted to.

Setting up of industrial areas in the private sector will be facilitated by the government acquiring land etc. Industrial parks for various sectors and groups including for women can be considered. The development of industrial estates and industrial areas by private investors could be on BOT/BOOM etc. basis.

The development of transport infrastructure and systems by the private sector will be a priority. For instance, the waterways in the State shall be developed with the participation of the private sector and made navigable particularly for barge transport.

Wherever feasible, industrial parks shall have provisions for industrial incubators with the required infrastructure and services brought in through private participation.

Educational and research institutions of international standards related to business/ industry may be provided land in industrial parks/growth centers at concessional rates. Lands outside these may be acquired by the government for them at their cost.

Title deeds will be given, wherever feasible, to all industrialists holding industrial lands on outright purchase by them. The required amendments will be brought to the rules in this regard with suitable delegation of the powers to issue title deeds.

A fund will be created for KINFRA to take up preliminary/feasibility studies for infrastructure project development activities under various departments. Kerala State Industrial Development Corporation Ltd (KSIDC) can also partially finance studies for such projects in the private sector if found relevant and in public interest.

(ii) Industrial Development Zones

Industrial Development Zones (IDZ) with conducive environment and incentives with adequate legal safeguards will be established in the following locations:

1. Thiruvananthapuram
2. Kochi
3. Kanjikode (Palakkad)
4. Kozhikode

Besides these, an Industrial Corridor will be developed between Eloor in Ernakulam and Kochi airport as a Wireless SEZ. All the benefits enjoyed by the Units within the Special Economic Zone, Kochi and other parks established by the State Government, which are relevant, will be extended to the entrepreneurs investing in the IDZ and Corridor. Besides, engagement of workers on contract basis in these Zones / Corridor will be enabled based on a code of conduct to be mutually agreed to between the entrepreneurs and their employees. Units in these Zones will be declared as public utility service as per the Industrial Disputes Act. The Zone authorities would have the exclusive license from KSEB for the retail distribution of power within the zone. Extensive areas will be brought under these Zones/ Industrial Corridor for which land acquisition will be initiated immediately by KINFRA. These Zones shall be developed with the active participation of the private sector with the involvement of KINFRA and KSIDC on the model of the Positra Special Economic Zone in Gujarat. The Government shall consider permitting KSIDC/KINFRA in individual cases to convert the cost of land/built up modules as equity in the units in the IDZ / the Industrial Corridor.

The non-availability of industrial land due to the high population density of Kerala and the necessity for fostering a new work culture within the Zones, are the prime considerations for establishing such Zones as in China, which has thereby successfully attracted international capital investment. The Government believes that the success of the industrialisation effort of Kerala would be contingent on the proper implementation of this concept.

### (iii) Power

The power industry being the lifeline for all economic development, special endeavour will be made by the Power Department to ensure techno-economic viability of Kerala State Electricity Board by revamping and such other management interventions. A State Electricity Regulatory Commission will be constituted. Special significance will be accorded for LNG based generation and the utilization of non-conventional sources of power. Industrial zone, park and estate authorities will be empowered by the Kerala State Electricity Board to distribute power as licensees to units set up within their respective areas.

### (iv) Water

Steps have been initiated by the Kerala Water Authority (KWA) and Kerala State Industrial Development Corporation Ltd (KSIDC) for the implementation of industrial water supply schemes including World Bank aided projects.

## 10. SERVICE SECTOR INDUSTRIES

The State will promote all viable ventures in the service sector.

- ❖ One focus will be on education and training in the fast growing areas like information technology, microelectronics, biotechnology, telecommunications, medicine, genetics, engineering, para-medical services etc.
- ❖ Holistic and eco-friendly projects will be encouraged in tourism as the sector has already been accepted as an instrument for generation of foreign exchange, employment, poverty alleviation and sustainable social and economic development.
- ❖ Healthcare Export Parks for providing world-class healthcare services, including super specialty hospitals, centres for holistic health, senior citizens / child care etc., shall be promoted in the private sector.
- ❖ Ayurvedic and other traditional forms of treatment have tremendous potential for growth and will be encouraged

## 11. INCENTIVES

### (i) General

The prevailing rates for State Investment Subsidy, which came into effect on 11-7-2000, will continue. Units in the priority (thrust) sectors like rubber based industries, information technology, agro based business including food processing, readymade garments, ayurvedic medicines, mining, marine products, light engineering, bio-technology and 100% export oriented units will be eligible for a State Investment Subsidy of 15% of the fixed capital investment (FCI), subject to a maximum of Rs.15 lakhs, whereas non-priority sectors will be eligible for 10%. Units being set up

in the backward districts of Idukki and Wayanad and the industrial areas like Growth Centres and Industrial Parks will enjoy the enhanced rate of subsidy viz. 25% subject to a maximum of Rs. 25 lakhs for priority sector units and 10% up to Rs.10 lakhs for non-priority sector units.

Investment in pollution control devices shall be eligible for an additional 15% subsidy, subject to a separate ceiling of Rs.5 lakhs.

The existing units undertaking expansion, diversification and modification shall also be eligible for subsidy at the above rates.

The Government shall ensure prompt disbursement of subsidy in future through budgetary provisions and also will clear the existing arrears.

Units launching R&D efforts with precisely identified goals and time-bound programmes will be given incentives, the details of which will be worked out jointly with the Department of Science & Technology, Government of India.

In case of projects with capital investment exceeding Rs.50 crores, the Government may consider a special package of incentives, except tax-based incentives, on a case-to-case basis.

A special package of incentives may be considered by Government for channelising FDI and for large infrastructure projects. Infrastructure projects in private sector would also be eligible for the set of incentives, if any, that are offered to Government owned infrastructure projects.

Units being set up in the Industrial Parks of the Government shall enjoy the option to set off the eligible incentives against the cost of land.

(ii) Exemption from Electricity Duty and Enhanced Tariff

- a. 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) will continue.
- b. 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.

(iii) Waiver of Stamp Duty and Registration Fees

All new units being set up in the various industrial parks and Corridor/Zones will be exempted from payment of stamp duty and registration fee.

(iv) Other Concessions

The existing concessions for preparation of market and feasibility studies will continue

The existing price preference of 15% for the products of SSI units located in Kerala and 10% for the products of medium and large industries located in the State being given for all departmental purchases, purchases made by State Public Sector enterprises and statutory corporations will continue and effectively monitored in future.

The State Government has recently introduced venture capital funding for the financing of new, high-risk projects with participation in their equity and management. The Kerala Venture Capital Fund (KVCF) constituted for this, financed by the Small Industries Development Bank of India (SIDBI), Kerala State Industrial Development Corporation (KSIDC) and Kerala Financial Corporation (KFC), is geared up to invest in high growth areas like information technology, biotechnology and food processing. The investment could go up to 40% of the paid up capital in a single project, with a limit of Rs.2 crores, and a timeframe not exceeding 5 years.

## 12. INVESTMENT PROMOTION

The Government shall organize a well-planned and sustained marketing campaign to promote Kerala as an ideal investment destination. Periodic open sessions with industrialists will be held, presided over by the Chief Minister at the ministerial level and by the Chief Secretary at the official level. The task force headed by the Minister (Industries) will co-ordinate investment promotion activities.

A Special Cell will be 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.

## 13. SIMPLIFICATION OF PROCEDURES

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 Government will move progressively to a self-certification regime and verification by professional non-governmental bodies for various inspections conducted by various Government departments being carried out at present. A High Level Inter-Ministerial Task Force will be constituted to study how this can be implemented and submit recommendations to Government,

#### 14. STATE PUBLIC SECTOR

The Public Sector Undertakings (PSUs) in Kerala constitute the single largest block in any State in India. Many PSUs in Kerala were relevant only in a different era when they were expected to serve economic/social objectives by constituting the nucleus for spin-off of downstream and upstream industries and service establishments. It was also contextually relevant when the domestic and international private sector was not coming forward to make investments.

In the changed circumstances, except in the case of infrastructure creation for hi-tech industries, roads, public distribution systems, transportation facilities in remote and financially unviable locations and for public health, hardly any public purpose would be served by the PSUs that are unable to sustain themselves.

The PSUs which impose an unsustainable burden on the exchequer will be restructured, ensuring a safety net to the workers, with investment from the private sector. PSUs planning expansion / diversification / restructuring will accept private investment.

The objectives of restructuring are to:

- ❖ Stem further outflow of scarce public resources to sustain the unviable PSUs;
- ❖ Reduce the public debt that is threatening to assume unmanageable proportions;
- ❖ Use the proceeds of restructuring to meet employee separation costs, settlement of creditors including financing institutions and other liabilities on the government, for creating safety nets for employees and budgetary support for infrastructure.

Restructuring of the PSUs may include:

- ❖ Investment by a strategic partner in diversification and expansion
- ❖ Merger of PSUs having the same line of activity
- ❖ Sale of equity to the public / financial institutions.
- ❖ Management contracts.
- ❖ Leasing of production facilities.
- ❖ Closure of unviable divisions / PSUs.

To spearhead the complex task of public enterprise reforms, an Enterprise Reforms Committee (ERC) has been constituted by the Government.

#### 15. CENTRAL INVESTMENT

The State Government shall constantly co-ordinate with the Government of India, for ensuring higher Central investment in Kerala. Simultaneously, the State will encourage private upstream and downstream units for Central projects.

#### 16. MINING

Intensive efforts shall be made to exploit mineral resources. A separate Mineral Policy is being brought out by the Government.

17. TECHNOLOGY UPGRADATION, QUALITY CERTIFICATION, INTELLECTUAL PROPERTY  
Upgradation of and transfer of technology to industry will be priority strategy for the industrial development of Kerala. The R&D institutions in the State will be enabled to take up technology development in specific industrial sectors in the state. Encouragement will be given for getting accreditation with international quality testing agencies.

Grants will be provided to industrial units for quality certification by approved institutions/research laboratories at the rate of 50% of the expenditure subject to a maximum of Rs. 2 lakhs per unit.

The Government will help entrepreneurs obtain patents/intellectual property rights (IPR). Up to Rs.5 lakhs will be provided, limiting to 50% of the expenses, for procuring patent/IPR. The Government will constitute a Patent/IPR Cell in KSIDC to assist entrepreneurs.

The Government has appointed standing committees of experts, to study the impact of the WTO agreements on various sectors and the suggestions of the committees will be acted upon promptly to enhance the competitiveness of Kerala's products and services.

#### Local government initiatives

The decentralized governance implemented in Kerala is widely acclaimed as a success in regional development. Local bodies have the advantage of an outlook of coordination between various development departments and institutions, focusing more on geographical rather than on departmental boundaries. All the available resources of local self-governments will be utilized for industrialisation. They will be encouraged to coordinate with other industrial development departments, agencies and financial institutions to promote feasible local enterprises identified by potential surveys.

## Implementation

For sustained co-ordination between the various departments of the State to implement decisions relating to the Industrial Policy, a committee under the chairmanship of the Minister (Industries) will conduct periodic reviews. The Government will ensure the effective implementation of the Single Window Clearance Act for all new industrial projects. There will be sincere appreciation of the needs and problems of entrepreneurs and a decisive response to them. The required Government orders, statutory notifications and amendments will be issued promptly from time to time.

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. The task force shall meet once a week to discuss and decide regarding issues and problems in the sectors impinging on industrial development in Kerala, including the difficulties faced by individual medium/large enterprises. Entrepreneurs, media, trade associations and unions will have the opportunity to interact with the Nodal Officer who will also be entrusted with the implementation of the communication strategy to market Kerala as an attractive investment destination.

A Global Investors' Meet is planned for 2002 using international consultants, to promote the State as an ideal investment destination. The Meet will showcase, for prospective investors, projects identified with the help of experts in various sectors like information technology, transport, power, water supply, industry, tourism, public works, ports etc.

## Looking Ahead

Kerala offers numerous advantages to investors, but it has to overcome critical challenges before it can attract substantial domestic and foreign investment. It is hoped that the industrial policy, along with the other measures to be simultaneously implemented by the various departments of the Kerala Government, would change the negative perceptions about the State. Focus will be given for developing the vision and strategies to make the State one of the most attractive investment destinations in India. The Government shall, while implementing this policy, identify the core sectors that will act as growth engines, build the human capital, formulate a detailed implementation plan and articulate the communication strategy to convey this vision to potential investors in India and around the world.

For the successful implementation of the policy, a meeting of minds of all the political parties, trade unions and the public at large is an essential pre-requisite. Therefore, the Government intends to interact frequently with all concerned so that there is a broad consensus as far as possible. This will ensure continuity in policy, irrespective of changes in Government.

The Government looks forward to the wholehearted co-operation of all stakeholders especially the people of Kerala.