



Confederation of Indian Industry
125 Years: 1895-2020

ECONOMIC IMPACT OF COVID -19

RECOMMENDATIONS FOR EASING OF DOING BUSINESS

26 March 2020



ECONOMIC IMPACT OF COVID-19

RECOMMENDATIONS FOR EASING OF DOING BUSINESS

I. INTRODUCTION

With the widespread outbreak of Coronavirus (COVID -19), nations across the globe are grappling to counter the threatening impact of the pandemic on the economic and regional stability of their respective territories. As the confirmed number of novel coronavirus cases in India is increasing rapidly, even as the country has declared a full lockdowns for 3 weeks, it is the need of the hour that we take all necessary measures to prevent the spread of the virus further and, contain its health impact on the society. It is satisfactory to note that our Central and various state governments are working round the clock in this direction.

The pandemic, necessitating a pan-India lockdown, is expectedly affecting the function of economic system adversely. While little can be done to avoid the damage to the economy, every effort should be made to contain and control the damage emanating from COVID19 crisis, especially on sustainability and continuity of businesses, who are critical for providing employment to large section of population. We already have several sectors, such as aviation, electronics, automobiles, entertainment, transport, tourism, and exports, which are in deep trouble.

In recognition of the need for special measures to minimise the impact of the pandemic on the industry and economy, the government of India along with various state governments, RBI and SEBI have started taking several measures, which would help in minimising disruption in supply chain by way of reduced compliances and increased credit flow. Rapidly changing situation in the wake of unprecedented lockdown in the country, however, warrants more of such measures and continuous monitoring of the situation and urgent redressal of issues emanating from the lockdown.

Against this backdrop, the present note attempts to identify some policy / regulatory / administrative measures that would help in reducing the stress on economy and maintaining the supply of essential items during the lockdown period. The note also



suggests several measures to ensure sustainability and continuity of businesses, while fighting the COVID -19 pandemic.

II. KEY ISSUES / RECOMMENDATIONS

1. Bottlenecks in Transportation of Essential Commodities

While the government has permitted the suppliers of essential commodities to operate during the lockdown period, necessary measures need to be taken to ensure the smooth transportation of essential goods and their raw materials in transit. The following steps may be considered:

- All states should accord the highest priority to easing the bottlenecks in transport of essential and related items.
- Trucks carrying essential goods should be prioritized for clearances at check-posts and subjected to checking only randomly. A sticker 'Essential commodities' could be displayed on their windshield for easy identification.
- In many states, issue is being faced by truckers carrying packaging material for essential food grains as they are being stopped at various state borders for long durations. The issue needs to be resolved by suitable instruction to the relevant authorities.
- Transporters need permission from multiple authorities and are facing multiple checking of their loads. Transporters should be allowed to give a self-declaration or they should have a facility of having the material pass for essential commodities like E-way bill to avoid such issues.
- In case of other intermediate goods and raw materials, which are crucial in maintenance of supply chain of essential good, a detailed list should be issued by the government on priority basis.
- The consignor / consignee calling for the loading of truck should be mandated to issue a letter confirming truck number being called for loading along with the details of the commodity to be loaded. Once this document is presented to the officer in print or via digital copy on the phone, the trucks should be allowed to proceed immediately.
- Due to shutdown of roadside food eateries (Dhabas, Restaurants etc), there is a challenge of availability of food for drivers on the route. Government should make arrangement of rations/food and drinking water at check posts and big tolls in order to ease the plight of truck drivers.



- Payment of toll tax should be relaxed during the lockdown period, which will ease congestion at posts and also provide relief to transporters undergoing liquidity crunch.
- To ensure availability of loading staff for tracks, the authorities may instruct transport companies to issue authorization letters (including name, address, phone no etc) to select personnel confirming that they will be traveling strictly for the purpose of loading of trucks carrying essential goods.

2. Facilitating trading across borders

- With a view to ensure easy clearance for traders, all Bills of Entry (BoE) of status holders, manufacturers, regular importers to be facilitated on a timely basis for goods facilitated by RMS.
- There are enquiries for import of items such as protective gear, isolation chambers, and other instruments to set up for emergency by chartered cargo flights. Standard Operating Procedure (SOP) for such clearance at the main airport should be issued, facilitating approvals from local administration.
- Customs, Port Terminals, Container Freight Stations (CFS) are facing difficulty in clearances of even essential commodity due to lack of availability drivers, forklift/top lifter crane/kalmar operators, labor etc. Staff under this category to be facilitated for reporting with necessary precautions.
- Encourage better coordination between local administration and police to allow free movement of items in nature of essential export and import.
- All exports shipments of essential and emergency commodity, which are self-sealed by E-Sealing provision of the Customs, should be considered as direct Let Export Order and should be allowed Direct Port Entry at Nhava Sheva (Mumbai). Currently all such containers are routed through parking plaza with a lot of human interaction.
- Trade finance is getting impacted due to restrictions being faced in physical submission of documents to bank. Allow businesses to submit the necessary documents online for this purpose in a secured manner.
- Instruction should be issued to agencies (Port, Airports, CFS etc) to waive off Demurrage/ detention charges for consignments stuck up in their premises during the lockdown period.



- The expiry time period for both import / export obligations for licences on account of Advance Authorisation (for Raw Material) and EPCG (for machinery) may be automatically extended by 6 months. This is essential given the disruption in global supply chain.
- Shipping liners, CFS, Freight forwarders should be made operational during the lockdown period.
- Transporters / CHA, CFS etc personnel should be provided with vehicle movement pass.
- Adequate customs officials should be made available at the port including Normal Customs for Gate Entry into the port and surveyor should be available to survey the container before lifting.
- CFS / Empty yards should be operational so that they can survey the container and take delivery.
- While government has emphasized on continuity of ports and supply chain, challenges are being faced from local officials and police which keep stopping trucks and staff from reaching ports / container handling facilities etc. Local officials and police need to be instructed to interpret the rules properly, while maintaining balance between keeping supply chains running and meeting the safety requirements.
- PGAs (Partner Government Agencies) should also be allowed to function 24/7, especially Assistance Drug Controller (ADC) which is critical for clearance of COVID-19 testing kits, medicines, medicine raw materials, API, medical equipment like ventilators, etc.
- In line with its order to waive the late fees imposable in terms of Bills of Entry, filed belatedly, which pertain to IGMs filed on or after 20th March 2020, until further notice, CBIC must mandate State authorities, especially at ports to implement this at the earliest.
- Update the ICEGATE not to calculate late filing fees upto 30th April as it is not possible to get it waived from Customs with manual intervention. Most custom houses have issued PN for waiver, but importers are not paying duty as late fee penalty option is still appearing in online duty challan.

3. Exemption of duty for select items

The government may consider exempting items being imported for fighting the COVID-19 pandemic, like protective body gear, isolation chambers, testing kits, ventilators etc.



4. Relaxation in meeting the deadlines for supply of Essential goods

Essential commodities attract a penalty, if order fulfilment is not done in stipulated time to government bodies. No Penalty should be levied for the time being, as the industry is facing severe crunch of Manpower, Raw Material and packaging materials.

5. Widening of government's support to workers

CII welcomes government's move to contribute 24% Provident Fund (PF) for the next 3 months for establishments which have 100 employees and 90% of them earn less than 15,000. However, the scope of this scheme needs to be enhanced in 2 aspects.

- First, we recommend that all employees irrespective of size of the company with Rs 25,000 remuneration should be covered under the scheme.
- Second, the cap of employing 100 workers should be removed to include all firms, irrespective of the number of employees they have hired.

6. Poor network connectivity

Currently, poor network connectivity of internet at many places is also causing difficulty at a time when large section of population is working from home. The telecom companies have a contractual obligation for quality and speed at the time of getting the license. The government (DoT/TRAI) may take up the issue with telecom companies to ensure the availability of bandwidth as specified in their license.

7. Inclusion of sanitary products in Essential commodities List

The government may consider including soaps, handwash, sanitizers packaging industry etc as 'Essential Commodities' so that their production and supplies remain non-disrupted.

8. Transfer of technology to industry

Many educational and higher centres of learning are developing medical equipment and products, such as low-cost test kit for the virus, and high efficacy sanitizer, which may prove to be useful during this critical time. They may be requested to transfer this technology to the industry on a royalty basis.



9. Facilitate seamless Banking services

- Reduce interest rates for SMEs by at least 2% on Working Capital and Term Loans for a period of one year.
- Allow for complete deferral / postponement of both interest and Principal Component of Term Loans by 6 months.
- Essential commodity manufacturers should be given a provision of 20%-30% additional working capital for a limited 3-4-month time period, at a faster pace without need of additional collaterals or securities.
- Allow for complete waiver of charges levied by banks for services such as loan renewal, valuation, legal fees, etc. Also, the regular transaction charges to be at a nominal, uniform rate across all banks.
- Every effort should be made to ensure that banking businesses should continue un-interrupted, else this will prevent from salaries/wages being paid, disbursement of cash for necessary spends etc.
- Allow skeletal staff in banking and financial services to temporarily work onsite to complete international client obligations like book closure and regulation filing between last week of March and the first ten days of April 2020.
- Banks may allow moratorium on loans repayments for a period of 90 days and provide flexibility in withdrawal/ credit limits. Banks / lenders may be instructed not to withdraw the current existing credit limits for a period of 90 days. The necessary liquidity support to banking system may be provided by RBI.

10. Expedite payment to MSME ancillaries

- The large customers of the MSMEs may be requested to help their vendors with an interest-free advance of one-month sales (based on the last 12 months average) to help them mobilize raw-material and hold inventory.
- Cash receivables to companies have gone down. Government payments are also delayed. State/Central government should make payments at a faster pace in order to facilitate cash flow to the companies involved in essential commodities.



11. Ease GST compliances and cost

- This may not be the appropriate time to introduce the new GST returns as a lot of education and training is required for the MSMEs. The existing returns may be continued till September, 2020.
- Further, all Companies (registered) with turnover of less than ₹5 crores may be allowed to file the relevant GSTR1/ 3B forms on a quarterly basis and make payments accordingly for the period up to September 2020.
- Provide temporary relief in GST rates in some cases (eg., items of major consumption by poor section), for a period of 180 days, in order to revive consumption.
- Hand Sanitisers are unaffordable for the common people. 18% GST levy makes it even more expensive. Reduce GST rate to 0% temporarily so that people can use it and protect themselves better in the current situation.

12. Allow suppliers of raw materials/ancillaries/ essential commodities to function seamlessly

Pharmaceuticals and essential goods manufacturers are dependent upon a range of suppliers for their raw-materials and intermediate goods. However, in the current scenario, these suppliers are facing extreme challenges in continuing their operations. Necessary directions may be issued to the district level officers across nation to lift the difficulties and to ensure smooth operations of ancillary/support units to support the Pharmaceutical and essential goods manufacturers.

13. Allow Critical Personnel to commute without hassle

- Chemical manufacturers/suppliers/warehouses and various staff concerned with the safety of the respective concerns/units/factories must be allowed to travel to site to check the safety aspect. However, the ground level police officers are not allowing for the same and the government may issue clear guidelines in this regard.
- The government should also provide passes for movement of vehicle for the employees of the manufacturing units involved in 'continuous process', including breweries.
- Staff of companies providing essential goods and services and their raw material should be provided with curfew passes expeditiously on a priority basis.



- Issuance of all passes should be online and done in a time-bound manner.

14. Ambiguity in interpretation of 'Essential Services' and their supply chain across states

- Various state governments have issued clarification on the industries, which would be allowed or not allowed to operate during the lockdown period. However, there is a discrepancy in the notification of various state governments. There is need for introducing greater clarity and uniformity across states in this respect, while ensuring no industry, which is supplying essential items or is a link in the supply chain of essential items, is left out.
- All processed food and their raw materials should be considered as essential goods, allowing for their production, stocking, warehousing, transportation, export and import even during the lockdown period.
- On ground interpretation of 'essential services' across Indian states are confusing and are of varying nature. The government may consider having a uniform definition of 'essential services' across all states to include IT/ITES/ Telecom/Banking and financial services.
- The government may issue a regulatory clarification to define what all comes under the perishable category.
- There are and will be places facing water shortage during the lockdown period, and will need access to them via home delivery. For this, there will be a need for Water Storage Cans / Drums / Barrels (20 ltr / 50 ltr). Thus, Water Storage Cans / Drums / Barrels (20 ltr / 50 ltr) should be included in the list of essential items.
- Nagar Nigam / Palikas, MCDs across countries are currently overburdened with the task of disinfecting and fumigation. Also, there is a lack of availability of disinfecting & fumigation services for people, who want to get it done as a preventive measure. Fumigation / Pesticide service providers (non-government) should be included in the list of essential goods / services to ensure health and safety of people.
- Companies should be allowed to self-certify for undertaking production, transport, distribution etc of essential goods.

15. Facilitate functioning of continuous process industries

It has been observed that continuous production companies are not able to reach District Collector or District Magistrate for approval. The government must look into this issue to ensure that there is no disruption in supply chain.



16. Expediting the process of approval from state governments

Certain sectors requiring continuous process have to obtain approval / permission from their respective state governments for continuing operation. These may include sectors like Oil Refineries, Petrochemicals, Food, Pharmaceuticals, Fertilizers, Fire & Safety, among others. Such approvals must be granted online within 8 working hours of the application.

17. Special packages for directly affected sectors

Government may introduce special package for certain directly affected sectors, like Aviation, Hotel etc, as these sectors have been affected already, and has impact on employment, trade balance etc.

18. Ensure smooth functioning of automobile sector

Allow dealers to sell BS 4 vehicle for another 30 days, beyond 31 March 2020. Manufacturers had stopped BS 4 production well into January and February itself, in compliance to BS 6 guidelines. Significant investments have gone towards transition to BS 6. With lockdowns due to COVID -19, the dealers are now stuck with stocks. This relaxation may only be provided to selling by dealers of existing stocks.
