1

STANDING COMMITTEE ON

INFORMATION TECHNOLOGY

(2004-2005)

FOURTEENTH LOK SABHA

MINISTRY OF COMMUNICATIONS AND INFORMATION TECHNOLOGY

(DEPARTMENT OF INFORMATION TECHNOLOGY)

DEMANDS FOR GRANTS

(2004-2005)

FIRST REPORT

Presented to Lok Sabha on 23.8.2004.

Laid   in   Rajya Sabha on 24.8.2004

LOK SABHA SECRETARIAT

NEW DELHI

AUGUST, 2004 / BHADRAPADA, 1926 (Saka)

CONTENTS

COMPOSITION OF THE COMMITTEE

INTRODUCTION

REPORT

ANNEXURES

Shri M.M. Pallam Raju - **CHAIRMAN**

MEMBERS – LOK SABHA

2.   Shri Nikhil Chaudhary, M.P

3.   Shri Mani Cherenamei, M.P.

4.   Shri Sanjay Dhotre, M.P.

5.   Kunwar Jitin Prasad, M.P.

6.   Shri Kailash Joshi, M.P.

7.   Shri P. Karunakaran, M.P.

8.   Dr. P.P. Koya, M.P.

9.   Shri Bhartruhari Mahtab, M.P.

10. Shri Ajay Maken, M.P.

11. Smt. Nivedita S. Mane, M.P.

12. Smt. P. Jayaprada Nahata, M.P.

13. Col. G. Nizamuddin, M.P.

14. Shri Sohan Potai, M.P.

15. Shri Ashok Kumar Rawat, M.P.

16. Shri Chander Shekhar Sahu, M.P.

17. Shri Vishnu Sai, M.P.

18. Shri Tathagat Satpathy, M.P.

19. Shri K.V. Thangka Balu, M.P.

20. Shri P.C. Thomas, M.P.

21. Shri Ram Kripal Yadav, M.P.

RAJYA SABHA

22. Shri Vijay J. Darda, M.P.

23. Shri Ashwani Kumar, M.P.

24. Dr. Akhilesh Das, M.P.

25. Shri Balbir K. Punj, M.P.

26. Shri Dara Singh, M.P.

27. Smt. Sarla Maheshwari, M.P.

28. Shri N.R. Govindarajar, M.P.

29. Shri K. Rama Mohana Rao, M.P.

30. Shri Motiur Rahman, M.P.

31. Shri Sanjay Nirupam, M.P.

SECRETARIAT

1.	Shri P.D.T. Achary	----	Additional Secretary (P)
2.	Shri S.K. Sharma	----	Joint Secretary (SK)
3.	Shri Raj Shekhar Sharma	----	Deputy Secretary
4.	Shri K.L. Arora	----	Under Secretary

INTRODUCTION

I, the Chairman Standing Committee on Information Technology (2002) having been authorised by the Committee to submit the Report on their behalf, present this First Report on 'Demands for Grants (2004-2005)' relating to the Ministry of Communications and Information Technology (Department of Information Technology).

2.   The Standing Committee on Information Technology (2004-05) was constituted on 5 August, 2004. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider Demands for Grants of the concerned Ministry/Department and make a Report on the same to the House.

3.   The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Information Technology) for the current year *i.e.* 2004-2005 which were laid on the Table of the House on 14 July, 2004. The Committee took evidence of the representatives of the Department of Information Technology on August 11, 2004.

4.   The Report was considered and adopted by the Committee at their sitting held on 18 August, 2004.

5.   The Committee wish to express its thanks to the Officers of the Department of Information Technology for appearing before the Committee and for furnishing the information, that the Committee desired in connection with the examination of the subject.

6.   For facility of reference and convenience, the observations and recommendations of the Committee have been printed in bold letters in Part-II of the Report.

New Delhi   **M. M. PALLAM RAJU,**
<u>19 August, 2004</u>   **CHAIRMAN,**
28 Sravana, 1926 (Saka)   **STANDING COMMITTEE ON
INFORMATION TECHNOLOGY**

<u>PART-I</u>

REPORT

INTRODUCTORY

The Department of Information Technology (DIT) which forms part of the Ministry of Communications and Information technology is *inter-alia* responsible for formulation, implementation and review of National Policies in the field of Information Technology, Silicon facility, Computer based information technology and processing including hardware and software, standarisation of procedures and matters relating to international bodies, promotion of knowledge based enterprises, internet, e-commerce and information technology education and all matters relating to international bodies, promotion of knowledge based enterprises, internet, e-commerce and Information Technology Education and all matters relating to development of electronics and coordination amongst its various matters. The various schemes/programmes of the Department of Information Technology are implemented both in house as well as through PSUs/Societies under DIT and also through various programmes being funded under R & D. National Informatics Centre (NIC) provides computer support to Central/State Governments Departments and District Administrations. The Major Schemes/Projects taken up by DIT are e-Governance, Media Lab Asia(MLA), Community Information Centres(CICs), Indian Computer Emergency Response Team(CERT), Indian Language Technologies, Digital Library, Centre for Development of Advanced Computing(C-DAC), Megafab, Nanotechnology, Cyber Security, Special Manpower Development for VLSI Design, Electronics in Healthcare, Braille in Indian Languages, Telemedicine, Task Force on Human Resource Development in IT, Educational and Research Network(ERNET), Vidya Vahini and Gyan Vahini. All

these schemes are covered under the Plan funds whereas Non-Plan allocation is towards Secretariat expenditure of DIT, its attached offices namely Standarisation Testing & Quality Certifications(STQC) Directorate and its registered societies.

2.   Demand No.16 pertaining to Grants in respect of Department of Information Technology for the year 2004-05 is as under:-

2004-2005	Plan	Non-Plan	Total
Revenue	700.50	36.00	736.50
Capital	49.50	---	49.50
Total	750.00	36.00	786.00

A.   TENTH PLAN ALLOCATION

3.   The Committee drew attention to the Tenth Plan allocation for Department of Information Technology which is to the tune of Rs. 2714.00 crore. The actual expenditure incurred by the Department during 2002-03 and 2003-04 was Rs. 465.35 crore and Rs. 494.63 crore respectively(i.e. Rs. 959.98 crore in total). Therefore, in the next three years of the Tenth Plan, the Department would have to spend Rs. 1754.02 crore (Rs. 2714 crore - Rs. 959.98 crore). Now BE for 2004-05 fixed for Rs. 750 crore would leave Rs. 1004.02 crore (Rs. 1754.02 crore minus Rs. 750 crore) for last two years of the Tenth Plan.

4.   The Committee pointed out that even if 10 percent increase in BE of Rs. 750 crore for 2004-05 was taken into account, the budgetary provisions for 2005-06 and 2006-07 should be Rs. 825 crore and Rs. 907.05 crore respectively. Hence a total of Rs. 1732.05 crore (Rs. 825 crore plus Rs. 907.05 crore) would be required for

the last two years of the Tenth Five Year Plan. When enquired how the Department proposed to get the additional requirement of Rs 728.07 crore (Rs. 1732.05 crore – Rs. 1004.02 crore) for last two year of the Tenth Five Year Plan, the Department replied that DIT would incur an expenditure of about Rs. 1,710 crore on its Plan schemes in the first three year of the Plan and a balance of only Rs. 1,004 crore would be left for the last two years of the Plan (Rs. 465.35 plus Rs.494.63 plus Rs. 750).

5.   In this context, the Secretary, DIT during evidence stated that at the level at which allocations are now being made, it cannot be sustained if they confined to the ceiling which has been indicated for the Department of Information Technology. The Department in a written note have clarified that they would be requiring a minimum Budgetary Support in the range of Rs. 2,500 crore for the last 2 years of the Tenth Plan i.e. for the years 2005-06 and 2006-07 to run these programmes at an optimal level.   The Department of Information Technology has planned to take up the matter with the Planning Commission at the time of Mid-Term Appraisal of the Tenth Plan.

B.   Budgetary Support for 2004-05

6.   The Department of Information Technology had proposed an Annual Plan Outlay of Rs. 1433.65 crore with a Gross Budgetary Support of Rs. 1294.38 crore for the year 2004-05 for its various schemes viz. R & D, infrastructure Development, Human Resource Development, PSUs, NIC, ESC & Export Market Development and other miscellaneous programmes. However, Planning Commission has

approved an outlay of Rs. 889.27 crore with a Gross Budgetary Support of Rs 750 crore.

7.   The Committee desired to know the reasons given by the Planning Commission for reducing the proposed outlay. In reply, it has been stated that within the constraints of overall ceiling on the Annual Plan budgetary support for 2004–05, the Planning Commission has given a special consideration to Department of Information Technology's Plan allocation. Keeping in view the importance of e-Governance and other IT projects being implemented by the DIT, Planning Commission has increased the level of budgetary support from Rs. 495 crore (RE) in 2003-04 to Rs. 750 crore in the year 2004-05 which is an increase of over 50 percent.

8.   The various schemes/programmes, which have got reduced allocations against projected demand are as under:

(Rs. in crore)

S.No	Name of the Scheme	Projected	Allocation	Difference
1.	E-Governance	630.00	215.00	415.00
2.	National Informatics Centre (NIC)	234.63	210.00	24.63
3.	Semi-conductor Complex Limited (SCL)	28.67	10.00	18.67
4.	DOEACC	10.00	5.00	5.00
5.	ESC	13.67	8.50	5.17
6.	Manpower Development	19.50	10.00	9.50
7.	Special Manpower for ASIC Design	20.00	10.00	10.00

8.	STQC Programme	41.00	33.50	7.50
14.	C-DAC	46.00	40.00	6.00
15.	IT for Masses	20.00	11.00	9.00
16.	CIC	45.00	30.00	15.00
17.	Miscellaneous	185.91	167.00	18.91
	Total	1294.38	750.00	544.38

9.   When asked as to how the reduced budget would effect the implementation of their various schemes/programmes, the Department in a note has been stated that the allocation for e-governance programme at Rs. 215 crore has been substantially lower than the proposed budgetary support of Rs.630 crore and would affect the scheduling of the activities proposed to be funded from the budget of the Department of Information Technology.

C.   2-3 PERCENT ALLOCATION BY MINISTRIES/DEPARTMENTS

10.   The Government had recommended that each Ministry/Department should allocate 2-3 percent of its Budget on IT promotion. On this issue, the Department has informed that the Planning Commission issued an advisory to all Central Ministries/ Departments on 24th April, 1998 to earmark 2 to 3 percent of their Plan budget for programmes/schemes relating to Information Technology. Also while formulating the Annual Plan 2004-05, the Planning Commission has taken an undertaking from all the Ministries/Departments to earmark a minimum of 2-3 percent of their allocation for promoting Information Technology in their sector. In this regard, the Secretary, DIT has also requested all Chief Secretaries of

States/UTs to allocate at least 3 percent of their budget for e-Governance applications and infrastructure.

National Action Plan on e-Governance(NEGAP)

11.   The Common Minimum Programme (CMP) of the United Progressive Alliance (UPA) had affirmed the commitment of the Alliance to promote e-Governance on a massive scale. This also figured prominently in the address of the President to the Parliament on 7.6.2004. To give effect to this commitment, a thrust in the DIT budgetary support would be required for the implementation of the National e-Governance Action Plan (NEGAP).

12.   In this context, the Department of Information Technology has stated that it is primarily intending to strengthen the core infrastructure, including establishment of State-wide Area Networks upto the level of Blocks and National/State level Data Centres, promotion of common service delivery centres and replication of successful E-Governance applications on a pilot scale. DIT has been working out the modalities of establishing a National e-Governance Fund with a view to strengthening the programme management structure and leveraging Government budgetary resources to mobilize non-Government resources and competencies, which would require a seed capital to start with.   Therefore, a National e-Governance Fund has been proposed with a seed capital of Rs. 1,000 crore. The other Core programmes of the Department have a close linkage with the larger objectives of the CMP in regard to development of human resources, employment generation and improvement of the quality of life of disadvantaged areas.

13.   It has been observed from the material furnished to the Committee that DIT had proposed an outlay of Rs.630 crore for 2004-05 for e-Governance, however,

the Planning Commission has approved Rs.215 crore only. When enquired as to how the Department would be able to fulfill their physical targets kept for the year 2004-05 with the reduced allocation, the Department of Information Technology in a written note stated that the projection was based on the premise that network infrastructure would need to be extended upto block level in the first 18 months. But with the reduction in the plan allocation for e-Governance, these activities would need to be taken up in a suitably phased manner.

14.   The Secretary, Department of Information Technology during evidence clarified that, "We have been assured that depending on the policy formulations and depending on the approvals which are accorded, supplementary demands would be considered at the state of Revised Estimates. But here the most important thing that I would like to dwell upon is the manner in which the allocations are made under e-Governance. That is of significance. It is not necessary that all e-Governance applications have to be provided for in the DIT Budget. What is being presented is the national e-Governance plan. All of it is not the plan of the Department of Information Technology. We have the role of programme manager and programme coordinator. There are some sectoral responsibilities which are also allocated to the Department of Information Technology. So, what I am submitting is that we had projected a demand of Rs. 630 crore and an allocation of Rs. 215 crore has been made, does not mean that due priority is not being accorded to the e-Governance action plan."

15.   According to the Department the Mission Mode Projects account for the major fund requirement of the National e-Governance Action Plan. The major share of the approved outlay of Rs.215 crore would be spent on creation of State Data

Centres and State Wide Area Networks extending upto the Block level. Other activities include Development of India Portal, Service Delivery Gateway, Replication of successful e-Governance applications on a pilot scale (extending to more States and taking up of newer applications like municipalities, e-procurement etc.), promotion and establishment of common service delivery centres, awareness and assessment of e-Governance Projects and formulation of core policies and standards etc. Draft policies for providing support to various States under the Scheme for State Wide Area Network and for State Data Centres have been drawn up.

16. The Committee were informed that the Planning Commission in its meeting to discuss the Annual Plan 2004-05 observed that Rs. 215 crore should be adequate enough to implement initial phase of National Action Plan on e-Governance and desired that the DIT in the meantime should assess the realistic requirement of additional funds for the year and send the proposals to them for consideration for the regular budget.

17. In this connection, the Secretary of the Department of IT stated during evidence that, "some of the projects which had been identified as Mission Mode projects are yet to be formulated. Some of the initiatives which were underway had been included in the national e-governance plan. A sharper focus on the quality of service and the delivery of service would be an important benefit accruing as a result of this inclusion. For instance, the Income Tax project had been going on for several years. There is Electronic Data Interchange(EDI) project which covers the entirety of foreign trade-exports and imports. That had been going on for ten years.

Provisions for these projects were being made not necessarily in the Plan Budget. Many of the on-going initiatives are funded by the non-plan side".

18.   As regards the measures taken/proposed to fulfill the targets, the Department of IT informed the Committee that all efforts had been made to ensure that these were co-ordinated and keep pace with the progress on the various Mission Mode projects being executed by Line Ministries and State Governments.   Therefore, infrastructure were being created on priority in regions and sectors where progress in project implementation was greater.

DIT's Role in E-Governance

19.   e-Governance has an allocation of Rs. 215 crore for 2004-05. Another Rs.210 crore has been allocated to NIC for the year 2004-05. Department of Information Technology's role in the National Action Plan in e-Governance is that of an implementing agency and as the programme manager for co-ordination across different Ministries. The different Line Ministries are setting aside 2-3 percent of their budget for IT. On being asked how the Department would spend Rs. 215 crore and Rs. 210 crore, only on providing necessary funds for infrastructure, the Department stated during evidence that, "for eight activities(Components under National e-governance Action Plan), the budgetary provisions in Government of India was made through DIT. It was not made in any other Ministry except for two areas namely (i) Awareness & assessment and (ii) Human Resource Development & Training for which some provisions were also made in the budget of Department of Personnel, Training & Administrative Reforms. Except to this event, the primary

responsibility for these eight areas was that of the Department of IT including NIC and all other agencies".

Media Lab Asia(MLA)

20.   The role of Media Lab Asia is to facilitate the invention, refinement, and dissemination of innovations that benefit the masses. The project is closely working with industry, NGOs, and Government for this purpose. According to the Department of IT the basic idea of the Media Lab programme is to take off research end-to-end, from the labs to the stage of productionisation and prototyping and thereafter field testing it for demonstrating replicable scalability and sustainability. It has been observed that the financial outlay for Media Lab Asia for the Tenth Plan is Rs.262 crore, out of which Rs.227 crore has to be contributed by the Department of Information Technology and Rs.35 crore from other funding agencies.

21.   It was observed from the Budget Brief for the year 2003-04 of Department of Information Technology that in the year 2002-03, Budget Estimate (BE) for MLA was kept at Rs.1 crore but RE was NIL. During 2003-04, Rs.10 lakh was allocated for the project and RE was again NIL. Projection for the year 2004-05 has been made of Rs.65 crore. The reason for NIL utilisation of funds during 2003-04 was stated to be the process of restructuring of MLA. It has been added that after the expiry of the initial one year exploratory phase of the Media Lab Asia, an internal review of the Media Lab Asia project was carried out in consultation with the lab coordinators of the Media Lab Asia's labs (the five IIT's at Mumbai, Kanpur, Chennai, Delhi and Kharagpur) in March 2003. Based on the review, it was decided to restructure the Media Lab Asia programme. A full scope nine year

restructured programme was initiated from May 2003. 31 projects were initiated at the exploratory phase of MLA. As a part of restructuring of MLA it was decided that the existing projects at all centers would continue.

22.   As regards getting sponsorship, the Committee desired to know that how far the Department had been successful in getting the adequate number of sponsorship and also about the amount received through them. In reply, the Department in a note stated that MLA has been working with the Industry, NGOs and academicians to attract sponsorship. So far M/s Tata Sons had sponsored Media Lab Asia research by contributing Rs. 1.5 crore.

Deployment of Media Lab Asia(MLA)

23.   Clarifying on the role of Media Lab Asia and its deployment, the Department during evidence stated that, "Media Lab Asia has some centres that are working on technologies to enable faster content development. They have also developed educational content in local languages. The prominent ones being at IIT Kharagpur in Bangla Language. They have deployed this content at seven centres in West Bengal for the purpose of pilot testing. It is possible to convert that content in other Indian languages for wider deployment. But Media Lab Asia is not going to roll out on a very large scale. It will do pilot deployment and prove that the content is useful in enabling learning of school children. The children are motivated to learn and they can learn better. There is a special focus on education in Media Lab Asia that has been taken up recently. We had discussions on this subject and it has been suggested that rather than taking up content development by Media Lab Asia alone, we should leverage on the content already available and try to help its conversion in

local languages. Our role should not be in content development as such but to facilitate conversion of existing content in local languages. We will be trying out this content on a pilot scale basis but not on a very large scale deployment in villages. We will do a pilot deployment in areas in which content is made available in local languages quickly".

Centre for Development of Advanced Computing(C-DAC)

24.	Development of super computers is the main focus of C-DAC. Last year it has developed a facility which was rated as one amongst 500 top super computers in the world. I-Grid, an Information Technology Grid would connect 17 centres in the country with 100 MBPS. It has 14 labs in 10 locations, with close to 1900 people work-force. Technical agenda has been re-aligned carefully, reflecting its core competency built over the year, adding emerging technology areas of great importance and synergizing the skill sets available at various centres into a co-ordinated action-plan.

25.	Research and Development with associated Technology creation will be the core focus. Carrying these to the market place through Business Development and partnership with various stake-holders (industry, academia and other R&D labs) will be the next priority issues, enabling technology development to be converted into marketable products, solutions, IPRs and projects while bringing in revenue to C-DAC. High-end Education and Training will follow logically as the next step - arising out of C-DAC's significant competence in R&D and emerging technology areas and benefiting industry through provision of finishing school, readily usable manpower.

26.   The Committee have been informed that Grid Computing and High Performance Computing will form a major Research area for the year. The former will involve the interconnection fabric at high speed across premier scientific, R&D and academic institutions for sharing of computing resources. Grid computing middleware software development will be the related focal area. PARAM series of computers will be upgraded with next generation interconnection fabric (including associated VLSI chips), new performance chip-sets, additional grid-enabled applications. Other additional computing resources will be added to respond to various high performance needs of multi-vendor, inter-operable grid computing environment of various users.

27.   The other R&D areas of high focus during the year have been stated as Multilingual & Multimedia Computing, Applied Artificial Intelligence issues (including speech processing, information retrieval tools, machine translation, text-to-speech), e-Security, Embedded Systems (power distribution, industrial automation), GIS (agriculture, water resources), DSS, ICT for masses (Development Gateway Foundation's Research and Training Centre), Medical Informatics, Software Technology Tools, Open Source Software, Graphics & Animation, besides high-end Education and Training (Ph-D, M.E., M-TECH, MCA, DAC, PGDST, Specialized courses in VLSI, Embedded Systems, Bioinformatics, Systems Administration and Networking, Multimedia, GIS, etc.).

28.   The Committee would like to point out that the Planning Commission while discussing the Plan Budget proposals for the year 2004-05 suggested that C-DAC needed to develop an appropriate business model ensuring that its R&D activities could be carried out in a sustainable manner. Commercial applications had to be an

integral part of the high-end research. One of the super computing nodes could be devoted to storage of large-scale data to meet the business requirements of commercial organizations like banks, insurance etc.

29.   During 2002-03 and 2003-04, the revised Estimate for C-DAC was Rs.10 crore and Rs.25.50 crore respectively. However BE of Rs.40 crore has been kept for the year 2004-05. As regards the higher allocations made for the year 2004-05, it has been informed that the year 2004-05 would be the first full year of consolidated and expanded C-DAC, emerging as the largest and most premier R&D institution in ICT in the country. Out of Rs. 40 crore, Rs. 15.00 crore has been allocated for the project "Proof of Concept Phase of National Grid Computing Initiative:Garuda". The balance of Rs. 25.00 crore is for sustaining the ongoing R & D activities. The level is the same as in the year 2003-04. The RE for 2002-03 at Rs. 10 crore was only for the erstwhile C-DAC. After NCST, ER&DCI and CEDT, Mohali were merged with C-DAC, their respective budget allocations also got merged in the enhanced budget in 2002-03.

30.   In this connection, the Committee wanted to know as to whether Rs. 40 crore would be sufficient to effectively and fruitfully implement the programme. The Department stated in their reply that the current budgetary allocation was not posing any operational constraint at present. The position would be reviewed in depth at the time of formulation of Revised Estimates 2004-05 and additional resources sought, if required.

Hardware policy

31.   The Committee were informed that draft Hardware policy had been prepared by the Department of IT and the same had been forwarded to the Ministry of Finance for

their views. Discussions had also been held with the Cabinet Secretary on the policy. The Department had expressed that it would be able to finalize the policy paper by July, 2004. As regards the present status regarding the Hardware Policy, the Department in a written reply have informed that the Draft Paper on "National Electronics/IT Hardware Manufacturing Policy" was formulated after wide ranging consultations with industry associations and other stakeholders. The paper, which was widely disseminated, elicited enthusiastic support from the industry.

32.   During evidence the Secretary, DIT further added that "Now, under the National Common Minimum Programme, there is a proposal for establishment of National Manufacturing Competitiveness Council. The mandate of this Council is to provide a forum for evolution of policy in regard to the competitiveness of various segments of the manufacturing sector and IT hardware is specifically mentioned as one of the target areas, as are consumer products and capital goods. In all these, electronics and IT have a role to play. There is consumer electronics; there is instrumentation and power electronics. All these things will be covered. The draft policy, which has been formulated, would be placed before the National Manufacturing Competitiveness Council and it will be debated there. Then, we will go through the process of approval and adoption.

At the same time, we are not waiting for that to happen. The rationalisation of the fiscal structure, the tariff policy, the export-import policy, all that is being worked upon, and many of the fiscal recommendations of the draft hardware policy have already been implemented. Most of them were announced in the interim Budget presented in January this year, and some of the measures have been taken up in the recent Budget. It has been made clear by the Finance Minister that the

coming Budget would address these structural issues in a more significant way. We are hopeful that many of the recommendations of the draft hardware policy would be adopted by the Government".

National Venture Capital Fund for Software and IT Industry(NFSIT)

34.   The Committee had been informed in a written note that the National Venture Capital Fund for Software and IT Industry (NFSIT) was set up in December 1999, with a corpus of Rs. 100 crore. The erstwhile Ministry of IT had decided to hand over the scheme to Small Industries Development Bank of India (SIDBI). It created a fund called SIDBI Venture Capital Fund wherein 50 percent of the money was put by SIDBI, 20 percent of the money by IDBI and 30 percent of the money by Ministry of IT. During 2002-03, a provision of Rs. 10 crore was made and the amount was fully utilized.

35.   BE for the year 2003-04 was Rs. 5 crore but the utilization was NIL. During the current year 2004-2005, no allocation has been made. Asked about the reason for nil utilization of funds, the Department in a reply stated that the NFSIT had not yet fully committed its net corpus and there was no request from the SIDBI for additional funds.

36.   To a specific query as to whether the fund had become operational, the Department stated that National Venture Fund for Software and IT Industry (NFSIT), launched in December 1999, made its first disbursement in March 2000 and till date it had sanctioned assistance to 24 units aggregating Rs.58 crore. The units were in the area of Software, Services, IT enabled services, BPO, IT education and Internet related services.

37.   The Committee then enquired about the steps taken/proposed to make the scheme a success. The Department in their reply stated that the NFSIT and the State/Regional level funds promoted by the SIDBI are the only funds which catered to the requirements of the Small and Medium Enterprises (SME) sector and the start ups. Based on the current deal flow, the NFSIT was expected to commit its entire corpus soon. It had been able to exit from two units and the total investment of Rs.4.15 crore in these units has generated a gain of Rs.1.23 crore to the Fund. The Fund had started redeeming the fund corpus to the three contributors.   The Scheme of Venture Capital Fund promoted by DIT with SIDBI and IDBI is stated to be successful and performing satisfactorily.

38.   Giving reasons for not allocating any amount in BE 2004-05, the Department during evidence stated that "even out of the corpus of Rs. 100 crore which is created, hardly Rs. 58 crore have been spent and rest of the money is in fixed deposits of SIDBI and they are earning interest. The interest is enough to subsidise. So, it is not because we do not want to give more fund; it is because the fund is already existing and it has not been fully utilised, we have not given any fund allocation this year. Even what we have allocated is still there in the corpus. But they are more conservative in disbursing fund, which I have been taking up with them in every meeting, but then the standard reply of SIDBI bankers or the Managing Director has been that because non-performing assets of this country are worth Rs. 1,50,000 crore among the banks and now, there is a lot of tightening which is taking place in terms of seeing that there are no more non-performing assets, they had to be very careful. They have also been quoting all the circulars of

the Ministry of Finance to us saying that they cannot be very liberal like the private Venture Capital".

39. In an final action taken reply on the Report of the Committee on Demands for Grants(2002-03) of the Department of Information Technology, the Department has stated that Ministry of Small Scale Industries had constituted a Task Force on Financing Knowledge Based Industries for Small Enterprises Sector including IT industry to look into the issues pertaining to availability of Venture Capital for small scale entrepreneurs in the country. During evidence, the Committee desired to know about the findings of the Task Force. In reply, a representative of the Department submitted that the Task Force thus constituted has yet not submitted its Report.

Semi-conductor Complex Limited

40. The Committee have observed that during 2002-03 and 2003-04, the targets of Rs.83 crore and Rs.84.10 crore were laid down for sales turnover, but the achievements remained Rs.40.22 crore and Rs.56.20 crore respectively. A target has been kept to achieve the sales turnover of Rs.91 crore for the year 2004-05. When asked about the reasons for shortfall during the last two years and how the Department proposed to achieve the target during 2004-05, the Department in their reply stated that the shortfall during 2002-03 had been mainly on account of a major order having spilled over to the next fiscal because of the delay in according approval for the product by the customer.

41. Further during 2003-04, some of the orders envisaged did not materialise and demand constraints affected the sales in certain products. The actual

achievement was stated to be total sales of Rs.54.88 crore (audited) against the target of Rs.84.10 crore.

42.   Keeping in view the company's current product portfolio and the business opportunities envisaged, the target during 2004-05 is stated to have been revised to Rs. 70.50 crore from Rs. 91 crore.   While some orders were already under execution, concerted efforts were stated to have been made by way of participation in tenders and interaction with customers for securing business so as to realize the target set for the year.

43.   The Committee further noted that during 2002-03, against a target to produce 1138.910K Dies/Devices and 205K System/Board level products,   the achievement remained 373.318K and 85.501K respectively. Similarly during 2003-04, a target was kept to produce 1228.93K Dies/Devices but the achievement remained 236.550K. During 2004-05, a target to produce 1300K Dies/Devices and 300K System/Board level products has been kept.

44.   As regards reasons for non-achievement of targets during 2002-03, the Committee have been informed that orders of some products planned for production could not fructify. Similarly, in respect of Systems/Board level products, the shortfall is stated to be on account of the delay in less production of a product and the finalization of orders for energy meters by the customers. During 2003-04, the main shortfall is stated to be on account of a product not getting transferred to production on account of iterations needed in product design for incorporating additional specifications as per customer requirements.   The production plan of another product was reduced in view of funds constraints of a customer.

45.   When asked about the measures taken/proposed to fulfill the targets fixed for the year 2004-05, the Department stated that the targets had been revised from 1300K Dies/Devices and 300K System/Board level products to 907K dies/devices and 316K Systems/Board level products.   The Company has been vigorously following up with various customers and participating in tenders for ensuring timely execution of the orders in hand to achieve the set target.

46.   The Committee have observed from the quarterly performance review meeting for the quarter ending December, 2003 and March 2004 that the Principal Advisor, Planning Commission commenting on Department of Information Technology stated that the various committees including Disinvestment Commission had considered various alternatives for the revival of the Company. Disinvestment Commission had recommended the merger of SCL with Defence organizations like SITAR/BEL and also for implementing VRS in the Company. However, Defence organizations were not keen to take over the Company.   The Chairperson observed that since Disinvestment Commission had given a direction in this regard, Department of Information Technology may consider taking up this matter with the Committee of Secretaries.   With regard to making funds available for VRS package, since this activity cannot be funded from plan funds, SCL has to go for self sustaining model in collaboration with financial institutions/banks etc.   It was further suggested that parallely DIT may form a small group of experts in the Department to suggest two-three alternative plans and this Group should submit the Report within two months time.

47.   Asked about the progress so far made in this matter and whether the Committee had since submitted its Report, the Department in their written note

stated that the Disinvestment Commission had recommended that SCL be merged with a Public Sector company in a related line of business such as BEL. The Disinvestment Commission had further suggested that in case a merger with BEL was not considered feasible, Govt. could explore the possibility of integration of the VLSI facility of the Society for Integrated Circuits Technology and Applied Research (SITAR) and the Gallium Arsenide Enabling Technology Centre (GAETEC) with SCL. The matter of merger of SCL with BEL was formally referred to the Secretary, Defence Production and Supplies. While that of merger of SCL with SITAR/GAETEC was taken up with the SA to RM and Director General, DRDO. The response of both the Department of Defence Production and Supplies and the DRDO was in the negative.

48. In this context, the Committee were further informed that the Company, had implemented VRS during the year 2004. A total of 46 employees (21 executives and 25 non-executives) were allowed voluntary retirement and have since been relieved.

49. Giving a first hand account of SCL, Secretary, DIT during evidence stated that, "SCL was conceived with certain objectives and we are far from accomplishing all those objectives. There have been some problems. You are aware of the fire incident which took place and thereafter the investments that should have happened to keep pace with technological developments, have not materialised and the domestic market has been rather slender. SCL was primarily addressing the domestic market. So, the viability of those investments was also being questioned. Progressively, the core of SCL has been depleting: the core in terms of the manpower, the resources and also in terms of the working capital.

50.   Elaborating on the attrition rate, Secretary, DIT clarified that, "a lot of people have been picked up from SCL. In fact, all the top organisations that are working in the field of chip design have drawn heavily upon SCL. All these developments have forced us to have rethink on the orientation of SCL and that exercise is on. The Board of Directors has been pondering over various proposals. Manpower rationalisation is one initiative. There has been a limited success in that regard. Then, SCL would be repositioning itself". On capacity utilization, the Secretary, IT clarified that it was abysmally low.

Vidya Vahini Programme

51.   The Committee have observed that during the year 2002-03, Rs. 30 crore was allocated for Vidya Vahini and Gyan Vahini programme, however the Department could spent Rs. 20 crore only. During 2003-04, Rs. 5 crore was allocated and the amount was fully utilized. Now BE of only Rs. 1 crore has been kept for the year 2004-05. On being enquired as to how the Department propose to strengthen the programme with the decreasing outlay to a token of Rs.1.00 crore during 2004-05, they stated that the programme "Vidya Vahini" was conceived by DIT as a pilot project to make full use of Information & Communication Technology (ICT) and Internet to transform the learning environment from mono-dimensional to multi-dimensional. The pilot project had been implemented in 7 districts in the country. The real objective of the pilot project was to demonstrate proof of concept and establish standards.

52.   Further, the Committee have informed that the Ministry of Human Resource Development has revised its CLASS Programme and formulated a scheme

"Introduction of ICT in Schools". The scheme incorporates all the key features of the Vidya Vahini Programme. Further replication of the programme in schools across the country would be carried out by Ministry of HRD/State Governments as part of the scheme "Introduction of ICT in Schools". Accordingly, no significant budget allocation has been made for taking up more schools under the programme. The allocation of Rs. 1.00 crore has been kept only as a token amount in the Annual Plan 2004-05.

53.   Clarifying the point further, the Department of IT during evidence stated that, "they have been able to get some results in the last one year of its implementation. It has now almost been accepted that teacher training is the most important aspect of bringing ICT into schools".

Community Information Centres (CICs)

54.   The Community Information Centres(CICs) Project is intended to reduce the digital divide by providing internet access and IT enabled services to the community and also to facilitate citizens interface with the Government. It has been informed that CICs have been dedicated to the people of North-Eastern States on 17th August, 2002. The Department of Information Technology in the first two years of the Tenth Plan has set up CICs at 487 block headquarters in North-Eastern States. 486 CICs have been established at a cost of Rs. 122.16 crore. All are operational.

55.   The scheme is stated to be replicated during 2004-05 in the State of Jammu & Kashmir for setting up 139 CICs at a capital cost of Rs. 24.62 crore and a recurring expenditure of Rs. 16.05 crore. The Rs. 30.00 crore allocated for 2004-05

as BE is towards maintainance of the CICs in North-Eastern States costing Rs. 25.00 crore and the CICs in J & K costing Rs. 5.00 crore. CICs in the 60 Block Headquarters of J&K State would be made operational during 2004-05.

56.	Reacting to a specific query regarding setting up of CICs in other inaccessible / hilly States like Uttaranchal and Himachal Pradesh, the Department of Information Technology have stated that there is a proposal to set up 328 CICs in the State of Uttaranchal. The estimated cost is around Rs 70 crore to be incurred over 4 years. The project will be implemented by the State Government, which will mobilise a contribution of 10 percent of the outlay. The DIT's support will be to the extent of Rs 63 crore. The project will be implemented in two phases. This would necessitate an additionality in the Plan Budgetary support at the rate of Rs 16 crore per year.

Manpower for ASIC Design

57.	Considering the availability of quality human resources as key analyst for increasing India's share in VLSI design global market, Department of Information Technology started in the year 1998 a project "Special Manower Development Programme in the area of VLSI Design & related Software" involving 19 institutions(7 Resource Centre(RCs) and 12 partcipating institutions(Pis) for a duration of 5 years. It is seen from the Budget Brief that during 2002-03, BE and RE for the scheme was kept at Rs. 2 crore and 70 lakh respectively. However, the actual expenditure was Rs.70 lakh. During 2003-04, the Department proposed an allocation of Rs. 125 crore, however Planning Commission approved only Rs. 3.5 crore. The allocation was reduced to Rs. 37 lakh at RE stage and the amount was

fully utilized. During 2004-05, the Department proposed an outlay of Rs. 20 crore and the Planning Commission has approved Rs. 10 crore.

58.   When asked about the reasons for lower financial achievements in the last two years, the Department of Information Technology stated that as earlier suggested by the Standing Committee on Information Technology (2003) in their Report, a vigorous follow up was made with the participating institutions for progressing various activities of the project. Utilisation certificates and other financial details were duly obtained. However, the institutions were not able to absorb more funds. The training of the faculty of Participating Institutions under the activity Instruction Enhancement Programme (IEP) had been completed and no further expenditure was incurred on this activity. The project envisaged development of Learning Material (LM) by the Resource Centres on 25 topics. Out of 25 LMs, 14 have been completed. Out of the remaining 11 LMs, the first drafts of 4 LMs have been prepared and are being reviewed.   The first drafts of the remaining 7 LMs are yet to be submitted. The release of funds to the RCs for this activity is linked with the completion of various stages of the development of LMs. The matter is being pursued vigorously.

Department of Electronics Accredited Computer Courses (DOEACC) Society

59.   From the Performance Budget of the Department of IT, the Committee have observed that during 2003-04, for conduct of O, A, B & C Levels of Courses; 75,000 students *were targeted to be registered*, against which only 49,391 were *actually registered*. Similarly 1,50,000 candidates were targeted to appear in various levels of Exams, against which only 1,30,057 candidates *were actually admitted*. Also

during 2002-03, against 92612 students to be registered and 177329 candidates to be admitted, actually 75884 students were registered and 160028 candidates were admitted. The reasons for shortfall were stated to be the impact of slowdown in IT Industry including IT education during the year 2001-02.

60. The Committee further observed that during 2004-05, a target has been kept to register 82,500 students and to admit 1,65,000 candidates to various O, A, B & C level courses. The Committee enquired about the steps taken to fulfill the targets kept for the year 2004-05, especially in view of the shortfalls during the last two years. In reply, the Department have stated that in addition to the continuing impact of the slowdown in the global IT spend, the decline in registration during 2003-04 was mainly due to absence of academic recognition of DOEACC Courses. The mushrooming of Universities and Deemed to be Universities offering various IT Courses in the Distance Learning mode through institutes in the Private Sector also contributed to the decline. In order to meet the targets set for 2004-05, the Department is proposed to secure academic recognition of DOEACC 'B' Level Course, which would increase the acceptability of DOEACC Courses amongst students and industry.

61. It has further been informed that the AICTE has constituted a Committee to look into the matter of recognition of qualifications awarded by non-formal sector institutions including DOEACC. The said committee has advised the Society to approach Distance Education Council, Indira Gandhi National Open University (IGNOU) for academic recognition of DOEACC 'B' Level qualifications. The application for academic recognition of DOEACC 'B' Level is under process by

IGNOU. The Society is also monitoring a publicity campaign to raise the level of awareness in regard to DOEACC courses amongst students and parents

National Informatics Centre(NIC)

62.   NIC has been instrumental in steering information and Communication Technology applications in Government Department at Central, State and Districts facilitating improvement in Government services, wider transparency in Government functions and improvement in decentralized planning and management. During 2002-03, NIC spent Rs. 174.42 crore, in 2003-04 it spent Rs. 185.70 crore and now during 2004-05, it has a budgetary support of Rs. 210 crore.

63.   On being asked how the NIC would spend Rs. 210 crore, the Department during evidence stated as under:

"We have got Rs. 25 crore extra now and you wanted to know what we are going to do. I would just inform you that overall we got about six per cent increase of which approximately 15 per cent we have an increase of the revenue budget. As you are aware, the NIC is a service structure. We have more than 3,000 people spread across the country and our outgo on salaries, increments, etc. involves a lot of money. So, Rs. 9 crore would go into salary enhancement and approximately Rs. 13 crore we get for new bandwidth and at the end of the day the capital budget we get is less by about 15 per cent to 20 per cent"

64.   Regarding manpower front, the Department informed that, "the manpower has by and large remained the same over the last five to six years but the workload must have gone up at least fifty to seventy times".

Squaring on the role of NIC in e-Governance, the Department stated that "NIC will continue to play a central role in the scheme of the national e-governance plan. At the same time, the competencies, which have been created in other institutions and other areas, would also be drawn up on because NIC does not purport to be the sole solution provider for a programme of such magnitude. So, NIC would play a lead role and it will be supplemented by other agencies".

PART-II

RECOMMENDATIONS/OBSERVATIONS

<u>Recommendation No.1</u>

<u>Tenth Plan Allocation</u>

The Committee observe that keeping in view the actual expenditure during the first two years of the Tenth Plan i.e. 2002-03 and 2003-04 of Rs. 465.35 crore and Rs. 494.63 crore respectively(i.e. Rs. 959.98 crore in total) and Rs. 750 crore allocated for 2004-05 if fully spent during the year, the Department would be incurring a total expenditure of Rs. 1709.98 crore in the first three years of the Tenth Plan. Hence the Department would be left with only Rs. 1004.02 crore, for the remaining two years 2005-2006 and 2006-2007, out of a total Tenth Plan allocation of Rs. 2714 crore.

The Committee further note that the Department has projected a demand of the Rs. 2500 crore for the last two years of the Tenth Plan and propose to take up the matter of additional funding with the Planning Commission in the Mid-term Appraisal of the Tenth Plan.

The Committee are concerned over the huge gap between the demand and the availability of money on the one side and the fate of the on-going projects on the other. It is a well known fact that in the planning process it is not possible to accommodate all the demands which come from different sectors. According to the Committee, it may not be an easy task for the Department to get an additional Rs.1500 crore in two years.

The Committee, therefore, desire that the Department of Information Technology should approach the Planning Commission with a factual data of

utilization and projected demand to impress upon them the need for the additional funds.   They may keep the Committee apprised of the developments on a regular basis.

RECOMMENDATION No.2

Budgetary Support for 2004-2005

The Committee note that Department of Information Technology had proposed an Outlay of Rs.1294.38 crore for the year 2004-05 for its various schemes <u>viz.</u> R & D, infrastructure Development, Human Resource Development, PSUs, NIC, ESC & Export Market Development and other miscellaneous programmes. However, keeping in view the importance of E-Governance and other IT projects being implemented by the DIT and within the constraints of overall ceiling on the Annual Plan budgetary support for 2004–05, the Planning Commission has given a special consideration and has increased the level of budgetary support from Rs. 495 crore (RE) in 2003-04 to Rs. 750 crore in the year 2004-05 which is an increase of over 50 percent.

The Committee note that out of the total budget of Rs. 750 crore, Rs. 215 crore will go to the E-Governance projects which have been given special emphasis in the Annual Plan 2004-05. The Committee feel that with the remaining Rs. 535 crore, the Department may only be able to sustain the other schemes/projects without any scope of further progress.

The Committee is happy to note that the Department has been able to fully utilise its earlier Plan allocations. Against the allocation of Rs. 470 crore in 2002-03 and Rs. 495 crore in 2003-04, the Department is able to utilize

Rs.465.35 crore and Rs.494.63 crore respectively. This makes it amply clear that the Department is serious in its assignment and has the capability to absorb and deliver. In the opinion of the Committee, this will prove to be a firm ground for the Department for demanding additional funds.

The Committee, therefore, impress upon the Department to seek more funds at the supplementary grants stage and also strongly recommend to the Planning Commission and Ministry of Finance that they should make suitable higher allocation as demanded by the Department.

Recommendation No.3

2-3 per cent allocation by Ministries

The Committee note that the Planning Commission had issued an advisory to all Central Ministries / Departments on 24th April, 1998 to earmark 2 to 3 percent of their Plan budget for programmes / schemes relating to Information Technology, but regrettably the same has not been strictly adhered to by them. While formulating the Annual Plan 2004-05, the Planning Commission has taken an undertaking from all the Ministries/Departments to earmark a minimum of 2-3 percent of their allocation for promoting Information Technology. The Secretary, DIT also informed the Committee that he has also requested all Chief Secretaries of States/UTs to allocate at least 3% of their budget for e-Governance applications and infrastructure.

The Department of IT is an implementing agency and a programme manager for coordinating across different Ministries. In case the Ministries/Departments/States do not allocate the 2-3 per cent and do not

adhere to the suggestions of the programme manager in providing necessary infrastructure, the DIT has less to lose in comparison to what the stakeholder will lose and the greatest loser will be the nation.

The Committee, therefore, would advise all the departments concerned to allocate 2-3 percent of their Plan Budget for IT in their own interest. The Committee also recommend that the DIT should closely monitor those Ministries/Departments/States who do not follow their advice.

Recommendation No.4

National Action Plan on E-Governance (NEGAP)

The Committee note that the Common Minimum Programme (CMP) of the United Progressive Alliance (UPA) has affirmed the commitment of the Alliance to promote e-Governance on a massive scale. In order to give effect to this commitment, the Department of Information Technology needs adequate budgetary support for implementation of the National e-Governance Action Plan (NEGAP), which has been elaborated by the Department of Information Technology (DIT) in collaboration with the Department of Administrative Reforms & Public Grievances.

The Committee further note that the Department of Information Technology intends to strengthen the core infrastructure, including establishment of State-wide Area Networks upto the level of Blocks and National/State level Data Centres, promotion of common service delivery centres and replication of successful E-Governance applications on a pilot scale, for which the Department had proposed an outlay of Rs.630 crore for

2004-05. The Committee are concerned to note that the Planning Commission has approved only Rs.215 crore. As a result the Department would not be able to extend the network infrastructure upto block level in the first 18 months as it was planned and will take it up in a phased manner.

However, keeping in view the that provisions are not necessarily being made in the Plan Budget and that many initiatives are funded on the non plan side, the Committee are convinced with the line of action of the Planning Commission that Rs. 215 crore is sufficient in the initial phase and the Department should assess the realistic requirement of additional funds before making a demand for more funds.

While appreciating the efforts in doing the study on the e-readiness Index of States and UTs, the Committee feel that the e-readiness of States and UTs has to be re-assessed annually on an ongoing basis in order to get them into e-Governance mindset. The Committee also desire that the Department should formulate the proposals for additional requirements of funds on e-Governance keeping in view the level of implementation and execution of the plan.

<u>Recommendation No.5</u>
<u>National E-Governance Fund</u>

DIT has proposed a National e-Governance Fund with a seed capital of Rs. 1,000 crore with a view to strengthening the programme management structure and leveraging Government budgetary resources to mobilize non Government resources and competencies. Core programmes of the

Department, have a close linkage with the larger objectives of the Common Minimum Programme in regard to development of human resources, employment generation and improvement of the quality of life of disadvantaged areas. In order to fulfill their objectives, the Committee desire that the Department should urgently work out the modalities of establishing a National e-Governance Fund.

Recommendation No.6

Media Lab Asia(MLA)

The Committee note that the role of Media Lab Asia is to facilitate the invention, refinement, and dissemination of innovations that benefit the masses. The project is closely working with industry , NGOs, and Government for this purpose. The basic idea of the Media Lab programme is to take off research end-to-end, from the labs to the stage of productionisation and prototyping and thereafter field testing it for demonstrating replicable scalability and sustainability.

The MLA project had been approved for one year exploratory phase commencing from 1 January, 2002 to 31 December, 2002. The restructuring of MLA carried on till July, 2003 as a result of which no funds were utilized during the last two years. The Committee observe that a full scope nine year restructured programme was initiated from May 2003. The restructured MLA carries the earlier vision forward with the same objectives with an outlay of Rs. 262 crore for the Tenth Plan.

The Technical Advisory Board (TAB) of the programme reconstituted in December 2003 has identified four thrust areas namely; ICT applications in education, Primary healthcare, empowerment of persons with physical disabilities and providing rural connectivity. Stakeholders' workshops were conducted in each of these areas to workout road maps and prepare proposals for large scale deployment of technologies developed. According to the Department of IT, based on the conclusions of these workshops, new projects are being initiated for development and deployment of technologies. The outlay of Rs. 65 crore earmarked in the year 2004-05 is proposed to be utilised for ongoing projects and new projects being evolved as well as for pilot deployment.

The Committee are constrained to note that the Research Collaboration Agreement (RCA) with Massachusetts Institute of Technology (MIT), USA was not extended and the research projects taken up directly by Media Lab Asia had to be dropped as a part of the restructuring whereas the restructured programme has the earlier visions and same objectives. Precious two years of the Tenth Plan have been lost without any progress.

The Committee are apprehensive whether the Department would be able to utilize Rs. 227 crore which is to be contributed by the DIT to the project in the remaining 3 years of the Tenth Plan.

The Committee are also concerned on the deployment of the projects which are in a pilot stage. Technologies will be developed but will they be put to use effectively? Who will monitor the deployment of Media Lab Asia

Projects? According to the Committee, the initiative is good but it requires more serious thought and planning at the ground level.

In view of all these projects in the mind of the Committee, they recommend that the budgetary provision for the left over programme, not be allowed to lapse after the Tenth Plan. The Committee further recommend that the Ministry of HRD, Health and others should also be associated to play a decisive role in the deployment of technologies. The Committee desire that they may be kept updated, on a quarterly basis about the progress of the various programme of MLA currently under development.

Recommendation No.7
Sponsorships for Media Lab Asia

The Committee note that the Department has so far been able to get only one sponsorship from M/s Tata Sons for Media Lab Asia research thus contributing Rs. 1.5 crore against a target of Rs.35 crore. The Committee feel that the programme lacks sponsorship because of its complexities and the short-sightedness of the Department towards its outcome.

The Committee desire that the Department should have a continuous dialogue with various industrial houses who spend on universal obligation for identifying the lacunae in their efforts so as to take steps to attract more sponsorship.

Recommendation No.8
Centre For Development of Advance Computing(C-DAC)

The Committee observe that the allocation for C-DAC for the year 2004-05 is Rs. 40 crore which is substantially higher than allocations of Rs.10 crore and Rs.25.50 crore made during 2002-03 and 2003-04 respectively. However, the Committee learn that the year 2004-05 would be the first full year of consolidated and expanded C-DAC, emerging as the largest and most premier R&D institution in ICT in the country. The Committee desire that keeping in view the broad objectives of C-DAC during the year 2004-05, the allocation of Rs. 40 crore made should be optimally utilised. If need be, the request for additional requirement of funds should be placed before the Planning Commission in Mid-term appraisal of the Annual Plan.

An ongoing exercise to identify potential users and applications(commercial), effective marketing of the potential of Grid Computing and the benefits, packaging of appropriate solutions through timely development of appropriate software and Middleware for various commercial applications could increase the prospects of additional revenue earnings through C-DAC. In this connection, the Committee may be apprised of the action taken by the Department of IT with regard to suggestion made by the Planning Commission that C-DAC should develop an appropriate business model ensuring that its R&D activities could be carried out in a sustainable manner. In view of the Committee, the Commercial applications had to be an integral part of the high-end research. One of the super computing nodes could be devoted to storage of large-scale data to meet the business requirements of commercial organizations like banks, insurance etc.

Recommendation No.9

Hardware policy

The Committee note that the Department of IT has prepared a draft Hardware policy and forwarded the same to the Ministry of Finance for their views. While discussing the Policy with the Cabinet Secretary, the Department had expressed that it would be able to finalize the policy paper by July, 2004. The Committee note that the Draft Paper on "National Electronics/IT Hardware Manufacturing Policy" was formulated after wide ranging consultations with industry associations and other stakeholders. Further, a number of promotional and EXIM policy/procedural measures included in the Draft Policy paper could not evolve the consensus required. The promotional and other measures contained in the Draft Paper concerns not only the Electronics/IT Hardware industry but also, the rest of the manufacturing sector in the country.

The Committee, therefore, desire that keeping in view the vision of the Hardware Policy to make India one of the key players in the global electronics/IT hardware manufacturing sector and integrate the same with the global value-added-chain, the Hardware Policy should get the approval of the Manufacturing Sector Competitiveness Council. The Committee also recommend that effort should be made by the Department to give boost to the hardware sector as this could generate substantial revenue due to the greater value added nature of the business.

Recommendation No.10

National Venture Capital Fund for Software and IT Industry(NFSIT)

The Committee note that National Venture Capital Fund for Software and IT Industry was set up in December 1999, with a corpus of Rs. 100 crore. The scheme was later handed over to Small Industries Development Bank of India (SIDBI) which created a fund called SIDBI Venture Capital Fund wherein 50 percent of the money was put by SIDBI, 20 percent of the money by IDBI and 30 percent of the money by Ministry of IT. Government has a representative nominee. So far SIDBI has sanctioned assistance to 24 units aggregating Rs.58 crore. The rest of the money is in fixed deposits earning interest.

The success rate of SIDBI has been highest amongst all venture capital funds. The reason being that SIBDI is very conservative in giving funds. It has the fear of turning valuable capital into non-performing assets.

The Committee note that the Task Force constituted on 'Financing Knowledge Based Industries for Small Enterprises Sector including IT Industry' to look into the issues pertaining to availability of Venture Capital for Small Scale entrepreneurs in the country has not yet submitted its Report. The Committee would like to be apprised of the major recommendations of the Report of the Task Force as soon as it is finalized and also action taken by the Government on the same.

The Committee further suggest that the Department which is a 1/3rd partner in the Fund should impress upon the NFSIT to sanction amounts to relatively sound proposals and should not be so conservative as 50 percent of the Fund is left unutilized. The Committee would like to be updated

quarterly on the performance of the Companies funded by the Venture Capital Fund.

Recommendation No. 11

Semi-conductor Complex Limited(SCL)

The Committee are constrained to find that SCL was not able to achieve the targets for sales turnover during the last two years. As against the target to achieve sales turnover of Rs. 83 crore and Rs. 84.10 crore during 2002-03 and 2003-04, the Company could achieve the sales turnover of Rs. 40.22 crore and Rs.54.88 crore respectively. The Committee are not convinced with the reasons for shortfall in achievement of the targets like a major order was spilled over to the next fiscal year due to delay in according product approval time, some of the orders envisaged did not materialise and demand constraints affected the sales in certain products. The Committee feel that these constraints are not new to the Company and timely corrective measures on the part of the Company could have avoided such major shortfalls.

The Committee further observe that SCL has revised the target for 2004-05 to achieve the sales turnover from Rs. 91 crore to Rs. 70.50 crore keeping in view the current product portfolio and the business opportunities envisaged by the Company. The Committee disapprove such a sudden change in targets fixed by the SCL. The Committee would like to know the reasons as to why these factors were not considered beforehand while fixing the targets. The Committee deprecate the lackadaisical approach of the

Department in fixing the targets. They trust that by learning from the past experience, the SCL would leave no stone unturned to achieve the targets during 2004-05.

The Committee find that during 2002-03, against a target to produce 1138.910K Dies/Devices and 205K System/Board level products, the achievement remained 373.318K and 85.501K respectively. Similarly, during 2003-04, against a target to produce 1228.93K Dies/Devices, SCL could however produce only 236.550K Dies/Devices. The Committee are not convinced with the reasons put forth by the Department for shortfall in targets like orders of some products planned for production could not fructify, in case of Systems/Board level products, less production of a product and delay in finalization of orders for energy meters by the customers, a product could not get transferred to production on account of iterations needed in product design for incorporating additional specifications as per customer requirements and the production plan of another product was reduced in view of funds constraints of a customer. The Committee feel such shortfall could have been avoided, had the Company taken timely remedial measures and ensured proper co-ordination.

The Committee deplore the sudden revision of the targets laid down for the year 2004-05. They note that SCL has scaled down the targets laid down earlier for producing 1300K Dies/Devices to produce 907K dies/devices. The Committee, however, trust that the Company would explore all ways and means to ensure that the targets are achieved in time and in totality.

The Committee observe that various committees including Disinvestment Commission had considered various alternatives for the revival of the SCL. However the matter of merger of SCL with BEL and that of merger of SCL with Society for Integrated Circuits Technology and Applied Research (SITAR)/the Gallium Arsenide Enabling Technology Centre (GAETEC) have not materialized. The Committee further find that the Planning Commission had suggested that the Department of IT should form a small group of experts in the Department to suggest two-three alternative plans for revival of SCL and desired that the Group should submit the Report within two months. The Committee would like to be apprised of the action taken by the Department in this regard. Subsequently, the Committee desire that SCL should get the Report examined by business experts and make viable and feasible plan for profitable functioning of SCL. The Committee are of the view that SCL should also aggressively look to the disinvestment option with the Companies in the Semi-Conductor Industries.

The Committee are informed that SCL has implemented VRS during the year 2004 and given voluntary retirement to 46 employees (21 executives and 25 non-executives). The Committee would like to know from which source the funds have been procured by the Company to implement the VRS during this year.

Recommendation No. 12

Vidya Vahini Programme

The Committee note that the Department of Information Technology conceived "Vidya Vahini" programme as a pilot project to make full use of Information & Communication Technology (ICT) and Internet to transform the learning environment from mono-dimensional to multi-dimensional and the same has been implemented in 7 districts of the country. The Committee are informed that further replication of the programme in schools across the country would be carried out by the Ministry of HRD/State Governemnts as part of the scheme "Introduction of ICT in Schools". The Committee desire that the Department of IT should follow-up with the Ministry of HRD/State Governments for successful replication of the Vidya Vahini Programme and provide them the technical and other support, if necessary.

Recommendation No.13

Community Information Centres (CICs)

The Committee appreciate the effective implementation of the Community Information Centres(CICs) Project in the North-Eastern States. So far DIT have set up CICs at 487 block headquarters in North-Eastern States, out of which 486 CICs have been established and all are operational. The Committee note that the scheme is being replicated during 2004-05 in the State of Jammu & Kashmir for setting up 139 CICs. CICs in the 60 Block Headquarters of J&K State would be made operational during 2004-05.

The Committee further observe that a proposal is in the pipeline to set up 328 CICs in the State of Uttaranchal. The estimated cost is around Rs 70 crore to be incurred over 4 years. The project would be implemented by

the State Government, which will mobilise a contribution of 10 percent of the outlay. The DIT's support will be to the extent of Rs 63 crore. The project will be implemented in two phases. This would necessitate an additionality in the Plan Budgetary support at the rate of Rs 16 crore per year. The Committee recommend that similar efforts should be made for setting up of CICs in other States of the country. The Committee further observe that recurring expenditure on the maintenance of the CICs is being provided for as RE Plan by the Government. The Committee are of the opinion that once the infrastructure is in place, maintenance should be funded by the State after the successful continuance of the project for a limited period, say 3 years.

<u>Recommendation No.14</u>

<u>Manpower for Application Specific Integrated Circuit(ASIC) Design</u>

The Committee regret to note that allocation made for the scheme has always been revised downward. During 2002-03, BE was Rs. 2 crore which was reduced to Rs. 70 lakh at RE stage and the same was fully utilized. Also during 2003-04, though the Department proposed an outlay of Rs. 125 crore, the Planning Commission approved only Rs. 3.5 crore. The allocation was reduced to Rs. 37 lakh at RE stage which was fully utilized. The Committee note that during 2004-05, the Department proposed an outlay of Rs. 20 crore, however, the Planning Commission approved Rs. 10 crore.

In this connection, the reason given by the Department that the institutions were not able to absorb more funds is disturbing. The Committee are of the opinion that either the programme content is not popular to attract

students or there is lack of awareness among the students. The Committee strongly feel that the reasons for such a phenomenon should be gone into by a high level team of experts and adequate measures taken to ensure better utilization of funds provided for the scheme.

According to the Committee, a much better plan has to be drawn up for an effective curriculum which enhances the potential for employment, in consultations with the Semi-Conductor Industry players and suitable measures taken to effectively improve the curriculum in ongoing basis. The curriculum could be passed on to C-DAC which is already offering training courses in the field.

Recommendation No.15

Department of Electronics Accredited Computer Courses (DOEACC) Society

During 2003-04, 75,000 students *were targeted to be registered*, against which only 49,391 were *actually registered*.   Similarly 1,50,000 candidates were targeted to appear in various levels of Exams, against which only 1,30,057 candidates *were actually admitted*. Also during 2002-03, against 92,612 students to be registered and 1,77,329 candidates to be admitted, 75884 students were registered and 1,60,028 candidates were admitted.

The reason for decline in registration during 2003-04 is stated to be absence of academic recognition of DOEACC Courses in addition to the continuing impact of the slowdown in the global IT market. The Committee note that in order to fulfill the targets of 2004-05 to register 82,500 students and to admit 1,65,000 candidates to various O, A, B & C level courses, the

Department has proposed to secure academic recognition of DOEACC 'B' Level Course. This would also increase the acceptability of DOEACC Courses amongst students and industry. All India Council for Technical Education(AICTE) has constituted a Committee to look into the matter of recognition of qualifications awarded by non-formal sector institutions including DOEACC. The said committee has advised the Society to approach Distance Education Council, Indira Gandhi National Open University (IGNOU) for academic recognition of DOEACC 'B' Level qualifications. The application for academic recognition of DOEACC 'B' Level is under process by IGNOU. The Society is also monitoring a publicity campaign to raise the level of awareness in regard to DOEACC courses amongst students and parents.

The Committee, therefore, desire that the matter should suitably be followed up with IGNOU at the highest level for registration of DOACC 'B' level courses. They would further like to know whether there is any proposal from IGNOU to give recognition to DOEACC to 'O', 'A' and 'C' level course also.

Recommendation No.16

National Informatics Centre(NIC)

The Committee observe that NIC is primarily an implementing agency having 3000 people workforce spread across the country. Thus most of the funds allocated to NIC are spent on salaries, increments etc. and merely 15 to 20 percent is left as capital budget. The manpower has remained constant for the last 5 to 6 year whereas the workload has increased fifty to sixty times.

NIC has an institutional mechanism which gives it the flexibility to engage indirect additional manpower in response to the requirements of a particular project. However, NIC is always short of talent as the attrition rate is fairly high as talented hands leave the organizations for greener pastures.

According to the Committee, as NIC is the IT backbone of the country, it should not be overburdened with so much of work where the volume of work to manpower ratio is 50:1. NIC will never be able to do justice to the assignments entrusted to it resulting in delayed projects.

The Committee feel that serious thought should be given to the functioning, manpower requirement, preserving talent, congenial environment in NIC by utilizing modern management techniques and attracting fresh talents as adopted by multinational companies.

New Delhi

19 August, 2004

28 Sravana, 1926 (Saka)

M. M. PALLAM RAJU,

CHAIRMAN,

STANDING COMMITTEE   ON

INFORMATION TECHNOLOGY

**MINUTES OF THE THIRD SITTING OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-05)**

The Committee sat on Wednesday, 11 August, 2004 from 1100 hours to 1405 hours in Committee Room No. '53', Parliament House, New Delhi.

PRESENT

Shri M. M. Pallam Raju -- Chairman

MEMBERS

LOK SABHA

2.   Shri Nikhil Kumar Chaudhary

3.   Shri Mani Cherenamei

4.   Shri Sanjay Dhotre

5.   Shri P. Karunakaran

6.   Shri Bhartruhari Mahtab

7.   Col. G. Nizamuddin

8.   Shri Ashok Kumar Rawat

9.   Shri Chander Shekhar Sahu

10.   Shri K.V. Thangka Balu

11.   Shri Ram Kripal Yadav

RAJYA SABHA

12.   Shri Ashwani Kumar

13.   Shri N.R.Govindarajar

14.   Shri K. Rama Mohana Rao

15.   Shri Motiur Rahman

16.   Shri Sanjay Nirupam

SECRETARIAT

1.   Shri S. K. Sharma   --   Joint Secretary
2.   Shri R.S. Sharma   --   Deputy Secretary
3.   Shri K. L. Arora   --   Under Secretary

WITNESSES

REPRESENTATIVES OF THE DEPARTMENT OF INFORMATION TECHNOLOGY

1.   Shri K.K.Jaswal, Secretary
2.   Shri S. Lakshminarayanan, Additional Secretary
3.   Shri Ajeer Vidya, JS & FA
4.   Shri Pankaj Agrawala, Joint Secretary
5.   Shri R. Chandrasekhar Sahu, Joint Secretary
6.   Dr. A.K.Chakravorty, Advisor
7.   Dr. U. P. Phadke, Advisor
8.   Shri R. K. Arora, Sr. Director
9.   Shri V.V.Taneja, Sr. Director
10. Dr. N. Vijayaditya, Director General
11. Shri Ramakrishnan, ED, C-DAC
12. Dr. M.J.Zarabi, CMD, SCL

At the outset, the Chairman welcomed the representatives of Department of Information Technology to the sitting of the Committee. The Secretary, DoIT then gave a brief account of the Demands for Grants (2004-2005) with the help of a presentation.

The Hon'ble Members sought certain clarifications to which the representatives of the Department of Information Technology replied one by one.

The Committee thanked the representatives of the Department for appearing before the Committee as well as for furnishing all the required information.

A verbatim record of the Proceedings has been kept.

The Committee, then, adjourned.

**MINUTES OF THE FIFTH SITTING OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2004-05)**

The Committee sat on Wednesday, 18 August, 2004 from 1500 hours to 1745 hours in Committee Room No. G074, K-Block, Parliament Library Building, New Delhi.

PRESENT

Shri M. M. Pallam Raju -- <u>Chairman</u>

MEMBERS

LOK SABHA

2. Shri Mani Cherenamei

3. Shri P. Karunakaran

4. Shri Bhartruhari Mahtab

5. Smt. Nivedita S. Mane

6. Shri Sohan Potai

7. Shri Ashok Kumar Rawat

8. Shri Chander Shekhar Sahu

9. Shri K.V. Thangka Balu

10. Shri Ram Kripal Yadav

RAJYA SABHA

11. Shri Ashwani Kumar

12. Shri Balbir K. Punj

13.   Shri Dara Singh

14. Shri N.R.Govindarajar

15. Shri K. Rama Mohana Rao

SECRETARIAT

4.	Shri P.D.T. Achary	--	Additional Secretary
5.	Shri Raj Shekhar Sharma	--	Deputy Secretary
6.	Shri K.L.Arora	--	Under Secretary
7.	Shri D.R. Shekhar	--	Assistant Director

At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then took up for consideration the following Draft Reports and adopted the same with some modifications:-

(i) Draft Report on Demands for Grants (2004-2005) relating to the Department of Posts.

(ii) Draft Report on Demands for Grants (2004-2005) relating to the Department of Information Technology.

The Committee, then, authorized the Chairman to finalize and present the above mentioned Reports to the House after factual verification by the Department concerned on a date and time convenient to him.

The Committee, then, adjourned