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**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY
(2006-2007)**

FOURTEENTH LOK SABHA

**MINISTRY OF COMMUNICATIONS AND
INFORMATION TECHNOLOGY
(DEPARTMENT OF INFORMATION TECHNOLOGY)**

*[Action taken by Government on the Recommendations/Observations
of the Committee contained in their Twenty Ninth Report
(Fourteenth Lok Sabha) on Demands for Grants (2006-07)]*

FORTY-FIRST REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 2007/Phalguna, 1928 (Saka)

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Presented to Lok Sabha on

Laid in Rajya Sabha on



LOK SABHA SECRETARIAT
NEW DELHI

March, 2007/Phalguna, 1928 (Saka)

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COMPOSITION OF THE STANDING COMMITTEE
ON INFORMATION TECHNOLOGY
(2006-2007)

Shri Nikhil Kumar—*Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Nikhil Kumar Choudhary
4. Shri Sanjay Shamrao Dhotre
5. Smt. Jayaprada
6. Shri Bhubaneshwar Prasad Mehta
7. Shri Harish Nagpal
8. Shri G. Nizamuddin
9. Shri Sohan Potai
10. Shri Lalmani Prasad
11. Kunwar Jatin Prasad
12. Shri Vishnu Deo Sai
13. Shri Tufani Saroj
14. Shri Tathagat Satpathy
15. Shri K.V. Thangkabalu
16. Shri P.C. Thomas
17. Shri Kinjarapu Yerrannaidu
- *18. Smt. Rubab Sayeda
- **19. Shri Narahari Mahato
- ##20. Shri Badiga Ramakrishna
21. Vacant

* Nominated *w.e.f.* 25th September, 2006 in place of Shri Rajnarayna Budholiya, MP (L.S.).

** Nominated *w.e.f.* 28th November, 2006.

Nominated *w.e.f.* 23rd February, 2007.

Rajya Sabha

- #22. Vacant
- 23. Shri Praveen Rashtrapal
- 24. Shri Ravi Shankar Prasad
- 25. Shri Dara Singh
- 26. Shri A. Vijayaraghavan
- 27. Shri N.R. Govindrajar
- 28. Shri Motiur Rahman
- 29. Shri Eknath K. Thakur
- 30. Shri Shyam Benegal
- 31. Shri Rajeev Chandrasekhar

SECRETARIAT

- 1. Shri Rajagopalan M. Nair — *Additional Secretary*
- 2. Shri P. Sreedharan — *Joint Secretary*
- 3. Shri Cyril John — *Deputy Secretary*
- 4. Smt. Geeta Parmar — *Executive Officer*

*Vacated dated 15th December, 2006.

INTRODUCTION

I, the Chairman, Standing Committee on Information Technology (2006-07) having been authorised by the Committee to submit the Report on their behalf, present this Forty First Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in their Twenty-Ninth Report (Fourteenth Lok Sabha) on Demands for Grants (2006-2007) relating to the Department of Information Technology.

2. The Twenty-Ninth Report was presented to Lok Sabha on 2.8.2006 and laid in Rajya Sabha the same day. The Department furnished Action Taken Notes on the Recommendations/Observations contained in the Report on 2.11.2006.

3. The Report was considered and adopted by the Committee at their sitting held on 20.3.2007.

4. For facility of reference and convenience Recommendations/Observations of the Committee have been printed in bold letters in the body of the Report.

5. An analysis of Action Taken by Government on the recommendations/observations contained in the Twenty-Ninth Report (Fourteenth Lok Sabha) of the Committee is given at *Annexure-II*.

NEW DELHI;
20 March, 2007

29 Phalguna, 1928 (Saka)

NIKHIL KUMAR,
Chairman,
Standing Committee on
Information Technology.

CHAPTER I

REPORT

This Report of the Standing Committee on Information Technology deals with action taken by Government on the recommendation/ observations of the Committee contained in their Twenty-Ninth Report (Fourteenth Lok Sabha) on 'Demands for Grants (2006-07)' pertaining to the Department of Information Technology (DoIT).

2. The Twenty-Ninth Report was presented to Lok Sabha on 2 August, 2006 and was also laid on the Table of Rajya Sabha the same day. It contained 48 recommendations/observations.

3. Action Taken Notes in respect of all the recommendations/ observations contained in the Report have been received and categorised as under:

- (i) Recommendations/Observations which have been accepted by the Government:

Para Nos: 1, 2, 4-6, 8-20, 22-26, 30-48.

(Total: 42)

(Chapter-II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of replies of the Government:

Para Nos: Nil

(Total: Nil)

(Chapter-III)

- (iii) Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration:

Para Nos: 3, 21

(Total: 02)

(Chapter-IV)

- (iv) Recommendations/Observations in respect of which Replies are interim in nature:

Para Nos: 7, 27, 28 & 29

(Total: 04)

(Chapter-V)

4. The Committee trust that utmost importance would be given to the implementation of the recommendations/observations accepted by the Government. In cases, where it is not possible for the Department to implement the recommendations in letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desire that Action Taken Notes on the recommendations/observations contained in Chapter-I and final action taken replies to the recommendations contained in Chapter-V of this Report should be furnished to them at an early date.

A. Funds for "Manpower Development"

Recommendation (Para Nos. 3)

5. The Committee in their earlier Report had observed that the DIT had projected an outlay of Rs. 60 crore during 2006-07 for the scheme, "Manpower Development", but the Planning Commission brought it down to Rs. 38.40 crore. Also in the previous years of the Tenth Plan except in the year 2005-2006, the projected outlays for the scheme were reduced to a larger extent. During the years 2002-03, 2003-04 and 2004-05, against the projections of Rs. 42.70 crore, Rs. 132.55 crore and Rs. 39.50 crore, the funds were allocated to the tune of only Rs. 8.00 crore, Rs. 8.50 crore and Rs. 29.00 crore respectively. Considering the reduction in projected outlay as unfortunate, the Committee had desired that the position should be rectified.

6. The Department of Information Technology in their action taken reply have stated that the allocation of funds for various schemes pertaining to Manpower Development has been systematically increased from Rs. 8 crore in 2002-2003 to Rs. 29 crore in 2004-2005. Further, the allocation for current Financial Year (2006-2007) has been Rs. 32.40 crore. It has further been informed that the Study Team on Human Resource Development constituted by the Working Group on IT Sector for the 11th Plan period is in the process of finalizing its report. Based on its preliminary recommendations, the Study Team has worked out a considerably higher allocation for HRD activities.

7. While taking cognisance of the fact that Manpower Development in the IT Sector is one of the thrust areas of DIT, the Committee find that the funds allocated by the Planning Commission for the Scheme during 10th Plan period were very much on the lower side. However, from the action taken reply it appears that DIT is content with the allocations made over the years for the

scheme, as is evident from the reply which says “the allocation of funds for various schemes pertaining to Manpower Development has been systematically increased from Rs. 8 crore in 2002-2003 to Rs. 29 crore in 2004-2005”. However, the Committee strongly feel that such important schemes should not be starved of funds as it will have far reaching effects on the pace of growth in the IT Sector. The Committee would like to be informed whether DIT sought additional funds for the scheme in 2006-07 at the RE stage. The Committee further note that a Study Team on Human Resource Development constituted by the Working Group on IT sector for the 11th Plan period is in the process of finalizing its report and has worked out a considerably higher allocation for HRD activities. The Committee trust that due priority would be given to manpower development in IT Sector and the allocation for Manpower Development Scheme would be enhanced appropriately in the 11th Plan period.

B. Implementation of Recommendations of Task Force on HRD in IT

Recommendation (Para Nos. 4, 11, 12 & 13)

8. The Committee in their earlier Report had noted that the Task Force on Human Resource Development in IT, constituted with the objective to analyse the manpower deliver mechanism in terms of quantity and quality as well skilled set *vis-à-vis* global ITES requirement during the 10th and 11th Plan period had submitted its Report way back in December, 2003. However, no strategy was finalised to implement its recommendations. Considering that the Task Force recommendations of paramount importance as far as development of the requisite manpower in the upcoming IT sector is concerned, the Committee had desired that the same should be implemented without further loss of time.

9. The Committee had also observed that the Task Force on HRD in IT had indicated a shortage of skilled manpower to the tune of 2,35,000 for IT and 2,62,000 for ITES which could increase in 2012 unless special efforts are made in this direction. NASSCOM McKinsey Report, 2005 had also indicated a need for additional 500,000 suitable graduates in the next five years beyond the current supply trends to enable the industry to reach Offshore IT and BPO exports of US\$ 60 billion by 2010. The Committee had, therefore, desired that all out efforts should be made to meet the expected shortage of manpower. Further, as no specific projections were made for manpower requirement to realise a target of US\$ 200 billion software export by 2010 as suggested by the Hon'ble President, the Committee had also desired

the DIT to work out the same and apprise them of the concrete measures taken/proposed in this regard. As the overall strategy to meet the Human Resource requirement rests on the ability to inculcate the skill sets, establishing a standard to certify the quality of skills provided and attracting people to get them certified and deployed in IT/ITES, the Committee had impressed upon DIT to take remedial measures to meet the challenges so that due to lack of skilled manpower the target market share in the IT/ITES market does not get a setback.

10. Further, as per NASSCOM McKinsey Report 2005, the addressable market for global off-shoring was estimated to be about US\$ 300 billion split evenly between IT and BPO sector and only around 10 per cent of which had been realised so far thus leaving ample headroom for the future growth. The addressable market for the global BPO industry had been equally sizeable and could expand by more than 10 times from the current size of approximately US\$ 11.5 billion to at least US\$ 120-150 billion. The Committee had hoped that the DIT would work in unison with Ministry of Human Resource Development and NASSCOM and devise counteractive measures to exploit the untapped potential in order to meet the estimated shortfall of manpower.

11. The Department of Information Technology in their action taken notes have stated that the Task Force Report has been discussed in a series of meetings with NASSCOM and DOEACC. As a result, several planning and implementing actions have taken place which include the following:

DIT had initiated a number of measures to generate manpower in key verticals like Bioinformatics, VLSI Design & Information Security.

NASSCOM has launched the pilot phase of NAC Programme—NASSCOM's Assessment of Competence to help the ITES/BPO industry.

The DOEACC is implementing ITES-BPO course to enhance skills of youth for employment/self-employment in ITES/BPO sector in North East and Srinagar/Jammu region and have already trained more than 3250 numbers of students so far.

In addition, DIT had been supporting various R&D Projects in the area of IT.

Apart from above many ITES/BPO companies are stated to be taking up initiatives on their own to train manpower to meet their requirements.

12. The DIT have further stated that to meet the manpower demand of IT/ITES Sector over the coming years, Government has constituted a Working Group under the Chairmanship of Secretary, Department of Higher Education with members drawn from NASSCOM, Academia, Industry, AICTE & other Government Departments. This committee would address various issues pertaining to expansion of higher education system to meet the manpower demands of IT/ITES Sector and based on the recommendations of this Working Group, Government would initiate necessary measures to implement the same.

13. The Committee find that DIT have taken certain steps for development of the manpower in the upcoming IT sector. However, they view these steps to be inadequate when compared to the actual manpower requirement, as projected by the Task Force on HRD in IT and also in the NASSCOM McKinsey Report, 2005. They, therefore, feel that much more focused attention should be paid towards meeting the future manpower demands of IT/ITES Sector.

14. The Committee further note that the Government has constituted a Working Group under the Chairmanship of Secretary, Department of Higher Education to address various issues pertaining to expansion of higher education system to meet the manpower demand of IT/ITES Sector based on the recommendations of the Working Group and Government would initiate necessary measures to implement the same. In view of the urgent need for development of manpower in IT/ITES Sector, the Committee stress that the DIT should pursue the matter vigorously and they be apprised of the concrete steps taken in this regard.

C. Software Technology Parks of India (STPIs)

Recommendation (Para No. 18)

15. The Committee in their earlier report had stated that STPI was not getting adequate grant-in-aid for setting up of new STPI Centres across the country. During the Tenth Plan STPI was never provided with funds projected by the Department of IT even though IT and ITES industries under the STP scheme account for about 90 percent of India's total software and ITES export. During 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07, Rs. 57 crore, Rs. 92 crore, Rs. 8 crore, Rs. 10 crore and Rs. 4 crore respectively were proposed, however the Planning Commission allocated only Rs. 8 crore, Rs. 6 crore, Rs. 6 crore, Rs. 4 crore and Rs. 4 crore respectively. With regard to problem of attrition of skilled manpower, STPI had started hiring skilled manpower on contract as per project need basis. The Committee had hoped that the

DIT would examine the constraints faced by the STPI without further loss of time and soon resolve them for improved functioning of STPI particularly keeping in view the promotional and pivotal role played by them in the phenomenal success of I.T. Sector in the country.

16. The Department of Information Technology in their action taken reply have stated that STPI being a Government Society by and large have been following Government Rules, Regulations and HR policies. There is a mismatch between salary/package/perks available in Government and the industry outside. Today the life span of service of an IT professional in any organization is quite vulnerable and there is more a sort of floating population in this field.

17. The Committee find that the DIT's reply is silent on the corrective measures taken to resolve the constraints faced by STPI on account of meagre funds allocated to it. It is notable that STPI units account for about 90 percent of India's total software exports. Keeping in view the target set by NASSCOM McKinsey of \$60 billion software export by 2010 and also \$ 200 billion software export target suggested in NASSCOM, 2006 Leadership Summit, there are proposals for setting up new STPI Centres and also for strengthening the existing STPI units. The Committee, therefore, stress that allocations to STPI should be enhanced appropriately keeping in view the pivotal role STPI Units are expected to play in boosting the country's software exports, Further, in order to sustain and enhance the operations of STPI, DIT should find ways to deal with the problem of attrition of skilled manpower in STPIs so that it continues to play developmental role in the promotion of software exports.

D. Domestic Software

Recommendation (Para No. 21)

18. The Committee in their earlier Report had been apprised that there were various reasons for the weak domestic software market. The NASSCOM McKinsey Report, 2005 had suggested certain aspects for boosting domestic IT market viz. penetration of Indian market in the high-end software like product development, engineering designs, e-learning curriculum development, embedded systems designs, simulations etc.; extending tax holiday, duty free import of capital goods etc., facilities for BPO/Call Centre companies catering to the needs of Indian industry; and promotion of localisation efforts of software and use of local language in office work etc. in order to address the domestic IT market of multi-lingual, multi-cultural society

like India. The Committee had desired that the suggestions given in NASSCOM McKinsey report, 2005 should be considered and implemented to make the domestic IT market strong and stable so that domestic software can sustain a high growth rate and be competitive in the years to come.

19. The Department of Information Technology in their action taken reply have stated that due to various overlapping issues involved, the Development of Domestic Market involves various stake holders within the Government and the Industry. DIT as one of those stake holders have initiated various activities which includes the following:

- The activity of launch of domain names in Indian Languages more popularly known as “Internationalized Domain Names (IDN)”. It perceived that once the scope of Domain Names is broadened to support local languages and scripts in the construction of Domain Names, the process would require support of multilingual scripts and other linguistic and cultural tools for human-computing interface and the World Wide Web/Internet. This in-turn would result in perceived surge in the domestic market.
- Software tools and fonts in 2 languages-Punjabi and Urdu-are ready for release. 17 other Indian Languages are expected to be covered by 2007.

With the availability of IT tools in local languages it imperatively acts as catalyst for domestic market.

- Department of Information Technology has initiated a number of steps to train appropriate manpower, in few chosen knowledge based sector such as Information Security & VLSI Design. In this sector two major initiatives involving cluster of engineering college including NITs and IITs have been implementing manpower development activity. The total outlay for implementing these two activities over a period of 5 year is of the order of Rs. 120 crore. The key output from these projects would be development of human resources at Bachelors, Postgraduate & Doctoral level in the respective field.
- E-Governance initiative for transparency, accountability and simplification in government procedures: The DIT recently received approval for the National e-Governance Plan. The plan has a vision to “Make all Government services accessible to the common man in his locality, through

common service delivery outlets and insure efficiency, transparency & reliability of such services at affordable costs to realise the basic needs of the common man". The plan consists of 27 Mission Mode Projects. The focus of the NeGP is on service delivery and under the plan all departments responsible for implementing the MMPs have been directed to define the services they are targeting and the service levels they wish to achieve for those services in concrete terms. The necessary process reengineering and simplification of procedures required to meet those service levels would be part of the project design of the MMP. The DIT is constantly monitoring the progress of the respective MMPs and apprising the Apex Committee of the status of each MMP.

- State Wide Area Network over all the States of the country and one lakh Common Service Centres spread over 6000 blocks: Department of IT obtained approval of CCEA in March 2005 for a Core e-Governance Communication Network Infrastructure Scheme, entitled 'State Wide Area Network' (SWAN) for the 29 States and 6 UTs at an estimated outlay of Rs. 3334 crore to be spent in five years, for establishment of minimum 2Mbps bandwidth capacity of wide area network in each State/UT, from the Hqr upto the Block level. Till date, individual SWAN Projects in 22 States have been cleared by the Empowered Committee with the commitment of Department of IT, Govt. of India for approx. Rs. 1508.00 crore for five years. Fortnightly updated status of statewise implementation of this Scheme is available in the Programme Tracker hosted in the DIT Website (www.mit.gov.in)

20. The DIT have further stated that with better connectivity and availability of e-government in conjugation with local language used, will induce demand in domestic, it will help to move forward to crossing the critical-mass (in term of IT users in the country, connectivity, PC penetration, and availability of relevant-content in the language of masses), which is necessary for sustainability of the market.

21. The Committee are not satisfied with the reply furnished by the Department of Information Technology as it is silent on the implementation of suggestions made in the NASSCOM McKinsey Report, 2005 for boosting domestic IT market, viz. penetration of Indian market in the high-end software like product development, engineering designs, e-learning curriculum development, embedded

systems designs, simulations etc.; extending tax holiday, duty free import of capital goods etc. facilities for BPO/Call Centre companies catering to the needs of Indian industry; and promotion of localisation efforts of software and use of local language in office work etc. in order to address the domestic IT market of multi-lingual, multi-cultural society like India. The Committee consider these suggestions to be of paramount importance and reiterate their earlier recommendation to consider and implement the suggestions made in NASSCOM McKinsey Report, 2005 to make the domestic IT market strong and stable so that domestic software can sustain a high growth rate in the prevailing competitive environment. They would like to be apprised of the action taken by DIT in this regard.

E. Policy Framework to Promote growth of Electronic/IT Hardware Manufacturing Industries

Recommendation (Para Nos. 24, 25 & 26)

22. The Committee in their earlier Report had observed that there had been various factors responsible for slow growth in Electronics Hardware Export like disabilities suffered by the Indian Electronics Hardware industry on account of high incidence of duties/taxes, inadequate infrastructure, high cost of finance, transaction cost, freight and power, low volumes of production, elimination of duties on parts of Information Technology Agreement (ITA-1) items, Free Trade Agreement (FTA) with neighbouring countries, etc. The Committee also welcomed various benefits/incentives provided by the Government in the budget for the year 2006-07 for the electronics and IT sector like reduction in the peak rate of customs duty from 15% to 12.5%; imposing excise duty of 12% on computers to complete the value chain to encourage local manufacturing; reduction of excise duty on storage device *i.e.* DVD drives, USB flash memory and Combo-drives to Nil; reduction of Customs duty on Integrated Receiver Decoders, also known as Set Top Boxes to 0% and impositions of excise duty of 16% to encourage local manufacturing. However, they considered these measures as inadequate and desired that with more interaction with the people from the industry, grey areas affecting the Hardware Sector should be identified and remedial steps be taken urgently to boost the Sector.

23. The Committee further noted with concern that there was no broad IT Hardware Manufacturing Policy. They hoped that the DIT would try to remove all the bottlenecks in the way of Hardware Policy and finalise it at the earliest.

24. DIT had prepared a discussion paper on “Conceptual Policy framework to promote growth of Electronics/IT Hardware Manufacturing Industry” in consultation with the Industry association and forwarded the same to the PMO. DIT when asked to finalise the Policy, proposed to the PMO to set up a Task Force at the earliest so that the Hardware Policy can soon be finalised to help promote the growth of Electronic/IT Hardware manufacturing industries during 2006 alongwith time-lines for implementing the recommendations. The Committee had viewed that the absence of a clear Policy on hardware may hamper the growth of the Hardware Industry.

25. The Department of Information Technology in their action taken reply have stated that DIT, in consultation with the Industry Associations, have prepared “A Discussion Paper on the Conceptual Policy Framework to promote growth of Electronics/IT Hardware Manufacturing Industry”. The grey areas affecting the Hardware Sector have been identified and remedial steps that need to be taken to boost the Sector have also been worked out. The major recommendations as contained in the Discussion Paper are as under:—

- Reduction of customs and excise duties on Electronics/IT items in a phased manner
- A single composite VAT at 17% (at par with China) or lower (at ASEAN levels)
- Rationalisation of Tariff Structure: Reduction of customs duty on all Raw Materials and Capital Goods for manufacture of Electronics/IT items to 0%
- Rationalization of State VAT on all Electronics/IT products to 4% and abolition of CST
- Unification of manufacturing for domestic market and exports
- Income Tax Exemption on export profits by DTA units
- Reduction of lending rate of interest at par with competing countries
- Procedural Simplification
- Improvement of Infrastructure
- Support for International Patents
- Support for Quality and Safety Certification
- Flexibility in Labour Laws
- Promotion of Mega-fabs/ATM and Hi-tech industry

26. DIT have further informed that a Task Force has been set up by the PMO under the Chairmanship of Principal Secretary to Prime Minister, *vide* Notification No. 460/31/C/7/06-ES.I dated 4.4.2006. The Task Force will undertake the following activities:

- Examine the proposals/suggestions contained in the Discussion Paper on “Conceptual Policy Framework to promote growth of Electronics/IT Hardware Manufacture Industry” prepared by the Department of Information Technology.
- Examine the existing Government policies/procedures and recommend suitable amendments/measures/incentives so as to make India a Hub for Electronics/IT Hardware manufacturing.
- Monitor progress and coordinate with the concerned Ministries/Departments of the Government of India, State Governments and other agencies for implementation of the recommendations in a time bound manner.
- Recommend a mechanism for single window clearance for State level approvals, wherever necessary.
- Any other activity considered necessary for the achievement of the objectives.

27. According to DIT the first meeting of the Task Force was held on 20.4.2006, under the Chairmanship of Principal Secretary to PM, wherein a presentation was made on the above Discussion Paper by DIT. The Task Force has constituted a small group under the Chairmanship of Member Secretary, Planning Commission to look into all relevant aspects of the matter and give its recommendations regarding appropriate fiscal as well as other benefits for the Electronics/IT Hardware Industry for consideration of the Task Force. The group is in the process of finalizing the recommendations.

28. The Committee note with satisfaction that a Task Force was set up to examine the proposals contained in the discussion paper on the “Conceptual Policy framework to promote growth of Electronics/IT Hardware Manufacturing Industry” prepared by DIT and also the existing Government Policies and Procedure and recommend suitable measures to make India a hub for Electronics/IT Hardware manufacturing. The Task Force has constituted a small group under the Chairmanship of Member Secretary, Planning Commission to look into all relevant aspects of the Indian Electronics

Hardware Industry and give its recommendations regarding appropriate fiscal as well as other benefits for the Electronics/IT Hardware Industry for consideration of the Task Force. The aforesaid group is stated to be in the process of finalizing the recommendations. In view of the urgent need to formulate a policy framework to promote growth of Electronics/IT Hardware Manufacturing Industry in the country, the Committee desire that the recommendations of the Task Force be finalised expeditiously and appropriate changes be brought about in the policies and procedures to facilitate growth and make the country a hub for Electronics/Hardware manufacturing. The Committee would like to be apprised of the action taken by Government in this regard.

F. Implementation of National e-Governance Plan (NeGP)

Recommendation (Para No. 35)

29. In their earlier Report, the Committee had observed that the Cabinet had obtained the approval on the concept note on NeGP. They desired to be ensured that all the 26 Mission Mode Projects and 8 support components under NeGP are implemented at the Central, State and Local Governments levels within certain specific time-frame.

30. The Department of Information Technology in their action taken reply have stated that as per the Cabinet approval, DIT's prime role is to facilitate and catalyse implementation of NeGP by various Ministries/Departments and State Governments. It is also required to provide assistance to Apex Committee under the Chairmanship of the Cabinet Secretary and the Body under the Chairpersonship of Prime Minister, who would be monitoring the implementation of NeGP programme. The sole responsibility for implementing various Mission Mode Projects vests with the concerned line Ministers/Departments and they would be persuaded and provided handholding support to complete their respective projects in a time bound manner.

31. The Committee note the submission made by the DIT that the sole responsibility for implementing various Mission Mode Projects vests with the concerned line Ministries/Departments. They, however, desire that DIT, being the nodal agency for NeGP, should play a proactive role and motivate the different Departments/State Governments/UTs involved so as to ensure implementation of all the 26 Mission Mode Projects and 8 Support Components under NeGP within the stipulated time-frame. DIT should also extend all the required support for the implementation of NeGP.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

I. General

Recommendation No. 1

The Committee note that the Department of Information Technology had proposed an outlay of Rs. 1516 crore for the year 2006-07 in order to implement their various schemes *viz.* Research & Development, Infrastructure Development, Human Resource Development, National Informatics Centre and towards various programmes, but the Planning Commission reduced the same to Rs. 1090 crore. In fact, the Planning Commission had resorted to down-sizing of the outlays during the entire Tenth Plan period. From the information furnished to them, the Committee find that the Department of Information Technology had proposed an allocation of Rs. 937.99 crore, Rs. 1146.90 crore, Rs. 1294.38 crore and Rs. 1400.67 crore during 2002-03, 2003-04, 2004-05 and 2005-06, but the Planning Commission had downsized the same to Rs. 470 crore, Rs. 470 crore, Rs. 750 crore, Rs. 929.30 crore respectively during the corresponding years. Significantly, the utilization of funds by the Department in the previous years of the Tenth Plan was almost full. The Committee are of the view that the financial curtailments by the Planning Commission in the projections made by the Department will have serious impact on the pace of implementation of various schemes/programmes proposed to be taken during the year 2006-07 and thus will delay the benefits that could accrue thereon.

Recommendation No. 2

The Committee's examination further revealed that for Infrastructure Development programme, the DIT had projected Budgetary support of Rs. 818.00 crore, which has been reduced to Rs. 530.10 crore. For Human Resource Development, Rs. 50.40 crore have been allocated against the projection of Rs. 72.00 crore. R&D programmes have been allocated Rs. 218.50 crore against the request of Rs. 298.00 crore. the Committee find it distressing that even for an important scheme like E-Governance, the Department will not be getting the required funds and the programme would be curtailed to a large extent. The Planning Commission has reduced the proposed allocation of Rs. 670 crore for

E-Governance to Rs. 440 crore. it is equally surprising to find that the allocations have been reduced even for the thrust areas of the Department like Human Resource Development. Further, for promotion of electronics and IT hardware manufacturing, the allocation has been reduced to Rs. 5.00 crore from Rs. 10.00 crore. Technology Development of Indian Languages in IT has been provided with Rs. 9.00 crore against the demand of Rs. 12.00 crore R&D programmes including Nano-Technology for Indian languages will suffer as the allocation have been made of Rs. 203.50 crore against the request of Rs. 280 crore. The Committee strongly feel that such important schemes should not be starved of funds and urge that sanctity of the budget allocation be maintained at all costs as implementation of these schemes are for the service of the masses and will accelerate the development of the country. The importance of the most promising IT Sector in boosting the efficiency and productivity in today's fast changing global economy should be taken into consideration. The Committee trust that these factors will merit due consideration for appropriate enhancement of funds at RE stage.

Action Taken on Recommendation Nos. 1 & 2

This matter was taken up with the Adviser (C&I) Planning Commission informing that the Standing Committee on DIT has expressed its concern over the reduced budget allocation made by Planning Commission for the year 2006-07 and during the entire 10th Plan period as well.

In response of this the Planning Commission have advised that DIT should undertake a comprehensive scheme-wise review of all its programmes for making a realistic assessment of the additional funds required in the financial year 2006-07 with the justification.

This will be taken up with the Ministry of Finance and Planning Commission at the RE stage.

Recommendation No. 4

The Committee learn that the Task Force on Human Resource Development in IT was constituted with the objective to analyse the present manpower delivery mechanism in terms of quantity and quality as well skilled set *vis-à-vis* global ITES requirement during the 10th and 11th Plan period. They are extremely unhappy to note that though the said Task Force had submitted its Report way back in December, 2003, no strategy has yet been finalised to implement the recommendations contained in the Report. They deprecate the

indifferent attitude of the DIT in dealing with the important recommendations of Task Force. The Committee strongly feel that the Task Force recommendations in the areas of attracting resources into IT/ITES, educating/developing requisite skills, certifying skills levels of resources, deploying trained/certified resources and monitoring and guiding efforts related to IT/ITES and R&D, are of paramount importance as far as development of the requisite manpower in the upcoming IT sector is concerned and need to be implemented without further loss of time.

Action Taken

This report has been discussed in a series of meetings with NASSCOM and DOEACC. As a result of these discussions, several planning and implementing actions have taken place. These includes:

DIT had initiated a number of measures to generate manpower in key verticals like Bioinformatics, VLSI Design & Information Security.

NASSCOM has launched the pilot phase of NAC Programme—NASSCOM's Assessment of Competence to help the ITES/BPO industry.

The DOEACC is implementing ITES-BPO course to enhance skills of youth for employment/self-employment in ITES/BPO sector in North East and Srinagar/Jammu region and have already trained more than 3250 numbers of students so far.

In addition, DIT had been supporting various R&D Projects in the area of IT.

Apart from above many ITES/BPO companies are taking up initiatives on their own to train manpower to meet their requirements.

Comments of the Committee

(Please see Para No. 13 and 14 of Chapter-I)

Recommendation No. 5

The Committee learn that the task of evolving a detailed plan for implementation of the priority recommendations has been entrusted to DOEACC. In order to generate manpower in key verticals like bioinformatics, VLSI Design and Information Security, DOEACC is implementing ITES-BPO course to enhance skills of youth for employment/self-employment in ITES/BPO sector in North-East and

in Srinagar/Jammu and more than 1500 students are stated to have been trained. The Committee find the number of students trained by DOEACC for ITES/BPO sector to be too meagre to meet the present need of skilled manpower in the country not to speak of future projections. They further opine the DOEACC should look into the possibilities of starting ITES-BPO course at its other Centres also.

Action Taken

As per the NASSCOM-McKinsey Report 2005, “the BPO industry is fairly well supplied with talent in the short term. But short falls are possible in the long term since talent development seems unlikely to keep pace with rapid industry growth”.

The training programmes for ITES/BPO are being conducted by Government as well as NASSCOM & private companies. The private sector has trained substantial number of students to meet ITES/BPO requirement, however there is no data available on the numbers trained by them.

The Government initiatives have been targeted to set up training facilities at remote and backward areas where private companies usually do not set up their training facilities. With this in mind, North-Eastern Region and Jammu & Kashmir had been considered by Government. Accordingly, DOEACC has launched ITES/BPO courses covering all states of North-Eastern Region with financial assistance from Ministry of Development of North Eastern Region. Further, the courses have been extended to Jammu & Kashmir region with financial assistance from DIT. Also DOEACC Centres at Gorakhpur & Kolkata are conducting these courses. About 3250 students have been trained so far through these initiatives.

The Study Team on Human Resources Development constituted by the Working Group on IT Sector for the 11th Plan Period in its draft recommendations has suggested the adoption of E-Learning methodologies by DOEACC to bring more students under its ambit.

Recommendation No. 6

The Committee find that DOEACC in association with the Industry has developed verticals viz. finance—banking and insurance, travel and hospitality, pharmaceuticals and retail marketing as the promising areas requiring immediate attention. However, they believe that with the on-going growth of the IT-ITES BPO industry and changing technology

there may be many more emerging verticals for which specialised manpower may be required and those need to be identified and attended to.

Action Taken

The verticals identified for immediate manpower needs are Banking & Finance, Insurance, Travel & Hospitality, Pharmaceuticals & Retail Marketing. Two Sub-Committees on Banking & Finance and Insurance have already been constituted for addressing immediate requirements. The other verticals would be taken up subsequently. Regarding identification of more emerging verticals, DOEACC/DIT would work on inputs obtained from industry/NASSCOM.

Recommendation No. 8

The Committee are informed that DIT propose to launch online examination, online course delivery—content development etc. for the selected verticals like Banking and Insurance, Travel & Hospitality—airline ticketing, pharmaceuticals, etc., by DOEACC. This involves creating infrastructure including Hardware & Software alongwith necessary bandwidth, trained professionals, development of courseware material, launching of online examination, conducting online courses etc., in the identified potential verticals of ITES/BPO. The committee consider it a step in the right direction; however, they desire that some timeframe should also be laid down for completion of the process in this regard.

Action Taken

The syllabus outline for Banking & Insurance Verticals have been finalised & proposals for development of learning materials received from DOEACC Centres are being evaluated. The learning material development is proposed to be completed by July 2007.

III. Software Export and ITES Export Vs Manpower requirement

Recommendation No. 9

The Committee are happy to note that the Software and ITES exports in India have grown from US\$ 12.9 billion in the year 2003-04 to US\$ 17.7 billion in 2004-05. Further, it is estimated to exceed US\$ 23.4 billion during 2005-06. They further observe that though NASSCOM-Mckinsey target is to clock \$ 60 billion software export by the year 2010, another suggestion was made in the ASSCOM, 2006

leadership Summit by the Hon'ble President to achieve a target of \$ 200 billion software exports by the same year. It is desired that IT services and ITES-BPO sector which accounts for 3.5 percent of the global market should be increased to 15 percent by 2010. The Committee are informed that DIT in collaboration with NASSCOM and State Governments have been looking into the suggestions of the Hon'ble President for further implementation and development. They would, however, like the Department of IT to closely look into the suggestions made in the NASSCOM, 2006 leadership Summit and formulate a comprehensive plan to realise the set targets for software export enabling India to become an IT superpower. They trust that right initiatives will be taken by the Government to give a new momentum to the software industry.

Recommendation No. 10

The Committee observe that as per the NASSCOM McKinsey report 2005, the States and Central Governments have been suggested to accelerate efforts to ensure free trade in services through the Mode 4 negotiations at the WTO and through trade agreements with select countries; to ensure efficient visa regime for professional workers with the US, EU, and other source countries; to take reciprocal market-opening steps such as liberalising important industry sectors such as financial services and retail; to set up Focused-Education-Zones to improve quality of higher education; to deregulate higher education in stages over the next five to seven years, and to shift to a largely demand-based funding system for colleges and universities; to develop immediately a master plan for 10-12 integrated townships with associated urban infrastructure including international airports, roads and land development; to provide facilities for large scale land acquisition and land development for each integrated township; to expedite modernisation of existing international airports and to expand the domestic IT market by further computerising government functions and citizen services. The Committee are of the view that DIT will have to play a proactive role in arranging a closer and more intense interaction between the State Governments and Central Government to work out the modalities at a faster pace for smooth implementation of the suggestions made in the NASSCOM-McKinsey Report, 2005.

Action Taken on the Recommendation Nos. 9 & 10

A high level meeting was held on 02.06.2006 wherein various issues related to IT and BPO industries based on recommendations and concerns expressed by NASSCOM and other stakeholders

where discussed. The decisions taken in that meeting include following areas:

1. Urban Infrastructure
2. Improving supply of suitable talent
3. Promoting free trade in service
4. Promoting Domestic IT consumption
5. Fostering innovation
6. Sustaining competitiveness

In view of the above, it is clear that the issue of Software Export and ITES Export *vs.* Manpower requirement has been covered in the above meeting, and it involves different stakeholders within Government spreading over various Ministries.

However DIT as one of the stakeholders within Government has initiated various activities which include areas such as:

Growth of IT Software and ITES

To achieve growth of 32 percent in software and ITES export during the year 2006-07:

Member units of Software Technology Parks of India (STPI) have exported software of over Rs. 1,00,965 Crore at the end of financial year 2005-2006. The total exports by STP units in the year 2004-05 were Rs. 74019 Cr. The growth in exports for the FY 2005-06 as compared to FY 2004-05 is 36%.

Software Exports of Rs. 7050.13 crore has been reported through STPI in the month of July 2006 as compared to Rs. 4968.57 crore in the month of July 2005 (a growth of 41.89% in rupee terms). Cumulative exports from April 2006 to July 2006 are Rs. 23234.88 crore as compared to Rs. 17704.63 crore during April 2005 to July 2005 (a growth of 31.24% in rupee terms).

- **A special thrust would be given by DIT to tier 2 and tier 3 cities to ensure equitable growth of this sector and maintain global competitiveness:**

Software Technology Parks of India (STPI), an autonomous society under Department of Information Technology, has already set up 47 STPI centres out of these, 41 STPI centers are located in Tier-II and

Tier-III cities. Besides these centres few more centres are also coming up in various locations of the country.

STPI has helped to incubate the Indian Software Industry. Almost all the IT majors and many large Units, MNCs are exporting under the umbrella of STPI. This has given STPI a very enriching experience to emerge at the forefront of the Indian IT Industry and facilitating them in a better way. STPI ecosystem has nurtured SMEs as which has emerged as the largest employer of knowledge workers in the country. The segment has shown confidence on the STPI ecosystem provides overall support in the form of start up support under, incubation facilities, Statutory and fiscal support STP scheme, match making and training support etc. is well positioned to act as a platform, which can help companies enhance their marketing abilities through international exposure.

While acknowledging the developmental role STPI needs to play, emphasis must be laid by the organization to generate income to sustain its operations while considering to develop Tier II and Tier II towns. Towards generating income to sustain its operations, STPI, in addition to general STPI activities *i.e.* statutory services, High Speed Data Communication Services and state-of-the-art plug & play incubation facility to the IT industry, STPI has undertaken various consultancy and Project Management activities at National and International level.

STPI is also considering setting up new STPI Centres/Point of Presence based on the following Objective Criteria like availability Human Resources, Industrial Infrastructure IT grade Infrastructure, State Government IT Policy, Pro-activeness and Receptiveness Business Environment, NRI Linkage and Other Special Package, Social Infrastructure and Cost.

One critical factor in success of STPI centres is the State Government policy framework & implementation and the responsiveness to IT entrepreneurs. While STPI would provide assistance in framing appropriate policy, the State Government would have to play a very proactive role. In order to assess the commercial and business viability of the location, a joint feasibility study has to be conducted along with State Government keeping the various parameters as per the Objective Criteria mentioned.

Besides this as per the policy for setting up new STPI centres, the State Governments have to provide, 3 acres of land, 10,000 sq. ft. built up space and give a grant-in-aid of Rs. 1.00 cr. to partially defray the cost for setting up a centre. The built up space is required for the

setting up of a state-of-the-art incubation facility for Small and Medium Entrepreneurs in that region. For North-Eastern States, it has also been decided that to set up a STPI center where none exist today, the State Govt. may provide 3 acres of land and 3000 sq. ft. of built up space only. Department of Information Technology (DIT), MCIT, Government of India also provides Rs. 50 Lakh for each new STPI Centre.

For providing state-of-the-art incubation facility, STPI could go with a joint development by involving the private developers where the private developer could be chosen through a transparent competitive bidding process. The bidder that provides more IT grade built-up space in lieu of the land could be chosen as partner in this project. In this Public-Private Partnership (PPP) model option STPI need not invest any capital into the building. In the space that which got acquired out of the total space available can be used for the incubation purpose where necessary, part of this could be used for STPI office also.

A number of IT Parks/Academic & Educational Institutes has shown interest for creation of state-of-the-art incubation facility in available space, in association with STPI. STPI on an experimental basis has worked out some model and created state-of-the-art infrastructure in Kumargurau College of Technology Campus, Coimbatore. Benefits from this model are (1) Secondary cities will get ready available IT grade and state-of-the-art infrastructure and would be able to contribute significantly in software exports from the country. (2) Skilled and Talented students will get platform to interact with industry and it will enhance their skill set. (3) Both industry and academic institutes can undertake new project jointly including some R&D projects. (4) STPI will develop new relation with academic and educational institutes.

IMPACT EVALUATION STUDIES (IES) ON STPI SCHEME IN TIER-II AND TIER-III CITIES (other than metros): As 10th five year plan end is approaching, it is the time of undertaken such Evaluations and Impact Assessment Studies, which would constitute an important input for finalizing the programmes for the 11th Plan. STPI is conducting this study on "IMPACT EVALUATION STUDIES (IES) ON STPI SCHEME IN TIER-II AND TIER-III CITIES (other than metros)", which will be undertaken.

- **IT and ITeS sector is projected to provide employment to about 2.2 million software professional by 2008:**

Training of professionals/development of manpower is an essential factor which dictates the employability of professionals in IT/ITeS

sector. Department of Information Technology has initiated a number of steps to train appropriate manpower, in few chosen knowledge based sector such as Information Security & VLSI Design. In this sector two major initiatives involving cluster of engineering college including NITs and IITs have been implementing manpower development activity. The total outlay for implementing these two activities over a period of 5 years is of the order of Rs. 120 crore. The key output from these projects would be development of human resources at Bachelors, Post-graduate & Doctoral Level in the respective field.

It may be stated that in order to improve the supply of suitable talent in the IT & BPO sector Ministry of Human Resource Development has constituted a Working Group for making the recommendation to PMs office on the issue of meeting the supply of suitable talent in IT & BPO sector. This Working Group was constituted to deliberate on the report entitled "extending India's leadership of the IT & BPO Industries: policy recommendation" made by NASSCOM. As a sequel to setting up of this working group (in which DIT is duly represented by its Secretary), two meeting shave already been held. Based on the deliberations of the working group the following recommendations are being made by MHRD for improving the supply of talent in IT & BPO sector:

- (i) Establishing Finishing School at 7 NITs (on a Pilot basis) to make the existing Engineering graduates more employable and meet the industry requirement.
- (ii) A group to be constituted to re-design the curriculum/syllabi of existing courses to make them compatible with industry need.
- (iii) The working group also noted that the gap between demand and supply of ITeS manpower as of today is not appreciable. However, there could be gap by 2012, for which the working group indicated that further initiatives are to be taken both in Govt. & private sectors.
- (iv) The working group has also deliberated on other issues pertaining to development of English language skills for ITeS-BPO sector.

Recommendation No. 11

The Committee are informed that as indicated by the Task Force, there is a possibility of a shortage of skilled manpower to the tune of 2,35,000 for IT and 2,62,000 for ITeS which could increase in 2012

unless special efforts would be made in this direction. At the same time, NASSCOM McKinsey Report, 2005 has also indicated a need for additional 500,000 suitable graduates in the next five years beyond the current supply trends to enable the industry to reach offshore IT and BPO exports of US\$ 60 billion by 2010. The Committee consider it a matter of great concern. The Committee desire that all out efforts should be made to meet the expected shortage of manpower as indicated by the Task Force. Further as no specific projections have so far been made by DIT for manpower requirement to realise a target of US\$ 200 billion software export by 2010, the Committee would like the DIT to work out of the same and apprise them about the concrete measures proposed to be taken in this regard.

Recommendation No. 12

The Committee feel that though addressing the anticipated gap in manpower requirement is critical for India to achieve its target market share in the IT/ITeS market, however the overall strategy to meet the Human Resource requirement rests on the ability to inculcate the skill sets, establishing a standard to certify the quality of skills provided and attracting people to get them certified and deployed in IT/ITeS. The Committee, therefore, impress upon the Department of IT to take remedial measures to meet the challenges so that the target market share in the IT/ITeS market does not get a setback due to lack of skilled manpower.

Recommendation No. 13

The Committee note that as per NASSCOM McKinsey Report 2005, the off-shoring potential for each service line in the IT market and for each industry vertical in the BPO market, there is a huge untapped potential. The addressable market for global off-shoring is estimated to be about US\$ 300 billion split evenly between IT and BPO sectors and only around 10 per cent of which has been realised so far thus leaving ample headroom for the future growth. The report further says that the addressable market for the global BPO industry is equally sizeable and could expand by more than 10 times from its current size of approximately US\$ 11.5 billion to at least US\$ 120-150 billion. BPO growth will be driven largely by traditional industries (*e.g.*, retail banking) and cross-industry functions such as Human Resources and Finance & Accounting. The Committee trust that the DIT would work in unison with Ministry of Human Resource Development and NASSCOM and devise counteractive measures to exploit the untapped potential in order to meet the estimated shortfall of manpower.

Action Taken on the Recommendation Nos. 11, 12 & 13

To meet the manpower demand of IT/ITeS Sector over the coming years, Government has constituted a Working Group under the Chairmanship of Secretary, Department of Higher Education with members drawn from NASSCOM, Academia, Industry, AICTE & other Government Departments. This committee would address various issues pertaining to expansion of higher education system to meet the manpower demands of IT/ITeS Sector and based on the recommendations of this Working Group, Government would initiate necessary measures to implement the same.

Comments of the Committee

(Please *see* Para Nos. 13 and 14 of chapter-I)

IV. Software Technology Parks of India (STPIs)

Recommendation No. 14

The Committee observe that there are 6129 STPI units in India which are operational and 4088 are exporting units. It is appreciable to find that during 2004-05, STPI units accounted for software export of Rs. 74,019 crore out of the total software export of Rs. 80,180 crore from our country. Further, out of the total estimated software export of Rs. 106,000 crore in the year 2005-06, STPI accounted for Rs. 100,965 crore. The Committee are informed that several measures are proposed to strengthen STPI like developing more IT grade built up space for incubation; setting up STPI centres in secondary cities to promote exports from across the country and promoting the small and medium entrepreneurs of the country to enable a level playing field to STP units *vis-a-vis* SEZ units. The Committee find that these steps are in right direction; however, they desire that steps should be taken to implement them at the earliest, in view of the targets set by NASSCOM-McKinsey of \$60 billion in software export by 2010 and of \$200 billion suggested during NASSCOM, 2006 Leadership Summit.

Action Taken

Keeping in view the recommendation of the Parliamentary Committee, STPI is also planning to set up state-of-the-art incubation space at number of places including Chennai, Hyderabad, Dehradun, Ranchi, Patna, etc.

Recommendation No. 15

The Committee appreciate that the norms for setting up of STPI Centres have been relaxed for smaller States and North-Eastern States where no STPI centre exist today. Though as per the current policy for setting up of new STPI centres, the State Government has to contribute 3 acres of land, 10,000 sq. ft. of built up space and grant-in-aid of Rs. 1 crore to partially defray the total project cost; under relaxed conditions the State will have to provide 3 acres of land and 3000 sq. ft. built up space only. The Minister for Communication and Information Technology has already written letters to State Governments of Nagaland, Mizoram and Arunachal Pradesh to provide their contribution so as to enable STPI to firm up the plans for setting up of STPI centres in these States. The Committee desire that similar steps should be taken to set up STPI centres in other North-Eastern States and also in other smaller States.

Action Taken

STPI has already initiated action to set up STPI Centres at NE States where none exist today. The matter would be put up to Governing Council for obtaining administrative approval to set up STPI Centres in other smaller states.

Recommendation No. 16

The Committee regret to note that during 2005-06, Rs. 2 crore kept for the scheme 'STPI' for NE region remained unutilised, the reason being non-receipt of any concrete proposal for setting up of new STPI centre. The Committee strongly recommend that the matter may be pursued vigorously with these States so that the funds are optimally utilised and they are not left behind in promotion of Software Industry and Software Export.

Action Taken

STPI has already planned to set up new STPI Centres at Mizoram, Nagaland and Arunachal Pradesh. STPI is discussing the same with concerned State Governments.

Recommendation No. 17

The Committee understands that success of STPI centres depend on the State Government policy framework and implementation as well as the responsiveness of IT entrepreneurs. While STPI would

provide assistance in framing appropriate policy, the State Governments would have to play a very proactive role. They would have to ensure an attractive IT Policy and availability of appropriate manpower and requisite general industrial infrastructure, exemption from power cut to IT industry, abolition of unnecessary controls/inspections. The Committee trust that the Department of IT and STPI would work in unison with the State Governments of those States where no STPI Centre exist as on date so as to promote software export across the country.

Action Taken

Department of IT and STPI are working closely with the State Governments where no STPI Centres exist as on date for possible development of the software industry.

Recommendation No. 18

One of the constraints being faced by STPI is inadequate grant-in-aid for setting up of new STPI Centres across the country. The Committee note with dismay that though IT and ITES industries under the STP scheme account for about 90 percent of India's total software and ITES export. STPI was never provided with funds projected by the Department. During 2002-03, 2003-04, 2004-05, 2005-06 and 2006-07, Rs. 57 crore, Rs. 92 crore, Rs. 8 crore, Rs. 10 crore and Rs. 4 crore respectively were proposed, however the Planning Commission allocated only Rs. 8 crore, Rs. 6 crore, Rs. 6 crore, Rs. 4 crore and Rs. 4 crore. The Committee further note that for dealing with the constraint of attrition of skilled manpower STPI have started hiring skilled manpower on contract as per project need basis. The Committee expect that the Department of IT would examine these constraints faced by the STPI without further loss of time and soon resolve them for improved functioning of STPI particularly keeping in view the promotional and pivotal role played by them in the phenomenal success of I.T. Sector in the country.

Action Taken

STPI being a Government Society is by and large have been following Government Rules, Regulations and HR policies. There is a mismatch between salary/package/perks available in Government and the one prevalent in the industry outside. Today the life span of service of an IT professional in any organization is quite vulnerable and there is more a sort of floating population in this field.

Comments of the Committee

(Please see Para No. 17 of Chapter-I)

Recommendation No. 19

The Committee are informed that due to the emergence of Special Economic Zones (SEZs) Scheme announced by the Ministry of Commerce, the Companies operating under STP scheme have expressed serious concern about the sustainability of STP scheme and continuity of fiscal incentives for the IT Industry. The SEZ Scheme in its present form does not meet the objective of spreading the growth of the software industry across smaller cities and towns, and at the same time STP scheme provides this flexibility. The Government have, therefore, been requested to bring IT specific SEZs under the Department of Information Technology, so that the existing operational framework of STPI can be effectively used to further strengthen the SEZ scheme itself in the interest of the IT Industry, bringing-in a level playing field for the IT Industry, STP/EHTP units with the other additional benefits that are extended to the SEZ units. The Committee desire that the matter should be taken up at the highest level and pursued vigorously to its logical conclusions. They would like to be informed of the progress made and decision, if any taken, in this regard.

Recommendation No. 20

The Committee also note that STPI has planned to commission a study to assess the impact to SEZ Act and phasing out of concessions under the STP scheme on software industry. The Committee of Secretaries from Department of IT, Commerce, Revenue, Economic Affairs and Member Secretary, Planning Commission as Chairperson would then examine the report and furnish the recommendations to PMO for consideration of Hon'ble Prime Minister. The Study was expected to be completed by 15 April 2006. The Committee would like to know the present status in this regard. They would like to be apprised of the major recommendations contained in the aforesaid report and the action taken thereon, in due course.

Action Taken on Recommendation Nos. 19 & 20

In order to have independent view and assess the impact of SEZ Act and phasing out of concession under STP Scheme, STPI appointed M/s. Ernst & Young as a consultant for the study. After completion of the study on 17th April 2006, a meeting was held by a committee under the Chairmanship of Member Secretary, Planning Commission where M/s. E&Y made a presentation.

This Committee, chaired by Member Secretary, Planning Commission with Secretaries from Deptt. of Commerce, Information Technology, Revenue and Economic Affairs as members have submitted its report.

2. The major recommendations include:

- (a) IT/SEZ may be subjected to the combination of built up area and employment parameters.
- (b) There should be some additional parameters related to the quality of infrastructure.
- (c) On the issue of extension of fiscal benefits beyond 2009-10, to existing STPI units, the Committee felt that there was intrinsic merit for doing so for following reasons:
 - (i) It does not make much sense to force existing STPI units from existing locations to SEZs for availing fiscal benefits, already available under existing STPI Scheme (upto 2009). While extending fiscal benefits under SEZ Scheme to scattered STPI units, *in situ*, would militate against the basic character & philosophy of SEZ Scheme which is based on area based infrastructure approach; it is much easier to extend similar fiscal benefits, under 10A & 10B of Income Tax Act beyond 2009. Such an amendment may be taken up by Department of IT separately.
 - (ii) ITES which encompass Business Process Outsourcing (BPO) & Knowledge Process Outsourcing (KPO) sectors work internationally on slim margins & migrate from one location to another depending on comparative advantage. In this sector, there will be distinct advantage where the developer develops and owns the brick and mortar assests & the BPO Company hires premises as a plug & play operation.

3. In the meeting of the Empowered Group of Ministers (EGOM) held on 10th May 2006, it was *inter alia* decided that:

- (a) IT/SEZs may be subjected to a combination of built up area & employment parameters.
- (b) In addition, parameters related to quality of infrastructure will be added.
- (c) The Chairman directed that the Ministry of Finance would consider separately the recommendations relating to the extension of benefits beyond 2009 under section 10A and 10B of the Income Tax Act to STPI units.

4. In the meeting of the EGOM held on 23rd August 2006 it was *inter alia* decided that

- “IT/ITES SEZs should be monitored separately from other Sector specific and multiproduct SEZ.”

VI. PC penetration in the country

Recommendation No. 22

The Committee find that PC penetration in India is very low around 14 per 1000 people in March, 2005. This is one of the factors for low IT capital in India. They appreciate the initiative taken by the DIT to roll out sub Rs. 10,000 fully loaded computers to increase PC penetration in the country. DIT had discussions with various computer manufacturers and many of them have launched their low cost PC at a price below Rs. 10,000 during 2005. However, the Committee believe that providing low cost PCs cannot be one solution to increase PC penetration in India and therefore, desire that besides making the PCs affordable by lowering the taxes/tariff, increasing the depreciation rates etc., there is a need for helping and funding the content developers in the local languages; launching a mass campaign on the electronics media about the utility of PC and replication of the successful programmes piloted by different States throughout the country as mission modes, promotion of use of PC and internet by spreading e-Governance and citizen centric services offered by the Government by extending SWAN at the village level and scaling up of State level initiatives. Needless to mention that these measures have to be implemented with a sense of urgency so that the targets of PC penetration at 65 per 1000 and Internet penetration to 40 per 1000 by 2008 do not remain Illusory. According to the Committee, such steps would certainly give a boost to the IT capital in India.

Action Taken

- (1) The Government has already taken the following measures to bring down the cost of PCs:
 - (i) Basic Customs Duty on Computers is 0%.
 - (ii) Excise duty on computers is 12%.
 - (iii) Microprocessors, Hard Disc Drives, Floppy Disc Drives, CD ROM Drives, DVD Drives, USB Flash Memory and Combo-Drives have been exempted from excise duty.
 - (iv) Depreciation on computers is @ 60%.
 - (v) VAT on computers is @ 4%.

- (2) The Committee believe that providing low cost PCs cannot be one solution to increase PC penetration in India and therefore, desire that besides making the PCs affordable by lowering the taxes/tariff, increasing the depreciation rates etc., there is a need for helping and funding the content developers in the local languages; launching a mass campaign on the electronics media about the utility of PC and replication of the successful programmes piloted by different States throughout the country as mission modes, promotion of use of PC and internet by spreading e-Governance and citizen centric services offered by the Government by extending SWAN at the village level and scaling up of State level initiatives.

As far as tariff rationalization for PCs is concerned, that has been already achieved. The Committee has observed above that more needs to be done by content developers in local languages, promotion of Internet, e-governance and citizen centric services offered by the Government through SWAN etc.

- (3) As part of the e-Governance initiatives, DIT has been engaged in e-Readiness assessment of the States/UTs in the country. This takes into account the network readiness, penetration of ICT, computer literacy, PC penetration etc. in the States/UTs. This assessment has helped the States to carve out a roadmap for improving their positions/e-Readiness ranking and for economic development.
- (4) The Expert Committee on 'PC Penetration, Internet and Domestic Software' set up on January 11, 2005 by the Ministry of Communications & Information Technology; Department of Information Technology submitted its report to the Hon'ble Minister, Communications & Information Technology on April 26, 2005. The Committee delineated a vision for India which encompasses to increase the pace of PC penetration in the country by 2008 to the levels of 65 per 1000 from the existing 14 per 1000, internet penetration of 40 per 1000 from existing 5 per 1000, the domestic software industry to grow from USD 4 bn to USD 28 bn and IT should contribute significantly to the growth of the national GDP.

In pursuance to the above, the Department of Information Technology set up the following Committees to examine the Report and prepare Action Plan in respective sectors and composition of the Committees:

1. Committee on Low Cost PC Manufacturing
2. Committee on Education

3. Committee on e-Governance, IT for Rural and Social sectors
4. Committee on Multilingual Software Applications and Contents
5. Committee on Internet Penetration
6. Committee on Telemedicine

Recommendation No. 23

The Committee are of the view that besides the above mentioned steps to bridge the digital divide and to make e-Governance programme successful, there is a need to increase the availability of PCs that can withstand the dusty and extreme climatic conditions prevailing in most parts of India especially rural areas. All these factors are required to be looked into well in time to increase PC penetration thereby minimising the digital divide.

Action Taken

The matter was taken up with the Manufacturers' Association for Information Technology (MAIT), who have conveyed that the PCs available in India today are designed to withstand the weather conditions in India including the heat, dust and humidity.

As part of the e-Governance initiatives, DIT has been engaged in e-Readiness assessment of the States/UTs in the country. This takes into account the network readiness, penetration of ICT, computer literacy, PC penetration etc. in the States/UTs. This assessment has helped the States to carve out a roadmap for improving their positions/ e-Readiness ranking and for economic development.

VII. Electronics Hardware Exports

Recommendation No. 24

The Committee are concerned to find that Electronics Hardware Exports in India during the years 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06 were Rs. 5,800 crore, Rs. 5,600 crore, Rs. 7,700 crore, Rs. 8,000 crore and Rs. 8,500 crore (estimated) respectively. The percentage increase in the Electronics Hardware Export during all these years remained at 21.4 per cent, -3.45 percent, 37.5 per cent, 3.90 per cent and 6.25 per cent respectively. The factors responsible for slow growth in Electronics Hardware Export are stated to be the disabilities suffered by the Indian Electronics Hardware industry on account of high incidence of duties/taxes, inadequate infrastructure, high cost of

finance, transaction cost, freight and power, low volumes of production, elimination of duties on parts of Information Technology Agreement (ITA-1) items, Free Trade Agreement (FTA) with neighbouring countries, etc. A need has been felt to unify manufacturing streams for domestic and export market to help in realising benefit of economies of scale. The Committee are happy to note the various benefits/incentives for the electronics and IT sector have been provided in the budget for the year 2006-07 viz. reduction in the peak rate of customs duty from 15% to 12.5%; imposing excise duty of 12% on computers to complete the value chain to encourage local manufacturing; reduction of excise duty on storage device *i.e.* DVC drives, USB flash memory and Combo-drives to Nil; reduction of Customs duty on Integrated Receiver Decoders, also known as Set Top Boxes to 0% and impositions of excise duty of 16% to encourage local manufacturing. The Committee welcome these steps taken by the Government for the benefit of the Hardware Sector. However, they are afraid that these measures may not be adequate and desire that with more interaction with the people from the industry, grey areas affecting the Hardware Sector should be identified and remedial steps be taken urgently to boost the Sector.

VIII. National Electronics/IT Hardware Manufacturing Policy

Recommendation No. 25

The Committee consider it a matter of serious concern that till date there is no broad IT Hardware Manufacturing Policy, which is of utmost importance to the development of the Hardware Sector. They are deeply anguished to find that though the Task Force constituted by the Prime Minister had given a Report on Hardware way back in the year 2003 and the discussions were going on since then to formulate the said Policy, it has not been finalised as yet. No reason can however justify such inordinate delays in finalising the matter. Evidently the matter was not getting the due attention it deserved. The Committee hope that now when the Government has identified the growth of Electronics and Hardware Manufacturing as one of their thrust areas, the Department of IT would try to remove all the bottlenecks in the way of Hardware Policy and finalise it at the earliest.

Recommendation No. 26

The Committee further learn that the DIT has prepared a discussion paper on “Conceptual Policy framework to promote growth of Electronics/IT Hardware Manufacturing Industry” in consultation with the Industry association and the same has been forwarded to the PMO

which in turn asked the DIT to finalise the Policy. The Committee desire that as proposed by the Department of Information Technology to the PMO, a Task Force should be set up at the earliest so that the Hardware Policy can soon be finalised to help promote the growth of Electronic/IT Hardware manufacturing industries during 2006 alongwith time-lines for implementing the recommendations. The absence of the clear Policy on hardware may hamper the growth of the Hardware Industry.

Action Taken on Recommendation No. 24, 25 & 26

DIT, in consultation with the Industry Associations, have prepared “A Discussion Paper on the Conceptual Policy Framework to promote growth of Electronics/IT Hardware Manufacturing Industry”. The grey areas affecting the Hardware Sector have been identified and remedial steps that need to be taken to boost the Sector have also been worked out. The major recommendations as contained in the Discussion Paper are as under:

- Reduction of customs and excise duties on Electronics/IT items in a phased manner
- A single composite VAT at 17% (at par with China) or lower (at ASEAN levels)
- Rationalisation of Tariff Structure: Reduction of customs duty on all Raw Materials and Capital Goods for manufacture of Electronics/IT items to 0%
- Rationalization of State VAT on all Electronics/IT products to 4% and abolition of CST
- Unification of manufacturing for domestic market and exports
- Income Tax Exemption on export profits by DTA units
- Reduction of lending rate of interest at par with competing countries
- Procedural Simplification
- Improvement of Infrastructure
- Support for International Patents
- Support for Quality and Safety Certification
- Flexibility in Labour Laws
- Promotion of Mega-fabs/ATM and Hi-tech industry

A Task Force has been set up by the PMO under the Chairmanship of Principal Secretary to Prime Minister, *vide* Notification No. 460/31/C/7/06-ES.I dated 4.4.2006. The Task Force will undertake the following activities:

- Examine the proposals/suggestions contained in the Discussion Paper on the “Conceptual Policy Framework to promote growth of Electronics/IT Hardware Manufacture Industry” prepared by the Department of Information Technology.
- Examine the existing Government policies/procedures and recommend suitable amendments/measures/incentives so as to make India a Hub for Electronics/IT Hardware manufacturing.
- Monitor progress and coordinate with the concerned Ministries/Departments of the Government of India, State Governments and other agencies for implementation of the recommendations in a time bound manner.
- Recommend a mechanism for single window clearance for State level approvals, wherever necessary.
- Any other activity considered necessary for the achievement of the objectives.

The first meeting of the Task Force was held on 20.4.2006, under the Chairmanship of Principal Secretary to PM, wherein a presentation was made on the above Discussion Paper by DIT. The Task Force has constituted a small group under the Chairmanship of Member Secretary, Planning Commission to look into all relevant aspects of the matter and give its recommendations regarding appropriate fiscal as well as other benefits for the Electronics/IT Hardware Industry for consideration of the Task Force. The group is in the process of finalizing the recommendations.

Comments of the Committee

(Please *see* Para No. 28 of Chapter-I)

X. Centre for Development of Advance Computing (C-DAC)

Recommendation No. 30

The Committee note that DIT proposed an allocation of Rs. 90 crore for C-DAC for the year 2006-07. The Planning Commission,

however, approved only Rs. 64.50 crore. They are perturbed as with the reduced allocation, C-DAC inspite of the compelling needs would not be able to migrate to main GARUDA National Grid Computing initiative; much needed infrastructure/development, upgradation/augmentation, etc. Further C-DAC would not be able to take some of their developed initiatives into the market to enable large-scale commercialisation. The Committee take a serious view of the substantial reduction of funds for C-DAC and desire that the Planning Commission should re-look into the matter and enhance the allocation suitably.

Action Taken

The Proof of Concept (PoC) phase of the GARUDA National Grid Computing initiative programme will lay foundation for the nation to develop a broad range of competencies in all the associated tools and technologies as they evolve and ensure that these are quickly put to productive use by a wide range of science and technology disciplines for research and problem solving challenges. GARUDA phase is satisfactorily progressing and the Main phase of GARUDA will be taken up based on the experience in the PoC phase.

C-DAC is progressing well in meeting the objectives of PoC GARUDA. Most importantly, apart from the infrastructure, (fabric and resource aggregation), research, development of middleware and tools, it is building a valuable community of some of the best academic and research institutions in the country to collaborate and grid enable applications. In this process, besides a set of selected application areas, community building is taking place in a number of areas to demonstrate the power and relevance of the Grid. These will form the foundation of the Main GARUDA.

During the current year all the objectives of PoC GARUDA will be met and maintenance of the community activities will be ensured through augmentation of funds for the PoC phase even while submission and approval process for main GARUDA will be pursued. Action towards the above are taking place.

C-DAC is taking the up-gradation of infrastructure based on the available funds. C-DAC is reviewing, from time to time, to see how best delivery and commercialisation vehicles and eco-systems can be developed to enable commercialisation. C-DAC has entered into MOUs with a number of agencies recently to enable commercialisation, as in the case of Telemedicine and e-Governance projects. Similarly, transfer of technology has also been taking place to commercialise products and system delivery.

Recommendation No. 31

The Committee are informed that PoC GARUDA phase represents Proof of Concept phase of National Grid Computing initiative and would answer many questions in efforts involving resource sharing and collaboration tool framework that Grid Computing represents. They note that first (GARUDA Meet in December 2005 showed excellent response. Most partners who participated agreed to become partners contributing resources and actively involving themselves in the deliberations. The Committee are in complete agreement with the Department that there continuous efforts will enthuse many more agencies to join the National Grid Computing initiative and the main GARUDA will get the approval of the Government during the year 2006-2007.

Action Taken

The Proof of Concept (PoC) GARUDA phase is progressing well and is expected to meet its objectives. This has enabled not only the development of infrastructure, technologies, and applications, but has enabled a grid partner community to come into operation. 38 premier Institutions in 45 locations across the country have become partners in the project. All the partners have also contributed resources. There was a tremendous enthusiasm and vibrant participation in the two Grid Partner Meets held in Bangalore.

Taking into account the experience of the PoC phase, the proposal for Main Phase of GARUDA will be submitted for requisite approval in the current financial year.

Recommendation No. 32

The Committee note that DIT/C-DAC propose to take several steps for optimum utilisation of grid computing like they would exhibit value proposition of Grid Computing from end-user viewpoint; develop the capability to understand and develop many of the underlying concepts, components and technologies which are still evolving as part of Grid Computing paradigm; share the resources among a limited set of institutions as a representative case study of the value of Grid Computing; develop collaboration tools and platforms and bring institutions and individuals together to the work collaboratively etc. The Committee feel that these steps are in the right direction and would sustain interest in utilisation of grid computing among participating agencies.

Action Taken

We are enthused by the vision and support of the Hon'ble Members of the Committee and will work to nurture the Grid Partner Community to blossom fully to enable India to reap, the benefits of Grid Computing paradigm in various sectors in the long run. The Proof of Concept (PoC) will help in laying the foundation for the above.

Recommendation No. 33

The Committee further note that there is a serious short supply of supercomputing resources. There is a need to have more supercomputing resources and building capacity in the form of shared facilities, building user competence to learn benefit from supercomputers etc. The Committee recommend that the Government should provide adequate financial support to build more supercomputers to help meet the research, scientific and engineering need of India. As Grid is one way to enable a large number of academic and research institutions distributed nationwide to access and share scarce supercomputing resources located at a few institutions and thus increase access, the Committee strongly desire that efforts should be made to deploy Grid Computing for a number of promising applications as well as promoting resources sharing through distributive computing as a stable and viable alternative.

Action Taken

C-DAC and its Grid Partners have contributed computing resources during the Proof of Concept (PoC) GARUDA phase.

C-DAC will be delivering a 10 Teraflop system in March 2007 which will add significant capacity to the Grid and enable the resources to be made available to the Academic and Research Community nationwide.

The main Grid phase proposal will provide for significant addition in these resources for use by the Academic, Science & Engineering Community—enabling use of Supercomputing for Research, community building and for providing a framework for addressing grand challenge problems.

XI. National Plan on e-Governance (NeGP)

Recommendation No. 34

The Committee are disappointed to note that though National e-Governance Plan (NeGP) was conceived in the year 2003, the

Department of Information Technology prepared a concept note on the vision, Mission Mode Project (MMPs) and Key Components of the NeGP, Strategy, Roles/Responsibilities being discharged by various Government entities and the Management Structure etc. and placed the same before the Cabinet only on 17.4.2006. Though an Apex Committee was constituted under the Chairmanship of the Cabinet Secretary and individual projects were being taken up by the Ministries concerned and financial approvals taken, it was only after reviewing the progress with regard to implementation of different projects and elements by different Ministries from time to time and also based on the experience over the two or three years, IT felt a need to take a formal Cabinet approval for laying down the responsibilities and the powers and functions of various players involved. The Committee feel that DIT should have anticipated that to run such a vast programme like NeGP across the country in which different agencies/Ministries/State Governments are involved, some sort of clarity would also be needed to be laid down in terms of responsibilities of various agencies. Undoubtedly, the status and quality of implementation of the Programme would have been different, had the responsibilities been formally assigned well in time. At this stage, Committee can only hope that necessary lessons would be drawn by DIT from this with a view to avoiding such instances in future.

Action Taken

For the implementation of NeGP, various agencies from the Central and State Governments are involved. Their efforts are required to be channelised so that national resources are put to optimum usage. For this purpose, need arose to evolve consensus amongst various implementing agencies to create a Common Core ICT Infrastructure that could be shared and optimally utilized for various e-Governance applications. Consensus was also needed to go for a Minimum set of Standards that is required for integration and interoperability of various e-Governance applications. This consultation process has taken time and the final proposal incorporated valuable inputs from Central Ministries/Departments & State Governments. The Cabinet, in its meeting of 18th May 2006, has approved the Vision, Strategy, Role & Responsibilities and the Programme Management Structure for the implementation of NeGP. This Structure would help in speedy implementation of NeGP.

Recommendation No. 35

The Committee find that the Cabinet approval has now been obtained on the concept note on NeGP. They would like to be ensured

that all the 26 Mission Mode Projects and 8 support components under NeGP are implemented at the Central, State and Local Governments levels within certain specific time-frame as assured by the representatives of DIT during evidence.

Action Taken

As per the Cabinet approval, DIT's prime role is to facilitate and catalyse implementation of NeGP by various Ministries/Departments and State Governments. It is also required to provide assistance to Apex Committee under the Chairmanship of the Cabinet Secretary and the Body under the Chairpersonship of Prime Minister, who would be monitoring the implementation of NeGP programme. The sole responsibility for implementing various Mission Mode Projects vests with the concerned line Ministries/Departments and they would be persuaded and provided handholding support to complete their respective projects in a time bound manner.

Comments of the Committee

(Please see Para No. 31 of Chapter-I)

Recommendation No. 36

The Committee are informed that the progress in respect of projects under NeGP depend upon the States in the emphasis they confer on the project/s. They feel that the DIT cannot escape from their responsibilities on this ground. On the other hand, being the nodal agency for NeGP, DIT has to play a proactive role by motivating the different Departments/State Governments/UTs involved and help them in the areas wherever it is required so that NeGP achieve a better level of implementation.

Action Taken

DIT is proposing to motivate central line Ministries/Departments and States through Awareness and Capacity Building measures. DIT in consultation with the Planning Commission has prepared the Capacity Building Guidelines and issued to all the States and Union Territories (UTs.) The Planning Commission has already allocated funds as Additional Central Assistance (ACA) to all the States for taking up Capacity Building measures as a first step towards NeGP. DIT is also providing handholding support to Central Line Ministries/State Governments for conceptualising their projects. In the Preparatory Meetings and Apex Committee meetings various implementing agencies

are encouraged to come up with their specific areas of concern where they need intervention and handholding from DIT.

Recommendation No. 37

The Committee are apprised that one of the reason for slow achievement of projects is that the process of conversion of some of the data is tardy and time-consuming as one cannot do it without verifying those records. In such a situation, the Committee desire that the possibility of taking the help of the outside agencies should be looked into to avoid delays in implementation of the projects. The Committee are apprised that NeGP as a whole is an ongoing umbrella programme and, therefore, does not specify a fixed time-frame for complete roll-out. However, various Mission Mode projects/initiatives which are elements of this composite plan have their implementation plan decided by the Line Ministries. Individual projects are also expected to have specific timeline for complete roll out. The Committee further learn that some of the more advanced projects like Income Tax, Central Excise, MCA-21, EDI, e-Courts, etc. have already indicated specific timelines and financial requirements for complete roll-out, while a few of the projects are still at the conceptualisation phase, the detailed timelines for roll-out would be available in due courses. The Committee would like to be informed of the specific time frame indicated in the implementation plan of all the 26 Mission Mode Projects and 8 components under NeGP. They would further like to be apprised of the present status with regard to each of these projects.

Action Taken

The responsibility for implementing various Mission Mode Projects rests with the concerned line Ministries/Departments and they are being persuaded to conceptualise their project and work out its details including financial requirements and the timelines. DIT has gathered information from various implementing agencies and the status of implementation is at Annexure-I.

APPENDIX

Sl.No.	MMP	Owner Ministry Identified	Project Concept Crystallized	Whether Mission Leader has been designated	Whether Empowered Committee Constituted	Whether any Project Document Prepared	Whether Project has been Sanctioned	Target Date for Project Completion
1	2	3	4	5	6	7	8	9
Central								
1.	Income Tax	Yes	Yes	Yes	Yes	Yes	Yes	Dec.-06
2.	Passport	Yes	Yes?	No	No	Yes	Yes	May-06
3.	Excise	Yes	Yes	Yes	Yes	Yes	Yes	Apr-07
4a.	MNIC	Yes	Yes	Yes	No	Yes	No	NA
4b.	UID	Yes	Yes	Yes	Yes	Yes	Yes	Apr-07
5.	Pensions	Yes	No	No	No	No	No	NA
6.	Banking							
7.	Insurance							
8.	MCA	Yes	Yes	Yes	Yes	Yes	Yes	Jul-06
9.	e-Office	Yes	No	No	No	No	No	No
State								
10.	Land Records	Yes	Yes	Yes	No	Yes	Yes	Yes#
11.	Registration	Yes	Yes	No	No	Yes	No	No
12.	Transport	Yes	No	Yes	No	No	No	No
13.	Treasuries	Yes	No	No	No	No	No	NA
14.	Panchayats	Yes	Yes	No	No	Yes	No	No
15.	Municipalities	Yes	Yes	Yes	No	Yes	No	2011
16.	Police	Yes	No	No	No	No	No	No
17.	Agriculture	Yes	Yes	Yes	Yes	Yes	Yes	Yes#
18.	Employment Exchange	Yes	No	No	No	No	No	NA
19.	Commercial Taxes	Yes	No	No	No	No	No	NA

1	2	3	4	5	6	7	8	9
Integrated								
20.	EDI	No	Yes	No	Yes	Yes	No	NA
21.	Ebiz (Pilot)	Yes	Yes	No	No	Yes	Yes	No
22.	CSC	Yes	Yes	Yes	No	Yes	No	Dec.-07
23.	Gateway	Yes	Yes	Yes	Yes	Yes	No	Jun-07
24.	e-Courts	Yes	Yes	Yes	Yes	Yes	Yes	No
25.	India Portal	Yes	Yes	Yes	Yes	Yes	Yes	Jan-07
26.	e-Procurement	No	Yes	No	No	Yes	No	No
27.	e-Districts (Pilot)	Yes	Yes	Yes	No	Yes	Yes	Apr-07
Components								
28.	Core Infrastructure (SWAN, SDC)	Yes	Yes	Yes	Yes	Yes	Yes	#
29.	Support Infrastructure (CSCs)	Yes	Yes	Yes	Yes	Yes	No	Dec.-07
30.	Core Policies	Yes						
31.	Technical Assistance	Yes						
32.	R&D	Yes						
33.	HRD and Training	Yes	These are Continuing Processes and thus they have several activities and sub-activities which are being done as a parallel					
34.	Awareness and Assessment	Yes						
35.	Organisation Structure	Yes						
NA: Not Available # : This has state specific targets NAP : Not Applicable								

XII. State Wide Area Networks (SWANs)

Recommendation No. 38

The Committee note that the Government have approved a scheme for the establishment of SWAN at a total outlay of Rs. 3,334 crore over a period of 5 years. The Committee regret to note that though the scheme for establishment of SWAN was approved by the Government on 28th March, 2005, the SWAN proposals have so far been received from 22 States only. The States of Arunachal Pradesh, Goa, Jammu and Kashmir, Manipur, Nagaland, Andaman & Nicobar, Dadra & Nagar Haveli and Daman & Diu have not submitted their SWAN proposals as yet. They are further informed that the DIT SWAN Team and the SWAN Programme Management Consultant (SPMC) Group are in constant touch with the States/UTs mentioned which have not submitted their proposals. The Committee take a serious note of this inordinate delay in submission of SWAN proposals by the States as SWAN is an important component of the NeGP and has been identified as an element of core infrastructure for supporting e-Governance initiatives. Under NeGP SWAN policy, it is proposed to connect State Head Quarters (SHQ) with all the Districts Head Quarters (DHQ) and subsequently all the DHQ to be connected with Sub-division Head quarters/Blocks (SDHQ/Block). Further delay in submission of SWAN proposals may seriously hamper the implementation of SWAN and hence NeGP. The Committee trust that necessary steps will be taken by all concerned for submission and finalisation of proposals for establishment of SWAN.

Action Taken

Efforts are being made jointly by the DIT SWAN team and SWAN Programme Management Consultant (SPMC) Group on a continuous basis, to speed up the finalization of SWAN proposals of remaining States/UTs like Arunachal Pradesh, Goa, Jammu & Kashmir, Manipur, Nagaland, Andaman & Nicobar, Dadra & Nagar Haveli and Daman & Diu. So far, the team made efforts by visiting the States of Nagaland, Manipur, Goa etc. and by having regular interaction through Video Conferencing with other States. This has resulted in precipitation of the understanding by State/UT of various provisions of the SWAN Guidelines and various other documents related to the implementation process issued by DIT in this regard.

XIII. State Data Centres

Recommendation No. 39

The Committee observe that establishment of State Data Centres (SDCs) is proposed to create data repositories/data centres in various States so that common secured data storage could be maintained to serve host of e-Governance applications. The Committee are, however, concerned to note that the Policy guidelines on State Data Centres are still under formulation. DIT is in the process of formulating Policy Guidelines for Technical and Financial Assistance to the State for creation of State Data Centres which are expected to be ready by June 2006. The Committee hope that the proposed guidelines have been formulated by DIT within the specified time frame. State Data Centres are one of the important Component of National e-Governance Plan (NeGP) and is an element of the core-infrastructure. Hence they are necessarily required to put in effective e-Governance plan and delivery of services to the Citizens on-line. Data Centres are relevant in the form of Central repositories or Common Technology Infrastructure which will avoid duplication or separate computing and store facilities by each department in the State and incur avoidable cost. As considerable time has already been taken to roll out NeGP, the Committee feel that any further delay in establishing the core infrastructure will delay the facilities to be provided to the masses. Hence, the matter require urgent attention of the appropriate authorities at the highest level.

Recommendation No. 40

The Committee are informed that the projects like Income Tax, Central Excise SWAN, CSCs, MCA 21 and India Portal are expected to be substantially completed by 2007. However, they find that the very purpose in setting up SWAN and CSCs would be defeated if State Data Centres are not established by them. The Committee would like to be informed of the status of SDCs by 2007.

Action Taken on Recommendation No. 39 & 40

The concern expressed by the Standing Committee has been noted. DIT has already formulated Policy Guidelines on providing Technical and Financial Assistance to the States/UTs for setting up of State Data Centres (SDCs). These have been further discussed with the State IT Secretaries on 24th August, 06 and their views are being incorporated in the Guidelines.

It is proposed to obtain necessary approvals (EFC/CCEA etc.) so that the scheme on State Data Centres can be launched and proposals invited from the States/UTs. SDCs are expected to be operational in most of the States.

XIV. Capacity Building

Recommendation No. 41

The Committee learn that the DIT, in consultation with the Planning Commission, have prepared the Capacity Building Guidelines and issued the same to all States/Union Territories (UTs) and advised them to prepare their proposal for Capacity Building implementation. However, it is disquieting to note that so far 11 States and only one Union Territory have submitted their proposals. Eighteen States and 5 UTs are yet to submit their proposals. At the same time, the Committee to their satisfaction observe that the Planning Commission has allocated funds as Additional Central Assistance to all the States for taking Capacity Building measures. The Committee, therefore, impress upon DIT to follow up with the remaining States/UTs for submission of capacity building proposals as already much time has elapsed since guidelines were issued by DIT in March 2005.

Action Taken

In a prelude to take up the NeGP to the States/UTs, this Department has been regularly following up and now Capacity Building Proposals have been received from 25 States and 2 UTs. EFC meeting will be held shortly for the approval of Capacity Building scheme.

Recommendation No. 42

The Committee further note that three capacity building workshops were held in DIT, in NISG, Hyderabad and in Kolkata. Further, NISG under financial support from DoPT is conducting special training for e-Champions from 17th April 2006. Besides, the State-wise training requirements are being received through Capacity Building proposals (CBRMs) and are being processed for initiating training courses during 2006-07. The Committee consider these are steps taken in the right direction and desire that such courses should remain a continuous feature of the e-Governance programme.

Action Taken

Advice of Committee noted. Conducting training of various stakeholders are continuing features of the programme.

XV. Common Service Centres (CSCs)

Recommendation No. 43

The Committee learn that DIT had finalised the draft framework for establishment of 100,000 CSCs and got the approval of the competent authority in 2005. Based on the framework and extensive consultations, a detailed project Report on the CSC Scheme has been prepared and waiting Cabinet approval. The Committee are perturbed to note such inordinate delay in finalising the policy guidelines for CSCs and desire that the same should be finalised without further loss of time to give the much needed impetus to the undergoing CSCs project development activities.

Action Taken

The draft guidelines for the Common Service Centre Scheme have been finalized and circulated to IT Secretaries of States and Union Territories. The guidelines will be finalized once the responses to the same are received from States.

Recommendation No. 44

The Committee note that DIT has to set up 100,000 CSCs by the end of the year 2007. They are aware that in order to make CSCs a real success, certain steps are very important like, the need for developing Indian language content over the Internet and also to developing innovative software/hardware solutions to utilise content effectively. The Committee, however, trust that the Department are taking all measures to make available these features in the 1,00,000 CSCs which are likely to be set up by December, 2007.

Action Taken

Department of Information Technology has appointed an agency for developing the CSCs Project. One of the key tasks of this agency is to recommend the technology framework as well as the aggregate content, including local language content and service provider for the CSCs.

XVI. Media Lab Asia

Recommendation No. 45

The Committee observe that the Media Lab Asia was set up with a vision to research and innovate developments in the areas of information and communication technologies relevant for the common man and to promote deployment of research projects in rural and remote areas to serve the poor and needy population. A sum of Rs. 65 crore was released during the first 2 years of its operation. In the second year, Media Lab Asia programme was restructured and the services of all the employees were terminated. The funds already available with Media Lab Asia were being used for the ongoing and also for new projects initiated by them. Then nothing has been done during the last 4 years which is a matter of concern to the Committee. The Committee further note that during 2006-07, DIT proposed an allocation of Rs. 65 crore, however, the Planning Commission has reduced the same to Rs. 10 crore. The Committee trust that restructuring of MLA would soon be completed.

Action Taken

One of the key elements for completing the restructuring of Media Lab Asia is the appointment of a full time MD/CEO who has since joined. The full scale operation of Media Lab Asia is expected to pick up.

XVII. Cyber Security

Recommendation No. 46

The Committee learn that Information Security is one of the thrust areas of the Department of Information Technology. The Department had set up an inter-Ministerial Working Group on Cyber Security Education and Awareness Programme which has given recommendations on an Action Plan and strategy for Human Resource Development in the country in the area of Cyber-Security/Information Security leading to development of indigenous hardware and software capabilities in the core area of Information Security. Based on them, the Information Security Education and Awareness (ISEA) Project for development of human resources in the area of Information Security has been initiated, which has a component of creating awareness of Cyber Security amongst industry/educational institutes and the masses. This campaign will help them know about cyber attacks and how to protect their data and systems. The project also aims at imparting

training to the Central and State Government Officers on issues related to Cyber/Information Security. The Committee would like to be informed of the strategy developed for implementation of the recommendations of the Working Group and also how far these have been implemented. They hope that the measures on Information Security recommended by the Working Group will be implemented in the right earnest.

Action Taken

The activity of introduction of Information Security curriculum under Information Security Education and Awareness (ISEA) Project is being implemented through 5 Resource Centres and 34 Participating Institutes (PIs). The Resource Centers (RCs) are premier institutes like IITs, IISc Bangalore and TIFR Mumbai, while the Participating Institutes include National Institutes of Technology, Government Degree Engineering Colleges, Societies of DIT, etc. The activity of training of Central and State Government officers is being implemented through six DIT organizations. The Resource Centres, Participating Institutes and other implementing agencies have taken action to launch various courses in the area of Information Security. The syllabus and the course structure for various courses at the levels of B. Tech., M. Tech., etc., have been prepared by leading academicians and made available to all the Resource Centres and Participating Institutes. Two Faculty Training Programmes for the PIs have been conducted by TIFR, Mumbai. An expert Committee had finalized the specifications of Hardware/Software for setting up of Information Security Labs at RCs and PIs. The Hardware/Software are in the process of delivery for setting up of the labs. Short-term training programmes for the executives/officers of Government organisations are being organised by the Implementing Agencies.

Recommendation No. 47

The Committee further observe that the Government have also taken specific initiatives for enhancing the legal framework through proposed amendments to the IT Act, 2000. The Act is currently under review thus increasing interaction between industry players and enforcement agencies to help create greater awareness about information security issues and facilitate mutual support as and when required. An Expert Committee set up to review the IT Act had proposed appropriate amendments which are being finalised and will be put up to the Parliament very shortly. The Committee strongly feel that with the ongoing implementation of the e-Governance programme all over

the country, it has become all the more important to take urgent steps to ensure privacy of the data stored. Success of e-Governance programmes lie in the safe and secure environment to internet access and transfer of information. There is a need to frame stronger legal framework for cyber security. The Committee desire that the process for amendment in the IT Act, 2000 should be expedited. It is high time for the Government to tighten cyber security laws.

Recommendation No. 48

The Committee feel that with the continuous development of technology and also with the increase in the number of internet users, the cyber laws become outdated in a short span of time and require amendment by adding new clauses or changes in the existing cyber laws. The Committee, therefore, desire that timely measures should be taken to see that the Cyber laws are reviewed at regular intervals for updation and amended accordingly.

Action Taken on Recommendation No. 47 & 48

The Information Technology Act was enacted in the year 2000, primarily to boost e-commerce in the country and also to create an enabling environment for e-Governance in the country. The Act provided a legal framework for transactions carried out using computers and the internet technologies. The Act was enacted keeping in view the technology directions and scenario existing at that time. As the technology is an ever-evolving process for providing efficient and cost effective options, it was felt that a fresh look to the technology driven law needs to be given. Concerns have been raised both within the country as well as by the customers abroad regarding adequacy of data protection and privacy laws in the country. A need is, therefore, felt to strengthen the legislation pertaining to data protection and privacy. The security practices and procedures are needed to be prescribed to be followed by body corporates and organizations and to enquire personal information of customers.

Further new forms of computer misuse like video voyeurism, identity theft, e-commerce frauds like phishing, frauds on online auction sites, sending offensive emails and multimedia offences have also emerged. With proliferation of e-governance and other Information Technology applications, security practices and procedures relating to such applications need to be prescribed.

There is also an emerging view that IT laws should be technologically neutral in line with the recommendations made by

UNCITRAL Model Law on Electronic Signature. Such approach will promote development of alternative technologies for authentication of electronic records and will not warrant legislative changes each time a new and equally effective technology is evolved.

The Department of Information Technology had set up an Expert Committee to review the provisions of the IT Act, 2000 and suggest suitable amendments to address these issues highlighted above. Based on the recommendations made by the Expert Committee, the Bill to amend the IT Act was drafted and circulated to the Ministries and Departments. The Bill has been prepared and duly vetted by the Ministry of Law and Justice. The Bill proposes amendment in some of the existing sections of the Information Technology Act, 2000 and also to insert new sections to address the various issues discussed above.

The Cabinet has approved the Bill to amend the IT Act, 2000 and its introduction in the coming session of Parliament.

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE
COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW
OF REPLIES OF THE GOVERNMENT

-Nil-

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

II. Task Force on Human Resource Development

Recommendation No. 3

The Committee note that manpower development is one of the thrust areas of the DIT during the year 2006-7. DIT had projected an outlay of Rs. 60 crore for the scheme, but the same has been brought down to Rs. 38.40 crore by the Planning Commission. With the projected outlay, the Department had planned to carry the ongoing programmes viz. Information Security Education and Awareness Programme, Skill Enhancement for Employment in the ITES/BPO Space at DOEACC Centre, Srinagar/Jammu, Special Manpower Development Programme (SMDP-II) in VLSI Design & Related Software, ME/M. Tech. Programme at C-DAC, Mohali and projects in the area of Implementation of recommendations of the Task Force on Human Resource Development in IT and a new project—Special projects in embedded system & VLSI Design. However, as informed it seems that with the reduced allocation the Department will not be able to undertake all these projects. The Committee to their dismay further note that in the previous years of the Tenth Plan also except in the year 2005-2006, the projected outlay for the scheme “Manpower development” was reduced to a larger extent. Like in the years 2002-03, 2003-04, against the demand of the DIT of Rs. 42.70 crore and Rs. 132.55 crore, the funds were allocated to the tune of only Rs. 8.00 crore and Rs. 8.50 crore respectively. During 2004-05 also, Rs. 39.50 crore were proposed, however the Planning Commission allocated Rs. 29.00 crore. The Committee consider it unfortunate that the scheme, “Manpower Development/Employment Generation” has never got the importance it deserves. Undoubtedly, this position needs to be rectified.

Action Taken

The allocation of fund for various schemes pertaining to Manpower Development has been systematically increased from Rs. 8 crore in 2002-2003 to Rs. 29 crore in 2004-2005. Further, it may kindly be seen

that the allocation for current financial Year (2006-2007) has been Rs. 32.40 crore.

The Study Team on Human Resource Development constituted by the Working Group on IT Sector for the 11th Plan period is in the process of finalizing its report. Based on its preliminary recommendations, the Study Team has worked out a considerably higher allocation for HRD activities.

Comments of the Committee

(Please see Para No. 7 of Chapter-I)

V. Domestic Software

Recommendation No. 21

The Committee note that the Domestic Software turnover during 2002-03, 2003-04 and 2004-05 accounted for Rs. 13,400 crore, Rs. 16,250 crore and Rs. 21,740 crore respectively. Domestic Software turnover during 2005-06 is estimated to be of Rs. 26,460 crore. Reasons for a weak Indian domestic software market are stated to be while ITES-BPO penetration is very low, a sizeable proportion of end-user organisations have an internal division to focus on these specific business processes; expressed intent to move from an in-house captive sourcing model to outsourcing is very low; satisfaction with existing systems; lack of trust in outsourced service providers; high cost of services; non-availability of suitable vendors and lack of skilled personnel (with vendors) as reasons for not looking to outsource. Further, little overlap between the service providers serving the domestic and export markets; key players currently serving the domestic market have little export exposure or are niche horizontally—focused players; most traditionally export focused players are not very keen on the domestic market and they prefer to wait-and-watch for the segment to develop. The Committee find that NASSCOM McKinsey Report, 2005 has suggested certain aspects for boosting domestic IT market *viz.* penetration of Indian market in the high-end software like product development, engineering designs, e-learning curriculum development, embedded systems designs, simulations etc.; extending tax holiday, duty free import of capital goods etc., facilities for BPO/ Call Centre companies catering to the needs of Indian industry; and promotion of localisation efforts of software and use of local language in office work etc. in order to address the domestic IT market of multi-lingual, multi-cultural society like India. Although the Committee find force in the reasons cited for weak domestic market, they desire

that the suggestions given in NASSCOM McKinsey report, 2005 should be considered and implemented to make the domestic IT market strong and stable so that domestic software can sustain a high growth rate and be competitive in the years to come. In the opinion of the Committee, a strong and developed domestic market would immensely contribute to the growth of the Indian IT-ITES industries in the future.

Action Taken

It is stated that due to various overlapping issues involved, the Department of Domestic Market involves various stake holders within the Government and the Industry. DIT as one of those stake holders have initiated various activities which includes:

- The activity of launch of domain names in Indian Languages more popularly known as “Internationalized Domain Names (IDN)”. It perceived that once the scope of Domain Names is broadened to support local languages and scripts in the construction of Domain Names, the process would require support of multilingual scripts and other linguistic and cultural tools for human-computing interface and the World/ Wide Web/Internet. This in-turn would result in perceived surge in the domestic market.
- Software tools and fonts in 2 languages—Punjabi and Urdu—are ready for release. 17 other Indian Languages are expected to be covered by 2007.

With the availability of IT tools in local languages it is imperatively act as catalyst for domestic market.

- Department of Information Technology has initiated a number of steps to train appropriate manpower, in few chosen knowledge based sector such as Information Security & VLSI Design. In this sector two major initiatives involving cluster of engineering college including NITs and IITs have been implementing manpower development activity. The total outlay for implementing these two activities over a period of 5 year is of the order of Rs. 120 crore. The key output from these projects would be development of human resources at Bachelors, Postgraduate & Doctoral level in the respective field.
- E-Governance initiative for transparency, accountability and simplification in government procedures: The DIT recently

received approval for the National e-Governance Plan. The plan has a vision to “Make all Government services accessible to the common man in his locality, through common service delivery outlets and insure efficiency, transparency & reliability of such services at affordable costs to realise the basic needs of the common man”. The plan consists of 27 Mission Mode Projects. The focus of the NeGP is on service delivery and under the plan all departments responsible for implementing the MMPs have been directed to define the services they are targeting and the service levels they wish to achieve for those services in concrete terms. The necessary process reengineering and simplification of procedures required to meet those service levels would be part of the project design of the MMP. The DIT is constantly monitoring the progress of the respective MMPs and apprising the Apex Committee of the status of each MMP.

- State wide area Network over all the States of the country and one lakh Common Service Centres spread over 6000 blocks: Department of IT obtained approval of CCEA in March 2005 for a Core e-Governance Communication Network Infrastructure Scheme, entitled ‘State Wide Area Network’ (SWAN) for the 29 States and 6 UTs at an estimated outlay of Rs. 3334 crore to be spent in five years, for establishment of minimum 2Mbps bandwidth capacity of wide area network in each State/UT, from the Hqr upto the Block level. Till date, individual SWAN Projects in 22 States have been cleared by the Empowered Committee with the commitment of Department of IT, Govt. of India for approx. Rs. 1508.00 crore for five years. Fortnightly updated status of State-wise implementation of this Scheme is available in the Programme Tracker hosted in the DIT Website (www.mit.gov.in)

With better connectivity and availability of e-government in conjugation with local language uses, will induce demand in domestic, it will help to move forward to crossing the critical-mass (in term of IT users in the country, connectivity, PC penetration, and availability of relevant-content in the language of masses), which is necessary for sustainability of the market.

Comments of the Committee

(Please see Para No. 21 of Chapter-I)

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH REPLIES ARE INTERIM IN NATURE

Recommendation No. 7

The Committee further note that two sub-committees for selected verticals *viz.* banking and insurance sectors have been set up under the Syllabus Committee of DOEACC with experts drawn from professional bodies, representatives of the Industry, experts from academia etc. These sub-committees would identify the vertical segment specific manpower and skill-set requirement, their levels, curriculum and course structure, training methodology & institutional mechanism for implementation including finance, evaluation and certification methodology. The Committee trust that these subcommittees would work out the detailed implementation plan and institutional mechanism within a short-time so that they can soon be rolled out. They further desire that sub-committees in respect of other verticals *viz.* travel and hospitality, pharmaceuticals, retail marketing and other such promising areas should also be set up at the earliest.

Action Taken

The two Sub-Committees constituted for Banking & Insurance Verticals are in the process of finalizing the syllabus and training methodologies, the examination system and certification. Once these are finalized, steps would be taken to constitute the Sub-Committees for the other verticals by March 2007.

IX. Setting up of Mega Fab

Recommendation No. 27

The Committee appreciate the efforts being made by the Government for setting up Semi-Conductor Fab in the country. One of the initiatives taken by the Government is the visit of the Minister, Communications and Information Technology to USA to attract FDI in the hardware manufacturing and in particular, for semiconductor manufacturing in the country. As a result, a number of CEOs of American MNCs visited India. The Committee further note that the investors are seeking for preferential treatment/total exemptions for a

longer period for Fabs in respect of income tax, excise duty, customs duty, sales tax, service tax, etc. and envisages incentives available under the Special Economic Zones (SEZs) Policy. They are also seeking infrastructure support from States regarding land, water, power, connectivity, effluent treatment plants etc. The Committee are glad to note that various States have devised incentive packages to attract investment in the Semiconductors Fab and other high-tech industries. They recommend that the Government should extend all possible help and assistance to encourage the investors to establish the hardware manufacturing facilities in India. Needless to say, these bottlenecks have to be overcome urgently to give impetus to the hardware manufacturing in India.

Recommendation No. 28

The Committee learn that a number of reputed world renowned companies have announced their investment plans to invest in Electronics/IT/Telecom hardware manufacturing in the country. M/s. Sem-India Inc. and the Government of Andhra Pradesh have signed a Memorandum of Understanding on 16.02.2006 for establishing a Fab in Hyderabad. Intel also is in discussions to set up ATM facilities in India. The first Fab unit in the private sector in the country, promoted by Nano-Tec. Solutions Pvt. Ltd. (NTSI) is being set up at Rajiv Gandhi Nano-Technology Park, Hyderabad. The Committee hope that in view of the incentive packages devised by various other States also to attract investment in the Semiconductor Fabs, DIT should explore every possibility to set up Semi-Conductor Fabs in all parts of the country.

Recommendation No. 29

It is a known fact that India has no dearth of engineering and technical manpower and is an intended target for global players. With the establishment of the Semiconductor Fabs, India would have an added advantage in manufacturing of electronics products. If this advantage is fully exploited, there would be numerous job and business opportunities enabling India to become a major electronic products manufacturing and consuming country. The Committee learn with satisfaction that the Department of Information Technology have prepared a "Draft policy for investments for setting up semiconductor fabrication and other micro and nano-technology manufacture industries in India" and is presently with the Ministry of Finance for consideration and early finalisation. The Committee would like to impress upon DIT to vigorously pursue the matter with the Ministry of Finance and finalise the Policy as early as possible to enable India to propel itself into Hardware development.

Action Taken on Recommendation Nos. 27, 28 & 29

Hon'ble Finance Minister in his Budget Speech 2006-07 announced intention of the Government to make 'India a preferred destination for manufacture of semiconductors and other high technology IT products etc.'

The Draft Policy has been prepared by DIT and the same was forwarded to Secretary, Department of Economic Affairs.

MoF's response on the Draft Policy had been received and an inter-ministerial meeting held on 25.8.06 to firm up the package of incentives under Fab Policy. The policy is under consideration and is likely to be announced soon.

NEW DELHI;
20 March, 2007
29 Phalgun, 1928 (Saka)

NIKHIL KUMAR,
Chairman,
Standing Committee on
Information Technology.

ANNEXURE I

MINUTES OF THE TWELFTH SITTING OF THE STANDING
COMMITTEE ON INFORMATION TECHNOLOGY (2006-07)

The Committee sat on Tuesday, the 20th March, 2007 from 1500 hrs. to 1600 hrs. in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Nikhil Kumar—*Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Tathagat Satpathy
4. Shri Narahari Mahato

Rajya Sabha

5. Shri Praveen Rashtrapal
6. Shri Ravi Shankar Prasad
7. Shri Motiur Rahman
8. Shri Eknath K. Thakur
9. Shri Shyam Benegal

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri Cyril John — *Deputy Secretary*
3. Shri A.K. Ahluwalia — *Under Secretary*

2. 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:

- (i) Draft Report on Action Taken by Government on the Recommendations/Observations of the Committee contained in their Twenty Ninth Report on "Demands for Grants (2006-07)" relating to the Ministry of Communications and Information Technology (Department of Information Technology).

- | | | | |
|-------|-----|-----|-----|
| (ii) | *** | *** | *** |
| (iii) | *** | *** | *** |

3. The Committee, then, authorised the Chairman to finalize and present the Reports to the House on a day convenient to him.

The Committee, then, adjourned.

ANNEXURE II

[Vide Paragraph No. 5 of Introduction]

ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON
THE RECOMMENDATIONS/OBSERVATIONS CONTAINED
IN TWENTY NINTH REPORT (FOURTEENTH
LOK SABHA) OF THE COMMITTEE

(i)	Recommendations/Observations which have been accepted by the Government: Sl. Nos: 1, 2, 3, 4-6, 8-20, 22-26, 30-48	
	Total:	42
	Percentage:	87.5%
(ii)	Recommendations/Observations which the Committee do not desire to pursue in view of the replies of the Government: Sl. Nos:- Nil	
	Total:	Nil
	Percentage:	Nil
(iii)	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Sl. Nos: 3, 21	
	Total:	2
	Percentage:	4.16%
(iv)	Recommendations/Observations in respect of which replies are of interim nature: Sl. Nos: 7, 27, 28 & 29	
	Total:	4
	Percentage:	8.33%