

46

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

FOURTEENTH LOK SABHA

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

**DEMANDS FOR GRANTS
(2007-2008)**

FORTY-SIXTH REPORT



**LOK SABHA SECRETARIAT
NEW DELHI**

April, 2007/Vaisakha, 1929 (Saka)

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Presented to Lok Sabha on 27.4.2007

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LOK SABHA SECRETARIAT
NEW DELHI

April, 2007/Vaisakha, 1929 (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 Jitin 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. Govindraj
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-Sixth Report on 'Demands for Grants (2007-2008)' relating to the Ministry of Communications and Information Technology (Department of Information Technology).

2. The Standing Committee on Information Technology (2006-07) was reconstituted on 5 August, 2006. One of the functions of the Standing Committee, as laid down in Rule 331E of the Rules of Procedure and Conduct of Business in Lok Sabha, is to consider Demands for Grants of the concerned Ministry/Department and make a Report on the same to the House.

3. The Committee considered the Demands for Grants pertaining to the Ministry of Communications and Information Technology (Department of Information Technology) for the current year *i.e.* 2007-2008 which were laid on the Table of the House on 7 March, 2007. The Committee took evidence of the representatives of the Department of Information Technology on 2 April, 2007.

4. The Report was considered and adopted by the Committee at their sitting held on 20 April, 2007.

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

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

NEW DELHI;
25 April, 2007

5 Vaisakha, 1929 (Saka)

NIKHIL KUMAR,
Chairman,
Standing Committee on
Information Technology.

REPORT

I. Introductory

The Department of Information Technology (DoIT), in the Ministry of Communications and Information Technology are *inter-alia* responsible for formulation, implementation and review of national policies in the field of Information Technology. All policy matters relating to silicon facility, computer based information technology and processing including hardware and software, standardisation of procedures and matters relating to international bodies, promotion of knowledge based enterprises, internet, e-commerce and information technology education and development of electronics and coordination amongst its various users are also addressed by the Department. Various schemes/programmes of the Department of Information Technology are implemented directly by them and through the organisations/institutions under their jurisdiction. To make the technology robust and state-of-the-art, collaboration of the academia and the private/public sector is also obtained, Major schemes/projects being/to be taken up by the Department are National Informatics Centre (NIC), Standardisation, Testing and Quality Certification (STQC), Society for applied Microwave Electronics Engineering and Research (SAMEER), Micro-electronics and Nano-technology, Technology Development Council (TDC) including Intellectual Property Rights Promotion Programme, Convergence, Communication & Strategic Electronics, Component and Material Development, Centre for Development of Advanced Computing (C-DAC), Electronics in Health and Tele-medicine, Technology Development for Indian Languages (TDIL), E-commerce and Info Security, IT for Masses (Gender, SC/ST), Media Lab Asia, Export Promotion-Software Technology Parks of India (STPI) & EHTP, Digital DNA Parks, Cyber Security including Cert-in, IT Act/Certification and Network Security, Education and Research Network (ERNET), Promotion of Electronics/IT Hardware manufacturing, Department of Electronics Accredited Computer Courses (DOEACC), Manpower Development, Special Manpower for VLSI Design, Facilitation of setting up of Integrated Townships and E-Governance including Community Information Centres (CICs).

II. Implementation status of recommendations contained in the Twenty-Ninth Report of the Committee on Demands for Grants (2006-07) of the Department of Information Technology

2. The Committee presented their Twenty-Ninth Report (Fourteenth Lok Sabha) on Demands for Grants (2006-2007) of the Department of

Information Technology on 2 August, 2006. The Report contained 48 recommendations/observations. Out of that 42 recommendations (Paragraph Nos. 1, 2, 4-6, 8-20, 22-26, 30-48) were accepted by the Government. The replies in respect of recommendations at Sl.Nos. 3 and 21 were not accepted by the Committee and these recommendations were reiterated in the Forty-First Report (Fourteenth Lok Sabha).

III. Tenth Plan Budgetary Allocation and Utilisation

(Rs. in crore)

Financial Year	Proposed	BE	RE	Actuals
2002-03	937.19	470.00	470.00	465.35
2003-04	1146.90	470.00	495.00	492.88
2004-05	1294.38	750.00	650.00	644.74
2005-06	1400.67	929.30	882.00	880.10
2006-07	1516.00	1090.00	1090.00	1090.00*
Total Xth Plan	6295.14	3709.30	3587.00	3573.07*

*Expected

3. During evidence, the Committee wanted to know whether the reduced allocations in all the previous years have affected the implementation of the various programmes of the Department of Information Technology. In reply, the Secretary, DoIT stated as under:

“I may be permitted to cover 2006-07. It is because we had more reasons to study that over the course of the years..... One of the issues where we have taken up very ambitious programme and that is e-governance. To that extent, we had to cut out coat according to the clothes.... The other area where we had, so to speak, taken up reduced outlays is where we have either sanctioned projects under R&D or we have not been able to release the funds which were supposed to be done according to schedule, or we have held back the sanctioned or some other projects which we would have been able to take up if the Budgetary outlays were more..... As I said, we have suffered cuts this year in the case of NIC. They wanted to take up a lot of capital investment, which is really required like improvement of networks and security. In many of these areas we had got squeezed a little this year. Previous

year also, we had to do this. I would request that in these two areas and also in R&D side—in these three areas—the reduction in outlays has meant that to some extent we have had to go a little more realistically.”

IV. Budgetary Allocation for Eleventh Five Year Plan and the year 2007-08

4. The Department of IT have informed the Committee that the Physical and Financial targets for the 11th Five Year Plan have been proposed and submitted to the Planning Commission. However, the Planning Commission has not yet considered/allocated the Outlays. Further for the financial year 2007-08, a budgetary support of Rs. 1500 crore has been approved. As per Demand No. 15 pertaining to the Department of Information Technology (DoIT), the details of Revenue as well as Capital Expenditure under the Plan and Non-Plan Sections have been stated to be as under:—

(Rs. in crore)

2007-2008	Plan	Non-Plan	Total
Revenue	1421.00	36.00	1457.00
Capital	79.00	—	79.00
Total	1500.00	36.00	1536.00

5. The Scheme-wise details of Annual Plan allocations for the year 2007-2008 as proposed by the Department of Information Technology and approved by the Planning Commission have been stated to be as under:—

(Rs. in crore)

Scheme Number/Name	Annual Plan (2007-2008)		
	Proposed	Allocation	Difference
1	2	3	4
I.R. & D Programmes			
SAMEER	25.00	22.00	3.00
Microelectronics & Nano-Tech. Dev. Prog.	40.00	29.00	11.00
Technology Development Council	50.59	32.00	18.59

1	2	3	4
Convergence, Communication & Strategic Electronics	35.00	22.00	13.00
Components & Material Development Programme	15.60	10.00	5.60
C-DAC	127.00	75.00	52.00
Electronics in Health & Telemedicine	27.73	18.00	9.73
Technology Development for Indian Languages	30.00	11.00	19.00
IT for Masses (Gender, SC&ST)	10.00	9.00	1.00
Media Lab Asia	50.00	10.00	40.00
R&D Sub-Total	410.92	238.00	172.92
II. Infrastructure Development			
STQC	65.00	50.00	15.00
STPI & EHTP	12.00	0.50	11.50
Digital DNA Park	0.10	0.10	Nil
Electronic Governance	957.96	800	157.96
Cyber Security (including CERT-In, IT Act)	75.00	33.00	42.00
ERNET	0.10	0.10	—
Promotion of Electronics/IT	10.00	1.00	9.00
Hardware Manufacturing			
Infrastructure Sub-Total	1120.16	884.70	235.46
III. Human Resource Development			
DOEACC	22.00	0.50	21.50
Manpower Development	99.00	43.00	56.00
Facilitation off setting-up of Integrated Townships	1.00	1.00	Nil
HRD-Sub-Total	122.00	44.50	77.50

1	2	3	4
IV. Others			
Headquarter (Secretariat & Bldg.)	12.00	12.80	0.80
NIC	427.00	320.00	—
Grand Total	2092.08	1500	592.08

6. It has been observed that DoIT proposed an outlay of Rs. 2092.08 crore for its various schemes viz. R&D, Infrastructure Development, Human Resource Development, NIC and other miscellaneous programmes for the year 2007-08, but the Planning Commission approved only Rs. 1500 crore.

7. In this regard, the Committee desired to know about the programmes/projects under the various Schemes which the DOIT will have to sacrifice in view of the reduced allocations. In reply, it has been stated that no plan schemes have been proposed to be sacrificed because of reduced allocations. To a similar query, it has been replied that the plan allocations would be reviewed during consultation with the Planning Commission at the time of finalization of Eleventh Plan.

8. The major thrust areas of the Department of Information Technology for the Eleventh Five Year Plan and for the year 2007-2008 have been stated to be Manufacturing, Software Exports, Domestic Software, Human Resource Development and Research & Development. Manufacturing, Software Exports, Domestic Software are covered under Infrastructure Development. It has been observed that major reduction in allocations have been made by the Planning Commission in these programmes of the Department. Against the proposed amount of Rs. 410.92 crore for Research & Development, Rs. 1120.16 crore for Infrastructure Development and Rs. 122.00 crore for Human Resource Development, the Planning Commission approved only Rs. 238.00 crore, Rs. 884.70 crore and 44.50 crore respectively.

9. To a specific query whether the allocations for these schemes of the Department are adequate, it has been stated that 2007-08 is the first year of Eleventh Plan and the Plan Outlay for the Eleventh Plan is yet to be finalised. It has simultaneously been stated that the Department would take up the matter with the Ministry of Finance and the Planning Commission for suitable increase in Plan Allocation for 2007-08 wherever required at the time of formulation of RE proposals for 2007-08 to provide them a focused approach.

10. It has been informed that India's expenditure on R&D is 0.8% of GDP which is well below that of many nations and needs to be stepped up progressively. There is a need for encouraging design led manufacturing which is also known to be an employment generator. The Committee then asked whether Rs. 238 crore allocated for the year 2007-2008 was adequate to carry out their various activities especially if certain programmes were to be taken up in design led manufacturing. The Department have stated that they had proposed Rs. 410.92 crore for R&D Programmes and will take up the matter with the Ministry of Finance and the Planning Commission for increase in the budget allocation at the RE stage during the year.

11. The Committee desired to know the initiatives/steps taken by DoIT for better implementation of their various schemes/projects in the Eleventh Plan. In reply, it has been stated that in order to measure developmental outcomes, cost effectiveness and efficiency of development programmes, they have taken the initiative to undertake a comprehensive, in depth and independent evaluations of Plan Schemes and programmes under implementation in the Department. These independent evaluation and impact assessment studies would constitute a vital input for finalizing programmes for the 11th Plan. Four Plan Schemes have been taken up for Impact Evaluation Studies (IES). The names of the schemes have been given as under:

1. Software Technology Parks in India
2. Convergence, Communication, Broadband Technologies and Strategic Electronics.
3. Telemedicine
4. Technology Development in Indian Languages.

12. When asked the grounds of selection of the Plan Schemes for Impact Evaluation Studies (IES), the Committee have been informed that the Department of Expenditure, Ministry of Finance had requested the DoIT to initiate action for undertaking IES of major Plan Schemes and other programmes, which were proposed to be continued in the Eleventh Plan. Accordingly, DoIT selected four Plan Schemes for IES for 2006-07 based on the importance of the scheme and its implications for the growth of the sector.

13. The Committee then asked whether the Department have a plan to undertake such studies for their other important and high budget schemes specially with a view to preparing better Plan proposals for the Eleventh Plan. In reply, DoIT stated that the Plan

Schemes like e-Governance, which have been important and high budget schemes were not undertaken for Impact Evaluation Study for 2006-07 as e-Assessment framework was already built into the Plan Schemes. For other schemes, which were high budget schemes, Impact Evaluation Study was not proposed for 2006-07 as IES for them have already been carried out.

V. National e-Governance Plan (NeGP)

14. During evidence, the Committee asked the exact role of DoIT in the implementation of NeGP. A representative of DoIT replied as under:

“.....One of the critical areas is the core and the support infrastructure, which is common for all the projects across the board and all of them would be users of this infrastructure. In fact, without this infrastructure, it would be difficult for those departments to achieve the vision of the Government. So the three main core and support infrastructures consists of State Wide Area Network in each State which connect the State Headquarters to the District Headquarters and down to the Block, tehsil, and Sub-Divisional Headquarters through high-speed optical fibre based networks. ...Then, the second is the Common Service Centre; and the third is the State Data Centres, which are at the State Headquarters.... At this point, I just want to mention that as per the current plan, this infrastructure will be ready in most of the states by the middle of 2008.

15. To a specific query, the witness informed that the original time target for provision of Core and Support infrastructure was March, 2008. Therefore, there has been a slight delay of about three months.

16. In fact, the scheme for the establishment of SWAN at a total outlay of Rs. 3334 crore was approved by the Government on 28th March, 2005.

17. Asked about the status of State Wide Area Network project, in a written information furnished to the Committee, it has been stated that with the recent approval of SWAN proposals from 3 States and 1 UT by the Empowered Committee on SWAN, the total number of SWAN proposals approved becomes 28 as on date. Andaman & Nicobar has opted out of the SWAN Scheme. The implementation of the approved proposals of the States/UTs has been at various stages and expected to be completed by March 2008. SWAN team at DoIT has been vigorously pursuing to evolve the project proposals from

remaining 5 States/UTs, viz., Jammu & Kashmir, Arunachal Pradesh, Daman & Diu, Dadra & Nagar Haveli and Goa. The proposal from Lakshadweep has been received and is under scrutiny. Teams comprising DoIT officials along with members from SWAN Programme Management Consultant Unit visited various States/UTs to assist the State/UT Governments to prepare the SWAN proposals. Proposals from the remaining States/UTs are at advanced stage of preparation. DoIT have expected that all State/UT SWAN proposals for the entire country would be checked from DOIT level by the first quarter of 2007-08.

18. As regards the reasons for slow progress of SWAN project in some of the States, a representative of DoIT submitted during evidence as under:

“.....The States, where progress has been little slower—when I said that in most of the States, it would be ready by 2008—in the bottom category of the States, where even by the middle of 2008, it may not be ready unless the States complete their preparatory activities. These States include Arunachal Pradesh, Lakshadweep, Dadra and Nagar Haveli, Jammu and Kashmir, Daman and Diu, Goa and Andhra Pradesh.Sir, certain States, like Arunachal Pradesh and so on, had some problems in just formulating their schemes. They wanted consultants, we provided them with consultants; they wanted people to support them, and we had provided the people. But I must say that in some cases, decision-making has been a little slow. In the small States, like Dadra and Nagar Haveli and Daman & Diu, perhaps they have not felt the requirement so acutely. But as far as Goa is concerned, they feel that they do not need this scheme, because they have proceeded with an alternative mode of implementation, which is achieving the same purpose.... In Jammu and Kashmir, there have been special issues relating to BSNL and also the security-related aspects, which have delayed the project. However, the NIC and BSNL officials have been working with them, and the DIT officials have also been associated with the State, and we are hopeful, though a little delay is there, action will be taken in Jammu and Kashmir..... Andaman and Nicobar Islands have indicated that they do require this one because they have already VSAT connectivity. In Andhra Pradesh, there was a peculiar problem..... The problem was that certain scheme was envisaged earlier to provide connectivity. Andhra Pradesh actually tried to implement a connectivity programme through Andhra Pradesh broadband earlier than this project. So, that predates the SWAN scheme of the Government of India. But that ran into contractual difficulties and is not currently

proceeding further. So, the State has to conclude the earlier arrangement and sent a revised proposal. The Scheme itself has already been approved for Andhra Pradesh but they are not able to proceed with the implementation because of these problems. ... We are trying to help them to sort out the problems. But this is how it is. Again, the bottom line of all this is that except for this last category of few States, in the rest of the States by March 2008 itself we would expect the Wide Area Networks to be fully operational.”

19. From the Outcome Budget of the DoIT for the year 2007-08, it is seen that the Department had proposed to establish and operationalise Data Centres in 20 States across the country within a period of one year. A target was kept to make operational Data Repository in 10 States by March, 2007. However, the same could not be achieved. It has been stated that the scheme for the State Data Centre would be taken up for implementation during 2007-08. As part of core and support infrastructure of NeGP, it was considered necessary to first address the establishment of State Wide Area Network (SWAN) and Common Service Centres (CSC), since these require longer timeframe for implementation compared to the State Data Centre. SWANs and CSCs were expected to be operational in most of the States by March 2008. DoIT have therefore, proposed to establish Data Centres in 20 States by March 2008 matching with the timelines of setting-up/operationalisation of SWANs and CSCs in the States.

20. As regards the status of implementation of Common Services Centres (CSCs) project, it may be seen from the Outcome Budget that a target was kept to set up 1,00,000 ICT based Kiosks at village level across the country in phases by December, 2007 and 30,000 kiosks by March, 2007. However, in a written reply to a similar query, it has been stated that in case of 3 other States, namely Bihar, Assam and Punjab, the RFPs have been issued and as expected, the process of selection of Service Centre Agency (SCA) would be completed in the next 2-3 months. In the case of another 13 number of States, the RFPs for selection of SCA would be issued by end April, 2007. The RFPs, which are likely to be issued by end April, 2007 would cover an additional 65,000 number of CSCs. Once the selection process of SCA would be completed (which takes about 2-3 months) the CSCs would be rolled out within 12 months of signing of the agreement by the State Government with the SCAs. Thus by August 2008, a total of 84000 CSC would be set up across the country as per the approved scheme and by end October 2008, the complete Scheme would be rolled out in the country. It has simultaneously been stated that the

CSCs have to be established by the State Governments concerned and they would float the bids for setting up the CSCs and hence the timelines for implementation would depend on the speed with which the State Governments would be able to implement the Scheme.

21. Describing the role and responsibility of DoIT, the Cabinet approval for NeGP States—“DoIT would be the facilitator and catalyst for the implementation of NeGP by various Ministeries and State Governments and would also provide technical assistance to them either directly or in collaboration with external professional consultants. It would serve as a secretariat to the Apex Committee and assist it in managing the programme. In addition, it would implement pilot/ infrastructure/technical/special projects and support components. DoIT would also prepare a suitable template for preparing project document, which could be used by individual departments for preparing their detailed project reports.”

22. Asked to state the difficulties being faced by DoIT in implementation of NeGP, DoIT replied that the major difficulties being faced by them while expediting implementation of Mission Mode Projects by Line Ministries and States have been two fold:

(a) Issues related to Project Conceptualization

- Selection of Services & Determination of Service Levels
- Determination of Milestones & Timelines
- Government Process Re-engineering
- Legislative enablement
- Modes and Models of Public Service Delivery
- Possibility of Public Private Partnership
- Awareness & Communication strategy

(b) Issues related to Capacity Building

- Need for requisite skill sets in sufficiently large numbers for project execution
- Need to create a core team in each MMP with domain and private sector experts
 - Suitable mechanism to attract private talent
 - Identify and incentivise talent within government

- Need to manage change by training and sensitising employees to
 - Handle Government functions in an automated workspace
 - Promote a culture of responsiveness in dealing with citizens

23. As regards measures taken for speedy implementation of NeGP, DOT stated that regular reviews have been conducted by the Apex Committee on e-Governance, chaired by the Cabinet Secretary. At this forum, various nodal ministries bring out inter-ministerial issues which might hamper speedy implementation of projects. Till date, 7 meetings of the Apex Committee have been held. Also, a review meeting of e-Governance would be held soon by a high level body, chaired by honourable Prime Minister for expediting implementation of various e-Governance Projects.

24. DoIT have further suggested that the programme should be undertaken in a mission mode where each initiative should state clear and well defined timelines, goals and deliverables. Proper conceptualisation, preparation of detailed project documents and mechanisms to ensure aspects of change management, awareness, process re-engineering etc. would speed up the implementation schedule of the programme. Issues of capacity building, setting up of project and programme management and monitoring mechanisms are also certain key requirements for timely and effective roll out of NeGP.

25. The Committee have been informed that a Programme Management Unit (PMU) has been set up to provide Secretarial support for the NEGP and Technical cum Managerial support to line Ministries/ Departments. The PMU has prepared a consolidated report on the status of implementation of NeGP which is being constantly updated based on inputs received from the respective line Ministries. To a specific query, it has been replied that the PMU directly reports to Additional Secretary (e-Governance) and is presently composed of three Principal Consultants, nine senior consultants and five consultants in the areas of Programme Management and Monitoring, Infrastructure, Awareness and Assessment, Capacity Building, Research and Development, Standards, etc. The periodicity of the consolidated reports on the status of NeGP is monthly for Cabinet Secretariat and fortnightly for Prime Minister's Office.

26. The another similar query, it has been informed that the monitoring of the status of implementation of NeGP in various States/ UTs and preparation of Reports thereon is done mainly through inputs from the concerned line Ministries/Departments. However in order to

obtain greater clarity, PMU officers have now begun visiting concerned officials in Ministries/States. In this context, it has further been informed that 11 Market research agencies have been empanelled to carry out impact assessment of e-Governance initiatives across States and the Centre. In assessment of phase 1 about 40 projects covering 10 States and four nation-wide projects have already been taken up.

27. When asked about the observations/suggestions contained in the Report submitted by PMU and the steps being taken/proposed to be taken on them, DoIT stated that the major sections in the reports submitted by PMU consists of project deliverables/milestones, service areas, service levels, if any, status of project and synopsis of decisions of the Apex Committee. The reports have been submitted in templates as advised by the Cabinet Secretariat and Prime Minister's Officer. The report provides a key snapshot of the implementation status of Mission Mode Projects under NeGP. Comments/remarks have also been provided wherever appropriate to assist monitoring authorities. Currently DoIT have been exploring the option of placing the status of implementation of MMPs in the public domain.

28. The Committee drew the attention towards the common man in the country who is largely unaware of the benefits and potential of the ICT in his day-to-day life. When asked about the Government's preparedness to awaken the citizens to demand better services from the Government, the DoIT stated, in response that for spreading awareness and promoting usage of e-Governance amongst common man, DoIT have adopted multi-pronged strategy involving multi-media approach such as use of Mass Media, Advocacy Seminars and Workshops for Implementers, Sensitization workshops for implementing agencies, and on ground activities specific to the context for rural audience. DoIT have stated that they have been selecting and empanelling advertising agencies to carry out these tasks.

VI. Electronics and IT Sector

(i) Software Technology Parks of India (STPIs)

29. During evidence, the Committee drew the attention of the DoIT to the major cut made by the Planning Commission in case of STPI, where against proposed allocation of Rs. 12 crore, only Rs. 0.50 crore have been approved. To this, Secretary, DoIT responded as under:—

“In the case of STPI, we felt that they could do more on the basis of internal accruals also. To that extent, the allocation has been kept at a nominal figure. This is the reason. But we feel that with

internal accrual this could be done..... To that extent, if required we would make out a case. We feel that with their internal accruals they should be able to take up more ambitious programme and not limit to the amount that is provided in the budget.”

30. Asked whether there exist a national policy on setting up of Software Technology Parks, the Secretary, DoIT replied that there is a policy that each State should first provide 3 acres of land and should give a minimum corpus of funds. Director General, STPI further added that a study has recently been commissioned which will be completed at the end of the month and it will come out with all the potential sites. At present there are 45 STPI centres and about 5 are in the pipeline.

31. On being enquired whether a State can have more than one Software Park, DG, STPI informed that some States have even 5 such parks. But their idea was to put atleast one Software Technology Park in each State. Except for 3 North-Eastern States, each State was now coming up with a Software Park.

32. The details regarding the total software export from the member units of STPI during each of the last four years including growth rate have been given as under:—

Sl.No	Years	Exports (Rs. in Crores)	Growth (%)
1.	2006-07	131,255*	30*
2.	2005-06	100,965	36
3.	2004-05	74,019	44
4.	2003-04	51,458	38

*Expected.

33. From the Annual Report of the DoIT for the year 2006-07, it has been observed that the total estimated software export of the country would be to the tune of Rs. 141,800 crore. STPI accounts for over 92.56 percent of India’s Software exports. To a query about the assessment on the achievements and shortfalls of the software exports during Tenth Plan, DoIT have replied that India’s success in the export of Information Technology (IT) Software and Related Services over the past decade remains unparalleled. Total export revenues earned by this sector have grown from Rs. 6,723 crore (US\$ 1.8 billion) in 1997-98 to Rs. 104,500 crore (US\$ 23.6 billion) in 2005-06 and are forecast

to reach Rs. 139,700 crore (US\$ 23.6 billion) in 2005-06 and are forecast to reach Rs. 139,700 crore (US\$ 30.5 billion) in 2006-07. Today, India has been regarded as the premier destination for the global sourcing of IT and IT-Enabled Services (IT-ITES). India now accounts for 65 percent of the global market in offshore IT and 46 percent of the ITES market. Of the total 117 companies certified at Level 5 of the Software Engineering Institute (SEI)—Capability Maturity Model (CMM), 80 Companies (65 percent) are Indian. A majority of the Fortune 500 and Global 2000 corporations are sourcing IT-ITES from India.

34. The Committee have further been informed that the growth of the sector has led to tremendous pay-offs in terms of wealth creation and generation of high quality employment. Market capitalization values of leading Indian IT companies now exceed those of global competitors (even though the latter have higher revenues), and the exports segment of the Indian IT-ITES sector directly employed over 9,20,000 people in 2005-06. In addition to the direct economic impacts, growth of this sector has also indirectly contributed to economic and employment growth in other parts of the economy such as the increased demand for commercial and residential real estate, catalysing urban development, and playing a significant role in driving demand for other commercial services such as retail, hospitality and transportation, etc.

35. The DoIT have also informed that with only 10 percent of the US\$ 300 billion market potential addressed so far, there has been significant headroom for growth. Further, with the global offshoring market continuing to grow rapidly, as the proven benefits of offshoring (also termed global sourcing or global delivery) induce more and more companies to adopt these practices and providers develop the capabilities to offer more sophisticated products and services—the size of the overall pie has also been expanding.

36. In his address at the special session of NASSCOM-2006 India Leadership Forum, the Hon. President of India Dr. A.P.J. Abdul Kalam had asked the industry to “aspire to increase our market share to \$200 billion in the IT services, ITES and BPO sector. While the targets presented in this paper are relatively modest compared to this aspiration, our analysis indicates that certain concerns and challenges need to be addressed urgently for the industry to even achieve these targets. These issues have been analysed and required policy actions have been recommended. Further, it has been proposed that a committee be reconstituted to conduct a mid term review of the progress on recommended policy action and their impacts and may

consider and upwards revision of the industry revenue targets, based on the observed success.”

37. India has been fundamentally advantaged and uniquely positioned to sustain its global leadership position, grow its offshore IT-ITES industries at an annual rate of 24-25 percent, sustain nearly 10 million jobs, and generate export revenues of about US\$ 86 billion by 2012. Additionally, this export growth can be further accelerated through deep and enduring innovation by industry participants. Such extensive innovation could generate an additional US\$ 15-20 billion in export revenue over the next five to ten years.

38. When asked about the initiatives taken/proposed to be taken for the Eleventh Plan, it was stated that the Planning Commission has constituted a Working Group on Information Technology sector in connection with the exercise relating to formulation of the Eleventh Five Year Plan (2007-12) for Communication and Information Sector. The Working Group has set-up certain study teams to make recommendations in their respective sectors to formulate the Eleventh Five Year Plan for Information Technology Sector. Accordingly, a Study Team has been constituted for “the Exports of Computer Software and services”, where in, following points have been recommended:—

- (a) Improving the supply of suitable talent
- (b) Building adequate basic, business and social infrastructure
- (c) Ensuring a favourable policy, business policy and regulatory environment, with a special focus on encouraging SMEs and new ventures
- (d) Continue the Benefits provided by the STP Scheme
- (e) Strengthen the IP Protection, Data Privacy and Information Security Environment in the Country
- (f) Support SME Segment Growth
- (g) Ensuring adequate access to venture capitals
- (h) Global trade development and promoting global free trade in services
- (i) Fostering a sustainable eco-system for innovation and R&D.

39. The Committee have learnt that with income tax concessions for Software Technology Parks of India (STPIs) scheduled to expire by March, 2009 and Ministry of Commerce’s announcement of the Special Economic Zones (SEZs) scheme, the Companies under STPI scheme

have expressed their concern about the sustainability of the STPI scheme. 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, whereas STPI scheme provides this flexibility.

40. Asked in this context, DoIT have stated that the Software Technology Park (STP) scheme has been a standing scheme as per the Handbook of Procedure Vol. I (updated as on 7th April 2006). However, tax holiday exemption under section 10A/10B would be available only upto 31st March 2009. As per the Department of Commerce, Ministry of Commerce and Industry out of the 234 valid formal approvals granted for setting up SEZs in the country, 146 are Information Technology (IT)/Information Technology Enabled Services (ITES)/ Electronics Hardware (EH) SEZs of which 37 have since been modified. Besides, in principle approval has been granted for 31 IT/ITES/EH SEZs. It may be pointed out that the Special Economic Zones Rules 2006 does not allow for conversion of existing units to SEZs. An amendment to Section 10AA of the Income Tax Act has been proposed in the Finance Bill 2007 to restrict the corporate tax exemption to new units of SEZ. The phasing out of tax concessions with effect from 1st April 2009 will have considerable impact on the Information Technology (IT) industry.

41. It has further been informed that the STPI had appointed M/s Ernst & Young as a consultant to commission a study in order to have independent view and assess the impact of SEZ Act and phasing out of concessions under STP scheme on software industry. After completion of the study on 17 April, 2006, the Committee, chaired by Member Secretary, Planning Commission with Secretaries from Department of Commerce, Information Technology, Revenue and Economic Affairs as members submitted its report.

42. On the issue of extension of fiscal benefits 2009-10 to existing STPI units, the report says that there was intrinsic merit for doing so as 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). It would be much easier to extend similar fiscal benefits under 10 A and 10 B of Income Tax Act beyond 2009. Such an amendment may be taken up by Department of IT separately. ITES which encompass Business Process Outsourcing (BPO) and Knowledge Process Outsourcing (KPO) sectors work internationally on slim margin & 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 bricks

and mortar assets and the BPO company hires premises as a plug and play operation.

43. In this context, it has been stated that as per the recommendation of the above said committee, the Department of Information Technology may initiate action to obtain approval of Ministry of Finance and Cabinet Approval for IT Act amendments separately. DoIT have, therefore, taken up the proposal for extension of tax benefits under section 10 A and 10 B of the Income Tax Act 1961 for Software Technology Park units for 10 years with the concerned Ministries.

44. During evidence, the Director General, STPI submitted:—

“The Central Sales Tax is fully exempted for SEZs, but it is reimbursed in the case of STPIs. Even though there is no net revenue for Government, it is a cumbersome procedure. So, we have requested that we should be given the same facilities on par with SEZ. That is the submission that industry has been making and also we are supporting.....SEZ is fully exempt. We said that the Government should exempt STP/EHTP units on similar basis.”

(ii) IT Hardware Manufacturing

45. India has a potential to develop and manufacture Electronics/IT Hardware for the global markets and gain higher global share besides meeting the country's future requirement in the converging areas of information, communication and entertainment. However, the growth of Indian Electronics/IT Hardware industry has not been consistent with the market potential. The industry suffers disability factors on account of high incidence of duties/taxes, inadequate infrastructure, high cost of finance, transaction cost, freight and power, low volume of production and inverted custom duties structure in some products, etc.

46. As regards steps taken by Government to give a boost to Electronics/IT Hardware manufacturing, it has been informed that the Government has identified growth of Electronics and IT Hardware manufacturing sector as a thrust area.

47. While examining the Demands for Grants of the DoIT for the year 2006-07, the Committee had noted that the DoIT had prepared a discussion paper on “The Conceptual Policy Framework to promote growth of Electronics/IT Hardware Manufacturing Industry” in

consultation with the Industry associations and submitted the same to the National Manufacturing Competitiveness Council (NMCC) in September 2005. The mandate of the NMCC was to provide a continuing forum for policy dialogue to energise and sustain the growth of manufacturing industry including IT hardware. NMCC was expected to finalise the Policy by 15th January, 2006. The main objectives of the proposed package of incentives for the Electronics/IT Hardware Manufacturing Sector were as follows:

- To make the industry globally competitive
- To attract more FDI in the industry
- To bring down the prices of the end products
- To bring down the production cost
- To increase volumes to take advantage of economies and efficiencies of scale
- To increase the demand
- To compensate for disabilities until the basic infrastructure constraints that the nation faces are removed, and
- To move towards total taxation level of 10-15% in the next 3-5 years.

48. It was subsequently informed that a copy of the discussion paper was forwarded to the PMO. It was proposed to the PMO to set up a Task Force with representatives from the concerned Ministries/ Departments. From the Annual Report (2006-07), it has been observed that the said Task Force was set up by the PMO to examine the proposals/suggestions contained in the above-mentioned discussion paper and the existing government policies/procedures and recommend suitable amendments/measures/incentives so as to make India a hub for electronics/IT hardware manufacturing.

49. In a written information furnished to the Committee, it has been stated that the first meeting of the Task Force was held on 20.4.2006. The Task Force constituted a 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. Meetings of this Group were held on 10.5.2006, 13.7.2006 and 29.11.2006. The Group

has submitted its Report on 6.3.2007 to the Task Force to enable it to finalise its recommendations to promote the growth of electronics/IT Hardware Manufacturing.

50. It is pertinent to mention that while examining the Demands for Grants for the year 2003-04 of the Department of Information Technology, it was informed that IT Task Force constituted by the Prime Minister had given three Reports-first on Software, the second on Hardware and the third was a mixture in the sense that it was about the overall picture. The first Software Report had 107 recommendations and a large part of it were accepted and therefore the software policy was in place. On IT hardware policy, there had been discussions and they were in the process of formulating a policy because it had gone up to the Cabinet, up to Cabinet Committee on Economic Affairs (CCEA).

VII. Human Resource Development

51. The Committee drew the attention of the Department of NASSCOM-McKinsey Report 2005 which indicates that the Indian Industry has a target of USD 60 billion in exports by 2009-10 which translates to an estimated demand for 8,50,000 IT professionals and 1.4 million ITES-BPO professionals by 2010. With offshore penetration for both IT as well as ITES-BPO services estimated at about 10 percent, and offshore adoption rising rapidly, demand for these services from India would continue on its high growth trajectory. Besides, the Indian IT Industry has been growing at a faster pace and more and more Companies have been setting up their businesses in India. The developing business demands an appropriate sized and skilled workforce. However, in the current scenario, many graduates coming out of academic institutions are unable to meet the IT Industry's requirements.

52. Asked about the steps taken to bridge the gap between the industry and academia by forming suitable talent as per the requirement of IT Industry. DoIT replied that the Ministry of Human Resource Development had constituted a Working Group under the Chairmanship of Secretary, Department of Higher Education for making recommendations to the Prime Minister's Office (PMO) on improving the supply of suitable talent in the IT & BPO Sectors. The recommendations were submitted to the PMO on 6th September 2006. The Working Group observed that "the All India Council for Technical Education (AICTE) has projected that by the year 2009, there may not

be any shortage of manpower for the IT Sector provided that there is 10 percent growth in the enrolment. However, there would be a considerable gap between the demand and supply of IT manpower (about 0.26 million) by 2012 which calls for increasing the enrolment in the colleges and opening of new colleges. The AICTE has been taking steps to speed up the enrolment to engineering stream to touch the figure of about 1 million by 2010-11 from the current level of about 0.50 million.”

53. The DoIT have simultaneously informed that as per the feedback of the industry, the major challenge has been to make the existing engineering graduates employable. It was recommended by the Working Group that Finishing Schools were required to be started immediately under Government-industry partnership for engineering graduates. Seven NITs at Surathkal, Durgapur, Warangal, Jaipur, Calicut, Trichi and Kurukshetra have been identified for starting these Finishing Schools on a pilot scale. Ministry of HRD has been in the process of launching finishing school courses in these seven NITs from May 2007. Formulation of model curriculum and syllabus would be an outcome of these Pilot Finishing Schools. This in future could be made part of the engineering curriculum so as to make it compatible with industry needs.

54. As regards the preparedness of the Department of Information Technology to develop skilled workforce for the IT Industry, it has been stated that they have constituted a Study Team on Human Resource Development under the Working Group on IT Sector for the 11th Five Year Plan to cope with the challenges placed by the rapid growth of IT/ITES Industry and the resultant manpower needs. The Study Team has addressed the issues pertaining to the shortage of skilled workforce in the ITES-BPO industry and made several recommendations to sustain desirous growth in this field. The Report of the Working Group has been submitted to the Planning Commission for their consideration. DoIT also proposes to spread the concept of Finishing Schools for ITs/ITES sector by way of launching pilot projects in the area(s) of teacher's training/courseware development/conducting Master Trainers' Training Programmes/bridge courses, etc.

55. In the above context, the Department have stated that their HRD activities have been aimed at generation of trained human resources for the manufacturing & service sectors of electronics and IT Industry. Initiatives include identifying gaps emerging from the formal sector, planning programmes in informal and formal sectors for meeting these gaps. In pursuance, projects have been initiated for generation

of quality manpower in the area of Information Security, VLSI Design; setting up of a Regional Institute for e-Learning and Information Technology (RIELIT) at Kohima, Nagaland for creating skilled manpower in the area of Computer Science/IT and setting up of ITES/BPO training facilities in Jammu & Kashmir and in the North-East region. In addition to above, C-DAC and DOEACC have been engaged in conducting industry oriented education programme both in formal and non-formal sectors. DOEACC has been implementing ITES/BPO courses in the North-East and Jammu & Kashmir region. Further steps would be initiated to spread this course to other DOEACC centres and its accredited institutes spread across the country.

56. As informed, an approach paper for Indian ITES Certification Test (IICT) and ITES manpower training scheme was prepared and submitted for internal discussions between all Directors of DOEACC Society. Meanwhile, NASSCOM and Government of Rajasthan (Department of Information Technology & Communication) have launched an employment benchmarking test-called NASSCOM Assessment of Competence (NAC) as pilot phase for ITES-BPO Sector during November, 2006. The NAC would create a continuous pipeline of talent through continuous assessment of candidates on key skills by a national standard assessment. NASSCOM proposes to spread the NAC across India. DOEACC has been assessing the progress of the NAC Scheme and would undertake the matter further on need basis.

57. When enquired about the exact role of DOEACC in this matter, DoIT stated that based on the recommendations of the Task Force set up by DoIT, DOEACC was asked to prepare a methodology for Indian ITES Certification Test and ITES Manpower Training Scheme. Accordingly, an Approach Paper has been prepared. Meanwhile, NASSCOM has launched an employment benchmarking scheme called *NASSCOM Assessment of Competence (NAC)*. DOEACC has not been directly associated with the NAC programme. However, DOEACC would observe the progress of NAC and its' impact on the industry, based on which complementary training efforts could be initiated.

58. As regards the new initiatives proposed during the 11th Five Year Plan for Manpower Development, DIT stated that the Pilot projects have been proposed to be evolved in the following areas based on the recommendations of the Working Group on HRD in IT:

- Capacity building in selected areas (Nanotechnology, Power and Communication, Computer Science, Biotechnology, Infrastructure, Energy, Manufacturing, Mechatronics) to address the requirement of emerging knowledge economy.

- Technology Incubation Centres and Hardware Infrastructure facility for entrepreneur development.
- Integration of new courses in ITI and support to Women's Polytechnics.
- Spreading the concept of Finishing Schools teachers training by DOEACC/C-DAC, etc.

59. The Committee further enquired whether the steps indicated above would be sufficient to bridge the gap between the demand and supply of the IT skilled workforce for the present and future requirements. In reply, the DoIT stated that the demand-supply gap can only be addressed with the concerted involvement of the Government as well as the Private Sector. MHRD will continue to play a major role to address the issue of manpower requirement. The steps of DoIT alone will not be sufficient to bridge the gap between demand and supply of IT skilled workforce for the present and future. The proposed initiatives of DoIT primarily have been directed towards capacity building exercise in certain selected niche areas to upcoming needs of knowledge-based industry. Specific pilot programmes in the areas indicated would be evolved by a Working/Expert Group on HRD in IT being constituted by DoIT.

60. In this context, a representative of DoIT submitted during evidence as under:

"In the IT-enabled services, there are two types of services, one is the call-centric operations which is the BPO which requires predominantly soft skills like being communicative, helpful nature and a person who is good at keeping the caller engaged online and help him out and that attitude are all called soft skills. Language is one of the most important components of it because most of our operations that we are getting today are from the English speaking people, typically from the United States. The other sector is domain specific IT-enabled services which are mainly in the software services where it is of technical nature and the expertise required of the call-centric agents. Now, the DOEACC has been identifying new areas and domains which enable the foreign companies are outsourcing to India. We are constantly developing syllabus for training such students and we have designed courses in Bio-Informatics, banking, insurance and also designing such courses which IT-enabled vertical domain specific centres are using..... On the generic skills, the DOEACC was a pioneer in starting such courses in the North-Eastern region where

we felt neither the private sector industry reached out to the students of the North-East, nor was there any private enterprise set up. The DOEACC set up that with the fund that we gave from the Department of Development of North Eastern Region. Some of the course were carried to Jammu and Kashmir where we are running these courses under the Prime Minister's programme in Srinagar and in Jammu. We propose to have these courses in other States also and here again the DOEACC would require some Budgetary support and if we have some funds, then we will pass it on to DOEACC to run these courses from other centres also."

VIII. National Informatics Centre (NIC)

(i) General

61. The Committee were informed that DoIT proposed an allocation of Rs. 427 crore for implementing various projects under NIC for the year 2007-08, against which the Planning Commission has approved only Rs. 320 crore. When asked as to how NIC would have utilised had they got the proposed amount, the Director General, NIC submitted as under:

.... In our planning process, we are going to have at least three centers—Delhi, Hyderabad and Pune. We have our own large infrastructure and connect them on to 100 MBPS backup. These three data centers will not only work as disaster centre for each other, but also will provide backup systems for the State Centres,... already Gujarat Centre has done the backup at the Hyderabad Centre..... if we had got more money, Apart from the disaster Centre, we would have business continuity planning, which needs much more resources in terms of how quickly I restore the system, if it goes wrong.

62. The Committee wanted to know about the recovery procedure available in case of a system break down. To this DG, NIC replied:

"We are looking into that aspect. The Secretary was mentioning some days back about this—if my office is connected to his office and his office to the Bangalore office and if something goes wrong, will I get connected? I said, we cannot because we have not considered the business continuity planning system. What is happening is this NICNET is very heavily used now. Even if the system is shut down for 5-6 minutes, we get a lot of complaints. We need to work out alternatives and linkages. While within the network and within the data centre, redundancy has been built,

that does not give us the continuity planning. We need to take a re-look at the whole design and to make sure that 15 minutes certain services are restored and all others are also restored within another 15 minutes, etc. We are looking at the moment, at that, and we need to invest very heavily on that.

63. In the context of reduction in annual plan allocation, the Secretary, DoIT further stated as under:

“... In the case of NICNET, for 05-06, we have had Rs. 260 crore; for the next year; Rs. 280 crore and this year, it is Rs. 320 crore. Even it is not enough for 2-3 reasons. We would like to have business continuity plans; we would like to have more protection to the systems which are in place... Our hope is to spend more in this crucial area. But there is another pressure on NICNET. He had mentioned that its work is going to be arranged at higher levels with more bandwidth. Now, he is setting up the network and structure. But he has to pay more for higher bandwidth charges. That itself will require a very specific outgo of funds. Then we will have to choose between spending more on protection of systems and also he has to spend more on bandwidth and for the network, which is building up...”

64. In the information furnished to the Committee subsequently, it has been stated that due to the reduced outlay, activities in respect of Cyber Security, business continuity planning, Disaster Recovery Centres, E-Governance Standards, Land Records Computerisation, knowledge Management and Training, strengthening of Districts, Upgradation of Video Conferencing facility, Geographic Information System, Data Centres, Last Mile Solution, etc. have to be carried out on a reduced scale.

(ii) Information Kiosks in all the High Courts

65. During 2006-07, a target was kept by NIC to set up Information Kiosks in all the High courts and their Benches, Upgrade LAN and Servers to High Courts and to develop digital Signature and related Software to High Courts by September, 2006. However proposals have been stated to be under process as on 31.12.2006. When asked about the present status in this regard, it has been stated that subsequent to this proposal, the Govt. has given approval for the computerization of 13000 district and sub-ordinate courts through out the country and upgradation of the computer/IT facilities at Supreme Court and 21 High Courts at a cost of Rs. 442.00 crore. NIC has been the implementing agency for this project. Accordingly, upgradation of the

IT facilities including provision for information Kiosk, LAN and servers and development of digital signature would be undertaken under this project.

(iii) Government Informatics Training Programme

66. The Committee have learnt that under the sponsorship of DoP&T various courses have been conducted for Government staff. Workshops on e-Governance was also conducted. In a subsequent note, it has been informed that during the year 2007-08, NIC propose to organise the following programmes under the sponsorship of DoP&T, which would be open to the Government Officials all over India:

1. ICT Tools for e-Readiness in Government:

Venue	Moduel I (10 days)	Module II (10 days)
NIC, Bhopal	Sep 10-21, 2007	Nov 19-30, 2007
NIC, Chennai	Jul 23-Aug 3, 2007	Sep 10-21, 2007
NIC, Delhi	Oct 22-Nov 2, 2007	Jan 7-18, 2008
NIC, Guwahati	Aug 20-31, 2007	Nov 12-23, 2007
NIC, Hyderabad	Sept 17-28, 2007	Nov 12-23, 2007
NIC, Pune	Jun 25-Jul 6, 2007	Aug 6-17, 2007
NIC, Pune	Dec 3-14, 2007	Feb 4-15, 2008

1. Workshop on e-Governance

Venue	Dates
NIC, Chennai	Dec 10-14, 2007
NIC, Delhi	Aug 6-10, 2007 & Feb 4-8, 2008

It has also been informed that such programmes would also be conducted on demand basis for the States on e-Governance Projects.

(iv) Video Conferencing

67. As informed, NIC has set up video-conferencing facility in 490 locations using cost effective solutions. Video conferencing has been extended to districts of Assam, Tamil Nadu, Jammu and Kashmir and Bihar. This facility has been extensively used for monitoring of various

projects and discussions. Video conferencing facilities are being used for conducting remote interactions, inaugurations and for delivering speeches on more than 50 locations. Madhya Pradesh Government has conducted 390 VC sessions between Government secretariat and districts and it has been published as a national record in Limca book of records.

68. In reply to a specific query, it has been informed that NIC has provided Video-conferencing facilities in 21 states so far up to district level. They are Arunachal Pradesh, Assam, Bihar, Chhattisgarh, Himachal Pradesh, Jammu and Kashmir, Jharkhand, Meghalaya, Mizoram, Nagaland, Manipur, Maharashtra, Madhya Pradesh, Orissa, Punjab, Rajasthan, Sikkim, Tamil Nadu, Tripura, Uttrakhand and Uttar Pradesh. Further the following States and Union Territories have number of Video-conferencing studios as indicated:

1. Andaman and Nicobar Islands	—	2
2. Lakshadweep Islands	—	3
3. Pondicherry	—	1
4. Dadra Nagar Haveli	—	1
5. Daman and Diu	—	1
6. Andhra Pradesh	—	2
7. Karnataka	—	1
8. Kerala	—	2
9. Goa	—	1
10. Gujarat	—	1
11. Haryana	—	1
12. West Bengal	—	1

69. To further query, DoIT informed that all the Video-conferencing locations in the States and Union Territories are being used widely by various Central and State Government Departments, Government Agencies and other users of NICNET domain. State Informatics Officers of NIC are in continuous touch with various secretaries to promote the use of NIC's Video-conferencing Services. State-wise Multipoint

Videoconferencing usage for the year 2006-2007 has been given as under:

State/UT		No. of Hours
1		2
1.	Arunachal Pradesh	— 241
2.	Assam	— 427
3.	Bihar	— 976
4.	Chhattisgarh	— 3039
5.	Himachal Pradesh	— 563
6.	Jammu and Kashmir	— 95
7.	Jharkhand	— 409
8.	Meghalaya	— 294
9.	Mizoram	— 200
10.	Nagaland	— 176
11.	Manipur	— 109
12.	Maharashtra	— 84
13.	Madhya Pradesh	— 8720
14.	Orissa	— 652
15.	Punjab	— 216
16.	Rajasthan	— 1621
17.	Sikkim	— 155
18.	Tamil Nadu	— 865
19.	Tripura	— 191
20.	Uttrakhand	— 2090
21.	Uttar Pradesh	— 967
22.	Anandaman and Nicobar Islands	— 64
23.	Lakshadweep Islands	— 18
24.	Pondicherry	— 31

	1	2
25.	Dadra Nagar Haveli	— 21
26.	Daman and Diu	— 6
27.	Andhra Pradesh	— 334
28.	Karnataka	— 207
29.	Kerala	— 46
30.	Goa	— 15
31.	Gujarat	— 66
32.	Haryana	— 17
33.	West Bengal	— 167

IX. Media Lab Asia

70. Media Lab Asia was set up as a non-profit organisation under Section 25 of the Companies Act with a vision of leveraging the information and communication technologies and other advanced technologies for the benefit of the common man. The MLAsia works with the academic/research institutions, industry, NGOs and the Government to bring these innovations for the benefit of the masses. However, it has been observed that the expenditure on MLA project was nil during the 2003-04, 2004-05 and 2005-06. During examination of DFG (2006-07), it was clarified that MLA was released a sum of Rs. 65 crores during first 2 years of its operation. MLA had been using the funds already available with them for ongoing projects and for the new projects initiated by them. Since the funds were already available with them, no additional funds have been released by the Government. Further, during 2006-07, the expenditure was likely to be Rs. 10 crore. It was informed that the restructuring of Media Lab Asia would be completed on appointment of a full time MD/CEO, who will also induct people at senior level. On completion, Media Lab Asia could operate at its full capacity and also utilise the funds at a level originally envisaged in the project proposal.

71. Now with a full time MD & CEO, the Committee wanted to know whether the restructuring of MLA has been done and also the details of projects proposed to be undertaken during the year 2007-2008. DoIT have replied that the full time MD&CEO of Media Lab Asia joined w.e.f. October 16, 2006. He has initiated action for recruitment of other officers and staff and their selection is under

process and as expected the Core Team of Media Lab Asia office would be in place by 30.06.2007 and restructuring of Media Lab Asia would thus be completed.

72. It has further been informed that the Working Groups in each of the thrust areas *viz.* ICT interventions in (i) Healthcare (ii) Education (iii) Special Education (Empowerment of the Disabled) (iv) Livelihood Generation and Rural Connectivity met between November-2006 and February-2007 and recommended taking up of new projects.

73. Asked whether the allocation of Rs. 10 crore would be adequate to implement various MLA projects during 2007-08, DoIT replied that the amount allocated was grossly inadequate considering the massive task of reaching 6.5 lakhs villages with ICT based personalised services (Development & Pilot testing). The sub-committee on R&D on IT constituted for making recommendations on 11th Five Year Plan recommended an allocation of Rs. 150 crores per annum for each year of the Eleventh Five Year Plan amounting to Rs. 750 crore in total for Media Lab Asia.

74. In view of the reduced allocation, the Committee enquired about the further course of action proposed. In reply, it has been stated that a number of appropriate projects have been initiated and more have been identified in line with the emphasis of Eleventh Five Year Plan. DoIT have initiated action for taking up for review of the Media Lab Asia activities through an Evaluation Committee as per the Cabinet decision and thereafter action would be taken for allocating additional appropriate funds for the 11th Plan including the FY 2007-08.

X. Nano-Technology Development Programmes

75. Nano-Technology has been stated to be an emerging, disruptive and interdisciplinary technology involving development of nanomaterials, devices and systems, finds revolutionary applications in almost all fields of science and engineering. Widely recognised as the next technological revolution, Nano-Technology has attracted the attention of scientists and engineers all over the world and would have a profound effect on almost all industry sectors and application areas. Cognizant of the potential of Nano-technology, governments in the developed countries have been funding R&D in this area for quite some time.

76. The Committee have observed that during 2005-06, Rs. 40.43 crore were spent on Nano-Technology Development Programmes though Rs. 30 crore only had been allocated. Further during 2006-07,

BE of Rs. 40 crore kept for the scheme was reduced to Rs. 34 crore at RE stage and the expenditure has been likely to be Rs. 34 crore. During 2007-08, although Rs. 40 crore were proposed by the Department for the scheme, only Rs. 29 crore has been sanctioned. When asked whether the allocation made for the scheme was found adequate, DoIT replied that under the Semi Conductor Integrated Circuit Lay Out design (SICLD) Act activities, an allocation of Rs. 10.00 crore was sought for the Financial Year 2007-08 out of which Rs. 0.75 crore has only been allocated. They can only continue their routine SICLD Registry activities and will not be able to initiate the other new related major programme *i.e.* Creating a national IPR Institute for Semiconductor Layout Design in 2007-08 as planned. They would need additional funds as sought, to start this activity and therefore would take up the matter again at the RE stage, otherwise the programme will loose momentum if adequate funding for subject statutory programme would not come up.

XI. Technology Development for Indian Languages

77. From the material furnished to the Committee, it has been observed that for the scheme Technology Development for Indian Languages, the Department of IT had proposed Rs. 30 crore but the Planning Commission has approved Rs. 11 crore only. Asked about the projects proposed to be undertaken, the Department of Information Technology stated that it has various on-going projects to be continued in the year 2007-08. The details of the on-going as well as new projects proposed to be initiated in the area of speech technology in Indian languages, linguistic resources and capacity building, localization and basic R&D projects in Language computing have been given as under:—

Sl.No.	Name of the Project	Amount (In Rs. Crore)
1	2	3
Ongoing Projects		
1.	Proliferation of Language Technology (National-Roll-Out Plan)	3.73
2.	Mission Mode Projects	
2.1.	Development of Eng-Indian Language (IL) Machine Translation System	3.04
2.2	Development of IL-IL Machine Translation System	3.30

1	2	3
2.3	Development of Cross Lingual Information Access	3.91
2.4	Development of robust printed text document recognition system	3.01
2.5	Development of On-line Handwriting recognition system	1.96
2.6	Development of English-Indian Language Machine Translation System with Angla-Bharti-approach	1.94
3. Other On-going Projects		
3.1	Standardization of IPA-IL for Indian languages	0.08
3.2	Development of Phonetic engine for Indian languages	0.15
3.3	Development of Text-to-speech for Nepali language	0.16
3.4	Specialised Manpower Development in Language Technology	2.00
A. Budget Requirement for On-Going Projects Rs. 23.28 crore		
New Projects for 2007-08		
4.1	Development of Linguistic Resources and Capacity Building	3.72
4.2	Basic R&D projects for Language Computing	3.00
B. Budget Requirement for New Projects Rs. 6.72 crore		
Total Budget Requirements (A+B) = Rs. 23.28 crore + Rs. 6.72 crore = Rs. 30.00 crore		

78. When asked about the strategy adopted to complete the proposed programmes for Technology Development for Indian Languages during 2007-08, it has been stated that under the 'National Roll-Out Plan' project of TDIL, software tools and fonts for 10 Indian languages namely Hindi, Tamil, Telugu, Assamese, Kannada, Malayalam, Marathi, Oriya, Punjabi and Urdu languages have been released in public domain. Software tools and fonts for remaining official Indian languages are being developed/consolidated. 6 mission-mode projects (Sl.No. 2.1 to 2.6) are being implemented in consortium

mode and these projects are being technically monitored by various Project Review and Steering Groups (PRSGs) for their smooth implementation. The mission mode projects are expected to develop prototypes of various deployable systems and the new projects would be initiated as per the recommendations of TDIL Working Group.

PART II

RECOMMENDATIONS/OBSERVATIONS

I. Tenth Plan

1. On scrutiny of Demand No. 15 in respect of the Ministry of Communications and Information Technology (Department of Information Technology), the Committee observe that the total Budgetary allocation for fiscal 2007-2008 is Rs. 1536 crore with the Plan Section accounting for Rs. 1500 crore and the Non-Plan section for Rs. 36 crore. As compared to the Budgetary Support for the year 2006-2007 which was Rs. 1126 crore, consisting of Rs. 1090 crore in Plan section and Rs. 36 crore in the Non-Plan section, the Committee note that the overall budget for the year 2007-2008 has been increased by Rs. 410 crore which marks an increase of 36.41%. The Committee also note with satisfaction that the Department of Information Technology (DoIT) have been able to almost fully utilise the funds allocated to them in all the five years of the Tenth Plan. Out of the Plan Outlay of Rs. 470 crore, Rs. 470 crore, Rs. 750 crore, Rs. 929.30 crore and Rs. 1090 crore during the years from 2002-2003 to 2006-2007 respectively, the corresponding utilization had been Rs. 465.35 crore, Rs. 492.88 crore, Rs. 644.74 crore, Rs. 880.10 crore and Rs. 1090.00 crore (expected). Having seen a steady upward trend both in Plan allocation and utilization, the Committee are hopeful that DoIT will leave no stone unturned to ensure optimum utilization of the funds allocated to them in fiscal 2007-2008.

2. Over the years, the Committee have been closely observing that drastic cuts continue to be made in the Plan Allocation for a strategic and fast growing sector like information technology as compared to the proposed allocations by the DoIT. During the Tenth Plan, the allocations proposed were Rs. 937.19 crore, Rs. 1146.90 crore, Rs. 1294.38 crore, Rs. 1400.67 crore and Rs. 1516.00 crore for the years 2002-2003 to 2006-2007 respectively, against which the allocations made by the Planning Commission were only Rs. 470.00 crore, Rs. 470.00 crore, Rs. 650.00 crore, Rs. 882.00 crore and Rs. 1090.00 crore respectively. The DoIT have conceded that as a result of the reduced allocations, the Department have resort to postponement or slowing down of some of their projects pertaining to important schemes like E-Governance, R&D, NIC, etc. In this context, the

Committee would like to emphasise the need to provide increased Plan support to DoIT keeping in view the sustained double-digit revenue growth, steady expansion into newer service-lines and an unprecedented rise in investments by MNCs registered in the IT sector in the recent years. They trust that Planning Commission will take into consideration these factors while finalising the Eleventh Plan allocations with a view to ensuring that the current pace of development in the IT sector is further encouraged.

II. Eleventh Plan & Demands for Grants 2007-2008

3. Having closely scrutinised the scheme-wise details of Annual Plan allocations for 2007-2008, the Committee note that with the actual allocation being only Rs. 1500 crore as against the proposed amount of Rs. 2092.08 crore, there has been a cut of Rs. 592.08 crore. Out of the allocation of Rs. 1500 crore to DoIT, Rs. 800 crore is meant for e-Governance and Rs. 320 crore for NIC with only the remaining Rs. 380 crore available for other schemes/programmes of DoIT. The Committee sense that this will result in some of the crucial schemes proposed in the Annual Plan being starved of funds. They are, however, not inclined to go by the routine plea of DoIT that the Plan Allocation will be reviewed during consultations with the Planning Commission at the time of finalization of the Eleventh Plan considering the past experience. They find that the allocation was revised upward only once in the year 2003-2004 from Rs. 470 crore to Rs. 495 crore. During 2002-2003 and 2006-07 the allocation remained unchanged at RE stage at Rs. 470 crore and Rs. 1900 crore respectively. During 2004-2005 and 2005-2006, the allocations were in fact reduced at RE stage from Rs. 750 crore to Rs. 650 crore and from Rs. 929.30 crore to Rs. 882 crore respectively notwithstanding the good track record of utilization of allocated funds by the Department in the previous years. The Committee, therefore, desire that DoIT should plead their case effectively during the Plan consultations and at the RE stage for enhancing the Plan allocations to the IT sector in keeping with the emerging trends.

4. The Committee also note that the Planning Commission has not yet finalised the Eleventh Plan proposals of DoIT though an allocation of Rs. 1500 crore has been made for the Annual Plan 2007-2008. In the Committee's opinion, the Eleventh Plan proposals should have been finalised well before the commencement of the Plan period so that the Department could have ensured their preparedness for implementation of the Plan schemes right from day on of the Plan period. As any further delay in finalisation of

the Plan proposals is likely to affect the implementation of the major schemes envisaged in the Plan, the Committee stress that the Eleventh Plan proposals in respect of the Department of Information Technology be finalised expeditiously.

5. The Committee note that Manufacturing, Software Exports, Domestic Software, Human Resource Development and Research & Development are the major thrust areas of the Department of IT for the Eleventh Five Year Plan and accordingly for the year 2007-2008 Manufacturing, Software Exports, Domestic Software are covered under the major head, Infrastructure Development. After downsizing the Annual Outlay for 2007-2008 by the Planning Commission, the schemes for Research & Development, Infrastructure Development and Human Resource Development were provided only Rs. 238 crore, Rs. 884.70 crore and Rs. 44.50 crore respectively as compared to the corresponding proposed allocation of Rs. 410.92 crore, Rs. 1120.16 crore and Rs. 122.00 crore. In the Committee's opinion, sufficient funds need to be made available to these schemes if electronics Industry has to be given a boost for India's long-term global competitiveness. This is also required to sustain the country's global leadership in software exports, to increase domestic software production and most importantly to meet the gap of demand and supply of IT skilled professionals as per the requirement of the IT industry. Besides, India's expenditure on R&D ought to be increased, as at present it is merely 0.80% of the GDP. Needless to say, DoIT have a significant role to play in supplementing the efforts of the IT Industry in all the above-mentioned areas. The Committee trust that the Department would effectively project the above demands at RE stage for obtaining additional funds so that their targets in these areas do not remain illusory.

6. The Committee note that the Department has taken the initiative quite recently to undertake comprehensive, in-depth and independent evaluation of Plan schemes and programmes under implementation in order to measure their developmental outcomes, cost effectiveness and efficiency so as to provide vital inputs for finalising programmes for the Eleventh Plan. The Plan Schemes selected for Impact Evaluation Studies (IES) in 2006-07 on the basis of their importance and implication for the growth of the sector were Software Technology Parks in India, Convergence, Communication, Broadband Technologies and Strategic Electronics, Telemedicine and Technology Development in Indian Languages. The Committee feel that such an exercise should have been done much earlier. With the Plan period having commenced, the Impact

Evaluation Studies in respect of the above mentioned schemes should be completed expeditiously so that the findings of the studies could serve as valuable inputs while formulating Plan strategies and allocations for the Eleventh Plan period. The Committee would like to be informed of the findings of Impact Evaluation Studies (IES) conducted on the schemes/programmes during 2006-07. They also desire that the DoIT should continue to conduct such studies periodically and take corrective measures in the areas found wanting in order to improve upon the process of effective implementation of the Plan Schemes.

III. National e-Governance Plan (NeGP)

7. The Committee find that one of the critical areas in implementation of National e-Governance Programme is the provision of core and support infrastructure, which will be common for all the projects across the board, and it is the responsibility of DoIT to provide it by March, 2008. Core and support infrastructure include State Wide Area Network (SWAN), State Data Centres (SDCs) and Common Service Centres (CSCs). The Committee hope that the infrastructure, on which the timely implementation of National e-Governance Programme depends would be ready in all the States by the middle of 2008 as indicated by the DoIT.

8. The Committee take a serious note that in some States/Union Territories, namely Arunachal Pradesh, Lakshadweep, Dadra and Nagar Haveli, Jammu and Kashmir, Daman and Diu, Goa and Andhra Pradesh, the progress in respect of establishment of SWAN has been lagging far behind the schedule. With the preparatory work having not been completed by these States/Union Territories, the SWAN proposals, as felt by the Department, might not be ready even by the middle of 2008. In fact, the progress has been extremely slow even though the scheme for the establishment of SWAN at a total outlay of Rs. 3334 crore was approved by the Government on 28th March, 2005. While taking serious note of the inordinate delay in submission of SWAN proposals by these States, the Committee desire that the Department should pursue the matter with the remaining States/UTs and make all out efforts to operationalise the SWAN project in all the States/UTs within the time frame.

9. As per the Outcome Budget (2007-08), a target had been fixed to set up 30,000 ICT based kiosks at village levels across the country by March, 2007 and 1,00,000 kiosks by December, 2007. However, as of now only 19000 CSCs are likely to be established by March, 2008

and a total of 84000 CSCs would be set up by August, 2008. By the end of October 2008, the Scheme is expected to be completely rolled out in the country, subject to the speed with which the State Governments implement the Scheme. As establishment of CSCs is basically the responsibility of the Department, the Committee stress that they should effectively monitor the implementation of the project and also render necessary assistance to the States, wherever required, so that CSCs are fully rolled out at least as per the revised schedule.

10. The Committee were earlier given to understand that as part of core and support infrastructure of NeGP, DoIT have considered it necessary to first complete the establishment of State Wide Area Network (SWAN) and Common Service Centres (CSC) as these projects require longer time frame for implementation as compared to the State Data Centres. However, they feel concerned to learn that State Data Centres are proposed to be set up only in 20 States by March, 2008, the time by when SWAN project would be operational in 28 States/UTs, as assured by DoIT. The Committee desire that the Department should make serious efforts to establish the SDCs at a faster speed so that the OSWANs and CSCs do not remain idle and their benefits begin to accrue to the common people at the earliest.

11. The Committee note that the role of the DoIT, as stated in the Cabinet approval for NeGP, is to be of the facilitator and catalyst for the implementation of NeGP by various Ministries and State Governments and also to provide technical assistance to them either directly or in collaboration with external professional consultants. They would serve as a Secretariat to the Apex Committee and assist it in managing the programme. In addition, they would implement pilot/infrastructure/technical/special projects and support components. DoIT would also prepare a suitable template for preparing project document, which could be used by individual Departments for preparing their detailed project reports. The Committee have been informed that for timely and effective roll out, it is necessary that the programme is undertaken in a mission mode where each initiative should state clear and well defined timelines, goals and deliverables. Proper conceptualisation, preparation of detailed project documents and mechanisms to ensure aspects of change management, awareness, process reengineering, etc. would speed up the implementation schedule of the programme. Issues of capacity building, setting up of project and programme management and monitoring mechanisms are also certain key requirements for timely and effective roll out of NeGP. The Committee note that timely implementation of NeGP would, to a great extent, depend on attending to these basic

responsibilities by DoIT. The Committee trust that DoIT would explore all ways and means to ensure timely and effective implementation of the NeGP for meeting all the e-Governance requirements so that there would not be any delay in rolling out the electronic services to the people of the country.

12. The Committee are given to understand that DoIT have been facing difficulties in dealing with issues relating to Project Conceptualization and Capacity Building. In order to accelerate the implementation of various e-Governance projects, a review meeting of e-Governance is proposed to be held soon by a high level body, chaired by the Prime Minister. The Committee desire that DoIT should utilise this opportunity to highlight and sort out the difficulties being experienced by them in relation to various agencies of the Government with a view to facilitating speedier implementation of the programme.

13. The Committee observe that Programme Management Unit (PMU) set up in the DoIT is to provide secretarial support for the NeGP and technical cum managerial support to line Ministries/Departments. A report prepared by PMU on the status of implementation of NeGP is also being constantly updated based on inputs mainly through the concerned line Ministries/Departments. The Committee would like to be informed of the periodicity of receiving these inputs from the line Ministries/Departments and the mode of receiving them in the PMU. They recommend that inputs in respect of projects implemented/to be implemented by the States/UTs should also be obtained from them and used as the basis of the report prepared by PMU. The Committee further welcome the move by PMU officials to organise field visits to the concerned Ministries/States.

14. The Committee note that 11 Market research agencies empanelled by DoIT have been detailed to carry out impact assessment of e-Governance initiatives across different States and the Centre. In Phase I of the assessment, about 40 projects covering 10 States and four nationwide projects have been taken up. The Committee recommend that specific time target for completion of the assessment should be fixed so that the assessment reports would be available at the earliest. The shortcomings in the implementation of the programme on the basis of the assessments should be communicated to the concerned Departments/States so that corrective measures thereon could be initiated and the pace of implementation of e-Governance programme speeded up.

15. As informed, the report submitted by PMU would provide a key snapshot of the implementation status of Mission Mode Projects under NeGP. DoIT is reportedly exploring the option of placing the status of implementation of MMPs in the public domain. The Committee believe that this step would play a meaningful role in the implementation of NeGP as all the stakeholders will have access to the status of implementation of MMPs bringing in transparency in the system. They desire that the possibility of making the public aware of the status of MMPs and inviting their feedback and suggestions to facilitate their cooperation and participation, should also be looked into.

16. The Committee note that in order to spread awareness and promote usage of e-Governance amongst common man, the DoIT have adopted a multi-pronged strategy involving multi-media approach such as use of mass media, advocacy seminars and workshops for implementers, sensitisation workshops for implementing agencies, and or ground activities specific to the context for rural audience. Currently the Department are in the process of selecting and empanelling advertising agencies to carry out these tasks. The Committee suggest that the mobilization process should primarily target the common people who would ultimately be the users and the strategy and the medium of advertising e-Governance should be chosen keeping them in mind.

IV. Electronics and IT Sector

(i) Software Technology Parks of India (STPIs)

17. The Committee express their concern over the drastic cut that has been made in the allocation for STPI. Out of the proposed allocation of Rs. 12 crores, the Planning Commission has approved only Rs. 0.50 crore. However, the Committee hope that the projects planned under the Scheme will not suffer, as assured by DoIT that STPI would carry out their programmes with their internal accruals and will not restrict their activities to the amount provided to them in the budget for the year 2007-08.

18. The Committee note that at present there are 45 STPI centres across the country and 5 more are in the pipeline. The Department have commissioned a study to find out the potential sites for setting up of STPI centres as they have a plan to set up at least one STPI in each State. The Committee desire that the possibility of setting up more STPI centres should be explored, particularly in smaller cities, in order to generate employment opportunities for the youth and also promote IT exports from across the country.

19. The Committee note with satisfaction that through the efforts of STPI, software exports in 2006-2007 would be to the tune of Rs. 131,255 crore (estimated). Significantly, STPI accounts for over 92.56 percent of India's software exports with total exports being to the tune of Rs. 141,800 crore (estimated). However, it is a matter of serious concern that the percentage of growth of software exports through STPI units has been on a declining trend. The percentage of growth registered was 44 percent, 36 percent and 30 per cent (estimated) in the years, 2004-05, 2005-06 and 2006-07 respectively. Needless to mention that with an ambitious target of achieving software export of US\$ 50 billion by 2008-2009 and US \$60 billion by 2009-2010, STPI will have to devise innovative strategies for stepping up software exports by its units. It is in this context that the Committee do not find any justification for reduction of Plan Allocation for STPI. Instead, they feel that STPI should receive support from the Government in terms of financial allocation and a hassle-free environment congenial for its growth.

20. In their 29th Report on Demands for Grants (2006-2007) relating to the Department, the Committee had expressed their serious concern about the sustainability of STP Scheme after the emergence of Special Economic Zones (SEZs). The SEZs Scheme in its present form did not meet the objective of spreading the growth of software industry and the companies under STP Scheme had expressed their concern about the sustainability of the STP Scheme. Although the STP Scheme is a standing scheme, the tax holiday would be available to STPI units only up to 31st March, 2009 with the move to restrict corporate tax exemption to only new units of SEZ. However, a committee chaired by Member Secretary, Planning Commission with Secretaries from Departments of Commerce, Information Technology, Revenue and Economic Affairs as members had recommended further extension of fiscal benefits to STPI units as there is no intrinsic merit in forcing existing STPI units to move to SEZs for availing the fiscal benefits. The Committee have been informed that based on the recommendations of the above said committee, DoIT have taken up with concerned Ministries a proposal for extension of tax benefits under Section 10A and 10B of the Income Tax Act, 1961 to STPI units for 10 years and granting to STPI units the same facilities that are available to SEZs. The Committee trust that the matter would be pursued to its logical conclusion and STPI units would be provided with the same tax concessions that are available to SEZs. The Committee would like to be apprised of the final decision taken in this regard.

21. The Committee observe that the export revenue earned by Information Technology (IT) Software and Related Services have grown from Rs. 6,723 crore in 1997-1998 to Rs. 104,500 crore in 2005-2006 and are estimated to reach Rs. 141,800 crore in 2006-2007. India now accounts for 65 percent of the global market in offshore IT and 46 percent of the ITES market. The growth of the sector has led to tremendous pay-offs in terms of wealth creation and generation of high quality employment. In addition to the direct economic impact, the growth of this sector has also indirectly contributed to economic and employment development in other parts of the economy such as the increased demand for commercial and residential real estate, catalysing urban development, and playing a significant role in driving demand for other commercial services such as retail, hospitality and transportation, etc. Looking at the tremendous prospects of this sector, the Committee consider the reduction in the Annual Plan allocation for the Scheme, Infrastructure Development which includes software export, domestic software production and hardware manufacturing, from the proposed amount of Rs. 1120.16 crore to Rs. 884.70 crore to be unfortunate. Even out of Rs. 884.70 crore provision made for Infrastructure Development, Rs. 800 crore has been earmarked for the e-Governance programme, practically leaving only a meagre allocation for schemes meant for software production and hardware manufacturing. The Committee urge that the Department should pay focused attention to the area of software production and hardware manufacturing.

22. The Committee are informed that as only 10 percent of the US\$ 300 billion market potential in IT and IT Enabled Services (IT-ITES) has been addressed so far, there is significant headroom for growth. Moreover, India is fundamentally advantaged and uniquely positioned to sustain its global leadership position, grow its offshore IT-ITES industries at an annual rate of 24-25 percent, sustain nearly 10 million jobs, and generate export revenues of about US\$ 86 billion by 2012. They also note that the Hon'ble President in his address at the special session of NASSCOM-2006 had asked the industry to aspire to increase its market share to \$200 billion in the IT services, ITES and BPO sector. He had also called for the required policy initiatives in the area of concerns and challenges needed to be addressed in the IT Industry and proposed to constitute a committee to conduct mid-term review of the progress on the recommended policy action and their impact. The Committee would like to be informed of the status in this regard.

23. The Committee further note that the Working Group on IT sector constituted by the Planning Commission to formulate the Eleventh Five Year Plan has set-up Study Teams to make recommendations in their respective sectors. A Study Team thus constituted for “the Exports of Computer software and services” had *inter alia* recommended some measures like improving the supply of suitable talent, building adequate basic, business and social infrastructure, ensuring a favourable business policy and regulatory environment with a special focus on encouraging SMEs and new ventures, global trade development and promoting global free trade in services and fostering a sustainable ecosystem for innovation and R&D for further growth of IT sector. The Committee would like to be apprised of the DoIT’s plan on the recommendations made by the Study Team.

(ii) *IT Hardware Manufacturing*

24. The Committee note that the Government have identified growth of Electronics and IT Hardware manufacturing sector as a thrust area. However, they are at loss to understand the delay in finalization of a Hardware Policy when the discussions and the process for formulating the Policy had started way back in 2003. India has the potential to develop and manufacture Electronics/IT Hardware for the global markets and gain higher global share besides meeting the country’s future requirement in the converging areas of information, communication and entertainment. The Committee are informed that the IT industry suffers disability factors on account of high incidence of duties/taxes, inadequate infrastructure, high cost of finance, transaction cost, freight and power, low volume of production and inverted custom duties structure in some products, etc. While examining the Demands for Grants of DoIT for 2006-2007, the Committee were informed that the Department had prepared a paper on “the Conceptual Policy Framework to promote growth of Electronics/IT Hardware Manufacturing Industry” in consultation with the industry associations. The Committee were subsequently informed that a Task Force set up by the Prime Minister’s Office had submitted its recommendations on 6th March, 2007. Prior to that while examining the Demands for Grants for the year 2003-2004, they were informed about a similar exercise undertaken by the Government when another Task Force had gone into the entire issue and given its report. It is distressing to note that despite having identified Electronics and IT Hardware manufacturing sector as a thrust area, the Government have been dragging their feet on formulation of a policy in this regard. The

Committee urge that at least now the report submitted by the Task Force should be taken up for serious consideration leading to formulation of policy initiatives for promoting growth of electronics/ IT hardware manufacturing industry.

V. Human Resource Development

25. Manpower Development in IT sector has been engaging the attention of the Committee year after year. The Committee note that the All India Council for Technical Education (AICTE) has projected a considerable gap of about 0.26 million between the demand and supply of IT manpower by 2012 which calls for increasing the enrolment in the colleges and opening of new colleges. AICTE is reportedly taking steps to speed up the enrolment to engineering stream to touch the figure of about 1 million by 2010-11 from the current level of about 0.50 million. Admittedly another major challenge in this sphere is to make the existing engineering graduates employable. To cope with the requirement, the Ministry of HRD are in the process of launching Finishing School courses in seven NITs at Surathkal, Durgapur, Warangal, Jaipur, Calicut, Trichi and Kurukshetra from May 2007 on a pilot scale. These pilot Finishing Schools would formulate model curriculum and syllabus which in future could be made part of the engineering curriculum so as to make it compatible with industry needs. The Committee note that DoIT have also proposed to spread the concept of Finishing Schools for IT/ITES sector by way of launching pilot projects in the areas of teacher's Training/courseware development/conducting Master Trainers' Training/Programmes/bridge courses, etc. The Committee consider it a step in the right direction. At the same time, they are of the strong view that after assessing the utility of the Finishing Schools being started on a pilot scale, the concept should be replicated on an urgent basis and on a large scale. They further stress that much more is required to be done to develop skilled workforce for the IT industry and, therefore, it calls for the focussed attention and concerted efforts on the part of the Department. The Committee would like to be apprised of the follow up action taken in this regard.

26. The Committee are informed that DoIT's HRD activities are aimed towards generation of trained human resources for the manufacturing & service sectors of electronics and IT industry. Projects have been initiated for generation of quality and skilled manpower in the area of Information Security, VLSI Design and Computer Science/IT and setting up of a Regional Institute for

e-Learning and Information Technology (RIELIT) at Kohima, Nagaland and ITES/BPO training facilities in Jammu & Kashmir and in the North-East region. They have also engaged C-DAC and DOEACC for conducting industry oriented education programme both in formal and non-formal sectors. DOEACC is implementing ITES-BPO courses in the North East and Jammu & Kashmir region and would initiate this course in its other centres and accredited institutes spread across the country. Besides this, NASSCOM and the Department of Information Technology & Communication, Government of Rajasthan have launched an employment benchmarking test called NASSCOM Assessment of Competence (NAC) as pilot phase for ITES-BPO Sector during November, 2006. The NAC would create a continuous pipeline of talent through continuous assessment of candidates on key skills by a national standard assessment. DOEACC would reportedly assess the progress of NAC and its' impact on the industry for initiating complimentary training efforts in other areas. The Committee desire to be apprised of the findings of DOEACC specifically with regard to the effectiveness of NAC. They recommend that DoIT should review the situation and draw up a comprehensive action plan in consultation with the Ministry of HRD for capacity building with a view to bridging the gap between the demand and supply of IT skilled workforce. There is also a need to extend the training programmes undertaken by C-DAC and DOEACC to more centres across the country.

27. The Committee further note that DoIT are in the process of setting up a working/Expert Group on HRD for evolving pilot projects during the 11th Five Year Plan in the areas of capacity building in selected areas like Nanotechnology, Power and Communication, Computer Science, Biotechnology, Infrastructure, Energy, Manufacturing and Mechatronics to address the requirement of emerging knowledge economy; Technology Incubation Centres and Hardware Infrastructure facility for entrepreneur development; Integration of new courses in ITI and support to Women's Polytechnics and Spreading the concept of Finishing School teachers training by DOEACC/C-DAC, etc. Although it is a move in the right direction, the Committee feel that the allocation of Rs. 43 crore in the Annual Plan for Manpower Development is quite inadequate to meet the vast requirements in the sphere. The concern about the need for funds for DOEACC to start course on generic skills in States other than the North East and J&K was also voiced by the Secretary, DoIT during evidence. In fact, DOEACC was provided only Rs. 50 lakh against the proposed sum of Rs. 22 crore which is

quite unfortunate. The Committee trust that the Pilot Projects taken up by DoIT will go a long way in bridging the gap between demand and supply of IT skilled workforce at present and also for meeting the projected requirements in the future. In view of the pressing needs in the sphere of manpower development, the Committee would impress upon DoIT to pursue with the Planning Commission the need for allocation of more funds during the Eleventh Plan for HRD schemes in the IT sector. The Committee would await the outcome in this regard.

VI. National Informatics Centre (NIC)

(i) General

28. The Committee note that DoIT have proposed an allocation of Rs. 427 crore for implementation of various projects/programmes during the year 2007-2008 against which the Planning Commission has approved only Rs. 320 crore. They have learnt that on account of the reduced outlay, NIC would have to carry out the following activities in a reduced scale, *viz.* Cyber Security, business continuity planning, Disaster Recovery Centres, e-Governance Standards, land records computerisation, knowledge management and training, strengthening of districts, upgradation of video conferencing facility, geographic information system, Data Centres, last mile solution, etc. The urgent need for investing more on business continuity plan, protection to the system, higher bandwidth, etc. for enhancing and stabilizing the operations of NIC was forcefully brought out before the Committee during evidence. The Committee have a strong conviction that with NIC having been entrusted with the unique role of providing network backbone and e-Governance solutions to all the Government institutions, should not be starved of funds for its key operations. It is crucial that NIC should make a steady progress in the pursuit of developing state-of-the-art application software related to various sectors and also for providing cyber security to its network by incorporating security system. The Committee would urge that the requirement of additional funds by NIC should be taken up forcefully with the Planning Commission while finalising the Eleventh Plan proposals as well as at the 2007-08 RE stage and the Committee be apprised of the outcome thereof.

(ii) Information Kiosks in all the High Courts

29. The Committee observe that a target had been fixed for NIC to set up Information Kiosks in all the High Courts and their

Benches, Upgrade LAN and Servers to the High Courts and to develop digital signature and related software in the High Courts by September, 2006 which has not been executed. However, it has been stated that approval was given subsequently for computerization of 1300 district and subordinate courts throughout the country and upgradation of the computer/IT facilities at the Supreme Court and 21 High Courts at a cost of Rs. 442.00 crore for which NIC has been made the implementing agency. As a result of this, all activities connected with provision of IT facilities to the judiciary would be undertaken as part of this project. In view of the importance of the project at hand meant to provide IT backup to the entire judicial system in the country, the Committee trust that NIC will rise to the occasion and execute the project well within the timeline.

(iii) Government Informatics Training Programme

30. The Committee note that NIC is responsible for organising various courses for Government employees under the sponsorship of the Department of Personnel & Training (DoP&T). It is seen that during the year 2006-2007, the total number of workshops on e-Governance projects held were only three with one held at NIC, Chennai and two at NIC, Delhi. During the year 2007-2008, also only two such workshops are proposed to be organised; one at NIC, Chennai and another at NIC, Delhi. According to NIC such programmes would be conducted on demand basis for the States on e-Governance Projects. In view of the ambitious e-Governance programme under implementation in the country, there is a growing need to organise more such workshops at various levels to promote the concept of e-Governance. The Committee, therefore, stress that NIC should devise more number of workshops and training programmes on e-Governance and also take the initiative of offering its services to the State Governments for creating better awareness about the e-Governance programme among the people at large.

(iv) Video Conferencing

31. The Committee note with satisfaction that NIC has set up video conferencing facility in 490 locations in the country using cost effective solutions. This facility is extensively being used for monitoring of various projects and discussions. The facility has been provided in 21 States up to District level so far. Remaining States and Union Territories have at least one video conferencing location. The Committee, however, are not satisfied with the rate of utilisation of multi-point video conferencing facility provided in many of the

States. The Committee find that whereas in States like Madhya Pradesh and Chhattisgarh the facility was used for 8720 hours and 3039 hours respectively, in States like Maharashtra and Jammu & Kashmir where the video conferencing facility is available up to district level, the facility was used only for 84 hours and 95 hours respectively. Therefore, it highlights the need to back up the provision of infrastructure with imparting of awareness programmes and training sessions. While the Committee would like to encourage NIC to network more number of stations in all the States and UT in the country with video conferencing facilities, they would also urge that NIC should devise the package for setting up infrastructure for video conferencing by combining it with training programmes targeting the users in order that the facility provided is made optimum use of.

VII. Media Lab Asia

32. The Committee observe that Media Lab Asia was set up as a non-profit organization with a vision of leveraging the information and communication technologies and other advanced technologies for the benefit of the common man. In their 29th Report on Demands for Grants (2006-2007) of DoIT, the Committee had expressed their serious concern that although a sum of Rs. 65 crore was released during the first two years of its operation, nothing substantial had been done for four years up to 2005-2006. With an allocation of Rs. 10 crore to MLA in fiscal 2006-2007, the Committee had also expressed hopes that its restructuring process would be completed expeditiously. However, the Committee were further informed that although a full time MD/CEO had joined on 16th October, 2006 the full team in MLA is expected to be in position only by 30th June, 2007 as the process of selection of officers and staff has been initiated. The Committee express their serious displeasure about the manner in which MLA, set up to take the benefits of new technologies to the common masses, has been functioning since its inception. They fail to comprehend as to why the process of selection of officers and staff should take such a long time on account of which its operations are practically on a standstill. They, therefore, stress that the restructuring of MLA should be completed within the shortest possible time and the Committee be apprised of the status thereon.

33. The Committee observe that the Sub-Committee on Research & Development on IT constituted for making recommendations for the Eleventh Plan had recommended an allocation of Rs. 150 crore per annum for each year of the Plan period which amount to a total

of Rs. 750 in five years to MLA for achieving the massive task of reaching out to 6.5 lakh villages in the country with ICT based personalised services. Against this, the Plan outlay for 2007-2008 has been only Rs. 10 crore. However, DoIT have informed that an Evaluation Committee has been constituted to review the activities of MLA as per the Cabinet decision and the matter for allocation of additional funds would be taken up subsequently. While welcoming the move to review the functioning of MLA, the Committee only hope that this process would be completed expeditiously. The Committee recommend that MLA should be revamped on the basis of the findings of the Evaluation Committee so that it could become an effective agent for embarking upon the ambitious mission of reaching the information and communication technologies to the common man. Soon after this process is completed, allocation of additional outlay for funding the projects envisaged should also be taken up for serious consideration.

VIII. Nano-Technology Development Programmes

34. The Committee observe that Nano-technology is an emerging, disruptive and interdisciplinary technology widely recognised as the next technological revolution that has attracted the attention of scientists and engineers all over the world. Realizing the potential of Nano-technology, governments in the developed countries have been funding R&D in this area for quite some time. Despite the trends elsewhere, it surprises the Committee that although Rs. 40.43 crore was spent in the year 2005-2006, an outlay of Rs. 40 crore provided in 2006-2007 was reduced to Rs. 34 crore at RE stage. Against the proposed allocation of Rs. 40 crore in 2007-2008 only Rs. 29 crore has been provided. According to DoIT against an allocation of Rs. 10 crore sought in 2007-2008 under the Semi Conductor Integrated Circuit Lay Out Design (SICLD) Act activities, only Rs. 0.75 crore has been provided on account of which only routine SICLD Registry activities could be carried out and DoIT would be forced to shelve the proposal for setting up of a National IPR Institute for Semiconductor Layout Design in the current year. The trend of Budget allocation for Nano-technology, widely recognised as the next technological revolution, has been, to say the least, disappointing. The fact that the planning process which has not been able to keep itself abreast with technological advancement the world over calls for a reversal of the trend. The Committee, therefore, expect the DoIT to accord highest priority for encouraging Nano-technology development programmes and, as assured, to pursue the issue of adequate funding for it at the RE stage. The Committee would like to be apprised of further developments in this regard.

IX. Technology Development for Indian Languages

35. The Committee note that during 2007-08, DoIT had proposed an allocation of Rs. 30 crore for Technology Development for Indian Languages (TDIL) in order to carry out various on-going projects and also take up new projects to be initiated in the area of speech technology in Indian languages, viz. (i) Linguistic resources and capacity building and (ii) Localization and basic R&D projects in language computing against which the approved Plan outlay is Rs. 11 crore only. The Committee learn that under the 'National Roll-Out Plan' project of TDIL, software tools and fonts for 10 Indian languages namely Hindi, Tamil, Telugu, Assamese, Kannada, Malayalam, Marathi, Oriya, Punjabi and Urdu languages have been released in public domain. Software tools and fonts for remaining official Indian languages are being developed/consolidated. The Committee believe that in a multilingual and multi script society like ours where e-Governance programme is being implemented on an extensive scale, there is an urgent need to develop tools for information processing in the local languages, applications and contents and be made available for wider use of ICT to benefit the people at large. The Committee, therefore, feel that availability of funds should not become a hindrance in the implementation for projects under Technology Development for Indian Languages scheme.

NEW DELHI;
25 April, 2007

5 Vaisakha, 1929 (Saka)

NIKHIL KUMAR,
Chairman,
Standing Committee on
Information Technology.

ANNEXURE I

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

The Committee sat on the 2 April, 2007 from 1500 hours to 1800 hours in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Nikhil Kumar—*Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Nikhil Kumar Choudhary
4. Shri Sanjay Shamrao Dhotre
5. Shri Bhubaneshwar Prasad Mehta
6. Shri Sohan Potai
7. Shri Tathagat Satpathy
8. Shri Kinjarapu Yerrannaidu

Rajya Sabha

9. Shri Shyam Benegal

SECRETARIAT

1. Shri P. Sreedharan — *Joint Secretary*
2. Shri Cyril John — *Deputy Secretary*

WITNESSES

**Representatives of the Department of Information
Technology (DoIT)**

1. Shri Jainder Singh, Secretary
2. Shri R. Chandrasekhar, Additional Secretary
3. Shri E.K. Bharat Bhushan, Joint Secretary & Financial Advisor
4. Shri Pankaj Agarwala, Joint Secretary

5. Dr. U.P. Phadke, Advisor
6. Dr. A.K. Chakravorti, Advisor
7. Shri B.N. Satpathy, Economic Advisor
8. Dr. B.K. Gairola, Director General, NIC
9. Dr. S.L. Sarnot, Director General, STQC
10. Shri S.N. Zindal, Director General, STPI
11. Shri S. Ramakrishnan, Director General, C-DAC
12. Shri K.R. Kini, Director (SAMEER)
13. Dr. D.K. Sareen, Executive Director, ESC
14. Shri S.N. Goswamy, CEO, Media Lab Asia
15. Shri J.K. Tyagi, Deputy Financial Advisor

2. At the outset, the Chairman welcomed the representative of the Department of Information Technology to the sitting of the Committee. The Secretary and other representatives of the Department of Information Technology then gave a brief account of the Demands for Grants (2007-2008) with the help of a power point presentation.

3. The members sought certain clarifications on the issues relating to the Demands for Grants (2007-2008) of the Department of Information Technology. The representatives of the Department replied to the queries raised by the members.

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

A verbatim record of the proceedings has been kept separately.

The witnesses, then withdrew.

The Committee, then, adjourned.

ANNEXURE II

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

The Committee sat on the 20th April, 2007 (Friday) from 1500 hours to 1800 hours in Committee Room 'C', Parliament House Annexe, New Delhi.

PRESENT

Shri Nikhil Kumar—*Chairman*

MEMBERS

Lok Sabha

2. Shri Abdullakutty
3. Shri Nikhil Kumar Choudhary
4. Shri Sanjay Shamrao Dhotre
5. Shri Bhubaneshwar Prasad Mehta
6. Shri P.C. Thomas
7. Shri Narahari Mahato
8. Shri Badiga Ramakrishna

Rajya Sabha

9. Shri Praveen Rashtrapal
10. Shri A. Vijayaraghavan
11. Shri Eknath K. Thakur

SECRETARIAT

Shri P. Sreedharan — *Joint Secretary*

WITNESSES

Representatives of NASSCOM

1. Shri Kiran Karnik — President
2. Shri Shyamal Ghosh — Advisor, Cyber Security
3. Shri Nandkumar Sarvade — Director, Cyber Security & Compliance
4. Shri Ameet Nivsarkar — Vice-President
5. Shri Rajdeep Saharawat — Vice-President

**Representative of Tulir-Centre for Prevention &
Healing of Child Sexual Abuse**

Ms. Vidya Reddy

Executive Director

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| 2. | *** | *** | *** | *** |
| 3. | *** | *** | *** | *** |
| 4. | *** | *** | *** | *** |

The witnesses, then, withdrew.

The Committee, then, adjourned for tea.

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| 5. | *** | *** | *** | *** |
| 6. | *** | *** | *** | *** |

The witnesses, then withdrew.

7. Thereafter the Committee took up the following Draft Reports for consideration and adopted the same:—

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|-------|--|-----|-----|
| (i) | *** | *** | *** |
| (ii) | *** | *** | *** |
| (iii) | *** | *** | *** |
| (iv) | Draft Report on Demands for Grants (2007-08) relating to the Department of Information Technology. | | |

4. The Committee, then, authorised the Chairman to finalize the above Draft Reports in light of the factual verifications made by the concerned Ministry/Departments and present the same to the House on a date convenient to him.

The Committee, then, adjourned.