

## **CHAPTER-I**

### **REPORT**

This Report of the Standing Committee on Information Technology deals with the action taken by the Government on the Recommendations/Observations of the Committee contained in its Thirty-Sixth Report (Thirteenth Lok Sabha) on “Demands for Grants (2002-2003)” relating to the Department of Information Technology.

2. The Thirty-Sixth Report was presented to Lok Sabha on 16 April, 2002 and laid on the Table of the Rajya Sabha on 24 April, 2002. It contained 35 Recommendations/Observations.

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

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

Paragraph Nos:- 18, 19, 22, 48, 60, 61, 63 & 95

Total : 8

Chapter - II

(ii) Recommendations/observations which the Committee does not desire to pursue in view of the reply of the Government:

Paragraph Nos:- 26-29, 37-41, 43, 44, 62, 71, 72, 73, 79, 80, 81, 87, 88, 92 & 97

Total : 22

Chapter - III

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

Paragraph Nos:- 15-17, 52 & 53

Total : 5

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(iv) Recommendations/observations in respect of which replies are interim nature:

Paragraph Nos:- NIL

Total : NIL

Chapter - V

**4. The Committee trusts that utmost importance would be given to the implementation of the recommendations accepted by the Government. In cases, where it is not possible for the Department to implement the recommendations in their letter and spirit for any reason, the matter should be reported to the Committee with reasons for non-implementation. The Committee further desires that Action Taken Notes on the Recommendations/Observations contained in Chapter-I of this Report should be furnished at an early date.**

5. The Committee will now deal with action taken by Government on some of its recommendations.

#### Inadequate Budgetary Allocations

Paragraphs 15, 16 & 17

6. The Committee in its earlier Report had pointed out that the outlay of Rs.1165.77 crore proposed by the Department of Information Technology was reduced by the Planning Commission and only Rs.470 crore were allocated for the year 2002-03 to the Department. Because of the reduced allocation, a number of projects like ERNET, CIC extension, E-Governance initiatives, tele-medicines and other R&D activities suffered irreparable deceleration. The new initiatives in infrastructure development like Gyan Vahini and Vidya Vahini also would not be able to undertake full-fledged schemes. It was also pointed out that in spite of Planning Commission's recommendation to the various Ministries to earmark 3% of their annual allocation to IT related activities, the actual spending would not exceed 1%. The Committee had also observed that the funds not spent by other Ministries on IT related activities should be allocated to the Department of Information Technology. The Committee had urged the Department to take up this matter with the Planning Commission.

7. The Department of Information Technology in the Action Taken Notes has stated that the Planning Commission has been apprised to give a boost to the economy as a whole.

This sector needs a quantum increase of at least 30-35% each year. The critical areas which needed additional allocation included ERNET, NIC, E-Governance, IT for Masses (Tele-medicine and Tele-education), new initiatives in R&D in the areas of bio-informatics, cyber security, language technologies, SAMEER, C-DAC, extension of the Community Information Centre in the newly created States of Jharkhand, Uttranchal & Chattisgarh. All these required increased allocation of Rs.680 crore. However, due to financial constraint the Planning Commission did not increase the allocation for the year 2002-03. The Department has also requested the Planning Commission that a framework needs to be evolved whereby each Ministry earmark at least 3% of its allocation for IT related activities and its monitoring in a non-lapsable manner.

**8. The Committee is not impressed by the plea that due to financial constraints Planning Commission could not increase allocation for Information Technology. The Committee feels that half-hearted approach will not bring the desired results of achieving the accelerated pace of development in Information Technology. Once the goals are set forth, the Planning Commission and Ministry of Finance are required to act in unison to mobilize the required resources. The Committee, therefore, urges the Department of Information Technology to take up the matter with Planning Commission and the Ministry of Finance at the highest level so that the country does not lose the opportunity due to lack of initiative required to be taken in the Information Technology.**

**National Informatics Centre (NIC)  
(Paragraph Nos. 52 & 53)**

9. The Committee in its earlier Report had observed that the Department of Information Technology had proposed outlay of Rs. 275 crore for NIC, for initiating several new schemes during 2002-2003. However, Rs.175 crore were allocated. In view of the reduced allocations, the Committee observed that it would not be possible for NIC to take up its projects/schemes effectively. The Committee had recommended that the matter be taken up at the highest level with the Planning Commission and the Ministry of Finance to ensure that the Department gets adequate resources to implement its programmes/schemes.

10. The Department in the Action Taken Notes has stated that due to reduced allocation in budget, NIC had to postpone or implement at reduced scale some of its projects like upgradation of services in the States/Central Government, Back-up Data Centres,

Upgradation of State Video facilities and supplementing NIC NET Hub etc. The Department has also stated that higher allocation would be proposed at the RE 2002-2003 stage so that various projects envisaged at BE 2002-2003 stage are implemented successfully.

**11. The Committee notes that due to reduction in allocation from Rs. 275 crore as proposed to Rs. 175 crore, NIC, had to either postpone or implement at a reduced scale some of its important projects. In view of the critical nature of work carried out by NIC in providing IT solutions to the States and Central government, the Committee had recommended that the Department take up the matter with the Planning Commission and Ministry of Finance and seek higher allocations for NIC. The Department of Information Technology has stated that higher allocation would be proposed at the RE 2002-2003 stage so that the projects envisaged are implemented successfully. The Committee would like to be apprised of the proposals made and the actual allocations made at the RE stage.**

**Venture Capital Fund  
(Paragraph Nos. 37 to 41)**

12. The Committee had observed in the earlier Report that the procedure for sanction of Venture Capital had become cumbersome and time consuming, which discouraged potential seekers of Venture Capital and SIDBI could sanction a sum of Rs.46.09 crore to 20 companies since inception. In this context, the Committee had recommended that SIDBI should re-orient its approach and adopt a proper procedure to achieve the objective of promoting enterprise in software and IT industry. The Committee had desired that the role of Government should be that of a facilitator by providing seed capital, and in association with private bodies, the initiative should be taken by the Government. The Committee had also recommended that the matter be examined at the highest level in coordination with concerned agencies, for a simplified procedure for Venture Capital, so that it could accelerate the development of the IT sector.

13. In its Action Taken Notes, the Department of Information Technology had submitted that at the time of setting up of National Venture Fund for Software and Information Technology Industry (NFSIT) in August, 1999, it was expected that the Fund Corpus would be utilized within 12-18 months in view of the high demand for Venture Capital due to rapid growth in software industry. However, on account of various problems

such as general economic slowdown, decline in valuation of technology stocks and problems of exit for Venture Capital funds, Venture Capital funds had to follow a cautious policy. The change in the environmental factors had resulted in utilization of the fund taking a longer time than originally envisaged. The procedure for sanction of venture capital by SIDBI Venture Capital Limited was broadly on the lines of the procedure followed by other VC funds in India. The Department has also stated that, based on the observations of the Standing Committee it had proposed to review the existing procedures. The Department has also informed that the Ministry of Small Scale Industries had constituted a Task Force on Financing Knowledge Based Industries for Small Enterprises Sector including IT industry to review the scenario for funding and availability of Venture Capital for small scale entrepreneurs. The Department of Information Technology is also represented on the Task Force, and the recommendations of the Committee would be taken to the Task Force for suggesting best means to implement these recommendations.

**14. The Committee notes that the procedure for sanction of venture capital by SIDBI Venture Capital Limited was broadly on the lines of the procedure followed by other VC funds in India, The Committee observes that in view of slow progress made by the Venture Capital Funds due to cautious policy followed by them coupled with the general economic slow down and also decline in valuation of technology stocks, NFSIT could sanction only Rs.46.09 crore to 20 units during a period of 30 months. In view of it, the Department has proposed to review the existing procedures for sanction of venture capital. The Committee further notes that Ministry of Small Scale Industries has constituted a Task Force on Financing Knowledge Based Industries for Small Enterprises Sector including IT industry to look into the issues pertaining to availability of Venture Capital for small scale entrepreneurs in the country.**

**15. The Committee feels that a fund established by the Government need not adopt a procedure similar to that followed by private promoters, since objectives of the two are different. The Committee also trusts that the Task Force in the course of its deliberations would look into the concerns of the Committee expressed in its earlier Report on the issue of Venture Capital, and in light of the same would come up with a simplified procedure so that, IT entrepreneurs did not face shortage of Venture Capital nor were shied away by the cumbersome procedure. The Committee would like to be apprised about the findings of the Task Force, and consequent action taken by the Government in this regard.**

**DOEACC**  
**(Paragraph Nos. 43 & 44)**

16. In the 36<sup>th</sup> Report the Committee had observed that DOEACC 'C' level qualification had not been recognized by Government for employment purpose and a proposal in this regard was under consideration of the All India Council for Technical Education (AICTE). The Committee felt the issue had been kept pending since long without any justification, and had recommended that the Department should take up the matter at the highest level for seeking early recognition of DOEACC 'C' level qualification in the larger interest of the students pursuing such courses across the country.

17. In the Action Taken Notes the Department has replied that AICTE had constituted an Expert Committee on 5 January, 2001 to look into the matter of recognizing 'C' level courses. However, the said Committee has not held any meeting so far. Therefore, a final decision was still awaited.

**18. The Committee notes that the issue of granting recognition to 'C' level qualification of DOEACC as equivalent to M.Tech. for the purpose of employment has been under consideration for a long time. The Committee feels, that due to callous indifference shown by AICTE in the matter, there has been inordinate delay in the recognition of C Level course. As a result of it, career prospects of students pursuing this course are being compromised. The Committee desires that the Department of IT take up the matter with AICTE at the highest level to expedite recognition of the course. The Committee would like to be apprised of the steps taken by the Department in this regard.**

**19. The Committee further notes that the issue of academic recognition of all levels of DOEACC Computer education is under-active consideration of the Government since long. The clarification sought by AICTE were furnished to them on 21<sup>st</sup> March, 2001. However, no decision has been taken so far. The Committee will like the Department of Information Technology to pursue the matter at the highest level with a view to expedite the decision.**