

FIFTY-NINTH REPORT

**STANDING COMMITTEE ON
INFORMATION TECHNOLOGY**
(2003)

(THIRTEENTH LOK SABHA)

DEPARTMENT OF INFORMATION TECHNOLOGY

[Action Taken by Government on the Recommendations/Observations
of the Committee contained in its Forty-Seventh Report (Thirteenth
Lok Sabha) on Demands for Grants (2003-2004)]

Presented to Lok Sabha on 22.12.2003
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LOK SABHA SECRETARIAT
NEW DELHI
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CHAPTER-I

REPORT

This Report of the Standing Committee on Information Technology deals with the action taken by the Government on the recommendations/observations contained in the Forty-Seventh Report (Thirteenth Lok Sabha) on Demands for Grants (2003-04) relating to Ministry of Communications and Information Technology (Department of Information Technology).

2. The Forty-Seventh Report was presented to Lok Sabha on 7.4.2003 and was laid on the table of Rajya Sabha on 8.4.2003. It contained 33 recommendations.

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

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

Paragraph Nos. 17, 18, 19, 20, 21, 22, 23, 29, 54, 55, 71, 82, 97 and 103

Total : 14

Chapter-II

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

Paragraph Nos. 27, 28, 35, 36, 37, 42, 43, 44, 49, 72, 73, 81, 90, 95, 96 and 102

Total : 16

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. 70, 88 and 89

Total : 3

Chapter-IV

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

Paragraph No. 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 any reason for the Department to implement the recommendations in letter and spirit, 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 the action taken by Government on some of the recommendations.

National Hardware Policy

(Para No. 70)

6. The Committee in its 47th Report on Demands for Grants (2003-04) relating to the Department of Information Technology had observed that there had been no clear and comprehensive national policy for hardware manufacturing industry though an urgent need had been felt for the same. The Committee learnt that there existed a software policy but the process was still going on to formulate the IT Hardware Policy. Keeping in view the fact that the IT hardware industry is highly diversified, competitive and capital intensive and it has the potential to provide direct employment to 1.6 million persons and indirect employment to 3.2 million as compared to 2.2 million employment capacity of the software sector, the Committee had recommended that policy for hardware manufacture industry should be urgently finalised so that the hardware industry could get the focused attention and its' vast potential are fully exploited.

7. The Department of Information Technology in its Action Taken Note has stated that with regard to a policy for hardware manufacture industry, a draft paper *viz.* "National Electronics Hardware Manufacture Policy" has been prepared and circulated to the Electronic Industry Associations for comments, before it is finalized.

8. The Committee notes that the Department of Information Technology has prepared a draft paper "National Electronics Hardware Manufacture Policy" and circulated it to the Electronic Industry Associations for their comments before the same was finalised. In this context, the Committee recalls the assurance given to it by the Department of Information Technology in April last at the time of examination of Demands for Grants that Hardware Policy would be on paper within a month. The Department owes an explanation to the Committee for the

inordinate delay taking place in this regard. The Committee strongly desires that a Hardware Policy be finalised expeditiously.

Funds for Hardware Industry

(Para No. 72)

9. In its earlier Report, the Committee had expressed concern at allocation of only Rs. 6 crore against the projection of Rs. 92 crore to STPI & Electronic Hardware Technology Parks (EHTP). The Committee had apprehended that with such a meagre allocation, the Department would not be able to establish parks of excellence for IT hardware with the latest infrastructure. The Committee was surprised to note that though Indian Hardware Industry had been under pressure for its survival, the Government was not coming forward to help the industry by providing sufficient funds. The Committee, therefore, had earnestly desired that Department should be given adequate funds at the RE stage, so that IT Hardware Industry is given added significance.

10. The Department of Information Technology in its Action Taken Note has stated that they had taken up the matter with the Ministry of Finance to enhance the budgetary support for 2003-04 for Information Technology sector. The Finance Ministry has advised them to take up the matter at the RE stage.

11. The Committee notes that Department of Information Technology had taken up the matter with Ministry of Finance to enhance the budgetary support for 2003-04 for Information Technology sector. Ministry of Finance in turn has advised the Department to take up the matter at the RE stage. The Committee would like to be informed of the progress made in this regard.

Revising Norms for Computers Owned by Govt. Departments

(Para No. 73)

12. The Committee in its earlier Report had observed that the then Department of Electronics had issued a Circular in the year 1987, according to which any Government organization buying a computer would not go by the brand name but by the configuration of the computer. However, the Committee observed that government organisations were insisting on the servers of the branded companies as the Circular had mentioned about PCs only. The Committee had, therefore, recommended that a revised notification should be issued to include therein servers, networking and other IT related products and ISO 9000 companies. The Committee was of the opinion that this would

encourage the domestic market to produce computers and small scale hardware industry could flourish and compete with Multinationals.

13. The Department of Information Technology in Action Taken Note has stated that it has proposed to the Department of Expenditure, who had issued the original Circular to amend the Circular to include Server, Networking products and Computer peripherals and also to specify criteria as ISO 9002 companies for supply to Government Departments/PSUs without mentioning specific brands in their tenders.

14. The Committee notes that the Department of Information Technology has proposed to the Department of Expenditure for amendment to the Circular issued in 1987 by them by including Server, Networking products and Computer peripherals and specifying the criteria as ISO 9002 Companies, for supply to Government Departments/PSUs without mentioning specific brands in their tenders. The original Circular mentioned only about PCs. The Committee desires that the matter should be pursued vigorously. The Committee would like to be apprised of the Action taken by the Department of Expenditure in this regard.

Orders for Multi-Application Smart Cards to SCL

(Para No. 88 and 89)

15. The Committee in its earlier Report took a serious note of the fact that even though Semi-Conductors Complex Limited (SCL) was in a position to supply multi-application smart cards, it could not get the tender for supply of smart cards to the Government Departments/agencies and the same was awarded to ITI Ltd. The Committee had observed that for high security applications which were not desirable to be given out to private parties and for National Identity Cards or citizens applications, SCL should play an important role. Further, Department of Information Technology (DIT) was also to consider recommending to the Government Departments/agencies to make a proviso in the tender documents for offering, upto 35% of the orders of smart cards at the lowest bid price to SCL. The Committee was further surprised to note that HTL had been enjoying 30 percent purchase preference even after it became privatised. The Committee, therefore, had desired that preferential treatment to HTL after privatization should be withdrawn.

16. The Department of Information Technology in Action Taken Note has stated that Home Secretary held a meeting with the officials of the Department of Information Technology and Chairman & Managing

Director, Semi-Conductors Limited(SCL). Thereafter, as advised by the Home Secretary; CMD, SCL met the Registrar General of India(RGI) and discussed SCL's approach for participation in the project. The response from RGI is stated to be awaited.

17. In respect of purchase preference, the Department has stated that they have, written to 'the Department of Telecom that since SCL, ITI & HTL are under the same Ministry viz. Ministry of Communications and Information Technology, it would be appropriate for DoT to extend its Purchase Preference Policy to SCL on the same lines as is being done in the case of ITI and HTL.

18. The Committee notes that the Home Secretary held a meeting with the officials of the Department of Information Technology and Chairman & Managing Director, Semi-Conductors Limited(SCL) on the Multi-purpose National Identity Card (MNIC) project. As advised, CMD, SCL met the Registrar General of India(RGI) and discussed SCL's approach for participation in the project. The response of RGI is awaited. The Committee desires that the Department of Information Technology should pursue the matter vigorously with the Ministry of Home Affairs in this regard.

19. The Committee learnt during a study tour to SCL, Mohali in June 2003 that MNIC project provided a big opportunity and, if used, would result in both expansion and modernisation. The project was stated to be at an initial stage and the Ministry of Home Affairs had to create a national register of citizens to identify the recipients of the card. After that, a pilot project would be taken up with SCL's involvement before the countrywide programme is launched. It was thus made clear to the Committee that the Company was devoid of orders. The Committee, therefore reiterates that Multipurpose National Identity Card (MNIC) project being high security applications should be entrusted to SCL at least partly.

20. The Committee further desires that the Preferential Purchase Policy of the Department of Telecom be extended to Semi-Conductors Limited also as it has been done in the case of ITI Ltd. and HTL Ltd.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendations (Para No. I 7)

The Committee notes with concern that the Department of Information Technology has been allocated a meager amount of Gross Budgetary Support of Rs. 470 crore for the year 2003-04, which is identical with the allocation made during 2002-03. It is further a matter of grave concern that the Department has been allocated Rs. 470 crore which is around 41 percent of the proposed outlay of Rs.1146.90 crore projected by the Department of Information Technology to implement its not only ambitious but important schemes. The Planning Commission has reduced the proposed outlay because the Ministry of Finance had indicated ten per cent growth overall ceiling for the Annual Plan 2003-04 which is marginally higher (3 percent or so) as compared to previous year's Plan. Though the overall ceiling is marginally higher by 3 percent yet the Department of Information Technology has been completely ignored by keeping the budgetary allocations for 2003-04 at the level of the previous year. As a result of reduced allocations, Department of Information Technology is unable to take up additional schemes which it intended to take to keep pace with the development in IT sector. It is unfortunate that for such an exciting and growing sector as information technology, Government could not find resources. In one of the meetings called to discuss plan allocations, Planning Commission has candidly stated that because of resource constraint, it would be difficult for the Commission to agree for a step up of more than ten percent over the budget support approved for the year 2002-2003. Such a conservative approach will not be able to take the country forward by unshackling the vicious circle of poverty and lower technological growth. The country can ill afford to ignore the fact that many countries are spending billions of dollars to explore the potentials of this exciting sector.

Recommendation (Para No. I8)

The Committee observes that in the year 2001-02, Planning Commission had reportedly justified the reduced allocation to the Department of Information Technology on the ground that each Ministry was told to spend about three percent of their Budget on

schemes relating to Information Technology. However, since it was not mandatory, no separate head was created. The Ministries/Departments did not take it seriously and spent only one to two per cent on IT related schemes. Even at this stage, no figure is available with regard to percentage or amount if any that was spent by the Ministries on Development of Information Technology. Planning Commission did not even monitored this aspect. No doubt, Department of Information Technology being a small Department is playing the role of catapult. The main thrust has to come from the other Ministries/Departments. Therefore, the Committee urges the Government to make mandatory provisions in this regard so that the desired funds are channelled to IT sector. The requests made earlier have failed to yield the desired results.

Recommendation (Para No. 19)

The Committee learns that Working Group on Information Technology Sector set up to formulate the Tenth Five Year Plan(2002-07), constituted by the Planning Commission has recognised that “India does have enormous opportunities from globalisation and consequent lowering of tariff barriers”. It emphasised the need “to consolidated these through brand equity, marketing contacts, upgrading of manpower skill base, moving up the value chain, better infrastructure and economies of scale through larger domestic market base, R&D especially on E-Security aspects and strengthening of hardware sector”. Urgent need is felt to strengthen IT infrastructure both for hardware and software exports and citizen centric interface. Distance learning to spread education and regular upgradation of skills is considered to be the need of the hour through interconnecting all schools and colleges in the country(approx.) through a network with initial support from the Government. This will help promote IT among masses and minimize digital divide as suggested by the Working Group.

Recommendation (Para No. 20)

On the Contrary, the Committee finds that the Planning Commission without paying any heed to the observation of the Working Group has drastically curtailed the Tenth Five Year Plan allocations for all the schemes proposed to be undertaken by the Department of Information Technology. Against the proposed Gross Budgetary support of Rs. 1,787.73 crore for R&D programmes, Rs. 1,864.00 crore for Infrastructure Development, Rs. 269.81 crore for Human Resource

Development, Rs. 209.00 crore for Miscellaneous programmes, Rs. 264.71 crore for Semi-Conductor Complex Ltd. (SCL), Rs. 2,500 crore for National Informatics Centre (NIC) and Rs.76 crore for ESC & Export Market Development Programmes, the Planning Commission has approved only Rs. 923.00 crore for R&D programmes, Rs. 594.00 crore for Infrastructure Development, Rs. 92.00 crore for Human Resource Development, Rs.105.00 crore for Miscellaneous programmes, Rs. 5.00 crore for Semi-Conductor Complex Ltd., Rs.975 crore for NIC and Rs. 20 crore for Electronics & Computer Software Export Promotion Council (ESC) & Export Market Development Programmes. This is negation of planning and makes a mockery of it. If resources are to be allocated on considerations other than the expert advice, there is no justification for undertaking such elaborate and exhaustive studies. Plea of funds constraint is totally misplaced in priority areas such as information technology which is wisely considered as an engine to drive growth. It is for the Government to mobilize the resources. Nation's progress should not be slowed down due to the inability or inefficiency of those entrusted with the mobilization of resources. The Committee, therefore, strongly urges the Government to see development of information technology in right perspective and find out ways and means to mobilize adequate resources for ICE sector.

Recommendation (Para No. 21)

The Committee expresses its serious concern at the blanket reduction in the Annual Plan proposals for the year 2003-04. Against the proposed Gross Budgetary Support of Rs. 272.26 crore for R&D, Rs. 399.76 crore for Infrastructure Development, Rs. 148.05 crore for Human Resource Development, Rs. 48.27 crore for Semiconductors Complex Limited (SCL) and Rs. 226.23 crore for NIC, the Planning Commission has approved Rs. 107.10 crore for R&D, Rs. 129.00 crore for Infrastructure Development, Rs. 17.00 crore for Human Resource Development, Rs. 6.00 crore for Semiconductors Complex Limited (SCL) and Rs. 181.70 crore for NIC respectively. The Committee apprehends that due to such reduction the Department will not be able to implement the schemes undertaken by them in the given time-frame. Moreover, reduced allocation does not allow the Department to take up any new project except meeting the needs of the ongoing projects. The Committee urges the Department to take up the matter for enhancing the plan allocation at RE stage with the Planning Commission at the highest level.

Recommendation (Para No. 22)

The Committee observes that out of the allocation of Rs. 470 crore, Rs. 181 crore would be utilised by NIC and with the remaining funds it would not possible to achieve anything substantially. The Committee shares the views of the Department that the Planning Commission should allocate sufficient funds to the Department of IT by diverting funds from sectors which are creating smaller multiplier to a sector which is creating larger multiplier in terms of return on investment. As informed, at present IT sector has a share of 2.5 percent of GDP and 18 percent of the total export and by 2008, it will be sharing 7 percent of the GDP and 35 percent of the total export of the country. The contribution of IT sector of the GDP will thus increase three times than what it is at present. Prudence requires that this sector been outraged by higher allocation of funds commensurate with the needs of the projects proposed by the Department.

Recommendation (Para No. 23)

The Committee further notes that the Department of Information Technology has asked for additional funds of Rs. 235 crore break-up being Rs. 50 crore for Media Lab Asia, Rs. 60 crore for e-Governance, Rs. 7 crore for DNA Park, Rs. 8 crore for Software Technology Parks of India (STPI), Rs. 5 crore for ERNET, Rs. 5 crore for Indian Language Technology, Rs. 15 crore for IT Security, Rs. 30 crore for Community Information Centres, Rs. 5 crore for Manpower for VLSI Design, Rs. 30 crore for Vidya Vahini & Gyan Vahini Programme and Rs. 20 crore for National Informatics Centre. These are some of the important schemes in IT sector and the Department of Information Technology intends to achieve a break through by implementing ambitious schemes which in turn will help generate higher growth. The Committee strongly recommends that additional requirement of funds of the Department should be met fully at RE stage to generate proper momentum.

Action Taken by the Department

The Department of Information Technology (DIT) is grateful to the Standing Committee for its strong recommendations for additional requirements of funds for the DIT.

The Department of Information Technology has informed the Planning Commission and the Finance Ministry that the software industry has emerged as one of the fastest growing sectors in the Indian

economy during last decade. Information and Communication Technology (ICT) today permeates almost every sphere of human endeavour. Investment in ICT has the largest multiplier effect rippling through the economy than any other sector. Indian IT software and services industry accounts for about 2.4 percent of India's GDP and 20.4 percent of exports during 2002-03 and is projected to account for 7% of India's GDP and 35% of exports by 2008.

The Department has forwarded a copy of the Forty-Seventh Report of the Standing Committee to the Planning Commission and requested them to consider to make mandatory provision for each Ministry to spend three percent of their Budget on schemes relating to Information Technology and increase fund allocations for DIT in the light of the recommendations of the Standing Committee. The Department of Economic Affairs has already decided to place 'Information Technology' head separately in the Demand for Grants for various Ministries/Departments to facilitate the monitoring of expenditure on Information Technology.

The Department has urged the Planning Commission and the Finance Ministry that having regard to the pervasive nature of IT in the working of the Government as well as the promise that IT holds to give a boost to the economy as a whole, the sector needs a quantum increase of at least 30-35% each year. Low amount of Budgetary Support will adversely effect the progress of various developmental programmes and infrastructure facilities initiated by the Department.

The Department has time and again raised the issue for increase in fund allocation for Information Technology sector with the Planning Commission at the highest level. The Department also brought it to the notice of the Member, Planning Commission at the time of Quarterly Performance Review Meeting of Telecom, Posts and Information Technology sector held on 1.5.2003.

We have taken up with the Finance Ministry at the highest level to enhance the Budgetary Support for 2003-04 for Information Technology sector. The Finance Ministry has advised us to take up at the Revised Budget Estimates stage.

Recommendation (Para No. 29)

The Committee notes that in the financial year 2002-2003, Rs. 3 crore was provided for Nano-Technology development

programme. However, the Department could utilise only Rs. 70 lakh. The Committee is not convinced by the reasoning given by the Department for under-utilisation of funds i.e. non fructification of new project proposals in the area of chip design and process technology. Obviously, the Department has to tune up to undertake big initiatives in the emerging fields of technology. The Committee would like to be assured that in future sincere efforts will be made to fully utilize the funds. If there is failure, the Department will not be in a position to justify more funds for the scheme.

Action Taken by the Department

All efforts would be made by the Department to fully utilize the fund Rs. 3 crore allocated during 2003-2004.

Recommendation (Para No. 54)

The Committee is constrained to note that e-Governance is also one of the areas where the Department will have to sacrifice various schemes in view of the reduced allocation by the Planning Commission. The annual plan allocation for 2003-04 proposed by DIT is stated to be Rs. 100 crore, however, the Department has been allocated Rs. 40.50 crore only. The Department intended to initiate institutional mechanisms to facilitate greater utilization of Information Technology as enabling tool for efficiency and effective in Government with the proposed outlay of Rs.100 crore. The Committee notes that taking into account the momentum gathered for the scheme and also response of the State Governments, the Department had proposed an outlay of Rs.100 crore. The Committee desires that a step up in the allocation should be made for e-Governance at the RE stage. The importance of various IT activities in e-Governance domain is the demand of the time.

Recommendation (Para No. 55)

The Committee notes that the Department has not been able to utilize the allocation of Rs. 41.17 crore for 2002-03 on e-Governance and the utilization remained at the level of Rs. 21.25 crore (up to Feb. 2003). The reason is stated to be that for certain projects viz. Land Records (12 States), Registration (5 States), Transport (6 States), Upgradation of MAHANET (VSAT network of Govt. of Maharashtra), the project regarding e-Governance project in Rashtrapati Bhawan and Standing Finance Committee Note regarding Computerization of e-Governance in

Govt. of Uttar Pradesh approval has yet to be obtained and the Department expects full utilization of the allocated amount after they get the approval. The Committee is not convinced of the reasoning for under-utilisation of funds. It urges the Department of Information Technology to strengthen its monitoring mechanism with a view to take timely corrective steps so that implementation of the projects is not hindered for avoidable reasons.

Action Taken by the Department

The conceptualization of E-Governance Projects take long time and we have to take States alongwith us to implement it. The projects in the areas of Land Records, Registration, Transport, etc., with 11 States matured by March, 2003. The funds for the year 2002-03 of Rs. 41.17 crore have been fully utilised. The recommendations of the Committee have been noted.

The Department has time and again raised the issue for increase in fund allocation for Information Technology sector with the Planning Commission at the highest level. The Department also brought it to the notice of the Member, Planning Commission at the time of Quarterly Performance Review Meeting of Telecom, Posts and Information Technology sector held on 1.5.2003.

We have taken up with the Finance Ministry at the highest level to enhance the Budgetary Support for 2003-04 for Information Technology sector. The Finance Ministry has advised us to take up at the Revised Budget Estimates stage.

Recommendation (Para No. 71)

The Committee regrets to note that though the Department has tried to remove the constraints faced by the hardware industry *viz.* inverted tariff structure, non-availability of inputs, shifting Government policy and poor infrastructure etc. yet the bottlenecks still exist. The Committee has been apprised of the Tenth Five Year Plan projections for hardware production of Rs. 69,000 crore in the realistic scenario and of Rs. 90,000 crore in the optimistic scenario, for the year 2006-07. The Committee is constrained to observe that though the targetted growth of CAGR 20 percent for Computer Hardware is achievable, yet the various constraints faced by the Hardware Industry may make the task difficult. The Committee, therefore, impresses upon the Department to pursue the

matter at the highest level so that constraints/ bottlenecks are removed at the earliest and Indian Hardware Industry captures the initiatives well in time.

Action Taken by the Department

It is continuous process to remove bottlenecks faced by the hardware industry such as infrastructure Inverted tariffs and procedures simplifications. All these issues and problems are taken up with the concerned Ministries/Departments at the highest levels.

Recommendation (Para No. 82)

The Committee notes that the service to NIC users for the Central Government, State Government and District Administrations is provided free of cost to all Government e- governance applications. The Secretary, Planning Commission has observed that NIC should charge its users for providing its services and an exercise in this regard has been initiated by the Department. However, the Committee is of the view that if NIC starts charging for its services, many of the State Governments which are in financial crunch will find it difficult to pay and in turn may curtail use of Electronic Governance which will not be in the overall interest of spread of information technology.

Action Taken by the Department

NIC is providing basic E-Governance infrastructure support to the Central Government Departments, State Governments/UTs, District Administrations and other Government bodies. Induction of E-Governance takes time as it involves change of mindset of employees and re-engineering of the Government processes. The main objective of NIC is to promote and induct ICT tools in the Government Departments at both Central and State level. In view of this, it does not charge its services as these departments get funds from the Government. However, other projects which NIC executes on behalf of the Central Government Departments, State Governments and public Sector Units, it has invariably been charging for implementing such projects.

Recommendation (Para No. 97)

The Committee notes that during 2002-03, the Department could utilize Rs. 61 lakh only against the allocation of Rs. 2 crore for the scheme. The reason for the same viz. some of the implementing

institutions have not submitted the utilisation certificates and other requisite details to enable processing the cases for release of funds does not convince the Committee. The Committee feels that had the institutions been pursued vigorously, the funds would have been released in time. The Committee desires that adequate measures should be taken in advance so that the meager funds allocated for the scheme are fully utilised.

Action Taken by the Department

All efforts would be made so that the funds allocated for this scheme are fully utilised.

Recommendation (Para No. 103)

The Committee further notes that the Department was not able to fully utilise the funds during the last two years. During 2001-02 and 2002-03, out of the allocated funds of Rs. 5 crore each year, the Department could utilise Rs. 2.96 crore and Rs. 2.00 crore (Up to Feb. 2003) respectively. The Committee desires that the Department should take utmost care so that the funds allocated to it are fully utilised.

Action Taken by the Department

The recommendation of the Committee has been noted. During the year 2002-03, the allocated fund of Rs. 6 crore has been fully utilised.

CHAPTER III

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

Recommendation (Para No. 27)

The Committee notes that Nano-Technology is an emerging technology of manipulating matter at the atomic scale. It will make most products lighter, stronger, cleaner, less expensive and more precise and is expected to usher the next industrial revolution. The Nano-Technology research is being strongly supported by the Governments in USA, Europe, China and Japan. In USA alone, Nano-Technology Initiative has been launched in financial year 2001 by stepping up the investment to \$495 million. During financial year 2002 and 2003, the funding has been \$604 million and \$774 million respectively. The research in this area would vastly depend upon availability of trained manpower and resources. The Department has planned to develop this area in cooperation with leading academic and R&D institutions in the country.

Recommendation (Para No. 28)

The Committee feels sorry to learn that out of the proposed outlay of Rs. 20 crore for 2003-2004 for Nano-Technology Development Programme, allocation is Rs. 3 crore only. With the allocated funds, the Department will cater to the requirements of the ongoing projects and initiate new projects in the area of micro- electronics. The balance available would be utilised to initiate research activities *viz.*, Nano-Materials at Centre for Materials for Electronics Technology (C-MET), initiation of new projects at Central Scientific Instrument Organisation (CISO) and some academic institutions. Further, Department has planned to upgrade certain skills in conventional technology and to direct them to work in the area of Nano-Technology. The Committee is at loss to understand what exercises could be taken up for research and material development in Nano-Technology field when the developed countries are spending billions of rupees in this field. The Committee, therefore, strongly feels that in view of the immense potentials of Nano-Technology, much higher investment is required to be made for this scheme at the initial stage itself. The Committee, therefore, strongly recommends that the proposed allocation of Rs. 20 crore should be

restored so that the Department is able to take some worthwhile initiative in Nano- Technology.

Action Taken by the Department

The Department of Information Technology is grateful to the Standing Committee for its strong support for additional fund for Nano-Technology area.

Recommendation (Para No. 35)

The Committee is perturbed to observe that for the Tenth Five Year Plan, the Planning Commission has drastically curtailed the outlay proposed by the Department of Information Technology for its R&D programme. Against the proposed allocation of Rs. 210.00 crore for Micro-Electronics and Nano-Technology Development Programme, Rs. 120 crore for Technology Development Council, Rs. 128.09 crore for Components and Material Development programme and Rs. 270 crore for Promotion/R&D in IT/Special IT projects, the Planning Commission has approved only Rs. 18 crore for Micro-Electronics and Nano-Tech. Development Programme, Rs. 30 crore for Technology Development Council, Rs. 51 crore for Components and Material Development Programme and Rs. 85 crore for Promotion/R&D in IT/Special IT projects. This is a sad commentary on development of R&D programmes in the emerging field of Information Technology on which nation has pinned high hopes.

Recommendation (Para No. 36)

Due to reduced allocations, many R & D programmes will have to be sacrificed. Under Nano-Technology development programme, scheme for setting up of new Centres of Excellence can not be taken up, under Components and Materials Development Programme, the programme for major strengthening of the infrastructure at the three laboratories of C-MET at Pune, Hyderabad and Thrissur which had been envisaged during the 10th Plan would be diverted restricting the areas of focus to high purity materials and electronic packaging and reducing the work to be done in emerging areas such as op to-electronics and sensors and actuators and under Technology Development Council programme also, the support to new areas would have to be limited to identification and incubation. The Committee is not at all impressed by the reasons advanced by the Planning Commission and desires the

Department of Information Technology to take up the matter at the highest level in the Government to convince the Planning Commission/ Ministry of Finance of the important need to have a strong R&D programme in the Information Technology sector of the country.

Recommendation (Para No. 37)

The Committee is aware that software sector is the maximum Foreign Exchange (FE) earner in the IT sector and will become the highest export component in the entire economy by 2008. It will also provide the highest employment in IT sector. India's competitive strength in this area is already globally well recognized and is bringing pride to the nation. No doubt major initiative in software rests with the private sector, yet the Department of Information Technology has been playing its role of facilitator of Information Technology in its own humble way by initiating the programmes/projects which can strengthen software segment of Information Technology sector. As the roll out for the Tenth Plan builds momentum, more projects will be identified in the remaining part of the Tenth Plan in response to changing needs. The Committee recommends to Planning Commission to reconsider the Department's projection for the 10th Plan outlay of Rs. 270.00 crore for the software sector at the time of mid-term appraisal of the Plan.

Action Taken by the Department

The Department has already provided a copy of the Report of the Standing Committee to the Planning Commission. The Planning Commission has stated that 10th Plan Outlay for Software Sector would be looked into at the time of Mid-term Appraisal.

The Department has time and again raised the issue for increase in fund allocation for Information Technology sector with the Planning Commission at the highest level. The Department also brought it to the notice of the Member, Planning Commission at the time of Quarterly Performance Review Meeting of Telecom, Posts and Information Technology sector held on 1.5.2003.

We have taken up with the Finance Ministry at the highest level to enhance the Budgetary Support for 2003-04 for Information Technology sector. The Finance Ministry has advised us to take up at the Revised Budget Estimates stage.

Recommendation (Para No. 42)

The Committee notes that Educational Research Network (ERNET) will strengthen national capabilities in the area of computer networking and data communication, to make it competitive by World standard and to carry the benefits to nationwide academic and research community, industry and variety of users. It learns that DIT has signed MoU with University Grants Commission(UGC). Now UGC has to provide connectivity both V-SAT connectivity and internal fibre layout connectivity. More than a hundred Universities would be taken up during the course of this year. An MoU has also been signed with All India Council for Technical Education(AICTE) and they have to connect 150 out of 1200 engineering colleges.

Recommendation (Para No. 43)

However, the Committee finds that the project was approved by the Cabinet Committee on Economic Affairs (CCEA) on 31st May, 2002 and the Department was sanctioned a grant of Rs.55 crore for the capital equipment to install servers and the backbone leased lines. Out of the same, Rs. 33.9 crore have been released but the remaining amount of Rs. 21.10 crore is withheld. The Committee desires that the spill over amount of Rs. 21.10 crore should be released urgently to enable the ERNET to complete the project expeditiously.

Recommendation (Para No. 44)

The Committee is concerned to note that in the absence of additional allocation, an amount of Rs. 11 crore as part of spill-over balance of Rs. 21.10 crore is being released to ERNET out of the budget allocation for Vidya Vahini and Gyan Vahini Programmes. The Committee views that such transfer of fund from one scheme to another will definitely affect the implementation of one of the projects and therefore should be avoided.

Action Taken by the Department

The Cabinet Committee on Economic Affairs (CCEA) had approved the upgradation of ERNET on 31st May, 2001 and sanctioned a grant of Rs. 55 crore for capital equipment to install servers, backbone, leased links and bandwidth. An amount of Rs. 46.9 crore has been released till 2002-03. Since the Ministry of Finance did not provide additional

allocation to ERNET during the year 2002-03, an amount of Rs. 11 crore was appropriated from the savings of the Vidya Vahini and Gyan Vahini Programme but this has not effected the progress of these projects. The Pilot Vidya Vahini Programme has already been launched in the 140 schools by the Prime Minister on 11th June, 2003. Gyan Vahini programme was initiated at 3 places (i) Delhi University, (ii) Allahabad University and (iii) Jamia Milia University, Delhi. The project at Delhi University has been completed and progressing at other two places. A provision of Rs. 6 crore has been made for release to ERNET during the year 2003-04. The project is progressing well and will not suffer on account of funds.

Recommendation (Para No. 49)

The Committee notes that the Department of Information Technology had proposed an outlay of Rs. 60 Crore for "Vidya Vahini and Gyan Vahini" Project for the year 2003-04 to extend Vidya Vahini project to at least one district in each State. Similarly, at least, one University/higher learning Institution in each State was proposed to be covered by the pilot programme of Gyan Vahini. However, due to the reduction in outlay from Rs. 60 crore to merely Rs. 5 crore by the Planning Commission, the Department has contended that Vidya Vahini project cannot be extended to one district in each State. Similarly Gyan Vahini project cannot be extended to one University/higher learning institution in each State. As stated, allocation of Rs. 5 crore will be utilised to nurture the Vidya Vahini programme already undertaken and to develop and create content, portal management and training of teachers. This scheme envisaged that for the first year the recurring cost of internet connectivity will be about Rs. 1.5 lakh per annum and will be borne by the Do it and thereafter the concerned States will be required to maintain them. However, it has been represented to the Committee that with the current financial position of the States, it may not be possible for them to maintain the equipment and bear the recurring cost of internet connectivity after the completion of the pilot project. This will result in non-utilisation of facilities created at enormous cost and the project of computer education will suffer. The Committee, therefore, strongly recommends that Department of Information Technology should nurture the schools covered under the pilot project and provide for recurring cost for a longer period of say 2-3 years for internet connectivity and

maintenance. By that time the State Government may find resources to maintain the projects.

Action Taken by the Department

Department of Information Technology has implemented the pilot project of Vidya Vahini Programme at the following districts:

1. Lucknow, Uttar Pradesh
2. Allahabad, Uttar Pradesh
3. Hazaribagh, Jharkhand
4. Gandhinagar, Gujarat
5. Chittoor, Andhra Pradesh
6. Parli Vaijarnath, District Beed, Maharashtra
7. South 24-Parganas, West Bengal

The budget of Rs. 5 crores provided for Vidya Vahini and Gyan Vahini Programme in the Annual Plan 2003-04 will be utilised for the project at Allahabad University and Jamia Milia Islamia which are already in progress and also to provide necessary assistance in servicing the programme already implemented in 140 schools in the country. The programme includes internet connectivity and maintenance charges for 1 year. The Department has noted the recommendations of the Standing Committee and will consider recurring cost for 2-3 years for internet connectivity and maintenance for schools covered under the Pilot Project.

Recommendation (Para No. 72)

The Committee is concerned to note that out of the projection of Rs. 92 crore for STPI & Electronic Hardware Technology Parks(EHTP), the Department has got only Rs. 6 crore. The Department will not be able to establish parks of excellence for hardware which will provide the latest infrastructure. Despite the fact that Indian Hardware Industry has been under pressure for its survival, Government is not coming forward to help the Department by providing sufficient funds. In order to give added significance to the Hardware Industry, the Committee earnestly desires that Department should be given adequate funds at the RE stage.

Action Taken by the Department

We have taken up with the Finance Ministry at the highest level to enhance the Budgetary Support for 2003-04 for Information Technology sector. The Finance Ministry has advised us to take up at the Revised Budget Estimates stage.

Comments of the Committee

(Please *see* para No. 11 of Chapter I)

Recommendation (Para No. 73)

The Committee finds that one of the Circulars of the Electronic Department issued in 1987 stating that if any Government organization buys a computer, they will not go by the brand name but will go by the configuration of the computer needs revision. The Circular covered only PCs. Organisations have been flouting this and going for servers of the branded companies. In order to encourage the domestic market to produce computers so that small scale hardware industry can flourish and they can compete with the Multinationals, the Committee recommends that as assured by the Department of IT, a revised notification by including servers, networking products and ISO 9000 companies will be issued.

Action Taken by the Department

With regard to the Committee's recommendations regarding purchase of computers by Government Departments /PSUs specifying the brand names of PCs, Department of IT has proposed to the Department of the Expenditure by whom original circular has been issued for amendment of the circular so as to include Server, Networking products and Computer peripherals and also to specify criteria as ISO 9002 companies for supply to Government Departments/PSUs without mentioning specific brands in their tenders.

Comments of the Committee

(Please *see* para No. 14 of Chapter I)

Recommendation (Para No. 81)

The Committee further notes that NICNET when established in the year 1980 was the only network available but now the growth of the

private sector is taking place. Today Government has the option to support the NICNET by providing adequate funds to help it grow or use the service of the private parties who have created capacities by making huge investments. As it seems that there is no difficulty in spreading NICNET; for building it to a much larger level in terms of higher bandwidth and higher capability etc. or in terms of the capabilities or competencies, the Committee desires that sufficient amount should be provided for enhancing NICNET so that it grow both horizontally, as well as in terms of capacity with the private sector. The Department's requirement of additional funds of Rs. 20 crore which NIC need for replacement of obsolete hardware and software should be considered favourably.

Action Taken by the Department

NIC has projected an outlay for 2003-04 as Rs. 226.23 crore against which the budget of Rs. 181.70 crore has been allocated. NIC needs an additional amount of Rs. 20 crore mainly for replacement of obsolete hardware/software.

We have taken up with the Finance Ministry at the highest level to enhance the Budgetary Support for 2003-04 for Information Technology sector. The Finance Ministry has advised us to take up at the Revised Budget Estimates stage.

Recommendation (Para No. 90)

The Committee notes that a spillover outlay of Rs. 48.27 crore have been proposed for 2003-2004 to complete the augmentation of various R&D and CAD facilities at SCL. However, Rs. 6 crore only has been allocated for the year 2003-04. The Committee desires that in order to enable the company to take up the augmentations in totality as envisaged, the additional funds required would be sought under supplementary grant.

Action Taken by the Department

As desired by the committee, additional funds required would be sought under the supplementary grant.

Recommendation (Para No. 95)

The Committee notes that the Department had projected Rs. 125 crore during 2003-2004 for VLSI design manpower, which is much higher than the amount of Rs. 22 crore projected during 2002- 03. The reason for proposing higher allocation is stated to be the importance that the Department attaches to the scheme. In pursuance of the recommendations made by the Kohli Committee in its Report entitled “Promoting Microelectronics Education: The Indian Imperative” has projected a need of 4000 to 5000 Microelectronics professionals per year at the level of M. Tech (Microelectronics). The Do it has contended that as per AICTE norms, an M. Tech batch can have a maximum of 25 students. Taking an average of 20 students per batch would imply initiation of the M. Tech programme at 250 centres across the country for a targetted output of 5000 M. Tech (Microelectronics) per year. A preliminary estimate indicates an amount of about Rs. 1.5 crore per center covering computer hardware and software, laboratories infrastructure, faculty salaries, students fellowship etc. over a 5 year period. This would translate a budgetary requirement of Rs. 375 crore for the programme. An amount of Rs. 125 crore was projected in 2003-04 proposals towards hardware, software, laboratory infrastructure and recurring expenditure for one year. It is stated that in view of the reduced allocation of Rs. 3.50 crore, after catering to the needs of the ongoing projects covering 7 RCs and 12 PIs during 2003-04, the balance left would be around Rs. 2.50 crore which would enable initiation of the programme only at 5 new centers during 2003-04.

Recommendation (Para No. 96)

Sharing the view of Department, the Committee desires that funds should be made available to them for at least 44 institutions that have been identified by F.S. Kohli Gommittee so that VLSI programmes can be started in those 44 institutions, if not 250 and for that they would require Rs. 65 to 70 crore.

Action Taken by the Department

As desired by the Committee the Planning Commission/Finance Ministry will be approached for additional funds at RE stage.

Recommendation (Para No. 102)

The Committee appreciates the efforts made by the Department of IT in Technology Development for Indian Languages project. The Committee feels that Rs. 6 crore allocated to the Department against the proposed funds of Rs. 12.50 crore for TDIL would remain insufficient as TDIL has to perform substantial amount of work. The Committee, therefore, desires that more funds should be provided to the Department at RE stage to help TDIL to realise the objectives.

Action Taken by the Department

As desired by the Committee, Planning Commission/Finance Ministry will be approached for additional funds at RE stage.

CHAPTER IV

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

Recommendation (Para No. 70)

The Committee is surprised to note that till date there is no clear and comprehensive national policy for hardware manufacturing industry though its urgent need has been felt. The Committee learns that the IT task force of the Prime Minister gave three Reports, out of which first was on software, the second was on hardware and the third was about the overall structure. Though the software policy is in place, on IT hardware policy, there have been discussions and the process is on to formulate the same. In view of the fact that Hardware Industry has the potential to provide direct employment for 1.6 million and indirect employment of 2.3 million as compared to 2.2 million employment capacity of the software sector and that hardware industry is highly diversified, competitive and capital intensive, the Committee recommends that a policy for hardware manufacture industry should urgently be finalised so that the hardware industry get the focussed attention and the vast potential is fully exploited.

Action Taken by the Department

With regard to the recommendations of the Committee of a policy for hardware manufacture industry, a draft paper “National Electronics Hardware Manufacture Policy” has been prepared and circulated to the Electronics Industry Associations for comments before it is finalized.

Comments of the Committee

(Please *see* para No. 8 of Chapter I)

Recommendation (Para No. 88)

The Committee notes Semi-Conductors Complex Limited(SCL) is in a position to supply multi-application smart cards and Department of Information Technology (DIT) is considering to recommend to the Government Departments/agencies to make a proviso in the tender documents for offering to SCL, up to 35% of the orders of smart cards at the lowest bid price. Also the Department is of the view that in line with the initiatives taken by Governments of other countries, SCL can handle the

Multipurpose National Identity Card (MNIC) project of the Government based on Smart Card technology and, if required, upgrade its infrastructure. The Committee is of the opinion that being Public Sector Undertaking, Semi-Conductors Complex Limited should be provided all assistance in procurement of orders and in this context their proposals merit favourable consideration.

Action Taken by the Department

As regards the Multi-purpose National ID Card (MNIC) project of the Government of India, a meeting was taken by the Home Secretary in which officials of the Department Information Technology and Chairman & Managing Director, Semi-Conductor Limited (SCL) participated. Thereafter, as advised by the Home Secretary; CMD, SCL met the Registrar General, India (RGI) and discussed SCL's approach for participation in the project. The response from RGI is awaited.

Recommendation (Para No. 89)

The Committee, however, is unhappy to learn that SCL could not get the tender mentioned above and that particular tender has been awarded to ITI. HTL, is still surprisingly enjoying 30 per cent purchase preference granted to it when it was a public sector company. The Committee desires that preferential treatment to HTL after privatization be withdrawn forthwith. The Committee fully concur with the views of the Department that basically these are high security applications where the State may not want to have those applications to be given out to private parties. In that particular situation at least for National Identity Cards or citizens applications, SCL should play an important role.

Action Taken by the Department

Department of Information Technology has already written to the Department of Telecommunications stating that since SCL, ITI & HTL are under the same Ministry *viz* Ministry of Communications and Information Technology (MCIT), it would be appropriate for DoT to extend its Purchase Preference Policy to SCL on the same lines as is being done in the case of ITI & HTL.

Comments of the Committee

(Please see para No. 18,19 & 20 of Chapter-I)

CHAPTER V

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

—NIL—

NEW DELHI;
18 December, 2003
27 Agrahayana, 1925 (*Saka*)

SOMNATH CHATTERJEE,
Chairman,
Standing Committee on
Information Technology.

MINUTES OF THE THIRTY-THIRD SITTING OF THE
STANDING COMMITTEE ON INFORMATION TECHNOLOGY
(2003)

The Committee sat on Thursday 11 December, 2003 from 1500 hours to
1530 hours in Committee Room 'E', Parliament House
Annexe, New Delhi.

PRESENT

Shri Somnath Chatterjee—*Chairman*

MEMBERS

Lok Sabha

2. Shri Pawan Kumar Bansal
3. Prof. Dukha Bhagat
4. Shri Ajay Singh Chautala
5. Shri K.K. Kaliappan
6. Shri Bhartruhari Mahtab
7. Shri Saroj Tufani
8. Shri C.N. Singh
9. Shri Nikhil Kumar Chowdhary
10. Shri Vanlalzawma
11. Smt. Kanti Singh
12. Dr. Bikram Sarkar

Rajya Sabha

13. Shri Vijay J. Darda
14. Shri S.S. Ahluwalia
15. Smt. Sarla Maheshwari
16. Shri K. Rama Mohana Rao

SECRETARIAT

1. Shri S.K. Sharma — *Officer on Special Duty (IT)*
2. Shri B. D. Swan — *Under Secretary*
3. Shri D.R. Shekhar — *Assistant Director*

4. At the outset, the Chairman welcomed the Members to the sitting of the Committee. The Committee then, considered and adopted the following Draft Reports.

- | | | | |
|-------|---|-----|-----|
| (i) | *** | *** | ** |
| (ii) | *** | *** | ** |
| (iii) | *** | *** | *** |
| (iv) | Draft Report on Action Taken by Government on the recommendations/observations of the Committee contained in its Forty-Seventh Report on "Demands for Grants (2003-2004)" relating to the Department of Information Technology. | | |

5. The Committee, then, authorised the Chairman to finalise the Reports in light of the factual verifications received from the concerned Ministry/Department and present the same to the House.

The Committee, then, adjourned.

**ANALYSIS OF ACTION TAKEN BY GOVERNMENT ON THE
FORTY-SEVENTH REPORT (13th LOK SABHA)**

[*Vide* Para No. 5 of the Introduction]

I.	Recommendations/Observations which have been accepted by the Government: Paragraph Nos. 17, 18, 19, 20, 21, 22, 23, 29, 54, 55, 71, 82, 97 and 103	14
	Percentage of Total	42.42%
II.	Recommendations/Observations which the Committee does not desire to pursue in view of the replies of the Government : Paragraph Nos. 27, 28, 35, 36, 37, 42, 43, 44, 49, 72, 73, 81, 90, 95, 96 & 102	16
	Percentage of Total	48.48%
III.	Recommendations/Observations in respect of which replies of the Government have not been accepted by the Committee and which require reiteration: Paragraph Nos. 70, 88 & 89	3
	Percentage of Total	9.09%
IV.	Recommendations/Observations in respect of which replies are of interim nature: Paragraph Nos. Nil	NIL
	Percentage of Total	NIL