

INFORMATION TECHNOLOGY ACTION PLAN

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INFORMATION TECHNOLOGY

ACTION PLAN

PREAMBLE

In the history of civilisation, no work of science has so comprehensively impacted on the course of human development as Information Technology (IT). Undoubtedly, IT has been the greatest change agent of this century and promises to play this role even more dramatically in the coming decades. IT is changing every aspect of human life - communications, trade, manufacturing, services, culture, entertainment, education, research, national defence and global security. IT is breaking old barriers and building new interconnections in the emerging Global Village. IT has also become the chief determinant of the progress of nations, communities and individuals.

For India, the rise of Information Technology is an opportunity to overcome historical disabilities and once again become the master of one's own national destiny. IT is a tool that will enable India to achieve the goal of becoming a strong, prosperous and self-confident nation. In doing so, IT promises to compress the time it would otherwise take

for India to advance rapidly in the march of development and occupy a position of honor and pride in the comity of nations.

The Government of India has recognised the potential of Information Technology for rapid and all-round national development. The National Agenda for Governance, which is the Government's policy blueprint, has taken due note of the Information and Communication Revolution that is sweeping the globe. Accordingly, it has mandated the Government to take necessary policy and programmatic initiatives that would facilitate India's emergence as an Information Technology Superpower in the shortest possible time.

This commitment to Information and Communication Technology in the National Agenda for Governance has been forcefully articulated by Prime Minister Shri Atal Bihari Vajpayee on a number of occasions. In his first televised address to the Nation on March 25, the Prime Minister declared that promotion of Information Technology would be one of his Government's five top priorities.

In his speech at the CII Annual Session on April 28, 1998, the Prime Minister said: "This is one area where India can quickly establish global dominance. India can be fully competitive in this area with tremendous pay-offs in terms of wealth creation and generation of high quality employment".

The Prime Minister announced at the CII Annual Session the Government's resolve to set up, within 30 days, a National Task Force on Information Technology, which would formulate the draft National Informatics Policy.

Accordingly, the Office of the Prime Minister issued a Notification on 22nd May, 1998 constituting a National Task Force on Information Technology and Software Development. This Task Force is chaired by Shri Jaswant Singh, Deputy Chairman, Planning Commission and co-chaired by Shri N. Chandrababu Naidu, Chief Minister of Andhra Pradesh and Dr. M. G. K. Menon, former Minister of State for Science and Technology. Its members include eminent representatives from the Government, industry and academia.

The Prime Minister has given five main tasks and 15 terms of reference to the IT Task Force (see Annexure). The tasks include recommending, within one month, immediate steps that the Government needs to take to remove bottlenecks in the path of rapid development of IT in India and give a big boost to Indian IT and software industry.

The Task Force has completed its deliberations on this immediate task and is pleased to submit its first report to the Prime Minister. This report, called the Information Technology Action Plan, contains 108 recommendations covering both bottleneck areas and broad promotional measures that are crucial for boosting IT in India.

These recommendations cover a wide spectrum of issues relating to telecommunications, finance, banking, revenue, commerce, electronics, human resource development, defence

and rural development. They address critical national needs in the areas of information infrastructure, Internet access, software development and exports, hardware manufacture, electronic commerce, R&D in IT, manpower training and education.

Software exports has received much attention of the Task Force. Recognising India's competitive advantage in this area, the Action Plan has made many recommendations aimed at enabling Indian exporters to capture a large share of the global software market in a short time.

A unique promotional campaign suggested in the report is OPERATION KNOWLEDGE, which aims at universalising IT and IT-based education at all levels of the education pyramid in India.

A notable feature of these recommendations is the conscious effort of the Task Force to give Information Technology a pro-people and pro-development thrust. These recommendations flow from a perspective that India can become a strong IT power only if information technology reaches out to the masses in rural areas and in small towns and if its use in Indian languages can also be given major encouragement.

Taken together, the recommendations in the Information Technology Action Plan significantly broaden and deepen the process of economic reforms by encouraging competition, entrepreneurship and innovation -- the three principles which are cardinal for India's progress in the emerging knowledge-driven global economy.

The Task Force is confident that the implementation of these recommendations will send a strong signal to people within India and abroad that India can swiftly ride on the Information Superhighway.

Activities of the Task Force till date

The Office of the Prime Minister issued a Notification on 22nd May 1998 constituting a National Task Force on Information Technology and Software Development. Dr. M.G.K. Menon, Co-Chairperson of the Task Force, Dr. N. Seshagiri, Member-Convener, and Shri Sudheendra Kulkarni of the PMO met Shri Jaswant Singh, Deputy Chairman, Planning Commission and Chairperson of the Task Force on 26th May 1998 for finalising the guidelines regarding the deliberations of the Task Force.

The Task Force created a Web Site on the Internet, with a web-letter from the Chairman, inviting suggestions from IT professionals around the world. On the basis of a number of useful reports on the topic prepared earlier by various organisations like the Planning Commission, Ministry of Commerce, Department of Electronics, NIC, Government of Andhra Pradesh, as well as industry associations like NASSCOM, MAIT and ESC and the suggestions given by the various members of the Task Force, the Member-Convener prepared a Basic Background Report (BR-1) and hoisted the same on the Web. More than 3,000 suggestions have been received on the Web from IT professionals around the world.

The Task Force held a number of preparatory meetings, and several formal and informal meetings with the Ministers concerned and their Secretaries and senior officials as per the following schedule:

26 May, 1998 : Meeting with the Deputy Chairman,

Planning Commission & Chair-person

of the Task Force

12, 13 & 15 June 1998 : Preparatory meetings in New Delhi under the chairmanship of Professor M.G.K. Menon,

Co-Chairperson of the Task Force

16 June 1998 : Meeting in the Department of Telecommunication

18 June 1998 : Meeting with the Chief Minister of Maharashtra, senior officials of the State Government and scientists and academicians and industry representatives in Mumbai

20 June 1998 : Meeting with the Wireless Adviser, Government

of India

22 & 23 June 1998 : Meeting with the Minister for Communications

23 June 1998 : Meeting with Chairman, Telecom Commission

24 June 1998 : Meeting with Scientific Adviser to Raksha Mantri & Secretary, Defence (Research)

25 June 1998 : Meeting with Finance Minister

25 June 1998 : Meeting with Chief Minister of Andhra Pradesh & Co-Chairperson of the Task Force

26 June 1998 : Meeting with Finance Secretary

27 June 1998 : Meeting with Finance Secretary

29 June 1998 : Meeting with Finance Secretary

July 1, 1998 : Meeting with Finance Minister

July 1, 1998 : Meeting with Wireless Adviser &

Defence Ministry officials

This is the first time in India that representatives of so many ministries, departments, industry associations, business houses, educational institutions and State Governments interacted so intensively and in such a short period of time to cover so many bottleneck and promotional areas in Information Technology. It is also the first time that agreement was reached and concurrence received on most of the points in the Action Plan. This, the Task Force believes, augurs well for its early and effective implementation.

Future Activities

After submission of the first report on bottleneck and immediate promotional issues, the Task Force will begin work on the more substantive work of formulating the draft National Informatics Policy. Towards this end, it will soon set up Working Groups on various specific subjects, on which representatives from Government, industry, academia and other sections of society from across the country will be represented. A few of the Working Groups have already started their work.

The Task Force also plans to identify a large number of national missions which will be so designed as to make visible and catalytic impact on the use of IT in India.

In order to broadbase its consultations, the Task Force has drawn up a plan to visit Bangalore, Hyderabad, Calcutta and Guwahati in the coming weeks. It has already held one such meeting in Mumbai on June 18, 1998.

Within the next ten days, the Task Force will prepare a Vision Statement whose aim will be to excite and energize the people of India, creating the faith in them that Information Technology vitally aids personal growth and national growth. It will also embark on an awareness creation strategy for the effective articulation and dissemination of that Vision.

The Information Technology Action Plan follows.

NATIONAL TASK FORCE ON INFORMATION TECHNOLOGY AND SOFTWARE DEVELOPMENT INFORMATION TECHNOLOGY ACTION PLAN

The Government of India, recognising that the impressive growth the country has achieved since the mid-Eighties in Information Technology is still a small proportion of the potential to achieve, has resolved to make India a Global IT Superpower and a front-runner in the age of Information Revolution. The Government of India considers IT as an agent of transformation of every facet of human life which will bring about a knowledge based society in the twenty-first century. As a first step in that direction, the following revisions and additions are made to the existing Policy and Procedures for removing bottlenecks and achieving such a pre-eminent status for India.

The revisions and additions are aimed at accomplishing the following basic objectives:

i) **Info-Infrastructure Drive:** Accelerate the drive for setting up a World class Info Infrastructure with an extensive spread of Fibre Optic Networks, Satcom Networks and Wireless Networks for seamlessly interconnecting the Local Informatics Infrastructure (LII), National Informatics Infrastructure (NII) and the Global Informatics Infrastructure (GII) to ensure a fast nation-wide onset of the INTERNET, EXTRANETs and INTRANETs.

ii) **Target ITEX - 50:** With a potential 2 trillion dollar Global IT industry by the year 2008, policy ambience will be created for the Indian IT industry to target for a \$ 50 billion annual export of IT Software and IT Services (including IT-enabled services) by this year, over a commensurately large domestic IT market spread all over the country.

iii) **IT for all by 2008:** Accelerate the rate of PC / set-top-box penetration in the country from the 1998 level of one per 500 to one per 50 people along with a universal access to Internet / Extranets/ Intranets by the year 2008, with a flood of IT applications encompassing every walk of economic and social life of the country. The existing over 600,000 Public Telephones / Public Call Offices (PCOs) will be transformed into public tele-info- centres offering a variety of multimedia Information services. Towards the goal of IT for all by 2008, policies are provided for setting the base for a rapid spread of IT awareness among the citizens, propagation of IT literacy, networked Government, IT-led economic development, rural penetration of IT applications, training citizens in the use of day-to-day IT services like tele-banking, tele-medicine, tele-education, tele-documents transfer, tele-library, tele-info-centres, electronic commerce, Public Call Centres,

among others; and training, qualitatively and quantitatively, world class IT professionals.

I. INFO-INFRASTRUCTURE DRIVE

With a target of 30 percent of annual growth rate from the 1998 level of Fibre Optic backbone of 75,000 route kilometers, VSATs of aggregate capacity of over 300 Megabit Per Second, Satellite Transponders of aggregate capacity of more than 3000 Megahertz and in the corresponding 'last mile' Wireless Communication as well as Data Communication based value added services, the Data and Multimedia Info-Infrastructure Policies are liberalised as under:

(1) INTERNET access nodes will be opened by DoT and authorised ISPs at all District Headquarters and local charging areas by 26th January 2000. As an interim measure, and till nodes are provided in all local charging areas, access to nearest INTERNET access nodes will be on local call rates with effect from 15th August 1998. ISPs will be responsible for ensuring that this facility is not misused for telephone traffic.

(2) Voice & Data Communication is permitted for IT Software Development and IT Services on dedicated or leased circuits, but no telephone traffic is permitted. Surcharge on 64 Kbps and higher capacity circuits for voice-cum-data applications is withdrawn with effect from 15th August 1998.

(3) Doubling of the lease rental charged by DOT for high speed data circuits leased by Closed User Group (CUG), Licensees of Basic Service, Cellular Service and other Value Added Services and users shall be reduced to single normal lease rental charge.

(4) Requests made by public sector Software Technology Park (STPs) or Private Sector STPs or IT promotional organisations approved by the Government for release of bandwidth shall be acted upon by the VSNL by intimating INTELSAT within two weeks of receipt.

(5) Setting up of Central call centres by IT Service Providers shall be permitted for which DOT and other Basic telecom Service Providers will make available bandwidth.

(6) Intelligent Network (IN) Services including free phone and premium Service (e.g. 1-800 and 1-900) Services shall be introduced by DoT by 31 December 1998 in several cities over an Intelligent Network (IN) Platform.

(7) For setting up ISP Operations by companies, there shall be no license fee for first five years and after five years a nominal license fee of one rupee will be charged.

(8) The monopoly of the VSNL on International Gateway for INTERNET shall be withdrawn and authorised public/government organisations will be allowed to provide INTERNET Gateway access directly without going through VSNL Gateways. Private ISPs are allowed to provide such Gateways after obtaining Defence clearance. Suitable monitoring mechanisms will be put in place to take care of security considerations.

(9) The Railways, Defence, State Electricity Boards, National Power Grid Corporation as well as organisations like ONGC, GAIL and SAIL who have rights of way shall be allowed to host fibre optic backbone. These organisations shall be allowed to provide service to the public based on this backbone by having an interface with the existing or new public networks, but without necessarily having to go through DOT network.

(10) Networks such as NICNET, STPs, as well as private networks shall be allowed inter-connectivity without necessarily having to go through the DoT's INET network.

(11) Providing access to INTERNET through authorised Cable TV shall be permitted to any service provider without additional licensing.

(12) The 'last mile' linkages shall be freely permitted either by fibre optic or radio communication for IT application enterprises, IT promotional organisations and ISPs. In case of radio linkages, coordination by the Wireless Adviser will be observed to avoid frequency interference.

(13) The radio frequency band in the range of 2.4 - 2.483 GHz shall be open as 'public wireless' for any Government organisation or PSU or Private Sector Company to set up Spread Spectrum based non-interference type Wireless data/multimedia communication equipment subject to a maximum of 4 Watt EIRP; WPC will periodically issue a district-wise directory of two or three selected subbands of 10 MHz each for each of the districts on the criteria of least congestion and reserve these subbands maximally for the exclusive use of Spread Spectrum Communication as above. The use of the band will be on the basis of non-interference, non-protection and non-exclusiveness. Private sector, Public sector and Government operators shall bilaterally obtain Defence Clearance for location, the area covered and the frequency sub-band: The Private Sector Units will be required to obtain MHA clearance directly; The security agencies shall convey their decision within 30 days of application failing which the application would be deemed to have been cleared from the security angle; If cleared, the Private and Public Sector operators shall be

required to obtain a registration and automatic license directly from WPC by producing the copies of security clearances; the Government operators will directly register with WPC; WPC will be empowered to monitor the violation of the above conditions and impose penalties on defaulters in three stages: Written warning, monetary penalty and debarring for two years. A Public Wireless Technical Audit Unit comprising a representative each from the Defence, DOT, NIC and from NASSCOM for the limited purpose of representing private user interests, shall monitor the implementation of the above policy

(14) Data communication requirements for Electronic Commerce(EC/EDI) shall be met by DoT in a liberal framework by assigning the highest priority under their priority classification if the EC/EDI requirement is certified by authorities in Government authorised by the Ministry of Commerce.

(15) Public TeleInfo Centres (PTIC) having multimedia capability specially ISDN Services, Remote Database Access, Government and Community Information systems, Market Information, Desk Top Videoconferencing, TeleInfo and INTERNET/Web Access Services shall be permitted and encouraged by the Government. DoT and other Basic Service Providers, Value Added Service Providers and authorised IT promotional organisations shall be permitted to promote these services on non-exclusive basis. No license fee will be charged for operating these services and the usual tariff, where applicable, will be payable by the PTIC Service providers/franchisees. Efforts will be made by DoT and other Service Providers to upgrade STD/ISD PCOs to convert them into these powerful PTICs for which ISDN or other digital facilities shall be provided on priority without necessarily having to make additional investment on this account.

(16) DOT shall take suitable action to delicense Multimedia services, including FAX, provided by PCOs.

(17) To enhance the pace of PC and INTERNET penetration in remote and far flung areas in the country, the Defence Services shall enable provisions of connectivity for civilian applications to their communication backbone.

(18) Existing Software Centres by themselves may not be able to fulfill the high targets now set for the IT industry by the year 2008. International experience has shown that hi-tech industries flourish essentially in the rural hinterland adjacent to cities with modern telecom and communication infrastructure and top class hi-tech educational/research institutions. India will promote such 'Hi-tech Habitats' in the rural hinterland adjacent to suitable cities. For this purpose suitable autonomous structures will be designed and progressive regulations will be framed to

facilitate infrastructurally self-contained self-financed Hi-Tech Habitats of high quality. Initially, five such Hi-Tech Habitats shall be planned and implemented in the rural hinterland of the cities: Bangalore, Hyderabad, Pune, Delhi and Bhubaneswar. It is estimated that progressively 50 such Hi-Tech Habitats can be viably set up by empowering the State Governments to autonomously nucleate them within a technologically progressive and administratively liberal set of guidelines to be prepared by a special Working Group on Hi-Tech IT Habitats to be set up by the Task Force.

II. TARGET ITEX-50

For creating a congenial ambiance for exporters of IT Software and IT Services (including IT enabled services) to reach the export target of US \$ 50 billion by the year 2008, the following incentives shall be provided:

(19) (a) Definition: *"IT Software" means any representation of instructions, data, sound or image, including source code and object code, recorded in a machine readable form, and capable of being manipulated or providing interactivity to a user, by means of an automatic data processing machine falling under heading 'IT Products', but does not include 'non-IT products'. 'IT service' is defined as any service which results from the use of any IT software over a system of IT products for realising value addition. The term 'IT Industry' shall cover development, production and services related to IT Products. The term 'IT Software' shall be substituted in place of 'Computer Software' in all notifications.*

(b) Finance Ministry (CBEC) shall introduce a new classification called, 'Information Technology (IT) Products' including Computer, Digital/Data communication and Digital/Data Broadcasting products, by recognising the progressive technological convergence of these three categories and in line with the classification list in Attachment A (Section I and Section II) of the WTO (ITA) Agreement and, additionally, Data Communication equipment.

(c) IT Software shall be entitled for zero customs duty and zero excise duty.

(20) A revised Notification giving the following new schedule for the Government of India acceding to the WTO-ITA Ministerial Declaration of 13 December 1996 at Singapore shall be issued by the Ministry of Finance:

In Attachment A, Section I and II of WTO-ITA:

(a) Duty shall be brought down to zero by 1 January 1999 on the following items: Parts & components excluding populated PCBs in HSN 8473.30, all storage devices in HSN 8471.70, ICs above Rs. 1000 in HSN 8542, Stepper Motors in HSN 8501.10, Colour Graphic Display Tube in HSN 8540.40 and Deflective components for Colour monitor in HSN 8504.

(b) Out of the 217 items listed in ITA-I, 94 items which were proposed earlier for zero duty by 1st January 2000 shall now be advanced to 1st January 1999.

(c) The remaining items earlier proposed for zero duty by the 1st January 2003/2004/2005 shall now be advanced to 1 January 2002.

Concomitantly, the following schedule will be adopted:

(d) • Duty on Capital Goods for the manufacture of items in (c),

wherever applicable, becomes zero by 1 January 2000.

- Inputs/raw materials for the manufacture of the items in (c), wherever applicable, becomes zero by 1 January 2001

- Dual purpose items will be taken care of, wherever applicable, by allowing duty drawback benefits or by treating the supplies to the IT industry as deemed export.

- Zero excise duty is concomitant with zero Customs duty with in-phase reduction.

Additionally, other suitable supportive measures shall be taken to encourage Indian hardware industry to become globally competitive in the light of the revised WTO-ITA schedule.

(21) Customs duty on import of CD-ROMs or Optical Disc Media or Magnetic Media containing text , data or multimedia as content shall be charged only on the media and not on the contents.

(22) Imported IT Products shall be permitted to be taken out of bonded offices or out of Electronics/IT Units under EOU/EPZ/STP/EHTP Schemes after a period of 2 years from the date of import if these are donated to recognised educational institutions, Government organisations and registered charitable hospitals, etc., as defined in the Clause 9.19 of the Handbook of Procedures (Volume I) of the EXIM Policy through a customs notification.

(23) IT Software and IT Services companies, being constituents of the knowledge industry, shall be exempted from inspection by Inspectors like those for Factory, Boiler, Excise, Labour, Pollution/Environment etc.,

(24) With technological advancements in Wide Area Computer-Communication networks, which have brought about 'Virtual Technology Parks' in which IT Software and IT services are developed through online integration of software and services subsystems from widely separated locations in the country, the concept of physical bonding has become obsolete. Accordingly, Software developers/exporters are exempted from Customs bonding at various export promotion schemes including STP/EOU/EPZ, etc. The export obligation shall be the same value as given under the EPCG Scheme. Existing bonded units under the various Software Export Promotion schemes will also be considered under the above scheme.

(25) A clarification shall be issued by CBEC that Service Tax is not applicable on computer software development industry.

(26) The Ministry of Civil Aviation shall issue the following notifications/ amendments in the regulations :

- Export shipment time for air cargo will be reduced to less than 24 hours.
- "Known Shipper" will be introduced to avoid delays on account of cooling off period.
- Cargo companies and other associated agencies to allow consolidation of export air cargo.

(27) Section 80 HHE of the Income Tax Act provides for income tax exemption to profits derived from software and services exports. This section shall be amended as follows:

- The existing formula will be so changed that tax on profits shall not have any relation to domestic turnover.
- The definition of software and export turnover will be changed so as to include IT services exports.
- The benefits of this Section for income tax exemption to profits from exports will be extended to supporting IT Software & IT Services developers .

(28) IT software and IT services shall be deemed as manufacturing activity for the limited purpose of applicability of Section 10 (15) (iv) of the Income Tax Act.

(29) IT Software and IT Services shall be exempted from withholding tax through amendments in the 'explanation' of Section 9 of the Income Tax Act.

(30) For individuals buying IT products including computer, the expenditure shall be deductible under Section 88 of the Income Tax Act.

(31) No gift tax shall be charged for the giver or Income Tax for the receiver on PCs upto Rs. 30,000 of the original purchase price.

(32) For any investment made in IT products and IT software 100 % depreciation shall be allowed in two years for which Ministry of Finance shall take suitable action.

(33) As the traditional method of asset-based funding of working capital would not meet the adequate and timely requirements of fund of the software sector, a differential and flexible approach shall be adopted by

giving special dispensation towards working capital requirements of this sector in view of the unique nature of the industry. Accordingly, RBI shall issue, by 15th August 1998, new guidelines with regard to working capital requirements for the IT software and services sector which would be based on simple criteria such as turnover. Banks shall be advised to give 25 percent of the contract value for 18 months, with the first six months as term loan (without collaterals) and from the 7th month onwards annualized Cash Flow Statements shall be accepted instead of collaterals.

(34) IT software and services industry shall be treated as a Priority Sector by banks for the next five years. This would help to meet the requirements of IT software and services exports, and also the IT industry and applications within the country. Major banks will be advised to create specialised IT financing cells in important branches, where IT Software and Services units are sufficiently large in number. Performance in this dimension will be monitored by the Ministry of Finance.

(35) Against the present estimate of Rs. 400 crores of working capital for the industry, the amount shall be increased to around Rs. 1200 crores by the year 2000 subject to the broad criteria of pro-rata increase for the prospective requirements 24 months ahead as compared to the actuals of the current requirements at any given time. As quantitative targeting is not appropriate, a system will be put in place which would enable substantial increase in working capital provided by the banks.

(36) Bank lending to IT Software and Services exporters shall be made eligible for RBI refinancing with sufficiently low interest rates.

(37) The banks shall be allowed to invest in the form of equity in dedicated venture capital funds meant for IT industry as part of the 5 percent of increment in deposits currently allowed for shares.

(38) Banks/FIs like ICICI, IDBI, UTI and SBI shall set up joint ventures with Indian or foreign companies for setting up of at least four different venture capital dedicated funds of a corpus of not less than Rs. 50 crores each to cater to the credit need of the industry. Such venture capitalists may be allowed to set off losses in one invested company and profit in another invested company during the block of years for the purpose of income tax.

(39) The Company's Act shall be amended to facilitate issuance of Sweat Equity to employees. A new definition No. (66) will be added after definition No. (65) in Clause 2 as under:

"(66) Sweat Equity means equity allotted to promoters, Directors or employees for providing any intellectual property or value addition to the Company".

(40) Ministry of Finance shall include IT software and IT service sector while issuing general guidelines for dual listing of companies, as well as while considering two-way fungability for ADRs/GDRs.

(41) • Dollar Linked Stock Options to employees of Indian Software companies were announced in the 1998 Budget and detailed guidelines on this have been issued by DEA, Ministry of Finance. This shall be modified in accordance with the definition of IT Software and IT Services given under (19)(a) and (b) above.

• Employee Stock option schemes for stock listed in India would also be encouraged. Also, clarification shall be issued that income tax is applicable only at the time of sale and not at the time of exercise of option.

(42) Recognising the high velocity of business, high degree of competition and fast technological obsolescence faced by the IT software and IT service exporters, RBI shall be maximally accommodate the following:

(a) A blanket approval for overseas investment for acquisition of software/IT companies across the board for software exporters with previous three years cumulative actual export realisation in excess of US \$ 25 million to be given up to 50 % or US \$ 25 million, whichever is lower, out of the cumulative actual export earning of the previous three years. This is subject to submission of a certificate of software industry by appropriate authorities.

(b) For FERA approvals beyond this limit, RBI would set up a mechanism for expeditious processing of applications from this sector. This shall be announced by 15 August 1998.

(c) For overseas ventures, a dispensation shall be given for allowing the capitalisation of both goods and services; RBI shall accordingly notify this in consultation with Commerce Ministry by 15 August 1998.

(d) As the present allowable limit of 70% of the contract amount for expenditure abroad does not provide flexibility for utilisation for the purpose of general corporate objectives or for business growth purposes, RBI shall

permit IT exporters to freely spend upto 5% of the export proceeds abroad (out of the total 70%) for miscellaneous/sundry purposes to give full flexibility. Also, a new list of allowable expenses under the 70% limit would be worked out by RBI in consultation with NASSCOM.

(e) RBI shall issue revised EEFC guidelines to eliminate restrictions on staggered remittance, second and higher generation subsidiaries and also to allow 20% of the EEFC balances for the use on the following:

i) Advance remittances for downloading software (upto US \$ 1 lakh per transaction).

ii) Purchase of equipment and related expenditure

iii) Miscellaneous expenses not detailed in EEFC guidelines (upto 5%) of EEFC balances. Such EEFC accounts shall be permitted for making payments from offshore branches of Indian banks directly.

(f) Use of International Credit Cards (ICC) abroad for a variety of purposes required by the IT Software and IT Services sector shall be permitted, the detailing of which will be carried out by RBI and notified by 15 August 1998, in particular:

i) All payments currently made under Exchange Earnings Foreign Currency (EEFC) Account shall also be allowed to made through International Credit Cards (ICC). Advance payment for IT software and IT services shall be permitted to be done through ICC for which RBI will issue a notification. Notification shall be issued that ICC may also be used for paying for IT Software and IT services purchased over INTERNET or EXTRANET and also for registering domain names.

ii) RBI shall issue a modified and simplified SOTTEX form required for IT Software and IT Services export by 15 August 1998.

(43) In the EPCG scheme a system of self-declaration shall be introduced with 100% post-checking subject to punitive penalty for default.

(44) The value limit for import of IT Products including personal computers shall be reduced from Rs. 1.50 lakhs (c.i.f) to Rs. 70,000 (c.i.f).

(45) Private and public organisations providing IT infrastructure shall be included for duty exemption for importing capital goods. Such service providers, in view of such capital goods imported, shall undertake the export obligations as provided for import of capital goods in the EPCG Scheme.

(46) The India Brand Equity Fund Scheme operated by the Ministry of Commerce shall be made available for Software companies with lower interest and longer interval.

(47) On-site IT Services should be made easier by combating Visa regulations of the recipient countries through a planned diplomatic strategy by the Ministry of External Affairs and the Indian Missions abroad for which MEA will create a suitable dedicated structure. This will also include signing of totalisation agreements, wherever necessary so as to maintain the competitive advantage of Indian companies.

(48) Returns from package software development shall be increased by enabling Indian Marketing companies to set up wholesale companies abroad. They shall also be given maximum flexibility in organising the marketing of package software from India through INTERNET.

(49) For benchmarking our country with our emerging competitors, a study shall be conducted at Government cost once in two years by internationally reputed consultancy companies.

(50) Restrictions on the location of IT software and IT Services (including IT training) companies in residential areas shall be removed.

(51) To enable organisations and companies to identify, explore and plan strategies for Large Niche Markets like Y2K and Euro, nationally and corporate wise, all applicable provisions shall be made applicable on higher priority basis. Through MOC and DOE funds 'India Pavilions' shall

be set up in several major IT exhibitions around the world through the initiative and coordination of ESC and NASSCOM.

(52) Recognising the catastrophic effect of the Y2K problem for solving which a few hundred billion dollars are being spent around the world, an immediate investment of Rs. 700 crore as corpus funds shall be mobilised to control the crisis in critical Government, Public and Private organisations and services; efforts to sensitise such organisations in the country facing the crisis shall be taken up by the Government immediately including issuance of Government orders for strict compliance in a time bound manner; a High level empowered Task Force with representatives from the Government, Industry Associations, Banks and Financial Institutions, Defence Services, Utility and other Public Service organisations, Railways, among others, shall be constituted by the Government of India.

- 'Mega Web sites' shall be created on INTERNET for promoting marketing and encouraging Indian Software products and packages under multiple initiatives.
- Creation and hosting of websites on servers located in India will be encouraged.

(54) Under DEPB Rupee trade arrangement, IT Software, IT Services and IT product export to Russia shall be permitted with promotional support given by the Electronics and Software Export Promotion Council (ESC), STP, etc.

(55) All promotional and liberalisation policy instruments available to IT Software and IT Services shall be made available to IT enabled services including the Information Content Industry by classifying IT enabled Services as tantamount to IT Software and IT Services.

(56) For promoting Indian Software Packages (system as well as application software) users shall be given fiscal incentives for buying Indian packages. A special screening mechanism will be worked out for identifying the more promising packages developed in India and giving consistent support by the Government as well as the industry for ensuring acceptance in international markets.

(57) Private STPs shall be encouraged to be set up by combining the provisions under (4), (7), (8), (12), (13), (24), (43), (45), (54) and (55), among others.

III. IT FOR ALL BY 2008

For enabling a proactive drive for 'IT for all by 2008', the following new policy instruments shall be devised and activated.

'Operation Knowledge'

Recognising Information Technology to be a frontier area of knowledge, and also a critical enabling tool for assimilating, processing and productivising all other spheres of knowledge, the Government shall launch 'OPERATION KNOWLEDGE'. The aim of this national campaign will be to universalise computer literacy and also to spread the use of computers and IT in education. 'OPERATION KNOWLEDGE' shall be developed into a comprehensive policy within the next three months. However, the following initiatives shall be taken for the immediate implementation of some of its key objectives:

(58) The Government shall soon launch three schemes -- **Vidyarthi Computer Scheme, Shikshak Computer Scheme** and **School Computer Scheme** -- to enable every student, teacher or school respectively desirous of buying computers to do so under attractive financial packages. These schemes will be supported by a suite of initiatives such as lowering the cost of PCs, easy-installment bank loans, computer donations by IT companies and other business houses, bulk donations of computers by NRI organisations, large-volume bargain price imports, multi-lateral funding, etc.

(59) Computers and Internet shall be made available in every school, polytechnic, college, university and public hospital in the country by the year 2003.

(60) All universities, engineering colleges, medical colleges and other institutions of higher learning in the country as well as Research and Development Organisations shall be networked for a supplementary programme of distance education for improving the quality of education before year 2000.

(61) The seven national level institutions (IITs, IISc.) shall be encouraged to triple their output of students in IT by suitably restructuring the programme.

(62) A National Council of IT Education comprising experts from both the industry and the academia, shall be set up for defining courses and their content in the light of rapid developments taking place in Information Technology. The Council will also initiate a '**Teach the Teachers**' (3T) programme for upgrading on a regular basis the IT knowledge and skills of teachers.

(63) An IT Course Module shall be made a compulsory component of all Degree Courses within a short period.

(64) The setting up of **Indian Institutes of Information Technology (IIIT)** shall be implemented with urgency to make up for the lost time. Hi-tech institutions like the Indian Institute of Information Technology (IIIT) will be given the Deemed University status without insisting upon the mandatory three-year stipulation.

(65) The Government shall promote the pairing of our Universities with centres of excellence in IT in developed countries.

(66) Specific courses shall be launched in association with the Software Industry and IIMs to provide Project Management skills and develop specialised courses on Software Marketing.

(67) The concept of SMART Schools where the emphasis is not only on Information Technology in Schools, but also on the use of skills and values that will be important in the next millennium, shall be started on a pilot demonstrative basis in each State.

(68) An Institute for Computer Professionals of India shall be set up on the pattern of the Institute of Chartered Accountants of India; the Institute will be nucleated by NASSCOM with initial financial support from the industry and the Government. The Institute will be given the responsibility as an Accreditation Body for IT Education and Training Programmes with full Government recognition in addition to the DOEACC Programme of the Department of Electronics.

(69) To enhance the knowledge base of IT related education at all levels the Government shall establish Information Technology, System Engineering and IT Security Institutes from within existing manpower of the Armed Forces. The Centres of Excellence in IT Software and System Engineering in the Defence Services will be utilised to the national advantage.

(70) Virtual Institutes in different parts of the country shall be set up to achieve excellence in distance education.

(71) The talent and expertise of IT-trained ex-servicemen shall be utilised for IT penetration in rural India and Government will fully support this offer of the Armed Forces. A Plan will be prepared and implemented for utilising the services of the large number of IT literate defence personnel retiring every year for propagating the IT culture at sub-district levels.

(72) A 'National Qualification Framework' shall be established for computerised online objective system of knowledge acquisition; An 'Educational Credit Bank' shall be implemented for giving flexibility to integrate credits earned in different institutions/systems towards the eligibility for diplomas and degrees.

(73) A specialised sub-committee of this Task Force shall coordinate the setting up of National and State level Digital Libraries Projects.

(74) A pilot project under the aegis of the National Task Force on Information Technology shall be launched in some lead districts which have already attained universal literacy, with the aim of achieving universal computer literacy in all the secondary schools in these districts. Alongside, the network of educational institutions in these districts will be assisted to maximise the induction of IT in order to create world-class talent at the top-end of the education pyramid. These pilot projects will be joint initiatives of the local educational institutions, respective State Governments and the Centre. In the first instance, such a pilot project will be launched in Dakshin Kannada and Udupi Districts in Karnataka on a substantive self-financing basis. Within a short time, the same will be extended to suitable districts in other States.

(75) In view of the lower-than-national-average levels of technical and IT education facilities in Uttar Pradesh, Bihar, Madhya Pradesh and Rajasthan, several educational centres will be identified with a view to making them models for IT-based education and training at all levels. The aim of this initiative will be to promote IT education and awareness in Hindi-speaking States and thereby revitalise the Hindi heartland in all the fields of knowledge and knowledge-based enterprises. Allahabad shall be developed as the first such model IT-based education-cum-business centre. Within a short time, this initiative will be extended to other States which are underdeveloped in IT.

IT Penetration & IT Awareness

(76) Government shall encourage the setting up of value-added network services including ATMs, Electronic Kiosks, Telephones, Smart Cards, etc., for providing a 'One-Stop Non-Stop' service to the public.

(77) To make IT a mass movement, an awareness creation strategy shall be worked out within two months and the structures for implementing the same shall be put in place.

(78) A major promotional campaign shall soon be launched to boost IT in Indian languages. This campaign will be based on a multi-pronged approach, involving fiscal and other incentives for R&D, production,

marketing and popularisation of IT products in Indian languages. This recommendation addresses the reality that India can become a major IT power only if IT penetration in the country deepens and widens-which in turn, is dependent on large-scale use of IT in Indian languages.

(79) The Government shall take all the necessary steps to boost IT for agricultural and integrated rural development. Towards this end, a number of demonstration projects will be devised in each State taking into account the specific strengths and needs at the local level. A unique '**WIRED VILLAGES**' pilot project has been launched under the aegis of the National Information Technology Task Force on Information Technology at the Warananagar Cooperative Complex in Kolhapur District in Maharashtra. Efforts will be made to quickly replicate such projects in other states.

(80) The Government shall take necessary measures to develop, productivise and use, in domestic and global markets, indigenous technologies in wireless telecommunication such as CorDECT, remote access switch, etc., to achieve the national objective of rapid, low-cost expansion of telephone and Internet connectivity in rural and remote areas. Similarly, promotional measures shall be taken to encourage technologies that bring IT and Internet to the masses through the vast network of Cable TV houses.

(81) For promoting electronic commerce in a time-bound manner, a strict directive shall be given to Sea Ports, Airports Authority of India, DGFT, Banks, Container Services, Customs and Indian Railways in accordance with the programme approved in the tenth Export Promotion Board meeting.

(82) Bar Coding of every item sold in the country shall be made compulsory within a five-year period.

(83) The Armed Forces shall integrate far-flung and remote areas (Ladakh, North-East, Andaman & Nicobar Islands, Kutch, Lakshadweep and Minicoy Islands, border areas of Himachal and Rajasthan) with mainstream India, through IT penetration as part of their Civic Action Programme. The funds for this initiative shall be provided through the Government/Venture/Seed Capital.

Citizen IT Interface

(84) The Cabinet has approved NIC's proposal to make government Information, other than that having a bearing on security, available to the public. This decision shall be implemented by suitably empowering NIC

to do so. This recommendation addresses the felt need for easy availability and extensive transparency of government information.

(85) District Information System (DISNIC) Plan Programme shall be made widespread and databases updated online, shall be made available to the public and Panchayats, among others. Courts Information System(COURTIS), Parliament Information System (PARLIS), Computerised Rural Information System Programme (CRISP) and other such databases shall be updated online over NICNET and access to public facilitated .

(86) A Citizens Charter for effective and responsive administration in terms of time-bound service to the public shall be framed and implemented under the coordination of the Department of Administrative Reforms & Public Grievances and hoisted on the official INTERNET Web Site 'India Image' of the Government of India.

IT in Government

(87) Each Department/Agency in the Central Government and State Governments shall be required to prepare a Five Year IT Plan.

(88) 1-3% of the budget of every Ministry/Department shall be earmarked for applying IT in the Department/sector; this investment will include not only the purchase of IT products, IT Software, but also for training and IT services; Reappropriation of the Department's budget for the IT sub-budget head shall be within the delegated powers of the Head of the Department.

(89) NIC, at the national level, and technology service organisations at the State level, shall establish 'Framework Contracts' with reputed suppliers to provide a wide range of IT consultancy, specialist services and IT products to Government agencies to reach the benefit of lower costs through bulk purchases.

(90) India shall participate in international projects like 'Government Online' Project of G-8 countries so as to not only learn from the experience of others but also to contribute to the global experience in planning and implementing projects to promote IT in Government.

(91) Tele-commuting is recognised as a new modality of doing work in an office and labour laws accommodating the same shall be enacted. An option shall be given to employees, where feasible and efficient, to accomplish part of their work through telecommuting in the framework of 'Management by Objectives' (MBO).

(92) The Government of India shall set up a central repository of data elements in Government with the NIC and make it accessible through NICNET.

(93) The recommendations of the TG-MAP Committee for Map and GIS Data Policy approved by the Committee of Secretaries under the Cabinet Secretary, shall be notified by the Ministry of Defence expeditiously.

(94) A computerised National Inventory of Training pertaining to different areas shall be maintained.

(95) A computerised Inventory of Government best practices for electronic access shall be maintained.

(96) Government shall stipulate IT literacy as an essential requirement for all future Government and public sector employment; in the Annual Confidential Reports of government employees, a column shall be introduced regarding contribution to IT utilisation in the department/organisation.

(97) A National Institute of Smart Government shall be set up to focus on all issues concerning IT-supported governance.

(98) State Institutes of Public Administrations shall be re-engineered to help bring about IT-responsive State Governments.

(99) Suitable floor space in Government buildings, which are not utilised during non-office hours, could be given to private educational institutions for IT training purposes in return for a proportionate number of free nominations of Government employees for IT training.

Data Security Systems and Cyber Laws

(100) A National Computerised Records Security Document shall be prepared within three months for enforcing security requirements by consulting similar documents prepared by SAG, JCB, WESEE, etc.

(101) An Information Security Agency shall be set up at the National level to play the role of Cyber Cop.

(102) A National Policy on Information Security, Privacy and Data Protection Act for handling of computerised data shall be framed by the Government within six months.

(103) Cyber infractions shall be addressed within the legal framework by the Ministry of Law, Justice and Company Affairs.

(104) The cryptology and Cyber Security knowledge and experience developed by the Defence establishments shall be suitably transferred to the civilian information security agencies for wider dissemination in the country to increase information security, network security and bring about a greater degree of secure use of EFT, Digital Signature, etc.

(105) The procedure of keeping records in paper form in public and private STPs shall be restricted to a maximum duration of two months after which the records shall be kept only in the Electronic/Magnetic/Optical media.

(106) The Indian Telegraph Act of 1885, the Indian Post Office Act of 1888 and the Indian Wireless Telegraphy Act of 1993 shall be suitably modified in the light of the growing predominance of IT in day-to-day life. Suitable changes will also be made in other Laws/Acts, wherever necessary.

(107) The draft set of Cyber Laws prepared by the Cyber Law Committee set up by the Committee of Secretaries, shall be approved by the Government with suitable modifications and implemented, as a first step, within six months.

(108) **All necessary instructions, notifications and amendments to procedures/Law shall be issued by the respective Ministries/Departments within three months.**

ANNEXURE

NOTIFICATION : APPOINTMENT OF TASK FORCE

F.No. 360/31/C/10/98-ES.II

GOVERNMENT OF INDIA

(Bharat Sarkar)

Prime Minister's Office

(Pradhan Mantri Karyalaya)

New Delhi, dated 22-5-1998

Subject : Appointment of a National Task Force on Information Technology and Software Development

Government has decided to constitute a National Task Force on Information Technology and Software Development to formulate the draft of a National Informatics Policy with the following composition

Chairperson Shri Jaswant Singh

Deputy Chairperson, Planning Commission

Co-Chairpersons Shri N. Chandrababu Naidu

Chief Minister of Andhra Pradesh

Dr. M.G.K. Menon

Former Union Minister of State, Science & Technology

Members :

Dr. N. Seshagiri Director General, National Informatics Centre

Member-Convener

Shri N. Vittal Chairman, Public Enterprises Selection Board, Former Secretary, Department of Electronics and Chairman, Telecom Commission

Shri A.V. Gokak Chairman, Telecom Commission

Shri R. Gupta Secretary, Department of Electronics

Shri P.G. Mankad Secretary, Ministry of I&B

Shri T.H. Chowdary Former CMD of VSNL and Information Technology

Adviser to the Chief Minister of Andhra Pradesh

Dr. P.V. Indiresan Former Director, IIT, Chennai

Shri Dewang Mehta Executive Director, National Association of Software Companies (NASSCOM)

Shri N.R. Narayana Murthy Chairman & Managing Director, Infosys

Shri Ashok Soota President, WIPRO Computers

Shri Rajendra Pawar Vice Chairman and MD, NIIT

Dr. Y.S. Rajan Senior Adviser (Technology), CII

Shri Ravi Parthasarathy Managing Director, Infrastructure Leasing & Finance Services (ILFS)

Shri Anil Bakht IT professional

Shri Sudheendra Kulkarni Director (Communications and Research), PMO

The tasks and terms of reference of the Task Force are given in the Annexure.

The Task Force will be guided by an "IT Vision Group" consisting of eminent IT professionals, academics, civil servants (serving or retired), businessmen, political leaders and prominent IT Professionals from abroad - both NRIs and foreigners.

The Task Force may with the permission of the Chairperson, co-opt or invite as many persons, including officials of relevant Government departments, as it may deem appropriate in the course of its deliberations.

The Task Force will be covered within the definition/explanation of High Level Commissions/Committees as given in Cabinet Secretariat O.M. No. 105/1/1/75-CF dated 20.11.75.

Secretarial assistance to the Task Force will be provided by the National Informatics Centre (NIC), Planning Commission.

The TA/DA of official members shall be borne by their parent Departments. The TA/DA of non-official members (as admissible to Grade I officers of the highest category in Government of India) shall be paid by the National Informatics Centre, Planning Commission.

The Task Force will complete its work and submit its final report to the Prime Minister within 90 days.

Secretary to the Prime Minister

TASKS

The various tasks of the National Task Force on Information Technology and Software Development are as follows :

- This Task Force will formulate the draft National Policy on Informatics whose aim will be to enable India to emerge as an Information Technology superpower within the next ten years. It will submit the draft policy to the Prime Minister in three months.
- The Task Force will recommend an appropriate empowered institutional mechanism to implement this policy as a national mission with the participation of the Central and State Governments, industry, academic institutions, and the society at large.
- This Task Force will recommend, within one month, immediate steps that the Government needs to take to remove bottlenecks and give a big boost to India's Information Technology industry.
- This Task Force will prepare a Vision Statement that will excite and energize the people of India, creating the faith in them that Information Technology vitally aids personal growth and national growth. It will also suggest a strategy for the effective articulation and dissemination of that Vision, so as to create an ethos, an ambience, a mindset, and a work culture consistent with the needs of the emerging knowledge-driven global civilisation.
- This Task Force will prepare a blue print for making the adoption of Information Technology into a national movement, with a wide network of empowered task forces at all governmental and non-governmental levels.

TERMS OF REFERENCE

The terms of reference of the National Task Force on Information Technology and Software

Development are as follows :

1. Recommend a strategy for the extensive use of Information Technology in all areas of national economy - agriculture, industry, trade and services - as a critical input in making India a global economic power.
2. Prepare the design for building a world-class physical, institutional and regulatory IT infrastructure, which is appropriate for India. This design will embrace the growing convergence of telecommunications, computers, consumer electronics and the media infrastructure (minus its content).
3. Towards this end, determine the means for creating a National Informatics Infrastructure (NII) backbone, bridging it to the Local Informatics Infrastructure (LII) and the Global Informatics Infrastructure (GII). The design of the NII will be dynamic, taking into account the rapidly changing nature of Information Technology.
4. Recommend how NII can be created at an optimal cost by using the existing resources of the various wings of Government such as the Department of Telecommunications, Prasar Bharati, Railways, Power Grid Corporation of India, etc.
5. Suggest measures for achieving a massive expansion in the use of the Internet by all sections of society, especially in business and education, and development of Indian content on the Internet.
6. Recommend a strategy for boosting the learning and use of Information Technology in Indian languages. The policy will suggest measures to promote the development of software, especially educational and commercial software, in Indian languages.
7. Develop a strategy for a twenty-fold increase in India's software and other IT service exports in the next ten years. In particular, the Policy will focus on the development of world-class software products and brands that can quickly establish global dominance.
8. Suggest measures to catalyze the growth of exports through the extensive use of - Commerce and EDI(Electronic Data Interchange).
9. Suggest ways in which the use of IT can be maximised in the Government at all levels, so as to make its functioning people-friendly, transparent and accountable.
10. Develop a strategy for dramatically increasing the PC density in the country and, to that end, ensure that every household and commercial establishments that has a telephone also has a computer. The strategy will aim to facilitate the availability of computer hardware, software and connectivity at the lowest possible cost.

11. Devise a strategy for establishing a strong and internationally competitive domestic manufacturing base for computers, computer components and peripherals.
12. Design a training and manpower development plan involving Government agencies, private business, voluntary organizations, educational institutions and others to quadruple the number of IT professionals in the country in the next two years. The Task Force will suggest a plan to implement the commitment made in the National Agenda for Governance to ensure universal computer literacy in all secondary schools in the country. The plan will also aim at making available IT education to all those sections of the economy where it serves as a productivity multiplier.
13. Develop a strategic plan to raise the necessary financial resources to realise the objectives of the National Informatics Policy. This plan will rely on innovative means of funding that minimise government outlay.

Suggest an appropriate legal frame work for the creation of an IT-based society, with

due focus on intellectual property rights (IPR), secrecy, security and safety of information.

14. Recommend how India can leverage its global competitiveness in InfoTech to play a

prominent role in the development of IT in other countries, especially those that are underdeveloped.

ANNEXURE

LIST OF CO-OPTED MEMBERS

1. Dr.M.S.Ahluwalia

Secretary (Finance),Ministry of Finance

2. Shri P.P.Prabhu

Secretary (Commerce), Ministry of Commerce

3. Shri N.K.Singh

Secretary (Revenue), Ministry of Finance

4. Lt.Gen.S.S.Mehta

Dy Chief of Army Staff

5. Commodore Prem Chand

Additional Director General, WESEE, Navy