Draft IT Policy of UP 2012

VERSION III
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1. PREAMBLE

India’s success in the export of Information Technology (IT) Software and Related Services over the past decade is well known. India now accounts for 65 percent of the global market in offshore IT and 46 percent of the ITES market. The growth of the sector has led to tremendous pay-offs in terms of wealth creation and generation of high quality employment. IT/ITeS industry has been one of the key driving forces fuelling India’s economic growth. As a proportion of national GDP, IT/ITeS sector’s contributions have risen from 1.2% in 1997-98 to an estimated 7.5% in 2011-12. As per NASSCOM estimates, IT/ITeS sector (excluding hardware) revenues are estimated at US$ 87.6 billion in FY 2011-12. The IT/ITeS industry is expected to grow by 19% during FY 2012-13.

According to a recent study, the domestic IT Services and IT-enabled Services markets to grow at a CAGR of 21.1% to touch Rs 98,188 Crores by 2014. IT Services alone will grow at 16.7% CAGR over 2010-2014, while domestic ITeS spending will grow at a CAGR of 30.2% over the same period.

However, this rapid growth and the associated developmental impacts have mostly been confined to a handful of IT-BPO hubs located in a few states. U.P. has largely been bypassed by these exciting developments. The State Government intends to encourage investment in IT/ITeS industries and skill enhancement of the youth specializing in IT/ITeS and allied fields to improve their employability so that the citizens of Uttar Pradesh enjoy the benefits of development.

Uttar Pradesh has immense potential to emerge as one of the most economically developed states in India. Uttar Pradesh is currently focusing on developing necessary infrastructure, development of human capital, proactive engagement with investors and effective policy implementation so as to create a conducive ambience for IT industry. Uttar Pradesh government is encouraging and inviting private investments in knowledge based industries at large. The availability of numerous technical and manpower centers of excellence makes the state ideally suitable for setting up of IT industry. This policy is aimed to stabilize the position of Uttar Pradesh as an attractive destination for IT industry by providing adequate measures for industry to survive and flourish in the economic environment environments of the State. The state intends to promote cities like Agra and Lucknow to next generation IT hubs which can facilitate a holistic development of Uttar Pradesh and its people.
2. VISION, MISSION & OBJECTIVE

2.1 Vision

“To use I.T. as a vehicle for economic development and inclusive growth to create a vibrant society with a high quality of life in Uttar Pradesh.”

2.2 Mission

The mission of the State is to:

- To position Uttar Pradesh as the preferred IT/ITES investment destination in India
- To leverage IT as an engine of growth for UP
- To transform physical communities into connected communities that can help to realize sustainable economic growth and enhance the quality of life.

2.3 Objective

- Promoting UP as an attractive investment destination for IT/ITeS companies by providing congenial, industry friendly and proactive climate.
- Promote other prominent cities/towns in the State as emerging Tier-II and Tier III IT destinations and providing assistance in setting up state of the art infrastructure like IT city, IT Parks etc in the state.
- To develop these investment nodes in UP as Intelligent and Smart Cities and creating a portfolio of IT enabled services (public and private) which will make the investment region an intelligent and smart region.
- To create world class ICT infrastructure that is the foundation services platform to provide seamless connectivity for businesses and users, easy to use public and private services in a vibrant ecosystem consisting of ICT operators, Service Providers, Government, Regulators and end users.
- Creation of employment opportunities to the educated youth of all sections of the Society across all regions and leveraging IT as a tool for the socio-economic development of the State.
- Augmentation of Gross State Domestic Product (GSDP) of UP
3. STRATEGIC THRUST

There are six strategic thrust – 3 pillars supported by 3 foundations. All six thrust will lead to the achievement to the desired objectives

**Economic Transformation**
- State govt. will create a conducive business environment to attract and promote trade, investment and entrepreneurship in IT sector. IT will also be the engine that transforms the other sectors of the economy

**People Empowerment & Engagement**
- State Govt. will enhance the quality of life through affordable and equitable IT/ITeS.

**Innovation**
- State Govt. will foster a creative, innovative and green IT sector

**Infrastructure Development**
- State Govt. will incentivize the development of IT infrastructure to support the provision of services to all communities in UP

**Human Capital Development**
- State Govt. will develop competent and skilled human capital in IT to support the growth of IT sector and help transform other sectors of the economy

**Bridging the digital divide**
- State Govt. will address the varying levels of IT development and adoption within the state. It will also focus on bridging other gaps within the digital divide to promote greater adoption of IT
VISION: To use I.T. as a vehicle for economic development and inclusive growth to create a vibrant society with a high quality of life in Uttar Pradesh.

PILLARS

Economic Transformation
- To promote trade, investment and entrepreneurship in IT Sector, and build an IT engine for trans-sector transformation.

People Empowerment & Engagement
- To enhance quality of life through affordable and equitable IT

Innovation
- To nurture a creative, innovative and green IT Sector

FOUNDATIONS

Infrastructure Development
- To provide next generation infrastructure backbone and enabling policies

Human Capital Development
- To develop a skillful workforce and knowledgeable community

Bridging the Digital Divide
- To elevate the State and people through IT capabilities.

KEY OUTCOME

- IT as an engine of growth for UP
- Recognition for UP as most preferred IT destination in India
- Enhanced quality of life for people of UP
4. IMPLEMENTATION STRATEGY

4.1 Economic Transformation

The focus of economic transformation includes creating a conducive business environment that helps to attract and promote trade, investment and entrepreneurship in the IT sector. It is also to leverage the investment in IT to create an IT engine that will transform the other sectors in the greater economy of the state.

4.1.1 Conducive environment for business

- Govt. of UP would engage with business community to identify their IT needs.
- Leverage the existing initiatives and nurture the development of content and applications to facilitate information exchange and accessibility of data, harmonize regulatory practices and IT standards.

4.1.2 Public Private Partnership (PPP)

- The State shall leverage various PPP model like BOT, BOO, BOOT, etc for I.T. projects which will minimize the initial risks of introduction and subsequently the growth of an IT/ITeS project, thereby increasing the efficiency, optimal utilization of resources of the state and the private sector.
- Encouraging development of supporting infrastructure will be aimed towards IT/ITeS. The Government will encourage the investments in PPP projects for bringing world-class schools, hospitals and other facilities which can complement the efforts for attracting investments in IT sector.

4.1.3 Single window clearance

- A government agency to efficiently and smoothly handle statutory matters e.g. Pollution Control clearances and other incentives promised in this policy and will be assisting the IT/ITeS establishments. The agency shall also be responsible for clearing roadblocks in a time bound manner. This agency will also provide escort services to interested big ticket investors.
4.2 People Engagement & Empowerment

State Govt. of UP would focus on the enhancement of the quality of life of all the people of the state through affordable IT. This is especially true in areas with low standard of living.

4.2.1 Ensure affordable and seamless e-services, content and applications:

- The state govt. shall identify relevant e-services to be developed.
- Nurture an environment to facilitate the development of affordable e-services.
- Promote e-services that can be adopted for local usage.
- Provision of e-services would be made available through common service centres and e-suvidha kendras.

4.2.2 Digitization of government information

- All public domain information like official gazette notifications, acts, rules regulations, circulars, policies and programme documents would be digitized and made available for electronic access on web in a time bound manner.

4.2.3 Use of Hindi & Urdu

- The State Government shall promote use of Hindi and Urdu in IT to increase the outreach to the common man. For this purpose specific initiative will be taken for use of Devnagari/Urdu in Computers and developing Web Applications.

4.2.4 Cyber Security

- Crimes and offences pertaining to confidentiality, integrity, data security and non disclosure of agreements shall be viewed and scrutinized as per law.
- Govt. of UP would create awareness about online security.
- Govt. of UP would forge joint collaboration with industry and other stakeholders for outreach campaign to promote awareness about cyber-crime.
- Govt. of UP would ensure personal data protection.
4.3 Innovation

4.3.1 Create Innovation Centers of Excellence (COE) for R&D of IT Services
- Govt. of UP will encourage establishment of COE across UP to promote R&D, innovation and transfer of technology by prominent IT industry experts or in collaboration with leading institutions like IIM Lucknow, IIT Kanpur, etc. It would connect COEs to facilitate the exchange of ideas and promote greater collaboration among IT experts.

4.3.2 IPR (Intellectual property rights)
- Govt. of UP will promote IPR enforcement through sharing of best practices, guidelines and framework across UP to safeguard innovation. It will provide incentives for R&D efforts as well as to acknowledge recognize and reward IT experts.

4.3.3 Government Process Reengineering (GPR)
- Policy aiming at radical redesign of Government processes to achieve path breaking improvements in efficiency of governance. Focus will be on GPR and change management for the effective implementation of citizen centric (G2C) services.

4.3.4 Adopting new technologies:
- The Government plans to deliver new generation enhanced mobile services to its citizens enabling ubiquitous access by utilizing new wireless technologies and tools to ride the Next Generation Networks viz., 4G, BWA, NFC, LTE, by inviting leading telecom players to establish their operations in UP.

- Emerging technologies such as Mobile Technology, Localization, Virtualization, and Cloud Computing provide Indian IT/ITES industry a major opportunity to become partners in value creation and drive transformation domestically. Industries setting up their centres of operation in the state to work and enhance the above thrust areas will attract special incentives as deemed fit by State Government.
4.4 Infrastructure Development

4.4.1 Promotion of IT Cities / IT Parks

- Thrust will be given for the creation and improvement of world class civil infrastructure like roads between IT Hubs, cities, airports on a continuous basis, which are necessary for attracting IT investments.

- In the first Phase IT cities at Agra and Lucknow shall be built with special facilities for I.T. and I.T enabled services.

- Tracts of Land fashioned as an I.T. City made available to I.T. companies on a Lease at a very attractive Lease rate.

- A single window Clearance and Facilitation agency of government to speedily and effectively handle statutory matters

- Warm shelled (built up areas with all required physical facilities and communication/internet facilities) areas built for I.T. industry to move in and start operation.

- Each IT city will be set up in an approx area of around 300-500 hectare. These IT cities will consist of self-contained satellite townships with commercial space for renting and a commensurate residential accommodation, education, healthcare, retail and recreational facility.

- They would create more innovative and competitive cities based on knowledge clusters, people-led innovation, and global networking; offering higher capacity of monitoring and management of environmental issues; improved city transportation and more secure urban spaces.

- These townships will have residential and work areas with all essential services - water supply, power, civic amenities, health, education, transport and entertainment - to meet the civic and commercial needs of the workforce. These IT cities will be developed by private players and state governments will ensure trunk services like electricity, water supply, sewage and drainage

- Incorporation of “Walk to Office” concept.

- Preference would be given to organizations who have
  - Expertise to acquire & develop land
- Capability to deliver international standards IT parks / IT Hubs
- Strong relationship with funding agencies.
- Long standing relationship with key service providers and IT industries thereby ability to pursue those organization in setting up units in its IT city / IT Park / hub.

4.4.2 Establishment of IT Corpus

- Each Department shall earmark a minimum of 2% (or as recommended by the GoUP from time to time) of its Plan budget for IT applications. This fund shall be pooled together under a separate budget head to be administered by the Department of IT under guidance and control of an Empowered Committee to be set up under the chairmanship of the Chief Secretary, Government of U.P.

- The Pool fund shall be utilized for developing replicable and reusable models of e-Governance, IT innovations in administration; IT supported resource optimization, MMPs, decision support systems, MIS, intranets and other departmental applications and enabling technologies. Priority shall be given to units located in the State for award of software & skill development work.

4.4.3 Central Data Repository

- A State Data Centre acting as the Central data Repository for all State Government Data has been established. The State Government Departments shall establish departmental intranets and local area networks, which will connect to the SDC for public domain information for 24x7 (24 hoursx7days) usage.

4.4.4 UPSWAN

- UPSWAN is one of the major Projects to boost IT/Network infrastructure in the state and has been implemented. The entire 885 centres with 2Mbps bandwidth up to block level have been established out of which 845 are fully operational. The Govt. of UP would leverage UPSWAN for connectivity and delivery of services. It would also encourage leading telecom and wireless players to establish network at remote location to enhance the reach of mobile/e-governance.
4.5 Human Capital Development

Human Capital development is the foundation for enabling citizens in UP to develop the skills necessary to leverage IT, being a part of a competent IT workforce and a knowledgeable community. Govt. of UP would focus on two main areas: IT training and IT Skill development & certification

4.5.1 Capacity building

- Govt. of UP will develop a database of IT experts and innovators in UP and forecast IT manpower demand

- Govt. of UP will encourage existing skill development institutions like ITI’s and Polytechnic to collaborate with IT majors to enhance and leverage their facilities on a PPP model.

- **Collaboration with Renowned Indian & Foreign educational institutions** to set up their campuses in UP. This will act as anchor to draw the talent pool and industry attention to hire and develop centers of excellence in and around UP and will facilitate the global standards of education with the help of exchange programs and conventions.

- **Outsource the training and government services**: This can be done by improving PPP framework for Government services and learning & development of Government officials. It will create an competitive advantage in integrating the various departments knowledge bureau at common platform shared with private sector players to leverage agile and modular approach of e-governance.

4.5.2 Skills upgrading and certification

- Govt. of UP will develop IT skills upgrading programmes and promote marketability of certified IT expert with the help of well known institutions.

- **Certification with NASSCOM**: Tie up with NASSCOM for the TIER 2/3 IT cities like Agra and Lucknow for NASSCOM assessment mechanism to map the training needs and the industry requirements with the involvement of SME’s professionals both from Academic and Corporate areas. The State will also promote establishment of Captive centres for skilled manpower requirements. The NASSCOM link will provide fast access to quality manpower within minimum cost and time for BPOs/KPOs.
• **Establishment of Skill Development Centres (SDC):** The state will establish SDC on a PPP model in and around Lucknow and Agra to encourage youth from UP to improve their capabilities and find employment in IT and ancillary activities. These centers will be established in collaboration with IT industries, IT educational institutions or in IT associations.

• **Change Management at all Operational/Management levels of Government hierarchy.** To carry transition process from legacy /manual systems to new and automated ones that involves training and addressing the benefits of automation with the assurance that the new system will not replace any manpower/resources, but will rather smoothen their workflow mechanism.

• **Introduction of a Knowledge Centre Program (KCP):** Govt. of UP would tie-up with leading MNC’s to facilitate the smooth transition of skilled resource to the industry. Govt. of UP would set up a KCP board comprising of specialist recruiters / conglomerate of recruitment agencies and IT industry recruiters and experts that would tie-up with engineering and technical colleges and others to provide training of premium technology courses in the last year (last semester) of the graduate/post graduate career and then provide assistance for placement.

• **Outsource the training and non-core government services:** This can be done by allowing Government services and learning & development needs of government officials on outsourcing basis.
4.6 Bridging the Digital Divide

It is acknowledged that different strata of the society & different locations of UP are on different level of IT development. Govt. of UP would focus on closing the IT development gaps within UP through a range of initiatives.

4.6.1 Facilitate collaboration between IT and education sector:

- This includes providing comprehensive IT trainings to teachers to encourage the use of IT in education, establishment of IT exchange programmes for teachers and students, and promotion of joint collaboration activities to raise awareness of IT

4.6.2 Strategic distribution of Laptops and Tablets to the school and college students

- Distribution of laptops and tablets to the schools and college students of UP to empowers them in the changing IT scenario and build the foundation of a strong e-learning and technically advanced resource base.

4.6.3 IT Literacy in Government:

- The Government shall implement an IT Literacy Enhancement Programme for its employees to achieve 100% IT literacy in the Government. IT literacy will have a minimum level of defined proficiency which will include word processing, e-mail, data entry, MS Office and access etc. Suitable incentive/disincentives shall be designed to achieve desired level of proficiency for government servants.

4.6.4 SMART Cards:

- SMART Card based citizens ID with multi-functions that enable citizens to interact with services, make payments, obtain ration card, passport, driving license and vehicle registration etc. shall be introduced by the departments in association with the private sector.
5. INCENTIVES

5.1 Fiscal Incentives

5.1.1 Interest Subsidy

- Interest Subsidy on term loan and working capital on the basis of prime lending rate would be provided to small, medium and large companies in equal installments over 5 years on the following basis:
  - For SME sector: 25% of the total interest paid up to 5 years, subject to a maximum limit of Rs. 25 lac p.a. and 15% of the total interest paid up to 5 years, subject to a maximum limit of Rs. 50 lac p.a.
  - For Large and Mega Investment Units interest subsidy equal to interest payable at 5% per annum for investments above 50 lac.

5.1.2 Infrastructure cost / Fixed Capital Investment subsidy

- Subsidy of 25% to small scale industries (SSIs) in Tier II/Tier III cities. However, only 15% of the subsidy will be applicable in Tier 1 cities.
- Subsidy of 35% to medium and large scale industries subject to a maximum amount equivalent to the commercial tax paid in the state in a 5 year period in Tier II/Tier III cities. However only 10% of the subsidy will be applicable in Tier 1 cities.

5.1.3 Stamp Duty

- 100% exemption of stamp duty & registration fees on purchase of land for IT/ITeS industrial use, lease shed and/or buildings with condition of commencing operations within 3 years in Tier II/Tier III cities e.g. Lucknow and Agra respectively.

5.1.4 VAT (Commercial Tax):

- 75% exemption of VAT paid for a period of five years from the date of starting commercial production.
- New units in thrust areas: 100% exemption of VAT paid for a period of five years from the date of starting of commercial production, limited to 100 per cent of fixed capital investment.
5.2 Other Incentives

5.2.1 Provision for Land

- IT/ITeS/Mega Investment projects planning to establish industrial units at Tier II and Tier III cities will be provided land at 25% of prevailing rates on purchase of land from State Agencies. However a rebate of 10% of the will be provided on purchase of land in Tier I cities.

- **Additional FSI(Floor Space Index):** 100% additional FSI to all Registered IT/ITES units in TIER II/TIER III cities.

5.2.2 Single Window Clearance & Facilitation

- A government agency to efficiently and smoothly handle statutory matter e.g. Pollution Control clearance, Power allocation will be assisting the IT/ITeS establishments. The agency shall also be responsible for clearing roadblocks in a time bound manner. In case of a failure by the agency to obtain clearance or remove a roadblock, within the time frame, the issue shall automatically escalate to the Principal Secretary/ Secretary I.T. and thereafter (after a defined time interval) to the Empowered Committee.

5.2.3 Industrial Promotion Subsidy

- Industrial Promotion Subsidy equivalent to 50% of the incentives admissible for new units if additional capital investment to the extent of 25% or more made in a period of three years in Tier II/Tier III cities.

5.2.4 Provision for Innovation & Research

- 50 % subsidy on the expenses incurred for patent registration limited to Rs.5lac to all IT/ITeS and thrust industries established in the state.

5.2.5 Plant & machinery for captive power generation

- Incentives will be provided to interested parties in setting up Captive Power Generation Plant within the IT City / IT park /Mega Investment Unit with a minimum capacity of 3-5MW.
• 50% on the plant & machinery cost in setting up a Captive Power generation/Diesel generating unit with licenses to supply and bill the power within IT/ITeS zones.

• 60% on the expenses incurred on purchase of Plant & Machinery for setting up unit for production of energy from Non conventional sources.

5.2.6 Employment generation

• 75% of incentive on expenditure on account of contribution towards Employee Provident Fund and Employee State Insurance schemes if employing and retaining at least 75% locals within a period of 3 years, subject to maximum of 25% of Fixed Capital Investment.

5.2.7 Incentives on Case to Case Basis

• IT/ITeS/Mega Unit investments projects proposed above Rs. 250 crores shall be considered for special incentives over and above the incentives provided above, by the Empowered Committee along with the approval of the state government.

• Investment projects above Rs.100 crores proposed on, skill development, Innovation, Research & Development and value addition of the employability of the resource pool in Uttar Pradesh may attract special incentives over and above the incentives provided, by the Empowered Committee along with the approval of the state government.
6. BRAND UP

- The state has tie-ups with Federation of Indian Export Organizations (FIEO), CII and other leading institutions and participation at international conventions.

- Agra & Lucknow are set to become the next IT hubs with Government giving maximum attention in promoting them.

- The state has a large base of skilled labour, making it an ideal destination for knowledge-based sectors. Due to the substantially lower costs of skilled manpower, facilities and infrastructure as compared to similar resources in other developed states of India, it is poised to become an IT investment hub.

- Agra is a world famous tourist destination which attracts both domestic as well as international tourists & Lucknow is famous for its heritage & culture. Both Agra & Lucknow are well connected by Rail with other major Indian cities like New Delhi, Mumbai, Kolkata, Chennai, Hyderabad, Bangalore etc. Hence its is proposed to develop both the cities as IT Hubs.
ANNEXURE: Empowered Committee

- A State Level Empowered Committee under the chairmanship of the Chief Secretary shall oversee the development of I.T. industry in the state. The Empowered Committee will at State level monitor the implementation of this Policy. This committee shall among others comprise APC, IIDC, and Principal Secretaries of Information Technology, Finance, Planning, Small Industries, Commercial Tax, Energy, Transport, Revenue, and Housing & Urban Development as permanent members.

- The Charter of the Empowered Committee shall be:
  
  - Monitor and ensure timely release of relevant orders/ GRs notifications and amendments required.
  - Approve the IT city/IT Parks/Mega Investment Units to be setup under the policy.
  - Approve the Projects, framework/modalities of implementation, and funding from central pool for projects proposed by the Departments.
  - Set timelines and targets for each initiative proposed by the departments.
  - Bring about inter-Departmental coordination in respect of matters related to this Policy.
  - Institute effective analysis and evaluation of IT Policy implementation on the basis of data on key indicators and resolve implementation issues at all levels.
  - Review the list of IT/ITES as well as financial services and support facilities permitted in IT city/IT Parks and approve amendments as may be appropriate.
  - Determine premium and other terms and conditions for grant of additional FSI within the guidelines laid down in the Policy and harmonize the practices followed in this respect by local bodies, public bodies and Special Industrial Development Authorities etc.
1. “IT Industry” includes IT Hardware and IT/ITES units/companies. Where IT units/companies include IT Applications, software & IT services and IT Enabled Services includes BPO/ KPO/Consulting /Animation & Gaming and other Knowledge Industry units such as Nanotechnology, Telecommunications etc.

2. **Software services include:**
   - Application software
   - Operating system
   - Middleware/Firmware
   - Any component level development of the above software.
   - Design and Quality assurance work for these software.
   - System integration work/components for software.
   - Any localization and SCM work in the software.
   - Extension development (modules outside the main software).

3. “IT services” is defined as any service which results from the use of any IT software over a system of IT products for realizing value addition.

   **Information Technology services include:**
   - Internet Service Provider
   - E-mail Service Provider
   - World wide web Service Provider
   - E-commerce & content development
   - Electronic Data Interchange (EDI) Services
   - Video conferencing
   - V-SAT, ISDN services
   - Electronic Data Center activities

4. “IT enabled Services” include processes and services that are delivered over telecom networks or the internet to a wide range of business segments such as Medical Transcription, Legal Database processing, Digital content development / animation, Remote Maintenance, Back office operations – Accounts /Financial services, Data Processing and Call Centers etc.
ITES include, but are not limited to:

- Customer interaction services, e.g., call/contact centres and email help desks
- Engineering and design
- Back office processing
- Finance and accounting (provided remotely)
- Insurance claims processing (provided remotely)
- HR services (provided remotely)
- Website development and maintenance services
- Data search, integration and analysis
- Network consulting and management
- Remote education
- Animation (provided remotely)
- Market research (provided remotely)
- Translation, transcription and localization (provided remotely).
- Consultancy (Provided remotely) for:
  - IT sector
  - ERP - Enterprise Resource Planning (e.g. SAP, Oracle etc)
  - CRM - Customer Relationship Management
  - MRM- Marketing Resource Management
  - Technical support
  - Business Systems & Processes
- Data Processing
- System Integration and customization.
- System Upgradation services
- Designing and designing systems
- Call centers:
  - Voice- Both inbound and outbound
  - Data- Both inbound and outbound
- Software Extension development
- IT Facilities management (including provided remotely)

5. Cities Classification

- Tier I – Noida, Greater Noida
o Tier II, Tier III – Agra, Lucknow, Kanpur, Allahabad, Meerut, Banaras, Saharanpur
o Mega Projects – Either Investment more than 100 crores or company employs more than 1000 Employees

6. Thrust Areas:

o IT Education and IT based education, technologies, systems and applications
o Strategic & professional electronics systems and applications
o Electronic governance
o ICT for enabling digital unite and e-rural technologies & applications
o Emerging mobile and fixed wireless technologies
o Remote sensing and GIS based Decision Support Systems
o Microelectronics and Photonics
o Electronics/IT applications and R&D for hardware manufacturing of equipment/systems
o E-commerce
o Smart cards, RFID based systems
o Bio-informatics
o Convergence and multimedia technologies