

## West Bengal IT Policy 2003

West Bengal has been one of India's fastest growing states in the last decade, with a 5.2% growth in per capita net SDP. Over the three year period (between 1998-99 and 2000-01), it has also ranked as the fifth most attractive destination<sup>1</sup> for investments. Going forward, the state has identified IT as a priority focus sector to be developed into a growth engine. This focus is reflected in the fact that West Bengal was among the first states to articulate an IT policy (formalised on 1<sup>st</sup> January, 2000). This was followed by a special incentive scheme introduced in November 2001.

In recent times, there has been explosive growth in the IT-Enabled Services<sup>2</sup> segment, which has recorded over 100 per cent growth in employees in the last 5 years. And it is expected to grow much faster than IT services in the short term. This nascent opportunity, coupled with the specific needs of the ITeS companies, has prompted the Government of West Bengal to articulate a focused ITeS policy (formalised in August 2002).

### **CORE OBJECTIVE OF THE NEW IT POLICY**

The State has developed the new IT policy keeping in mind the enhanced opportunities that IT will unleash over the next decade. These opportunities will allow corporates to create immense value, provide significant opportunities for talent development and employment, and enhance efficiencies in governance and social service. Therefore, the core objective of the new IT policy is to allow different constituents within the State to leverage this opportunity.

The aspirations of the State's IT initiative are composite and well-rounded. The focus will not be limited to making the State the most attractive destination for IT investments. In addition, the State will leverage the IT opportunity for upliftment of the quality of life within the State.

In light of the new ITeS policy and the progress made by the State in the last three years, the Government feels the need to revise the existing IT policy to continue to underline the focus on the IT sector as well as give it new direction. Consequently, this policy document has been created to reflect the needs of the IT sector as a whole. It also highlights the progress made by the state since the January 2000 policy and defines additional regulatory support measures to boost the growth of IT in the state. This policy complements the new ITeS policy by focusing in detail on the IT services

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<sup>1</sup> As per the Central Statistical Organisation (CSO)

<sup>2</sup> ITeS includes services like back office operation, call centre, content development/ animation, data processing, engineering and design, geographic information system services, insurance claim processing, legal database, medical transcription, payroll processing, remote maintenance, revenue accounting, support centre and website services

segment. Hence it should be read in conjunction with the new ITeS policy as well as the incentive scheme of November 2001.

This document explains the new IT policy and consists of four sections:

1. Information Technology in public life
2. West Bengal's IT vision
3. West Bengal's winning position on the enablers required to succeed in the sector (with specific reference to the IT services sector)
4. The regulatory support offered to investors.

## **INFORMATION TECHNOLOGY IN PUBLIC LIFE**

The State considers IT as a basic mission that can help the people uplift the standard of social life. It is clear that people will embrace IT only if it is able to add value to their daily life. The State will strive for a situation where every citizen is able to leverage IT. However, individual ownership of the facilities by all the citizens will remain a utopia. Therefore, the State's approach will be to provide community possession of IT hardware, software and accessories that will be adequately networked with the external world.

The State has undertaken an aggressive e-Governance policy to connect almost 3600 local self-governments (Gram Panchayats ) and all the Municipalities. These democratically elected Panchayats and Municipalities, empowered with IT, will ensure community participation of people. This IT network will provide all necessary information of the State to its people, and simultaneously allow the people to provide inputs to the State's decision making authorities. This, in turn, will guarantee a true participatory and transparent decision making process. The State's long tradition of a truly decentralised development approach will enable IT to reach its people. With this, the State will have emerged as an IT-enabled State in its fullest meaning.

The state plans to create a conducive environment for the participation of NGOs (Non Governmental Organisations) to take the impact of IT to the common man. In this regard, we plan to encourage NGO to take up specific initiatives.

## **THE STATE HAS SET AGGRESSIVE TARGETS IN IT**

West Bengal has registered steady growth in the IT sector with a CAGR of 90 % in the period between 1996-2003. Currently (2003), its STPI export revenues stand at Rs 1200 crore. It has also managed to attract major IT and ITeS players to West Bengal like Tata Consultancy Services, Cognizant Technology Solutions, ITC Infotech, Computer Associates, SchlumbergerSema, Siemens, The Chatterjee Group, IBM, Wipro, Spectramind, Samsung and United Airlines. The state recognizes that the potential is far higher, given its intrinsic capabilities. It has, therefore, set significantly higher targets in both IT Services and ITeS.

A study by McKinsey&Company has helped create the state's IT vision and draw up a roadmap for success in the sector. The aspiration set for West Bengal is to rank among the top-3 IT States in India by 2010 and contribute 15-20 per cent of the country's total IT revenues. The focus in the long term will be on high value-added IT work, developed through intellectual leadership and supported by Government initiatives. This approach emulates the approach displayed by the world's premier technology hubs (such as Boston, Dublin and Singapore) that have developed through a combination of corporate leadership, intellectual leadership or government leadership.

The vision is in tune with the goals set in 2000 to “*build on the state’s creative intellectual wealth and focus on one or two areas of excellence for rapid growth as well as stimulate the growth of IT enabled services and back office support services*”.

The vision has been broken down to targets at the segment level. In IT services, the state is targeting 10-15 per cent of software services exports, 25 per cent of all product development/R&D outsourcing and 5-10 per cent of domestic software services and products. In ITeS, it is targeting 15 per cent of BPO<sup>3</sup> revenues (transaction processing and customer interaction services, including call centres) and 10 per cent of revenues in other service segments like animation, knowledge services and engineering and design services (including a leadership position in knowledge services and animation). Assuming growth the India IT space as per projections made by Nasscom, we believe IT & ITeS will be able to create employment opportunities for 400,000 people. In terms of revenues of IT companies, the state’s vision will translate into total revenue of US\$ 15 billion by 2010. This will imply a CAGR (cumulative annual growth rate) of 65-75%.

The state is well positioned to achieve this vision. It has a high quality and low cost talent pool of graduates and engineers. Its IT policy offers incentives that can greatly reduce the one-time and recurring expenditure of IT companies. West Bengal is the only large state with surplus power and its telecom infrastructure is comparable with all other IT destinations. The state also recognises the strategic imperative faced by IT companies to be vertical focused. The state intends to support this over the longer term by helping development of centres of excellence in key industry verticals. Initial focus will be on developing four verticals: financial services and banking, insurance, discrete and process manufacturing and retail and distribution. Besides, the state has a strong creative tradition of different fields of entertainment related IT and ITeS activities e.g. animation that will significantly help it in attaining its vision.

From the beginning, the state has realised that government initiatives to increase IT usage will play an important role in creating internal demand and spurring growth in the industry during the formative years. Some broad initiatives were identified in the goals set in January 2000, namely:

- *Set up a state wide delivery backbone to support e-governance, e-commerce, distance education and provide an efficient government-citizen interface*
- *Transit to an IT enabled government by adopting e-governance appropriately*
- *Address IT in education to produce IT professionals, proliferate an IT culture at the gross-root level and promote specialised education institutions*

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<sup>3</sup> Business Process Outsourcing

In the last three years, the state has made significant progress in these initiatives. Today, WBSWAN (West Bengal State-wide WAN), developed by WEBEL and Tata Infotech, connects Kolkata to over 19 district headquarters and nine other important townships in the state. In the second phase, 340 blocks and 3,600 panchayats are planned to be covered.. This network forms the state's IT backbone and over time can offer the opportunity for private companies to leverage it to connect to their suppliers, distributors and consumers.

The Department of Information Technology facilitates the development of IT in the state. Specific e-governance projects undertaken include the use of the ASP<sup>5</sup> model and government portals in collaboration with TCS to provide public interface to government information, GIS (geographical information system) for municipalities and computerisation of government departments (including land records). The state has already introduced significant computerisation in several government departments, district offices, field level agencies and local bodies. Some of the key Departments like Finance, Home including Police, Land and Land Reforms, Panchayat & Rural Development, Transport, Commerce & Industries, IT, Labour, Environment, Higher Education and School Education have implemented major e-Governance initiatives in recent years. . It has also introduced a 'state of the art' computerised system in the Directorate of Commercial Taxes, full automation in all treasuries, smart cards for registration certificates and driving licenses, digitisation of land records in all blocks and is piloting a kiosk based land records data retrieval system.

The state has also launched an aggressive IT literacy programme in schools and colleges in collaboration with IBM, Wipro, NIIT and others. Some initiatives include the provision of hardware and software to schools as part of the school IT literacy programme (500 schools have been covered); the training of school and college teachers, the setting up of 10 polytechnics for courses in IT and computer science and technology and a distance learning programme with IBM. The school IT literacy programme is being extended to all schools in phases. Phase-I is already complete, Phase-II will have 2,500 schools covered by 2003-04 and during the next three years all 11,000 schools are proposed to be covered.

The state has also made progress in terms of high quality infrastructure through the STP and privately promoted software parks. **And the November 2001 incentive scheme and the August 2002 ITeS policy are by far the most generous fiscal incentive and regulatory support package currently being offered to investors in India.**

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<sup>4</sup> West Bengal Electronics Industry Development Corporation Ltd

<sup>5</sup> Application Service Provider

## **THE STATE IS WELL-POSITIONED ON THE KEY ENABLERS REQUIRED FOR SUCCESS**

The key enablers required to support the ITeS industry have already been outlined in the August 2002 ITeS policy. While the five key enablers required to support the IT services industry are the same, the emphasis is different and is detailed below. The key enablers are: availability of good quality talent, low cost of operations, availability of high quality infrastructure, government support and investor facilitation. A detailed analysis shows West Bengal to be very competitive on all these dimensions.

### **1. A large good quality talent pool**

The State's rich talent pool provides significant advantages to all knowledge-based industries such as IT. The IT-related education programme of the State will open up avenues to further enrich this talent pool.

The State recognises that expanding the talent base will be central to the success of its IT initiative. The State has undertaken a programme to expand basic computer literacy among students in 11,000 Secondary, Higher Secondary and Madrasa schools within the next three years. This programme will cover nearly four million students. The basic nature of IT education will be closely related to market-demand. In order to ensure this, the State will work with appropriate private partners. Such interactions will ensure that the content of IT education is aligned to the specific demands of the human resources market.

West Bengal has a large pool of quality talent and has historically enjoyed very low attrition rates:

**1.1 Large pool of engineers and analytical graduates:** West Bengal has the highest per capita spending on education among large Indian states. This is reflected in the huge annual intake of undergraduate students (13,000 students for engineering courses and 105,000 for science graduate courses). There are 52 engineering colleges in West Bengal. The state also has an existing pool of over 15,000 experienced IT professionals with more being created every year (NIIT has more centres in Kolkata than Hyderabad, Bangalore or Chennai).

**1.2 Good quality talent pool:** The quality of talent available is demonstrated by the fact that over 20 per cent of IIT students belong to this region. A significant section of the NRI entrepreneurship at Silicon Valley too belongs to this region. In addition, premium educational institutes like the Indian Institute of Technology, Kharagpur (IIT-KGP), Indian Institute of Management, Calcutta (IIMC) and the Indian Statistical Institute (ISI) are located in the state. Two of its graduate colleges, Presidency and St. Xavier's, are ranked among the top-10 degree colleges in India.

**1.3 Domain knowledge in financial services, insurance, manufacturing and travel/ logistics:** The local talent has domain knowledge in these verticals due to the presence of local industry:

- **Financial services:** Three banks are headquartered in Kolkata, while over 15 foreign/private banks are present in the city and over 4,600 bank branches are present in the state.
- **Insurance:** Kolkata is one of the largest insurance centres in India. It is home to the National Insurance Corporation and the Eastern headquarters of the Life Insurance Corporation (with 29 % of their nationwide agents). Most private sector insurance players have also started operations here.
- **Discrete and process manufacturing:** West Bengal's engineering sector employed about 3.15 lakh people in 5,000 units in 1999. It is home to several major discrete manufacturing units (Videocon, ABB, India Foils, etc.) and process industries (Haldia Petrochemicals, Mitsubishi Chemicals, steel, cement and oil and gas units).
- **Travel and logistics:** West Bengal has one of India's largest port complexes (Kolkata and Haldia) and acts as the logistics hub for 11 states in eastern India.
- **Artistic and creative talent:** West Bengal is the prime source of artistic talent in India. It has a strong tradition of visual arts, is the home for modern Indian theatre and cinema. Creative tradition of the State in different fields of entertainment related IT and ITeS activities e.g. animation that will significantly help it in attaining its vision.

**1.4 Low attrition rates:** Historically, Kolkata has enjoyed low attrition rates as compared to the industry averages (estimated at 10 percent against industry benchmarks of about 20 percent).

**1.5 State-level initiatives to ensure availability of quality talent:** The state realises the importance of high quality talent and plans to launch a series of initiatives to ensure its continued availability for IT companies. In this regard **the state has institutionalised an Academic Council that will advise the government on these initiatives.** The state has also formed an **Industry Academia forum to facilitate regular communication** on pertinent issues (e.g., updating of curriculum based on the needs of the industry). Some of the initiatives that the state is considering are:

- **Ensuring adequate engineering talent:** The state plans to take initiatives to ensure adequate seats in existing colleges and sufficient new colleges, required number of high quality faculty and the inclusion of foreign language education in the curriculum of engineering colleges. To ensure successful execution of this strategy, the state will draw up a public-private funding model that will ensure that necessary investments are made in this

sector. It will also take steps to ensure the financial self-reliance of government colleges and viability of private colleges.

- **Attracting middle and senior management talent:** The state plans to take initiatives to improve the social infrastructure required to attract and retain middle and senior management

## 2. Significantly lower cost of operations

Kolkata offers IT players one of the lowest operation costs in the country. This is reflected in the low CMIE consumer price indices<sup>6</sup>, compared to other key IT destinations in the country (355 for Kolkata compared to 454 for Chennai, 413 for Bangalore, 410 for Hyderabad and 401 for Delhi). Also, the low attrition levels in Kolkata reduce the training costs incurred by employers. The state's transport system offers one of the lowest transport costs

In addition, the state offers best-in-class fiscal one-time and recurring incentives to IT companies. These incentives further strengthen the value proposition of Kolkata as a low-cost centre.

## 3. High quality infrastructure

The state has strengths in all areas of physical infrastructure. This includes international telecom connectivity, physical and social infrastructure and power supply. Kolkata is also well connected to international destinations in Asia, Europe and the US.

**3.1 Telecom connectivity:** Kolkata offers about 580 Mbps of international satellite connectivity through VSNL and STPI. About 70 per cent of this bandwidth is available to new players. The state is now planning to set up two more earth stations at Kharagpur (near IIT) and Durgapur. Cable connectivity is provided through leased BSNL lines to Mumbai and onward connectivity through submarine cables. Besides BSNL, private players like Reliance Infocomm and Bharti Telesonic are in the process of connecting Kolkata as well. In addition, multiple local loop options are available from BSNL, STPI WLL/OFC.

**3.2 Availability of built-up space and land:** Kolkata offers excellent walk-in physical infrastructure. These include the STP II in the Salt Lake IT hub and privately constructed parks like Bengal Intelligent Park (BIP) and Infinity. These house over 170 IT/ITeS companies, employing some 15,000 IT professionals. In addition, the Government makes plots available for new IT projects at the highly subsidised rate of about Rs 40 lakh per acre, which is 15-20 per cent of the market price. WEBEL plans to create a new IT infrastructure over a 10 acre plot

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<sup>6</sup> CMIE Consumer Price Index (urban non-manual labour)

of land in New Town. The urban infrastructure in the New Town is to have a special focus on the growth of knowledge based industries and will encourage creation of social infrastructure required to sustain the growth.

**3.3 Continuous supply of high-quality power at a low cost:** Its high investments in power generation over the last 10 years have made West Bengal one of the few power-surplus states in India. In fact, in their recent surveys, both Nasscom and Gartner have ranked Kolkata as the best place in the country on the dimension of power infrastructure. The high percentage of thermal power ensures that the supply is not adversely affected during dry season.

**3.4 Availability of social infrastructure:** The Government recognises the importance of social infrastructure in attracting senior/middle management talent to Kolkata. The city has excellent social infrastructure in place. These include social, sports, rowing, swimming and golf clubs of international repute; cultural centres, recreational centres; excellent hotels; some of the best schools in India; privately managed hospitals and a range of tourist destinations nearby. To further improve facilities in and around Salt Lake, a dedicated team has been drawn up from the IT companies that have a presence in the area. Hyatt Regency and IT Sonarbangla Sheraton has started their operations in the city and both these facilities are located in the Salt Lake area

**3.5 Good connectivity to international locations:** Kolkata is well connected to prime locations overseas and in India. These include the prime Asian hubs of Bangkok and Singapore as well as key Western locations such as London, San Francisco and New York. The city is also well connected to important domestic locations through daily flights.

#### **4. Government support**

The state realises the important role that government initiatives that increase IT usage play in creating internal demand and spurring growth in the industry during the formative years. It also realises that increased IT literacy improves both the demand for IT as well as the supply of trained IT workers. Hence it has already taken multiple e-governance and IT literacy initiatives.

However, the government recognises that most of the current e-governance initiatives are still department centric and information based. It intends to quickly move to transaction-based applications (i.e. enable actual processing of transactions online) and then further to the launch of user centric applications (e.g., a one stop shop government portal). It also intends to increase the intensity of the IT literacy efforts to address more people (especially government servants) as well increase the sophistication of the training. To ensure successful execution of these initiatives, the state will draw up a public-private funding model that will ensure that necessary investments are made in this sector. These initiatives have also been supported through the regulatory framework and incentives detailed in the 'Regulatory support' section.

The Government has addressed most issues related to IT operations. These include permission for women to work at night, permission to run three shifts irrespective of national holidays, relaxation in building and zoning laws (e.g., ability to construct centres in residential areas), exemption from zoning laws for purposes of regulations, exemption from statutory power cuts and exemption from purview of West Bengal Pollution Control Act (except for diesel generator sets). These are discussed in more detail in the 'Regulatory support' section

## **5. IT Promotion cell**

The Government of West Bengal has started an IT Promotion cell<sup>7</sup> from August 2003. The cell reports directly to the Minister-in-charge Information Technology and is led by the Principal Secretary, Department of Information Technology. This cell will play a crucial role in helping investors setting facilities in the state and also provide them with information (e.g., real-estate available, details of colleges & schools, contacts of IT companies already present) regarding the state. The promotion cell will be focused on two fronts - 1) Investor promotion, 2) Strengthening the IT infrastructure in the state through dedicated officers who are in charge of specific initiatives. As a part of this cell, the state has already started a mechanism of continuous feedback from IT companies located inside the state

## **6. Single-window agency for IT investors**

At the operational level, the Government has made it easy for investors to set up operations in Kolkata through Webel<sup>8</sup>, which is the single-window support centre for all IT investors in the state. This policy document announces the formation of support structures for the single window system and lays out the policies and procedures by which it will be run.

The IT department has a website ([www.itwb.org](http://www.itwb.org)) which provides the required information for IT investors. The government intends to add transaction capability and the facility to submit forms online to this website. This website will be upgraded to a Portal designed to take the single window system online.

Investors looking to set up operations in West Bengal will need to submit only one form to Webel. The organisation will provide a dedicated escort officer to companies investing more than Rs 1 crore in the state. The Principal Secretary, Department of IT, will personally supervise investments of more than Rs 5 crore. The Managing Director of Webel, General Manager-IT, and General Manager-Infrastructure Services will be personally responsible for ensuring ease of setting up operations for IT investors. Webel will help companies in obtaining building space on rent/lease and in purchase of land, interact with Government bodies such as Telecom providers, WBSEB (power connections) and the local municipality (building

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<sup>7</sup> Contact details of the cell are available on [www.itwb.org](http://www.itwb.org)

<sup>8</sup> [www.webel-india.com](http://www.webel-india.com)

clearances) to minimise the company's exposure to multiple authorities. Further, the STPI has authorised Webel to grant registrations on its behalf.

A high-powered committee of secretaries under the Chief Secretary is being created to resolve all multi-departmental issues. The committee will be headed by the Chief Secretary, with Principal Secretary to the Chief Minister, Principal Secretary, Finance, Principal Secretary, Commerce and Industries and the Principal Secretary, IT (convenor) as members. Other department heads will be invited on an as-required basis. The committee will ensure a response on a company application within 14 days of its submission. This committee will also monitor the implementation of major projects being undertaken by the State Government towards the development of the IT sector.

Issues that can not be solved at the level of committee of Secretaries will be forwarded to the Cabinet Committee on Information Technology. The Chief Minister will chair this committee and its members will include the Finance Minister, the Commerce and Industries Minister and the IT Minister. Other ministers will be invited on an as required basis. This committee will meet once a month to push the process on a case-by-case basis (as required). It will also monitor and implement the outlined policies at the apex level.

The state government has enjoyed the benefits of inputs from industry leaders in the past and especially in the last year while it has created an IT vision and a roadmap to achieving the vision. The government intends to continue soliciting inputs from industry in a structured fashion.

## **INVESTORS TO GET BOTH REGULATORY SUPPORT AND FISCAL INCENTIVES**

The Government has evolved a best-in-class package of fiscal incentives and regulatory support to investors.

### **A. Supportive regulatory framework set up for investors**

Based on the inputs received from investors, West Bengal has granted the following non-fiscal incentives to IT investors to help their day-to-day operations.

#### **1. Procedures under existing labour laws simplified to ensure smooth operations**

In IT, where human resource inputs are highly flexible and mobile, the Government recognises the need to simplify procedural framework under the existing labour laws. Accordingly, the Government is committed to move from a regulated administration framework to a promotional framework to facilitate smooth functioning of the business.

1.1 All IT companies are granted the status of 'Public Utility Service' providers under the Industrial Disputes Act, 1947. The majority of employees in IT organisations are outside the purview of the 'blue-collared worker' class. However, in view of the Government's understanding of the primarily export oriented nature of work and hence the need for 24x7 operations of the IT sector, the Government has decided to classify the IT sector as a 'Public Utility Service'.

1.2 All IT units are deemed 'establishment' under the purview of the West Bengal Shops and Commercial Establishments Act, 1963.

1.3 Given the round-the-clock nature of work that is part of the IT industry, the Government grants it permission to work on a 24x7 model. These units are also exempt from the following provisions of the West Bengal Shops and Commercial Establishment Act, 1963:

- Closing an establishment and granting of a weekly holiday under Section 5 (1) of the Act, provided that every individual has at least one day off every week and a compulsory day off in lieu of working on bank holidays. This would enable the IT companies to run their operations on all seven days of the week
- Opening and closing hours under Section 7 (1) of the Act. This would enable the IT industry to run a three-shift operation
- Working hours' stipulation under Section 7 (2) of the Act. This will enable 'flexitime' operations for its employees
- Enabled to engage female employees between 8 pm and 6 am, under Section 10 (b) of the Act subject to (i) Special arrangements being made for protection of female employees during these hours; (ii) Female employees being employed jointly or in a minimum group of 10 female employees; (iii) Arrangement of a separate rest room for female employees; (iv) A minimum of 50 people to be employed during these hours (including female employees)

1.4 Under section 13 of the West Bengal Shops and Commercial Establishment Act, 1963 the IT companies will now have an option of giving compensatory day off to an employee if the quantum of work exceeds 48 hours a week.

1.5 Under the Employment Exchange Compulsory Notification of Vacancies Act, 1959, IT companies will be required to send a consolidated report every quarter on the vacancies to the concerned employment exchange. The exchange will, however, sponsor names only when specifically requested to do so by the company.

## **2. Self-certification allowed for IT companies on various acts**

Having regard to the Government's responsibility envisaged in the Acts and Regulations mentioned below, the Government permits self-certification to IT companies to the extent possible.

- Payment of Wages Act
- Minimum Wages Act
- Contract Labour (Regulations & Abolition) Act
- Workmen's Compensation Act
- Employees State Insurance Act
- West Bengal Shops and Commercial Establishments Act
- Payment of Gratuity Act
- Employees Provident Fund and Miscellaneous Provisions Act
- Maternity Benefits Act
- Water and Air Pollution Act.

## **3. IT companies awarded special status under various acts to improve infrastructure availability**

In addition to the exemptions mentioned above, IT companies are given the following facilities:

- Automatic clearances under the West Bengal Pollution Control Act, except in respect of power generation sets (already granted under West Bengal IT Incentive Scheme, 2001)
- Exemption from statutory power cuts (already granted under West Bengal IT Policy 2000)
- Exemption from zoning regulations on application of company

## **4. Structural policy changes made to boost the growth of IT in the state**

The state government realises the need for additional structural changes to boost the growth of IT. It commits to making the following changes within a timeframe of one year.

- Support for business continuity plans: The state government realises the importance of such plans given global events (e.g., 9/11). It will draw upon its geographical proximity and historical relations with the governments of the nearby countries (e.g., Singapore, Thailand, Malaysia) to support IT

companies in evolving multi-country business continuity plans. The support will be in the form of assisting the companies in discussions with these countries. Such plans would envisage an alternative country 'warm site' to act as a backup to the main site in West Bengal.

- **Data protection:** The state intends to define a data protection act (this will lay out the nature of information protected under the law, set up a regulatory authority to ensure enforcement, declare penalties for violation, etc.) to help both IT and ITeS companies provide additional comfort to their customers.
- **IT security:** The state government is committed to initiating legal proceedings against people compromising the security of government databases (i.e., hacking into government databases) and supporting aggrieved companies in initiating proceedings in similar offences against company databases.
- **Online government:** The state government intends to move towards accepting payments online along with the acceptance of digital certificates in lieu of signatures for the submission of various government forms / applications. The government will also issue all government notifications online and through the gazette simultaneously.
- **Anti-piracy measures:** This policy document declares West Bengal a zero-piracy state. The government has set up an anti-piracy cell to review serious piracy cases and initiate appropriate action. The mandate of the e-governance committee is extended to include steps to increase awareness of anti-piracy measures in various departments and initiate the move towards setting up of compliance infrastructure.
- **Industry-academia collaboration:** Webel will assist IT companies in obtaining any academic / R&D support they require from the appropriate institutions (e.g., Indian Institute of Technology- Kharagpur, Indian Institute of Management- Calcutta, Indian Statistical Institute, Jadavpur University).
- **Increased support for feeder industries:** Webel will assist support services (e.g., infrastructure developers, training institutes, transport companies and other support services) in obtaining government clearances and support. Such assistance will be triggered by a request from an IT company.
- **Digital divide:** The state government recognises the potential social issues thrown up by the 'digital divide', i.e. the lack of access of the poor to IT and its benefits. It intends to address these issues early on by exploring means of reducing this divide. Some potential measures include free for public use internet kiosks, public terminals in government schools and other public places and free IT literacy classes for the poor.

## B. Fiscal incentives for IT investors

The West Bengal IT Incentive Scheme, 2001 offers fiscal incentives that are significantly more competitive than those offered by any other state. The IT investments have been included in the scheme that enables them to avail of the fiscal incentives. Please refer to the West Bengal IT Incentive Scheme, 2001 (available on [www.itwb.org](http://www.itwb.org)) for details regarding the scheme.

In order to ensure that the scheme stays current, the following additions / modifications (highlighted in italics) have been made to the scheme:

### 1. One-time fiscal incentives

- **Exemption from consumption tax:** As per section 2(b) of the State Tax on Consumption or Use of Goods Act, 2001, IT companies are exempted from consumption tax on computer hardware, computer peripherals and other capital goods including captive power generation sets during the implementation stage
- **Quality linked incentives:** In pursuance of high quality standards by the state, IT companies in the small scale sector will be reimbursed 50 per cent of the expenditure incurred by them to obtain ISO/ ISO 9000 certificate *or SEI-CMM Level 5 or COPC-2000 or eSCM level 3* with a ceiling of Rs 5 lakh

### 2. Recurring incentives

- **Converting interest subsidy into training subsidy:** Within the limits of eligibility, an IT company can choose to convert part of its interest subsidy (as defined in the West Bengal IT Incentive Scheme, 2001) into a training subsidy to pay for the training of its employees in West Bengal. This will help support the government's aim of increasing IT literacy in the state.
- **Preference for West Bengal units in award of e-governance projects:** An IT company with an office in West Bengal and employing a minimum of 20 % of its total workforce in its West Bengal operations, and otherwise compliant with the tender requirements, shall be entitled to 5 % price preference for all West Bengal government e-governance projects. Given the scale of West Bengal's planned e-government initiatives, the government believes that this could be a huge source of opportunity for the IT industry in the state.
- **Special incentives for mega-projects:** For mega-projects *that require investments exceeding Rs 25 crore and employ more than 750 people in their first year of operation*, the Government may consider a Special Package of Incentives on a case-to-case basis. *Specifically, for companies with plans to set up large centres, the state may consider a graded*

*incentive package that would increase the incentives offered per employee with an increase in the planned size for the centre.*

**The Government of West Bengal strongly believes that this policy will create an enabling regulatory framework for IT, attract investments and sustain the huge initial momentum already generated in the sector.**