GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

IT,E&C Department – Information Technology Promotion – Andhra PradeshArtificial Intelligence Cloud Hub Policy 2018-2020 – Incentive benefits to Data Center and Artificial Intelligence Technology Companies, covering land and infrastructure, employment-linked incentives, fiscal and non-fiscal incentives– Orders – Issued.

INFORMATION TECHNOLOGY, ELECTRONICS & COMMUNICATIONS (Promotions) DEPARTMENT

G.O.Ms.No.4 **Dated: 31- 01-2018**

Read the following:

1. G.O.Ms.No:3, IT,E&C Department, dated:11.08.2014.
2. G.O Ms.No:21, IT,E&C Department, dated:22.09.2016.
3. G.O. Ms.No:17, IT,E&C Department, dated:09.09.2017.
4. G.O. Ms.No:10, IT,E&C Department, dated:25.07.2017.
5. G.O. Ms.No:7, IT,E&C Department, dated:06.06.2017.
6. G.O. Ms.No:18, IT,E&C Department, dated:16.09.2014.

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ORDER

Andhra Pradesh is strategically located on the Southeast coast of India and is a natural gateway to East & Southeast Asia. The state has a population of 49.3 million (as per population census - 2011), accounting for 4% of India's population, residing in 4.9% of the country's geographical area. Andhra Pradesh has a comprehensive pool of skilled and semi-skilled workforce with 30 universities and more than 750 colleges imparting quality education. Andhra Pradesh has been a leader in adopting new technologies and has paved the way for the rest of the country to adopt it.

1.1 Previously, unified Andhra Pradesh was strongly associated with the IT industry. Following the same legacy, the government of the bifurcated Andhra Pradesh has been very progressive in developing new initiatives and policies to attract IT, ITeS and Electronics companies to the state. The state has introduced appropriate policies for promotion of IT, ITES, Electronics, Innovation, Start-ups and IoT hubs to attain a substantial market share in India's total technology market by 2020. In line with this philosophy, the Government of Andhra Pradesh plans to make the state a hub for companies to set up Hyper-scale Data Centres along with associated artificial intelligence ecosystem.

1.2 Data centers are increasingly becoming important as businesses and Governments alike adopt new age technologies for delivering services. In 2016, the Data Centre market witnessed large deals from major players, new economic and regulatory policy and strategic cloud adoption. These factors are changing the rules of the game, ranging from Data Center pricing models to location selection criteria. Ever changing political, economic and technological landscape is adding to the need for stronger and smarter Data Centers around the world.

1.2**(a) Global Scenario:** It is estimated that there will be 485 hyper-scale Data Centers by 2020 as opposed to 259 that existed at the end of 2015. IDC (2016) defines hyper-scale Data Centers as largescaleData Centers architected for a homogeneous scale-out greenfield application portfolio using increasingly disaggregated, high-density, and power-optimized infrastructures. They have a minimum of 10,000 servers and are at least 1,00,000 sq. ft. in size and/or can be much larger. Hyper-scale Data Centers currently account for 34% of the total data traffic within all Data Centers and by 2020 will account for 53% of the same and all the Cloud Data Centers combined will process 92% of the traffic. Annual Global Data Center IP traffic will reach 15.3

zeta bytes (ZB) by the end of 2020, up from 4.7 ZB per year in 2015 at a compound annual growth rate (CAGR) of 27 percent from 2015 to 2020. In addition, Cloud workloads are expected to more than triple (grow 3.2-fold) from 2015 to 2020, whereas traditional Data Center workloads are expected to see a Global decline, at a negative 3% CAGR from 2015 to 2020.

1.2(b) Cloud will represent more than 90 percent of all Data Center traffic and Data Center traffic on a Global scale will grow at a 27 percent CAGR. However,Cloud Data Center traffic will grow at a faster rate (30 percent CAGR) or 3.7-fold growth from 2015 to 2020. Asia Pacific has been the fastest growing region in terms of Hyper-scaleData Center location and will continue to grow more rapidly over the next five years, although North America will still account for 43% of Hyper-scale Data Centers by the end of 2020.

1.3 **Indian Market:** India's domestic market for data consumption is growing twice as fast as that of the world propelled by the increasing smartphone penetration. Data consumption is expected to reach 2.3 million petabytes by 2020 from a meagre 40,000 petabytes in 2010. The sector promises extraordinary growth potential across various verticals such as banking, insurance, telecommunication, social and digital media, travel and e-Governance. The Indian Data Center infrastructure market is valued at $2.2 billion and is poised to be the second largest market for Data Center infrastructure within the Asia Pacific region by 2020. Data Center IT infrastructure in India amounts to only 1.2% of the world's Data Center IT infrastructure and 5.2% in Asia-Pacific.

1.3(a) India has been rated as the 2nd largest market for Data Center infrastructure and 2nd fastest growing market in Asia/Pacific after China in 2015. The size of India's Data Center hosting and co-location market stood at $638 million in 2014 and is predicted to reach $1.8 billion by 2018 at a CAGR of 21% and the Data Center market is expected to reach $7 billion by 2020 which, if consumed entirely, will enable India to attract 4.5% of the world's investments in Cloud infrastructure by 2020, thereby ensuring higher data speed, better connectivity and jobs. This entails that nearly 12-15 million sq. ft. of built up IT infrastructure would be required to accommodate this entire potential.

1.4 Drivers of Growth: The drivers for growth of Data Centers in India are multifold:

(i) India can act as anchor and co-location host for neighboring SAARC countries such as Nepal, Bhutan, Sri Lanka, Bangladesh, Maldives and the Far East including Singapore, Malaysia, and Thailand. With appropriate data protection laws that offer data sovereignty and ownership in a framework of Data Embassies, the opportunity to attract multi-nationals, and, Scientific Organizations from the developed world is very high;
(ii) Government of India initiatives such as Digital India, Smart Cities, Aadhaar, Jan-DhanYojana etc., will generate unprecedented amount of data;
(iii) With more than 100 million active mobile data users, consumer and enterprise data is expected to grow exponentially;
(iv) Artificial Intelligence (AI) will be central to almost all real-time solutions offered (by Industry, Commerce, and Government) through Cloud Hubs. These AI Cloud Hubs will serve emerging needs across all sectors over the next several decades and will be humongous consumers of compute resources, bandwidth, power, land and ultra-skilled labor;
(v) Abundant skilled engineers and management professionals will ensure low HR cost for the companies setting up Hyper-scaleData Centers.

2. Advantage of Andhra Pradesh

IT companies have a strong presence in the State and there has been a constant influx of electronics manufacturing companies over the past few years. The Government of Andhra Pradesh

has envisioned the growth of Hyper-scaleData Center clusters in the State, otherwise called as the **AI Cloud Hub**, which aims at establishing an entire eco-system of Information Technology and Information Technology Enabled Services related services alongside new-age, AI-defined Data Centers.

2(a) 'Cloud First' as a Vision

The Government of Andhra Pradesh realizes the importance and benefits of new age technologies and their application in day-to-day governance. Government and PSUs generate huge amount of data, hence for better public services, the Government has envisioned use of AI Cloud hubs to support the huge volumes of data expected to be created. Government of Andhra Pradesh has envisioned the policy called "Cloud First" for any new IT initiatives in the State as a part of the ePragati (State Enterprise Architecture Framework) initiative.

2(b) Industry 4.0 initiatives of the State

(i) The Government of Andhra Pradesh has adopted and implemented plethora of initiatives across departments, which are driven by components of Industry 4.0 such as Internet of Things, analytics, drones etc. Initiatives such as eAushadi, NTR Bharosa, ePDS, monitoring of ground water levels and rainfall through Digital Water Level Recorders (DWLRs) and Automatic Weather Stations (AWS), Centralised Control Monitoring System (CCMS) of street lights, smart metering, MeeSeva, emergency services, DataLytics, ePragati etc., function on new age technologies and generate huge amounts of data on which analysis is done to understand the trends and decide future course of action.

(ii) The CM Office Realtime Executive (CORE) dashboard (core.ap.gov.in) is an integrated platform for monitoring key performance indicators of different departments and programs implemented in the State. CORE provides a bird's eye view of the situation in the State. The State-of-the-art Command Centre established for realizing the vision of Real-Time Governance is the latest addition to the technological advancement of the Government. The State is keen to inculcate further technology driven measures which will pave the way for better governance and assist in efficient allocation of resources. Understanding and analyzing data is a key component and hence, use of analytics and artificial intelligence is increasingly being adopted by the Government.

2(c)Connecting Andhra Pradesh to Landing Cable

In addition to the existing bandwidth, Andhra Pradesh is willing to explore opportunities to connect an AI Cloud Hub cluster with the Fibre-Optic cable landing at Chennai. This will provide further impetus to the vision of establishing Andhra Pradesh as the leader in new age technologies and Cloud Hubs.

2(d) Land Bank

Andhra Pradesh has one of the largest land banks in the country and this gives the State a strategic edge in attracting investments. This land would be administered in accordance with the New Industrial Policy 2015-20. Land parcels as appropriate would be identified taking into consideration the infrastructure and technical requirements of an AI Cloud Hub cluster and also any overarching Government policy / Act / Rules on land usage in Andhra Pradesh. While the policy would be applicable to entire Andhra Pradesh, taking into consideration the feasibility of a landing cable perspective, potential areas for development of the AI Cloud Hub cluster would be Chittoor and Visakhapatnam Districts.

2(e) Reliable Infrastructure

(i) The Government of Andhra Pradesh is committed to supplying 24X7 reliable, quality power to the industry. While the State is currently power surplus, it has embarked on an ambitious

plan to add another 16,000 MW of power generation capacity by 2019-20 along with 18GW of renewable energy capacity by 2021-22.

(ii) The State is also committed to invest in and ensure adequate and world-class infrastructure and common facilities across industrial parks, manufacturing zones, Industrial corridor nodes etc. AP is also gearing up to be the "block-chain" zone of excellence. IEEE studies of bitcoin cryptographic Block-chain technologies have demonstrated that extremely cheap and reliable power is the biggest utility required due to the increasing compute resources needed to maintain a growing Blockchain.

2(f) Abundant availability of skilled manpower

(i) Andhra Pradesh provides highly skilled resources which affirms its comparative lead with reference to skill sets required in operating and maintaining a Data Centre and IT operations.
(ii) The State has over 200 polytechnics and 225 engineering colleges that feed the industry's requirement for skilled manpower. Each year approximately 160,000 engineers graduate from Andhra Pradesh. AI and Machine Learning will be key upstream features for solutions utilizing Cloud Hubs. It is expected that adaptive skills development with abundant qualified resources will generate considerable AI Cloud Hub customers' interest.

2(g) Ease of Doing Business

(i) Andhra Pradesh ranked first in the 2016 World Bank's and Government of India's Ease of Doing Business ranking.
(ii) The Government will provide permissions to the Data Centre and AI Cloud Hub industry for 24x7 (three shifts) operations, employment of women in the night shifts, flexibility in employment conditions including working hours for women and shorter or longer shift timings and hiring of contract workers. For a notified AI Cloud Hub centre, IALA (Industrial Area Local Authority) can be set up as per guidelines issued by APIIC. An IALA, located within each cluster would have the authority to provide most of the clearances locally in a speedy manner.
(iii) The Government of Andhra Pradesh has developed a Single Desk Portal for all pre-establishment and pre-operations approvals, with SLAs defined for each of the clearances. All such clearances are being given within 21 working days.

2(h) Skill Development Initiatives

(i) Impetus would be given to establish industry-academia partnerships (with State universities, IIT-Tirupati, IIITs, NIT-Tadepalligudem and IIM-Vizag) to promote apprenticeship model and R&D related to the industry;
(ii) The Government of Andhra Pradesh has set up the Indian Institute of Digital Technologies (IIDT) at Tirupati along with establishing Visakhapatnam as the FinTech capital of the country which will provide necessary impetus for skilling in IT infrastructure and services;
(iii) The Government of Andhra Pradesh shall also strive to set up quality R&D laboratories in collaboration with leading Global institutions. These facilities would be accessible to all companies in the sector (having Data Centres in Andhra Pradesh) and would be set up on a PPP basis;
(iv) The Government of Andhra Pradesh has set up ANDHRA PRADESH State Skill Development Corporation (APSSDC) on lines of the National Skill Development Corporation (NSDC), a not-for-profit company under the Companies Act, 2013;

(v) APSSDC will provide funding to build scalable, for-profit vocational training initiatives. It will also enable support systems such as quality assurance, information systems and train the trainer academies either directly or through partnerships;
(vi) The State will identify required quantum of skilled manpower, map industry specific skill sets and provide courses at different levels of education – matriculation and above.

3. Policy targets and objectives: The policy targets and objectives are as follows:

(a) Transform Andhra Pradesh as one of the most preferred destinations in India for Hyper-scaleData Centers and AI Cloud Hubs;
(b) Attract new investments worth at least $5 billion in the sector by 2020;
(c) Identify and address the existing infrastructure gaps affecting the IT infrastructure and Data Center industry;
(d) Promote innovation, research and development in the industry and ensure continuous technology up-gradation;
(e) Promote AI Cloud Hub based advanced testing facilities (e.g: for autonomous and driverless vehicles, Drones etc) and other technology drivers such as Blockchain, FinTech, GovTech (Smart Cities, Real-time Governance) and Digital Medicine that will produce a high demand for Cloud Hubs;
(f) Address air space regulation specifically for advanced drones testing associated with AI Cloud Hub policy to the extent permissible within the ambit of extant legislation or regulation as may be notified from time to time by the Directorate General of Civil Aviation (DGCA);
(g) Promote high standards of data protection and data privacy in coordination with Ministry of Electronics and IT, Govt. of India (MeitY) and take up enhancement of the Cyber Security Policy of Andhra Pradesh 2017-20,as needed for the effective functioning of the proposed AI Cloud Hub eco-system;
(h) Create multiple cluster based ecosystem for IT infrastructure and services within the State including establishment of Global Monitoring Centers in the zone;
(i) Data centers will be treated as Essential services under Essential Services Maintenance Act and will be extended prime importance in an event of natural disaster.

4. Overall Structure of the AI Cloud Hub Policy

AI Cloud Hub Policy seeks to promote a layered eco-system to be called the AI Cloud Economic Zone, consisting of Physical (non-IT Infrastructure), Hyper-scale Data Centers and AI and Cloud Service providers, besides IT, ITES Service providers and R&D Units, as described below:

(a) **AI Cloud Economic Zone (AICEZ):** Government proposes to establish a large zone, spread over several hundred acres, consisting of a large number of projects, which, together, undertake activities and provide services to domestic and global players in the AI and Cloud Hub on an end-to-end basis. The AICEZ is conceptualized as a 'one-stop-shop' for all the requirements for providing AI and Cloud services on a global scale. It consists of the physical and IT infrastructure required for establishing AI Cloud Hub Units. It provides the environment and incentives required to establish and run the units in a globally competitive manner.
(b) **AI Cloud Hub Infrastructure Project:** The AI Cloud Hub Infrastructure Project will be of a size of hundred acres. The project establishes the physical (non-IT) infrastructure consisting of external and internal roads, power, water, fibre-optic connectivity and provides these utilities at globally competitive rates to the various units established within the project area, through long-term tariff agreements.

(c) **Hyper-scale Data Centre Project:** The Hyper-Scale Data Centers are the large data Centers, with a minimum floor space of 100,000 Sq. Ft, may or may not be established within an AI Cloud Hub Infrastructure Project, adopting next-generation Data Centre technologies, like the Software Defined Data Centre technologies and green technologies. A typical Hyper-Scale Data Centre is located in a 5 to 25-acre plot.
(d) **AI and Cloud Service Provider Units:** An AI Cloud Service Provider Unit is a project undertaken by any enterprise to provide AI and cloud services, including the development of the software products and application for providing such services to global customers. AI and Cloud Service Provider unit consists of a development center and an operations center, the former being established as a typical IT development and support center and the latter being hosted in a Hyper-Scale Data Centre established by itself or by another service provider.
(e) **IT and ITES Service Provider Units:** IT and ITES Service Provider Units are the typical IT/ITES enterprises that provide IT/ITES services to domestic and global customers.
(f) **AI R&D Units:** An AI R&D unit is an enterprise that is located in the State and conducts research and development activities in the AI space.

5. Potential Enterprises

5.1 Government of Andhra Pradesh acknowledges that the AI Cloud Hub cluster would have the following categories of enterprises:

(a) Infrastructure providers who would acquire land, develop the space, and build common infrastructure required for establishing Hyper-scaleData Centers.
(b) Service providers and vendors who would use the above infrastructure to build Data Centres and/or provide and utilize the cloud, software, desktop and platform services.
(c) Or a combination of (a) and (b) above, who provide comprehensive services

5.2 The policy addresses and intends to create a holistic ecosystem of new age IT-enabled services by conglomerating three essentials namely, Infrastructure as a Service (IaaS), Software as a Service (SaaS) and Platform as a Service (PaaS).

6. Definition of the AI Cloud Hub Project

6.1 Government recognizes, any enterprise/applicant providing cloud and related services through a Hyper-Scale Data Center, established by the enterprise/ applicant itself or otherwise, as **projects** under this policy.

6.2 The Government envisages to provide various incentives / benefits to potential projects to be established in pursuance of this policy. The following classification will be adopted for the administration of the incentives and support to the Projects and Units:

6.2(a) Large AI Cloud Hub Projects

A Large AI Cloud Hub Project is such where capital investment in Data Centre building and equipment (excluding the cost of land) is less than Rs.300 crore (~USD 46 million) and more than the investment threshold for Medium enterprise as per the MSME Act 2006 of Government of India.

6.2(b) Mega AI Cloud Hub Projects

Projects with capital investment (excluding the cost of land) of over Rs.300 crore (~US$46 million) will be accorded the Mega AI Cloud Hub Project status and tailor-made incentives will be offered based on the quantum of investment and technology deployed.

7. Infrastructural support

7.1 AI Cloud Hub zone will have developed land, common infrastructure such as security, drainage, water treatment plants, solid waste management plants, basic social infrastructure, street lights, proper roads within the zone, multiple exits and entry, dedicated power and fiber lines and any such facility that the Government of Andhra Pradesh deems necessary. Government will provide the above mentioned infrastructure in the zone by itself or through a sponsor of the project. For this purpose, 'Sponsor' is defined as a single investor or a consortium of investors that proposes to provide shareholders capital to finance, whether directly or indirectly, the business that developer will undertake pursuant to a license-agreement.

7.2 Such sponsor will be a Public Private Partnership (PPP) between a PSPP (Private Sector Project Proponent) and APIIC as per the guidelines and terms under Global In-House Centers policy of Government of Andhra Pradesh notified vide G.O.Ms.No. 7 dated 06-06-2017. Data centers are not known to create similar employment as compared with IT/ITeS sector. Hence, para 6.1.4 (c) of the GIC policy is relaxed, proportionately for the space occupied by Data Centers.

(a) **Land:** Government of Andhra Pradesh is committed to speed up the process of allocating land to investors. IT infrastructure industry which creates a holistic ecosystem of new age technologies and innovation along with Data Centres will attract mega projects. Considering this, in case of Mega AI Cloud Hub Project, the Government will offer land at attractive rates.

(b) **Facilitation of Permissions:** GoAP shall address air space regulation specifically for advanced drones testing associated with AI Cloud Hub Policy to the extent permissible within the ambit of extant legislation or regulation as may be notified from time to time by the Directorate General of Civil Aviation (DGCA).

(c) **Quality power:** Government of Andhra Pradesh is committed to supplying 24X7 reliable, quality power to the industry. Government of Andhra Pradesh will provide power redundancies by supplying power through dedicated/multiple sub stations at the proposed site which will result in power reliability of 99.999%.

(d) **Water:** Industrial water is one of the essential requirements of Data Centers. Water treatment plants, in private public partnerships, in/around major data center cluster, shall be set up by the sponsor of the project (as defined in clause 9 of the said policy) as a part of common infrastructure. Government of Andhra Pradesh will ensure 24x7 water supply to the cluster/ AI Cloud hub zone/ data center. Water connection will be provided at the door step of such a zone.

(e) **Fiber connectivity:**

  (i) It is absolutely essential to have infinite fiber connectivity in both directions i.e., International into Andhra Pradesh and Andhra Pradesh into the rest of the country. GoAP will provide a dedicated fiber line at the proposed zone in a ring topology. Currently there is no landing cable in Andhra Pradesh and hence to boost fiber access, multiple fiber service providers/ telco cables will be granted right of way access, for uplink and downlink through public access road for perpetuity, from Chennai to the proposed site of the AI Cloud Hub Zone. Government of Andhra Pradesh shall strive to take adequate measures for protection of dedicated fibre cables running through the State's jurisdiction including, protection from cable cuts due to infrastructure development (trenching).

  (ii) In an event of cloud service provider laying cable to connect it's data centers within the State, contingent to such provider restoring the roads or any other public infrastructure/indemnifying the State on account of digging the road or any other public infrastructure, **such right of way will be extended at zero cost** provided such

cables/connectivity is not leased out or extended as a service to any other establishment/institution/company etc.

(f) **Road Connectivity:** Government of Andhra Pradesh shall strive to provide road access to the cluster providing conducive logistical infrastructural support for industrial development. Visakhapatnam-Chennai industrial corridor and Chennai-Bengaluru Industrial Corridor will also provide excellent road and rail connectivity for freight movement to and from ports and logistic hubs.

(g) **Social Infrastructure:** In order to promote social infrastructure and holistic development, 20% of land of the entire layout shall be earmarked by APIIC for developing social infrastructure provided all the operating guidelines in this aspect are adhered to. ITE&C Department and APIIC, after being satisfied of the fact that the zone will have enough economic activity may start allocation of such earmarked land for social infrastructure development.

8. Data Protection Policy: Appropriate data protection policies / laws would be proposed and enacted as per the legislative powers bestowed on the Government of Andhra Pradesh as per the constitutional provisions of the Republic of India. Government of Andhra Pradesh would strive to develop suitable draft guidelines in this regard within a period of 6 months of approval of this policy.

9. Fiscal incentives:

(a) **SGST reimbursement:** GoAP shall provide a 50% reimbursement of SGST, for new Data Centres started after the date of issue of this policy, for purchase of raw materials and equipment for the centre for a period of 3 years from the date of approval of the project. To promote the vision of 'Cloud First' within the State, 50% SGST will also be reimbursed on the cloud-based services provided from out of the AI Cloud Hub zone, within the State.

(b) **Power** will be provided with a subsidy of Rs. 2 per unit for 2 years from the start of commercial operations.

(c) **Fiber connectivity:** Each AI Cloud hub unit will be provided assistance of 50% of connectivity charges for 3 years from the date of commercial operations, up to a maximum of Rs. 1 crore on the cost incurred.

(d) **Employment incentives:** Government of Andhra Pradesh also extends additional benefit on employment generation by such Data Centre companies or otherwise in the field of IT/ITeS, excluding employment generated for infrastructure management, under Information Technology Policy 2014-20 of the State. Accordingly, any company, creates IT/ITeS (including associated remote services for a cloud hub) employment of more than 5,000 persons, will be treated as per provisions laid down under IT Policy 2014-20 of the State. Benefits will be extended to the applicant directly employing the manpower.

10. Artificial Intelligence (AI)

For the purposes of this Policy, a AI unit is defined as one that undertakes any of the following 4 categories of work, namely, Development of Systems that think like humans, Systems that act like humans, Systems that think rationally and Systems that act rationally. Incorporating Machine Learning as an integral part of AI is critical and for the purposes of this policy ML is assumed in AI. GoAP has identified 4 key areas amongst the gamut of AI to enable growth and job creation.

(a) **AI Research and Development:** GoAP intends to develop the State as the prime destination for development of new technologies through R&D in AI. To successfully scale the eco-system, GoAP will nurture infrastructure, access to data and comprehensive spectrum of verticals (fintech, block-chain, med-tech, gov-tech, drone testing, Autonomous vehicle testing etc).

(b) **AI workforce:** Rapid growth of AI has dramatically increased the need for people with relevant skills to support and advance the field. GoAP has established one of India's premier digital institutions, International Institute of Digital Technologies (IIDT) to train and up-skill the existing workforce. GoAP shall incentivize IIDT and other technical Institutes in AP to create quality AI Centers-of-Excellence

(c) **AI Testing:** AI has enabled advent of automated vehicles and related technologies. These AI enabled machines require rigorous testing and to ensure quality and safety. It is important to accommodate such testing within the preview of the policy. GoAP may, at a competitive cost, allocate land and other such necessary infrastructural requirement for testing of AI enabled machines.

(d) **AI Regulation:** AI cuts across different sectors and institutions and a blanket regulation cannot be applied just on the basis of technology. However, privacy and security are the major areas of concern while promoting and regulating AI. GoAP will form a high level committee to screen all proposals related to AI and form specific regulatory mechanism depending on the nature of sector.

11. Fiscal Benefits:

(a) **Land Subsidy:** Only the AI units with AI/IT employee strength of a minimum of 250 will be eligible to be considered for allotment of land. Rebate on the cost of land will be provided @ Rs. 60,000 per additional employment generated or 6 months' CTC whichever is lower for Mega projects and Rs. 40,000 per additional employment generated or 6 months' CTC whichever is lower for other AI projects, subject to a maximum of 80% of the land cost as determined by the allotment agency. Prescribed guaranties would be taken from the sponsors of the project for the rebate;

(b) **Employment proportionate to land:** AI units will be provided relaxation from employment creation per acre of land as compared to IT units. For AI testing and for AI R&D minimum employment of 100/acre has to be met;

(c) **Employment Subsidy:**
   (i) In case of Mega Projects with Land, fiscal incentive will be @ Rs. 50,000 per additional employment generated or 6 months CTC whichever is lower;
   (ii) In case of Large Projects with Land, fiscal incentive will be @ RS. 50,000 per additional employment generated or 6 months CTC whichever is lower;
   (iii) In case of Large Projects without Land, fiscal incentive will be @ Rs. 100,000 per additional employment generated or 6 months CTC whichever is lower;
   (iv) In case of MSME/BC/SC/ST/Women/Rural AI projects, fiscal incentive will be @ Rs.150,000 per additional employment generated or 6 months CTC whichever is lower.

(d) **Assistance for R&D:** In order to promote innovation and applied R&D GoAP proposes to offer special incentives for organizations engaged in applied research and development activities encompassing the following:
   (i) **Co-financing of industry sponsored research:** GoAP proposes a matching contribution of up to Rs. 25 lakhs for AI related projects of public importance where an equal amount has been funded by private/public sector companies. The research outcomes will be reviewed by CCITI;
   (ii) **Patent Registration:** GoAP proposes to provide financial assistance towards expenses incurred for patent registration for cloud hubs having their India headquarters in Andhra Pradesh. The financial assistance will be limited to 75% of the cost subject to a maximum of Rs.6 crore. This assistance will be given only to those projects that are approved by CCITI (Consultative Committee on Information Technology Industry) notified vide G.O.Ms. No.18, IT,E&C Department, dated.16.09.2014.

12. Non-Fiscal Incentives for Cloud-hub and Artificial Intelligence companies

Data Centres would be exempted from inspections/certifications under the following Acts and the rules framed there under and as administered by the Labour department, barring inspections arising out of specific complaints or violations being identified suo moto by Government departments or any change in the acts and rules specified and implemented from time to time that may require such inspections. The units are permitted to file self-certificates, in the prescribed formats for the following statutes.

(a) The Factories Act 1948;
(b) The Maternity Benefit Act 1961;
(c) The Andhra Pradesh Shops & Establishments Act 1988;
(d) The Contract Labour (Regulations & Abolition) Act 1970;
(e) The Payment of Wages Act, 1936;
(f) The Minimum Wages Act 1948;
(g) The Employment Exchanges (Compulsory Notification of Vacancies) Act 1959;
(h) General permission shall be available on the lines similar to IT/ITES industry for 3-shift operations with women working in the night, subject to the units taking the prescribed precautions in respect of safety and security of employees;
(i) Any act/regulation in force during implementation of the project will be applicable as per established rules and guidelines;
(j) All the requisite pre establishment and pre operation approvals will be provided through Single Desk Portal within 21 days of application.

13. Mega projects and anchor units may be given special dispensation on account of large scale investment in the State.

14.**Implementation Approach**

(a) The infrastructure would be developed in similar lines as Electronics Manufacturing clusters and made available for the potential entrepreneurs to apply for the required land and other infrastructure.
(b) APEITA will receive and examine the proposals received from prospective companies for "Artificial Intelligence Cloud Hub Projects".
(c) Upon satisfactory evaluation, the proposals will be submitted to Information Technology, Electronics and Communication Department. The qualified proposals will then be examined and presented to the CCITI for approval.
(d) CCITI will then examine and recommend the most suitable proposals to Hon'ble Minister for IT for final approval.
(e) After approval, APIIC will provide the necessary land and infrastructure support.

15. **Policy Validity**

The policy will be valid till 31st March 2020 from the date of notification. The policy shall be reviewed 2 years after it is notified and necessary modifications undertaken.

16. A set of detailed guidelines will be issued to administer the incentives mentioned in the Artificial Intelligence and Cloud Hub Policy 2018– 2020.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

AJAY JAIN
PRINCIPAL SECRETARY TO GOVERNMENT

To
The Vice Chairman and Managing Director, APIIC Ltd, Vijayawada
The Group CEO, APEITA

The VC and MD, VUDA, Visakhapatnam
The Commissioner, Industries, Andhra Pradesh
AllDistrict Collector& Magistrates
The CEO, APSSDC

Copy to:
The Chief Minister's Office / Chief PRO to Hon'ble Chief Minister.
The OSD to Hon'ble Minister for PR& RD and Information Technology, Andhra Pradesh.
The PS to Hon'ble Minister for Finance, Andhra Pradesh.
The PS to Hon'ble Minister for Major Industries, Andhra Pradesh.
The PS to Hon'ble Minister for Revenue, Andhra Pradesh.
The PS to Hon'ble Minister for MA&UD, Andhra Pradesh.
The PS to Hon'ble Minister for Energy, Andhra Pradesh.
The PS to Hon'ble Minister for Labour, Andhra Pradesh.
The PS to IT Advisor, Government of Andhra Pradesh
The PS to Chief Secretary to Government of Andhra Pradesh.
The PS to Spl. CS Planning, Andhra Pradesh.
The PS to Spl. CS, Finance, Andhra Pradesh.
The PS to IT Advisorto CM
All Departments in Secretariat
The Development Commissioner, VSEZ, Visakhapatnam.
The Development Commissioner, AP IT SEZs Visakhapatnam.
The Director, STPI, Andhra Pradesh.
The President, ITAAP, Andhra Pradesh.
The Regional Director, CII, Andhra Pradesh.
The President, AP Chamber of Commerce.
The Regional Chairman, ESC Member.
The CEO APIS, Vijayawada.
The Regional Director, NASSCOM, Andhra Pradesh.
The CEO, APEDB
The CEO (IT Promotions), AP Electronics &Information Technology Agency
The CEO (Infra), AP Electronics & Information Technology Agency
The PS to Principal Secretary to CM, Andhra Pradesh
The PS to IT Advisor & Spl. CS to CM
The PS to Prl. Secretary, ITE&C Department
The PS to Secretary, Industries & Commerce Department

//Forwarded :: By Order//

SECTION OFFICER

Annexure

(Annexure to G.O.Ms.No.4 ,IT,E&C Department, dated. 31.01.2018)

Sl. No.	Nature of Project/ Unit	Classifi -cation	Incentive/ Support available as per this Policy	Reference to the section/ para in this Policy
1	AI Cloud Hub Infrastructure Project	Any Size	As per GIC Policy of Government of Andhra Pradesh vide G.O.Ms.No.16, IT,E&C Department, dated:23.10.2017.	Clause 6 of the Policy
2	Cloud Hub	MSME/ Large	SGST Fiber Power Employment Incentive	Clause 9 of the Policy
3	Cloud Hub Project	Mega	SGST Fiber Power Employment Incentive Tailor made incentives	Clause 9 of the Policy Clause 13 of the Policy
4	AI Service Provider Unit	Large	Land Employment R&D	Clause 11 of the Policy
5	AI Service Provider Unit	Mega	Land Employment R&D Tailor made incentives	Clause 11 of the Policy Clause 13 of the Policy
6	AI R&D Unit	MSME/ Large	Land Employment R&D	Clause 11 of the Policy
7	AI R&D Unit	Mega	Land Employment R&D Tailor made incentives	Clause 11 of the Policy Clause 13 of the Policy
8	IT & ITES Units	Any Size	As per Andhra Pradesh IT Policy notified vide G.O.Ms.No.21, IT,E&C Department, dated:22.09.2016.	

AJAY JAIN
PRINCIPAL SECRETARY TO GOVERNMENT