

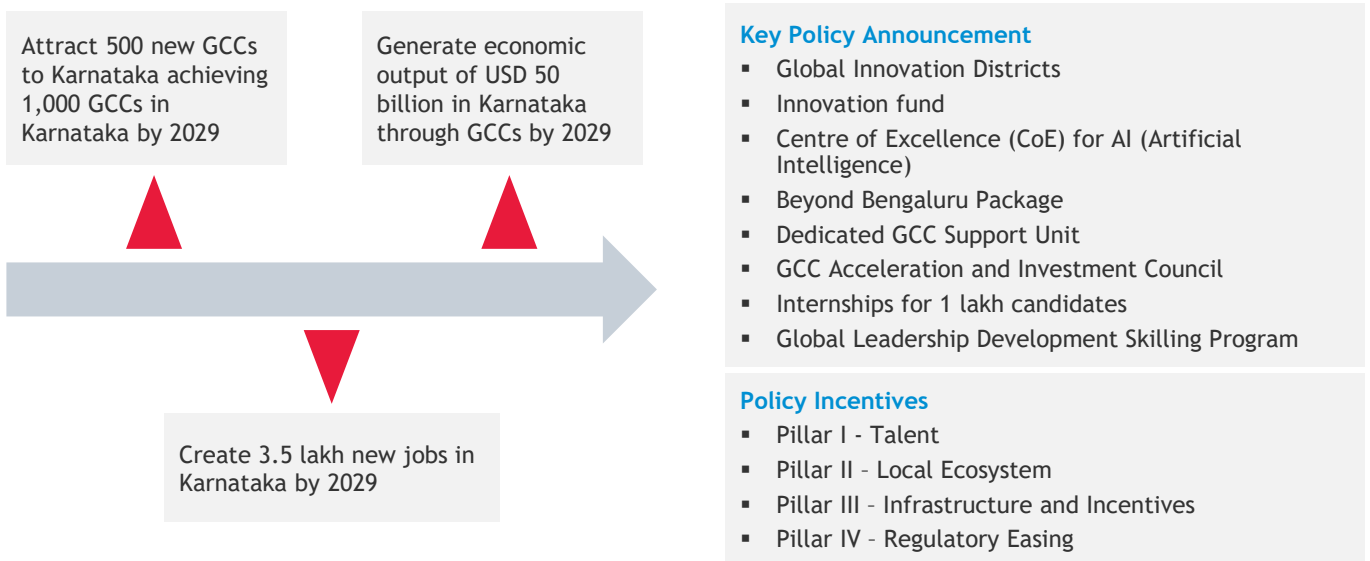
KARNATAKA GLOBAL CAPABILITY CENTER POLICY 2024-2029

Background

As India has become the preferred global destination for Global Capability Centres (GCCs), Karnataka, particularly Bengaluru, has been at the forefront of this growth. The Government of Karnataka (GoK) is committed to promoting equitable growth across the State through its 'Beyond Bengaluru' initiative. The proposed policy will be a key driver in attracting investments and generating employment in and beyond Bengaluru, contributing to the state's overall economic growth and development.

Vision

The GoK is focused on continuing the growth trajectory of GCCs and has the below vision for GCCs in Karnataka. To make the vision a reality, the Government has made certain marquee announcements such as:



Why Karnataka

Karnataka's growth story has been a standout in India's GCC development landscape. To provide an overview, Karnataka's performance compared to the overall GCC growth story in India is truly phenomenal.

► Where Karnataka stands in the GCC space

Description	India	Karnataka	% Of Karnataka
Number of GCC Units	2975+	875+	Approx. 30%
GCC Talent Pool	1.9 million+	0.6 million+	Approx. 32%
GCC Market Size	USD 64.6 billion	USD 22.2 billion	Approx. 34%

► Karnataka's dominance in India's GCC Growth

- Karnataka is a leader in Foreign Direct Investment (FDI), having attracted USD 51.03 billion between 2019 and 2024
- Karnataka is home to 18,000+ active startups, making it the largest startup hub in India. Bengaluru, known as the Unicorn Capital, houses ~40% of India's unicorns.
- Karnataka's sector-wise share in India's growth

IT / ITeS

- 42% of National IT software export

Biotechnology

- Contributing 20% to India's Bioeconomy, valued at USD 31 billion in 2023

Aerospace

- 25% of India's Aircraft/Spacecraft production and 65% of aerospace exports

Electronics

- 4th Largest contributor, accounting for 16% of India's electronics exports

Automobiles

- 4th Largest manufacturer, contributing 8.5% to National Output

- Leasing Infrastructure
 - Bengaluru's office stock increased two-fold from 100 million sq. ft. in 2013 to over 223 million sq. ft. in Q2 2024 holding the highest share among the top nine Indian cities.
 - This office stock is further expected to increase by 1.5 times by 2030.
 - Bengaluru holds 41% of leasing by India's GCC.

Key Policy Announcements

- **Global Innovation Districts**
 - The government will establish three new technology parks (Global Innovation Districts) - including one park in Bengaluru and two Beyond Bengaluru. Global Innovation Districts will be positioned for enhancing connectivity and equipped with high-speed internet and reliable power, adhering to global sustainability standards.
 - Investors will receive streamlined regulatory assistance and a strong emphasis on research and development. The proposed regulatory setup will help GCCs and other companies to interact with the government on various issues in a seamless manner.
- **Supporting the AI ecosystem in Karnataka**
 - A new CoE will be established in Bengaluru, following a triple helix model, collaborating with academic institutions statewide to enhance compute capacity, curate datasets, and support ethical AI principles.
 - An AI Skilling Council will be established, and an Innovation Fund of INR 100 crore will be allocated to support collaborative research between GCCs and academia.
- **Expanding the GCC ecosystem to Bengaluru and Beyond**
 - The government will enhance infrastructure in clusters including airports, road connectivity, and telecom in the Beyond Bengaluru clusters namely:

Hubballi-Dharwad-Belagavi	Kalaburagi
Mysuru	Tumakuru
Mangaluru	Shivamogga

- Karnataka Digital Economy Mission (KDEM) will provide targeted assistance for the expansion and establishment of GCCs in Beyond Bengaluru areas.
- **Establishment of a dedicated unit for supporting GCC**
 - Each GCC will have an SPOC to handle interactions from initiation to resolution and a commercial Real Estate Portal will be developed to provide GCCs with a one-stop platform for exploring available commercial spaces across Karnataka.
 - Fast-track approvals for setting up GCCs will be processed within 45 days, ensuring a streamlined setup process that minimises delays and enhances investor confidence in Karnataka's business-friendly environment.
- **Engineering Research and Development as a focus sub-sector**
 - ER&D is a crucial sub-sector for GCCs in India, contributing more than USD 34 billion to the market size of GCCs in the country. The Policy will focus on this segment since Karnataka is already the leader in ER&D.

The above policy announcement will create an investor-friendly business environment for GCCs to establish and expand their operations in Karnataka and foster R&D driven environment focused on emerging technologies and making Karnataka a hub for cutting-edge innovations.

Way forward

The Government of Karnataka proposed the draft policy on September 27, 2024, which was open for public comments to refine its objectives. Karnataka's final GCC Policy was announced on November 19, 2024 by Chief Minister Mr. Siddaramaiah at Bangalore Tech summit and is the **first state in India** to do so. The list of incentives announced in the policy is attached as annexure to this note.

In Karnataka, with a workforce of over 0.6 million and contributing \$22.2 billion to the economy, GCCs have been a vital source of growth and employment for Karnataka. Through this policy, the GCC sector is expected to grow at a compounded annual rate of 12-14% over the next decade and foresee Karnataka holding nearly 50% of the national GCC market share by 2029.

Various states such as Tamil Nadu, Telangana, Maharashtra has announced industrial specific policies which benefits GCCs. For example, Tamil Nadu has announced plans to incentivise the creation of high-paying jobs for new GCCs. Post Karnataka's lead, Uttar Pradesh has announced draft policy specifically for promoting GCCs and Maharashtra is also planning to formulate a dedicated GCC Policy to attract investments.

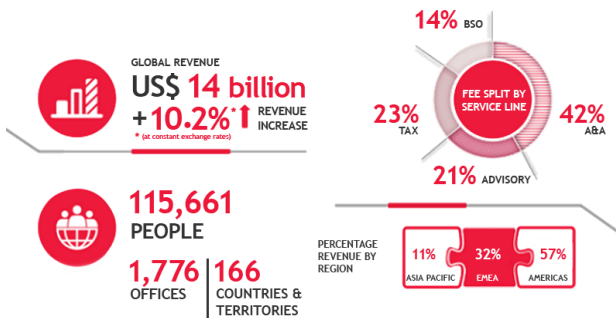
Annexure - Policy Incentives

No.	Incentive	Description
A. For any new or existing GCCs in the state		
1	Internship	Reimbursement of 50% of internship stipend, for a period of maximum 3 months up to INR 5,000/month for 20,000 interns/year.
2	Skilling of Local Talent	The government reimburses 20% of skilling expenses up to INR 36,000 per graduate and INR 18,000 per diploma holder for up to 100 employees or 15% of their total workforce whichever is less.
3	Global Leadership Development	Financial assistance and matchmaking support for leadership skill development of high-potential employees.
4	Common Platform for Collaboration	Setting up a matchmaking platform for industry-academia collaboration.
5	Utilisation of GCC Labs and Technology	100% reimbursement of the cost incurred by startups, for using GCC facilities, capped at INR 40 lakh per GCC
6	Establishing Innovation Labs/CoEs	Funding up to 40% of capital expenditure up to INR 5 crore in Bengaluru Urban District.
7	Innovation Challenges	Government funding for GCCs to address public service challenges through innovative solution, capped at INR 1.5 crore for the deployment of a solution.
8	Host Events and Conferences	Funding one-third of hosting costs up to INR 25 lakh for events in the state.
9	Intellectual Property Incentive	50% reimbursement of domestic patent filing fees, up to INR 2 lakh.
10	Quality Certification Financial Assistance	50% reimbursement of certification fees up to INR 6 lakh.
11	Approval for Connectivity	Applications for permission for Right of Way for laying of cables and for erection of towers and antennae would be approved within 30 working days.
12	GCC Incentive Clinic	A dedicated platform/an operational helpdesk where GCCs can share their needs/requirements/ pain points/ ask questions, etc, will be set up.
13	Strengthening R&D Infrastructure	Grants up to 40% or INR 50 crore for developing R&D facilities.
B. For any new or existing GCCs in the Beyond Bengaluru area		
1	Establishing Innovation Labs/CoEs	Funding up to 75% of capital expenditure up to INR 3 crore in Beyond Bengaluru clusters.
2	Cluster Anchor Groups	The government will form Cluster Anchor Groups and support the matchmaking for GCCs planning to set up each of the six Beyond Bengaluru clusters.
3	Property Tax	Reimbursement of 30% property tax for 3 years.
4	Intellectual Property Incentive	50% reimbursement of patent filing fees, max INR 3 lakh.
5	Quality Certification Financial Assistance	80% reimbursement of certification fees up to INR 8 lakh.
C. For any new or existing GCCs in the Beyond Bengaluru area with a minimum of 100 employees		
1	Recruitment assistance	Reimbursement of recruitment costs based on the number of new hires, capped at 50% of the total expenses, up to a maximum of INR 7 crore.
2	Rental Assistance	Reimbursement of rent expenses based on the number of employees capped at 50% up to INR 2 crore.

No.	Incentive	Description
D.	For any new GCCs in the Beyond Bengaluru area with a minimum of 100 employees	
1	EPF Contribution Reimbursement	Reimbursement of EPF contributions for new employment up to INR 3,000 per employee per month, for 2 years.
2	Supporting Telecom Infrastructure Development	Reimbursement of 25% of internet expenses up to 12 Lakh for three years.
3	Power related incentive	100% reimbursement of electricity duty and an option to switch from Commercial to Industrial power tariffs
E.	For Academic Institutions	
1	Skilling Curriculum	Funds for developing industry-oriented courses; INR 10,000 per student and INR 20,000 per faculty trained, with a cap of up to INR 1 crore per institution.
2	Joint Research	Funding 50% of approved research budgets, up to INR 75 lakh and up to INR 1 crore for projects with two institutions.
F.	For Real Estate entities	
1	Co-working Spaces	Reimbursement for vacant seat costs in co-working spaces for three years based on the number of vacant seats.
G.	For any registered entity in the state, Or Industry Associations	
1	Establishing 'GCC Immersive Hubs'	Support for setting up 'GCC Immersive Hubs' to demonstrate innovation and R&D being undertaken in the State, on Public-Private Partnership (PPP) mode.

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*Note: Financial results are as of 30 September 2023

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