



Positive Indigenisation List

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Why in News

The **Ministry of Defence (MoD)** has notified the **second negative import list**, now renamed as the '**positive indigenisation list**' of 108 items.

The '**First Negative Indigenisation**' List comprising 101 items was notified in August 2020.

Key Points

- **About the Second Positive Indigenisation List:**

- **Procurement:** All the 108 items will now be procured from indigenous sources as per provisions given in **Defence Acquisition Procedure (DAP) 2020**.
- **Timeline:** It is planned to be implemented progressively with effect from **December 2021 to December 2025**.
- **Items Included:**

It comprises complex systems, sensors, simulator, weapons and ammunitions like Helicopters, Next Generation Corvettes, Airborne Early Warning and Control (AEW&C) systems, Tank Engines, Medium Power Radar for Mountains, **MRSAM (Medium Range Surface to Air Missile) Weapon Systems** and many more such items to fulfil the requirements of Indian Armed Forces.
- **Potential Benefits:**
 - It will give a boost to indigenisation with **active participation of public and private sector** for fulfilling the twin objectives of achieving self-reliance (**Atmanirbhar Bharat**) and promoting defence exports.
 - **Import substitution of ammunition** which is a recurring requirement has been given special focus.
 - Not only does the list recognise the potential of the local defence industry, it will also invigorate impetus to **domestic Research & Development** by attracting fresh investment into technology and manufacturing capabilities.
 - It also provides an **excellent opportunity for ‘start-ups’**, as **Micro, Small, and Medium Enterprises (MSMEs)** will get a tremendous boost from this initiative.

- **Other Initiatives Taken to Boost Domestic Production of Defence Equipment:**
 - **Increased Capital Acquisition Budget (CAB) for Domestic Sector:** The Ministry of Defence has decided to earmark around 64% of its modernisation funds under the capital acquisition budget for 2021-22, a sum of Rs 70,221 crore, for purchases from the domestic sector.
 - For FY 2020-21, the capital budget allocation for domestic vendors was made at 58%, an amount of Rs. 52,000 crore.
 - **Defence Industrial Corridors:** India has inaugurated **two defence industrial corridors, one in Tamil Nadu and the other in Uttar Pradesh** to boost the flagship "Make in India" programme that in turn would attract investment as well as encourage employment generation.
 - The Central government has **increased the Foreign Direct Investment (FDI) limit in the defence sector from 49 to 74% under automatic route and beyond 74% through the government route.**
 - **Corporatization of the Ordnance Factory Boards:** This was announced for better management, so that they can be listed on the stock market and people can buy their shares.
 - **Defence India Startup Challenge:** DISC aims at supporting Startups/MSMEs/Innovators to create prototypes and/or commercialize products/solutions in the area of National Defence and Security.
 - It has been launched by the **Ministry of Defence** in partnership with **Atal Innovation Mission.**
 - **SRIJAN Portal:** It is a one stop shop online portal that provides access to the vendors to take up items for indigenization.

Defence Acquisition Procedure (DAP) 2020

- It enables the notification of a **List of Weapons or Platforms that will be banned for import.**
- It focuses on **Foreign Direct Investment (FDI) in defence manufacturing and indigenization of the manufacturing prices.**
- It also introduces several new ideas such as the need to incorporate **artificial intelligence in platforms and systems, use of indigenous software** in defence equipment and **'innovation' by Start-ups and MSMEs as a new category of defence acquisition.**
- It includes following **procurement categories:** Buy (Indian – Indigenously Designed Developed and Manufactured), Buy (Indian), Buy and Make (Indian), Buy (Global - Manufacture in India) and Buy (Global).
 - It **increases the Indigenous Content (IC) requirement** for all projects from 40% to 50% earlier, depending on the category, to 50% to 60%.
 - Only under procurement through Buy (Global), foreign vendors can have 30% IC from Indian companies.

Category wise IC Requirement

Category	Vendors eligible to participate	Indigenous Content
Buy (IDDM)	Indian	Indigenous design and $\geq 50\%$
Buy (Indian)	Indian	In case of indigenous design $\geq 50\%$, otherwise $\geq 60\%$
Buy and Make (Indian) (Buy portion may be nil)	Indian	$\geq 50\%$ of the 'Make' portion and transfer of critical technologies from the foreign vendors as per the specified range, depth and scope
Buy (Global - Manufacture in India)	Foreign and Indian	$\geq 50\%$
Buy (Global)	Foreign and Indian	Foreign Vendor - Nil Indian Vendor $\geq 30\%$

Way Forward

- The Ministry of Defence, **Defence Research and Development Organisation (DRDO)** and Service Headquarters shall take all necessary steps, including hand holding of the industry, to ensure that the timelines mentioned in the list are met.
It will thereby facilitate an environment for Indian defence manufacturers to create world class infrastructure, assist in the government's '**Make in India**' vision to make India self-reliant in defence and develop the capabilities for defence export in the near future.
- The Ministry of Defence is also expected to put out the final version of the '**Defence Production and Export Promotion Policy (DPEPP) 2020**'.
DPEPP is envisaged as an overarching guiding document to provide a focused, structured and significant thrust to defence production capabilities of the country for self-reliance and exports.

Source: TH