



Third Positive Indigenisation List

For Prelims: Positive Indigenisation List, Defence Acquisition Procedure 2020, Initiatives in the Defence Sector.

For Mains: Government Policies & Interventions, Indigenization of Technology, Significance of Indigenisation of Defence and associated challenges.

Why in News?

Recently, the Ministry of Defence has released the **third positive indigenisation list of 101 items**, comprising major equipment/platforms.

- The '[First Negative Indigenisation](#)' List comprising 101 items was notified in **August 2020**.
- The [Second Indigenisation list](#) was notified in **June 2021** import list for 108 items.

What is the Third List and its Significance?

- It comprises **highly complex Systems, [Sensors](#), Weapons and Ammunitions like Light Weight Tanks, [Mounted Arty Gun Systems](#), Next Generation [Offshore Patrol Vessels](#) (NGOPV) etc.**
- These weapons and platforms are planned to be **indigenised progressively with effect from December 2022 to December 2027**.
- These 101 items will, henceforth, **be procured from local sources as per provisions of [Defense Acquisition Procedure \(DAP\) 2020](#)**.
 - The DAP 2020 includes the following procurement categories: Buy (Indian - Indigenously Designed Developed and Manufactured), Buy (Indian), Buy and Make (Indian), Buy (Global - Manufacture in India) and Buy (Global).

What is the Significance?

- **Promote Domestic Industry:**
 - These weapons & platforms **will promote domestic industry and transform R&D and manufacturing in the country**.
- **Reducing Fiscal Deficit and Instills Nationalism:**
 - The other benefits of indigenisation will be **reduction in the [fiscal deficit](#), security against its porous borders and hostile neighbours, generation of employment and ignition of the fire of nationalism and patriotism** with the strong sense of integrity and sovereignty amongst the Indian Forces.

What is the Indigenisation of Defence?

- **About:**
 - Indigenisation is **the capability of developing and producing any defence equipment within the country for the dual purpose** of achieving self reliance and

reducing the burden of imports.

- Self-reliance in defence manufacturing is one of the key objectives of Department of Defence Production.
 - [Defence Research Development Organisation \(DRDO\)](#), [Defence Public Sector Undertakings \(DPSUs\)](#) and private organisations are playing a critical role in indigenisation of defence industries.
- India is **among the world's largest arms importers**, and the armed forces are expected to spend about USD 130 billion on defence purchases over the next five years.

▪ **Background:**

- Overdependence on the **Soviet Union brought about a change** in India's approach to defence industrialisation.
- From the mid-1980s, the government pumped resources into R&D (Research and Development) to enable the DRDO to undertake high profile projects.
- A significant beginning in defence indigenisation was made in 1983, when the government sanctioned the [Integrated Guided Missile Development Programme \(IGMDP\)](#) to develop 5 missile systems ([Prithvi](#), [Agni](#), [Trishul](#), [Akash](#), [Nag](#)).
- The indigenous efforts were **not adequate to meet the requirements of the armed forces**, this resulted in the shift of focus towards co-development and co-production in partnership with foreign companies.
- A beginning was made in 1998, when India and Russia signed an inter-governmental agreement to jointly produce [Brahmos supersonic cruise missile](#).

▪ **Challenges:**

- **Lacking of institutional capacity:**
 - **Lack of an institutional capacity** and capability to take different policies aimed at indigenisation of defence to its logical conclusion.
- **Infrastructural deficit:**
 - It **increases India's logistics costs** thus reducing the country's cost competitiveness and efficiency.
- **Land acquisition issues:**
 - it **restricts entry of new players** in the defence manufacturing and production.
- **Policy dilemma:**
 - **Policy dilemma offset requirements under the DPP** (Defence Procurement Policy, now replaced with DAP 2020) didn't help achieve its goal. (Offsets are a portion of a contracted price with a foreign supplier that must be re-invested in the Indian defence sector, or against which the government can purchase technology).
 - Only **government-to-government agreements (G2G)**, **single vendor contracts** or Intergovernmental Agreements (IGA) will not have offset clauses anymore.
 - According to DAP 2020, all other international deals that are competitive, and have multiple vendors vying for it, will continue to have a 30% offset clause.

What are the Related Initiatives?

▪ **Increased the FDI limit:**

- In May 2020, the [Foreign Direct Investment \(FDI\)](#) limit under the automatic route in the defence sector was hiked from 49% to 74%.

▪ **Corporatization of the Ordnance Factory Boards:**

- In October 2021, the government dissolved the four-decade-old [Ordnance Factory Board \(OFB\)](#) and amalgamated 41 factories under seven new state-owned companies to manufacture defence hardware ranging from munitions to heavy weapons and vehicles.

▪ **Defence India Startup Challenge:**

- DISC aims at supporting Startups/[Micro, Small and Medium Enterprises \(MSMEs\)](#) /Innovators to create prototypes and/or commercialise 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.

- **E-Biz Portal:**
 - Process of applying for Industrial License (IL) and Industrial Entrepreneur Memorandum (IEM) has been made completely online on ebiz portal.

Way Forward

- A Permanent **Arbitration Cell can be set up** to deal with all objections and disputes.
- Private Sector boost is necessary as **it can infuse efficient and effective technology and human capital** required for modernisation of indigenous defence industry.
- Software Industry and technologies like **Artificial intelligence and cyber security should be used** to develop and manufacture the “chip” indigenously.
- Providing **Financial and Administrative autonomy to DRDO** in order to enhance its confidence and authority.
- The staff at the Department of Defence Production **need to be trained and given longer tenures** to ensure continuity.
- **In-house design capability should be improved** amongst the three services, the Navy has progressed well on the path of indigenisation primarily because of the in-house design capability, the Naval Design Bureau.
- **Robust supply chain is critical** for a defence manufacturer looking to optimise costs.

[Source: PIB](#)

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