



## **AIR SPOTLIGHT: PRODUCTION LINKED INCENTIVES IN KEY SECTORS**

### **CONTEXT:**

- The Centre approved a **production-linked incentive scheme** for the automobile and drone industries with a **budgetary outlay of ₹26,058 crore**.
- This tranche is **part of the overall plan for 13 sectors highlighted during the Budget announcements for 2021-22, with a total outlay of ₹1.97 lakh crore**

### **FEATURES OF THE SCHEME APPROVED:**

#### **PLI Scheme for Auto Industry:**

- The PLI scheme for the auto sector will **incentivize high value Advanced Automotive Technology** vehicles and products.
- It envisages **overcoming the cost disabilities to the industry** for the manufacture of Advanced Automotive Technology products in India.
- The incentive structure will encourage industry to make fresh investments for indigenous global supply chain of Advanced Automotive Technology products.
- It is expected to bring in **fresh investments to the tune of ₹42,500 crore**, and lead to an incremental production of over ₹2.3 lakh crore.
- It is also estimated that it will **create employment opportunities of over 7.5 lakh jobs**.
- Two components of the scheme:
  1. **Champion OEM Incentive Scheme:** It is a 'sales value linked' scheme, applicable on Battery Electric Vehicles and Hydrogen Fuel Cell Vehicles of all segments.
  2. **Component Champion Incentive Scheme:** It is a 'sales value linked' scheme.

#### **PLI Scheme for Drone Industry:**

- This scheme **addresses the strategic, tactical and operational uses of drone technology**.
- It is expected to help build capacity in this sector and make it the key driver of India's growth strategy.
- It will lead to **investments worth ₹ 5,000 Crore, increase in eligible sales of ₹ 1500 crore and create additional employment of about 10,000 jobs**.
- The total **outlay for the scheme is INR 120 crore spread over three financial years**.
- The incentive for a manufacturer of drones and drone components shall be as high as 20% of the value addition made by the manufacturer.
- The minimum value addition norm is at 40% of net sales instead of 50%, another exceptional treatment given to the drone industry.

### **BACKGROUND:**

- Finance Minister Nirmala Sitharaman had announced an outlay of Rs 1.97 lakh crore for the Production-Linked Incentive (PLI) scheme for 13 identified sectors in her 2021-22 budget speech.




- The scheme, which aimed to boost domestic manufacturing under the government's Atmanirbhar Bharat initiative, was introduced in March last year and is expected to result in a minimum production worth more than \$500 billion in five years.

### What is the Production-Linked Incentive scheme and why it is needed?

- Scheme provides incentives to companies for enhancing their domestic manufacturing apart from focusing on reducing import bills and improving the cost competitiveness of local goods.
- PLI scheme offers incentives on incremental sales for products manufactured in India.
- The first three PLI schemes were approved in March last year followed by 10 new schemes which were notified in November.
- The scheme for respective sectors has to be implemented by the concerned ministries and departments.
- Savings, if any, from one PLI scheme of an approved sector can be utilised to fund the scheme for another approved sector.
- Eligibility criteria for businesses under the PLI scheme vary based on the sector approved under the scheme

### Which sectors are currently supported under the scheme?

BOOST TO ATMANIRBHAR BHARAT		
Financial outlay for the 10 sectors over a five-year period		
<b>₹18,100cr</b>	<b>₹15,000cr</b>	<b>FINANCIAL OUTLAY OF PREVIOUSLY NOTIFIED PLI SCHEMES</b>
Advance Chemistry Cell (ACC) battery	Pharmaceuticals drugs	
<b>₹5,000cr</b>	<b>₹6,238cr</b>	
Electronic/technology products	White goods (ACs, LEDs)	
<b>₹10,683cr</b>	<b>₹12,165cr</b>	
Textile products: MMF segment and technical textiles	Telecom and networking products	
<b>₹57,042cr</b>	<b>₹4,500cr</b>	
Automobiles and auto components	High-efficiency solar PV modules	
<b>₹10,900cr</b>	<b>₹6,322cr</b>	
Food products	Speciality steel	
<b>Total ₹145,980cr</b>	<b>₹51,311cr</b>	



### Key features of the PLI scheme:

- The scheme is **outcome-based**, which means that incentives will be disbursed only after production has taken place.
- The **calculation of incentives is based on incremental production** at a high rate of growth.
- The scheme **focuses on size and scale by selecting those players who can deliver on volumes**.
- The selection of sectors **covering cutting-edge technology, sectors for integration with global value chains, job-creating sectors and sectors closely linked to the rural economy, is highly calibrated**.
- Also, the design of the earlier PLI scheme for electronics is such that it is **compatible with World Trade Organization commitments** as the quantum of support is not directly linked to exports or value-addition.

### ADVANTAGES OF PLI SCHEMES:

- The PLI Scheme **augments the present achievements of India**. For example, Indian Textile Industry is one of the largest in the world. India is the second-largest producer of steel. Introducing the PLI Scheme in these sectors will further expand these sectors.
- India is expected to have a USD 1 trillion digital economy by 2025. The projects like Smart City Mission and Digital India require huge investments. PLI Scheme will **provide low-cost indigenous products**.
- Government cannot make sustained investments in capital-intensive sectors. Because they have a longer gestation period.
- PLI Scheme based on incremental output is **more effective than the other grant-based input subsidy schemes** like Mega Food Parks, etc.
- By increasing manufacturing in labour intensive sectors, **India can reduce the unemployment ratio and also create skilled manpower**.
- The scheme **aims to develop local industries**.
- It also **facilitates innovation and research, development and up-gradation of technology of Indian firms**.

### CHALLENGES:

- The scheme **contains a financial cap on incentives. This makes an over-performing company not to reap the benefits of its over achievements**.
- In India for the majority of the PLI Scheme focussed sectors the effective cost of manufacturing is higher than the competitors. So, the **investors will prefer other countries despite the PLI scheme**.
- Scheme **will benefit the international player more than the Domestic firms**.
- Domestic firms may also **face competition from cheap imports**.
- India so far **not focussed on adequate R&D development and Raw machinery**.
- **Challenge of WTO:** Chinese Taipei contested the raise in tariffs under the Phased Manufacturing Programme.

### WAY FORWARD:

- The government has to **encourage the Foreign firms under the PLI policy to co-locate**(placement of several entities in a single location) with their established industrial ecosystems.
- Government must also **focus on the service industry** also.
- India also needs to consider **reducing its factor costs of power and logistics**.



- **Encouraging states to be competitive** and not indulge in trade-restrictive practices like Job reservation for locals, etc.
- Further, **Implementing structural reforms such as Land reforms** etc.
- India needs to **improve human capital** to meet the demands of the sunrise industries.
- India should **act fast to attract outgoing investment from China**.

<https://www.financialexpress.com/industry/sme/production-linked-incentive-what-is-modi-govts-pet-pli-scheme-who-is-eligible-which-sectors-have-it/2262391/>

<https://www.thehindu.com/business/Industry/explained-will-the-production-linked-incentive-scheme-for-auto-sector-help-the-electric-vehicle-segment/article36544114.ece>

<https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.rediff.com%2Fbusiness%2Freport%2Fcabinet-nods-pli-scheme-worth-about-rs-2-lakh-crore%2F20201111.htm&psig=AOvVaw0-NUsCOya4SMg9XjC5zW5V&ust=1632370181566000&source=images&cd=vfe&ved=0CAwQjhxqFwoTCKjBnvjakfMCFQAAAdAAAAABAD>



## NEWS IN BRIEF: PRELIMS SPECIAL

### Engineers' Day

- India celebrates **September 15** as Engineers' Day to mark the **birth anniversary of M Visvesvaraya**.
- Also called Sir MV after he was knighted by the British, he was a civil engineer and statesman.
- A **Bharat Ratna awardee** (1955), Visvesvaraya is best known for **designing one of India's first flood protection systems**, in Hyderabad, and setting up one of the first engineering institutes in the country, the Government Engineering College, now called University Visvesvaraya College of Engineering, Bengaluru.
- One of his major contributions was the **Krishnarajasagara (KRS) reservoir** on the Kaveri river.
- Visvesvaraya's other inventions included **designing the block system of irrigation and the introduction of automatic sluice gates on dams**.
- Engineers' Day is also observed in Sri Lanka and Tanzania in his honour.

<https://newsonair.com/2021/09/15/engineers-day-celebrating-indias-engineering-capabilities/>

### 'Shoonya' Campaign

- **NITI Aayog, RMI, and RMI India Launch 'Shoonya' Campaign**.
- It is an initiative **to promote zero-pollution delivery vehicles by working with consumers and industry**.
- The campaign aims to accelerate the adoption of electric vehicles (EVs) in the urban deliveries segment and create consumer awareness about the benefits of zero-pollution delivery.

<https://newsonair.com/hindi/2021/09/17/pollution-free-delivery-will-be-done-using-electric-vehicles-know-what-is-shoonya-campaign/>

### SCO Peaceful Mission 2021

- Indian Military Contingent participates in the **6th Edition of Exercise SCO Peaceful Mission 2021 at Orenburg, Russia**.
- Joint Counter Terrorism Exercise PEACEFUL MISSION is a Multilateral Exercise, which is **conducted biennially as part of military diplomacy between SCO member states**.
- The aim of the exercise is to foster close relations between SCO member states and to enhance abilities of the military leaders to command multi-national military contingents.

<https://newsonair.com/2021/09/20/6th-edition-of-sco-exercise-peaceful-mission-2021-commences-in-russia/>

### Global Ozone Day

- India observed the **27th Global Ozone Day on 16 September**.
- World Ozone Day is celebrated on 16th September each year to **commemorate the signing of the Montreal Protocol**.
- The Government of India (Ozone Cell, MoEF&CC) started observing this Day in 1995.
- The theme of World Ozone Day 2021 was **"Montreal Protocol – Keeping us, our food and vaccines cool"**.

<https://newsonair.com/2021/09/16/world-ozone-day-2021-keeping-us-our-food-vaccines-cool/>



## Report on Reforms in Urban Planning Capacity in India

- NITI Aayog Launches Report on Reforms in Urban Planning Capacity in India.
- **India is home to 11% of the total global urban population. By 2027, India will surpass China as the most populous country in the world. Unplanned urbanization, however, exerts great strain on our cities.**
- **Recommendations made:**
  - Central Sector Scheme **'500 Healthy Cities Programme'**, for a period of 5 years, wherein priority cities and towns would be selected jointly by the states and local bodies.
  - All the cities and towns under the proposed 'Healthy Cities Programme' should **strengthen development control regulations** based on scientific evidence to maximize the efficiency of urban land (or planning area). The report recommends a sub-scheme 'Preparation/Revision of Development Control Regulations' for this purpose.
  - States/UTs may need to **expedite the filling up of vacant positions** of town planners, and additionally sanction 8268 town planners' posts as lateral entry positions
  - Ensuring **Qualified Professionals for Undertaking Urban Planning**
  - Constitution of a **high-powered committee to re-engineer the present urban-planning governance structure.**
  - **Revision of Town and Country Planning Acts**
  - **'Citizen Outreach Campaign'** for demystifying urban planning.
  - Steps for **Enhancing the Role of Private Sector**
  - Steps for **Strengthening Urban Planning Education System**
  - Constitution of a **'National Council of Town and Country Planners'** as a statutory body of the Government of India. Also, a 'National Digital Platform of Town and Country Planners' is suggested to be created within the National Urban Innovation Stack of MoHUA.

<https://newsonair.com/2021/09/19/niti-aayog-report-for-reforms-in-urban-planning-capacity-in-india/>

## G33

- Union Minister for Commerce & Industry addresses the G-33 Virtual Informal Ministerial Meeting.
- The G-33 Virtual Informal Ministerial Meeting organized by Indonesia was held to discuss the Agricultural Priority Issues of G33 and the Way Forward for the Twelfth Ministerial Conference (MC-12) scheduled to be held in November-December 2021.
- **The G33 (or the Friends of Special Products in agriculture) is a coalition of developing countries, established prior to the 2003 Cancun ministerial conference, that have coordinated during the Doha Round of World Trade Organization negotiations, specifically in regard to agriculture.**
- **India is a member of this group**, as also are China and Pakistan, among others. There are currently 47 members in the G33.

<https://newsonair.com/2021/09/17/g-33-virtual-informal-ministerial-meeting-held-to-discuss-agricultural-priority-issues-of-g33/>

## International Coastal Clean Up Day



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- The 36th International Coastal Cleanup Day was celebrated consecutively for the tenth year by Eastern Naval Command (ENC).
- **Every year, on the third Saturday of September**, the International Coastal Clean-up Community encourages people around the world to remove trash and debris from beaches, waterways and other water bodies.

<https://newsonair.com/2021/09/18/eastern-naval-command-celebrates-36th-international-coastal-cleanup-day-at-visakhapatnam/>