Foreign Investment Promotion Board

Why in news?

\n\n

Union Cabinet has approved the ‘phasing out’ of Foreign Investment Promotion Board (FIPB).

\n\n

What is FIPB?

\n\n

\n
- The FIPB was set up in the early 1990s as an inter-ministerial mechanism to vet investment proposals from abroad.
\n
- Finance Minister promised in his 2017 Budget speech to abolish the FIPB.
\n
- The Department of Industrial Policy and Promotion under the Commerce Ministry is now expected to formulate a standard operating procedure to process FDI applications in 11 sectors that are still not in the automatic FDI approval list.
\n
- The department would have to be consulted by line ministries, which have been empowered to take ‘independent’ decisions on investments proposed in their domains.
\n
- The government hopes that as a result red-tapism will shrink, ease of doing business will improve and investors will find India more attractive.
\n

\n\n

What are the shortcomings?

\n\n

\n
- The decision is more of a symbolic gesture.
\n
- Over 90% of investment flowing in already does not require an FIPB nod as it

comes in through the automatic route.
\n
- Even where FDI limits have been raised significantly, there are rules attached that officers need to interpret for each case.
\n
- FIPB may have delayed clearances at times. Yet, it is not the FIPB but the complicated rules that have been responsible for a less enthusiastic response from foreign investors in some sectors.
\n
- e.g For instance, global insurers can hold up to 49% ownership in Indian ventures but only if Indians retain management and control over these entities. This rule has inhibited deal-making.
\n
- Despite allowing 100% FDI in food retail, rules prohibit foreign players from using a small fraction of their shelf space for non-food items.
\n
- This, in a sector that can create millions of jobs and boost farm incomes.
\n
- Archaic land acquisition and labour laws also continue to make it difficult for large factories to come up.
\n
- The efficacy of this move will be determined by the ability of individual ministries to exercise ‘discretionary’ powers without fear, favour or the cover provided by a collective decision-making body.
\n
- Bureaucrats are likely to remain cautious till the government carries out changes it has promised to the anti-corruption law to protect them from the wrath of auditors and investigative agencies for bona fide decisions taken in the line of duty.
\n

\n\n

\n\n

Source: The Hindu

\n

SHANKAR IAS PARLIAMENT
Information is Empowering