

SOS POLITICAL SCIENCE AND PUBLIC ADMINISTRATION

MBA FA 203

SUBJECT NAME: BUSINESS ENVIRONMENT

UNIT-IV

TOPIC NAME: FOREGIN INVESTMENT PROMOTION BOARD

MEANING:

The Foreign Investment Promotion Board (FIPB) was a national agency of Government of India, with the remit to consider and recommend foreign direct investment (FDI) which does not come under the automatic route. FIPB founded in 1991. India attract net inward foreign direct investment amounting to USD 30.76 billion during the fiscal year ended March 2014, a 14.13% increase compared to the previous fiscal year. Acted as a single window clearance for proposals on foreign direct investment (FDI) in India. The Foreign Investment Promotion Board (FIPB) was housed in the Department of Economic Affairs, Ministry of Finance. FIPB was abolished on 24 May 2017, as announced by Finance Minister Arun Jaitley during 2017-2018 budget speech in Lok Sabha.

MEMBERS:

- Secretary, Department of Economic Affairs - Chairman
- Secretary, Department of Industrial Policy & Promotion - Member
- Secretary, Department of Commerce - Member
- Secretary, (Economic Relation), Ministry of External Affairs - Member

The Board is empowered to co-opt Secretaries to the Government of India and other top officials of financial institutions, banks and professional experts of industry and commerce, as required.

ROLE OF FIPB:

- The Foreign Investment Promotion Board is a government body that offers a single window clearance for proposals on Foreign Direct Investment in India that is not allowed access through the automatic route.
- The FIPB is mandated to play an important role in the administration and implementation of the government's FDI policy. It has a strong record of actively encouraging the flow of FDI into the country through speed and transparent processing of applications, and providing on-line clarification.
- It formulates the proposals to promote investments.
- It helps set friendly guidelines to help more investors.
- It creates a process to implement proposals.
- It helps invite more and more companies to make investments.
- Periodically, it reviews the implementation of projects.

FUNCTIONS OF FOREIGN INVESTMENT PROMOTION BOARD:

- To quickly approve the foreign investment proposal.
- To review FDI policies and communicate to other agencies such as the Administrative Ministries in order to set up guidelines that are transparent and which encourages FDI into the various sectors.
- To look over the implementation of various proposals those have been approved by it.
- To take up such activities that encourages FDI into the country such as establishing contracts with international companies and also inviting them to invest in India.
- To communicate with government, non- government and industry in order to increase the flow of FDI onto the country.
- To identify the various sectors that requires FDI.

The Board would be able to co-opt other Secretaries to the Central Government and top officials of financial institutions, banks and professional experts of industry and commerce, as and when necessary.

WHAT IS FIPB AND WHY FIPB REPLACED BY THE FOREIGN INVESTMENT FACILITATION PORTAL (FIFP)?

The FIPB is being replaced by the Foreign Investment Facilitation Portal (FIFP) in May 2017.

WHAT IS FOREIGN INVESTMENT FACILITATION PORTAL (FIFP)?

Foreign Investment Facilitation Portal (FIFP) is the online single point interface of the Ministry of Finance to facilitate Foreign Direct Investment (FDI) in the country. This portal is administered by Department of Industrial Policy & Promotion (DIPP).

FUNCTIONS OF FIFP:

- To impart greater transparency in the approval process of the FDI.
- To improve the communication, reduced paperwork, speed up processing and inform the investor through SMS/email.
- To upload the approval letters in standard format on the Portal itself for the benefit of the investors.
- To transmit the guidelines and press release related to FDI Policy to the investors.

WHY FIFP REPLACED THE FIPB?

The basic reason behind the replacement of the FIPB is to increase the transparency and speed up the clearance procedure in the FDI proposals so that FDI inflow can be increased in the country.

After the abolition of the FIPB now individual departments of the government have been empowered to clear FDI proposals in consultation with Department of policy and Promotion (DIPP) which will also issue the Standard Operating Procedures (SOPs) for processing applications.

Now timeline will be fixed for approving FDI proposals by the competent authorities. The rejection of the application is made tougher as it will now mandatorily require concurrence of DIPP.

As per new procedure the Ministry of Home Affairs is entitled to give nod if the FDI application comes from Pakistan and Bangladesh and FDI proposals require approval by the private security agencies and manufacturing of small arms take place.

This move is seen as a simplification of the existing procedure to provide speedy clearance to FDI proposals. Although experts have also raised doubts whether line ministries are equipped to take such decisions speedily.