

Budget 2017: FIPB Abolished, Foreign Investors To Get Single-Window Clearance

by Payaswini Upadhyay

Updated on February 1, 2017, 5:52 pm

The Foreign Investment Promotion Board (FIPB) was initially constituted under the Prime Minister's Office in the wake of the economic liberalisation of the early 1990s. After over 25 years of its existence, the body responsible for processing foreign direct investment (FDI) proposals and making recommendations for government approval will be abolished.

Our government has already undertaken substantive reforms in FDI policy in the last two years. More than 90% of the total FDI inflows are now through the automatic route. The Foreign Investment Promotion Board (FIPB) has successfully implemented e-filing and online processing of FDI applications. We have now reached a stage where FIPB can be phased out. We have therefore decided to abolish the FIPB in 2017-18. A road map for the same will be announced in the next few months.

Arun Jaitley, Finance Minister, In Budget 2017 Speech

Haigreve Khaitan, partner at law firm Khaitan & Co., told Bloomberg Quint that he “doesn’t think there is a shift in policy” and all foreign investment will now come under the automatic route.

“ This is an administrative clean-up. The process of approval was a little repetitive – you filed with the FIPB, the policy was set by the Department of Industrial Policy & Promotion (DIPP), on foreign exchange there was RBI rules -- this clean-up would mean investors will now have to go to only a single authority.

Haigreve Khaitan, Partner, Khaitan & Co.

Abolishing FIPB is a very bold step and makes it easier for foreign investors to invest in India, Pratibha Jain, partner at law firm Nishith Desai Associates, told Bloomberg Quint.

“ In the past due to political reasons, the Department of Industrial Policy & Promotion (DIPP) and FIPB were put under two separate ministries, making it very cumbersome to get approvals and clarification on FDI Policy. An investor was squashed between DIPP, FIPB and RBI for any FDI-related issue. Further, since the FIPB was constituted with officials from various ministries and regulators, there was zero transparency in the decision-making process.

This government has already liberalised FDI investment and simplified the rules significantly. Abolishing FIPB will significantly help streamline the process for foreign investment in India, which is much needed, Jain added.

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