29th August 2019

Decisions taken by Union Cabinet

Cabinet approved proposal for Review of FDI policy on various sectors: The Union Cabinet has approved the proposal for Review of Foreign Direct Investment on various sectors.

Major Impact and Benefits from FDI Policy Reform

- The changes in FDI policy will result in making India a more attractive FDI destination, leading to benefits of increased investments, employment and growth.
- In the coal sector, for sale of coal, 100% FDI under automatic route for coal mining, activities including associated processing infrastructure will attract international players to create an efficient and competitive coal market.
- Further, manufacturing through contract contributes equally to the objective of Make in India. FDI now being permitted under automatic route in contract manufacturing will be a big boost to Manufacturing sector in India.
- Easing local sourcing norms for FDI in Single Brand Retail Trading (SBRT) was announced in Union Budget Speech of Finance Minister. This will lead to greater flexibility and ease of operations for SBRT entities, besides creating a level playing field for companies with higher exports in a base year. In addition, permitting online sales prior to opening of brick and mortar stores brings policy in sync with current market practices. Online sales will also lead to creation of jobs in logistics, digital payments, customer care, training and product skilling.
- The above amendments to the FDI Policy are meant to liberalize and simplify the FDI policy to provide ease of doing business in the country, leading to larger FDI inflows and thereby contributing to growth of investment, income and employment.

Background

FDI is a major driver of economic growth and a source of non-debt finance for the economic development of the country. Government has put in place an investor friendly policy on FDI, under which FDI up to 100% is permitted on the automatic route in most sectors/ activities. FDI policy provisions have been progressively liberalized across various sectors in recent years to make India an attractive investment destination. Some of the sectors include Defence, Construction Development, Trading, Pharmaceuticals, Power Exchanges, Insurance, Pension, Other Financial Services, Asset reconstruction Companies, Broadcasting and Civil Aviation.

These reforms have contributed to India attracting record FDI inflows in the last 5 years. Total FDI into India from 2014-15 to 2018-19 has been US $ 286 billion as compared to US $ 189 billion in the 5-year period prior to that (2009-10 to 2013-14). In fact, total FDI in 2018-19 i.e. US $ 64.37 billion (provisional figure) is the highest ever FDI received for any financial year.

Global FDI inflows have been facing headwinds for the last few years. As per UNCTAD's World Investment Report 2019, global foreign direct investment (FDI) flows slid by 13% in 2018, to US $1.3 trillion from US $1.5 trillion the previous year - the third consecutive annual decline. Despite the dim global picture, India continues to remain a preferred and attractive destination for global FDI flows.

However, it is felt that the country has the potential to attract far more foreign investment which can be achieved inter-alia by further liberalizing and simplifying the FDI policy regime.

In Union Budget 2019-20, Finance Minister proposed to further consolidate the gains under FDI in order to make India a more attractive FDI destination. Accordingly, the Government has decided to introduce a number of amendments in the FDI Policy. Details of these changes are given in the following paragraphs.

Coal Mining

As per the present FDI policy, 100% FDI under automatic route is allowed for coal & lignite mining for captive consumption by power projects, iron & steel and cement units and other eligible activities permitted under and subject to applicable laws and regulations. Further, 100% FDI under automatic route is also permitted for setting up coal processing plants like washeries subject to the condition that the company shall not do coal mining and shall not sell washed coal or sized coal from its coal processing plants in the open market and shall supply the washed or sized coal to those parties who are supplying raw coal to coal processing plants for washing or sizing.

It has been decided to permit 100% FDI under automatic route for sale of coal, for coal mining activities including associated processing infrastructure subject to provisions of Coal Mines (special provisions) Act, 2015 and the Mines and Minerals (development and regulation) Act, 1957 as amended from time to time, and other relevant acts on the subject. "Associated Processing Infrastructure" would include coal washery, crushing, coal handling, and separation (magnetic and non-magnetic)

Contract Manufacturing

- The extant FDI policy provides for 100% FDI under automatic route in manufacturing sector. There is no specific provision for Contract Manufacturing in the Policy. In order to provide clarity on contract manufacturing, it has been decided to allow 100% FDI under automatic route in contract manufacturing in India as well.
- Subject to the provisions of the FDI policy, foreign investment in 'manufacturing' sector is under automatic route. Manufacturing activities may be conducted either by the investee entity or through contract manufacturing in India under a legally tenable contract, whether on Principal to Principal or Principal to Agent basis.

Single Brand Retail Trading (SBRT)

- The extant FDI Policy provides that 30% of value of goods has to be procured from India if SBRT entity has FDI more than 51%. Further, as regards local sourcing requirement, the same can be met as an average during the first 5 years, and thereafter annually towards its India operations. With a view to provide greater flexibility and ease of operations to SBRT entities, it has been decided that all procurements made from India by the SBRT entity for that single brand shall be counted towards local sourcing, irrespective of whether the goods procured are sold in India or exported. Further, the current cap of considering exports for 5 years only is proposed to be removed, to give an impetus to exports.
- The extant Policy provides that as regards local sourcing requirement, incremental sourcing for global operations by the non-resident entities undertaking single brand retail trading, either

directly or through their group companies, will also be counted towards local sourcing requirement for the first 5 years. However, prevalent business models involve not only sourcing from India for global operations by the entity or its group companies, but also through an unrelated third Party, done at the behest of the entity undertaking single brand retail trading or its group companies. In order to cover such business practices, it has been decided that 'sourcing of goods from India for global operations' can be done directly by the entity undertaking SBRT or its group companies (resident or non-resident}, or indirectly by them through a third party under a legally tenable agreement.

- The extant policy provides that only that part of the global sourcing shall be counted towards local sourcing requirement which is over and above the previous year's value. Such requirement of year-on-year incremental increase in exports induces aberrations in the system as companies with lower exports in a base year or any of ' the subsequent years can meet the current requirements, while a company with consistently high exports gets unduly discriminated against. It has been now decided that entire sourcing from India for global operations shall be considered towards local sourcing requirement. (And no incremental value)
- The present policy requires that SBRT entities have to operate through brick and mortar stores before starting retail trading of that brand through e-commerce. This creates an artificial restriction and is out of sync with current market practices. It has therefore been decided that retail trading through online trade can also be undertaken prior to opening of brick and mortar stores, subject to the condition that the entity opens brick and mortar stores within 2 years from date of start of online retail. Online sales will lead to creation of jobs in logistics, digital payments, customer care, training and product skilling.

Digital Media

The extant FDI policy provides for 49% FDI under approval route in Up-linking of 'News &Current Affairs' TV Channels. It has been decided to permit 26% FDI under government route for uploading/ streaming of News & Current Affairs through Digital Media, on the lines of print media.

Cabinet approved amendments/changes in The National Medical Commission Bill, 2019: The Union Cabinet has been apprised of the amendments/changes in the National Medical Commission Bill, 2019. The original version of the Bill was approved by the Cabinet on 17th July, 2019 and was passed in both Houses of the Parliament on 29th July, 2019 and 1st August, 2019 respectively, with official amendments.

The following changes have been made in the National Medical Commission Bill, 2019 passed by the Parliament from the version that was approved by the Cabinet on 17th July 2019 and the Cabinet was apprised of these changes:

- Clause 4(1)(c) –Twentytwo part-time Members instead of fourteen members;
- Clause 4(4)(b) – ten members instead of six members
- Clause 4(4)(c) – nine members instead of five members
- Clause 37(2) – added at the end "for the purposes of teaching also".

Cabinet approved MoU between India and Guinea on Cooperation in the Field of Traditional Systems of Medicine and Homeopathy: The Union Cabinet has given ex-post facto approval for the Memorandum of Understanding between the Government of the Republic of India and the

Government of the Republic of Guinea on Cooperation in the Field of Traditional Systems of Medicine and Homeopathy. The MoU was signed on 02nd August,2019 during the 3-day visit of the President Shri Ram Nath Kovind to Guinea.

Major impact:

The MoU will enhance bilateral cooperation between the two countries in the areas of Traditional Systems of Medicine. This will be of immense importance to both countries considering their shared cultural heritage.

Implementation strategy and targets:

The activities between the two sides will start after the receipt of copy of the signed MoU. The initiatives taken between the two countries will be as per the terms of reference of the MoU signed and will be a continuing process till the MoU remains in operation.

Expenditure involved:

There are no additional financial implications involved. The financial resources necessary to conduct research, training courses, conferences/ meetings and deputations of experts will be met from the existing allocated budget and existing plan schemes of Ministry of AYUSH.

Cabinet approved MoU between India and Gambia on Cooperation in the Field of Traditional Systems of Medicine: The Union Cabinet has given ex-post facto approval to the Memorandum of Understanding (MoU) between India and Gambia in the Field of Traditional Systems of Medicine. The MoU was signed in Gambia on 31st July 2019 during the visit of the President Shri Ram Nath Kovind.

The MoU will provide a framework for cooperation between India and Gambia for the promotion of traditional systems of medicine and will mutually benefit the two countries in this field. Activities mentioned in the MoU will boost the importance of AYUSH Systems of Medicine in Gambia.

As a consequence of the MoU, exchange of experts for training of the practitioners, and Scientists undertaking collaborative research in Traditional Systems of Medicine are expected to lead to new innovations in drug development and practice of Traditional Medicine.

Cabinet approved Signing of Agreement between India and Peru on Cooperation in the field of Medicinal Plants: The Union Cabinet has approved signing of agreement between the National Medicinal Plants Board, Ministry of AYUSH of the Republic of India and the National Institute of Health of the Ministry of Health of the Republic of Peru on Cooperation in the field of Medicinal Plants.

Major impact:

Considering the fact that both countries having rich medicinal plants biodiversity and medicinal plants based indigenous traditional system of medicines and recognizing the existing friendly and cooperative relations, the proposed Agreement will further enhance bilateral cooperation between the two countries in the area of Medicinal Plants. This will be of immense importance to both countries. This

Agreement will provide structured framework for cooperation between the two countries on Medicinal Plants.

Implementation strategy and targets:

The activities between the two Parties will start immediately after signing of the Agreement. The initiatives taken by the two countries will be in accordance with the terms of reference of the Agreement and will continue till the Agreement remains in operation.

Expenditure involved:

There is no additional financial implication involved. The financial resources necessary to conduct research, training courses, conferences / meetings will be met from the existing allocated budget and existing plan schemes of the National Medicinal Plants Board, Ministry of AYUSH.

Cabinet approved Establishment of an International Coalition for Disaster Resilient Infrastructure:

The Union Cabinet has given ex-post facto approval for the Establishment of an International Coalition for Disaster Resilient Infrastructure (CDRI) along with its supporting Secretariat Office in New Delhi. The proposal was approved by the Prime Minister on 13th August, 2019.

The CDRI is proposed to be launched at the UN Climate Action Summit in New York, USA on 23rd September 2019. Organized by the UN Secretary General, this event will bring together the largest number of Heads of States to generate commitments for combating the effects of climate change and resulting disasters, and will provide the high-level visibility required for the CDRI.

The approval, inter-alia, is for the following initiatives:

- Establishment of the International 'C.D.R.I.' along with its supporting Secretariat office in New Delhi;
- Establishment of the Secretariat of the CDRI as a Society under The Societies Registration Act,1860 in New Delhi as 'CDRI Society' or similar name as per availability. The memorandum of association and by-laws of the 'CDRI Society' will be prepared and finalized by the National Disaster Management Authority (NDMA), in due course;
- In-principle approval for Government of India support of Rs. 480 crore (approx. USD 70 million) to CDRI for a corpus required to fund technical assistance and research projects on an on-going basis, setting up the Secretariat office and covering recurring expenditures over a period of 5 years from 2019-20 to 2023-24; and
- The endorsed version of the Charter document that will act as the founding document of the CDRI. The charter will be finalized after taking inputs from potential member countries by the NDMA in consultation with the Ministry of External Affairs.

Major Impact:

The CDRI will serve as a platform where knowledge is generated and exchanged on different aspects of disaster and climate resilience of infrastructure. It will bring together technical expertise from a multitude of stakeholders. In doing so, it will create a mechanism to assist countries to upgrade their capacities and practices, with regard to infrastructure development in accordance with their risk context and economic needs.

This initiative will benefit all sections of society. Economically weaker sections of society, women and children, are the most vulnerable to the impacts of disasters and hence, will be benefitted from the improvement of knowledge and practice in creating disaster resilient infrastructure. It will also benefit all areas with high disaster risk. In India, the north-eastern and Himalayan regions are prone to earthquakes, coastal areas to cyclones and tsunamis and central peninsular region to droughts.

Innovation:

There are many initiatives on different aspects of disaster risk reduction and many initiatives on infrastructure development in different in a range of countries with different disaster risk and development contexts.

A global coalition for disaster resilient infrastructure would address concerns that are common to developing and developed countries, small and large economies, countries at early and advanced stages of infrastructure development, and countries that have moderate or high disaster risk. Few concrete initiatives work at the intersection of Sendai Framework, Sustainable Development Goals (SDGs) and Climate Change Adaptation with a focus on infrastructure. Focus on disaster resilient infrastructure would simultaneously address the loss reduction targets under the Sendai Framework, address a number of SDGs and also contribute to climate change adaptation. Hence, there is a clear niche for a Global Coalition for Disaster Resilient Infrastructure.

Publication of natural hazard risk information about the different regions in India will allow the public to understand the risk in their regions and demand for risk mitigation and preparedness measures from their local and State Governments.

(Source : PIB, GoI)