Syllabus subtopic: Challenges to internal security through communication networks, role of media and social networking sites in internal security challenges, basics of cyber security; money-laundering and its prevention.

News: More than 1,800 NGOs and academic institutes found to be violating laws pertaining to foreign funding have been banned by the government from receiving overseas funds this year.

Prelims focus: FCRA guidelines on foreign funding to NGOs, eligibility.

Mains focus: Misuse of foreign funds, issues and the need for stringent measures to prevent the misuse of foreign funds.

About FCRA:

- **The Foreign Contribution (Regulation) Act, 2010** and rules framed under it (the “FCRA” or “Act”) regulate the receipt and usage of foreign contribution by non-governmental organisations (“NGOs”) in India. Since the Act is internal security legislation, despite being a law related to financial legislation, it falls into the purview of Home Ministry and not the Reserve Bank of India (RBI).

Scope and objective of FCRA:

1. The intent of the Act is to prevent use of foreign contribution or foreign hospitality for any activity detrimental to the national interest.
2. It has a very wide scope and is applicable to a natural person, body corporate, all other types of Indian entities (whether incorporated or not) as well as NRIs and overseas branches/subsidiaries of Indian companies and other entities formed or registered in India. It is implemented by the Ministry of Home Affairs, Government of India.

In order to achieve the above objective, the Act:

1. Prohibits acceptance and use of foreign contribution or foreign hospitality by a certain specified category of persons such as a candidate for election, judge, journalist, columnist, newspaper publication, cartoonist and others.
2. Regulates the inflow to and usage of foreign contribution by NGOs by prescribing a mechanism to accept, use and report usage of the same.
3. It defines the term ‘foreign contribution’ to include currency, article other than gift for personal use and securities received from foreign source. While foreign hospitality refers to any offer from a foreign source to provide foreign travel, boarding, lodging, transportation or medical treatment cost.
4. The Act permits only NGOs having a definite cultural, economic, educational, religious or
social programme to accept foreign contribution, that too after such NGOs either obtain a certificate of registration or prior permission under the Act.

Registration and prior approval under FCRA:

1. In order to be registered under the FCRA, an NGO must be in existence for at least three years and must have undertaken reasonable activity in its field for which the foreign contribution is proposed to be utilised. Further, it must have spent at least INR 1,000,000 over three years preceding the date of its application on its activities.
2. The registration certificate is valid for a period of five years and must be thereafter renewed in the prescribed manner.
3. NGOs not eligible for registration can seek prior approval from FCRA for receiving foreign funding. This permission is granted only for a specific amount of foreign funding from a specified foreign source for a specific purpose. It remains valid till receipt and full utilisation of such amount.

The Act imposes various conditions on the use of foreign funds:

1. All funds received by an NGO must be used only for the purpose for which they were received.
2. Such funds must not be used in speculative activities identified under the Act.
3. Except with the prior approval of the Authority, such funds must not be given or transferred to any entity not registered under the Act or having prior approval under the Act.
4. Every asset purchased with such fund must be in the name of the NGO and not its office bearers or members.

Reporting requirement:

Every NGO registered or having prior approval under the Act must file an annual report with the Authority in the prescribed form. This report must be accompanied by an income and expenditure statement, receipt and payment account, and balance sheet for the relevant financial year. For financial years where no foreign contribution is received, a ‘NIL’ report must be furnished with the Authority.

Ensuring transparency

A National Accreditation Council consisting of academicians, activist, retired bureaucrats should be made to ensure compliance by NGOs.

There should be better coordination between Ministries of Home Affairs and Finance in terms of monitoring and regulating illicit and unaccounted funds.

A regulatory mechanism to keep a watch on the financial activities of NGOs and
voluntary organizations is the need of the hour.

Citizens today are keen to play an active role in processes that shape their lives and it is important that their participation in democracy go beyond the ritual of voting and should include promotion of social justice, gender equity, inclusion etc.