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## 1. FCRA - Economy

The introduction of the Foreign Contribution (Regulation) Amendment (FCRA) Bill, 2026, in the Lok Sabha has triggered significant concern among civil society organisations, legal experts, and democratic accountability advocates across India. The bill proposes sweeping new powers for a designated government authority to seize and manage properties of NGOs whose registrations have lapsed, been cancelled, or not renewed — a provision that critics argue could effectively paralyse the functioning of large sections of India's social sector.

### 1.About the FCRA, 2010 - Background and Purpose

The Foreign Contribution Regulation Act (FCRA) was first enacted in 1976 during the Emergency period, a context that itself reveals the law's origins in a security-conscious, state-control framework. It was replaced and modernised in 2010, and has since been amended in 2016, 2018, and 2020. The Act is administered by the Ministry of Home Affairs (MHA) and aims to regulate the acceptance and utilisation of foreign contributions by Indian entities — to ensure that foreign financial flows do not undermine national security, sovereignty, or public order.

FCRA registration is valid for five years and must be renewed before expiry. Approximately 16,000 NGOs are currently registered under FCRA, collectively receiving nearly Rs 22,000 crore in foreign contributions annually. These organisations operate across health, education, livelihood, environmental, disaster relief, and rights-based sectors — filling critical gaps in public service delivery that the state itself cannot adequately address.

### 2.Key Provisions of the FCRA Amendment Bill, 2026

The 2026 amendment introduces several new and consequential provisions that substantially expand the government's control over foreign-funded civil society assets.

1. **Designated Authority for Asset Management -** The centrepiece of the Bill is the creation of a Designated Authority empowered to take charge of all foreign contributions and assets of an organisation when its FCRA registration is cancelled, surrendered, expired, or not renewed. This represents a significant departure from the current framework, where such assets remained with the organisation pending resolution.
2. **Government Power Over Assets -** If registration is not restored after lapsing, the government acquires the power to transfer assets to a government department or sell them outright, with proceeds flowing to the Consolidated Fund of India. This provision effectively treats lapsed-registration NGOs as if their assets are state property — a characterisation with profound legal and constitutional implications.
3. **Automatic Cessation of Registration — Section 14B -** A new Section 14B introduces the concept of "deemed cessation" of FCRA registration in three automatic scenarios - when an organisation fails to apply for renewal, when the renewal application is rejected, and when the validity period expires without renewal. The deemed cessation mechanism removes discretion and judicial review from a process that can strip an organisation of its operational legitimacy.

4. **Time-Bound Utilisation of Funds -** Mandatory timelines are introduced for the receipt and utilisation of foreign funds — intended to improve financial discipline and prevent hoarding of contributions for purposes not sanctioned under the Act.
5. **Restrictions During Suspension -** A suspended organisation is prohibited from selling, transferring, or mortgaging its foreign-funded assets without prior government approval — a provision that could immobilise organisations even before their guilt is established.
6. **Centralised Investigation Control -** Section 43 of the parent Act is amended to require any law enforcement agency or state government to obtain prior Central Government clearance before initiating any inquiry into FCRA-related allegations. This centralisation of investigation authority raises questions about the separation of investigative and executive functions.
7. **Rationalisation of Penalties -** Maximum imprisonment for FCRA violations is reduced from five years to one year, or fine, or both — a notable liberalisation that may reflect an intent to replace criminal deterrence with administrative control as the primary enforcement mechanism.
8. **Key Functionary Accountability -** The definition of "Key Functionary" is expanded to include directors, partners, trustees, karta of Hindu Undivided Families, office-bearers of societies, trusts and trade unions, and any person with effective management control. These individuals are now personally liable for FCRA violations unless they can affirmatively demonstrate lack of knowledge or exercise of due diligence.
9. **Permanent Vesting of Assets -** If an organisation shuts down, becomes inactive, or ceases to exist, its foreign-funded assets permanently vest with the government — eliminating the possibility of these assets being redirected to other charitable purposes.

## 3.Why Regulating Foreign Contributions is Necessary

The regulatory rationale for FCRA is grounded in legitimate concerns.

1. **National security and sovereignty** demand oversight of foreign financial flows that could be directed toward destabilising activities, support for separatist movements, or subversion of democratic processes.
2. **Anti-money laundering** imperatives require tracking the source, quantum, and utilisation of foreign funds entering the country.
3. **Developmental integrity** is served by ensuring foreign contributions are used strictly for declared charitable or developmental purposes rather than diverted to commercial, political, or ideological ends.
4. **Preventing electoral interference** through the explicit FCRA prohibition on foreign funding of electoral candidates, journalists, judges, government servants, and political organisations reflects a broadly accepted norm in democratic governance.

## 4.Concerns over the 2026 Amendment

Despite these legitimate objectives, the 2026 Amendment Bill raises serious governance and constitutional concerns.

1. **Administrative delays** in registration and renewal processes are already a documented problem. The new "deemed cessation" mechanism risks penalising organisations for bureaucratic failures rather than substantive violations, as renewal applications can be delayed due to processing backlogs within the MHA itself.
2. **Political interference -** The broad discretionary powers to cancel registrations, freeze accounts, and now seize assets create risks of political targeting of inconvenient civil society voices —

environmental activists, legal aid providers, human rights organisations, and investigative journalism support bodies being particularly vulnerable.

3. **Chilling effect on civil society -** The prospect of permanent asset forfeiture upon deemed cessation may compel organisations to self-censor, avoid controversial advocacy, or exit certain policy areas entirely to avoid regulatory attention.
4. **Due process concerns -** The deemed cessation mechanism and asset vesting provisions effectively bypass judicial oversight, raising Article 14 (right to equality) and Article 19 (freedom of association) questions.
5. **Lack of transparent accountability -** Ironically, while the amendment focuses intensely on NGO accountability, the bill provides no independent oversight mechanism for the Designated Authority itself — raising concerns about the accountability of the new institutional structure.

## 5.Way Forward

1. The government must establish **transparent, time-bound, and digitally auditable** approval and renewal processes under FCRA to eliminate bureaucratic delay as a cause of deemed cessation.
2. An **independent statutory oversight body** should review decisions of the Designated Authority, ensuring judicial or quasi-judicial safeguards against arbitrary asset seizure.
3. The government should **distinguish clearly between genuine security threats and legitimate civil society advocacy**, ensuring that the law is not used to suppress organisations working on environmentally or politically sensitive issues.
4. A **parliamentary standing committee review** of the Bill — with participation from civil society stakeholders, legal experts, and representatives of affected organisations — would strengthen both the legitimacy and quality of the final legislation.

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