

# FIFTY-SECOND REPORT ESTIMATES COMMITTEE

(1987-88)

(EIGHTH LOK SABHA)

MINISTRY OF HOME AFFAIRS

[Action Taken by Government on the recommendations contained in the  
Forty-fifth Report of Estimates Committee (8th Lok Sabha)  
on the Ministry of Home Affairs—Voluntary Organisations].



Presented to Lok Sabha on .....

1987-1988

LOK SABHA SECRETARIAT  
NEW DELHI

36395 / March, 1988 (Chaitra, 1910 (Saka)

Price. Rs. 2.00

# CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE . . . . .	(iii)
COMPOSITION OF THE STUDY GROUP ON ACTION TAKEN REPORT OF ESTIMATES COMMITTEE (1987-88) . . . . .	(v)
INTRODUCTION . . . . .	(vii)
CHAPTER I . . . . . Report . . . . .	1
CHAPTER II . . . . . Recommendations/Observations which have been accepted by Government . . . . .	11
CHAPTER III . . . . . Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies . . . . .	13
CHAPTER IV . . . . . Recommendations/Observations in respect of which replies of Government have not been accepted by the Committee . . . . .	16
CHAPTER V . . . . . Recommendations/Observations in respect of which final replies of Government are awaited . . . . .	23
APPENDIX . . . . . Analysis of Action Taken by Government on the recommendations contained in the Forty-fifth Report of Estimates Committee (Eighth Lok Sabha) . . . . .	25

# ESTIMATES COMMITTEE

(1987-88)

## CHAIRMAN

Shrimati Chandra Tripathi

## MEMBERS

2. Shri Dileep Singh Bhuria

\*3. Shrimati M. Chandrasekhar

4. Shri A. Charles

5. Shri Saifuddin Chowdhary

6. Shri Hussain Dalwai

7. Shri Bipin Pal Das

8. Shri Janak Raj Gupta

9. Shri V. S. Krishna Iyer

\*10. Shri C. K. Jaffar Sharief

11. Shri Asutosh Law

12. Shri Narsinh Makwana

13. Shri Hannan Mollah

14. Shri George Joseph Mundackal

15. Shri Shantaram Naik

16. Shri Rameshwar Nikhara

17. Dr. Manoj Pandey

18. Shrimati Jayanti Patnaik

19. Shri A. J. V. B. Maheshwara Rao

20. Shri K. S. Rao

21. Shri D. N. Reddy

22. Shri P. M. Sayeed

\*23. Shri Laliteshwar Prasad Shahi

24. Dr. B. L. Shaillesh

25. Shri Rana Vir Singh

---

\*Elected on 6th August, 1987 vice Prof. Narain Chand Parashar re-  
tired from the Committee on 3rd June, 1987.

Ceased to be Members of the Committee on 14.2.1988 on being appointed  
Ministers of State in the Union Council of Ministers.

26. Shri N. Soundararajan
27. Shri N. Sundararajan
28. Shri G. G. Swell
29. Shri Madhusudan Vairale
30. Shri Ram Singh Yadav

**SECRETARIAT**

1. Shri K. H. Chayya—*Joint Secretary*
2. Shri J. C. Malhotra—*Chief Financial Committee Officer*
3. Shri A. Subramanian—*Senior Financial Committee Officer*

**STUDY GROUP ON ACTION TAKEN REPORTS OF ESTIMATES  
COMMITTEE**

**(1987-88)**

1. Smt. Chandra Tripathi—*Chairman*
2. Shri Bipin Pal Das—*Convener*
3. Shri Hannan Mollah
4. Shri Hussain Dalwai
5. Smt. Jayanti Patnaik
6. Shri P. M. Sayeed
7. Shri V. S. Krishna Iyer
8. Shri Shantaram Naik
9. Shri A. Charles

## INTRODUCTION

1, the Chairman of Estimates Committee having been authorised by the Committee to submit the Report on their behalf present this 52nd Report on Action Taken by Government on the recommendations contained in the Forty-fifth Report of Estimates Committee (8th Lok Sabha) on the Ministry of Home Affairs—Voluntary Organisations.

2. The Forty-fifth Report was presented to Lok Sabha on 27th April, 1987. Government furnished their replies indicating action taken on the recommendations contained in that Report on 9th October, 1987. The replies were examined by the Committee at their sitting held on 7th January, 1988 and draft Report was adopted by the Committee on the same date.

3. The Report has been divided into the following Chapters:

- (i) Report.
- (ii) Recommendations that have been accepted by Government.
- (iii) Recommendations which the Committee do not desire to pursue in view of Government's replies.
- (iv) Recommendations in respect of which replies of Government have not been accepted by the Committee.
- (v) Recommendations in respect of which replies of Government are awaited.

4. An analysis of action taken by Government on the recommendations contained in the Forty-fifth Report of Estimates Committee is given in Appendix. It would be observed therefrom that out of 15 recommendations made in the Report 2 recommendations, i.e., about 13 per cent have been accepted by the Government and the Committee do not desire to pursue 3 recommendations, i.e., about 20 per cent in view of Government's replies. Replies of Government in respect of 7 recommendations, i.e., about 47 per cent have not been accepted by the Committee. Final reply in respect of 3 recommendations, i.e. 20 per cent is still awaited.

NEW DELHI;  
February 18, 1988  
Magha 29, 1909 (Saka)

CHANDRA TRIPATHI,  
Chairman,  
Estimates Committee.

## CHAPTER I

### REPORT

1.1 This Report of the Estimates Committee deals with Action Taken by Government on the recommendations contained in their Forty-fifth Report (8th Lok Sabha) on Ministry of Home Affairs—Voluntary Organisations presented to Lok Sabha on 27th April, 1987.

1.2 Action Taken Notes have been received in respect of all the recommendations contained in the Report. These Notes have been categorised as follows:—

- (i) Recommendations/Observations which have been accepted by the Government:

Sl. Nos. 3, 15

(Total 2—Chapter II)

- (ii) Recommendations/Observations which the Committee do not desire to pursue in view of Government's replies:

Sl. Nos. 4, 8, 13

(Total 3—Chapter III)

- (iii) Recommendations/Observations in respect of which Government's replies have not been accepted by the Committee:

Sl. Nos. 1, 2, 5, 6, 9, 11, 12.

(Total 7—Chapter IV)

- (iv) Recommendations/Observations in respect of which final replies are still awaited:

Sl. Nos. 7, 10, 14.

(Total 3—Chapter V)

1.3 The Committee will now deal with the Action Taken by Government on some of the recommendations.

*Co-ordination between Ministry of Home Affairs and Ministry of Finance.*

**Recommendation (Sl. No. 1, P ara No. 1.13)**

1.4 The Committee had noted that whereas sanctioning of grants to voluntary organisations for promoting national unity and solidarity came within the purview of National Integration Division of the Ministry of Home Affairs, the FCRA, Division in that Ministry dealt with regulation of foreign contributions received by certain individuals and voluntary organisations. The Committee did not subscribe to the view that there was no need for coordination between these two Divisions. In the ultimate analysis, the aim of the grants either sanctioned by the National Integration Division or received from abroad has been the promotion of national unity and solidarity. Similarly, there was a strong case for coordination between the FCRA Division in the Ministry of Home Affairs and the Department of Economic Affairs, in the Ministry of Finance, which administered FERA, so far as receipt of foreign contributions by voluntary organisations was concerned as there might be many voluntary organisations which were receiving funds from abroad both through FCRA and FERA. As a matter of fact, the Committee felt that both the Divisions in the Ministry of Home Affairs and the Department of Economic Affairs in the Ministry of Finance should evolve a well-knit mechanism so that any tendency wherever discernible, to disrupt the cause of national unity and solidarity with the funds received either from the Ministry of Home Affairs or abroad was curbed *ab-initio*.

1.5 The Ministry of Home Affairs in their reply have stated as under:—

“The National Integration Division of Ministry of Home Affairs deals with sanctioning of grants to voluntary organisations for promoting national unity and solidarity. FC(R) Act was enacted mainly to regulate the acceptance and utilisation of foreign contribution by certain associations having a definite cultural, economic, educational, religious or social programme. While foreign contributions can be accepted by such associations for any of the above purposes, Government can not insist that such contributions be utilised toward promotion of national unity and solidarity alone. Thus the aims of the two



Divisions are entirely different and there has been no need for co-ordination between these two Divisions. If the need arises in future, mutual consultations could always be held.

As regards co-ordination between FCRA Division and FERA Division, they are already maintaining close co-ordination with the Department of Economic Affairs in the Ministry of Finance which administer FERA the role of FCRA is limited to foreign contribution received by certain voluntary associations and foreign hospitality accepted by certain category of persons. In the event of need arising to ascertain compliance with FERA in respect of funds not covered by FCRA, the two Divisions can consult each other on case to case basis. Mutual consultations are also held on policy issues as necessary. Hence the Government do not perceive a need to further formalise the arrangement.

The grants disbursed by National Integration Division are for the purpose of financing schemes for strengthening national integration. They have a promotional purpose. The Foreign Contribution (Regulation) Act regulates the inflow of foreign exchange for various activities by various organisations as well as individuals. Its purpose is regulatory. There is no connection between the two activities.

1.6 The Committee strongly feel that the Government have not appreciated the import of this recommendation in its right perspective and have considered the recommendation in a routine and casual manner. What the Committee had visualised was that, in view of the prevailing atmosphere in the country, the contributions received by many voluntary organisations both from within and abroad were likely to be missed to the detriment of the interests of the country. The Committee, therefore, had opined in their recommendation that close coordination between the National Integration Division and FCRA Division in the Ministry of Home Affairs and the Department of Economic Affairs in the Ministry of Finance, which administered FERA, was of paramount importance so as to obviate any chances of misuse of such contributions. The Committee, therefore, reiterate their recommendation in the matter.

*Monitoring Unit***Recommendation (Sl. No. 2, Para No. 1.38)**

1.7 The Committee were constrained to find discrepancies in the information contained in the Preliminary Material furnished to the Committee that 'Monitoring Unit' was created in 1982 and strengthened between March and May, 1985 and in a subsequent note that 'during the years 1983 and a part of 1984, Monitoring Unit had not come into existence'. From these two conflicting statements, it was apparent that the Ministry did not bother to vouchsafe the veracity of the information furnished to the Committee. The Committee could not but deplore this sort of lethargic and indifferent attitude shown by the Ministry towards the Committee. The Committee wanted the Ministry to reconcile these two statements and fix responsibility.

1.8 The Ministry of Home Affairs in their reply have stated that:—

"There is actually no discrepancy in the two statements furnished before the Committee regarding staff position of the Monitoring Units. The posts of two Assistant Directors for the Monitoring Unit were sanctioned in June, 1982. Applications for filling up these posts on deputation basis were called some time in November, 1982. After the Appointment orders were issued the first incumbent joined the post in May, 1984. Therefore, though the Monitoring Unit was created with two posts of ADs in June 1982, it came to physical existence only in May 1984 when the first incumbent joined, Second post of AD was filled in April 1985. Other ADs joined subsequently and only by February, 1987 all 6 ADs were in position. Hence, the statement that "the Monitoring Unit was created in June 1982 and strengthened between March and May 1985" was in no way incorrect. The statement, "During the year 1983 and a portion of 1984, Monitoring Unit had not come into existence" also reflected the factual position there is no discrepancy between the two."

1.9 The Committee are surprised to observe that despite creation of the Monitoring Unit with the sanction of two posts of Assistant Directors in June, 1982 no person was posted to the job till May, 1984. The Committee wonder whether mere creation of a post or declaration of creation of a wing, without any person to man the

job, can mean that the particular wing has been created and started functioning from the date the post's creation orders was issued. The Committee are constrained to observe that instead of stating the true position, the Ministry have chosen to camofledge the issue by furnishing misleading and incorrect reply. The Committee take strong exception to the manner in which the recommendation of the Committee has been dealt with and would expect the Ministry to retrace their stand.

### *Registration of Voluntary Associations*

#### **Recommendation (Sl. No. 5, Para No. 2.14)**

1.10. The Committee were surprised to learn that in respect of associations applying for registration under the Foreign Contribution (Regulation) Act information supplied by the associations in the prescribed application form was generally treated as authentic and that there was no special machinery available with the Ministry of Home Affairs to check the accuracy thereof. The Committee desired the Government to ensure that registration was granted to only such organisations as were actually engaged in definite cultural, economic, educational, religious or social programmes. This was of paramount importance particularly in the sensitive and border areas. The Committee were of the view that assistance of the States Intelligence agencies should be sought to check the genuineness of the particulars furnished by any association applying for registration before granting registration to the association.

1.11. The Ministry of Home Affairs in their reply have stated that the field inquiries were not being made in almost all the cases before granting registration under 6(1) of C(R) Act. Registration under Section 6(1) had come into existence with effect from 1-1-85 after the last amendment of the Act. Since a large number of applications had been received initially, field inquiries were not conducted in all cases before granting registration. It was then being ensured through such field enquiries that registration was granted to only such organisations as were actually engaged in definite cultural, economic, educational, religious and social programmes. Assistance of State Intelligence agencies was also sought wherever necessary.

1.12 The Committee note that field inquiries are now conducted and registration is granted to such organisations only as are actually engaged in definite cultural, economic, educational, religious and social programmes. Assistance of State intelligence agencies is also

sought wherever necessary. In view of the fact that field inquiries were not conducted in case of large number of organisations who were granted registration at the initial stage of registration, the Committee would like the Ministry to conduct on the spot field inquiries in all doubtful cases to ensure that these organisations actually exist and are actually engaged in cultural, economic, educational, religious and social programmes.

*De-registration of Organisation*

**Recommendation (Sl. No. 6, Para No. 2.18)**

1.13 The Committee were unhappy to find that during the years 1985 and 1986, associations numbering 11 and 10 respectively, had been asked to seek withdrawal of their registration there being no provision in the Foreign Contribution (Regulation) Act for the cancellation of their registration by the Government. The Committee were perturbed to learn that in one case where subsequent enquiry had revealed that a registered organisation, in fact, was only a paper organisation, and the Government directed the "non existent registered organisation" to seek permission under section 6(1) of the Act to accept the foreign contribution. The Committee were not aware whether any foreign contribution had actually been received by the said organisation before it came to the notice of the Government that it was a paper organisation. This was indicative of the complete state of helplessness on the part of Government where it had to correspond with an imaginary-registered organisation but could not deregister the organisation.

1.14. The Ministry of Home Affairs in their reply have stated that certain observations have been made regarding a non-existing paper organisation, which was required to seek prior permission under Section 6(1) of the Act before accepting any foreign contribution. The said association namely Community Service Society, Nagarcoil, Tamil Nadu was granted registration earlier without making any field inquiries. Subsequently, it transpired during field inquiry that this was a paper organisation. As per report of field inquiry, the organisation received Rs. 90,000 during 1985. They were called upon to send intimation and they agreed to do so. But unfortunately no intimation was sent within the stipulated time. Therefore, the organisation was put in prior permission category in May, 1986. They have also been directed to explain the lapses. Further penal action is being processed. It may also be noted that the effect of de-registration will be the same as that of putting the association in prior permission category under section 10 or under proviso to Section 6(1).

1.15. The Committee are not satisfied with the reply of the Ministry. They see no reason as to why it should have taken the Ministry such a long time to take action against a non-existing paper organisation. The Committee expect the Ministry to finalise the action without any further loss of time and they be informed within two months of the action taken and also the activities on which the amount so received during 1985 under Foreign Contribution (Regulation) Act was spent by this paper organisation.

*Misutilisation of Foreign Contributions*

**Recommendation (SL No. 9, Para 3.41)**

1.16 The Committee had noted that the number of organisations detected to be misutilising the foreign contributions was infinitesimally small when compared to total number of organisations receiving foreign contributions (including 10595 registered organisations as on 31-12-1986) and the magnitude of the foreign contribution flowing to the country. The Committee had a feeling that had the Ministry of Home Affairs evolved a strong monitoring mechanism and the other investigating agencies had done their job properly and with firmness and conviction the number of organisations using the amount of foreign contributions for purposes other than declared would have swelled manifold. The Committee were of the view that misutilisation of contribution would not be detected by examination of statements etc., furnished by the organisations sitting across the table, unless concurrently backed up by field action by adequate dedicated machinery. While agreeing that very huge separate monitoring set up might not be necessary to deal with the detection of misutilisation of contributions the Committee felt that the existing monitoring set up was required to be strengthened to ensure regular feed-back about the correctness of utilisation of foreign contributions received by various organisations. The Committee were of the view that the intelligence agencies were required to be geared up further to ensure that all cases referred to them for investigations were dealt with sincerely and with expedition. The Committee did not understand as to why the CBI should have been 'reluctant' to undertake investigation into the offences committed by some organisations under the Foreign Contribution (Regulation) Act. The Committee recommended that assistance of the Police and Intelligence agencies of the States should be increasingly solicited and CBI and other central intelligence agencies should closely liaise with the State agencies for the purpose.

1.17 The Ministry of Home Affairs in their reply have stated:

“The Committee observed that in order to deal with the detection of misutilisation of foreign contributions, the existing Monitoring set up required to be strengthened. As per the above observation of the Committee, a proposal to strengthen the Monitoring Unit has been included in the draft Cabinet Note prepared while processing the present amendment of the Act. Once the Monitoring Unit is further strengthened, it would be possible to scrutinise the accounts thoroughly and to hold field inspection in greater number of cases.”

1.18 The Committee are unhappy to find that the main thrust of the recommendation i.e. cooperation and coordination among various state and central intelligence agencies to investigate into the cases of misutilisation of funds received in the form of foreign contribution, has been completely sidetracked. The Committee do not consider that strengthening of the monitoring set-up alone will help in proper scrutiny of accounts etc. as the misutilisation part has to be looked into by other investigating agencies whose working has to be simultaneously streamlined. The Committee, therefore, reiterate their recommendation and would like to emphasise that assistance, cooperation and coordination of police and intelligence agencies at state and central level should be sought on a regular basis to check misutilisation of funds.

#### *Disbursement of Grants*

#### **Recommendation (Sl. No. 11, Para No. 4.38)**

1.19 The Committee had noted that grants-in-aid were given by the Ministry of Home Affairs to voluntary organisations which were *inter alia* engaged in discouraging communal ill-will and regional animosities; weaning the mis-guided element from the path of violence; propagation of principles of tolerance and harmony; mobilising forces for national unity and solidarity and for fostering fellow feeling for raising the quality of national life. The Committee were unhappy to find that despite such laudable objectives for which grants-in-aid were offered, sufficient number of voluntary organisations were not coming forward to avail of the grants simply because Government had not given adequate publicity to the scheme. According to Ministry's own admission during evidence, many voluntary organisations might not be aware of the scheme. This was also evident from the fact that during the

years 1983-84 and 1984-85 the Ministry had not been able to disburse even 50 per cent of the amount of Rs. 5 lakhs provided in the Budget for those years. The Committee, therefore, desired the adequate publicity to the Scheme should be given through appropriate media so as to encourage response from voluntary organisations working in the fields. The Committee were of the view that special drive in this connection was called for in the remote, hilly, difficult and sensitive border terrains of the country.

1.20 The Ministry in their reply have stated that Home Minister has already written to Chief Ministers in February, 1987, requesting for wide publicity to the scheme. A letter on the same lines has been addressed to the Chief Secretaries concerned. Ministry of I&B has also been requested to give wide-spread publicity to the scheme.

1.21 The Committee note that Chief Ministers and Chief Secretaries and Ministry of Information & Broadcasting have been requested to give wider publicity to the scheme. The Committee expect the Ministry to constantly monitor the progress of the scheme and assess what other measures could be taken for ensuring that enough publicity is being given to the scheme at desired level.

#### *Utilisation of Grants*

##### **Recommendation (Sl. No. 12, Para No. 4.39)**

1.22 The Committee were unhappy to be informed that apart from the utilisation certificates, which in some cases might not be received from voluntary organisations getting grants-in-aid, there was no other mechanism available within the Government to ensure that the grants-in-aid given to the voluntary organisations had in fact been utilised for promoting the cause of national integration and solidarity of the country. The Committee considered that it was incumbent on the Government to ensure that the Grants-in-aid given to voluntary organisations were in no way mis-utilised by any voluntary organisation. The help of the State Intelligence agencies and the Central Intelligence agencies could be sought with advantage to go into the working of any voluntary organisation about whose credentials there is the slightest doubt.

1.23 The Ministry of Home Affairs in their reply have stated:  
 "Before sanctioning any grant, the antecedents of the voluntary organisations are checked up with the State Government and the Central Agencies."

1.24 The Committee recommend that the right of inspections available under the financial rules of Government should also be gainfully utilised by the Government to ensure proper utilisation of grants. Government's vigilance on activities of such organisations to whom grants-in-aid are being given, is also called for.

#### Implementation of recommendations

1.25 The Committee would like to emphasise that they attach the greatest importance to the implementation of the recommendations accepted by the Government. They would, therefore, urge that Government should take expeditious steps in this regard. In case where it is not possible to implement the recommendation in letter and spirit for any reason the matter should be reported to the Committee in time with reasons for non-implementation.

1.26 The Committee also desire that final replies in respect of the recommendations contained in Chapter V of this report may be furnished to the Committee within a period of 3 months.



## CHAPTER II

### RECOMMENDATIONS|OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

#### Recommendation (Sl. No. 3, Para 1.39)

The Committee note that the Monitoring Unit has been directed to scrutinise the records of associations receiving foreign contributions. The Committee hardly expect the Monitoring Unit with 4 Assistant Directors in position as against the sanctioned strength of 6 Assistant Directors to do full justice to the stupendous task of scrutinising the records of a very large number of associations, which is stated to be 10,595 as on 31-12-1986. The representative of the Ministry of Home Affairs has admitted during evidence that "there is inadequacy of staff". The Committee feel that at best the scrutiny of the records of the associations was being carried out in a perfunctory manner. The Committee, therefore, would like the Ministry to go into the pros and cons of the whole issue of proper scrutiny of the records of the associations and its follow up action in all its prespectives and strengthen the Monitoring Unit accordingly so that indepth scrutiny of the records of all the associations could be done in a continuing and systematic basis and the loop-holes, if any, plugged in time. It goes without saying that the Monitoring Unit should also have a well organised "inspection mechanism" at its disposal for checking the veracity of the particulars furnished by the Voluntary Organisations.

#### Reply of Government

There are 10596 registered associations as on 31st December, 1986. We had earlier informed the Committee that the scrutiny was being done on a selective basis. All cases above Rs. 5 lakhs were being scrutinised and in respect of those below 5 lakhs, scrutiny was done only if it was felt necessary. During the year 1986, 1471 associations reported receipt of foreign contribution above Rs. 5 lakhs. There are 2318 associations who have reported receipt of foreign contribution between Rs. 1 lakh to Rs. 5 lakhs. The remaining 6806 associations have reported receipt of foreign contributions of amounts less than Rs. 1 lakh. By scrutinising

accounts of associations receiving over Rs. 5 lakhs, over 80 per cent of total foreign contribution received is covered. In terms of cost effectiveness, it may not be desirable to scrutinise all receipts except where necessitated by adverse reports. However, to give a wider coverage than hitherto proposal to strengthen the Monitoring Units with additional posts has already been cleared by the Ministry of Finance and the same is being submitted before the Cabinet for approval.

[Ministry of Home Affairs, O.M. No. II|21022|20(16)|86-FCRA. I.  
dated 9-10-1987]

#### **Recommendation (Sl. No. 15, Para 4.44)**

The Committee are unhappy to find that there are wide disparities in the amounts of grants-in-aid sanctioned to different States in as much as grants-in-aid to the tune of Rs. 1,00,85,500 and Rs. 90,000 were sanctioned to Union Territories of Delhi and Chandigarh respectively whereas in the case of Jammu & Kashmir and Himachal Pradesh the grants-in-aid were as low as Rs. 1,900 and 2,200 respectively. The Committee would like to impress upon the Government the desirability of equitable sanctioning of grants-in-aid, as far as possible, to various States and Union Territories, keeping in view the overall objective of promoting national integration.

#### **Reply of Government**

The Grant-in-aid is disbursed on the basis of first come first serve basis and so far has not been denied to any voluntary agency which has sought such a grant and fulfills the criteria laid down for the same.

[Ministry of Home Affairs, O.M. No. II|21022|20(16)|86-FCRA. I.  
dated 9-10-1987]

## CHAPTER III

### RECOMMENDATIONS|OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN VIEW OF GOVERNMENTS REPLIES

#### Recommendation (Sl. No. 4, Para 1.40)

The Committee are perturbed to find that during the year 1985 as many as 1,643 associations did not submit their returns in time and as many as 2,705 associations did not at all file the returns. The Committee do not appreciate the lukewarm attitude adopted by the Ministry of Home Affairs in dealing with such associations. The Committee would expect the Ministry to take recourse to the provisions of the law and take stringent action especially against those associations who do not submit their returns at all. In the case of those associations who submit their returns after the expiry of the due date, a warning should be issued in the first instance and stringent action taken if they do not respond even after that. The Committee would also like those associations which do not receive foreign contributions in a particular year to furnish together with the 'NIL' statement the reasons, if any, for not receiving foreign contributions in that period so that no further enquiry need be made from them for the relevant period.

#### Reply of Government

There are 2874 associations who did not file any return for the year 1986. We have already asked explanations from each of these associations directing them to furnish returns forthwith. In the said letter we have stated that even if they have received no Foreign Contribution nil report be sent. Earlier we had issued such letters in respect of 2705 associations who did not file any returns during 1985. As regards 3446 associations in 1986 (1643 associations in 1985) who submitted their complete returns beyond the stipulated time, warning letters are being issued. Those associations which do not receive any Foreign Contribution during a particular year have already been told to furnish a nil report. In the

proposed amendment, a provision to this effect has been incorporated making it a statutory requirement.

[Ministry of Home Affairs, O.M. No. II|21022|20 (16)|86-FCRA. I.  
dated 9-10-1987]

### **Recommendation (Sl. No. 8, Para 3.12)**

The Committee find that over the years there has been a steady increase in the flow of funds from foreign donors to voluntary agencies in India and for 1985 it might have touched the figure of Rs. 330 crores. The Committee agree that the inflow of foreign exchange is of vital importance in the context of difficult foreign exchange position through which the country is passing. The Committee would, however, stress that there is an utmost need for close rapport between the Ministry of Finance, Ministry of Home Affairs and Reserve Bank of India to ensure that the inflow of foreign exchange is regulated strictly according to the provisions of the Foreign Contribution (Regulation) Act. They also consider that in case there is abnormal increase in the foreign contributions being received by some associations the activities of those associations may be closely watched and if necessary, probed in depth to dispel any misgivings about the misuse of foreign contributions by those associations.

### **Reply of Government**

Periodical statements are now being received from Reserve Bank of India regarding remittance accepted by different associations from abroad. Efforts are being made to ensure that such information received from RBI is complete in all respects. Attempt is made to cross check such figures vis-a-vis those returns furnished by major recipients at the time of scrutiny of accounts. In addition there exists close rapport between Ministry of Finance and this Ministry regarding channelisation of funds from certain major foreign donors, like IDB, Ford Foundation, Rockefeller Foundation etc. In respect of associations which have received foreign contribution of Rupees 50 lakhs and above during any calendar year, thorough scrutiny of returns and accounts are being made by the Monitoring Unit and field inquiry reports are also being obtained in respect of such associations. In 1986 there are 181 such associations in this category. Wherever necessary, further inspection of accounts and activities under section 14 of the FC(R) Act are also

being conducted in respect of such associations. In case of associations receiving less than Rs. 50 lakhs also, similar action is being taken on a slightly lower priority.

[Ministry of Home Affairs, O.M. No. II/21022/20(16)/86-FCRA. I.  
dated 9-10-1987]

#### **Recommendation (Sl. No. 13, Para 4.40)**

The Committee are surprised to learn that no coordination is being maintained with other Ministries which are also providing grants-in-aid to voluntary organisations. The Committee consider that to keep an effective check on the voluntary organisations, there is an imperative need for maintaining close coordination and liaison among various Ministries disbursing grants-in-aid in different spheres. The Committee suggest that a special cell in the Ministry of Home Affairs should be created wherein information about the grants disbursed by various Ministries should be received and analysed.

#### **Reply of Government**

There is a separate Division (National Integration Division) in the Ministry of Home Affairs which handles these grants and monitors their disbursement. The grants are sanctioned only to voluntary agencies and the amounts are very small. The total budgetary allocation is only Rs. 5 lakhs. It is not within the province of Ministry of Home Affairs to monitor grants disbursed by various other Ministries as these grants are disbursed for different purposes and this monitoring if at all, has to be done by the Planning Commission.

[Ministry of Home Affairs O.M. No. II/21022/20(16)/86-FCRA. I.  
dated 9-10-1987]

## CHAPTER IV

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT'S REPLIES HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

#### Recommendation (Sl. No. 1, Para 1.13)

The Committee find that whereas sanctioning of grants to voluntary organisations for promoting National Unity and solidarity comes within the purview of National Integration Division of the Ministry of Home Affairs, the FCRA, Division in that Ministry deals with regulation of foreign contributions received by certain individuals and Voluntary Organisations. The Committee do not subscribe to the view that there is no need for coordination between these two Divisions. In the ultimate analysis, the aim of the grants either sanctioned by the National Integration Division or received from abroad should be the promotion of National Unity and solidarity. Similarly, there is a strong case for coordination between the FCRA Division in the Ministry of Home Affairs and the Department of Economic Affairs, in the Ministry of Finance, which administers FERA, so far as receipt of foreign contributions by Voluntary Organisations is concerned as there may be many voluntary organisations which are receiving funds from abroad both through FCRA and FERA. As a matter of fact, both the Divisions in the Ministry of Home Affairs and the Department of Economic Affairs in the Ministry of Finance should evolve a well-knit mechanism so that any tendency wherever discernible, to disrupt the cause of National Unity and solidarity with the funds received either from the Ministry of Home Affairs or abroad is curbed *ab-initio*.

#### Reply of Government

The National Integration Division of Ministry of Home Affairs deals with sanctioning of grants to voluntary organisations for promoting National Unity and Solidarity. FC(R) Act was enacted mainly to regulate the acceptance and utilisation of foreign contribution by certain associations having a definite cultural, economic educational, religious or social programme. While foreign contributions can be accepted by such associations for any of the above purposes, Government cannot insist that such contribution be utilised

towards promotion of National Unity and solidarity along. Thus the aims of the two Divisions are entirely different and there has been no need for co-ordination between these two Divisions. If the need arises in future, mutual consultations can always be held.

As regards co-ordination between FCRA Division and FERA Division, we are already maintaining close co-ordination with the Department of Economic Affairs in the Ministry of Finance which administers FERA. The role of FCRA is limited to foreign contribution received by certain voluntary associations and foreign hospitality accepted by certain category of persons. In the event of need arising to ascertain compliance with FERA in respect of funds not covered by FCRA, the two Divisions can consult each other on case to case basis. Mutual consultations are also held on policy issues as necessary. Hence the Government do not perceive a need to further formalise the arrangement.

The grants disbursed by National Integration Division are for the purpose of financing schemes for strengthening national integration. They have a promotional purpose. The foreign Contribution (Regulation) Act regulates the inflow of foreign exchange for various activities by various organisations as well as individuals. Its purpose is regulatory. There is no connection between the two activities.

[Ministry of Home Affairs O.M. No. II/21022/20 (16)/86-FCRA. I.  
dated 9-10-1987]

#### **Recommendation (Sl. No. 2, Para 1.38)**

The Committee are constrained to find discrepancies in the information contained in the Preliminary Material furnished to the Committee that 'Monitoring Unit was created in June 1982 and strengthened between March and May, 1985 and in a subsequent note that during the years 1983 and a part of 1984, Monitoring Unit had not come into existence'. From these two conflicting statements, it is apparent that the Ministry did not bother to vouchsafe the veracity of the information furnished to the Committee. The Committee cannot but deplore this sort of lethargic and indifferent attitude shown by the Ministry towards the Committee. The Committee would like the Ministry to reconcile these two statements and fix responsibility.

### Reply of Government

There is actually no discrepancy in the two statements furnished before the Committee regarding staff position of the Monitoring Units. The posts of two Assistant Directors for the Monitoring Unit were sanctioned in June, 1982. Applications for filling up these posts on deputation basis were called some time in November, 1982. After the Appointment orders were issued the first incumbent joined the post in May 1984. Therefore, though the Monitoring Unit was created with two posts of ADs in June, 1982, it came to physical existence only in May 1984 when the first incumbent joined, Second post of AD was filled in April, 1985. Other ADs joined subsequently and only by February 1987 that all 6 ADs were in position. Hence, the statement that "the Monitoring Unit was created in June 1982 and strengthened between March and May 1985" was in no way incorrect. The statement, "During the year 1983 and a portion of 1984, had Monitoring Unit had not come into existence", also reflected the factual position there is no discrepancy between the two.

[Ministry of Home Affairs, O.M. No. II|21022|(16)|86-FCRA. I.  
dated 9-10-1987]

### Recommendation (Sl. No. 5, Para 2.14)

The Committee are surprised to learn that in respect of associations applying for registration under the Foreign Contribution (Regulation) Act information supplied by the associations in the prescribed application form was generally treated as authentic and that there is no special machinery available with the Ministry of Home Affairs to check the accuracy thereof. The Committee would like the Government to ensure that registration is granted to only such organisations as are actually engaged in definite cultural, economic, educational, religious or social programmes. This is of paramount importance particularly in the sensitive and border areas. The Committee are of the view that assistance of the States Intelligence agencies should be sought to check the genuineness of the particulars furnished by any association applying for registration before granting registration to the association.

### Reply of Government

It may be noted that the field inquiries are not being made in almost all the cases before granting registration under 6(1) of FC



(R) Act. Registration under Section 6(1) came into existence with effect from 1-1-85 after the last amendment of the Act. Since a large number of applications were received initially, field inquiries were not conducted in all cases before granting registration. It is now being ensured through such field inquiries that registration is granted to only such organisations as are actually engaged in definite cultural, economic, educational, religious and social programmes. Assistance of State Intelligence agencies is also sought wherever necessary.

[Ministry of Home Affairs O.M. No. II/21022/20(16)/86-FCRA. I. dated 9-10-1987]

### **Recommendation (Sl. No. 6, Para 2.18)**

The Committee are unhappy to find that during the years 1985 and 1986, associations numbering 11 and 10 respectively, were asked to seek withdrawal of their registration there being no provision in the Foreign Contribution (Regulation) Act for the cancellation of their registration by the Government. The Committee are perturbed to learn that in one case where subsequent enquiry, revealed that a registered organisation, in fact, was only a paper organisation, the Government directed the "non-existent registered organisation" to seek permission under section 6(1) of the Act to accept the foreign contribution. The Committee are not aware whether any foreign contribution had actually been received by the said organisation before it came to the notice of the Government that it was a paper organisation. This is indicative of the complete state of helplessness on the part of Government where it had to correspond with an imaginary-registered organisation but could not de-register the organisation.

### **Reply of Government**

Certain observations have been made regarding a non-existing paper organisation, which was required to seek prior permission under Section 6(1) of the Act before accepting any foreign contribution. The said association namely Community Service Society, Nagar-coil, Tamil Nadu was granted registration earlier without making any field inquiries. Subsequently, it transpired during field inquiry that this was a paper organisation. As per report of field inquiry, the organisation received Rs. 90,000 during 1985. They were called upon to send intimation and they agreed to do so. But unfortunately no intimation was sent within stipulated time. Therefore, the organisation was put in prior permission category in May,

1986, They have also been directed to explain the lapses. Further penal action is being processed. It may also be noted that the effect of de-registration will be the same as that of putting the association in prior permission category under section 10 or under proviso to Sec. 6(1).

[Ministry of Home Affairs O.M. No. II/21022/20(16)/86-FCRA. I.  
dated 9-10-1987]

### **Recommendation (Sl. No. 9, Para 3.41)**

The Committee note that the number of organisations detected to be misutilising the foreign contributions is infinitesimally small when compared to total number of organisations receiving foreign contributions (including 10595 registered organisations as on 31-12-1986) and the magnitude of the foreign contribution flowing to the Country. The Committee have a feeling that had the Ministry of Home Affairs evolved a strong monitoring mechanism and the other investigating agencies had done their job properly and with firmness and conviction the number of organisations using the amount of foreign contributions for purposes other than declared would have swelled manifold. The Committee are of the view that misutilisation of contribution cannot be detected by examination of statements etc., furnished by the organisations sitting across the table, unless concurrently backed up by field action by adequate dedicated machinery. While agreeing with the view of the Ministry of Home Affairs that a very huge separate monitoring set up may not be necessary to deal with the detection of misutilisation of contributions the Committee feel that the existing monitoring set up requires to be strengthened to ensure regular feed-back about the correctness of utilisation of foreign contributions received by various organisations. The Committee are of the view that the intelligence agencies are required to be geared up further to ensure that all cases referred to them for investigation are dealt with sincerely and with expedition. The Committee do not understand as to why the CBI should have been 'reluctant' to undertake investigation into the offences committed by some organisations under the Foreign Contribution (Regulation) Act. The Committee recommended that assistance of the Police and Intelligence agencies of the States should be increasingly solicited and CBI and other central intelligence agencies should closely liaise with the State agencies for the purpose.

### **Reply of Government**

The Committee observed that in order to deal with the detection of misutilisation of foreign contributions, the existing Monitoring

set up requires to be strengthened. As per the above observation of the Committee, a proposal to strengthen the Monitoring Unit has been included in the draft Cabinet Note prepared while processing the present amendment of the Act. Once the Monitoring Unit is further strengthened, it would be possible to scrutinise the accounts thoroughly and to hold field inspection in greater number of cases.

[Ministry of Home Affairs, O.M. No. II/21022/20(16)/86-FCRA. I.  
dated 9-10-1987.]

### **Recommendation (Sl. No. 11, Page 4.38)**

The Committee note that grants-in-aid are given by the Ministry of Home Affairs to voluntary organisations which are *inter alia* engaged in discouraging communal ill-will and regional animosities; weaning the mis-guided elements from the path of violence; propagation of principles of tolerance and harmony; mobilising forces for national unity and solidarity and for fostering fellow feeling for raising the quality of national life. The Committee are unhappy to find that despite such laudable objectives for which grants-in-aid are offered, sufficient number of voluntary organisations are not coming forward to avail of the grants simply because Government has not given adequate publicity to the scheme. According to Ministry's own admission during evidence, many voluntary organisations might not be aware of the Scheme. This is also evident from the fact that during the years 1983-84 and 1984-85 the Ministry has not been able to disburse even 50 per cent of the amount of Rs. 5 lakhs provided in the Budget for those years. The Committee, therefore, desire that adequate publicity to the Scheme should be given through appropriate media so as to encourage response from voluntary organisations working in the fields. The Committee feel that special drive in this connection is called for in the remote, hilly, difficult and sensitive border terrains of the country.

### **Reply of Government**

Home Minister has already written to Chief Ministers in February, 1987, requesting for wide publicity to the scheme. A letter on the same lines has been addressed to the Chief Secretaries concerned. Ministry of I & B has also been requested to give wide-spread publicity to the scheme.

[Ministry of Home Affairs OM No. II/21022/20 (16)/86-FCRA-I.  
dated 9-10-1987.]

**Recommendation (Sl. No. 12, Para 4.39)**

The Committee are unhappy to be informed that apart from the utilisation certificates, which in some cases may not be received from voluntary organisations getting grants-in-aid, there is no other mechanism available with the Government to ensure that the grants-in-aid given to the voluntary organisations have in fact been utilised for promoting the cause of national integration and solidarity of the country. The Committee consider that it is incumbent on the Government to ensure that the Grants-in-aid given to voluntary organisations are in no way mis-utilised by any voluntary organisation. The help of the State Intelligence agencies and the Central Intelligence agencies can be sought with advantage to go into the working of any voluntary organisation about whose credentials there is the slightest doubt.

**Reply of Government**

Before sanctioning any grant, the antecedents of the voluntary organisations are checked up with the State Government and the Central Agencies.

[Ministry of Home Affairs OM No. II/21022/20 (16)/88-FCRA-I.  
dated 9-10-1987.]

## CHAPTER V

### RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES ARE STILL AWAITED

#### **Recommendation (Sl. No. 7, Para 2.19)**

The Committee would like the Government to plug loop-holes in the Foreign Contribution (Regulation) Act by bringing forward suitable amendments to the Act at an early date including amendment empowering the Government to deregister any association registered on wrong information furnished by it or found subsequently indulging in malpractices and nefarious activities.

#### **Reply of Government**

Amendment to Foreign Contribution (Regulation) Act, providing for cancellation or suspension of registration is under consideration of the Government.

[Ministry of Home Affairs OM No. II/21022/20 (16)/86-FCRA-I.  
dated 9-10-1987.]

#### **Recommendation (Sl. No. 10, Para 3.42)**

The Committee consider that the enactment of the Foreign Contribution (Regulation) Act, 1976 was a good step to have some direct control over the inflow of foreign contribution to the associations/organisations. Its amendment in 1985 was also a welcome move in the right direction. The Committee, however, feel that the provisions of the Act still fall woefully short of the expectations and are totally inadequate to cope with the stupendous task that lies ahead in connection with the detection of organisations who might be engaged in clandestine and anti-national activities with the foreign contributions received by them. There is no provision in the Act conferring explicit powers on the Government to check misutilisation of foreign contribution or for taking appropriate penal action which could be taken against the erring associations. The Committee strongly recommended that the provisions of the Act should be reviewed thoroughly by an expert Committee with a view to suggesting amendments to provide for machinery to effectively check the misutilisation of funds by voluntary organisations etc.,

and the stringent punishment to be provided therefor. The Committee are aware that inflow of foreign contribution is valuable for the country but it has to be ensured that the same is not utilised for the purposes other than those declared.

### **Reply of Government**

It was earlier stated before the committee that there was no provision in the Act conferring explicit powers on the Central Government for taking appropriate penal action for misutilisation of foreign contributions. As per assurance given before the Committee at the time of hearing, and in view of the recommendation of the Committee, a proposal to amend various provisions of the Act is being examined by this Ministry in consultation with Law Ministry. A new provision vesting the Central Government with powers to prosecute in any case of misutilisation of foreign contributions, is also proposed to be incorporated in the said amendments as per observation made by the Committee, providing for suitable penalty. The draft amendments are being finalised and will be considered for being introduced in the parliament as early as possible.

[Ministry of Home Affairs O.M. No. II/21022/20(16)/86-FCRA. I  
dated 9-10-1987.]

### **Recommendation (Sl. No. 14, Para 4.41)**

The Committee note that the last amendment/addition in the pattern of assistance of grants-in-aid was made in January, 1971. The Committee desire the Ministry of Home Affairs to again review the grants-in-aid Scheme as more than 16 years have elapsed since it was last amended.

### **Reply of Government**

The State Governments have been addressed for their views in respect of efficacy of the existing Scheme. As soon as the response from the State Governments is available, the Scheme will be reviewed with a view to making it more effective.

[Ministry of Home Affairs O.M. No. II/21022/20(16)/86-FCRA. I  
dated 9-10-1987.]

NEW DELHI;  
February 18, 1988

CHANDRA TRIPATHI,  
Chairman,

Magha 29, 1909 (Saka)

Estimate Committee.

## APPENDIX

(Vide Introduction)

### *Analysis of action taken by Government on the 45th Report of the Estimates Committee (8th Lok Sabha)*

I. Total number of Recommendations . . . . .	15
II. Recommendations which have been accepted by the Government (Sl. Nos. 3, 15) Percentage to total . . . . .	13%
III. Recommendations which the Committee do not desire to pursue in view of Government's replies (Sl. Nos. 4, 8, 13). . . . . Percentage to total . . . . .	3 20%
(iv) Recommendations in respect of which replies of Government have not been accepted by Committee. (Sl. Nos. 1, 2, 5, 6, 9, 11, 12). . . . . Percentage to total . . . . .	7 47%
(V) Recommendations in respect of which final replies of Government are still awaited. (Sl. Nos. 7, 10, 14) . . . . . Percentage to total . . . . .	3 20%