

Learner's Deck

FCRA and Fundraising

Day 1: 24 February, 2021

Supported By:



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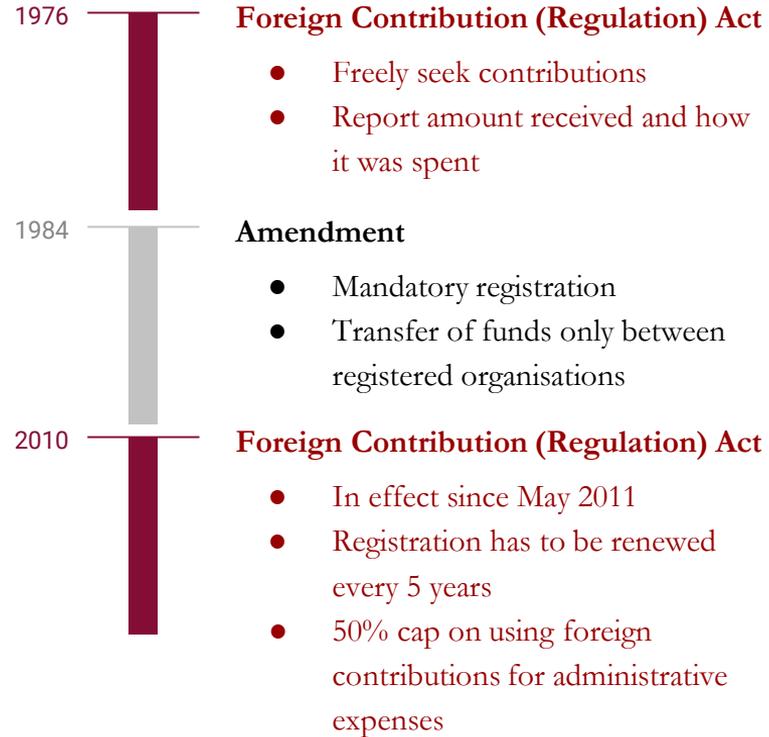
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About the FCRA

- The **Foreign Contribution (Regulation) Act** was passed in **1976**. It has been administered by the **Ministry of Home Affairs** and has undergone **major changes** since.
- Its purpose was twofold,
 - **To regulate foreign donations**
 - **To protect India's internal security**



Overview: FCRA

Foreign Contribution (Regulation) Act, 2010	Foreign Contribution (Regulation) Act, 2010; Amendments 2020
Cap on Administrative Expenses - 50%	Cap on Administrative Expenses - 20%
Transfer between FCRA Registered Accounts was permitted	Blanket Ban on Sub-granting
Single Account in a Scheduled Bank	Designated FCRA Account
Procedure for renewal - straightforward	Scrutiny at renewal of Registration

Key Impacts of the FCRA Amendments



Sub-granting

FCRA funds cannot be transferred to other organizations but must be spent directly by the organization involved.

Impact

Nonprofits and other social impact organisations that relied on sub-granted money will have to look for alternatives.

- **Collaboration** between grass-root level NGOs and larger NGOs will become **more challenging**
- **Grass-root level NGOs** will be **most affected**
- Smaller NGOs will have to develop **additional organisational capacity for compliance**
- **Cost of fund disbursement, due diligence will rise**
- Contributions from **international non-profits, foundations, and diaspora** may **reduce**
- May have to **diversify fundraising and income generation strategies**

Key Impacts of the FCRA Amendments



FCRA Account

All foreign contributions have to be received only in a designated 'FCRA Account'.

Impact

Fundraising for organisations may become entirely domestic.

- Foreign contributions have to be **routed** through **New Delhi**
- Account **cannot** be used to **receive** or **deposit** any other funds
- Open **another FCRA Account** in any scheduled bank **to utilise** or **keep** the contribution

Key Impacts of the FCRA Amendments



Administrative Expense

Reducing the maximum limit for spending foreign contribution on administrative expenses from 50% to 20%

Impact

Affect the sustainability of organizations.
May have to restructure their organization to ease access to foreign funding

- **Renewed focus** on **what** constitutes an **administrative expense**
- **Impact** on **salaries** and **programme costs**
- **Organisations** may have to look at how they **operate**
- **Donor** and **receiving organisations** may have to **revise** contributions to ensure that cap is met

The documentation story - 2020 Amendment



'FCRA Account', New Delhi Main Branch
(NDMB) State Bank Of India, Sansad Marg



On or before 31 March 2021

Requirements to open an FCRA Account

1. Account Opening Form (AOF)
2. KYC Documents of
 - a. Signatories
 - b. Controlling Person/Beneficial Owner
3. FCRA Registration

Opening an FCRA Account

Submit hard and soft copies of AOF for verification at nearest or any SBI Branch



Said branch will scrutinize and verify AOF and KYC documents.



After verification, documents will be shared with NDMB in 3 working days



NDMB will confirm receipt of relevant documents in 1 working day



Within 3 working days, NDMB will intimate the applicant with details of the FCRA Account

Fundraising in the times of FCRA with Harshit Rana

Fundraising climate in 2021

- ❖ Foreign contributions are projected to continue their decline due to overregulation and uncertainty.
- ❖ Everyday giving to SPOs will rise with disposable income and digitalization
- ❖ Individual donors are more flexible long term partners than institutions.
- ❖ Regulation of “political activity” is likely to continue.

Fundraising in the times of FCRA

- ❖ Adapt
- ❖ Diversify
- ❖ Monetize
- ❖ Delegate

Adapt

- ❖ If foreign contributions remain essential to your organization, board needs to become more involved.
- ❖ Regular meetings with legal team and auditors, compliance checks and reduced overhead are the new normal.
- ❖ Efficient bookkeeping is as important as charisma and commitment to the cause.

Diversify

- ❖ It's not just FCRA, government and CSR funds are drying up as well.
- ❖ 25% rule of thumb.
- ❖ Plan for sustainability.
- ❖ Diversify source and type.
- ❖ Identify new subsets of donors for all new campaigns, think product market fit.

Monetize

- ❖ Any activity that can generate revenue, should generate revenue. Prioritize sustainability.
- ❖ Seek partners before beneficiaries where you can.
- ❖ Collaboration is more important than ever.
- ❖ Fee for a service*

Delegate

- ❖ Fundraising is a leadership activity, at all levels.
- ❖ Communicate and involve program leaders in fundraising.
- ❖ Invest in training your leadership for fundraising efficiency.
- ❖ Build in-house capacity.