A toolkit enabling Funders to support their Non-Profits to model worst case scenarios and reinvent non linear models to keep a balanced focus post COVID-19, while weathering the storm during COVID - 19

April 2020
Coronavirus cases are increasing globally and India is witnessing a spike as well

| Global Cases: 2,708,470 | Global Deaths: 190,788 | Indian Cases: 23,039 | Indian Deaths: 721 |

As of 24th April, [John Hopkins Coronavirus Resource Center](#)

- Containment and social distancing is likely to cause **major disruption economically and stress on public health system**
- The **disruptive effects from this pandemic are different than what nonprofits have faced in the past**. Natural disasters are bound by geography and a recession is contained, but a **pandemic cuts social and economic sectors, India and World**.
- In order to sustain impact creation, there is a critical need for **funders to support NGOs** by equipping them to undertake stress tests in order to survive and weather this crisis.
- According to McKinsey*, the **hardest hit sectors may not recover till 2021** thereby high likelihood of funding disruption, as Dasra we foresee a **potential liquidity crisis** for many NGOs over the next 4-6 months.
- Further, funding loss is also tied to **NGOs having to manage increases in demand from communities**, concerns for the health and safety of staff and clients, and availability of workers who don’t have the privilege of working remotely.

---

We are observing many economic and socio-political changes at a global and national level.

### Economic Changes

- **~3 years** for most economies to return to their pre-pandemic levels of output – ET
- Global Humanitarian Funding gap of **US$ 14Bn** in 2019, likely to increase in 2020 - WEF
- India’s GDP likely to grow **2%** in FY21 - ICRA
- 28% sensex crash in last 2 months likely to reduce the giving potential of HNIs - BSE
- 25% retailers may be out of business after lockdown – Business Standard
- INR 2,000-3,000Cr of unspent CSR funds for FY20, may be transferred to a COVID fund – The Hindu

### Socio-Political Changes

- Between **8.8 and 35 Mn** additional people will be in poverty worldwide - ET
- Nearly **25 Mn** jobs could be lost worldwide due to the coronavirus pandemic - ET
- 290 cases domestic violence reported in 1 week, a 1 month average - PTI
- Unemployment rate in India rises to **23.4%** during lockdown – Live Mint
- Indian state government take pay cuts in salaries between **25%-30%**
- Indian government invested **0.8% GDP** in relief package - IMF

**Updated on 24th April 2020**
And macro forces that have huge implications on the social sector …

**SDG**

**SDG goals will be set back, yet significant social sector re-inventions will occur**
- Poorest of the poor and vulnerable will be hit first and find it hard to recover; migrants will be under great stress
- Sectoral defocus is likely and already happening, as the focus shifts towards COVID recovery

**Sector**

**Re-invention of solutions will enable sector leaders to emerge and accelerate**
- Digital enablement will accelerate and digital enabled models are likely to gain momentum
- Urban related themes: eg. city state resilience, core infrastructure buildout, healthcare systems strengthening
- Preventive technology informed healthcare
- Massive decentralization down to local communities and governments is missing in urban settings

**Livelihood enablement will be harder yet more crucial to build linkages across programs given its criticality**
- Economically weaker states were high on unemployment pre-Covid, will see further economic weakness
- Education focus without livelihoods focus will be untenable as educated adolescents will demand jobs

**Government**

**Reduction of global funding and centralization of funds for COVID relief leading to drastic funding reduction**
- No new fund flows (esp UHNI and CSR) for 12-24 months likely outside of Covid umbrella
- Government funds will be directed to Covid relief and rehabilitation
- Increased energy from funders in seeking more information around how to shape their philanthropy around Covid

**Government will be even more critical yet its mindspace will be occupied by only some critical areas**
- Healthcare security and income repair followed by livelihoods likely to be primary goals of the government
- Will be critical for NGOs to position their work as directly enabling the government and enable recovery/rehab

**Organization**

**NGOs will likely become insolvent or go into hibernation over the next 12-18 months**
- With disruption in funding and likelihood of limited cash liquidity NGOs will be hit the most
- Managing communities, internal staff members and continuing business as usual will be a challenge
... and the Funding Outlook is mixed, but likely to be difficult over the next 12-24 months

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSR</td>
<td>Tied to the profits of the for corporate, CSR is likely to reduce on the whole. However, important to be sector savvy as sectors are going to show very different profit trajectories.</td>
</tr>
<tr>
<td>UHNI</td>
<td>While their philanthropy will continue, the quantum is likely to reduce due to stock market value erosion, however - Covid redirect of funding is very likely in the short term.</td>
</tr>
<tr>
<td>Indian Foundations</td>
<td>Typically large Indian Foundations are “own and operate”, and funds are likely to be channeled towards their own programs; likely to focus on current grantees</td>
</tr>
<tr>
<td>Foreign Foundations</td>
<td>Funds which were disbursed globally may now be used within the country of origination to combat the crisis in their own geographies, which means a fall in foreign funding to India apart for some exceptions</td>
</tr>
<tr>
<td>Retail funding esp. towards COVID Relief</td>
<td>The Government’s priority at this point is containment of Covid and mitigating the fallout. Retail donors and Smaller ticket UHNI donations as well as PSUs are therefore likely to increase their grant making towards Covid (and allied work)</td>
</tr>
</tbody>
</table>
Thus to serve the communities and aspire for continuous impact, pro-active scenario modeling and “worst case” decision support is urgently called for.

Non Profits and Funders are recognizing this need and Dasra is keen to help.

- **A wait and watch and see incremental approach is counter productive during exponentially increasing crises as it will reduce the optionality over time pushing NGOs to the wall.**
- **Instead, this Toolkit enables NGO leaders and their Boards to work through scenarios, making assumptions and hence pro-actively planning decisions including aggressive ones to mitigate.**
- **There is also a key need for funders to realize the gravity of the impending harm to NGOs and provide support to plan and execute on these stress management actions.**
Funders and foundation, should deliberate on the support their portfolio organization could need...

1. **Will NGO leadership** from your portfolio have the **required bandwidth**? When is the **right time to provide for this support**, given the immediate community support the NGOs maybe involved with?

2. **What financial information** do you have of these organization’s **future cash-flow** that can help with this analysis? How much **bandwidth** do you have to support your portfolio?

3. **Who will be the right team** from the organization to guide through this process?

4. **How financially astute** are your portfolio NGOs? Should we do a **cohort intervention** for portfolio organizations or **1:1 for specific organizations**?
And with potential 24 months bounce back period, help their non profit leaders do some critical thinking...

1. How can organizations step up and support with COVID relief? With communities being impacted the most – how can we tailor make support to ensure impact first?

2. Is there potential of continuing business as usual in the lockdown scenario?

3. How secure is the financial plan to sustain a potential lack of funding? Will there be a need to revise payrolls or let go of people?

4. Were a founder/senior leader to fall ill, is there succession planning and risk management thought about? Has the board been leveraged optimally?

5. What is the morale of the team currently? Are there enough systems, processes and efforts to keep a positive environment?

6. What options and mechanisms can the organization leverage to create positive impact – government partnership, digitization, voluntary work?

What does the worst case scenario look like for the organizations?
ESTABLISHING TRUST!
Initiate conversations with their non-profit leaders, understand their struggles and concerns, help them prioritize, and lead with trust! And reiterate the belief strongly that evidence will follow as the sector bounces back, with even more impact and momentum.

TAKING A LONG-TERM VIEW!
Avoid the classic knee-jerk reaction of doing more due diligence on the non-profits and taking stock of their portfolio at this point. Take a long-term view and recognize the role you can play in relieving the non-profit’s stress by converting much of the current capital into “Non-Programmatic / Non-Deliverables linked” capital.

CALL TO ACTION!
Join the Philanthropy’s commitment during covid-19 with 355 other Organizations who have Signed the Pledge - Click here
And recommend some immediate steps for their non-profit leaders to take

1/ Know your financial position
Know your monthly costs and income (money in the bank). Determine whether you have enough cash to sustain you for 1, 3, 6, 12 months. Plan for the worst. Assume funds not in the bank will likely be delayed, or not come through.

2/ Create a group of financial advisors
Adopt a CFO mindset, and identify 1-3 board members or strategic donors to be a part of your close group of advisors to help with financial modeling and planning.

3/ Conduct scenario planning and review
Determine 3 scenarios (best, conservative, and worst) based finances, and pandemic assessment. Create a plan of action for each scenario and review every 15 days. Think about reimagining the future but keep a laser sharp focus on the present.

4/ Communicate and align with stakeholders
Ensure open lines of communication and build alignment with key stakeholders, especially your government partners.

5/ Keep employees front and center
Ensure employee well-being, by helping them navigate their day to day, deal with the ambiguity, and coach and mentor them to stay positive and focused.
The Pro-active scenario modeling uses 2 steps....

**STEP 1**

**Identify Non-Negotiables, such as...**

- Keep communities safe and provide relief
- Team and staff members are supported
- Zero lay-offs during this fiscal year
- Prioritize only urgent and critical expenses

**STEP 2a**

**Macro Stress Indicators**

- Economic Indicators: GDP forecast, stock market indices, government priorities, funders giving potential
- Disease Intensity: Disease spread in India, Disease spread in NGO regions
- Lockdown Period: Government instituted lockdown, Organization instituted lockdown

**STEP 2b**

**Micro Organizational Stress Indicators**

- **Institutional Resilience**
  - Build capacity in the organization to sustain what’s critical and recover strongly

- **Impact Optimization**
  - Repurpose today’s program portfolio enhance as relevant to enable social impact

**Funding**
- Exploring funding scenario to sustain the organization from a short to long term

**Costs**
- Costs that can be repurposed and renegotiated to induce efficiencies

**Organization**
- The board, leadership and team’s health, positive morale and support

**Relief**
- Repurpose current programs to support communities with COVID relief

**Restore**
- Maintain business as usual scenario to the best of the abilities to ensure continuous impact

**Re-invent**
- Leverage best practices for cost efficiencies & create non-linear approach

*Note: Toolkit is in BETA stage, can be refreshed monthly by NGO leaders based on updated macro indicators and actions implemented to check latest stress levels*
13

....to create a scenario framework model for today and tomorrow!
Thereafter, take critical decision depending on the scenario placement of the organization

**Institutional Resilience: Financial and Funding Stability**

<table>
<thead>
<tr>
<th>Cost Optimization</th>
<th>No Regret</th>
<th>Risk Mitigation</th>
<th>Extraordinary Moves</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Postpone non-personnel costs/activities</td>
<td>• Cancel non-personnel cost/activities</td>
<td>• Hibernate programs</td>
<td></td>
</tr>
<tr>
<td>• Delay promotion, increments and key hires</td>
<td>• Freeze hiring by one year at least</td>
<td>• Cancel all avoidable costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reduce payroll of certain senior leadership</td>
<td>• Reduce pay-roll of all senior leadership</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Reduce or delay fixed costs/expenses</td>
<td>• Lay off staff members</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Push fixed cost payments by a year</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Stabilization</th>
<th>No Regret</th>
<th>Risk Mitigation</th>
<th>Extraordinary Moves</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Align with COVID-19 relief efforts and raise funds</td>
<td>• Share a ‘revised activity and personnel plan’ with all donors to negotiate changes in programs</td>
<td>• Realign focus to COVID-19 relief only</td>
<td></td>
</tr>
<tr>
<td>• Realign funding proposals</td>
<td>• Identify bridge funding proposals</td>
<td>• Identify bridge funding proposals</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Repurpose funding proposal towards personnel costs</td>
<td>• Repurpose funding proposal towards personnel costs</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funder Management</th>
<th>No Regret</th>
<th>Risk Mitigation</th>
<th>Extraordinary Moves</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Share a ‘revised activity and personnel plan’ with trusted donors to negotiate changes in programs</td>
<td>• Share a ‘revised activity and personnel plan’ with all donors to negotiate changes in programs</td>
<td>• Negotiate heavily with funders to revise and repurpose funding</td>
<td></td>
</tr>
<tr>
<td>• Invest in digital infrastructure; leverage donors for repurposing the funds towards this</td>
<td>• Prioritize COVID-19 relief programs</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Build partnerships with the Government</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To be customized based on the Stress Test and 1-1 conversations

**Institutional Resilience: Organization Health**

<table>
<thead>
<tr>
<th>Leadership Focus</th>
<th>No Regret</th>
<th>Risk Mitigation</th>
<th>Extraordinary Moves</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Leverage technology to stay connected with the community</td>
<td>• Ensure digital infrastructure is provided to most of the staff</td>
<td>• Ensure digital infrastructure is provided to 50% of the staff</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Identify morale boosting mechanisms for employees</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Staff Welfare</th>
<th>No Regret</th>
<th>Risk Mitigation</th>
<th>Extraordinary Moves</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Leverage board members’ support in creating financial plans</td>
<td>• Identify evangelist board members to raise funds and provide support</td>
<td>• Identify a re-invention strategy for a 2.0 version of the organization</td>
<td></td>
</tr>
<tr>
<td>• Invest in identifying a re-invention strategy</td>
<td>• Identify a re-invention strategy</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
NGOs also need to evaluate the distress levels of the communities they serve in continuously from a current and future scenario.

<table>
<thead>
<tr>
<th>Community Need</th>
<th>Impact Optimization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relief: Filling basic humanitarian needs of communities</td>
<td><strong>No Regret</strong></td>
</tr>
<tr>
<td>Recovery: Bring the affected area back to some degree of normalcy</td>
<td>- Continue as is, providing the amount of support in 1 areas of indirect impact of COVID</td>
</tr>
<tr>
<td>Renewal: Introduce new mechanisms to reinvent to prevent future crises</td>
<td>- Realign the operating model slightly to support with few more indirect impact areas of COVID</td>
</tr>
<tr>
<td><strong>Ability to Respond</strong></td>
<td><strong>Risk Mitigation</strong></td>
</tr>
<tr>
<td>Team: Core and field staff</td>
<td>- Focus on reinvention thereby changing sector and intervention focus</td>
</tr>
<tr>
<td>Capital: Financial capital available</td>
<td>- Identify innovative/new activities within the current interventions to be able to support the communities; education org could provide food relief as it has close contact with the communities</td>
</tr>
<tr>
<td>Support: Direct or indirect support from the government</td>
<td><strong>Extraordinary Moves</strong></td>
</tr>
<tr>
<td><strong>Needs of the Community</strong></td>
<td><strong>Operation</strong></td>
</tr>
<tr>
<td>Relief</td>
<td>- Current intervention of the organization, tailor to COVID relief. Eg. Health org to focus on increasing health awareness; education org to continue teaching through technology</td>
</tr>
<tr>
<td>Recovery</td>
<td>- No interventions needed</td>
</tr>
</tbody>
</table>

Impact Optimization:

- **Operation**
  - **No Regret**: Continue as is, providing the amount of support in 1 areas of indirect impact of COVID
  - **Risk Mitigation**: Realign the operating model slightly to support with few more indirect impact areas of COVID
  - **Extraordinary Moves**: Focus on reinvention thereby changing sector and intervention focus

- **Intervention**: Current intervention of the organization, tailor to COVID relief. Eg. Health org to focus on increasing health awareness; education org to continue teaching through technology
- **No Regret**: No interventions needed
- **Risk Mitigation**: Identify innovative/new activities within the current interventions to be able to support the communities; education org could provide food relief as it has close contact with the communities
- **Extraordinary Moves**: Focus on reinvention thereby changing sector and intervention focus

- **Capability**: Leveraging basic technology like WhatsApp, smart phones
- **No Regret**: No interventions needed
- **Risk Mitigation**: Strong focus on partnership with CBOs, SHGs, other NGOs to deliver
- **Extraordinary Moves**: Complete reinvention and focus on technology to deliver new programs (non-linear)

- **Funds**: Raise additional funds through CSR, Government and funders keen on supporting COVID relief
- **No Regret**: No interventions needed
- **Risk Mitigation**: Realign funding and activities to support program implementation and community support
- **Extraordinary Moves**: Use parked / reserve funding to align to COVID relief

To be customized based on the Stress Test and 1-1 conversations.