A toolkit enabling Indian 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

<table>
<thead>
<tr>
<th>Global Cases:</th>
<th>2,708,470</th>
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<tbody>
<tr>
<td>Global Deaths:</td>
<td>190,788</td>
</tr>
<tr>
<td>Indian Cases:</td>
<td>23,039</td>
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<tr>
<td>Indian Deaths:</td>
<td>721</td>
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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 like 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 ...

<table>
<thead>
<tr>
<th>SDG</th>
<th>SDG goals will be set back, yet significant social sector re-inventions will occur</th>
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<tbody>
<tr>
<td></td>
<td>• Poorest of the poor and vulnerable will be hit first and find it hard to recover; migrants will be under great stress</td>
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<td></td>
<td>• Sectoral defocus is likely and already happening, as the focus shifts towards COVID recovery</td>
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<table>
<thead>
<tr>
<th>Sector</th>
<th>Re-invention of solutions will enable sector leaders to emerge and accelerate</th>
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<tbody>
<tr>
<td></td>
<td>• Digital enablement will accelerate and digital enabled models are likely to gain momentum</td>
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<tr>
<td></td>
<td>• Urban related themes: eg. city state resilience, core infrastructure buildout, healthcare systems strengthening</td>
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<td></td>
<td>• Preventive technology informed healthcare</td>
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<td></td>
<td>• Massive decentralization down to local communities and governments is missing in urban settings</td>
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<td></td>
<td><strong>Livelihood enablement will be harder yet more crucial to build linkages across programs given its criticality</strong></td>
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<td></td>
<td>• Economically weaker states were high on unemployment pre-Covid, will see further economic weakness</td>
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<td></td>
<td>• Education focus without livelihoods focus will be untenable as educated adolescents will demand jobs</td>
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<table>
<thead>
<tr>
<th>Government</th>
<th>Reduction of global funding and centralization of funds for COVID relief leading to drastic funding reduction</th>
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<tbody>
<tr>
<td></td>
<td>• No new fund flows (esp UHNI and CSR) for 12-24 months likely outside of Covid umbrella</td>
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<td></td>
<td>• Government funds will be directed to Covid relief and rehabilitation</td>
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<td></td>
<td>• Increased energy from funders in seeking more information around how to shape their philanthropy around Covid</td>
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<td></td>
<td><strong>Government will be even more critical yet its mindspace will be occupied by only some critical areas</strong></td>
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<td></td>
<td>• Healthcare security and income repair followed by livelihoods likely to be primary goals of the government</td>
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<td></td>
<td>• Will be critical for NGOs to position their work as directly enabling the government and enable recovery/rehab</td>
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<thead>
<tr>
<th>Organization</th>
<th>NGOs will likely become insolvent or go into hibernation over the next 12-18 months</th>
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<tr>
<td></td>
<td>• With disruption in funding and likelihood of limited cash liquidity NGOs will be hit the most</td>
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<tr>
<td></td>
<td>• Managing communities, internal staff members and continuing business as usual will be a challenge</td>
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... 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>
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<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>
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<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>
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<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>
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<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>
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</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.
With potential 24 months bounce back period, non profit leaders need to do some critical thinking...

1. 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?

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

3. 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?

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?
Some immediate steps to take over the next week

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 on 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.
... and be aware that this will not be an easy process

BE PREPARED!
Create a list of potential questions a donor will ask, and practice your answers! What is your game plan? Do you understand the situation? How much money do you need in the short term and long term? Have you spoken with other donors? Seek flexibility to move funds between line items, or re-purpose funds to address more urgent needs.

REINVENT AND ADAPT!
Re-package your programs and outcomes where possible
1. Show your outcomes with linkages to Covid e.g. linkage between stopping spread of Covid via faecal matter treatment
2. Reinvent your current programs to directly address Covid e.g. repurposing a program to connect medical specialists with on-the-ground practitioners include Covid related content

BE PATIENT!
Even positive fundraising outcomes will take longer than usual in these times. Do not perceive a slow response time as lack of interest. Many donors are working through their own situations. Be responsive and persistent
Institutional Resilience and Impact Optimization Toolkit
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.
....to create a scenario framework model for today and tomorrow!

HIGH STRESS
- Prolonged Economic Downturn
- Extended Social Distancing
- Widespread/national epidemic

MEDIUM STRESS
- Slow Economic Recovery
- Increased Social Distancing
- Increased spread of COVID

LOW STRESS
- Effective Economic Recovery
- Limited Social Distancing
- Contained spread of COVID

LOW STRESS ZONE
Small, quick actions that require little investment of time and money but reduce risk and produce extreme value

MODERATE STRESS ZONE
Big actions and decisions that need renegotiations and adopting different ways of working

HIGH STRESS ZONE
Last restore actions that will have long-term effect on the structures, model of organization and payrolls of staff

LOW STRESS
- Strong funding runway
- Alternate channels and model to impact
- Strong talent in place

MEDIUM STRESS
- Adequate runway, weak pipeline
- Core impact protected
- Adequate talent structure

HIGH STRESS
- Low funding runway
- Significant impact on core
- Vulnerable talent

Micro NGO Stress Indicators

Organizational values and non-negotiables
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>
</table>
|                   | • Postpone non-personnel costs/activities  
|                   | • Delay promotion, increments and key hires  
|                   | • Cancel non-personnel cost/activities  
|                   | • Freeze hiring by one year at least  
|                   | • Reduce payroll of certain senior leadership  
|                   | • Reduce or delay fixed costs expenses  
|                   | • Hibernate programs  
|                   | • Cancel all avoidable costs  
|                   | • Reduce pay-roll of all senior leadership  
|                   | • Lay off staff members  
|                   | • Push fixed cost payments by a year  |

### Institutional Resilience: Organization Health

#### Leadership Focus

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

#### Staff Welfare

<table>
<thead>
<tr>
<th>No Regret</th>
<th>Risk Mitigation</th>
<th>Extraordinary Moves</th>
</tr>
</thead>
</table>
| • Leverage board members’ support in creating financial plans  
| • Invest in identifying a re-invention strategy  
| • Identify evangelist board members to raise funds and provide support  
| • Identify a re-invention strategy  
| • Identify a re-invention strategy for a 2.0 version of the organization  |

### Funder Management

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

To be customized based on the Stress Test and 1-1 conversations.
NGOs also need to evaluate the distress levels of the communities they serve in continuously from a current and future scenario.

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