



Centre for
Social Impact
and Philanthropy



THE IMPACT OF COVID-19 ON INDIA'S
NONPROFIT ORGANISATIONS

A SNAPSHOT REPORT

June 2021

Acknowledgments

We are grateful to the Centre for Social Impact and Philanthropy's Strategic Nonprofit Management—India (SNMI) programme, philanthropists and civil society networks for connecting our research team with nonprofit leaders across a range of issue areas, regions, and organisation sizes. We would like to thank all the leaders who made the time, despite the many challenges confronting them to share inputs on their work, the impact of the crisis on their operations and finances, peer learning, and implications for funders and stakeholders during India's COVID-19 crisis period and beyond.

Centre for Social Impact and Philanthropy

The Centre for Social Impact and Philanthropy (CSIP) at Ashoka University is India's first academic centre focused on enabling strategic and robust philanthropy for greater social impact. It informs sector strategy through credible research and data, convenes platforms for norm-setting and collaborative learning, and offers programmes that strengthen civil society capability and sustainability.

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Foreword



India is still grappling with the massively lethal second wave of COVID-19 as this report goes to print. Chronically under-resourced public

health and social protection systems have buckled under the strain with everything from oxygen to ICU beds, healthcare staff, even crematoria and graveyards in dire short supply. The role the nonprofit sector has played in alleviating distress, providing critical healthcare and livelihood support as well as shining a light on the plight of the most marginalised groups has been universally recognised.

How are these nonprofits themselves doing? This second study by the Centre for Social Impact and Philanthropy (CSIP) provides a timely snapshot of the financial, programme and organisational impact of the crisis on nonprofits of all types across India. The timing of the study means that this picture captures the state of the sector before the second wave hit the country posing even greater demands and challenges than the first wave on a deeply depleted sector.

There are clear lessons here for both nonprofits and funders. From the attributes that make for resilience to the funding norms that make that agility and sustainability possible.

We hope this report helps readers gain a deeper understanding of the price nonprofits, their leaders and their staff are paying for our collective failure to ensure adequate systems of public health, public housing, urban development as well as labour and other social protection mechanisms. The study provided glimmers of hope in the form of the adaptive strengths displayed by many nonprofits, empathetic practices from some funders, growing recognition of the root causes of many development challenges and emerging engagement with the psycho-social and mental health dimensions of key issues.

CSIP is profoundly grateful to the nonprofit leaders who gave so generously of their time even as they grappled with challenges on multiple fronts. So too to the funders and networks who enabled us to access such a diverse and representative sample of organisations. To our own funders, who consistently embody the best practices described in this report. And, in particular, to the team at CSIP, each member of which has stepped up to make this study and all our other work during the pandemic possible.

India stands at a crossroads. The choices we make now as nonprofits, funders, citizens and policy-makers will determine whether we emerge more just, equal,

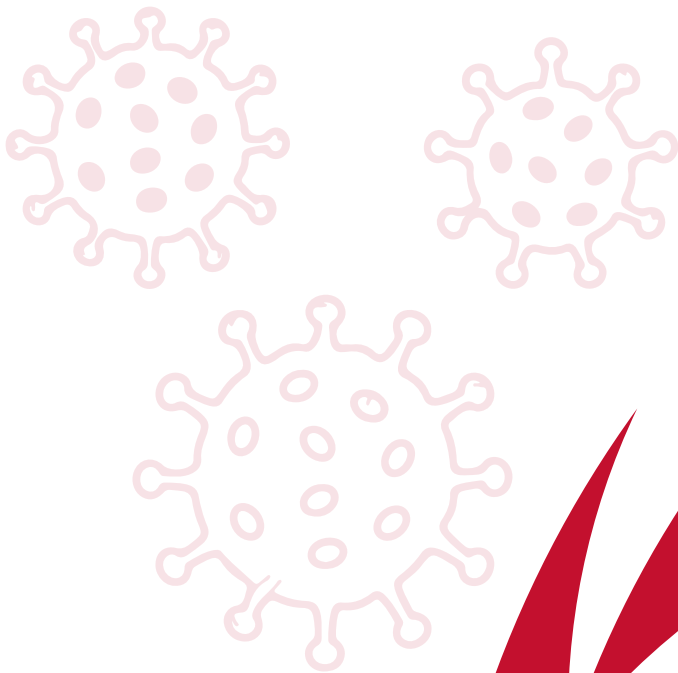
strong and resilient or lurch from one crisis to another with increasingly unsustainable divisions threatening the very fabric of our society. The pandemic has starkly revealed

the crucial value that the nonprofit sector adds to our lives and what is necessary to ensure that it can continue to do so.

Ingrid Srinath

Director

Centre for Social Impact and Philanthropy, Ashoka University



Executive *Summary*

This report is based on fieldwork conducted during December 2020 – February 2021, including an online survey of representatives of 312 NPOs, in-depth interviews with 52 NPOs and 10 funders and ecosystem stakeholders. This study aimed to:

1. Understand the continued impact of COVID-19 on NPO operations and finances.
2. Understand mitigation strategies NPOs used, and how they were innovating and experimenting with online and blended models.
3. Understand the role that funders play.
4. Suggest ways to move forward for NPOs, funders and other ecosystem stakeholders following the second and any subsequent waves of COVID-19.

We find that 63 percent of NPOs reported that their regular programme operations were negatively impacted by COVID-19. While 55 percent of NPOs reported suspension of a few events, programmes and activities, 7 percent of NPOs reported complete suspension of all programme related activities. At the time of fieldwork, 52 percent of NPOs had resumed regular programmes, 21 percent had never suspended their programmes, and programmes of 20 percent remained suspended since the lockdown.

Furthermore, 63 percent of NPOs across the country have experienced a rise in demand for their services in this last one year. NPOs have expanded through new programmes, new geographies and in scale.

Thirty percent of NPOs made changes to their target beneficiary group and 21 percent made changes to their geographical coverage. Many of these programme changes were induced by distress migration and loss of livelihoods.

Much of this has been possible due to multiple opportunities pursued by the nonprofit organisations, including forging new partnerships and collaborations, identifying new areas of work and repurposing the organisation's existing activities.

Unstable funding has been one of the serious concerns for nonprofit organisations this year. For 60 percent of NPOs, the funding for their regular programmes was negatively impacted by COVID-19, and over one-fifth (21%) of all NPOs had less than 3 months of funding available. One out of 10 small NPOs with a budget of less than INR 1 crore had already run out of funds at the time of this survey. Fifty-two percent of NPOs had to revise down their annual budget for regular programmes for the financial year 2020-21, on average by 32 percent.

With a lockdown that lasted for an extended period of time, NPOs moved their work online. Half of large NPOs were well prepared to embrace digitisation, while only a quarter of small-budget NPOs were as prepared. Almost half of mid-size NPO have digitised during the last year. Many NPOs have innovated and experimented with digitisation during the year, and moved to blended models of beneficiary outreach and service delivery.

There are several ways in which funders and other stakeholders in the Indian philanthropy ecosystem can support NPOs in their recovery after the second phase. Examples include:

- Create a collaborative relief fund for small NPOs
- Support an emergency corpus
- Support no-cost extension on timelines
- Fund programmes other than COVID-19 relief and healthcare
- Fund overheads and invest in organisational capacity building
- Create separate fund for innovation and experimentation
- Support digital capacity building and invest in digital infrastructure
- Make access to funding more transparent
- Create a standardised M&E framework
- Support strengthening of the ecosystem.

Likewise, NPOs can:

- Engage with funders regarding overheads and outreach costs
- Reach out to colleagues to organise peer support circles
- Find new ways to build on existing partnerships
- Make health insurance and mental health support a priority for staff

1. Introduction

In June 2020, we published *The Impact of COVID-19 on India's Nonprofit Organisations: A Snapshot Report*, taking stock of the impact of COVID-19 on India's nonprofit organisations (NPOs), and their role in disaster relief. Nonprofit organisations across India used their existing grassroots networks and know-how to undertake vital work to mitigate the health, economic and social crises in the communities they serve. By November 2020, India appeared to have come out of the worst of the COVID-19 crisis, and NPOs were slowly beginning to walk down the road to recovery. We decided to document this recovery in a second report, focussing on how the pandemic has impacted and changed the organisations, how they have evolved and whether they remained as financially unstable as they were at the time of the last report. Undertaking fieldwork during December 2020 to March 2021, it seemed that we were writing a story of slow but steady recovery.

A month later, while we were analysing our data, the second wave of COVID-19 hit, and NPOs were back to emergency relief, this time weakened from a year of battling the pandemic with often stretched resources. This report, therefore, depicts the state of NPOs as they were beginning their recovery prior to the second wave. Their priorities may have changed since as they again turned their focus to disaster relief.

With this in mind, we hope that this report can serve as a guide to how NPOs are evolving and recovering, as well as provide an understanding of the significant challenges NPOs face while rebuilding and strengthening regular operations post disaster relief.

The Centre for Social Impact and Philanthropy (CSIP) at Ashoka University undertook a mixed methods research project, conducting an online survey of 312 NPOs, in-depth interviews with 52 NPOs, and in-depth interviews with 10 funders and ecosystem organisations from India. The aim was to better understand how the pandemic has impacted NPOs, and how they were recovering from the first COVID-19 wave. We find that the triple-crisis caused by the COVID-19 pandemic has undone many years of work done by the nonprofit sector. The disruption in programme activities has led to regression in development outcomes, and shrinking funding support has weakened the backbone of the sector. There is anxiety around stable funding sources, talent retention and effective resource mobilisation.

The insights from the research together with an informal stock-take of the impact of the second wave of COVID-19 have led us to suggest ways in which the sector can work to support NPOs to recover from the second and any subsequent waves, while building resilience.

This report builds on an emerging body of literature on the impact of COVID-19 on India's nonprofit sector, including CSIP's snapshot report released in June 2020¹, which involved in-depth interviews of 50 NPOs across India to understand the scope of their relief work during the first wave of COVID-19 and its impact on operations and finances. The May 2020 report found that 76 percent of the NPOs were directly engaged with relief work. The report also highlighted that 30 percent of the NPOs had reserves to cover costs for less than 6 months. This also implied that organisations were actively thinking of managing depleting financial reserves by aggressively cutting down on staffing capacities and overheads.

In the period between June 2020 and February 2021, there have been multiple findings from both Indian and global sources with data collected through country and worldwide surveys. For instance, a global survey series documented by CAF America delved into the impact of the pandemic on the work of nonprofits throughout the financial year 2020-2021 with its latest findings released in March 2021². According to CAF, 72.5 percent of organisations they surveyed across 152 countries expressed that 'reduced contributions' remains to be an expected challenge through 2021.

Reflecting upon the necessity of nonprofits, across the globe, to accommodate the digital aspect to their operations, CAF also found that 73.9 percent of NPOs adapted

digital programming of operations. Our report respondents too note significant digitisation efforts during the year. The 7th report of CAF's COVID-19 Impact series reveals that fundraising and donor management have emerged as the primary managerial tasks that NPOs wish to strengthen. About 70.4 percent NPOs were found to have changed their priorities due to the impact of the pandemic on organisational strategies.³

Furthermore, studies by The Bridgespan Group highlighted that philanthropic collaboratives in the sector⁴ may support impactful interventions effectively in the context of response to and recovery from COVID-19. The study suggests that a limited number of philanthropic collaborations have shown deeper engagement with social issues emerging from the pandemic, such as distress migration. Additionally, Dasra's research with 250 NPOs from India identified pathways to resilience building over April-Oct 2020⁵. By conducting a detailed study on pre-existing stress drivers amplified by COVID-19, they found that over 40 percent of NPOs in this period were found to have low resilience to mitigate operationally and financially through 2021. Lastly, a study by PRIA International Academy, released in May 2020, also found that a majority of grassroots organisations continue to be resource starved needing additional human, material and financial resources to continue serving marginalised communities.⁶

This report is structured as follows: the next chapter details the methodology of the study and characteristics of the sample organisations. Chapter 3 provides an overview of the impact on operations of NPOs. In Chapter 4, we discuss ways in which NPOs have used digital technology and blended models to innovate. Chapter 5 offers insights on the financial status and related challenges. Chapter 6 briefly

discusses the impact of the second wave of COVID-19 on NPOs, before offering some suggestions for how the sector can work together to support NPOs as they return to regular programme operations following the COVID-19 relief work and lockdown. Chapter 7 summarises the report's findings and reiterates its key takeaways for further consideration.

2. Methodology & Organisations' Characteristics

This report is based on insights collected from the second phase of CSIP's research undertaken between December 2020 and March 2021. These findings build on an earlier rapid response snapshot report which was released in May 2020 consisting of 50+ interviews with NPOs working across the country. This study aimed to:

1. Understand the continued impact of COVID-19 on NPO operations and finances.
2. Understand mitigation strategies NPOs used, and how they were innovating and experimenting with online and blended models.
3. Understand the role that funders play.
4. Suggest ways to move forward for NPOs, funders and other ecosystem stakeholders following the second and any subsequent waves of COVID-19

To answer these questions, we used a mixed methods approach including an online survey with NPOs and interviews with NPOs and funders and ecosystem organisations.

Survey of NPOs

CSIP conducted an online survey between 14th of December, 2020 and 8th of February, 2021. The survey was made accessible and

circulated across social media channels, such as Twitter, Facebook and LinkedIn, and personal networks. While the entries were in English, we had a separate header within the survey for requests for Hindi interviews in case the survey was to be taken in Hindi. We received a total of 447 responses of which, after cleaning for duplicates and incomplete entries, 312 complete responses were considered for the study. The data collected from the survey was organised to allow for pattern recognition.

In-depth Interviews with NPOs

In addition to the survey component, we also interviewed 52 NPOs out of 125 organisations that we reached out to between 20th of January and 12th of March, 2021. These interviews took place in the virtual mode and were conducted through a semi-structured questionnaire administered by each interviewer. We designed our questionnaire keeping in mind insights from our previous report released in May 2020, while also referring to relevant sector literature available across the web. Before arranging for interviews, we conducted three to four rounds of pilots amongst the team to

ascertain gaps, relevance and quality of questions for prospective interviewees. Interviews were arranged and recorded on Google Meet or Zoom with every respondent's consent and we used both English and Hindi, as needed during the dialogue. Our sample was representative in terms of annual budget size, geographies and thematic areas of operations across the country. The applicant database for CSIP's Resilience Strategies for Nonprofits (RSN) programme was used to recruit organisations for qualitative interviews. Referrals from respondents were used to add more participants to the sample. The snowballing method helped us reach more in-depth narratives as can be seen in the case of reaching out to NPOs from the Northeast.

Interviews with Funders and Ecosystem Stakeholders

We thought it was imperative we add perspectives from the funding community to get a deeper understanding of the operational and financial implications of COVID-19. We reached out to multiple funders from across the spectrum, i.e., domestic and international funders as well as ecosystem stakeholders and policymakers. We used the CSIP database as a primary source for outreach. After multiple outreach efforts we received very limited responses, i.e., from 10 foundations across the spectrum - corporate (n=6),

philanthropy (n=2), intermediary (n=1) and international (n=2). Due to the limited responses we received, our sample offers only a limited range of narratives across different funder categories. Although we had a semi-structured questionnaire in place, our conversations were free-flowing in terms of understanding reflections from respondents and their respective stakeholder-standpoints. Our interview process involved probing into appreciating the promptness of partner organisations through relief and strategies and assessing where NPOs stand from now on with regards to integral emerging issues (migration, healthcare, social security) and regular programmes. It delved into understanding support for new innovations, mitigation strategies and unconditional backing of long-sighted interventions.

Analysis and Writing

For our survey data analysis, we used Zoho Survey Analytics and Microsoft Excel. NPO interview responses were cleaned through a structured sheet on Microsoft Excel and were analysed through multiple cross tabs according to thematic area, budget size, impact on funding, etcetera.

Funder interview responses were recorded under common themes and areas of concern. The responses were accordingly contrasted and merged to see emerging patterns in narrative from the funders' end to bridge the narratives received from the NPOs' end.



We triangulated our data from the three sources, i.e., survey, interviews with NPOs and interviews with funders. This involved deeper analysis arriving at possible convergences and divergences in presenting findings and structuring the entire story emerging from varied credible sources. While responses from the survey drew out emerging patterns, our interviews enabled us to probe deeper and gain more insight on issues and better understand their context.

Survey Respondent Characteristics

We received completed responses from 312 NPOs to the online survey hosted by CSIP between December 2020 and February 2021. These NPOs work across the country. About a quarter of NPOs stated that they have pan-India operations, the remainder were relatively evenly located across North, South, East, West

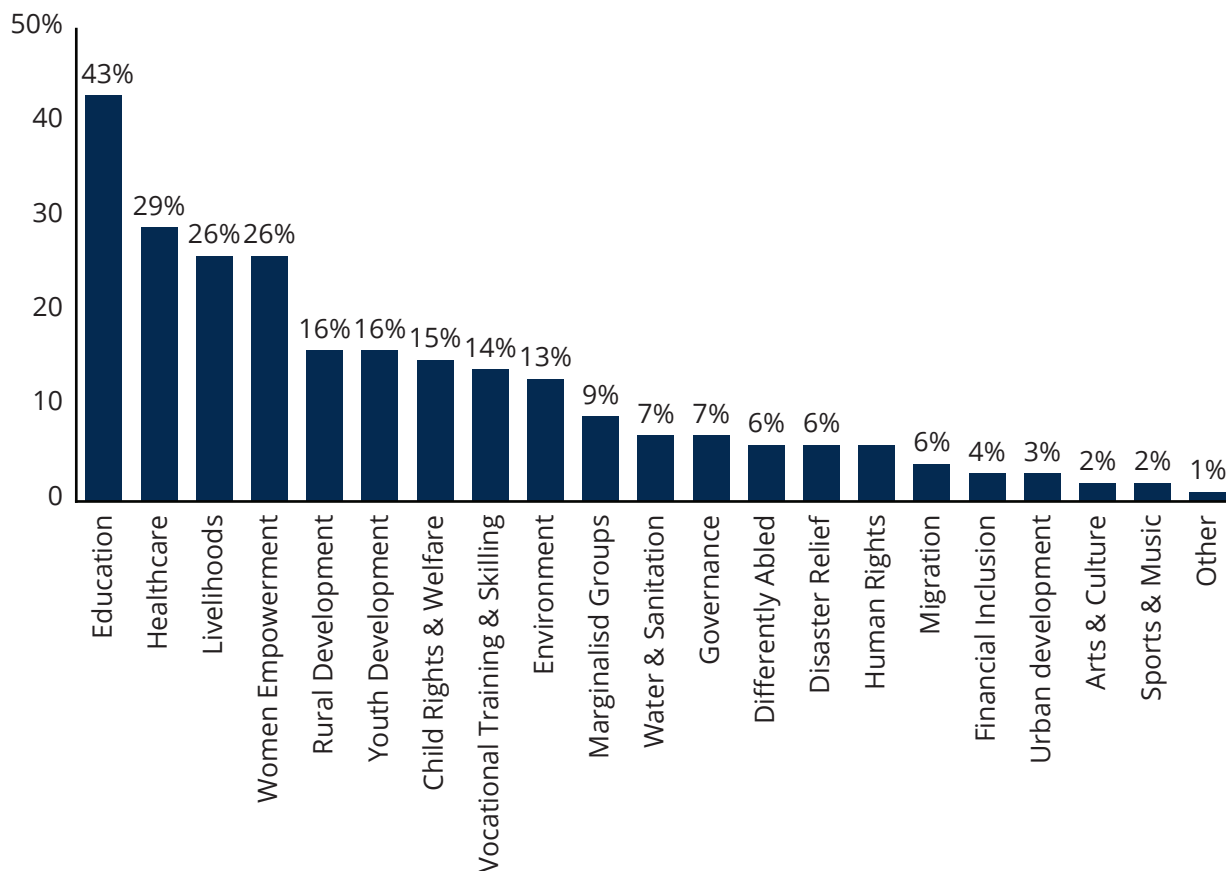
and the Northeast. NPOs reported working across rural and urban geographies, with many working in both urban and rural areas.

Thirty-eight percent of NPOs registered as Society, 36 percent of NPOs as Trust, 6 percent as both Society and Trust, and 17 percent of NPOs as Section 8 Company. Three percent noted others or did not respond.

About half of the organisations are specialised in one area of work, while the other half work on multiple areas. Seventy-five percent of NPOs are engaged in programme implementation, 35 percent of NPOs identify their work as relating to community-based organisations, 31 percent work in policy and advocacy, 25 percent of NPOs operate as researchers, consultants and think-tanks, and 12 percent undertake grant-making. Five percent identify as working on other areas, such as strengthening the ecosystem, or did not respond.

NPOs work across sectors and thematic areas with most working across multiple areas. Education (43%), Healthcare (29%), Livelihoods (26%) and Women Empowerment (26%), Youth Development (16%), Child Rights & Welfare (15%), Rural Development (16%), Vocational Training and Skilling (14%), and Environment (13%) being the primary areas of focus.

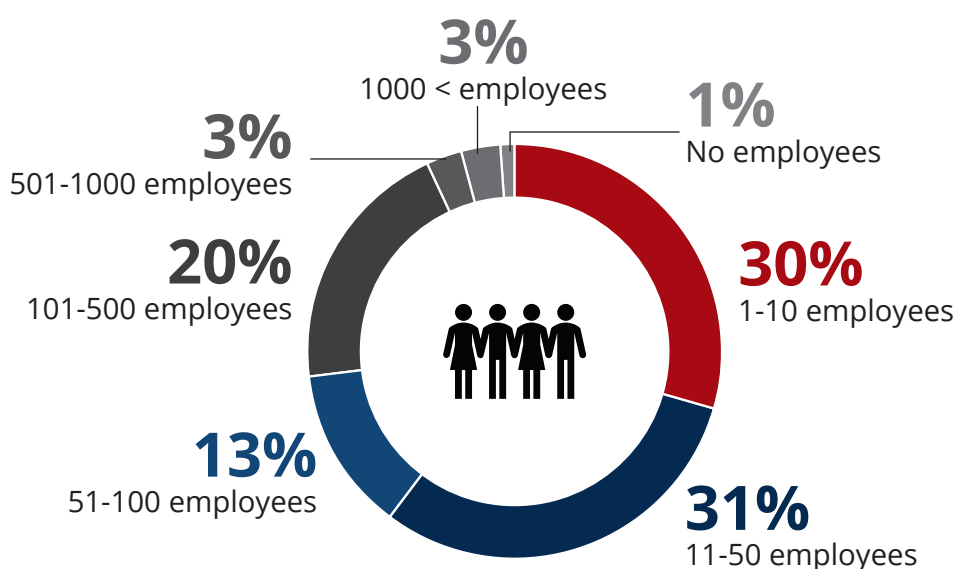
Sector Covered by Sample Organisations



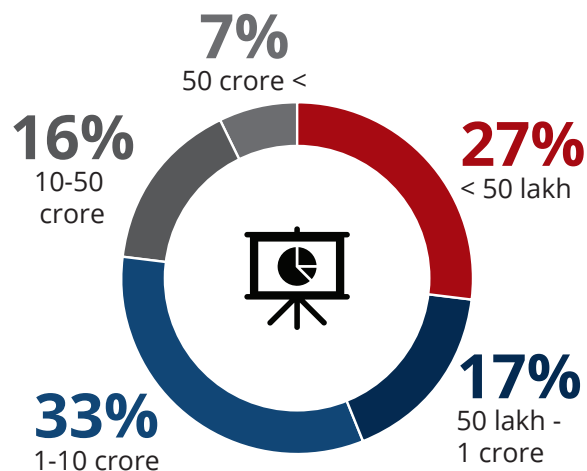
The NPOs vary in size, with about a third having less than 10 employees and another third having 11-50 employees. A fifth have 101-500 employees while only 6

percent have more than 500 employees. Four respondents noted that they had no employees and only volunteers and/or part-time consultants.

Number of employees



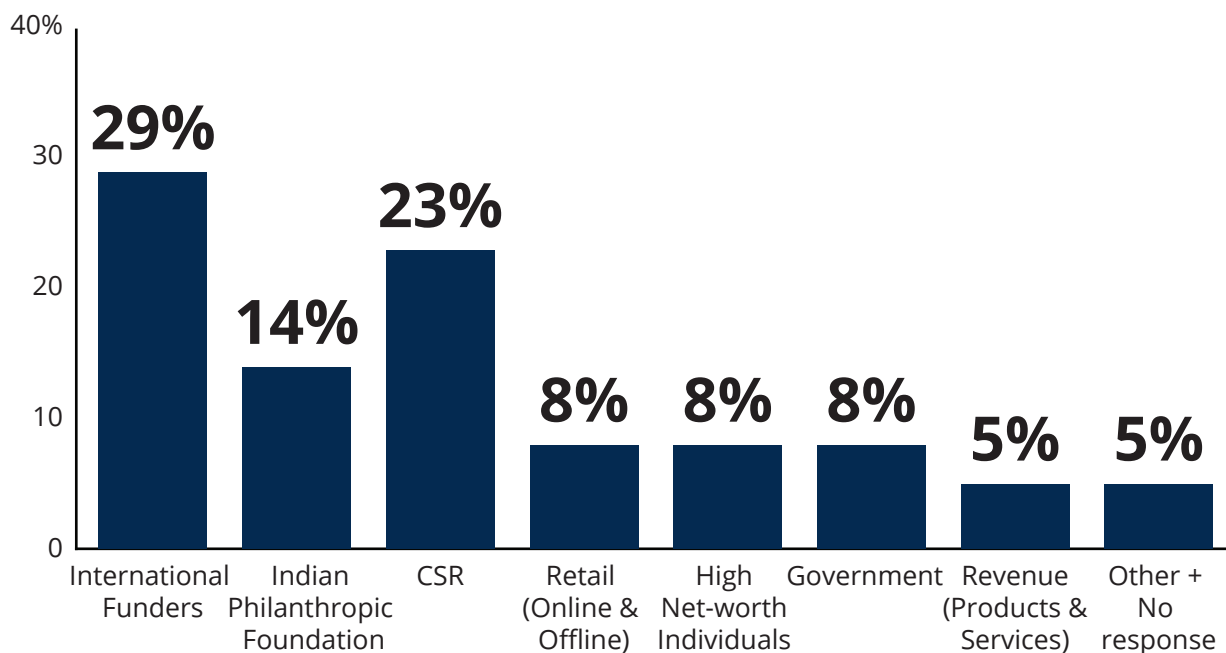
Annual Budget FY 2020-21



The sample varied in size based on budget too. Forty-four percent NPOs work with less than INR 1 crore budget, 33 percent had a budget of INR 1-10 crore and 23 percent had a budget over INR 10 crore.

With respect to funding, the largest primary funding sources reported were: International Funders (29%), CSR Funders (23%) and Indian Philanthropic Foundations (14%).

Primary Funding Source



Limitations

Some of the limitations our research team faced include poor internet and phone connections making interviews difficult to conduct; difficulty in reaching NPOs and especially funders and ecosystem stakeholders during a very busy time

in the course of the pandemic. As we could interview only the organisations in our databases and networks due to difficulty in reaching out to a wider number of organisations, there is a selection bias which may have an implication on the responses received. Therefore, the findings cannot be generalised.

3. Impact of COVID-19 on Operations of NPOs

This chapter will delve into the findings on the impact of COVID-19 on nonprofit organisations in India. It considers the role played by NPOs in the first year of the COVID-19 pandemic and how their regular programmes have been impacted. It also discusses operational challenges faced by the organisations and their mitigation strategies.

Impact on the Operations of NPOs

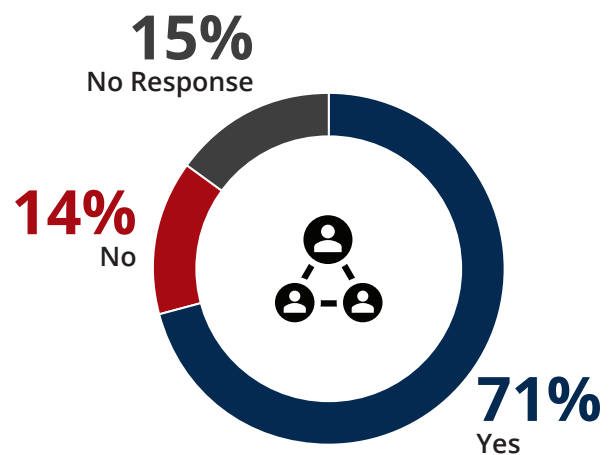
NPOs have responded to the COVID-19 crisis and this has had a significant impact on the work that NPOs have prioritized over the past year.

NPOs Responding to COVID-19 crisis

In the April-May 2020 report, 76 percent of NPOs that provided a response were directly engaged in COVID-19 relief work.

In this phase, 71 percent of NPOs reported were directly engaged in relief work during the last year, while 14 percent were not, and 15 percent did not respond.

Share of NPOs Engaged in Relief Work



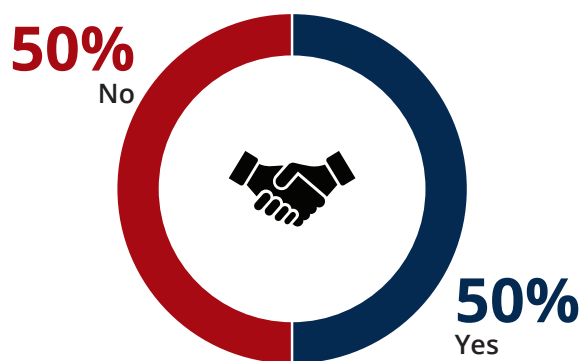
The relief activities that the nonprofit organisations have been involved in range from distribution of food, ration and relief kits to raising awareness about safe hygienic practices, connecting affected communities with government departments, and creating livelihood opportunities.

NPOs have been proactive in working with the government to provide access to testing centres, undertaking community awareness for COVID-appropriate behaviour and arranging health check-up camps for stranded migrants and other vulnerable communities.

EXAMPLE: An NPO partnered with Municipal Corporation of Greater Mumbai to leverage community awareness programmes to prevent the spread of the virus and set up regular screening camps. Another NPO mentioned running an all-day community kitchen in Dharavi slum in Mumbai to ensure that the homeless and migrant workers who could not afford paid food services, at such a time, could save themselves from hunger and starvation.

Of the 71 percent involved in relief work, 112 or 50 percent were still engaged in relief work at the time of data collection.

Still Engaged in Relief Work

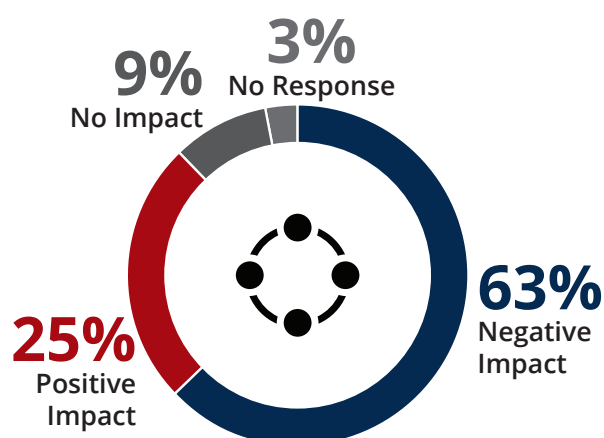


Regular Programmes Negatively Impacted

A majority of nonprofit organisations in the Apr-May 2020 report had experienced complete suspension of regular programme activities as they had to make an immediate pivot towards pandemic relief and restoration work. In this phase,

63 percent of NPOs reported that their regular programmes were negatively impacted by COVID-19. At the same time, 25 percent also reported a positive impact, while 9 percent reported no impact.

Impact of COVID-19 on Regular Operations

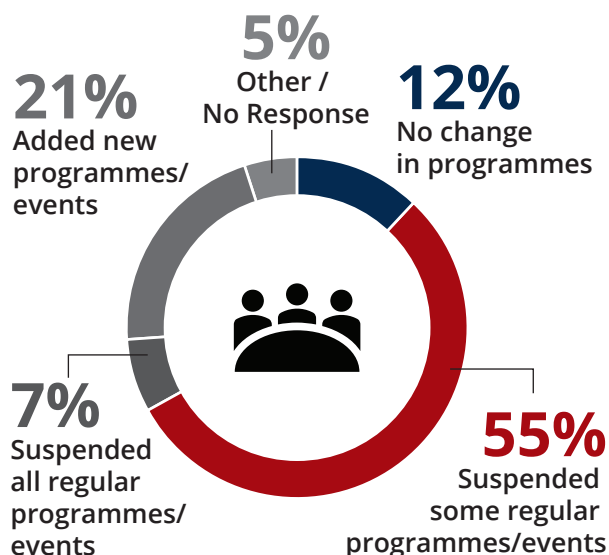


Of the 63 percent of NPOs that reported a negative impact on programmes, 67 percent reported suspension of a few events, programmes and activities, while 8 percent reported complete suspension of all programme related activities.

Of the 25 percent that reported a positive impact, 37 percent reported suspension of a few programmes and events, while as many reported adding new programmes during the year.

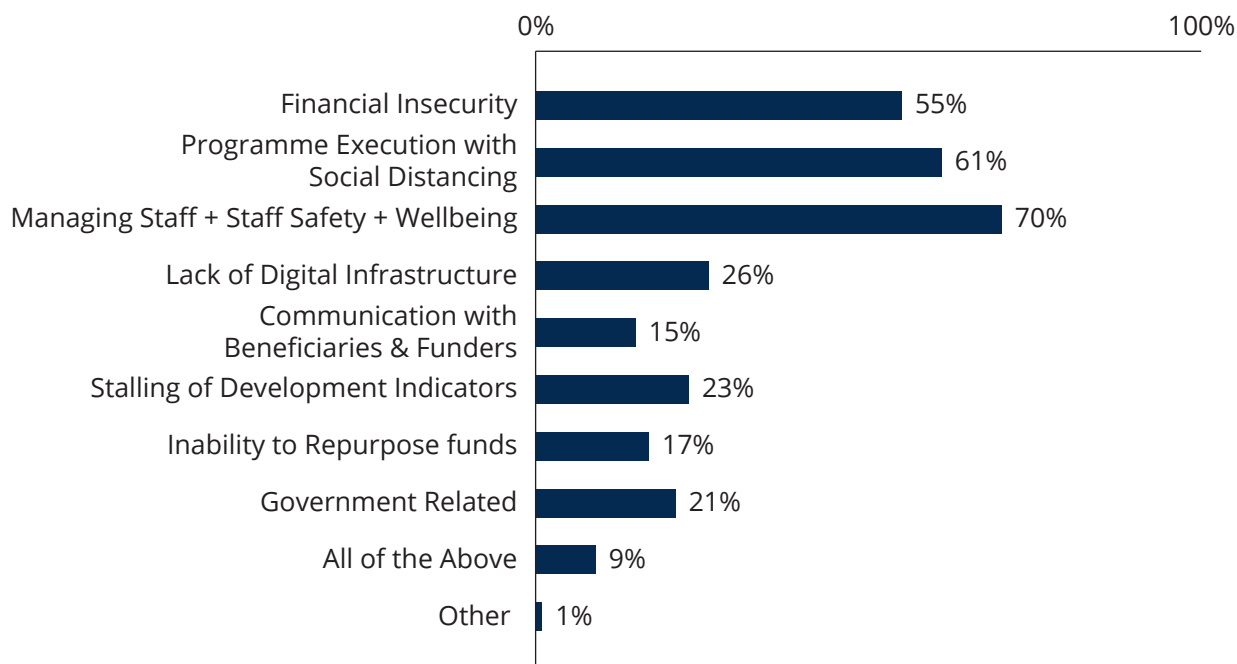
Overall though, 55 percent reported suspending some regular programmes and events, while 21 percent reported adding new programmes, 12 percent made no changes, and 7 percent completely suspended their regular programmes and events.

Overall Impact of COVID-19 on Regular Programme Activities



NPOs reported a number of different challenges during the year. Chief among these were operating in accordance with social distancing norms (61%), dealing with financial insecurity (55%), and managing staff including remote work and ensuring staff well-being and safety (70%). Notably, out of the 274 respondents, 24 NPOs (or 9%) stated that every aspect was challenging.

Top Challenges & Concerns During the Pandemic



NPOs working on issues of livelihoods faced the immediate impact of diversion of funds and attention towards COVID relief work. Many of their regular programmes, especially field- and delivery-based programmes (in direct coordination with local communities), had to be halted,

with some suspended for the time. Suspension in regular programmes has made NPOs compromise on staffing and long-term financial sustainability. However, programmes focused on delivery of essential goods and services were able to continue.

Likewise, NPOs working in healthcare noted that the increasing pressure on infrastructure due to COVID-care, resulted in diversion of attention from many regular programmes on nutrition, mental health, persons with disabilities, maternal and menstrual health. In another area, NPOs working with victims of sexual abuse and human trafficking mentioned the struggle to collaborate with police departments and government hospitals for rescue and medical arrangements during the peak of the COVID crisis.

EXAMPLE: A nonprofit hospital working in tribal areas of Maharashtra found it challenging to arrange for hospital beds for deliveries as there was a surge in pregnancies along with rising COVID cases.

At the same time, the impact of the pandemic on frontline workers, employees across sectors, women, adolescents and even stranded migrants demanded the attention of mental health support programmes.

EXAMPLE: A mental health focused NPO had a new opportunity in collaborating with the government and were able to create tools such as 24x7 support helplines, telemedicine consultation and tele-psychiatry booths for connecting with a larger and more diverse beneficiary pool.

Staff Safety and Burnout

The added workload during the pandemic amidst restrictions and social distancing, put NPO staff at risk as there were regular cases of some of them contracting the virus during in-person engagements in testing centres, shelters, hospitals and other care centres.

EXAMPLE: A hospital working in a tribal area in Maharashtra noted that not a single staff member took time off despite fears of contracting the virus. Four members of the team also contracted the virus in their interactions during the initial period. The organisation continued serving their patients all days of the week. Patients here come from very remote tribal areas. They are often unable to cover long distances to reach a hospital for emergencies.

Along with fears about safety, the challenge of burnout and exhaustion was also reported given that many NPOs worked at capacity and beyond with limited staff strength.

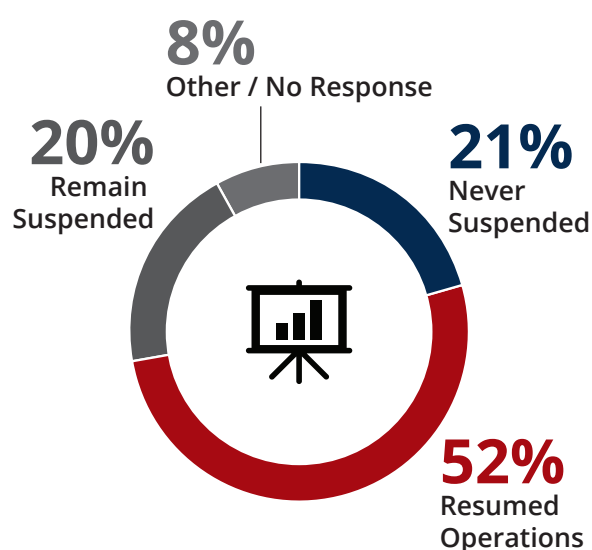
Recovery Begins: Regular Activities and Increased Demand

NPOs have refocussed on their regular programmes. At the same time, there has been an increase in demand for their services during the past year.

A Return to (Updated) Regular Programmes

In the previous phase of this research, a majority of NPOs had to suspend regular programme operations due to lockdown and pivot to relief work. In this phase, at the time of fieldwork, 52 percent of NPOs reported to have resumed their regular programmes, though 13 percent of these organisations stressed that they have only resumed partially. One-fifth of NPOs never suspended their programmes, while another fifth said that their programmes remained suspended.

Status of Operations of Regular Programmes



The nonprofit sector has been working on building its resilience through the pandemic by making necessary changes to the scope of their programmes and

beyond. Thirty percent of NPOs made changes to their target beneficiary group and 21 percent made changes to their geographical coverage. Many of these programme changes were induced by distress migration and loss of livelihoods.

In rural development and livelihoods, NPOs expanded their work to include migration and unemployment issues during the crisis. This led to tweaks in regular programmes as they began to return to these programmes.

“The migrant crisis made us rethink our beneficiary model of employment generation schemes like the MNREGA by focussing on employment security for not just existing communities but also for the hundreds of returning migrants who were now unemployed without social support of any kind for sustaining themselves and their families dependent on their earlier labour wages.” - NPO working in rural tribal districts in Odisha on employment generation interventions for low-income farmer communities.

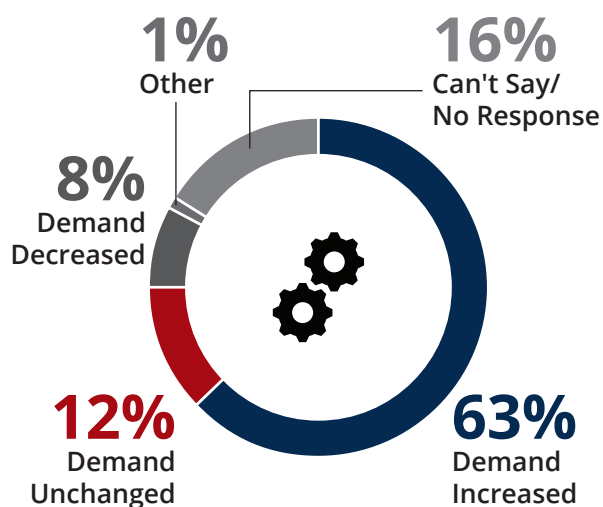
We found that while NPOs across thematic areas have had to reduce or let go of regular programmes, many added events, webinars, online training and virtual field support networks to bridge gaps in the absence of on-the-ground interaction-based programmes.

Increased Demand and Expanded Reach for NPOs

Nonprofit organisations across the country have experienced a rise in demand for their services in this last one year, with 63 percent of NPOs reporting increased demand. This reflects the role that NPOs have played in relief work, as noted in the April-May 2020 report.

While 12 percent stated unchanged demand, some noted that while the demand overall has remained constant, some services have seen an increased demand, and others simultaneously witnessed a drop in demand.

Beneficiary Demand for Services



NPOs have expanded through new programmes, new geographies and in scale.

Some NPOs reported new opportunities because of the switch to online modes of service delivery. For example, NPOs working in education noted that the

mandate for improving learning outcomes through digital learning existed much before the pandemic. NPOs already working on digital education highlighted that the government and the beneficiaries did not fully adapt to these possibilities and relied heavily on the traditional blackboard-chalk, teacher-student structure of learning prior to the pandemic. However, during the past year, the demand for online learning programmes has increased significantly.

“

“Before COVID-19, the digital medium of education was prioritised neither from the government’s end nor from the beneficiary’s end. The pandemic has shifted the focus on how to connect offline education with online mediums.

This has benefitted us as a growth point by being an organisation with a pre-existing focus on strengthening digital learning possibilities within the classrooms. Government departments are now noticing this as a necessity and are inviting us to collaborate with them to rebuild content in the digital medium. But we need infrastructural support for making sure we can reach children the same way as we did before and determine whether they have the capacity for learning from their homes.”

– An NPO working in Madhya Pradesh with a focus on using digital education to better learning outcomes in government run schools.

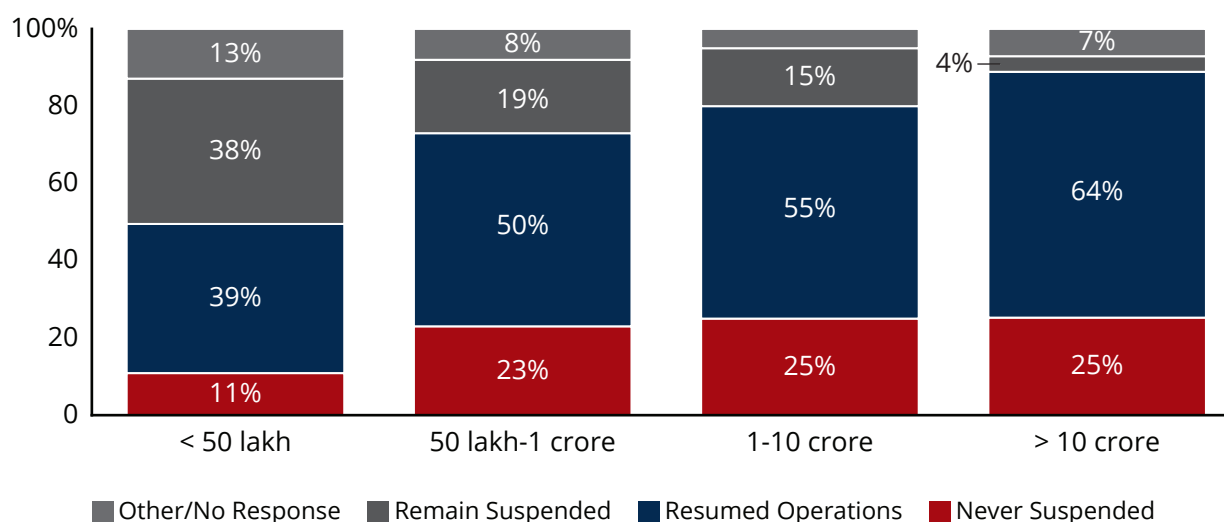
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Challenges for Small Organisations

Smaller organisations, classified as having an annual budget of less than INR 50 lakh in our study, have found it more difficult to sustain themselves and to restart regular programmes.

About two-fifths of NPOs with annual budgets of less than INR 50 lakh reported suspension of programmes since the lockdown, while only 4 percent of large scale NPO (annual budget over INR 10 crore) reported suspension of regular programmes.

Status of Operations of Regular Programmes by Budget Size (INR, FY 20-21)



The pandemic came with serious implications for numerous small-sized community-based NPOs. Many of these organisations started self-led rescue and relief activities. At the same time, they were badly hit because their programmes were based in specific communities, working directly with beneficiaries for a set of targeted social outcomes. The lockdown and decline in funding forced these organisations to suspend their programmes and since then, these organisations have found it hard to resurrect their programmes due to lack of resource mobilisation capacity – both operationally and financially. We found that applying new frames and innovations

into programmes requires targeted funds and dedicated teams, both difficult at this point for small-sized NPOs with uncertain channels of funding.

The pandemic disrupted a majority of such programmes for small NPOs. These organisations have been left with limited funds for rebuilding such pertinent programmes. The question of sustainability looms over similar small sized organisations, even those with a long track record. Despite having visibility in local community spaces, the inability to rebuild long standing programmes due to pandemic induced disruptions points out the need for support to many small-sized organisations.

4. Digital Transformation and Innovation

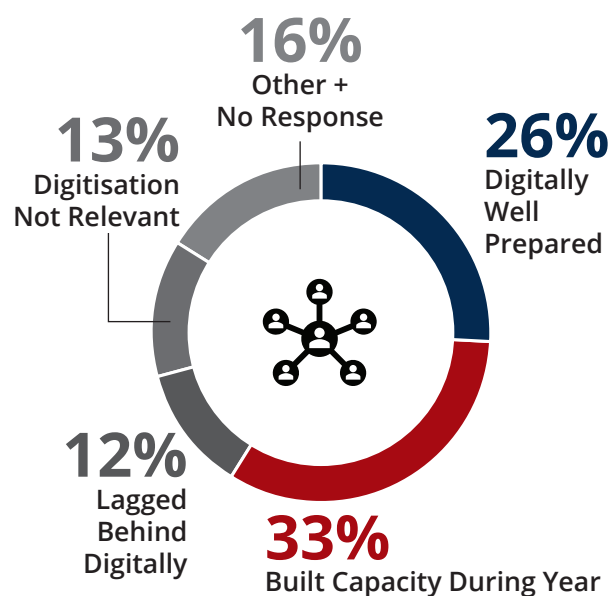
The disruption of regular on-ground programme activities caused by the pandemic demanded reconfiguration of operations. In this chapter, we discuss how NPOs have undertaken digital change and used new delivery models, dealt with limited digital capacity both in-house and among the communities they work with, and innovated and piloted new ways of working and reaching beneficiaries, using online, offline and blended models.

Digital Preparedness

Our report of April-May 2020⁷ highlighted that the NPOs were significantly lagging behind in the adoption of digital technology in their operations. The lockdown had caught many NPOs unprepared. A quarter of NPOs stated that they found themselves digitally prepared to handle the crisis. Interestingly, one-third of NPOs shared that their operations were disrupted initially but they have built their digital capacity through the year.

While for many nonprofit organisations, digital transformation has been relatively easy, there are others which have found it difficult to absorb technology in their ways of working. Over one-tenth of NPOs revealed that they lagged behind on digitisation. Additionally, 13 percent maintained that digitisation could not have helped their programmes' execution.

Digital Preparedness of NPOs



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“The pandemic has compelled us to visualise our entire work through technology and participate in such conversations – conversations we always had but without any sense of urgency with one in every third person believing that technology cannot replace field operations.”

– A livelihood-based NPO working in Madhya Pradesh.

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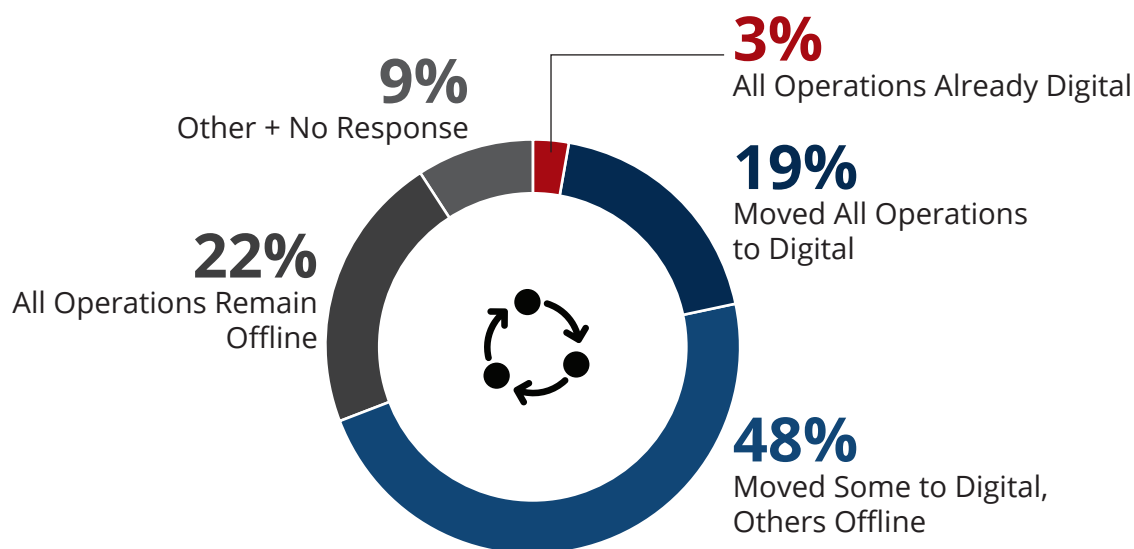
Emergence of Online and Blended Models

During 2020, NPOs experimented and tested online models of service delivery.

However, given the limited digital infrastructure and digital literacy, coupled with the nature of their work, it proved impossible to go completely digital. Instead, many are increasingly working with a 'blended model', which incorporates on-field operations with communities wherever necessary and a digital model wherever feasible.

Nineteen percent of NPOs moved all operations of their regular programmes to online during COVID-19, while another 22 percent continued to keep all operations offline. About half of the NPOs moved some of their activities to digital and now use a 'blended model' of operations, which includes a combination of offline and online activities.

Mode of Operation of Regular Programmes



Example: An NPO working with children from low-income families in slums of Kolkata introduced tele-learning as a channel to connect to children who did not have access to the internet. However, they started noticing a drop in access to telephones in a few weeks owing to rising pressures of unemployment amongst families. As a solution, the NPO started taking in-person classes for small batches of children at their local centre and with this the NPO noted a gradual return to normal attendance rates.

This example highlights that while *going digital* has become central to adapting to the pandemic, NPOs cannot completely do away with human intervention. A blended model, therefore, works well as a bridge between the offline and online worlds.

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“As a human driven sector, we cannot replace a human being with a machine. Digital interventions have to be enabling, rather than become a point of increasing the rich-poor divide.”

- An NPO working on education in Maharashtra

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Challenges of Digitising: the case of NPOs in the North East

All seven NPOs interviewed in the Northeast pointed out that while in other regions of the country, organisations were considering digitising operations and beneficiary outreach mechanisms, it was difficult to apply large-scale digitisation in the region given the lack of basic internet network coverage. Operating mobile phones was also a challenge given the hilly terrain of most villages. Thus, the lack of adequate digital infrastructure in the Northeast put NPOs in a precarious position in terms of continuing to reach out to their beneficiaries when physical access was not an option.

EXAMPLE: Two NPOs in vocational education and training were able to access beneficiaries for online programmes and placements. However, digital access remained a challenge. One in four students could afford a phone and a laptop but one in three could just afford a phone or afford neither. To add to this, connectivity remained erratic even in areas where there was some network coverage.

Some NPOs saw opportunities in digitising programmes.

EXAMPLE: One NPO stated that during the lockdown, young people were able to see the necessity of digital literacy to access employment. This motivated the NPO to re-focus on digital literacy programmes during the pandemic for existing beneficiaries who at least had access to a single phone.

Nevertheless, others had no option but working offline.

“

“The number of infections in the initial months was not worrying here but the impact of the lockdown on essential goods and services affected communities, such as street vendors, small farmers, staff from small restaurants, homeless addicts and tea garden workers. We had to continue providing basic food, water and shelter to such stranded communities. Our complete focus was on relief activities throughout the year and local authorities reached out to us on realising we were here to help.”

- A women rights organisation working in multiple states in the Northeast.

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Innovation in Service Delivery Models

The pandemic has pushed NPOs to try out new innovative online and offline models. NPOs have rapidly tested ideas on ground and then implemented efficient new models.

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“The urgency around thinking out of the box during COVID-19 and coming up with innovations did actually force every stakeholder to consider discarded or underutilised ideas through advanced technology. Application and fast-track decision-making are replacing hesitation and slack”

- An NPO working on gender-based issues.

”

Below are some of the examples of digital- and phone-based interventions which enabled NPOs to continue beneficiary outreach during the limitations on movements imposed by COVID-19 restrictions.

Digitising Access to Primary Healthcare Services

Given COVID-imposed barriers on in-person healthcare delivery services, NPOs experimented with telemedicine and tele-psychiatry, enabling beneficiaries to directly seek consultations from the doctor through the telephone. A mental health organisation revealed that contrary to pre-pandemic times, they now found that leveraging tele-psychiatry has minimum

outreach cost with regards to an otherwise underfunded healthcare vertical.

Establishing Platform Linking Artisans and Consumers

An NPO in skilling launched an e-commerce artisan portal during the pandemic. They plan to make this portal a one-point marketplace for local artisans across the country, primarily women artisans, unable to sell their products in local markets, especially during COVID-19. They are also partnering with leading retail brands to upscale marketing for local products. They hope this intervention will provide a viable way of securing sustainable livelihood for hundreds of artisans.

Experimenting with Audio-Visual Communication Channels for Awareness Campaigns

NPOs found that many villages and peri-urban areas have better access to radio and cable channels than smartphones. Therefore, they focused on these channels rather than smartphones, for remote awareness raising campaigns.

Likewise, a gender-focussed NPO was able to launch an audio and film series to campaign against trafficking in areas where women and young children are especially at risk of abduction and exploitation during the pandemic.

In partnership with government departments, an education focused NPO broadcasts pre-recorded classes on accessible television channels. This enables children in remote villages and in urban informal settlements without digital devices, to attend regular classes.

Building Digital Dialogues and Visibility

A mental health organisation revealed that building dialogue on digital platforms around suicide prevention and depression became more relevant for people seeking such services during the pandemic. Gender-focussed organisations too felt that social media campaigns helped tap into the capacity of the expanding online community to advocate for meaningful causes and support services for vulnerable sections of society cut off from such privileges.

Addressing the Migrant Crisis through Digital Tracking Apps

An NPO in Madhya Pradesh developed a database of resources for migrants together with an app. The app enables migrants to seek support ranging from legal advice to employment opportunities and awareness of various social security schemes provided by the government. Rethinking app usability involved partnering with developers to understand how such applications can be made accessible on simple platforms like WhatsApp or a basic 2G phone.

Making Healthcare Accessible for All

While partnering with the government, digital health vans enabled non-COVID primary healthcare services to reach remote, underserved areas during and after the lockdown. These mobile vans were fitted with desks, lights, chairs for patients and medical equipment. They focus on reducing exclusion of

disadvantaged groups like migrants, homeless, rural communities and Adivasis.

Experimenting Rural Supply Chains and Marketplaces

An NPO working on rural livelihoods in Andhra Pradesh, enabled door-to-door delivery of vegetables when markets and supply chains were disrupted due to nationwide lockdowns. The NPO worked directly with farmers to supply produce to consumers, avoiding middlemen and wholesale markets. This initiative secured income sources for farmers and local producers. This model was also used in Nagaland, Arunachal Pradesh and Assam, where producers could directly deliver fish and vegetables to remote interiors when markets were shut.

Addressing Access to Digital Education

A four-wheeler classroom was set up by a community-based NPO to improve access to learning for street children in Indore. The children, who do not have digital devices, were able to come to a public place and use pre-installed devices to participate in learning through games.

Similarly, an NPO used participatory design thinking methods to work with a community to set up a publicly accessible digital hub with laptops and smartphones. Here women and girls could come to access educational content and seek counselling and support. This was an attempt to address the lack of access to devices women face in their homes. However, given that many women face restrictions on movement outside of the home, it proved difficult to attract women to the hub.

5. COVID-19's implications for NPO Funding

This chapter discusses the impact of COVID-19 on funding of NPOs over the past year. We start by discussing the perspective of NPOs before moving on to the perspective of funders.

Financial Impact of COVID-19

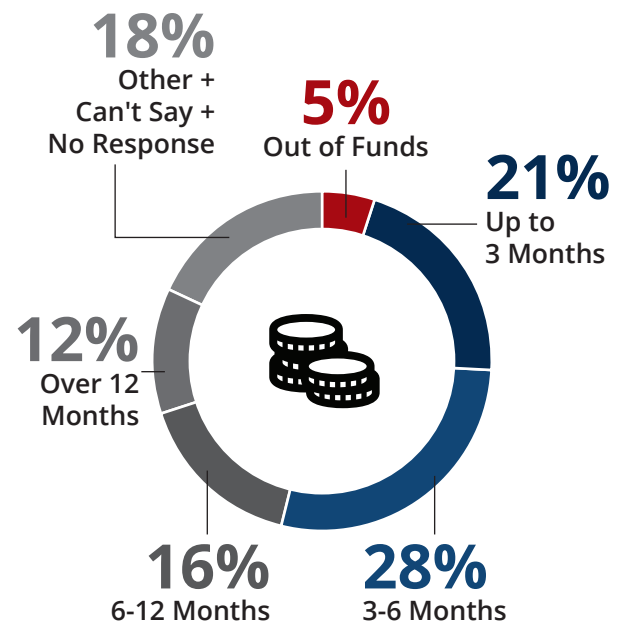
Significant Share of NPOs Running Out of Funds

A significant share of NPOs were already running out of funds at the time of fieldwork, or were expected to do so over the next quarter.

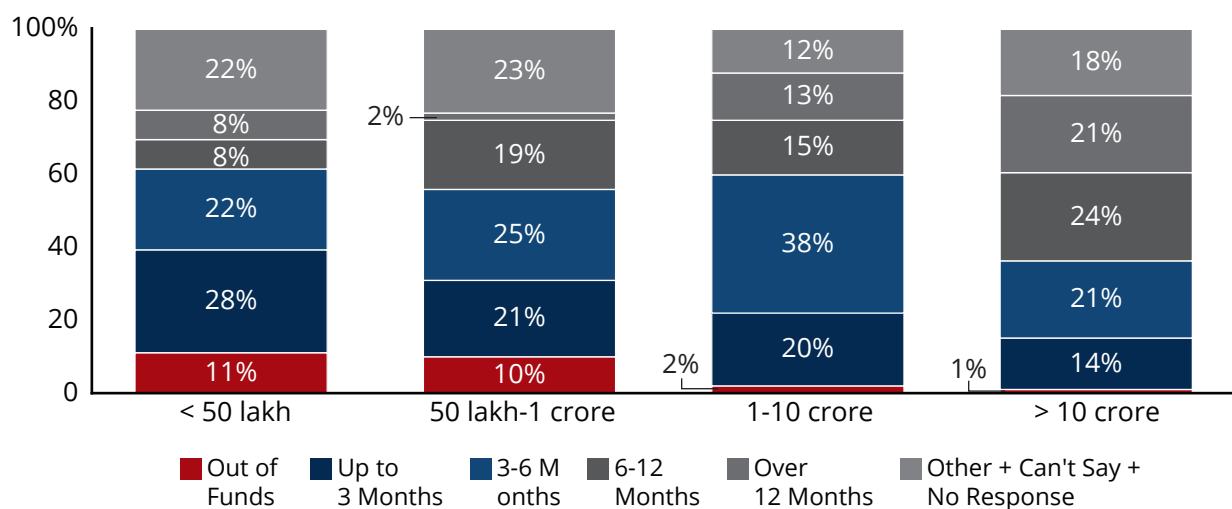
Overall, 5 percent of NPOs had already run out of funds to cover fixed costs at the time of data collection, while another 21 percent

only had funds to cover fixed costs for up to 3 months.

Funds to Cover Fixed Costs (INR)



Funds to Cover Fixed Costs by Budget Size FY 20-21 (INR)



One out of 10 NPOs with less than INR 1 crore annual budget, had already run out of funds at the time of the survey in early 2021, with an additional 28 percent of NPOs with a budget of up to INR 50 lakh and 21 percent of NPOs with a budget between INR 50 lakh to INR 1 crore expected to run out of funds within 3 months. Even large-sized NPOs were significantly stretched, with 20 percent with an annual budget of INR 1-10 crore expecting to run out of funds within 3 months and another 38 percent expected to run out of funds within 6 months.

Two-fifths of organisations interviewed had restarted conversations with their funders towards the end of 2020, and they were hopeful that the situation would improve. The conversations primarily focused on updating and reworking programme budgets and reorganising delivery models especially in education, livelihoods and social security programmes. Likewise, tranches of funding which had been overdue, started coming through towards the end of the year.

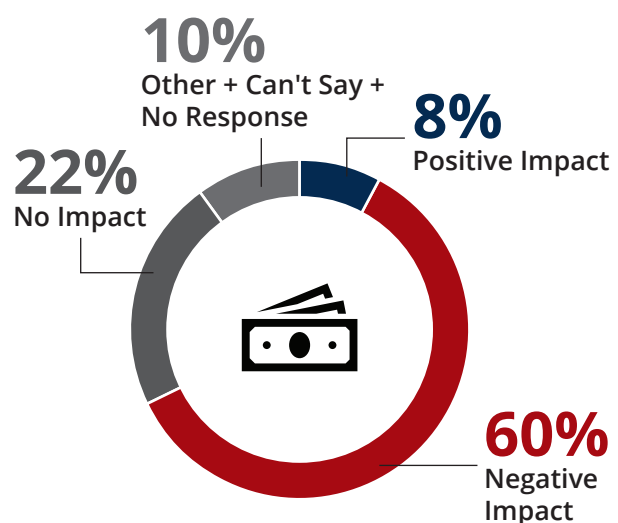
Small NPOs appear especially vulnerable. Five small NPOs expressed concerns about sustaining community-focussed programmes in the absence of financial support. Their limited team capacity has affected their ability to sustain operations digitally. Relying on volunteer networks, which earlier enabled service delivery with minimum involvement of paid staff, has been difficult during the pandemic. While individuals and volunteers aided through online fundraising platforms to advocate for making services available to low income marginal communities, on-ground activity for small NPOs was a challenge due to a lack of funding. Though they have

innovated in their service delivery models, they struggle to get funders' attention.

Budgets and Funding of Regular Programmes Reduced

Irregular funding with tranches being cleared only towards the end of the financial year, has been a serious concern for nonprofit organisations this year. In the first report of this research, we noted that there was disruption in NPOs' conversations with funders about future funding, and there was a diversion of philanthropic funding towards COVID specific projects. This led to uncertainty about funding for the regular programmes. In this round of research, 60 percent of NPOs stated that the funding for their regular programmes was negatively impacted by COVID-19.

COVID-19 Impact on Funding



Out of the 25 organisations which saw a positive impact, seven had enough funding to cover costs for 3 months, another seven for 3-6 months, while five had enough funding for a year and four for at least a year. One had already run out of funds

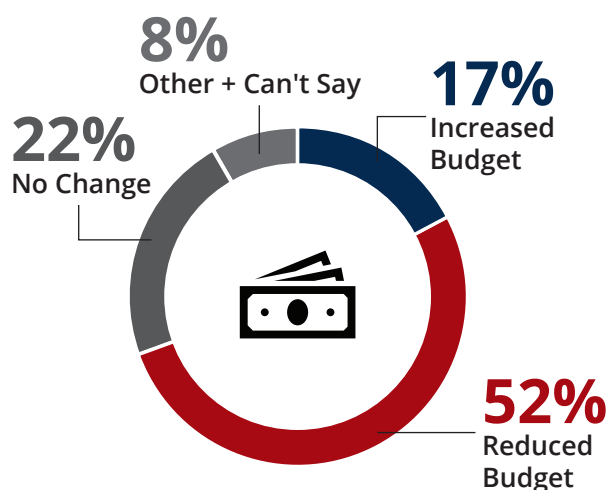
and one did not respond. Twelve had a budget of under INR 1 crore during FY 20-21, 10 had a budget of up to INR 10 crore, and three had a budget over INR 10 crore. Twenty out of the 25 organisations were programme implementers, while another three work in community development and social work. Eight work in healthcare, while about 10 work in education and skilling, and the rest were split between livelihoods, women empowerment and child welfare. Interviews suggest that NPOs working in areas other than healthcare, such as in education, livelihoods and gender have experienced a decline in funding for regular programmes. Likewise, there is a concern that not enough funding is going to organisations working on the pandemic's impact on specific beneficiary groups, such as persons with disabilities, women and youth in the informal sector, victims of gender-based violence, local artisans, small land-holding farmers, and other disadvantaged groups.

EXAMPLE: An arts-focussed organisation, on being asked to share their financial experience through the year said, '...the struggle of a nonprofit arts and culture organisation to maintain relevance during a pandemic has heavily impacted our sense of purpose and desire to add to society at a time of distress.' There still remains a great amount of uncertainty in support for organisations in the arts and culture space as education, health and livelihoods take centre stage. There is also a need to continue supporting initiatives by arts and culture NPOs to save them from losing their significance and

attempts at expanding the ability of the creativity economy.

Due to a lack of funds, over half of all NPOs surveyed had to revise down their annual budget for regular programmes for the financial year 2020-21. The average reduction in annual budget of the 139 respondents was 32 percent. Many nonprofit organisations found it difficult to reboot regular programmes, in part because of the limited funds available.

COVID-19 Implication for Annual Budget FY 2020-21

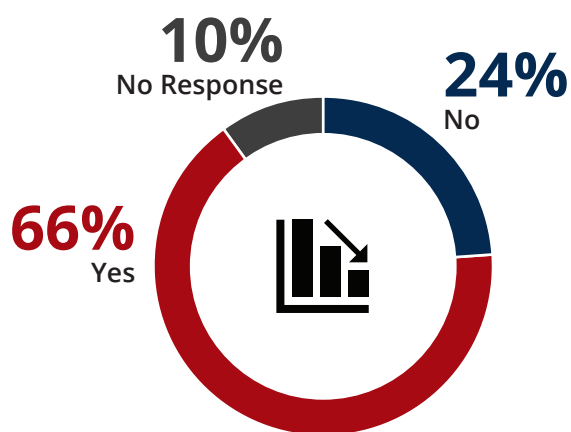


Several NPOs that saw no change to their budget highlighted that they had repurposed their budget towards COVID-19 activities. Likewise, several of the 54 organisations which had increased their budget noted that this was due to fundraising for COVID-19 related activities.

The 54 organisations which saw an increased budget include 29 NPOs that have a budget of under INR 1 crore during FY 20-21, while 13 have a budget of INR 1-10 crore, and 12 had a budget over INR 10 crore. A striking 48 out of the 54 NPOs are programme implementers, while another

four identify as community development organisations. The others were split across research, policy advocacy and technical assistance. Twenty work in healthcare, while about 13 work in education and skilling, 11 work across human rights, child welfare and women empowerment, with the rest split across livelihoods, rural development, migration and environment.

Cost-Cutting Measures Undertaken During FY 20-21



A lack of funding has not only compelled NPOs to reduce or reallocate their budget, but has also resulted in two-thirds of organisations undertaking cost-cutting measures.

According to the survey respondents, the three most common cost-cutting measures were reducing overheads, deferring salary increments, and postponing events. The second set of most common measures were salary cuts for staff and senior leadership, letting go of office space, and a freeze on hiring.

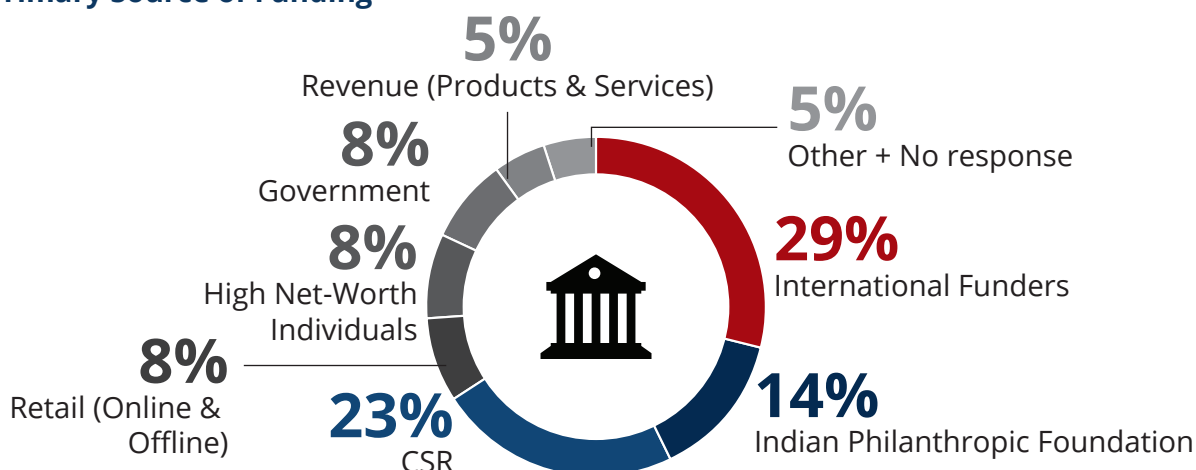
Funders and Fundraising

For the purpose of this report, we had divided funding options into international funding, Indian philanthropic organisations, high net-worth individuals (HNI), CSR, government, revenue from professional services, and offline and online retail giving.

Engaging with Funders and Fundraising

Most NPOs surveyed reported fundraising from several different types of funders. However, in terms of primary funding source, we found that 29 percent relied on international funders, 23 percent had primarily CSR funders and 14 percent mainly raised funds from Indian philanthropic organisations.

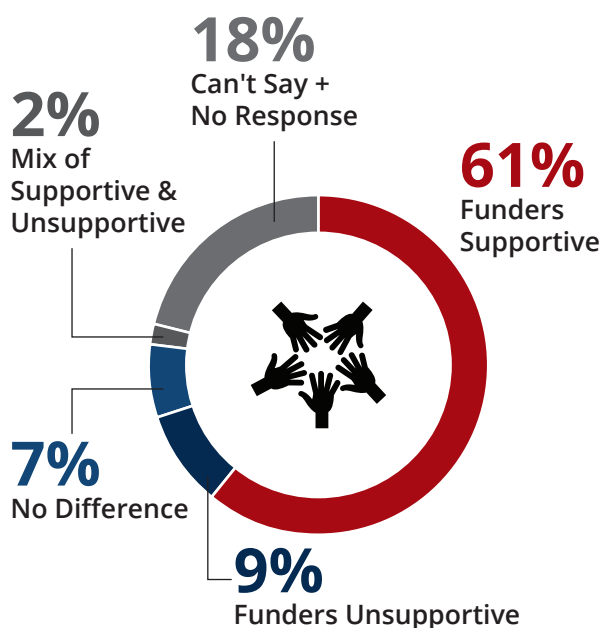
Primary Source of Funding



In our first report, NPOs had noted that there was a mixed response to their needs. International funders were relatively easier to engage with during the first wave of the pandemic compared to CSR and Indian philanthropic foundations.

In the second round of research, a majority of NPOs appear broadly happy with their funders, as 61 percent noted that their funders had been supportive and other two percent highlighted that some had been supportive while others had been unsupportive. Nonetheless, it should be noted that almost 10 percent felt they lacked support during the pandemic.

Support from Funders during Pandemic



The key issues NPOs faced with respect to fundraising were funders diverting funding from other programme activities to COVID-19 relief, funders not communicating or responding, funders deferring payments that were due, and finally funders not providing

flexible funding or allowing for flexible workarounds of existing funding.

The support received from funders appears to differ somewhat depending on the primary source of funding. NPOs dependent on CSR and Indian philanthropic funding sources were marginally worse off than those dependent primarily on international funding.

Six NPOs interviewed were asked by their CSR funders to cut down organisational non-programmatic costs, such as office and salary costs, and take measures to keep funds in place for the financial year. This has affected the efficacy of beneficiary support programmes.

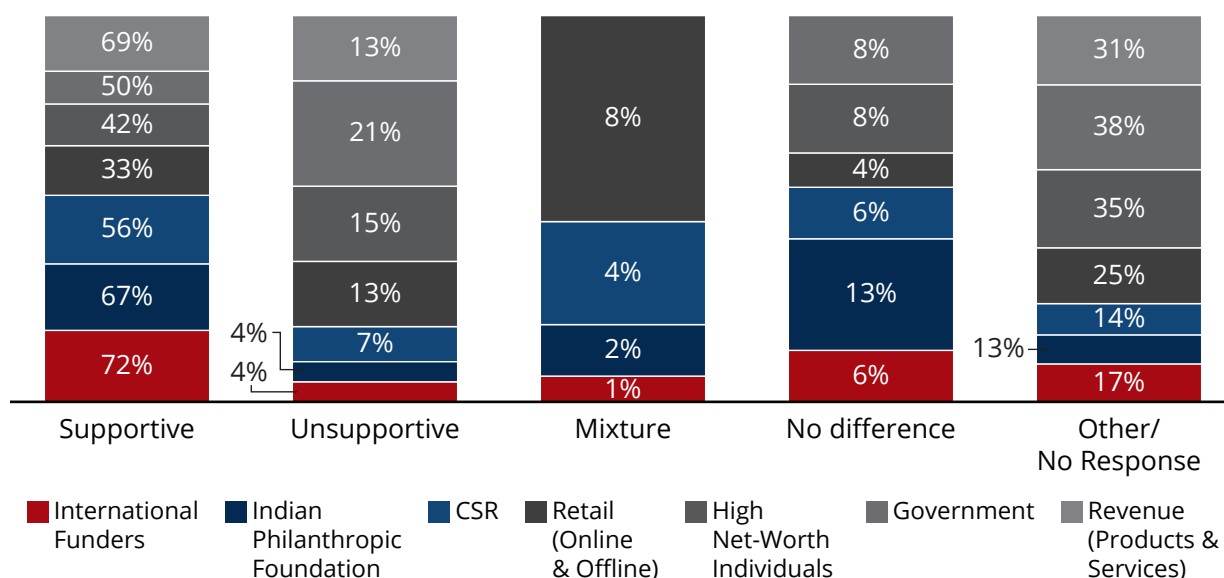
NPOs worry about a lack of interest in support for organisational capacity especially from CSR funders. Some CSR funders have, however, shown enthusiasm in supporting programmatic and technological interventions in healthcare and education for the next financial year.

EXAMPLE: An NPO working in the skill development sector addressed early on that reducing overhead spending would mean letting go of a two-member team managing four clusters of at least 400 youth, aged between 18-21 years coming from marginal low-income communities, for a skill development programme to enhance employment opportunities through training and placements. They stressed to their funder that any suspension or delay would be counter effective to the effort of over 2 years into running the program. This conversation proved helpful in securing a pathway

of remodelling to the online mode through technical partnerships with app developers and design-coders in

increasing learning response through interactive training modules.

Supportiveness of Different Primary Funders



Indian philanthropists have been working on recovery with their partner NPOs, and they have promised non-suspension of regular programmes. Philanthropists have been prompt in providing support for relief activities. However, a primary focus on relief work has resulted in NPOs experiencing delays in the arrival of programmatic funds.

International funders have done well in supporting NPOs in their portfolio. Whether it was timely support for an NPO working on online care and counselling support for the differently abled or for supporting pivoting a pan-India sex-trafficking prevention programme during the pandemic for another NPO, international funding agencies have addressed the immediate needs of their NPO partners, across sectors and themes.

International funders look to balance relief work with regular programmes. NPOs noted that long-term international funding partnerships enabled them to prioritise pandemic mitigation strategies to better support vulnerable beneficiary groups.

EXAMPLE: A gender-focussed organisation shared how an international funder provided prompt support for pivoting domestic violence helplines and rescue team arrangements for a regular programme based on prevention of domestic violence in rural and urban clusters across the country. They received a response within a single day of having appealed for more funding for digitising and scaling efforts to address rising domestic violence vulnerability during the pandemic.

The same appeal was rejected by their CSR funder citing different priorities.

Lack of Funding for Overheads Remains a Challenge

In the first report, we had highlighted the importance of funding not only programme costs, but also overheads. However, for most nonprofit organisations, lack of corpus funds and the inability to work with unrestricted funding remains a hurdle in building resilience and long-term sustainability.

Organisations shared that funders in some cases were primarily interested in programmatic outcomes with limited consideration for covering overheads or organisational development costs. Three-fourths of the NPOs interviewed said that the lack of non-programmatic core institutional funding support is preventing them from testing digital innovations on ground. It is evident that organisations are opening themselves up to adopting digitisation. The lack of timely support for overheads and management costs by funders, especially during the pandemic has been especially strongly felt by sample organisations working in the areas of gender, arts and livelihoods.

Letting go of office spaces and saving on travel for stakeholder communication has saved costs. However, the nature of service delivery for nonprofits remains located in communities and upgrading operations to a blended model has required more financial and logistical support than was received.

EXAMPLE: An organisation in the Northeast noted that a lack of non-programme funding while they worked with a minimal staff, prevented them from building capacity and strengthening staff numbers to pivot their programme to respond to an increased number of trafficking cases during the pandemic. The NPO said that while philanthropic foundations supported programmes, they paid little or no attention to covering staffing and managerial components.

Lack of adequate funding for digital upgradation remains a cause of worry for the coming year.

“

“Our teams need the technical know how to respond to digitisation before bringing those models to beneficiary communities. With scarce talent distribution in the social sector we need our funder’s attention in order to raise our capacity to hire skilled minds on issues involving digital transformations.”

– Leader of NPO working in the livelihoods generation and farmer support.

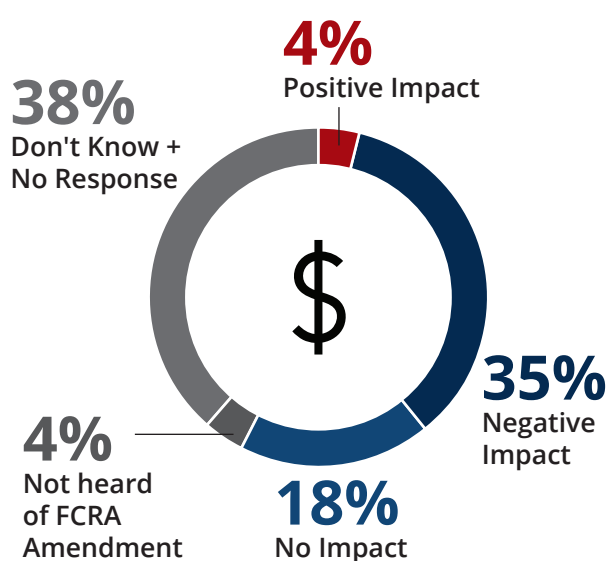
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Regulatory Changes Exacerbated Challenges

The changing regulatory environment, including The Foreign Contribution (Regulation) Amendment Bill, 2020 and Companies (CSR Policy) Amendment Rules 2021, has been noted by NPOs as

adding additional compliance burden to fundraising and service delivery. Over one-third of the NPOs fear that the FCRA Amendment Bill, 2020 will have a negative impact on their organisations.

Impact of The Foreign Contribution (Regulation) Amendment Bill, 2020



The chief concerns include reduced access to international funding and increase in compliance requirements. NPOs interviewed which are dependent on international funding expressed concerns over how to sustain collaborative partnerships with community-based partners for delivering services across the country due to the ban on sub-granting of international funds. The biggest negative impact organisations foresee is an overall reduction of funding, additional burden of compliance. These, in turn, may result in a change of operating models, reduction in the number of staff and reduction in programmes.

Perspective of Funders

This section discusses the perspectives of funders on financing NPOs over the past year.

Funder Support Strategies and Response to COVID-19

CSR organisations were actively involved with relief efforts and supplementing the government's operations through direct contributions made towards national and state relief funds as well as through their NPO partners. They did not just aid in supplies ranging from N-95 masks, PPE kits, sanitisation kits to essential medical equipment for frontline workers and on-ground NPO staff, they also supported micro-businesses from rural areas (especially those run by women) to produce home-grown masks and protective non-medical equipment. They contributed significantly to infrastructure building and strengthening the capacity of existing healthcare systems. Corporate foundations also persuaded NPOs to divert programmatic funds towards relief efforts. We also found that CSR foundations supported programmes based on education, consistently backing NPOs needing support for building digital capacities through online learning modes. We have multiple examples in our later section on *Good Practices* where we cover significant steps taken by CSR foundations to encourage NPOs to rethink existing delivery models. Since areas of focus are pre-decided through pre-determined CSR mandates (healthcare, education,

skill development, rural development), foundations expressed that they did not get a chance to expand on operations beyond existing pathways during the pandemic but continued to support 'what must be saved', as expressed by a leading corporate foundation.

We found that **international funders** generally paid more attention to investing in organisation capacity especially during a period which demanded building digital capacities to reach beneficiary groups. They typically expressed a stronger affinity to longer partnerships targeting systemic change rather than immediate outcomes. Through the institution of a general operating fund and emergency corpus, international foundations have stressed that nonprofits be more resilient to maintain, above all else, consistency in beneficiary outreach and community well-being during the pandemic. In their COVID response, they asked their grantees to focus more on relief efforts and gave them a free hand over enabling access to existing grants over and above additional relief-specific funding to continue serving their communities. They provided more flexibility in terms of easing timelines for regular programmes and asking grantees to return to regular programmes only when it seemed appropriate to do so.

Indian foundations and philanthropists

have explained that given the cascading impact of the pandemic on society, socio-economic support for vulnerable and marginalised communities has become a primary area of focus. From understanding emerging themes such as migrant worker distress, gender inequalities and impact on the environment, philanthropists have expressed that non-mainstream areas of focus need as much long-term support as do existing priorities.

One philanthropic organisation expressed that they have typically arranged for 3-year partnerships with their grantees and that has benefitted them to target long-term engagements; however, given the situation – they had to rethink previous partnerships which saw their end in this financial year by providing extensions wherever possible. Long-term partnerships are desirable post-pandemic, expressed another philanthropic organisation but they said it was difficult to commit to it. As part of their COVID response, philanthropists supported NPOs in providing approval for programmatic funds for relief efforts. Philanthropists expressed deep commitment to vulnerable communities during relief efforts by supplementing efforts of NPOs seeking funds for making travel arrangements for migrants, direct beneficiary transfers and food supplies for preventing hunger and starvation.

Examples of Good Practices for Funders

One funder, in collaboration with an intermediary organisation, conducted a **resilience training** for its grantees. The training was aimed at helping their NPO partners restructure programmes and undertake financial assessment. Interestingly, the funder identified small- and medium-sized organisations as the most vulnerable in terms of capacity and targeted participation of such organisations for this workshop.

A foundation shared that they have a **separate budget for testing out new models and through this they seek to support innovation** in programmes and delivery models. They noted that this year was the most challenging in terms of changing delivery models and they recognised all efforts taken by partner NPOs to test out different models to come up with the most effective one. Having had a separate budget for testing such innovations, the foundation felt that accepting failure must be a welcome change in such efforts and they along with their NPOs need to try out different models to truly understand the needs of the communities they work with.

Another foundation collaborated with a grassroots organisation to **set up an effective monitoring and evaluation framework** to reach domestic violence survivors. This enabled multiplication of the organisation's outreach as they now targeted a more holistic approach by reaching more villages than was planned earlier.

Our conversation with a leading **intermediary grant-making organisation** revealed that NPOs were the first responders on their platform in providing support to communities in distress. They expressed that almost none of the 'SOS calls' were dismissed by NPOs during the peak of the virus spreading across states. From raising fundraisers for critical supplies to be delivered to hospitals to aiding direct beneficiary transfers to migrant communities, NPOs timed their responses with immediacy keeping in mind the urgency and requirement of relief and aid.

Recognizing the Role of NPOs during COVID-19

Funders accept that community embeddedness of NPOs is crucial to relief efforts.

Funding organisations noted that mobilising resources at a rapid pace and creating a direct channel of communication between governments and other institutions were particularly noteworthy activities of NPOs, given the unpredictability of the pandemic's arrival and spread. From creating common pools

of resources for civil society to participate in by leading fundraisers and calling for concerted action, funders felt that NPOs have risked their own well-being by intensively supplementing the efforts of frontline workers. They admit that the increasing demand of community-serving actions led by NPOs is more necessary and crucial now, going forward.

Funders appreciate the responsiveness of NPOs in changing service delivery models.

Looking at the current climate, funders expressed appreciation for the proven agility of their NPO partners who have had to shift priorities and immediately pivot to testing new models. A corporate foundation revealed that they were surprised that their NPO partner, during the initial stages of the pandemic, only took a few weeks to train teachers and children to adapt to online classes by patiently calling each child and family to garner participation and information dissemination of these possible transitions. In terms of leveraging outreach in the virtual mode, funders recognised

the adaptability of NPOs in making key decisions on service deliverables independently amidst restrictions on physical movement.

NPOs are showing funders that other critical areas also require attention.

Some funders revealed that NPOs are reporting impact of the pandemic on ground and have initiated discussions on issues such as the lack of digital infrastructure in remote locations, trafficking and gender-based violence and access to timely and affordable healthcare beyond COVID-care, given the situation of existing infrastructures' preoccupation with current circumstances. However, piloting new programmes will take more examination, research and time, and funders expressed that they are now opening up to the complexities arising out of the pandemic's impact on our society and economy. They recognize NPOs' involvement with communities, challenging terrains and initiatives to address critical vulnerable points amongst marginalised and disadvantaged groups.

6. Way Ahead/Looking to the Future

Since we ended the fieldwork for this report, a second COVID-19 wave has hit the country. NPOs have yet again played a vital role in providing on-the-ground support, especially for vulnerable and marginalised communities.

In this chapter, we provide a brief snapshot of how the second wave has impacted NPOs and those that run them, based on informal group conversations with 73 NPOs in CSIP's network. The snapshot is meant as a brief overview of the impact of the second wave on NPOs and does not provide a complete assessment of such impact.

We use this overview to discuss how NPOs may recover following the second wave, in light of what we know from our research on how NPOs had started the recovery after the first wave.

Impact of the Second Wave on NPOs

NPO leaders note the challenge of managing personal and professional priorities simultaneously. This includes organisational responsibilities, such as staff wellbeing, programme implementation, community welfare, and fundraising coupled with taking care of family members who are unwell and require medical aid.

Leaders have experienced difficulty in processing the sheer volume of grief at this time since many faced losses both in a professional and personal spheres. This is coupled with experiencing fatigue, loss, exhaustion, anger and having to navigate chaos continuously, while having a limited support group.

NPOs report instances of staff taking salary cuts, grappling with illness, employee loss, and organisational burnout in addition to the responsibilities of keeping the organisation functional. Coping with their teams' struggles while remaining focused and efficient to deliver services has been an area of significant challenge.

In terms of financing, the overwhelming priority accorded to medical equipment by funders has been an area of deep disappointment.

The additional burden of meeting critical compliance deadlines on FCRA, income tax exemptions and CSR registrations has added to the stress faced by NPOs at this time.

Within the sector, there is a need to exercise greater compassion for each other. There are requirements for capacity building including sharpening leadership capabilities during a crisis; and developing and mastering resilience.

What Can We Do?

How may NPOs recover following the second wave, in light of what we know from our research on how NPOs had started the recovery after the first wave? And what can funders and the wider ecosystem do to support NPOs? Here are some suggestions.

NPOs

Use the lessons learnt during experimentation with digital solutions to continue digitising and using digital or blended models.

Engage with Funders Regarding Overheads and Outreach Costs

Acknowledging the impact of the pandemic on organisational capacities and discussing the cost of building capacity and the cost of high quality outreach models for service delivery.

Reach out to Colleagues to Organise Peer Support Circles

Given the struggle of many NPOs and their teams, NPOs can form peer groups to provide support and a safe space to discuss common challenges thrown by COVID-19 and to share success stories and available opportunities with each other.

Find New Ways to Build on Existing Partnerships

The pandemic saw new partnerships emerge as NPOs worked quickly to problem solve and provide relief. These partnerships can offer new ways of providing support after the pandemic, and a way to tackle systemic and multifaceted challenges that may need cross-sectoral approaches.

Make Health Insurance and Mental Health Support a Priority for Staff

The pandemic was a very testing time for team members who were aiding relief efforts and continuing regular programmes and the risk of exposure put many of them at risk – physically and mentally. NPOs should provide medical insurance and consider offering mental health support for staff. Funders should include the need to cover health insurance and mental health well-being in their budgets.

Ecosystem & Funders

Collaborative Relief Fund for Small NPOs

As funders have already organised collaborative relief efforts, they can now organise collaborative post relief efforts to support regular programmes as well as the implementation of new innovation and digital solutions. There should be a crowd-funded or collaborative relief fund for struggling small NPOs made up of domestic capital.

Support an Emergency Corpus

Funders should come together to build operating reserves for responding to crisis whilst strengthening consistent service delivery. This will provide NPOs with a safety net. As can be seen through various emerging initiatives, this is the opportune time for funders to come together to create a corpus emergency fund. We are seeing significant efforts led by intermediary funding organisations to create a dedicated pandemic response relief fund for supplying essentials for hospitals, healthcare workers and patients.

Support No-Cost Extension on Timelines

With circumstances amplified by the pandemic and the extension in relief work involvement, going forward, funders must accept that timelines can be negotiated collectively with their NPO partners. This requires funders to consider the more urgent areas of intervention and distinguish factors that are preventing NPOs from meeting deadlines. Flexibility in timelines must be normalised and expectations must be adjusted through regular communication on the status of deliverables and beneficiary outreach strategies.

Fund Programmes Other Than COVID-19 Relief and Healthcare

The socio-economic impact on vulnerable groups such as migrants and workers in the vast informal sector of our economy needs the nonprofit sector to support livelihood and build resilient communities in the face of crisis and shocks. Many sectors and thematic areas remain under-funded currently as the focus has shifted to relief work and healthcare. However, these sectors are vital for rebuilding resilient communities and restoring progress towards critical development goals.

Fund Overheads and Invest in Organisational Capacity Building

Various online fundraising platforms offered support for continuing relief work. However, it was a struggle to continue, even though most did, whilst having no institutional funding available for overhead costs even during relief work. Organisations expressed that opening up to funders regarding overhead costs was

always difficult and the pandemic had further worsened this. Given the cascading impact of the pandemic and the need for sustainable solutions beyond relief efforts, NPOs have to come to terms with transparently stating overhead costs to their funders in tandem with programmatic cost decision making. Funders have to make sure that they urge NPOs to involve all stakeholders in understanding what support and investment goes into a programme at both ends - front-end (service deliverables) and back-end (costs for operations, finances, capacity building, technology and human resources).

Create Separate Fund for Innovation and Experimentation

The pandemic has seen a great deal of innovation and experimentation taking place as NPOs were forced to quickly find new ways to reach beneficiaries. To keep this momentum going, funders could create a fund that NPOs can apply for to experiment and pilot new organisational and service delivery models. Likewise, new toolkits for blended models that include needs assessment, and effectiveness of models that are being explored and piloted may be created.

Support Digital Capacity Building and Invest in Digital Infrastructure

Digital technology is becoming an integral component of service delivery and community outreach. There is a need to invest in the digital capacity of organisations as well as digitisation and digital infrastructure. Funders and NPOs should create dedicated budgets for digital capacity building and upgradation.

Make Access to Funding More Transparent

Smaller NPOs, in our research, struggle disproportionately to raise new funds. Establish ways within the ecosystem to make funding access more transparent in order to enable smaller and more remote NPOs to seek funding.

Create a Standardised M&E Framework

NPOs struggle to meet the varied and multiple requests for monitoring and evaluation documentation by different funders. It would, therefore, help to streamline monitoring and evaluation and impact assessments across the sector. There should be efforts to find ways to provide a sector standard that multiple

funders use to reduce the paperwork and administrative pressure on NPOs. NPOs should be central to a conversation on M&E standards.

Support Strengthening of the Nonprofit Ecosystem

The lack of strong nonprofit networks and associations has hampered efficient delivery of COVID-19 relief and rehabilitation and hindered the sector's ability to advocate for more conducive policies. The availability of timely, reliable data; accessible platforms and forums to facilitate information sharing and peer learning; networks to enable the development of norms, standards and collective voice are all casualties of the lack of the relevant infrastructure.

7. Conclusion

This report has presented an overview of the impact of COVID-19 on, and the state of, NPOs before the start of the second wave in 2021, based on fieldwork conducted during December 2020 – March 2021, including an online survey of representatives of 312 NPOs, interviews with 52 NPOs and interviews with 10 funders and ecosystem stakeholders.

We found that 64 percent of NPOs reported that their regular programme operations were negatively impacted by COVID-19.

While 57 percent of NPOs reported suspension of a few events, programmes and activities, 8 percent of NPOs reported complete suspension of all programme related activities. About 70 percent of nonprofit organisations across the country have experienced a rise in demand for their services in this last one year. Unstable funding has been one of the serious concerns for nonprofit organisations this year. For 60 percent of NPOs, the funding for their regular programmes was negatively impacted by COVID-19, and one out of 10 small budget NPOs had already run out of funds. Fifty-one percent of NPOs had to revise down their annual budget for regular programmes for the financial year 2020-21, on average by 32 percent. With a lockdown that lasted for an extended period of time, NPOs moved their

work online. Half of large NPOs were well prepared to embrace digitisation, while only a quarter of small-budget NPOs were as prepared. Almost half of mid-size NPO have digitised during the last year. Many NPOs have moved to blended models of service delivery.

There are several ways in which funders and other stakeholders in the Indian philanthropy ecosystem can support NPOs in their recovery after the second phase.

Examples include:

- Create a collaborative relief fund for small NPOs
- Support an emergency corpus
- Support no-cost extension on timelines
- Fund programmes other than COVID-19 relief and healthcare
- Fund overheads and invest in organisational capacity building
- Create separate fund for innovation and experimentation
- Support digital capacity building and invest in digital infrastructure
- Make access to funding more transparent
- Create a standardised M&E framework
- Support strengthening of the ecosystem.

Likewise, NPOs can:

- Engage with funders regarding overheads and outreach costs
- Reach out to colleagues to organise peer support circles
- Find new ways to build on existing partnerships
- Make health insurance and mental health support a priority for staff

By presenting an overview of the impact of COVID-19 on India's NPOs, this report aims to facilitate discussion to support this vital sector, offer findings and recommendations, and highlight the need for action to support NPOs struggling at this stage.

Working together, funders, nonprofit organisations and other stakeholders in the ecosystem, need to lift the sector up following the second wave, to aid in recovery

Appendix

The present study is based on two detailed interviews over telephone with the funders and ecosystem stakeholders, and NPOs. The survey was conducted during December 2020 – February 2021 and sought information on the following areas.

I. From Funders and Ecosystem Stakeholders:

A. Organisation Profile

Name, funder category, year of establishment, headquarters, geographical spread, team capacity, thematic areas, implementation strategy, primary causes of financial support, criteria for fund allocation.

B. About Grant Making

Annual budget for grant making, support to grantees, criteria for selection of grantees, common grant disbursement model, typical size of an annual grant per grantee, risk management.

C. COVID Response

Support to the government in times of pandemic, amounts spent towards relief funds, funds management during pandemic.

D. Way Forward

An assessment of the role of NPOs in handling the crisis, potential and gaps within the Indian nonprofit sector in responding to the pandemic, perception on critical issues vis-à-vis the COVID-19 relief work, role of NPOs going forward, organisations' plan for funding to the grantees this year, future of funding to the grantees, changes in strategy for NPOs in the post pandemic period, support provided to the grantee.

II. From Non-Profit Organisations:

A. Organisation Profile

Name and designation of respondent, registered name, year of establishment, nature of registration, nature of work, thematic areas, geographical spread of operations.

B. Funding Profile

Projected budget for FY 2020-21, current budget status, any revisions in the budget, details of top three funding sources.

C. Covid-19's Impact on Operations

Current status of operations, any changes made in terms of the number of programmes/ events/activities, any changes made in terms of geographical coverage, current mode of operations, any shift made in the focus areas, any changes to target beneficiaries, any changes to the delivery mechanism, any new partnerships, ease/challenges of going digital/working online, impact of pandemic on human resources and the team size.

D. Covid-19's Impact on Funding

Current funding status, difference in funding status from previous years, impact of COVID-19 specifically on funding, changes in funding strategy, sustainability in times of financial crisis.

E. Engagement with Pandemic Relief and Restoration work

Organisations' involvement in pandemic relief efforts, nature of support provided.

F. Overall Impact of Covid-19 on the organisation

Overall impact of the pandemic on regular work, challenges faced, any opportunities pursued.

G. Engagement with Funders

Information on support provided by funders, challenges faced with funders, ways in which funders extended support, nature of support needed from funders.

H. FCRA Amendment 2020

Knowledge about amendment, impact of amendment, impact on organization, impact on work and the team.

Endnotes

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