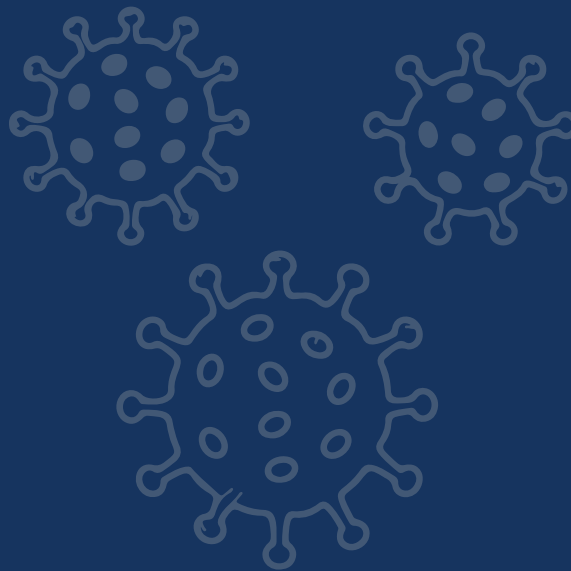




Centre for
Social Impact
and Philanthropy



THE IMPACT OF COVID-19 ON INDIA'S NONPROFIT ORGANISATIONS: A SNAPSHOT REPORT

June 2020

Acknowledgements

We are grateful to the Centre for Social Impact and Philanthropy's Strategic Nonprofit Management—India (SNMI) programme 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 shared inputs on their work, the impact of the crisis on their operations and finances, peer learnings, 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



Since March 24, we have been shaken by the images and stories of fellow Indians rendered hungry, unemployed, separated from their families, cut off from access to services, and subjected to the most deplorable conditions due to the COVID-19 pandemic and national lockdown. If not for the aid provided by thousands of nonprofit organisations and citizen groups across the country — supported by an unprecedented philanthropic response from all sections of society — the consequences would have been even more catastrophic.

Indian civil society's COVID-19 response has taken myriad forms. Across the country, individuals, teams, and organisations have provided millions of meals, dry ration kits, and personal protective equipment; amplified health and policy announcements; directed cash transfers and other forms of temporary income support; secured transportation for stranded workers; forged partnerships and coalitions of donors, nonprofits, volunteers, and government agencies; developed research, healthcare, and technology solutions to track, treat, and combat the coronavirus; and advocated on behalf of our democratic rights and freedoms.

But how are India's nonprofit organisations themselves coping? How has this unprecedented triple crisis — health, economic, and social — affected their operations, staff, and finances? Based on our preliminary research, many nonprofit leaders have not yet had the bandwidth to focus on what the future holds on these fronts. In turn, many donors, even those who are proactive in their funding relationships, also lack clarity on how best to support both short-term relief work and longer-term recovery efforts.

By producing this rapid research project in a snapshot format, the Centre for Social Impact and Philanthropy hopes to spur India's nonprofit leaders and funders to begin engaging on, and with, these issues.

There is no time to lose. In countries like Canada, China, Russia, the United Kingdom, and the United States, advocacy campaigns have already mobilised to support civil society at this time, including efforts to minimise job losses in the development sector. The potential losses of knowledge, skills, relationships, and capacity will be extremely hard to redress even when the funding scenario improves. Government officials, business leaders, and philanthropists must consider the potentially catastrophic effects of further delay on India's sustainable development goals, already at risk from the pandemic.

Recent weeks have seen everyone from India's prime minister to the general public begin to recognise the incredible role that Indian civil society has played in combating the COVID-19 pandemic and its aftermath. We hope this report will catalyse conversations on ways to ensure we can continue serving the communities and advancing the causes that need our support more than ever.

This crisis has laid bare the great gaps and schisms in India's health, food, sanitation, education, housing and social protection systems; and the inequities of caste, gender and class that underpin them. One of the few positive consequences is that solutions long advocated by civil society are no longer deemed politically unfeasible. Seizing this window of opportunity to reimagine these systems must be a core priority for philanthropy, business, government, and nonprofit organisations in the months ahead.

Ingrid Srinath

Director

Centre for Social Impact and Philanthropy, Ashoka University



Executive Summary

This snapshot report presents a rapid response research project on the operational and financial implications of COVID-19 on nonprofit organisations (NPOs) in India. The Centre for Social Impact and Philanthropy conducted 50 interviews with nonprofit leaders, in the months of April and May 2020, to assess their engagement in relief work, operational and financial status, and coping strategies during the pandemic.

We found that three-fourths of the NPOs are actively engaged in ongoing relief work, using their embeddedness in communities as a particular strength. This work ranges from last-mile delivery of relief material such as dry ration and sanitation kits, community awareness and sensitisation, setting up health camps and isolation facilities, rescuing stranded labour, provision of direct cash transfers, to offering rehabilitation of the distressed communities. While most of the surveyed NPOs have received additional funding specific to COVID-19, about a third have not received additional funding and are using their programmatic funding to finance relief work. NPOs raised concerns over increased costs of core operations during relief efforts, which are not adequately covered by the relief funding.

During the lockdown's suspension of their regular on-the-ground programmes, some NPOs have shifted their focus to research and knowledge creation, building a social media presence and completing administrative tasks. The lockdown has made it evident to NPOs that their limited digital skills and capacities pose a major operational challenge. Realising the critical need for digital technology adoption in the post COVID-19 world, a few NPOs have started investing in digital skills.

We asked NPOs for how many months they can cover their fixed costs with funds they already have on hand. Of those that responded, 54 percent can cover fixed costs for a year while 16 percent can cover costs for even longer. Worryingly, 30 percent can cover only six months or less. Organisations reported considering drastic measures including suspension of core programmes and trimming down team strength if funding is not forthcoming.

As most philanthropic funding is being channelled towards immediate relief work and healthcare needs, conversations with funders on core programmatic funding of these NPOs have stalled. NPOs are expecting considerable reductions in core programmatic funding in the near future, but are currently in a 'wait and watch' mode. This is in part because they are uncomfortable addressing fund-flow concerns to funders, and in part because it is only the first quarter of the fiscal year. Most are planning to take a stock of

commitments and revisit funding and operational strategy in the coming quarter. CSIP will revisit these NPOs and others to reassess their situation as it becomes clearer.

While nearly all NPOs we spoke to have a diverse portfolio of funders, about half of them are dependent on CSR funding for most of their projects, a third depend primarily on international funders, and one-fifth of the NPOs receive most of their funding from Indian philanthropic foundations or high net-worth individuals. The NPOs dependent on CSR funding in particular are facing challenges. Corporate funders are redirecting a substantial part of current CSR funding to immediate relief work, including the PM CARES Fund. Furthermore, likely reduced financial profits will result in much smaller CSR budgets in the near future. NPOs dependent on Indian philanthropists cited long term commitment and passionate engagement with grassroots issues as the strongest virtue of Indian philanthropists, but noted that bureaucratic structures and slow approval processes are bottlenecks. NPOs with primary dependence on international funders reported receiving great support including proactive engagement with NPOs and offering a flexible approach to funding. However, nonprofit organisations worry that funding from international funders may reduce in future in light of the global impact of the pandemic.

NPOs expressed concerns that the heightened focus on funding immediate relief work and healthcare interventions may diminish the urgency of addressing the socio-economic crisis which is likely to have long-term social implications. It is imperative for all stakeholders, NPOs, funders and ecosystem stakeholders to start considering the journey to recovery in the mid-term, and building resilience in the long-term.

Good Practices for NPOs

Communicate with funders on current requirements and implications for the medium and long-term.

Use social media to build and strengthen the narrative of the positive impact of NPOs on society, and to connect with funders and partners.

Diversify funding sources and seek long-term support to reduce the risks that come with short-term, project-based funding.

Prepare and plan for a post-COVID-19 world, including creating updated strategies and operational priorities in line with this new reality.

Embrace technology and join the digital revolution to enable remote work and digitising of service delivery without excluding marginalised communities.

Strengthen networks of nonprofit leaders to leverage partnerships and build a cohesive voice to advocate for appropriate and effective support from government, CSR, foundations and individual funders.

Implications for Funders

Encourage your partner NPOs to speak freely and be transparent about available funding and priorities.

Embrace flexible funding to help NPOs traverse current challenges. NPOs can use flexible funds as working capital, for capacity building, to rebuild their regular work, and to build resilience in the longer term. New approaches to accountability will be needed.

Extend timelines and commitments, and adjust expectations, given the disruption in operations, and work with NPOs to revisit programme strategy and priorities.

Invest in digital capacity and infrastructure. Funders and ecosystem stakeholders should invest in building capacity and in adequate digital infrastructure; and co-create new ways of digitally delivering programmes without excluding marginalised communities.

Increase investment in, and attention to, livelihoods creation and re-skilling at the grassroots level. With millions of former migrant labourers back in villages, new livelihood opportunities need to be created and economies of low-income communities rebuilt.

Provide non-programmatic core institutional funding. Many NPOs struggle to cover their overhead expenses, which may not be covered by programmatic grants and relief-work donations. Funders should consider ways to support these requisite administrative needs.

Strengthen NPO capacity to raise resources. Beyond funding programmes, donors should actively support NPOs to build their fundraising, communications and campaigning capacities.

Create a collaborative emergency corpus of Indian philanthropists that can offer blended finance options to support immediate disaster relief, post-disaster recovery, and building resilience in the long-term.

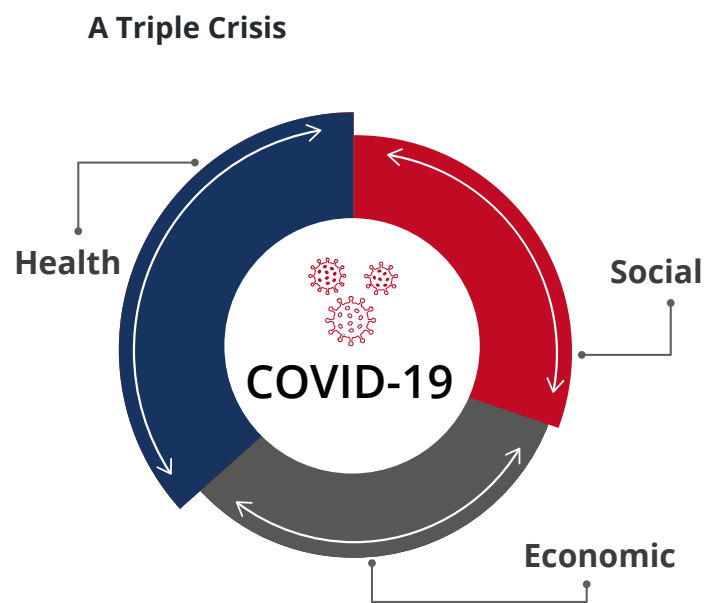
Continue to support regular programmes. Though the COVID-19 crisis has demanded an 'all-hands-on deck' approach, it is critical to be mindful of the social problems that persist and may worsen during the crisis.

Encourage NPOs to build stronger, more agile and responsive networks to ensure the sector can shape the policies that affect it and the constituencies it serves. The philanthropy ecosystem should offer financial and non-financial support for such sector bodies.

1. Introduction: Fighting a Triple Crisis

India's first case of COVID-19 was reported on January 30, 2020. Six weeks later, the outbreak was declared a pandemic, and the Government of India invoked the Epidemic Diseases Act, 1897. The resulting nationwide lockdown, aimed at stemming the coronavirus spread, caused a considerable and abrupt halt in business, travel, and social activities — and with that, livelihood opportunities. Contract and daily-wage workers and those operating on the margins of society have been particularly affected. This attempt to curb the pandemic unfortunately threw open the doors to economic and social crises. The lockdown and shut-down of economic activity resulted in a sudden and complete loss of income, especially for low-income groups, and triggered a mass reverse migration of some of the most vulnerable segments of the population: temporary migrant labourers.

Individuals, citizen groups, philanthropists, businesses and nonprofit organisations all came forward to support government efforts to help mitigate this triple crisis. On the front lines, thousands of nonprofit organisations across India have 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.



While much of the support from funders and the philanthropic ecosystem is currently geared towards immediate disaster relief, we need to also look ahead and consider the longer-term impact of our new reality in a post-COVID-19 world. This may include creating more livelihood opportunities for returned migrants, rebuilding the economies of low-income communities and the informal sector, and ultimately, building resilience to deal with disasters and shocks from the community level to the NPO level — and, ultimately, the systems level. This work requires creating new partnerships and new paradigms of equitable, sustainable, and resilient development.

This Report

This snapshot report focuses on the experience of nonprofit organisations in India in fighting the triple crisis triggered by COVID-19, including the impact on their operational and financial status, good practices for NPOs, and how funders and ecosystem stakeholders can best support them. The report adds to an emerging body of evidence based on rapid response research, including a global survey of the nonprofit response to the crisis by the CAF America;¹ a review of the role of philanthropy in India during the crisis by The Bridgespan Group;² and a report by PRIA International Academy outlining the impact of the crisis on poor and marginalised communities in India together with the role NPOs play, and capacities they require.³ Additionally, Dasra has created a toolkit to help NPOs and foundations to think through crisis management and planning,⁴ while The Bridgespan Group has offered a guide to crisis scenario planning.⁵

The Centre for Social Impact and Philanthropy (CSIP) at Ashoka University undertook a rapid response research project, interviewing 50 NPOs in April-May 2020, to better understand the scope of their relief work, and the operational and financial implications of the crisis. Their answers, summarised in this snapshot report, led us to consider ways in which philanthropists and other funders as well as the philanthropy ecosystem stakeholders can best respond to needs of nonprofit organisations in a time of crisis.

This snapshot report will be followed by a more extensive report in a few months which incorporates more data and deeper analysis. In this report, we have kept numbers limited due to our limited sample, but detail experiences on the ground with indicative examples and quotes.

The report is structured as follows: the next chapter details the methodology of the rapid response research project and characteristics of the organisations in our sample, followed by the Chapter 3 overview of the relief work NPOs are undertaking and how they are managing their operations. Chapter 4 offers insights on the financial status and related challenges. In Chapter 5, we discuss ways in which NPOs can mitigate the challenges they face. Chapter 6 draws attention to the implications for funders and other ecosystem stakeholders, and the opportunities for them to step up. In conclusion, Chapter 7 summarises the report's findings and reiterates its key takeaways for further consideration.

1 CAF America. (2020), The Voice of Charities Facing COVID-19 Worldwide. CAF America.

2 Venkatachalam, P., Yeh, D. & Memon, N. (2020), Philanthropy and the COVID-19 Response in India. The Bridgespan Group.

3 Bandyopadhyay, K. & Shikha, S. (2020), Capacities that Can Make a Difference: An assessment of capacity needs of CSOs for providing effective support to pandemic affected community. PRIA International Academy.

4 Access the web-based toolkit here: <https://www.dasra.org/covid-19-institutional-resilience-and-impact-optimization-toolkit-for-non-profits-and-funders>

5 Waldron, L., Searle, R. & Jaskula-Ranga, A. (2020) Making Sense of Uncertainty: Nonprofit Scenario Planning in the COVID-19 Pandemic. The Bridgespan Group.

2. Methodology and Organisation Characteristics

This snapshot report is based on insights from a rapid response research project that was undertaken during April and May, 2020. This study aimed to:

- Understand the impact of COVID-19 on the operational and financial status of NPOs.
- Understand the coping mechanisms adopted by these organisations.
- Recommend ways that funders and other stakeholders can best support NPOs.

To that end, CSIP conducted in-depth interviews with 50 leaders from nonprofit organisations. An interview tool was developed with a mix of open-ended and closed questions, and administered via phone interviews with respondents in English and Hindi. Interviews were recorded with each respondent's permission, and notes taken. The interview data was cleaned and organised to allow for pattern recognition and analysis across the key dimensions discussed in this report.

Sampling

While the sampling was purposive and based on the Centre's extensive in-house database and networks, we ensured that the sample includes NPOs from across India, across critical needs sectors, and work in both urban and rural areas. We chose sampling from existing networks and database given the urgency of this research, as well as the difficulty in reaching NPOs that are undertaking critical work. We believe our sample provide critical insights from the perspective of NPOs. However, in-depth statistical analysis is out of scope, and will be provided in a more extensive follow-up report.

Rapid Response Research Process

Review of crisis; formulation of research question

Develop research instrument & sampling strategy

Interviews with 50 NPO representatives

Clean & analyse data; write report

Respondent Characteristics

The NPOs we surveyed work across thematic areas and are spread across India. Some organisations were based only in one geographic location. However, the majority have a presence in at least three states, with a few working across India. Nevertheless, there is a higher representation of urban-based organisations.

Almost three-fourths of the organisations in our sample are less than 20 years old. A similar percentage are registered as either Trusts or Societies; the rest are registered as Section 8 companies.

More than four-fifths of the organisations work at the grassroots level delivering services. The remainder engage in policy advocacy, capacity building, and empowerment.

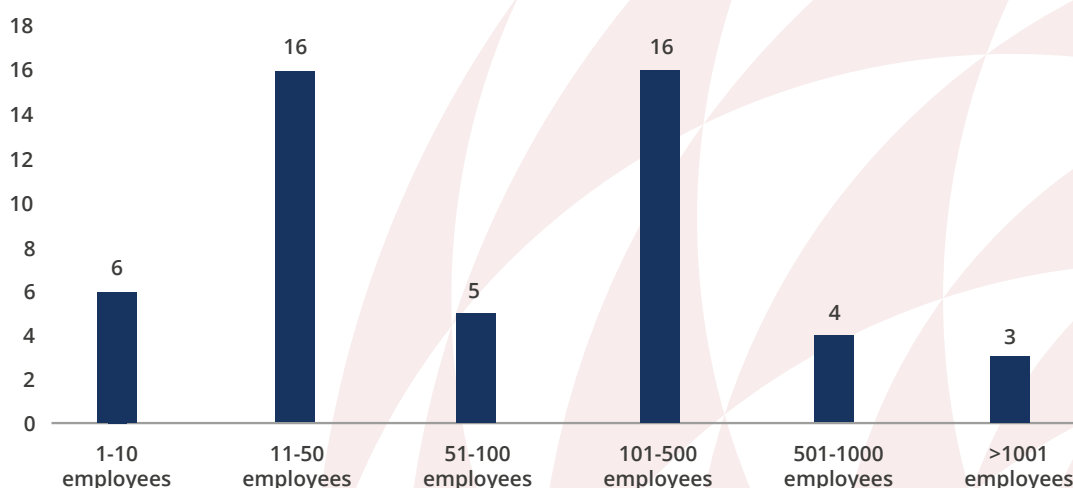
The organisations covered in the study have a staff size varying from less than 10 to more than a thousand employees; operating budgets ranged from INR 10 lakh (USD 13,200) to INR 250 crore (USD 30 million).

While most organisations receive support from a range of funder types, almost half are dependent on CSR funding for most of their projects, while a little more than one-third depend primarily on international donor organisations and individuals. About one-fifth of the organisations rely primarily on Indian philanthropic foundations or high net-worth Individuals (HNI), and only three organisations depend on individual giving.

Limitations

Some of the limitations our research team faced include poor internet and phone connection making interviews difficult to conduct; difficulty in finding time to set up interviews given the workload, relying on our existing database, which while extensive is not fully representative; and some respondents being unable or unwilling to share financial data. We have therefore chosen to share only limited data points in this snapshot report, due to the unavailability of data and the relatively limited sample.

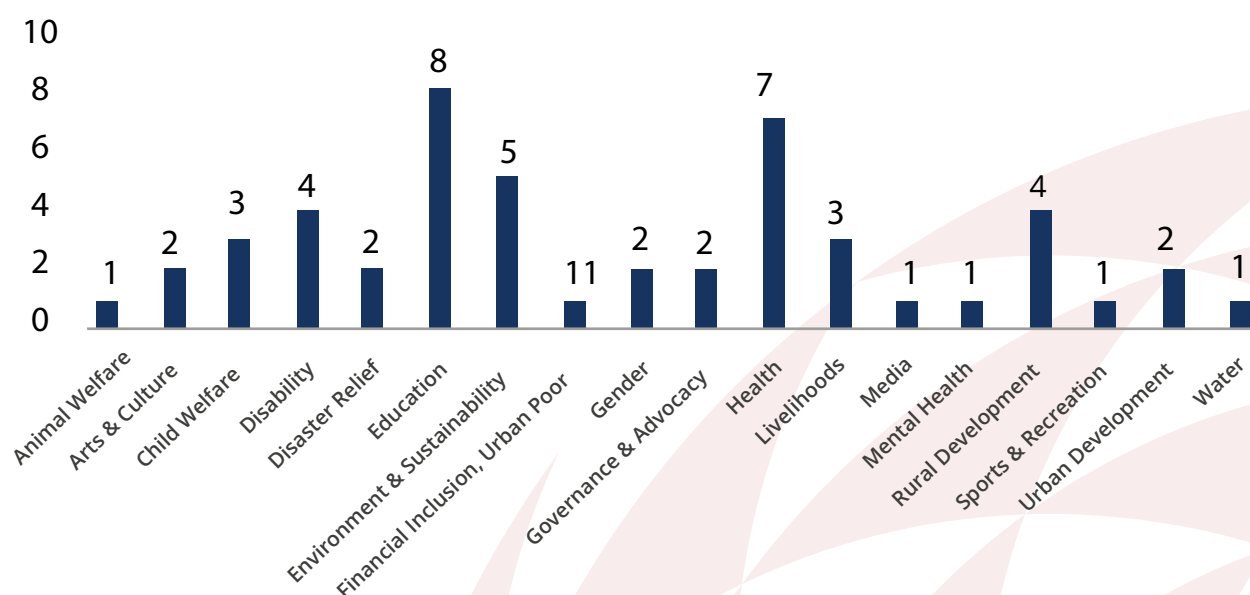
Figure 1: Staffing size of respondents (n. 50)



3. Operational Impact of COVID-19 on Nonprofit Organisations

As in other sectors, the work of nonprofit organisations has been greatly disrupted by the COVID-19 pandemic. In March 2020, thousands of NPOs that engage with low-income and vulnerable communities on critical issues — i.e., health, education, women's empowerment, livelihood creation, and more — had to halt their programmes due to the nationwide lockdown. Yet as this public health mandate triggered an economic, social, and humanitarian crisis, nonprofits were among the first to respond with relief efforts. This chapter begins by describing the relief work undertaken by NPOs we spoke to, and then moves on to discuss the impact of this crisis on operations and programmes.

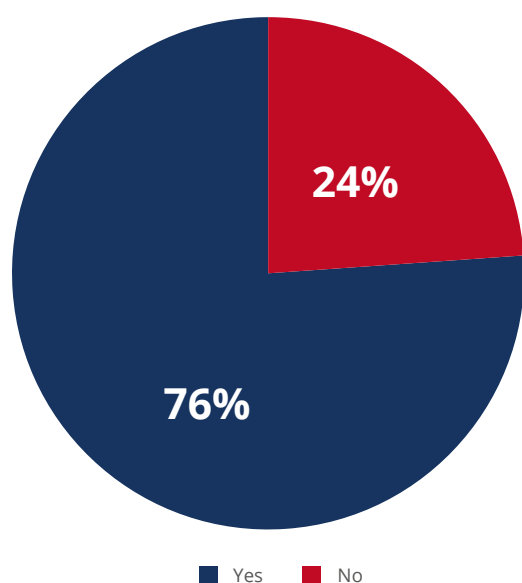
Figure 2: Sectoral spread of our sample (n. 50)



Engagement with Pandemic Relief Work

Nonprofit organisations are deeply embedded in the communities they serve and are among the first responders in a crisis. With their keen understanding of community-level issues and contexts, NPOs have been able to prioritise action and mobilise resources to support those most in need. Despite resource limitations, the risk of staff contracting the virus, and uncertainty about the continuity of regular programmes and funding, NPOs are undertaking an array of activities to provide immediate relief and help communities.

Figure 3: Share of NPOs directly engaged in relief work (n. 50)



Distribution of relief material and sanitation kits

With support from funders, NPOs have taken on the task of last-mile delivery of relief materials including dry-ration

and sanitation kits in low-income and marginalised communities. Most have received designated funding to procure relief materials and arrange distributions of kits, while some donors offer pre-packed kits for distribution. While most NPOs are engaging in relief work in local communities, organisations that formally specialise in disaster relief are able to leverage their networks to help at a national level.

Respondents noted that while initially negotiating permits for moving around with the local authorities was a challenge, as the weeks progressed, cooperation between local authorities and NPOs steadily improved, to the point where NPOs can now carry out distribution with the support of local authorities. A few NPOs highlighted the manner in which the local governments are now working in tandem with the nonprofits in carrying out relief work. This may be a consequence of communication from government bodies at both national and state levels instructing local officials to extend collaboration.

Generating awareness and sensitising communities

NPOs are leveraging their existing communication platforms and networks to create communication materials in local languages to spread awareness about how COVID-19 spreads and the related importance of physical distancing and safe hygiene practices. Many organisations involve community members to develop campaign materials.

EXAMPLE: one NPO working with children living in informal settlements in Mumbai shared that the children in their programmes were encouraged to create jingles and slogans to educate their communities on safe hygiene practices. Here too, NPOs and government are working together.

Additionally, NPOs are sensitising communities to avoid marginalisation or discrimination of those found to be COVID-19 positive.

Health and screening camps, and isolation facilities in collaboration with government

NPOs with available physical infrastructure, such as schools or community offices, are working with local authorities to turn these into isolation and quarantine facilities. One NPO in rural Maharashtra has extended financial support to create a special ward at a medical college, using its own surplus and corpus funds to support it. NPOs have also helped in setting up health and screening camps. Rural teams are working to ensure that returning migrants are screened and have access to isolation facilities in collaboration with local authorities.

EXAMPLE: NPO staff are volunteering in different capacities, As an example with contact tracing, or as in the case of a public health NPO, deputing its staff members to work with teams on COVID-19 initiatives by the Indian Council of Medical Research.

Support for stranded migrants and the urban ultra-poor

Millions of migrant workers and day labourers lost their livelihoods due to the lockdown and were left with little or no cash in hand. Nonprofit organisations working with ultra-poor populations residing in urban slums transferred cash to the bank accounts of their beneficiaries for immediate relief. Several have further extended support in rescuing stranded migrant labourers from different corners of the country amidst the lockdown.

EXAMPLE: one organisation working on environment and sustainability helped rescue stranded fishermen from ports in Southwest India.

Rehabilitating village communities

With a loss of livelihoods and wages, a large number of migrant labourers have returned to their villages. NPOs working in Uttar Pradesh and Rajasthan have set up community kitchens for returning migrant labourers. Other NPOs have started the distribution of rehabilitation kits. These rehabilitation kits include seeds which can be used by migrant labour for sustenance farming.

EXAMPLE: in rural Maharashtra and Rajasthan, NPOs are already working to create opportunities for livelihoods in the migrant workers' villages to support this segment of population in their path to economic recovery.

Many NPOs are advocating for strengthening of, and greater budget allocation to the Mahatma Gandhi National Rural Employment Guarantee (MGNREGA) scheme and universalisation of the Public Distribution System (PDS).

Counselling for mental health and support for victims of domestic violence

With a loss of livelihood and shortage of cash, many poor households are in significant distress. This is leading to poor mental health and domestic violence. NPOs have noted that incidents of anxiety, panic attacks and domestic violence have spiked. In the case of domestic violence, the NPOs are connecting victims of abuse with the National Commission for Women helpline. Organisations working on community development and education are additionally extending their counselling services to all their community members to help them deal with this crisis.

“

“We have been informed that the incidents of domestic violence in this lockdown have considerably gone up. With the victim being locked in with the perpetrator, there is limited scope for breaking free.”

- Organisation working on gender-based violence.

”

Several of the NPOs that have been actively engaged in relief work in April and May are now preparing to transition to the recovery phase and gradually resume their regular programmes.

Impact on Operations of Nonprofits

While nonprofit organisations have taken on an active role in responding to the pandemic, the organisations have been forced to roll back their regular programmes and activities due to the nationwide lockdown. There has been a complete disruption in their programmatic activities and there is looming uncertainty around the continuity of these programmes. Here we discuss the impact the crisis is having on operations – both for those engaged in relief work, and those that are not.

Suspending programmes with societal implications

A majority of the organisations covered in the study work directly with beneficiaries and most of them have had to suspend their on-ground programme activities temporarily.

Meanwhile, team members have been advised to work remotely.

The suspension of programmes and the pivot to relief work has come at a cost of neglecting other challenging socio-economic issues. The NPOs fear that this disruption may undo years of efforts and progress made by these development organisations. The anticipated funding setback may further worsen the situation. Therefore, short-term suspension of programmes may have a long-lasting impact, especially among marginalised and vulnerable communities. A major concern is the impact on children, their ability to continue going to school, and any associated learning loss for children from marginalised communities — particularly young girls — who may be kept at home to help with work or subjected to early marriage.

“

“With this socio-economic crisis, we are unsure if the girls will come back to schools. We fear many will be made to drop out of school to help with household chores, or worse, be married off.”

- An NPO running a school for adolescent girls in Uttar Pradesh.

”

“

“We were supposed to launch a nutrition programme in our community this year. With the lockdown and uncertainty of funding, we are not sure if we will be moving ahead with the programme. We fear that we will lose more infants to malnutrition than to COVID-19.”

- An organisation working on rural public health in Maharashtra.

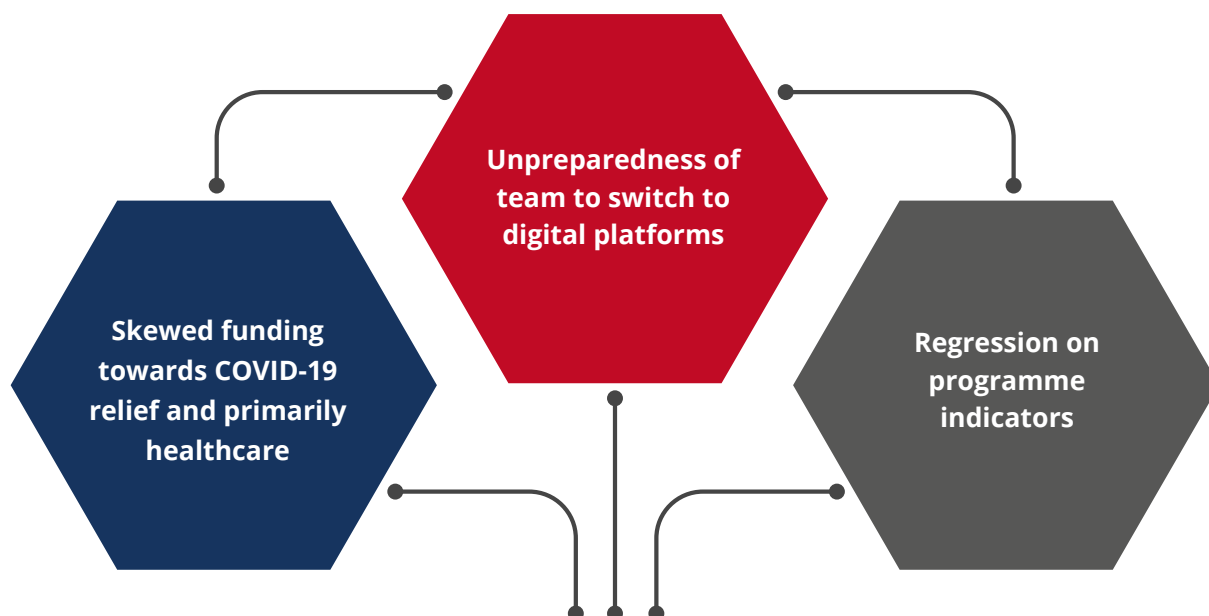
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Switch to work activities that can be done remotely

With suspension of programme activities and cancellation of major events, the NPOs have had to shift their short-term goals and activities. Conferences and workshops have been cancelled or postponed, and current and new programme launches put on hold. With the looming uncertainty, NPOs noted that there is no clarity on whether this change will be temporary or indefinite.

Some organisations shared that they have advanced activities that can more easily be undertaken while working remotely. These include research and knowledge creation efforts that had been planned for later in the year. Others are for example working on updating their websites and social media presence, and a few are using this time to complete pending documentation work.

Figure 4: Top concerns expressed by NPOs



Joining the digital revolution

The COVID-19 crisis has further highlighted that NPOs are significantly lagging behind when it comes to the digital revolution. Most organisations shared that they had been procrastinating on digital technology adoption in their operations and the sudden lockdown caught them completely unprepared to handle the crisis. Organisations are lamenting that due to the lack of skills of the programme team, they are struggling to work remotely. In contrast, NPOs that had already introduced digital technology in their operations and programmes are finding it easier to cope with the current crisis. Given that the emerging understanding of the 'new normal' would necessitate use of digital technology, most NPOs are now encouraging their employees to enrol in free digital upskilling courses.

EXAMPLE: one large organisation had introduced digital technology in one programme, but could not introduce it in other programmes due to organisational delays. However, since lockdown, that one programme is running very well and the team is comfortable working remotely since they had already upgraded, while the other programmes are struggling.

“

“After decades of human rights advocacy, we were finally starting to discuss issues around labour and human dignity. With this crisis, we have already slid back on human development indicators as we are working to feed hungry mouths.”

- Humanitarian relief organisation.

”

Communication with funders

Across our sample, communication patterns between NPOs and funders emerged based on funder types. The international funders have been the most proactive in their outreach to NPOs to extend support for their communities and ongoing programmes. Indian philanthropists and family foundations have also reached out to NPOs, but primarily to seek on-ground support for distribution of relief materials. There are limited cases in which Indian funders have sought updates on the status of regular programmes. Communication with a large number of CSR funders has stalled. CSR funding is typically project based with short timelines and limited flexibility. It appears that many NPOs are hesitant to reach out to their CSR partners to seek clarity on funding support both for existing and new programmes, as they fear they may end up 'annoying' them.

EXAMPLE: an organisation working in rural public health with an international funding partner, shared that the international funding partner quickly reached out and offered blanket approval for the use of funds as deemed necessary by the organisation.

Growing anxiety over long-term sustainability

Given the large amount of philanthropic, CSR and international donor funding that is going towards COVID-19 disaster relief, NPOs are increasingly worried that funding for regular programmes that undertake critical and vital work will dry up. Additionally, there is growing anxiety about funder expectations with respect to programme outcomes, given that considerable time will be lost in the project cycle – and releasing funding is often tied to specific deliverables.

Furthermore, NPOs working on sectors beyond 'critical' needs fear that they will be lower down the list of priorities and may lose their funding. To this end, a few organisations are exploring ways to rearticulate the value proposition of their work and pivot to sectors and projects that may seem more relevant.

Restrategising programmes and budgets

At the time of interviews, roughly one-fifth of organisations were actively implementing changes to their programme and financing strategy in light of the fall-out from the pandemic. However, the vast majority were not yet focussing on adapting to a post-COVID-19 scenario and had not yet implemented changes. Many were ideating and considering ways in which they may rework their programmes, operations and finances. One reason for the lack of progress to date is that NPOs are limited by their own internal capacities. The pandemic has created a medical as well as a socio-economic emergency in the country. While the philanthropic response to this unprecedented crisis has been phenomenal, nonprofit organisations are in a difficult position. This section will discuss how NPOs are dealing with the impact of COVID-19 on their budgets.

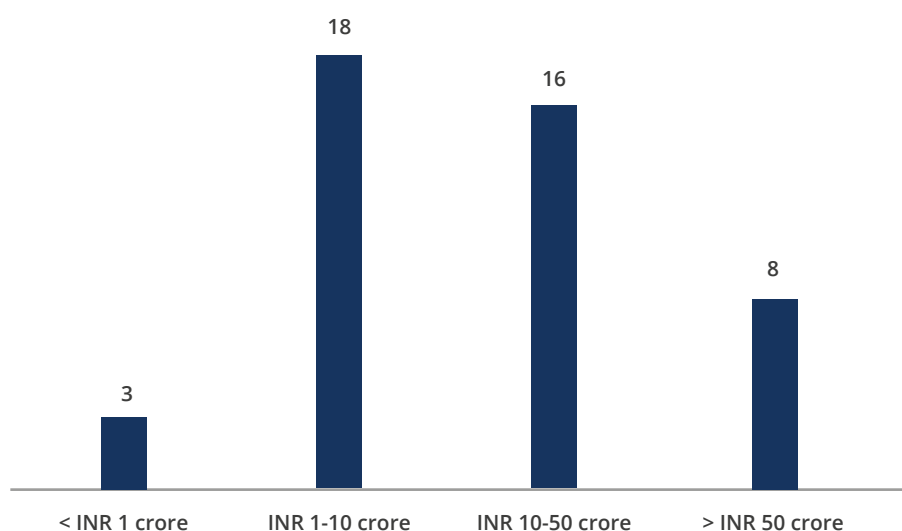
4. Financial Impact of COVID-19 on Nonprofit Organisations

Status of Funding

A majority of NPOs are in a 'wait and watch' mode as they say it is the start of the financial year and typically the programmatic funding comes in the third and fourth fiscal quarters. They explained that the actual disbursements have been more or less in line with an average year. This is one more reason why most NPOs have not yet reworked their programme or operations strategy. Nevertheless, a handful of large NPOs, with projected budget for FY 2020-21 over 50 crore, have revised budgets downward for the financial year 2020-21 to the tune of 25 percent, as they feel that their international funding will likely be impacted considering the global nature of the pandemic. While there is a lot of anticipation around possible cutbacks in funding, there has not been any formal communication from most donors so far. Accordingly, the organisations have decided to take stock of their financial health towards the end of the first fiscal quarter depending on the quantum of funds and commitments that come through and will then work out a mitigation strategy for the rest of the year.

When asked how long they could cover their organisation's fixed costs with existing funds, 30 percent of respondents said they have funds to help them sustain themselves for less than six months and 54 percent have funds which will last for 12 months. Only 16 percent have funds for longer than a year. Organisations reported they will need to adopt

Figure 5: Projected budget for FY 2020-21 in INR (n. 45)



drastic measures such as suspension of programmes and trimming down team strength, if additional funding does not come through.

For now, organisations are managing their funds by aggressively cutting down on overhead and non-essential expenses. The organisations are saving on travel bills, office rent and utility bills. None of the organisations have reported laying off employees as yet but fear that they may need to resort to it if the funding gets tighter. All organisations reported deferment of increments and new hiring. A few organisations shared that they are encouraging their employees to pick up new skill sets to be able to support across functions, especially fundraising.

As programme implementation has come to a halt and communication from funders has stalled, organisations fear that the programme timeline clock may still be ticking, despite all these disruptions. These organisations are unsure whether to use

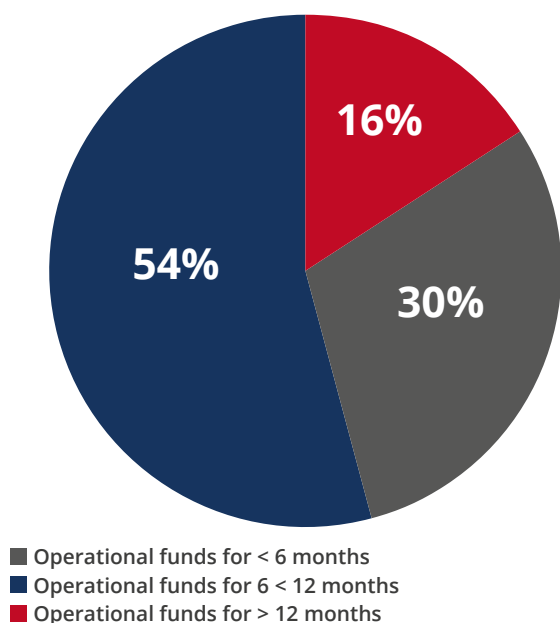
programme funds for paying salaries to programme teams (in the absence of any on-ground work) or save the funds for the time when the programmes restart. This would mean either letting go off their programme team or using their own (already lean) funds to retain the team.

NPOs engaged in relief work

Those NPOs engaged in relief work raised a few pressing concerns. To begin with, COVID-19 designated funding does not cover the operational cost of on-field distribution or overhead expenses. The nonprofit organisations are forced to rely on their regular (limited) programmatic funding to support these operational back-end costs. The situation is becoming increasingly difficult as the NPOs are simultaneously dealing with increased operational costs, including the need to provide PPE and sanitation kits to staff and volunteers. While only about 70 percent of NPOs have received funding for their relief work, even those that have received funding reported having to cut corners elsewhere to ensure their relief work remains up and running. In other words, a third of the organisations are undertaking relief work without additional funding support.

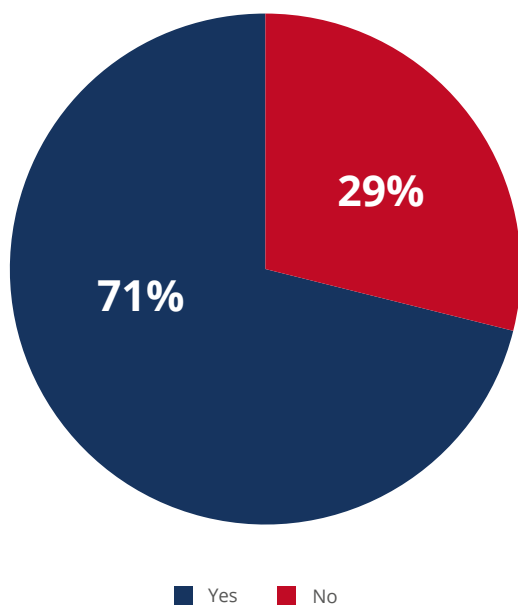
A second cause for concern is the long gap between the announcements of committed funds by philanthropists and corporates to the actual disbursement of funds. The multiple internal steps to release funds puts NPOs in a difficult position and they undertake urgent work while awaiting funding disbursement.

Figure 6: Number of months NPOs can cover fixed costs (n. 44)



Lastly, many organisations are struggling to meet funder compliance requirements with regard to beneficiary identification. It is felt that these compliances may not be absolutely critical given the humanitarian nature of work and swiftness required to deliver relief.

Figure 7: Share of NPOs that received funding for COVID-19 work (n. 38)



Engagement with Different Types of Funders

Most NPOs in our sample receive funding from a range of sources. Almost half are dependent on CSR funding for most of their projects, while a third depend primarily on international funders and one-fifth receive most of their funding from Indian philanthropic foundations or high net-worth individuals, and only three organisations depend primarily on individual giving.

With the outbreak of the COVID-19

pandemic in India, many funders have channelled funds towards immediate relief work through their NPO partners and through contributing to large relief funds. NPOs are concerned about the continuity of the financial support in the near future. Many reported that there has not been any formal communication from funders so far, but almost all of them expect that their funding may be reduced.

Among the NPOs we spoke to, their concerns over funding appear to mirror the kind of funder they primarily rely on. The unique concerns of the different sets of NPOs are detailed below.

NPOs primarily dependent on CSR funding

The nonprofit organisations primarily dependent on CSR funding, comprise the largest chunk of the sample, and are grappling with the highest order of anxiety.

Figure 8: Primary source of funding (n. 50)

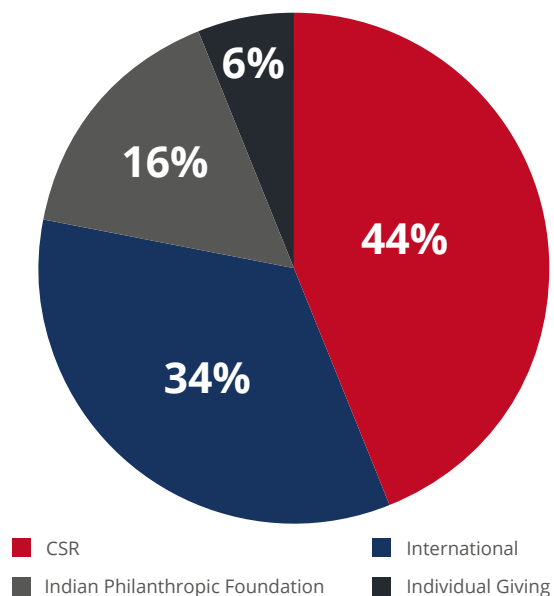


Figure 9: Top associations of different funders by NPOs

International	CSR	Indian Philanthropists
Flexible	Compliance-driven	Passionate
Agile	Short-term	Committed
Forward-thinking	Uncertain	Delay in approvals

With most CSR funding being directed to relief work, in particular the Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM CARES) Fund, and corporates experiencing potentially huge financial pressure, the organisations fear significant declines in financial support in the near future.⁶

Many respondents shared that their conversations with CSR partners on new proposals have come to a halt. While most organisations have limited communication with their CSR partners, a few CSR partners have been prompt to clarify that corporates are assessing their internal financial health, and will not be in a position to commit further funding, especially since much CSR funding has been channelled to the funds set up for relief work. Based on these preliminary indications, the NPOs primarily reliant on CSR funding seem to be in the most vulnerable position for the foreseeable future.

EXAMPLE: committed CSR funding for an organisation working primarily on disaster relief and humanitarian response got shelved as corporates moved their funds to PM CARES.

EXAMPLE: a CSR-dependent organisation working on rural development and livelihoods in Rajasthan experienced disruption in ongoing conversations over new projects. The organisation was informed that the funding has been redirected to COVID-19 relief work. The organisation shared that if the funding had come through, it could have potentially created livelihood opportunities for the returning migrant labour in their native villages.

⁶ While outside the scope of this research on COVID-19, it is worth noting that a further cause of concern expressed by a few organisations is the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020, under which only Section 8 companies and entities established by the Parliament or a state legislature, will be eligible to receive CSR donations. As described in the organisation profile, only a quarter of our sample comprises of Section 8 companies.

NPOs dependent on international funding

The nonprofit organisations primarily dependent on international funders appeared to be relatively better placed. They described their relationship with the donors to be 'long-term' and based on 'trust.' The NPOs commended the agility with which international donors reached out to check on the well-being of the NPOs and the communities they serve. NPOs shared that their international partners have proactively extended a blanket approval for use of their funding in the manner deemed fit by the nonprofits. A few have also offered to bring forward funding from subsequent years. The flexibility extended is not just for the use of resources but also in reshaping programme outcomes given the complexity of the challenge. The NPOs noted that the flexibility demonstrated by the international donors in this crisis has not come as a surprise as international donors have typically been flexible with their funding support in the past and have encouraged nonprofits to build a corpus and invest in organisation's capabilities and capacities. Owing to this flexible support, the nonprofit organisations have built a financial cushion over the years which is helping the NPOs stay resilient in this tough time.

Nevertheless, the respondents realise that given the global nature of the pandemic, international donors may reduce support, and to that end, excessive reliance on an international donor base may prove to be precarious. NPOs are therefore beginning to look at India's domestic philanthropic sector and invest in building partnerships with Indian institutional funders.

EXAMPLE: an organisation working on environment sustainability and rural livelihoods shared its experience with its international funders. The organisation complimented the funders for their agility in response and flexibility in use of programmatic funds. A few international supporters have proposed moving forward funding, in case required.

NPOs dependent on Indian philanthropists and family foundations

Though a small portion of the sample, the NPOs dependent on Indian philanthropists and family foundations highlighted the need for deeper engagement with their funders. The nonprofit organisations shared that most of their institutional partners had committed for long-term projects and the NPOs are confident that their partners will ensure continuity of support. They do however expect a few delays in receiving funds as most philanthropists are also contributing substantially towards relief work.

The NPOs shared that some funders have explored with them the option of repurposing of programmatic funds towards COVID-19 relief, but that funders were open to NPOs making the decision on the best approach. Generally, there appeared to be a sense of 'partnership' and 'trust' in these relationships. There are, however, a few cases in which

funds sanctioned to NPOs were rolled back to be used towards COVID-19 relief, as the organisations were not directly involved in relief work.

The organisations working with Indian philanthropists and foundations appreciate the understanding of the philanthropists but would like quicker response times. The organisational structures and internal processes of some foundations often create bottlenecks in drawing attention of the philanthropists towards critical issues and programmes. Several respondents mentioned that they had submitted proposals to Indian family foundations for COVID-19 relief work but were still awaiting response.

EXAMPLE: an organisation working on rural livelihoods expressed concerns over numerous compliance requirements demanded by the Indian philanthropic foundations. The organisation explained that the delay in donor response directly manifests into time lost on the ground, and urged more nimble decision making, especially in handling the current crisis.

5. Good Practices for Nonprofit Organisations

The bulk of the nonprofit organisations we surveyed said they are waiting for the lockdown to be lifted and for the 'new normal' to set in before deciding to make any pivot to their programme strategy. There are, however, a handful who have been actively considering both how to stay visible in the current crisis as well as how to ensure that their work is relevant in the post-COVID-19 phase.

In this section we share some good practices that NPOs shared with us, in the hope that it can enable peer learning across the sector.



Prepare for a post-pandemic world

NPOs need to consider post-COVID-19 operations, and create new strategies and operational priorities in line with this new reality. Furthermore, organisations working in sectors beyond the most mainstream critical needs sectors (e.g. health, education and livelihoods) such as those working on environment sustainability, mental health, gender and justice, fear that they may not be the first preference of funders in the post COVID-19 world. They have begun rearticulating the value proposition of

their work. A resource for crisis planning and strategising is a stock-taking and decision-making toolkit by Dasra⁷ while The Bridgespan Group has offered a guide to crisis scenario planning.⁸ CSIP will, in collaboration with the Harvard Business School, be offering a new, online capacity building programme designed to help manage the crisis and build resilience.

EXAMPLE: an organisation working to deliver safe drinking water in the interiors of Rajasthan shared that the organisation will soon look to repurpose its work and include an overarching WASH strategy given that donor priorities may change post pandemic.



Communicate (better) with funders

A couple of organisations are proactively sending updates to donors on how the communities they serve have been impacted by the pandemic and the role being played by the nonprofits. This is a good way to engage donors and gain their confidence.

EXAMPLE: an organisation working on environment and ecological security is sending out weekly/biweekly pamphlets with ground up stories from communities.

⁷ The toolkit can be accessed here: <https://www.dasra.org/covid-19-institutional-resilience-and-impact-optimization-toolkit-for-nonprofits-and-funders>

⁸ Waldron, L., Searle, R. & Jaskula-Ranga, A. (2020) Making Sense of Uncertainty: Nonprofit Scenario Planning in the COVID-19 Pandemic. The Bridgespan Group.



Use social media to build and strengthen narratives

Much of the work being done by the NPOs remains invisible to the ordinary eye and sometimes, even to the donor. Given the magnitude of the crisis and the corresponding enormous need for funds for relief and response work, it is important to gain as much support as possible. Social media provides a great platform to raise awareness about on-the-ground work and gain traction with a larger donor audience. By way of this, NPOs can also build a narrative around their organisation's work as well as the overall sector narrative.

EXAMPLE: an NPO involved in disaster relief has started a series of webinars in which nonprofit leaders raise awareness about the needs of the distressed communities and the difference each individual can make.



Diversify funding and seek long-term support

A few NPOs are working strategically on maintaining a diversified donor base. Furthermore, some NPOs have been able to convince their donors, including CSR partners, to support the organisations for long-term projects even if it be for small annual grants. This serves a dual purpose: it reduces excessive dependence on any single category of funder, and ensures some continuity of funds.

EXAMPLE: an organisation working on sports and recreation was not too worried about its high dependence on CSR funding because the

NPO has multiple funders that have made long-term commitments. Even if there is disruption by a few funders, there is a safety net provided by other funders.



Embrace digital technology

The organisations which had implemented technological solutions to programme implementation and monitoring/evaluation have found it easier to face this lockdown and are better prepared to face the 'new normal.' Others are using the lockdown time as an opportunity to upskill their employees with digital learning and introduction of technology in the programme monitoring tools.

EXAMPLE: an organisation working on primary healthcare in urban slums of Delhi has made it compulsory for all staff to take online classes for Microsoft tools during the lockdown period.



Strengthen networks with fellow NPOs

The power of networks has helped many nonprofits in reaching out to different geographies and providing relief. The same networks are also proving to be pivotal in advocating for critical issues such as the need for creation of livelihoods for returning migrant labourers. A strong, representative coalition of India's nonprofit leaders could more effectively advocate for increased government support in a time of crisis, as national groups have recently done in the United Kingdom, Canada, China, and Belgium.

6. Implications for Funders and the Support Ecosystem

The COVID-19 pandemic has shown that there is a deep commitment to financially support nonprofit organisations engaged in providing relief support. This is a time for philanthropists and other funders to consider how best to make their capital, capability and networks work for the nonprofit sector. Here is our call to action.



Encourage your partner NPOs to speak freely

Many NPOs are hesitant to reach out to their funders about needing more support. Given the situation, it is imperative for funders to take the lead in initiating a clear and transparent conversation. The NPOs may be informed about the current status of available and expected funds. These conversations can enable NPOs to re-plan their programmes and finances accordingly.



Embrace flexible funding

Nearly all interviewees highlighted the importance of flexible funding in helping NPOs. The organisations can use these funds as working capital, for capacity building, to rebuild their regular work, and to build resilience in the longer term.

It is worth considering ways to ensure accountability while allowing for flexibility in how funds are used.



Extend timelines and commitments, and adjust expectations

The lockdown and social distancing norms have led to partial or complete suspension of most programmes of NPOs, while many have diverted attention to disaster relief. The targets set for programme outcomes may therefore not be achievable in the planned programme timeline. Funders ought to extend the timeline for achieving targets, adjust expectations and / or take into account the effort that has gone into keeping the organisation, its beneficiaries and employees afloat during the crisis. A good approach would be to allow NPOs to revisit programme strategy, and consider whether there are more urgent areas of intervention to focus on, given the enormity of the COVID-19 pandemic and its economic and social fallout. The funder should consider aligning its programmatic outcomes accordingly.



Invest in digital capacity and infrastructure

The COVID-19 crisis and ensuing lockdown has proven how the importance of modern-day digital literacy and capacity for organisations and individuals. Funders and ecosystem stakeholders can play a major role in ensuring that NPOs join the digital revolution, by investing in building capacity and capability, by providing funding for adequate digital infrastructure, and by working with NPOs to consider how service delivery programmes can be tweaked for the digital age while not excluding already marginalised groups.



Increase investment in, and attention to, livelihoods creation and re-skilling

The focus for most funders and NPOs has been the here and now — the COVID-19 crisis. However, with millions of former migrant labourers back in villages, new livelihood opportunities need to be created and economies of low-income communities rebuilt. What will be sound strategies for the medium-term given India's changed landscape, with employment disrupted, and with development indicators likely regressed? How can funders and NPOs work together to create medium-term strategies for employment generation and skilling,

especially in rural areas of the states from which many migrants come?



Provide non-programmatic core institutional funding

Many organisations involved in relief work emphasised how they struggle to cover their overhead expenses even though they receive grant funding for relief work. The problem lies in what these funds cover – which tends to be programmes that directly engage with relief work, while not considering who or what should fund the 'back office' operations – the organisational overhead. While funding overheads and the back-end has been a long-standing challenge, the pandemic has exacerbated it since the costs remain the same or grow, while funding has stalled or been diverted. Can funders consider ways to enable better non-programmatic core institutional funding?



Strengthen NPO capacity to raise resources

Funders should actively support NPOs to build and strengthen their fundraising, communications and campaigning capacities. Working with nonprofit organisations on their ability to raise funds can enable them to diversify funding sources and reduce the risks that short-term and project-based funding entail.



Create a collaborative emergency corpus

With Indian philanthropic initiatives coming of age, there is a pool of passionate philanthropists who have a deep understanding of the grassroots issues and are committed to contribute towards social change. Is the time right for these Indian philanthropists to come together to create a joint corpus for disaster relief and other emergency funding? The corpus could be structured in a way that offers blended finance, with different financial options for different situations. The corpus could consider ways to support immediate disaster relief, post-disaster recovery and building resilience in the long term.



Strengthen nonprofit networks

India's nonprofit leaders and organisations need a strong, unified voice that can speak for the sector, develop best practices, support a coordinated rapid response in times of crisis, build resilience, and work with the government at local, state, and national levels to create a more supportive regulatory landscape. The philanthropy and social impact ecosystem should offer both financial and non-financial support to build and strengthen these umbrella organisations.



Continue supporting regular programmes

While the COVID-19 crisis has demanded undivided attention and an 'all-hands-on deck' approach from all stakeholders as a crisis response, it is critical to be mindful of the social problems that persist, and in many cases, worsen during the crisis. The crisis may reverse years of progress made on various social development indicators. This may be exacerbated by disruption in funding for NPOs. Efforts should be made to continue - and scale - support to NPOs in the best way possible.

7. Conclusion

This snapshot report has presented a rapid response research project on the operational and financial impact of COVID-19 on nonprofit organisations in India. We found that the majority of the 50 NPOs we spoke to are actively engaged in the ongoing relief work, using their embeddedness in communities as a particular strength. However, the regular operations of NPOs have suffered, and financially, many are looking at an uncertain future.

Several NPOs have taken stock of their operations and shared good practices. Nonprofit organisations need to re-strategise and consider operational priorities and a likely reduction in funding flows in light of the pandemic. There is an urgent need for frank conversations about finance flows. NPOs should upgrade their digital technology infrastructure and capability to allow for new ways of working, without excluding marginalised communities; as well as improve their reach via social media.

There are several implications for funders and other stakeholders in the Indian philanthropy ecosystem – both national and international – in how they can best support nonprofit organisations in the short-term, medium-term and long-term. In the short-term, ensure that funding reaches NPOs quickly, and do not forget about vital regular programmes outside of immediate relief work. In the medium-term, support NPOs in building digital technology capability and infrastructure, fundraising capacity and offer more flexible financing for the post-pandemic world; and in the long-term, create a corpus for disaster relief and support the strengthening of NPO networks.

By presenting a snapshot of the impacts of COVID-19 on India's NPOs, this report aims to facilitate discussion to support this vital sector, offer preliminary findings and recommendations, and highlight the need for further exploration of this pressing issue.

Working together, funders and nonprofit organisations need to ensure that the window of opportunity for radical policy change addressing the deep schisms across our society is not wasted.

8. Appendix

Our research team's in-depth phone interviews with nonprofit leaders in April and May, 2020, covered a range of information areas.

A. Organisation Profile

{Registered name, year of establishment, nature of registration, nature of work, thematic areas, geographical spread of operations, team capacity}

B. Funding Profile

{Projected budget 2020-21, current funding status, details of last three years funding}

C. Impact of COVID-19

{Impact on operations, status of operations, change in operation strategy, change in funding strategy}

D. Response to COVID-19

{Engagement in relief work, nature of relief work, collaborations}

E. Fund Allocation to Relief Work

{Funds allocated for relief work, source of funding}

F. Overall Experience During COVID-19

{Positive and negative implications, weaknesses discovered}



Centre for
Social Impact
and Philanthropy

Website: csip.ashoka.edu.in
Email: csip@ashoka.edu.in

Address:
First Floor, Academic Block 02
Ashoka University Campus
Rajiv Gandhi Education City
Sonapat, Haryana - 131029, India