Coffee with NGOs

A forum for brewing ideas

Session 1

Challenges faced by social organizations in securing and utilizing corporate funds

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Coffee with NGOs - A platform for NGOs

In a country of 3.3 million NGOs, it is ironic that there exists no platform that brings social organizations together at regular intervals to talk about new opportunities, recent successes and common challenges. Such a platform is not only of paramount importance, but also extremely relevant in a space that is dynamic, constantly evolving and bringing new stakeholders into the fold. Therefore, a common forum, informal in format and flexible in intent, is the need of the hour.

Responding to this urgent need, Samhita Social Ventures and SNEHA (Society for Nutrition, Education and Health Action) floated the initiative 'Coffee with NGOs'. The purpose is for social organizations to congregate periodically to discuss topics of urgency and relevance to them. Contrary to conferences and other events that involve considerable overheads and are tied to specific themes, this forum aims to create a comfortable and safe space for such organizations to share and brainstorm on solutions. An ambitious vision for this forum is to organically evolve into an official conglomeration of NGOs with a common voice and a mandate to represent the sector. The forum abides by the principles of inclusivity and fairness, and hence, plans for different NGOs to host sessions on a rotation basis. To propagate learnings and create a legacy for these events, it is important that they are documented and shared. This paper aims to capture learnings and opinions from the conversations at the first meeting of the "Coffee with NGOs" series.

The kick-off meeting held in November 2013 was attended by eight NGOs – Ojus Medical Institute, Ratnanidhi Charitable Trust, Swades Foundation, PARFI, Masoom, Zaya, Atma and Shelter Associates.

The topic for the session was the knowledge and preparedness of NGOs to embrace the newly passed Companies Act 2013 and other challenges faced by NGOs to tap into CSR funding. The session was hosted by SNEHA at their office and was co-anchored by Ms.Vanessa D'Souza, CEO of SNEHA, and Mr.Krishnan Neelakantan, Managing Director of Samhita Social Ventures.

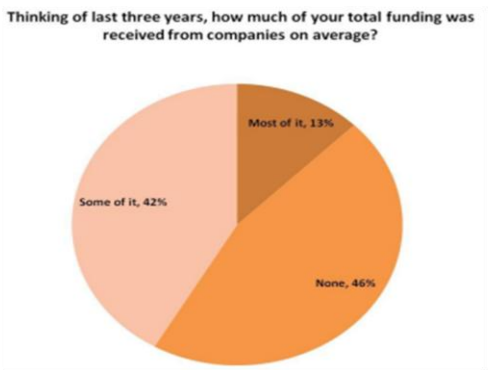
CSR, Companies Act 2013 and what it means for NGOs

Corporate Social Responsibility or CSR is poised at the juncture of a large-scale revolution. With the international business community setting ambitious precedents of responsible and strategic social initiatives and the corporate sector in India becoming more and more inclusive of the Indian populace, the time has come for companies in India to move beyond the philosophy of CSR being just a donation-making exercise. Instead, it is time that CSR is viewed as an instrument that helps align company objectives to social good, build the brand of a responsible organization and creates respect and loyalty among employees.

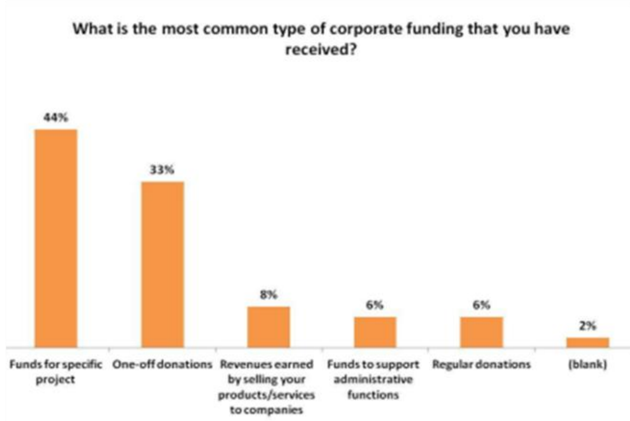
To enforce this further, Section 135 of the Companies Act 2013 ushers in a new regulatory stance towards corporate social responsibility (CSR) in India with an estimated 16,000 companies in India now required to comply with the mandatory provisions on CSR. This can translate into a total annual spend on CSR of approximately Rs 19,000-22,000Cr, as companies ramp up spending to the norm of 2% of net profit laid down in the law. The law does not just stop at mandating the expense. It delves into specifics of how to administer, monitor and measure the efficacy of the spending. For example, the various activities/causes that companies can support have been defined in the law. The first session of Coffee with NGOs focused on discussing the preparedness and fit of NGOs to receive funding of such high volumes.

Results of survey of NGOs

As a precursor to the event, Samhita Social Ventures conducted a survey within its network of NGOs and social enterprises to capture their viewpoints and insights on the CSR provisions of the Companies Act 2013. It is important to note that, of the 48 respondents; half have not received any corporate funding in the last three years. Also, it was found that a majority of corporate funding was tied to outcomes of specific projects. The adjoining figures throw more light on the findings of the survey.



Of the 48 NGOs surveyed by Samhita, around half had not received any corporate funding in the last three years, as shown above



Though corporate funding for specific projects was the most common type of engagement, one-off donations to NGOs were also popular.

As is clear from the survey, CSR funding is still a nascent area for NGOs and is not widely prevalent in the sector. It is neither easily procurable, nor is it simple to put to use. Moreover, NGOs are still inexperienced in the art of securing such funding, especially at a scale that supports a considerable part of their activities.

Under such circumstances, the new legislation raises questions on how ready NGOs are to stake claim and do justice to this new pool of funding made available by law. The discussions at this meeting revolved around key challenges and learnings by NGOs in working with companies. The following section documents the same.

Challenges of securing and spending CSR funds and moving beyond them

1. Nature of corporate giving

Corporate giving is distinctly different from foundation giving in terms of process of securing and terms of administration. While corporate giving flows out of business objectives and an inherent need to create a brand, foundation giving is more philanthropic in nature and gives social organizations more leeway to conduct pilots and test models before taking them to scale. This means that SOs will need to be more cognizant of processes and reporting when administering CSR funds. This also makes the role of intermediaries very relevant in that processes, templates and milestones agreeable to both parties can be set and monitored by mutual consent of both parties to ensure smooth implementation of projects.

Learning from the field proves that it is better to approach fewer companies with huge corpuses rather than trying to tap into a number of smaller companies just for the sake of partnerships. To that end, funds from huge companies can be pooled in together to address large-scale issues such as polio, child labour, education, etc.

2. Spark collaborations between SOs

Companies prefer to partner with SOs that have higher visibility or those that are well-known in their respective sectors. In addition to this, the Companies Bill also states that the partner social organizations need to have an established track record of at least three years to implement the activities in related areas. Hence, it becomes quite difficult for smaller SOs to foster corporate partnerships. The solution lies in getting bigger, well-established SOs in the field to partner with the smaller organizations closer to the ground and jointly apply to and utilize CSR funds from companies. This not only increases the credibility for the smaller organization but also helps strengthen their visibility. In the long run, this can be a major boost to smaller organizations.

3. Duration and location of Project

Since companies function on the basis of a year-on-year budget, their partnerships with SOs last only for a year and are renewable on an annual basis. This opens up gaps introduced by changes in CSR personnel and social priorities, thereby throwing the programs of SOs into uncertainty. With respect to location, companies find it quite relevant and hassle-free to have the program implemented in and around their office/factory site. This may be distinctly different from locations SOs work in. There is much need for effective negotiations between the two parties to decide not only individual priorities but also to consider the need of the target communities before implementing a program among them.

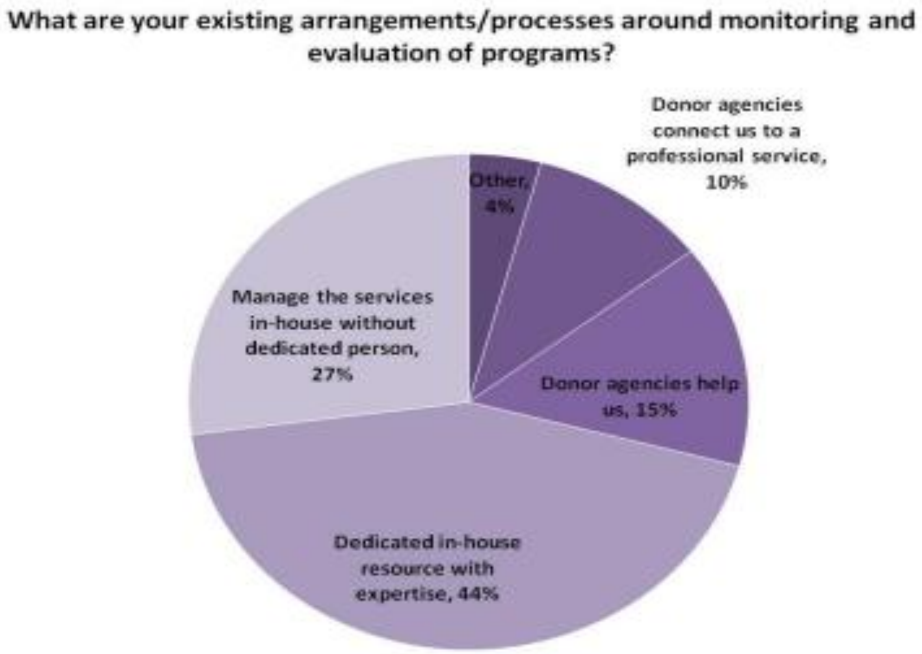
4. Risk Capital

Corporate giving is diverted from business profits. Hence, it is difficult to get a corporate to invest in risk capital. The hope is that with the CSR spending being mandated by law, companies will show more appetite for investing in ideas, to invest in entrepreneurial ventures and move beyond traditional causes to take up causes that are of interest to current society.

5. Lack of knowledge with the corporate

Companies find it difficult to understand the nuances of the social sector. A common discontent among all SOs is that they are highly misunderstood or misperceived. The companies need to be educated on the workings of the development sector. An intermediary or consulting firm that is familiar with the language and functioning of both parties is perfectly placed to take on such a role. While, on the one hand, corporate professionals need to be sensitized and taken to the field a lot more; on the other hand, NGO programs need to be designed with impact metrics and plans that meet up to companies’ expectations.

As a follow-up to the passage of the Companies Bill in Parliament, Samhita Social Ventures conducted a dipstick survey with a few leading companies to understand their processes and experiences of working with social organizations. The figure below documents responses from the survey.



A corporate aims at creating an impact that is quantifiable, measurable and objective. For instance, if an organization works with victims of domestic violence; a psychometric test is recommended to ensure that the woman is completely out of the state of trauma and nervous depression. An impact of this kind that can be presented to the corporate leadership with assured results convinces them to further invest in CSR programs. The work of the social organizations should be made tangible for the companies to record, measure and report impact. One of the ways to ensure this is to take the managers and the employees of the company for site visits and events, for them to know how and where their funds have been utilized. This helps to build bridges of trust among the two entities.

6. Decision-making

Large companies have a large and complex hierarchical structure. Hence, it becomes difficult to work one's way around this structure to get a CSR program passed. The solution lies in directly getting the decision maker in the picture. The ultimate reins of CSR lie in the hands of the promoter or business head. Hence it is best to try to reach out to the higher authorities right from the beginning. It is highly recommended that SOs bring on board, advisors and supporters who have deep and wide corporate connections and who will respond to a call for help in making introductions and referrals on their behalf.

7. Volunteering benefits

Employee volunteering should be used to its maximum potential by social organizations. Promote the concept of collaborative volunteering wherein individuals, NGOs, SEs and companies join hands and to create structures that enable volunteering of time, resources and expertise. An idea that is soon gaining ground across the social sector is to have employees volunteer their skills to address some key needs of NGOs that are related to organizational development and interface with external stakeholders, rather than directly supporting the program. For example, employees can be involved in various activities such as making of proposals, creating communication collateral, setting up technology infrastructure and training of field staff. This way, the NGO is impacted in clear measurable ways by an expert and the employee walks away with a greater sense of fulfilment.

8. Sustainability

Companies prefer funding projects that are sustainable and can survive by themselves after a point of time. Companies expect some kind of fundamental inflow from the CSR programs they support. These returns need not be just monetary. For instance, if a corporate decides to construct bio-toilets in a disaster-stricken area, getting the villagers involved in the construction of these toilets could be tangible output, since it leads to empowerment of the community. Hence apart from monetary benefits, getting the direct stakeholders involved at the implementation stage itself is a huge incentive for the corporate.

9. Access to companies

Smaller SOs take time and use up considerable amount of resources to access companies. To address this issue, a database of companies makes it more convenient for SOs to reach out to companies and start a conversation. The Ministry of Corporate Affairs is in the process of establishing that link and consulting firms such as Samhita Social Ventures aim to bridge that gap. With this in mind, Samhita Social Ventures has launched the CSR Marketplace that is a vibrant platform hosting profiles of SOs that companies can browse through and express interest in. It also disseminates information on best practices and successful case studies.

Conclusion

The kick-off event has provided significant points on what works best on the field with respect to partnerships of SOs and companies. Personal experiences, surveys and interactive discussions have made a strong case for working together successfully by forging partnerships, sensitization and setting of processes. The hope is that this paper shall set the foundation of how all stakeholders interact with each other to ensure seamless and impactful partnerships aimed at creating maximum positive change in the lives of those that are in dire need of help and attention.