



Ready, Set, Grow

EFFECTIVE CAPACITY
BUILDING FOR NGOS
AND FUNDERS WHO
DREAM BIG

Supported by

Bank of America 

dasra

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DASRA meaning 'enlightened giving' in Sanskrit, is a pioneering strategic philanthropic organization that aims to transform India where a billion thrive with dignity and equity. Since its inception in 1999, Dasra has accelerated social change by driving collaborative action through powerful partnerships among a trust-based network of stakeholders (corporates, foundations, families, nonprofits, social businesses, government and media). Over the years, Dasra has deepened social impact in focused fields that include adolescents, urban sanitation and governance and has built social capital by leading a strategic philanthropy movement in the country. For more information, visit:

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contents

| | |
|---|----|
| FOREWORD | 2 |
| INTRODUCTION | 3 |
| 1 Placing Impact First | 5 |
| The value of capacity building | |
| 2 Seven areas of capacity building that make up institutional maturity | 9 |
| 3 Growth stages of a best-in-class NGO and the capacity building lifecycle | 13 |
| 4 Recommendations for funders | 25 |
| How to maximize the value of your grantees' capacity building initiatives | |
| 5 Recommendations for NGOs | 37 |
| Develop razor-sharp clarity on the why, what and how of capacity building | |
| RESOURCES | 53 |
| References | 59 |
| Further Reading List | 60 |
| Acknowledgments | 60 |

FOREWORD



OVER THE PAST seven decades, real progress has been made in helping those in need in India. Yet, in 2018, more than 20% of our country's 1.3 billion people continue to live below the poverty line.

This is a fact not lost on India's Non-Governmental Organizations (NGOs), who have a critical role in helping India meet its development needs while struggling with their own set of challenges. To broaden their reach and impact, NGOs need to scale up their capabilities in a significant and sustainable way. It's an immense task and one that we believe requires meaningful input from the corporate sector, above and beyond financial support.

This report, Ready, Set, Grow: Effective Capacity Building for NGOs and Funders Who Dream Big, makes a compelling case for developing India's NGO sector – and suggests ways this can be achieved. The report's findings reflect what we at Bank of America have learned from helping NGOs build capacity here in India and all over the world: building capacity gives NGOs the power to multiply the impact of the good work they are doing.

At Bank of America, we are guided by a common purpose of making financial lives better for the people and communities we serve. In pursuit of this, we continue to make long-term investments in our NGO partners in India. In addition to financial grants, we help our partners shape sustainable growth plans, improve their financial literacy, and frame robust governance policies.

We also seek to encourage a wider discussion and action on social issues through thought leadership reports such as this. Thematic reports also supported by us include Dignity for Her: Empowering India's adolescent girls through improved sanitation and hygiene (2016), Best Foot Forward: Enhancing the employability of India's adolescent girls (2017), and Collaborative Force: 10 to 19 (2018).

We hope by reading this report, you will be encouraged to join us and other responsible companies in looking beyond "checkbook philanthropy." Together we can help NGOs build strong, sustainable organizations, fit to address the developmental challenges that lie ahead.

- KAKU NAKHATE
PRESIDENT AND INDIA COUNTRY HEAD, BANK OF AMERICA

INTRODUCTION

IN CONFERENCE ROOMS across the country, a lively conversation on capacity building is underway between funders and NGOs. Givers and social organizations agree: impacting more lives calls for investing in not just programs, but also the institutions that deliver them.

For India, this is an important development. Despite the billions of dollars that have been invested in the development sector so far, we still have a long way to go to raise health, education, and nutrition indicators in our country to reasonable levels. We are home to nearly a fifth of the world's population, and that means our country needs solutions that have the potential to reach millions. Nothing less will help us achieve the Sustainable Development Goals (SDGs) by 2030.

Institution building is perhaps the least understood aspect of what it takes to impact lives at scale. While technical excellence is crucial, scaling requires investments in people, processes and systems that stretch far beyond programs themselves. As a non-profit grows from 50 people to 150 and from 150 to 500, functions such as finance and human resources become just as crucial as the delivery of products or services.

Unfortunately, while capacity building is necessary for the scaling of organizations, not enough funder-NGO conversations on this subject evolve to meaningful engagement, and when they do, they do not always achieve the value envisioned by each party. This is because givers and NGOs struggle to connect the dots between capacity building investments and on-ground impact; they fail to agree on common priorities, approaches and measures of success; and more broadly, they tend to approach capacity building without a collaborative mindset or sufficient strategic clarity.

This report is squarely focused on why and how to invest in the program-agnostic institutional backbone of nonprofit organizations. To do this, Dasra has synthesized learnings from nearly two decades of experience working with change-makers to build their capacity. We also conducted more than a dozen interviews with founders of at-scale organizations, experts and funders that have patiently supported organizations on their journeys to scale.

The road to achieving the SDGs is a winding one. Taking this road demands that many more NGOs and funders set their sights on scale and team up for breakthrough growth. This report is a step towards realizing that ambition.



With Dasra's support for capacity building and funding, organizations have grown 9x in outreach and 6x in budget.



CHAPTER 1

PLACING IMPACT FIRST:
THE VALUE OF CAPACITY BUILDING

“Non-profits, like their for-profit counterparts, need to focus on building the capacity of their entire organization if they want to maximize their social impact. Both the Board and staff need to dedicate themselves to raising capacity building to the same level of importance and attention as program development and management.”

– MCKINSEY & COMPANY, EFFECTIVE CAPACITY BUILDING IN NON-PROFIT ORGANIZATIONS (2001)

THE FIRST STEP towards bridging the gap between non-profit organizations and funders around capacity building is recognizing the fact that investing to strengthen institutional capacities underpins impact significantly.

The fundamental yet overlooked reality is that NGOs and for-profit businesses are both composed of people pursuing common goals, who are bound together by systems, processes and culture. Many of the principles that apply in the for-profit environment apply to non-profits as well. Just as evolving from a standalone 50-seat restaurant into a chain requires investment in areas not directly linked to food production, non-profits looking to grow must take investing in areas such as human resources and systems as seriously as they do for programs. The talent, systems and processes, or infrastructure it takes to serve 50 customers – or constituents – is a world away from what it takes to serve 5,000 people.

A good illustration of this is the inspiring story of Akshaya Patra, the world's largest midday meal NGO. Its journey to scale involved increasing the headcount of managers whose work wasn't linked to producing meals: these were people who worked to build capacity in logistics – learning to transport food on

time from 17 kitchens to a growing spread of schools, and procuring 450 vehicles to transport the meals. These investments helped Akshaya Patra scale from serving 1,500 children in five schools in 2000 to serving over 1.7 million children in more than 14,000 schools across 12 states in India today.

On examining the growth journeys of a range of non-profit organizations, it becomes clear that in any growing business or social enterprise, investments in institutional capacity yield enormous benefits. Then why are so many organizations unable to clearly articulate that value of capacity building and its impact on the ground? The fundamental reason is that the impact of investing in capacity building is indirect and often requires a longer investment horizon.

An example of an organization that made this linkage is Kaivalya Education Foundation (KEF), which works to improve the quality of public education in India. With support from the PIRAMAL Foundation and the Michael & Susan Dell Foundation, KEF developed a strong focus on building institutional capacity from its inception in 2008. It placed high emphasis on growing and nurturing its people by instituting internal processes that prioritized talent management, along with an organization culture that encouraged innovation while retaining accountability.

The rationale was that investing in talent upfront would eventually translate into smooth program execution and increased innovation in service delivery. Most of KEF's investments were long-term, and the connection to on-ground impact seemingly circuitous – but they have paid off. KEF has scaled its impact

“In the for-profit world, no one talks about overheads or capacity building in isolation. They talk about sales margins, expenses, profits, etcetera – which is largely equivalent to the impact measured by non-profits. Corporates invest in executive education, marketing, sales teams – all of this around the attaining of such impact. Similarly, when people talk about capacity building in the non-profit world, it’s important to emphasize that it is part and parcel of what you do. You have to treat it that way!”

– DONALD LOBO, PHILANTHROPIST AND FORMER TECH ENTREPRENEUR



from operating in 100 schools in one state with eight full-time staff in 2008, to working with more than 5,000 schools across 14 states with a staff of close to 1,000 people today.¹

The lack of an “organization building” mindset when looking at growing NGOs, and the indirect and time-shifted nature of returns on capacity building investments are the crux of why funders and NGOs struggle to connect investment in capacity building to impact.

Some investments bear fruit faster than others. For instance, when funders can help organizations pay for good fundraising talent, the organization may reap the benefits of such investments as early as a few months in. A well networked fundraising executive can help a non-profit access unrestricted capital, as opposed to funders, who tend to support programmatic costs but are usually unwilling to extend that to institution building costs.

The engagement between ATECF Chandra Foundation (ATECF) – a private philanthropic foundation in India – and one of its grantees, a livelihoods-focused organization working to improve employability of disadvantaged youth in India, is a good example to illustrate how such an approach works well for the funder as well as the non-profit. In this case, the organization’s operations depended heavily on the Indian Government’s Pradhan Mantri Kaushal Vikas Yojana. ATECF supported the organization in hiring a resource to manage interactions with the government as well as liaise with other stakeholders. This led to impressive results – in the first year, the organization managed to sign MOUs with the government of a total value that was an impressive multiple of the salary the resource was hired at.

Fortunately, there are savvy funders and successful NGOs from whom the sector can learn. Acknowledging that capacity building has a clear link to improved organization

performance and thereby greater impact, allows funders and NGOs to focus on the elements that are critical to the organization.² Both funders and grantees can improve the chances of achieving their shared goals if they collaboratively commit to prioritizing and strengthening the key elements within an organization – the subsequent chapters provide an overview of what these elements are.

“Organizations often fail to connect resources to their aspirations through a process of capacity building and organization development – this becomes the missing link in strategic planning. For instance, an organization says it aims to reach 5,000 adolescent girls over the next five years and needs a certain amount of money for it. However, between the organization’s aspirations and the services or resources provided to the beneficiaries, it is imperative to build a certain degree of ‘muscle’ in the organization, which will give the organization the capacity to move in that direction.”

– JEROME D’SOUZA, GENERAL MANAGER, AZIM PREMJI PHILANTHROPIC INITIATIVES

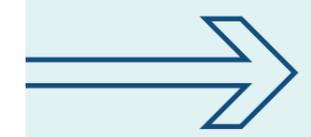


CHAPTER **2**

SEVEN AREAS OF CAPACITY BUILDING THAT MAKE UP INSTITUTIONAL MATURITY

WHAT DOES CAPACITY BUILDING COMPRISE?

Over the years, Dasra has worked with hundreds of non-profits, funders and other stakeholders in the development ecosystem, and has come to understand that while champions of capacity building abound, there is still a need to have a common understanding of the key components of capacity building. Based on our experience, the most successful NGOs focus on seven areas of capacity building³ over the course of their growth journey:



strategy

WHAT

- Strategy is the set of unified actions undertaken to advance a non-profit's mission by leveraging its competitive advantage⁴

WHY

- Lends focus, direction and clarity, to move the organization from where it is now to where it wants to go⁵
- Provides guidance in fulfilling an organization's mission with maximum impact

HOW

Formulate an organization strategy (may be done internally using tools/frameworks or with professional guidance) by:

- Defining strategic priorities (vision, mission, theory of change, intended impact)
- Evaluating opportunities against priorities
- Developing an operational plan that optimizes resource utilization
- Creating a performance measurement plan with milestones and impact indicators

leadership & talent

WHAT

- Leadership includes CEO/founder along with their direct reports who are key decision makers
- People or talent includes all professional staff and volunteers who give time and energy to the organization – they are the lifeblood of any non-profit organization⁶

WHY

- Leadership plays a crucial role in driving internal alignment, taking strategic decisions, liaising with the board, supporting talent development, and most importantly stewarding effective organizational culture to institute any change. Leadership development thus helps build the effectiveness of the organization overall
- Quality of people recruited, developed and retained in an organization directly determines the success of the organization⁷ – people represent the collective capabilities of an organization

HOW

- Invest in leadership development by providing leadership training and mentoring to founders and senior management teams
- Create staff development (coaching, training and mentoring) plans, develop sound human resource policies and improve talent management processes to build talent capacities

monitoring, evaluation, & learning

WHAT

Monitoring Collection of information about program implementation. It provides data to assess whether planned activities are on track and to question or validate assumptions made during the planning stage

Evaluation Systematic collection, analysis and interpretation of data to judge whether a project has achieved the goals that were set at the start.⁸ It looks at what we had set out to do, what we have accomplished, and how we accomplished it

Learning Use of data and insights from multiple sources – including monitoring and evaluation – to inform strategy and decision-making⁹

WHY

- Robust monitoring and evaluation (M&E) helps track ongoing progress, identify operational efficiencies, and evaluate the impact of the program
- M&E data becomes relevant only when used intensively – a dedicated MEL approach enables continuous learning and improvement, with the end goal of maximizing impact

HOW

- Invest in MEL capacity by hiring/developing the requisite talent, building MEL-related systems and process, or even sourcing external M&E support as needed

Key elements of a MEL action plan:¹⁰

- Incentives to conduct M&E and to use the information gathered
- Training in M&E and learning & adapting based on the data
- Processes/systems to ensure M&E objectivity and quality
- Long-term commitment to institutionalizing M&E

fundraising

WHAT

- Fundraising capacity is the ability to raise funds in a structured and targeted manner, as well as access and maintain relationships with a diverse network of potential funders

WHY

- Grants for fundraising efforts have a multiplier effect, potentially bringing in several times more money to support programs and capacity building expenses; they are critical for achieving impact at scale as well as ensuring program sustainability

HOW

- Invest in fundraising capacity by developing a fundraising strategy and building skills and internal systems for fundraising or any other revenue-generating activity

Key steps to build a fundraising strategy:

- Understand the funding landscape
- Leverage board and existing funder networks
- Prepare a resource requirement plan to inform a committed funding pipeline
- Mobilize resources to tap potential funding opportunities

finance, accounting, & compliance

WHAT

Finance and Accounting includes skills and systems for accounting, budgeting, financial planning and related activities to ensure financial health¹¹

Compliance is a set of processes to ensure that the organization abides by its internal code of conduct as well as external rules and regulations

It involves all legal compliance, statutory certifications, and basic financial and reporting systems, including financial statements related to stipulated regulations

WHY

- Prudent budgeting practices help management evaluate short and long-term goals and take informed strategic decisions that have financial consequences
- Maintaining financial controls helps organizations set spending limits and keep costs in line with incoming funds
- Besides being a statutory requirement, adherence to compliance norms and sound accounting practices are some of the basic hygiene checks most funders look for when evaluating an organization

HOW

- Invest in building capacities of Finance, Accounting, and Compliance staff through training and coaching; this may also involve bringing in new talent to strengthen the team
- As organizations grow, there is a greater need to standardize accounting and reporting processes, which also increases focus on improving related technology and systems

communication

WHAT

External: Entails reaching out to target audiences via appropriate channels with the relevant message, thereby improving the organization's ability to fundraise as well as influence or persuade for advocacy purposes

Internal: Entails driving internal alignment to support change management or to manage morale

WHY

- Increases visibility of the organization and showcases impact created to external stakeholders, which helps amplify the organization's work and build credibility
- Effective communication not only helps reinforce the organization's image externally but also enables the staff, management and board to rally around a coherent identity

HOW

- Build communications capacity by acquiring the right talent, choosing the right tools or frameworks, or bringing in external professional expertise. However, the first step in any of these cases is to develop a sound communications plan
 - Leadership plays a key role in managing internal communication and alignment
- Key steps** to create a communication plan:
- Articulate organization's purpose and intended impact
 - Align on content and positioning of message, and ensure it is tailored to target audience
 - Evaluate various channels (print, online, radio etc.), and refine mode and quality of delivery

board & governance

WHAT

• Board of Directors (also known as Board of Trustees or Governing Board) is the primary group of people entrusted with and accountable for the leadership and governance of the non-profit¹²

• Governance is the systems and processes concerned with ensuring overall direction, effectiveness, supervision and accountability of an organization¹³

WHY

- The board helps the organization envision direction and shape future strategy as well as anticipate potential problems and take steps to mitigate issues before they turn into crises¹⁴
- Non-profit board members can play a distinct role in being active, vocal and visible advocates for advancing the mission¹⁵

HOW

- Provide board members access to training, coaching, and peer exchanges to become high capacity members of the governance team
- An effective board is one that is independent, meets regularly, has clearly defined succession plans, discharges fiduciary responsibilities, holds the leadership/management team accountable for meeting strategic and operational objectives, and collaborates in fundraising activities¹⁶

GROWTH STAGES OF A BEST-IN-CLASS NGO & THE CAPACITY BUILDING LIFECYCLE

OF THE MORE than three million NGOs in India, only a tiny minority has attained significant scale. This is partly due to the inability of founders and funders to guide organizations through different sets of challenges at progressively larger levels of scale.

Dasra's experience suggests that while every NGO is unique, the capacity needs of organizations of similar size are comparable. In the context of capacity building, size or scale refers to a combination of people reached, headcount and budget – all closely associated with organizational needs. The compulsions of newly incubated NGOs grappling with day-to-day survival are similar to each other but vastly different from a multimillion-dollar entity that aspires to influence state policy through evidence-based insights.

The best-in-class NGO growth model has grown from Dasra's learnings over almost two decades and

inputs from experts in individual capacity areas. The model outlines the contours of four growth stages – **Initiate, Stabilize, Grow and Amplify** – and highlights the level of maturity attained by a best-in-class organization at each stage. In addition, it calls out the key challenges that need to be addressed to transition to the next stage of growth for each capacity.

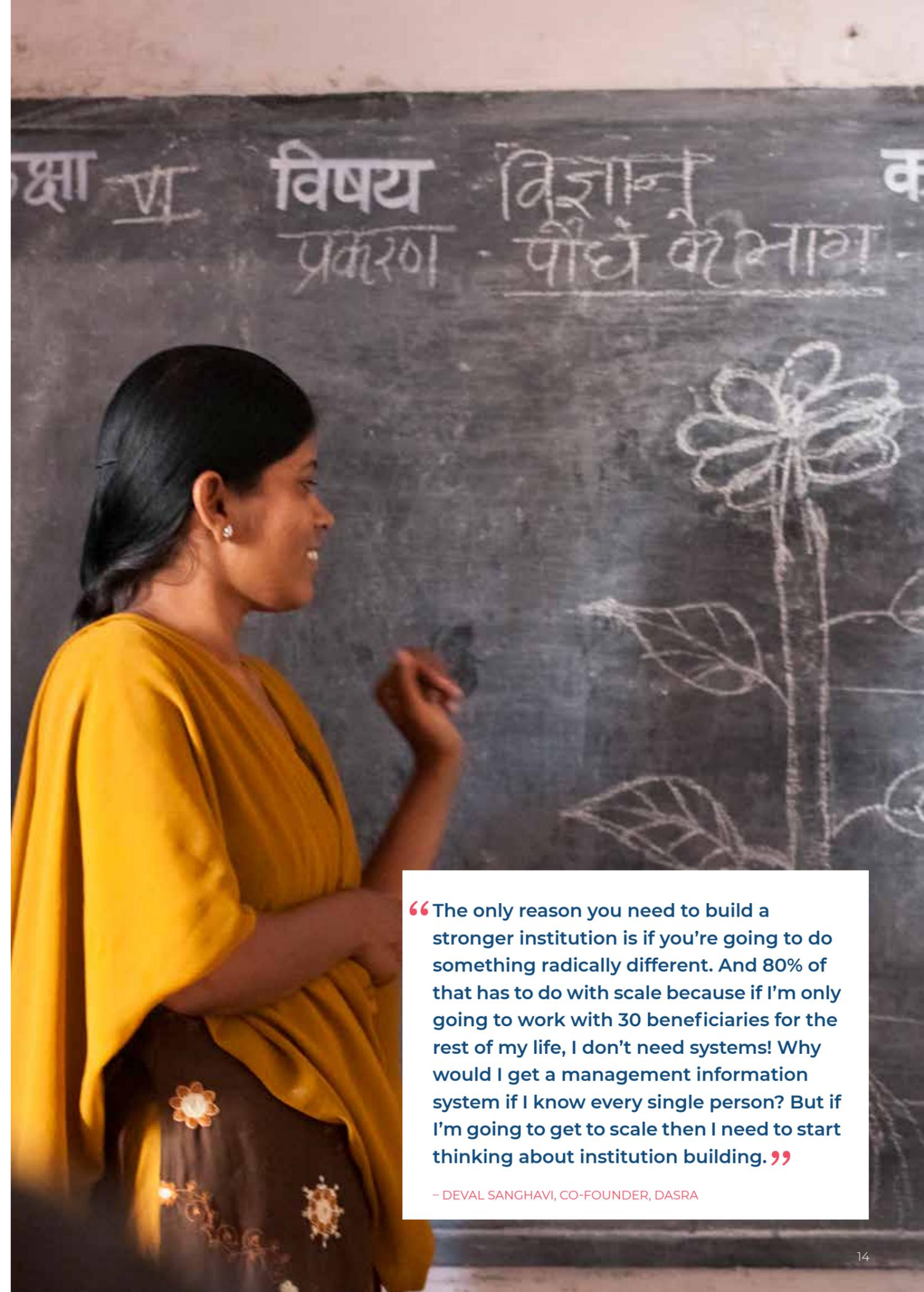
The four stages have not been assigned outreach, headcount or budget ranges since the way those three measures relate to each other and to organizational maturity depend on a complex interplay of model, sector, and other factors. For instance, adding additional services for the same set of beneficiaries may lead to greater headcount and budget (and M&E needs) without outreach expansion. For the purposes of this report, the important takeaway is that institutional needs develop in a predictable way with scale.

Use the best-in-class NGO growth stage model as a conversation starter

The growth stage model is intended to spur reflections by funders and change makers, and serve as a starting point for a discussion around capacity building. As a funder or NGO, consider the description of the stages to plot your organization or grantee. The question is, "Which one of these stages best describes my organization?" Then, go through the characteristics of best-in-class NGOs for that stage and compare it to your (or your grantee's) level of maturity for each area of institutional capacity. Also, browse through the growth challenge associated with each area.

The real world is complex, and it would be rare to find an organization that is best in class in all seven capacity areas. However, non-profits that are the most 'scale ready' demonstrate a higher level of maturity across the seven areas of capacity. For those who desire scale, Dasra's construct is a means of assessing where you stand compared to an ideal state; and of understanding the challenges you may need to meet in order to make progress. Reflect on whether closing gaps (where they exist) would better position you for growth; and whether you resonate with the stage-specific growth challenges called out.

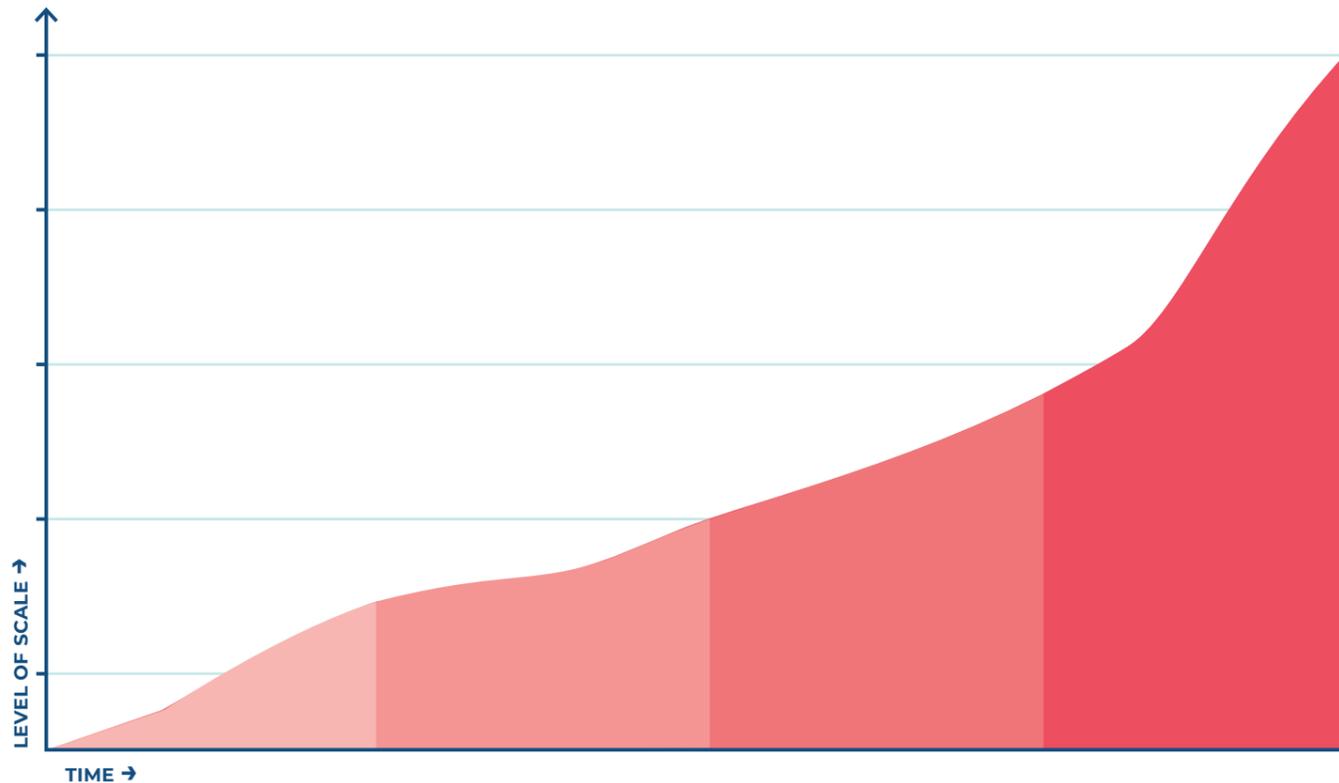
However, the growth stage model is not intended to be a diagnostic. For a rigorous, more detailed assessment, consider using a formal capacity assessment tool (see the Resources section at the end of this report for a list).



“The only reason you need to build a stronger institution is if you're going to do something radically different. And 80% of that has to do with scale because if I'm only going to work with 30 beneficiaries for the rest of my life, I don't need systems! Why would I get a management information system if I know every single person? But if I'm going to get to scale then I need to start thinking about institution building.”

– DEVAL SANGHAVI, CO-FOUNDER, DASRA

The best-in-class NGO growth journey



1 INITIATE 2 STABILIZE 3 GROW 4 AMPLIFY

NGOs start life as a project and gradually move from project to program. The key focus at this stage is creating and delivering a service or product, and ensuring short-term financial sustainability.

NGOs focus on consistent program delivery, while simultaneously refining or adding programs. While organic growth may take place, founders with an eye on scale see this as a stepping stone to the Grow stage.

Ambitious organizations accelerate growth and scale programs to new geographies/beneficiary groups and/or existing beneficiary groups, leveraging past successes to attract progressively greater funding and support (for example, government partnerships).

Organizations are already operating at scale but reorient around amplifying impact rather than purely scaling programs. For instance, if they are already participating in sector-building activities (such as research and advocacy or capacity building of implementing organizations), these are now given greater importance.

strategy

| GROWTH STAGE | DESCRIPTION | CHALLENGES |
|-----------------------|---|--|
| 1 INITIATE | <ul style="list-style-type: none"> The organization has no formal strategy However, the founder has a very clear vision and the ability to articulate it | <ul style="list-style-type: none"> Articulating a formal strategy and aligning project work around this strategy Ensuring projects become programs |
| 2 STABILIZE | <ul style="list-style-type: none"> The organization has annual plans for each program It is deeply conscious of the target beneficiary's needs as well as its own identity | <ul style="list-style-type: none"> Developing longer-term plans and preventing mission drift due to donor priorities |
| 3 GROW | <ul style="list-style-type: none"> A two-three year plan exists and is substantially adhered to in practice, individual program plans are reviewed at periodic intervals Strategy has been socialized with and has the support of the Board, key funders and employees | <ul style="list-style-type: none"> Refreshing strategy to effectively operate at stage 4 Making hard choices around core versus non-core programs |
| 4 AMPLIFY | <ul style="list-style-type: none"> Strategy is well articulated; and may have been developed with assistance from external advisors Formal planning procedures are established and intensively reviewed at both a program and organization level The organization has multiple partnerships with nonprofit organizations and others; it proactively monitors the results of partnerships and exits those that are not effective or high-priority | <ul style="list-style-type: none"> Avoiding loss of clear mission focus and identity that inspires and motivates people Losing touch with voices from the ground |

leadership & talent

| GROWTH STAGE | DESCRIPTION | CHALLENGES |
|----------------------|---|--|
| <h2>1 INITIATE</h2> | <ul style="list-style-type: none"> The organization consists of the founder and their direct reports The organization is characterized by sole decision making by the founder, minimal staff and sometimes a cadre of volunteers Salaries are low but employees are motivated by the founder's passion and charisma | <ul style="list-style-type: none"> Building capacity of employees to grow from fieldwork to project management |
| <h2>2 STABILIZE</h2> | <ul style="list-style-type: none"> The organization has a well-defined multi-tier organization structure Employees do not make major decisions independently, and instead execute on founder's directions. Daily operating decisions however, are decentralized A functional structure emerges (including an accounting specialist and program delivery specialists) | <ul style="list-style-type: none"> Effectively developing second-line leadership especially for future needs Hiring judiciously for non-program positions |
| <h2>3 GROW</h2> | <ul style="list-style-type: none"> The fourth tier of the organization emerges – these are people whose roles may include strategy development, business development etc.¹⁷ Functions mature and are given greater operating freedom by the founder A head of HR is hired; HR policies begin to be codified Educational programs may be used to train managers and enhance their effectiveness | <ul style="list-style-type: none"> Managing staff turnover; resisting culture dilution Meeting the learning and development needs of those in technical, functional and managerial roles Preparing for founder succession |
| <h2>4 AMPLIFY</h2> | <ul style="list-style-type: none"> The founder may be replaced by an external or internally-promoted CEO The organization has a well-defined set of behaviors based on its values, which pervade every aspect of the organization including policies and hiring processes (for example, the hiring process includes criteria on ability to demonstrate these behaviors) | <ul style="list-style-type: none"> Successfully transitioning between founder and new CEO, including value alignment |

monitoring, evaluation, & learning

| GROWTH STAGE | DESCRIPTION | CHALLENGES |
|----------------------|--|--|
| <h2>1 INITIATE</h2> | <p>Monitoring</p> <ul style="list-style-type: none"> The organization tracks project-level indicators It uses paper-based tools <p>Evaluation</p> <ul style="list-style-type: none"> The organization tracks output-level indicators It has no full-time MEL roles Its objectives for MEL are ill defined | <ul style="list-style-type: none"> Being able to articulate 'impact' in terms of outcomes Finding financial resources for MEL |
| <h2>2 STABILIZE</h2> | <p>Monitoring</p> <ul style="list-style-type: none"> The organization tracks program-level indicators It uses MS Excel or Google spreadsheets for monitoring <p>Evaluation</p> <ul style="list-style-type: none"> The organization tracks output-level indicators It has one full-time MEL position; possibly a data entry person It has basic job descriptions for MEL The key MEL objective is donor reporting | <ul style="list-style-type: none"> Drawing insights from MEL and using them to improve program effectiveness |
| <h2>3 GROW</h2> | <p>Monitoring</p> <ul style="list-style-type: none"> It tracks program-and organization-level indicators It uses MS Excel or Google spreadsheets; it may also develop dashboards and in-house tools for partner organizations (reporting templates, Excel-based tools) <p>Evaluation</p> <ul style="list-style-type: none"> The NGO has a results framework and theory of change It tracks outcome-level indicators It has a dedicated MEL team of two or more Its MEL job descriptions include mention of MEL for advocacy The key objective is to gain insights and validation, including from external evaluations | <ul style="list-style-type: none"> Upskilling the team; staying abreast of the latest methodologies |
| <h2>4 AMPLIFY</h2> | <p>Monitoring</p> <ul style="list-style-type: none"> The organization tracks program-and organization-level indicators It uses customized tools; data visualization tools; and qualitative analysis tools such as Atlas.ti <p>Evaluation</p> <ul style="list-style-type: none"> The organization tracks impact-level indicators It has a dedicated MEL team of four or more The key objective is to gain insights to drive learning and to demonstrate impact | <ul style="list-style-type: none"> Using rigorous designs such as randomized control trials (RCTs) Driving efficiencies in MEL processes |

fundraising

| GROWTH STAGE | DESCRIPTION | CHALLENGES |
|---|--|---|
| <p>1</p> <p>INITIATE</p> | <ul style="list-style-type: none"> The organization sources funds from the founder's savings and contributions from friends and family | <ul style="list-style-type: none"> Raising sufficient capital to invest for stage 2 |
| <p>2</p> <p>STABILIZE</p> | <ul style="list-style-type: none"> The organization has sufficient funding opportunities, but turns down those that are completely misaligned with its vision Fundraising continues to be led by the founder, aided by others part-time | <ul style="list-style-type: none"> Gaining long-term visibility into funding Overcoming dependence on a small number of funding sources Improving proposal quality and grant reporting |
| <p>3</p> <p>GROW</p> | <ul style="list-style-type: none"> The organization hires additional fundraising staff The organization becomes more strategic/ selective about which types of funding opportunities it pursues; significant quantum of funding is from repeat funders i.e. those who support over the long term The fundraising plan incorporates a long term view (3 years+) and is regularly updated Large institutional donors come on board The NGO improves funder engagement; some funders support the organization (for example volunteering, offering expertise) | <ul style="list-style-type: none"> Being able to attract larger, more mature donors that are now necessary for survival |
| <p>4</p> <p>AMPLIFY</p> | <ul style="list-style-type: none"> The organization has a diversified base of large institutional funders including MNCs and foundations Less commonly, the organization may also have a large base of retail givers | <ul style="list-style-type: none"> Retaining the scarce, highly-skilled talent necessary to manage sophisticated donors |

finance, accounting, & compliance

| GROWTH STAGE | DESCRIPTION | CHALLENGES |
|---|---|--|
| <p>1</p> <p>INITIATE</p> | <ul style="list-style-type: none"> The NGO lacks Finance and Accounting systems; accounts are maintained in MS Excel However, accounts are well-maintained and follow commonly accepted accounting principles; external review of accounts is possible without extensive clarifications A designated accountant may additionally be involved in ad-hoc administrative tasks, human resources, drawing up agreements etc. | <ul style="list-style-type: none"> Getting basic audits done; arranging foundational compliances/ certifications (e.g. FCRA, 80G) |
| <p>2</p> <p>STABILIZE</p> | <ul style="list-style-type: none"> The organization maintains accounts in software such as Tally One or two dedicated staff are hired in the accounts department | <ul style="list-style-type: none"> Fulfilling donor reporting requests in a timely and accurate way |
| <p>3</p> <p>GROW</p> | <ul style="list-style-type: none"> The organization hires a professional CFO It develops proactive budgets It develops a financial risk management plan It develops and follows investment guidelines It hires auditors with development sector experience and introduces internal audits. | <ul style="list-style-type: none"> Managing periodic cash flow problems (e.g. due to delayed government payments, or the unplanned exit of a corporate donor) |
| <p>4</p> <p>AMPLIFY</p> | <ul style="list-style-type: none"> The organization upgrades Tally or equivalent to a full-fledged ERP system It may help to streamline Finance, Accounting and Compliance of partner NGOs | <ul style="list-style-type: none"> Ensuring excellence in risk management and financial controls |

communication

| GROWTH STAGE | DESCRIPTION | CHALLENGES |
|-----------------------|--|--|
| 1 INITIATE | <ul style="list-style-type: none"> The organization has a website but no formal Communications function | <ul style="list-style-type: none"> Finding high-quality communication support without commensurate financial resources |
| 2 STABILIZE | <ul style="list-style-type: none"> The NGO solicits pro bono communication support from designers, web design agencies etc. The organization develops official promotional material | <ul style="list-style-type: none"> The same as Stage 1 |
| 3 GROW | <ul style="list-style-type: none"> The organization hires in-house talent Communication people It develops a communications plan every year in line with the business planning process It ramps up production of professional promotional materials | <ul style="list-style-type: none"> Finding an experienced resource to lead the Communications function Training internal teams to use this function in a strategic way |
| 4 AMPLIFY | <ul style="list-style-type: none"> The organization focuses more deeply on advocacy, and developing and disseminating its learnings to become a thought leader It is often referenced in the media as a thought leader in its field | <ul style="list-style-type: none"> Driving dissemination and uptake of learnings to influence the sector as a whole |

board & governance

| GROWTH STAGE | DESCRIPTION | CHALLENGES |
|-----------------------|--|--|
| 1 INITIATE | <ul style="list-style-type: none"> The organization has a board; it is composed largely of friends and family, and the founder is able to effectively tap into it for funding | <ul style="list-style-type: none"> Building a board that is able to support the founder effectively, with sufficient commitment to reach stage 2 (such as helping the founder access funding, and providing adequate time and availability) |
| 2 STABILIZE | <ul style="list-style-type: none"> The first 'outsiders' are inducted The focus of the board shifts from general support to oversight; and formal reporting by the founder to the board begins | <ul style="list-style-type: none"> Managing board turnover as the organization's needs outgrow board members' ability to offer tailored support Ensuring openness of the founder to scrutiny by the board in the larger interest of the organization |
| 3 GROW | <ul style="list-style-type: none"> The board's size and diversity increases A committee structures formed; most work is done in committees There is greater clarity on processes Board members open their networks to assist with fundraising, advocacy efforts, et cetera | <ul style="list-style-type: none"> Tapping the expertise of the board for specialized input beyond their ability to fundraise and offer high-level guidance |
| 4 AMPLIFY | <ul style="list-style-type: none"> The board plays a key role as guardian of the organization's vision; and in scouting for senior leaders and holding them accountable | <ul style="list-style-type: none"> Using the board to further professionalize the structure of the organization |

→ the capacity building lifecycle

While the growth stages explain what excellence means for each institutional area and stage of growth, the lifecycle approach posits that effective capacity building engagements look alike regardless of the specific area or organizational size.

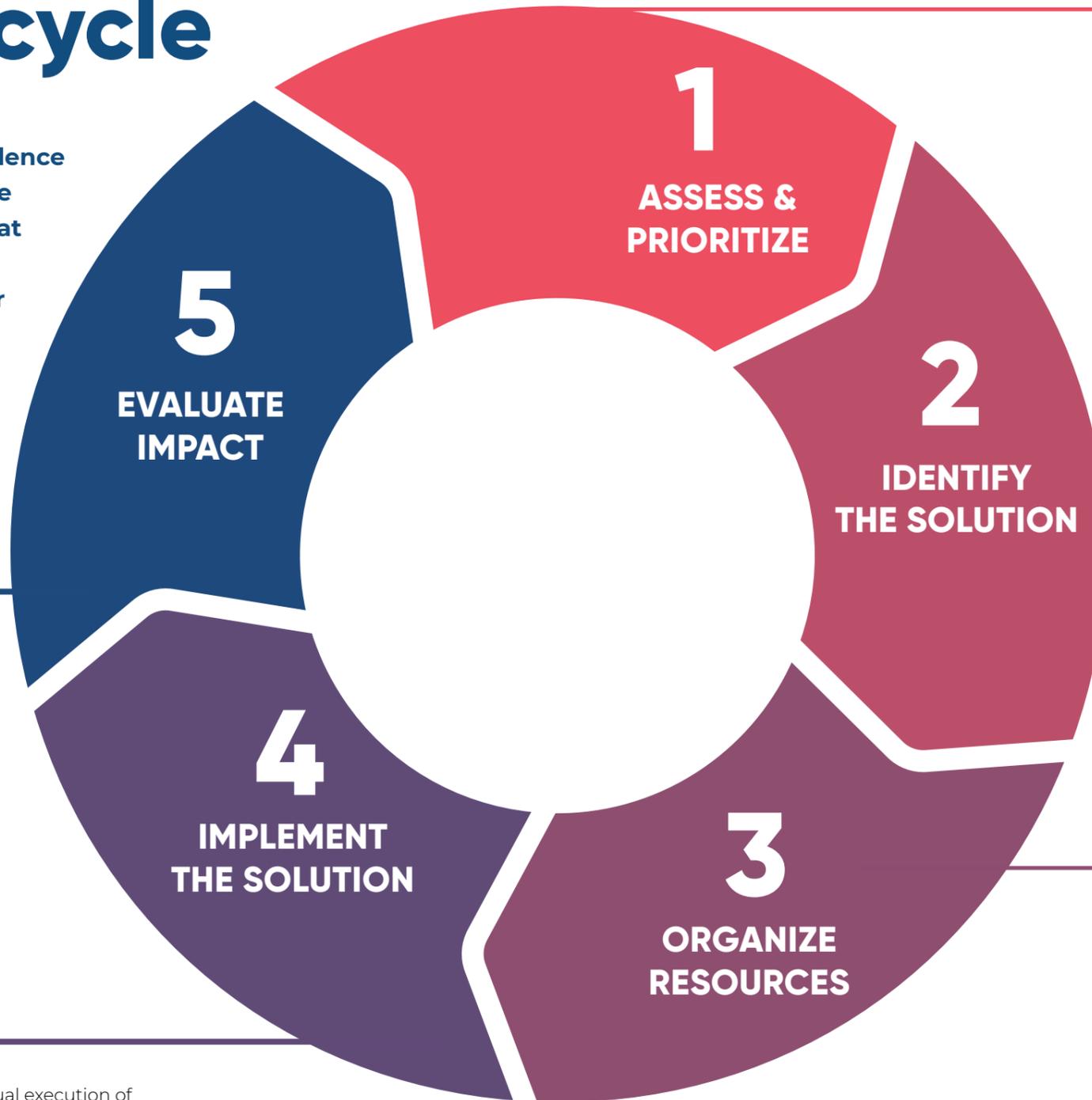
Determining what to focus on and why, identifying solutions, resourcing those solutions, executing with excellence and gauging success are all important aspects of the lifecycle. While this may appear obvious, too often grantees and funders pass over steps in an effort to respond to urgent issues. Doing so mistakes speed for efficiency and is ill advised if the goal is to maximize impact.

GIVEN THAT linking capacity building initiatives to impact is not straightforward, NGOs and funders can measure the success of these engagements in the short-term based on goals and success indicators identified in the initial plan. If a capacity assessment framework has been used, it will reveal the level of change in organizational capacities. Sharing results with funders in a timely fashion is vital to securing their support and potentially attracting even greater support in the future.

Organizations should ideally engage in reassessing their strategic priorities at the end of each year or during an annual planning exercise. Doing so ensures that organizations are able to close the loop, connecting outcomes of capacity building to impact on the ground.

PERHAPS THE MOST crucial stage in the lifecycle is the actual execution of the proposed activities.

Implementation starts with ensuring that there is adequate bandwidth and the required skills at hand. Senior leaders should clarify decision rights, design metrics for success, plan phases of execution and continually drive buy-in and enthusiasm for the initiative. Reviewing the progress of the solution and solving any issues along the way is critical in this phase.



THE ORGANIZATION takes measure of its institutional capacities and identifies focus areas to strengthen. It is worthwhile to take the time to identify the root cause of an issue or the critical enablers of long-term success, rather than to focus on quick fixes. For instance, an organization struggling with fundraising may find that the root cause is a lack of evidence around their programmatic impact rather than the size or quality of the fundraising team. In such a situation they may be better served by investing in MEL than hiring more fundraising staff.

Again, it can be helpful to use a capacity assessment framework (see the 'Resources' section at the end of this report) and leverage a mix of external advisors and internal leadership to think through the capacity building plan. Securing buy-in from all constituents that will be affected by the plan or have a role in its implementation is also important. A supportive and engaged board, patient and willing funders, and leadership that will 'own' the initiative, are all vital to success.

THIS STAGE involves choosing the best way to bridge the gaps identified at the previous stage. The optimal solutions are ones that are not needlessly complex, meet the organization's growth needs and are sustainable in the long run. Having a clear understanding of what resources will be required for the investment to succeed immediately, and in the future, is useful at this stage.

ONCE A POTENTIAL solution has been identified, the next step is to arrange for the resources required to implement it. Given that raising funds for capacity building can be challenging, organizations have to get creative about resourcing. They can draw on their board members, funders or corporate entities for pro bono expertise and advisory services.

The most successful NGOs also display thoughtfulness when matching funding sources to investments. Comparable to effectively using working capital and long-term funds in the corporate world, savvy NGOs ensure that they use their longer term, risk tolerant grant funds for institutional strengthening activities and their more conservative, restricted funding for conventional programmatic spends. As Aditya Natraj, Founder and Director, Kaivalya Education Foundation (KEF) puts it, "You can't build a road with an overdraft."

RECOMMENDATIONS
FOR FUNDERSMAXIMIZE
THE VALUE
OF YOUR
GRANTEES'
CAPACITY
BUILDING
INITIATIVES

SO FAR, we have discussed the value of investing in capacity building, the areas and stages of institutional capacity, and the lifecycle of effective capacity building initiatives. This section focuses on 'how' funders can get the most out of their capacity building grants. It describes best practices for funders to institute from the stage of assessing an NGO's needs to evaluating the impact of the investment. Dasra's recommendations for funders are alongside:

1. **Translate your business acumen**
2. **Encourage the NGO to ask**
3. **Ensure alignment with the NGO's priorities**
4. **Take the long view**
5. **Agree on accountability mechanisms to build trust**



1. Translate your business acumen

The fundamental principles of management and institutional strengthening are similar for NGOs and commercial organizations. For an NGO, understanding what it takes for organizations to scale and how the variables evolve and interact with each other is useful. This is where funders with experience in growing businesses can add a great deal of value to their grantees. Two ways to do this are: provide expertise alongside capital and offer funding with fewer strings attached.

Sean Sovak, Partner and Co-founder at Lighthouse Funds and a veteran business builder, coached Mumbai-based education NGO **Muktangan** through its succession planning process. The process began when he and a few other mentors helped the founders clearly articulate Muktangan's mission, to provide "guide rails" for future leaders. Then, he worked with the founders to reflect on past failures and current team capabilities, and helped them through a successful leadership transition. Today, he serves on Muktangan's advisory board, working with the organization to help ensure that the next-generation leaders have the support needed to help Muktangan sustain its impact long past the tenure of its founders.

In Dasra's experience, funders can

play a significant role in pushing organizations in the Initiate and Stabilize stages to have a clear strategy, to plan for the long term, and to conduct periodic strategic reviews. Data analysis and technology systems are other areas where funders have been able to support NGOs with their expertise.

Further, non-profits need funders to start thinking about grant making with holistic and long-term impact in mind. When it comes to philanthropy, it is all too common for funders to place heavy restrictions on what their grant can be used for – usually with the effect of excluding capacity building investments. The success of a grant is often measured by the inputs that the specific sum of money was used for, and the expected and actual outputs.

However, if we were to think about this in commercial terms, a person investing in the equity of a company, would typically measure success by looking at the inputs and outputs (costs, sales and profits) for the *entire* organization rather than those specific to their investment. If the organization as a whole performs better, the investment would be called successful. Investing in capacity building of NGOs requires the same holistic outlook that funders take while investing in commercial organizations.

“If I am funding a start up, I don't ask (the founder) how many times he is flying to Delhi, whether he is travelling by train, or what food he eats. After a year, I ask him what he has done with the money.”

– NAGHMA MULLA, COO, EDELGIVE FOUNDATION

Directly implementing management solutions from the corporate world to the development sector may not always work. Despite organization building principles being similar across sectors, NGOs are very different from for-profit businesses¹⁸ in some respects:

- They attempt to solve far more complex problems such as poverty, malnutrition or gender equity than the average commercial enterprise.
- Impact measurement is challenging for NGOs. They cannot stop at measuring the quantum of services or products delivered to beneficiaries. They have to measure the, often intangible, long-term impact on people's lives from this delivery. Tracking the quantum of a soft drink sold is a lot easier than measuring how much of it was subsequently consumed and how drinking it has changed people's lives.
- There is a dearth of talent in the sector. Constrained funding models means NGOs have to go beyond financial incentives to find creative ways to motivate and bolster the skills of their employees.
- Each region of an NGO's operation presents unique challenges ranging from the cultural context to the physical infrastructure.



“The truth is that the social sector is just way more complex; the problems are much harder. I would encourage anyone making the transition from business to non-profit to start with that humble acceptance, rather than the idea that, ‘I'm running a billion-dollar firm and am therefore going to be able to help a INR 5 crore NGO revolutionize itself’.”

– GAURAV GUPTA, REGIONAL DIRECTOR, ASIA, DALBERG ADVISORS

TRANSLATION SUCCESS STORIES

Bank of America consistently undertakes research on sectors such as sanitation or employability to understand the landscape of interventions and assess “what works” before funding NGOs in India.

Former Warburg Pincus India Managing Director Nitin Nayar supported SNEHA, a Mumbai-based organization working on malnutrition, in conducting a scientific ‘cohort analysis’ of its program to demonstrate the efficacy and cost-effectiveness of its approach.

Funders with technology backgrounds, like **Rizwan and Rekha Koita**, use their domain expertise in technology to help organizations make better use of data for impact.

While business acumen is invaluable, funders should be wary of retrofitting business practices within a development context. Before working with NGOs to assess and prioritize their needs, or before identifying solutions, it is worthwhile for funders to:

- **Spend time learning about the sector and understanding what the evidence base says**
- **Visit organizations to understand their programs, challenges and the operating environment**
- **Objectively examine how their areas of expertise could best be translated to the non-profit sector**

2. Encourage the NGO to ask

Any conversation about capacity building requires honesty on the part of the NGO – while assessing needs, organizing resources for current problems, and calling out implementation challenges faced once the grant is disbursed. However, organizations are not always incentivized to practice candor.

“As philanthropists, we need to start thinking, ‘What is the change that should happen?’ rather than ‘What is the change we would like to see?’ Just changing the way the question is asked can help alter the power dynamics – however marginally – of the inherently unequal funder-non-profit relationship.”

– JEROME D’SOUZA, GENERAL MANAGER, AZIM PREMJI PHILANTHROPIC INITIATIVES (APPI)

This can lead to a vicious cycle.¹⁹ The NGO is hesitant to be open about the challenges it faces or the areas in which it needs to strengthen its capacity. Therefore, it doesn’t get the necessary funding to work on these areas. As a consequence, it gets starved of requisite resources, and performs poorly. It attempts to mask this because of the fear of losing its remaining funding. This results in a situation in which the NGO continues to deliver with lower levels of quality, ultimately loses the faith of its funders and finds it even harder to ask for unrestricted funding.

It is in everyone’s interest that NGOs and funders have frank conversations about the support required. However, funders often wield an enormous

amount of power over organizations. This means there can be an unfortunate inclination for NGOs to tell funders what they think they want to hear rather than the unvarnished truth. As one philanthropist put it, “NGOs are afraid to be honest because they think, ‘they (the funders) may stop funding us.’”

It will take conscious effort and constant reinforcement on the part of funders to ensure these honest conversations take place. The funder bears a certain responsibility to be sensitive to the power dynamic and encourage organizations to talk openly.²⁰

Perhaps even more crucial is that givers acknowledge the broader funding scenario and encourage NGOs to ask for support for capacity building. A large amount of philanthropic capital in India is restricted and it is not uncommon for grant makers to insist that their grant be spent only on direct program expenditure. In such an environment, it is not surprising that NGOs hesitate to ask for unrestricted funds.

As a funder, signaling a willingness to fund capacity building efforts can go a long way in creating conditions that are conducive for the success of a grant. This also helps NGOs identify the appropriate funder for different types of projects and make its pitch accordingly.

“Open (grant) applications rarely encourage you to invest in capacity building.”

– ABHIJEET MEHTA, COO, QUEST ALLIANCE

The manner of providing capacity building varies among funders depending on the amount of time and skills they can provide. Corporates, for instance, often draw

“Everybody wants to build capacities but nobody wants to fund it. Somebody else has to fund my (grantee’s) capacity building.”

– NAGHMA MULLA, COO, EDELGIVE FOUNDATION

on their vast pools of employee skills to provide capacity building support to their grantees through employee volunteering programs.

Tata Pro Engage is one such skill-based volunteering program that helps NGOs build and sustain capacity in areas like HR, finance, business planning, web design and IT by leveraging the professional expertise of Tata employees. **Bank of America** also has an issue-based employee volunteering program that extends and deepens the impact of its Corporate Social Responsibility. The bank signals its endorsement by stating that “employees are passionate about improving the lives of individuals and families, offering their time, expertise and philanthropic giving to create more sustainable communities, and we’re proud to support their volunteer and charitable efforts as global citizens”.²¹

Given the vast amount of experience and skills that corporates can bring, volunteer programs are a valuable resource they can encourage NGOs to draw on for capacity building.

3. Ensure alignment with the NGO’s priorities

The most successful capacity building initiatives are those the organization leadership sees as necessary to achieve organizational goals and priorities rather than as an activity to satisfy a grant maker. A survey²² conducted by GrantCraft in May 2014 in the United States revealed that the top two funder-related fears of NGOs²³ when engaging in a capacity building effort were:

- There will be too many funder-driven requirements
- The funder will create a new program that’s not quite in line with the NGO’s strategy or mission.

This reflects Dasra’s experience with Indian NGOs as well. When the organization sees the investment as funder-driven and does not see direct value in it for itself, the goal is less likely to be achieved. Take the case of a funder supporting multiple organizations who believed they would be more effective if they worked together. To experiment with this, he provided them with a grant to collaborate but did not spend enough time ensuring that the organizations were bought-in to the value of this collaboration. This grant may yet throw up surprises—but has yielded no results so far. In contrast, in the Stabilize and Grow phases of the NGO life cycle, thoughtful funders may support NGO leaders who want to develop their own capacity,

for instance through leadership development programs. A 2017 data-driven study by the Bridgespan Group in India found that while the number of leadership programs on offer is rising, there is “a significant, systemic gap between the sector’s leadership development aspirations and the reality of efforts and investments by both NGOs and funders.”²⁵

Funders can play a big role in sparking organization leaders’ imagination and ambition by encouraging them to think about the investments that could give them the biggest ‘multiplier’ effect or, in other words, the most return on investment.

IN DASRA’S EXPERIENCE, IT IS MORE EFFECTIVE TO:

Allow the NGO to tell you what it would like to prioritize

The Packard Foundation makes sure that any application for an ‘organizational effectiveness’ grant (similar to a capacity building grant) originates from the NGO. They see this as a sign of organizational readiness²⁴, which is often vital to the success of the initiative. Giving NGOs the comfort that they can invest in any area they want is a good way to ensure that the investment aligns with the organization’s strategy. Otherwise, it runs the risk of being something the organization pitched largely because it is what they imagined the funder wants to invest in.

Nudge the NGO to think about capacity building strategically

Funders bring an objective perspective and can help organizations plan their investments. Smaller organizations are often beset with worries about sustaining their existing operations and may be short-sighted in their thinking, neglecting long-term investments in the process. Organizations that have planned early on for capacity building initiatives to achieve their vision, and have been able to devote adequate focus to these areas, often credit this to supportive funders who encouraged and enabled them to do so. A funder’s role is often simply to push the organization by asking questions that help them visualize the big picture and what will help them get there.

4. Take the long view

Investing in capacity building means going beyond funding the program by investing in both the organization and the program for the long haul so that both can deliver superior results. For instance, a good manager may actually help to scale the organization's operations significantly but NGOs would hesitate to hire such a person if funding for this position is only available for a year or two.

Organizational change is often slow and may require a few attempts before success is achieved. Recognizing this, large Indian foundations such as Azim Premji Philanthropic Initiatives and the EdelGive Foundation have grant models that span five to seven years when it comes to scaling organizations.

Effective funders of capacity building initiatives back the organization as a whole and make multi-year, risk-tolerant funding commitments. This gives NGOs the runway they need to invest in longer-timeframe initiatives.

While a longer grant is one factor that allows an organization to think beyond its short-term needs, creating a multiplier effect that significantly improves the organization's ability to deliver often calls for bold steps and innovation. Foundations like the ATE Chandra Foundation understand this and encourage NGOs to think of this funding as risk capital or a 'growth stimulator.'

“With the everyday struggle to generate resources from donors, which when it arrives is tied to specific projects, any kind of long-range planning is hard.”

— ANURAG BEHAR, CEO, APPI FOUNDATION

The dynamic landscape of the Indian development sector added to the long horizon required for lasting change means that funders should also be prepared to stick by the organization even in rough weather.

A Mumbai-based corporate foundation described seeing this play out in its support with a Kolkata-based NGO working in the education sector.

When the foundation got involved, the NGO's organization structure was inhibiting its growth by putting too much pressure on the founder to deal with administrative work, funder relations and program execution. So, they suggested the NGO hire a Chief Operating Officer. Recruiting and retaining suitable talent is a challenge most NGOs face. It was no different with this one. It took 12 months and the hiring of two unsuited candidates before they took on a third who was a good fit.

The patience of the funder and the fact that they supported the organization through this period enabled the NGO to go from starting as a single school to now working at an ecosystem level, transforming the lives of hundreds of thousands of children.

5. Agree on accountability mechanisms to build trust

One of the common factors amongst successful NGO-funder partnerships for capacity building is trust. Since the impact of capacity building investments may not be immediate and deviations from the plan may be required along the way, having trust between the partners allows for open conversations and agility in course correction. While funders differ in terms of exactly what it takes for them to build that trust in an organization, having some kind of accountability mechanism in place is often important to a productive long-term partnership.

“Qualitative assessments must be conducted regularly with the institution that you are building. Otherwise, there is no trust established between the donor and donee.”

— KAKU NAKHATE, PRESIDENT AND INDIA COUNTRY HEAD, BAML

One way to do this is for the partners to brainstorm together and clearly define the near-term metrics or milestones that are appropriate to track progress against. Together, the funder and NGO must arrive at a clear set of expectations before implementation begins and ensure that the roles and responsibilities are clear to all parties involved.

At the same time, not being overly rigid about the intermediate milestones goes a long way. A grant should ideally allow the organization to take risks, experiment with ideas and course correct quickly where required. Funders may be better off tying themselves to the ultimate outcomes and holding the

“Setting clear expectations upfront can help ensure both parties are on the same page. Once the milestones are determined in a collaborative way, you have a joint plan in place and both sides will walk together on it.”

— JEROME D'SOUZA, GENERAL MANAGER, APPI

organization accountable to those, rather than how the organization chooses to achieve them. Of course, this does not mean deviations from agreed upon milestones are accepted without discussion. However, if the NGO is able to provide a reasonable explanation as to why the deviation or change in approach is necessary, a funder who is open to that conversation may see better results in the long-term.

Another effective way to ensure accountability and engender trust is to start with small grants that build up to larger grants. Such a mechanism allows the NGO to display its intent and execution ability while giving funders evidence on which to base their trust.

APPI uses a formal system it calls “Challenge Grants.” The duration of these grants is three to six months. They are typically preceded by an extensive assessment of the organization's needs and the aim of the grant is to start working on some of the identified areas. Through the duration of this grant, the foundation assesses the intent and execution capabilities displayed by the NGO, and the synergy between the two parties, and collects evidence of the organization's commitment to

work on capacity building. This helps ascertain whether the NGO is a fit for the foundation's long-term five to seven year grant for institutional strengthening. The Challenge Grant in effect serves as a sieve for the foundation to identify the organizations that it will be able to work best with. It is used by the NGO to demonstrate its commitment and buy-in to the process and to build up to a level of honesty on both sides.

On a related note, one of the first things most funders look for when making a large grant to an NGO is its compliance and reporting systems. Many ask the NGO to undergo a financial or compliance assessment. In the Stabilize and Grow stages of the NGO life cycle, when an NGO begins to attract larger funders, early supporters often prompt or help build the NGO's capacity in the areas of finance, accounts and compliance.

“We are very clear about expectation management in every capacity building grant. While funding is unrestricted, we brainstorm with NGOs on high-multiplier areas that may not be the usual suspects but are critical to the achievement of long-term objectives. Nevertheless, the decision on the project is always theirs as long as we are aligned on the metrics and their achievement.”

— PRIYAKA NAGPAL DHINGRA, SENIOR PHILANTHROPY ADVISOR, ATE CHANDRA FOUNDATION



EdelGive Foundation: Walking with grantees every step of the way

At the core of EdelGive's investment model is the idea of supporting their investees "from seed to scale". This comes from the belief that, "while an idea is necessary to bring about change, there is a critical need for professional assistance at the stage when the initial thought has crossed the inception phase".²⁷ EdelGive Foundation believes in helping small- or medium-size organizations refine their processes and methods of intervention until they reach a point where sufficient capacity has been built, making them relatively sustainable and enabling them to further scale their programs. The foundation's mission is to "leverage the capacity and capital of the for-profit world to equip and enable the social sector to achieve the greatest impact on the lives of the poor in India."

Naghma Mulla, COO of the Foundation sees this transfer of resources – both capital and expertise – between the two sectors as core to the foundation's ideology, and encourages more philanthropists to "think with their business hats" when it comes to funding capacity building. Through its well-defined Capacity Building Framework²⁸, the foundation helps identify its grantees' needs and works towards fulfilling them by leveraging the proficiencies of its employees or by directing the expertise of its capacity building partners to the problem area.

When it comes to helping NGOs that struggle to identify their needs, the Foundation pushes them to identify and address the root cause by spending time on discussion and diagnostics to bring out the underlying cause of the problem.

However, they do not begin a grant conversation by talking about institutional strengthening. They

prefer to let this conversation evolve over a three to six month period of observing and working with the organization and deepen it by having a candid discussion with the NGO. The conversation is integral to the assessment as the grantees have faith that whatever they share with EdelGive will not be taken as a 'bad report' but used for constructive purposes.

On the subject of failures and risks, EdelGive has a pragmatic approach and believes that funders should understand that there is a risk of capacity building initiatives not delivering the envisioned impact. Naghma says they understand that even with the best laid plans, "it is humanly impossible to guarantee a favorable outcome."

As a grant maker, EdelGive is content to make grants over the period necessary to scale an organization and it does not make grants for anything less than five years – its grants are usually five to seven years in duration. This allows it to see the long-term impact of its funding up-close.

To measure progress, EdelGive follows a customized approach to accountability that is flexible and evolves during the period of the grant. The main areas examined are how much the organization has been able to expand, the new things it has been able to do, and the ease of operations.

Their approach embodies the idea of patient risk capital and works at filling in the gaps for NGOs. Speaking of one of its grantees, Masoom – an NGO that works with night school students which has been in its portfolio since the blueprint stage – Naghma says, "We are gap funders who haven't had to gap fund for a long time."



Bringing Silicon Valley smarts to non-profits in India

CASE STUDY

Donald Lobo moved from Mumbai to the United States in 1991 to pursue a post-graduate degree in computer science, and subsequently joined Yahoo! when it was still a start-up. He started his philanthropic foundation, the Chintu Gudiya Foundation, around 19 years ago. Understanding the pressing and neglected issues on the ground, and making big bets on organizations with the most effective solutions are both integral to his brand of philanthropy. Today, he actively leverages his expertise and works with NGOs to strengthen their ability to collect and analyze data using low-cost, open-source technology solutions.

Speaking about the value of capacity building, he explains that his focus is on the organization's output rather than how his specific investment was used. He says, "I don't care how they spent *my* money. I care about how they spend their *entire budget*. My small part of their budget is immaterial. I am more interested in how that's spread across, rather than having them accounting for every single dollar or rupee or paisa."

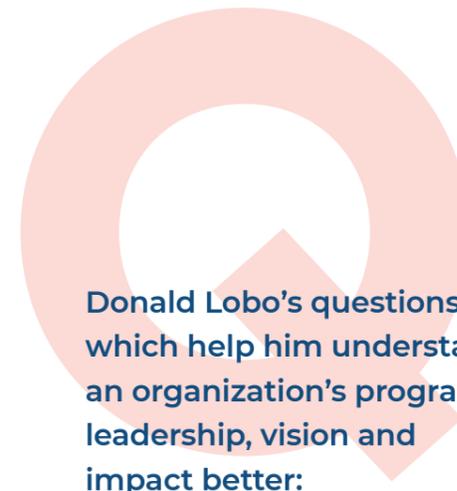
Deeply committed to his role as a funder, one of the things that sets him apart is how particular he is about preparing for meetings with NGOs. He emphasizes that funders and NGOs should research one another before they meet to ensure they have meaningful conversations. He also has a customized reading list he shares with friends starting their philanthropic journey in India.

Given his considerable domain knowledge, experience and research focus, one may expect him to be prescriptive when it comes to how NGOs use technology. However, he is a strong believer that the people on the ground usually know best about what the organization needs and lets NGOs come to him for support rather than the other way around. He is also careful to ensure that he only takes on projects he is qualified to implement. Speaking of an ongoing conversation he is having with an NGO, he emphasizes that funders have to be "willing to walk away from situations where we don't have the skills to do it. It's a waste of our time and we are probably sending the organization down the wrong path. In some cases, it's just not a good match of skills."

Taking this further, he is particular about how he chooses organizations to engage with on technology. He has a simple but effective process that starts with a one to two hour conversation with the organization on its technology needs, through which he develops an initial impression. The organization is then sent a list of 5-10 questions which he estimates should take between four to twenty hours to answer. This requires the NGO to put in some time and effort and thus acts as a filter; in that 30-50% of organizations do not proceed beyond this stage. He also says he would never make a significant grant to an organization he didn't trust. When asked how his trust is won, he recommends starting with smaller donations and building up to bigger sums.

Speaking about the power dynamic in the funder-NGO relationship, he says, "You see this all the time. Funders should get off their high perch about giving NGOs money".

“You should be willing to have those conversations and listen and understand. You could, of course, raise doubts at the strategic level, saying, ‘I don’t think that’s the right thing to do’, but ultimately you have to listen to the organization and trust what they (the leaders of the NGO) are saying. ”



Donald Lobo's questions, which help him understand an organization's programs, leadership, vision and impact better:

1. What is the problem the organization is trying to solve? Why is it an important/relevant problem to solve? What is the leader's vision of making a larger impact on society?

2. Does the program have enough touch points and time spent with beneficiaries to have real impact?

3. Is the organization collecting and measuring data, even at a basic level? What is the organization measuring and how? Is it only measuring what it is treating? Is the community better off (on any metric) than a community that the organization does not interact with?

4. What are the year-on-year improvements to programs? Why did these changes occur?

5. How has the environment and ecosystem changed since the organization first started? What is significantly different today than three, five or ten years ago and why?

6. What other NGOs are working in the same geographic area? Is the leader aware of them? Has the leader spoken to them and do they coordinate interventions? What is the leader's opinion of the other interventions in the same sector? Why has it chosen its particular intervention, compared to that of a competing NGO?

7. What are the extraneous factors that need to be in place for the program to work? In other words, what are some of the assumptions that the organization is making? Has it thought them through? What will the organization do if those assumptions don't work out?

8. What does success in the program look like? Where will the community/beneficiaries be three to five years from now, after the intervention has been running for a substantial amount of time? Is there an exit strategy?

9. What learnings/experiences does the leader apply in their current work? Have any research studies influenced or shaped the way the organization does things, or made the leader take a step back and reflect on goals?

RECOMMENDATIONS FOR NGOs

DEVELOP RAZOR SHARP CLARITY ON THE WHY, WHAT AND HOW OF CAPACITY BUILDING

EVERY capacity building journey is unique and needs to be contextualized for success. This chapter focuses on key practices that enable organizations to formulate their capacity building plan, communicate their requirements to funders and action the plan effectively. The five recommendations have been put together based on research and interviews conducted by Dasra. These are intended to help organizations attract greater capacity building support and maximize value from these investments with the ultimate aim of creating impact at scale. These recommendations can be looked at as general guidelines or a framework that offers direction through the long and complex capacity building journey. Dasra's recommendations for NGOs are alongside.

1. Develop a compelling rationale

2. Prioritize leadership development from the outset

3. Secure internal buy-in

4. Ensure adequate bandwidth and expertise

5. Ask!



1. Develop a compelling rationale

Underpinning every major investment is the rationale that provides the linkages between activities and expected outcomes. Capacity building initiatives require substantial investment in terms of time, funding and bandwidth that is over and above the programmatic activities of the organizations. Naturally, this results in hesitation on the part of the organization and the funders to engage in these initiatives. Chapter 2 of this report established the case for investing in capacity building. This recommendation builds on that by focusing on the 'how' of doing so from an NGO's perspective.

The first step in this process is to develop a strong rationale for the capacity building initiative internally. The rationale should provide a clear explanation of the long-term value-add to impact on the ground, and should ideally be linked to the organization's strategic plan. To build a strong rationale, NGOs need to focus on assessing and understanding their needs across all dimensions of organizational capacity, so that they are aware of the full range of their needs at any point in time, as well as their most high-priority needs. This is linked to the first stage of the capacity building lifecycle – "Assess and Prioritize". During this stage, many NGOs use capacity assessment tools, such as those listed in this report's Resources section, to kick-start the process.

While assessing organizational capacities is an on-going activity, the resource-constrained nature of NGOs requires prioritization of mission-critical gaps.²⁹ When Magic Bus, a sport-for-development NGO, won the World Bank Development Marketplace Prize in its early years, it secured a sizable USD 70,000 unrestricted grant. Founder Matthew Spacie decided to spend it on

measurement and evaluation for Magic Bus' existing programs instead of using it as working capital.³⁰ Prioritizing its MEL capacity at that point of time was critical as it allowed Magic Bus to measure and demonstrate impact and ultimately validated its intervention.

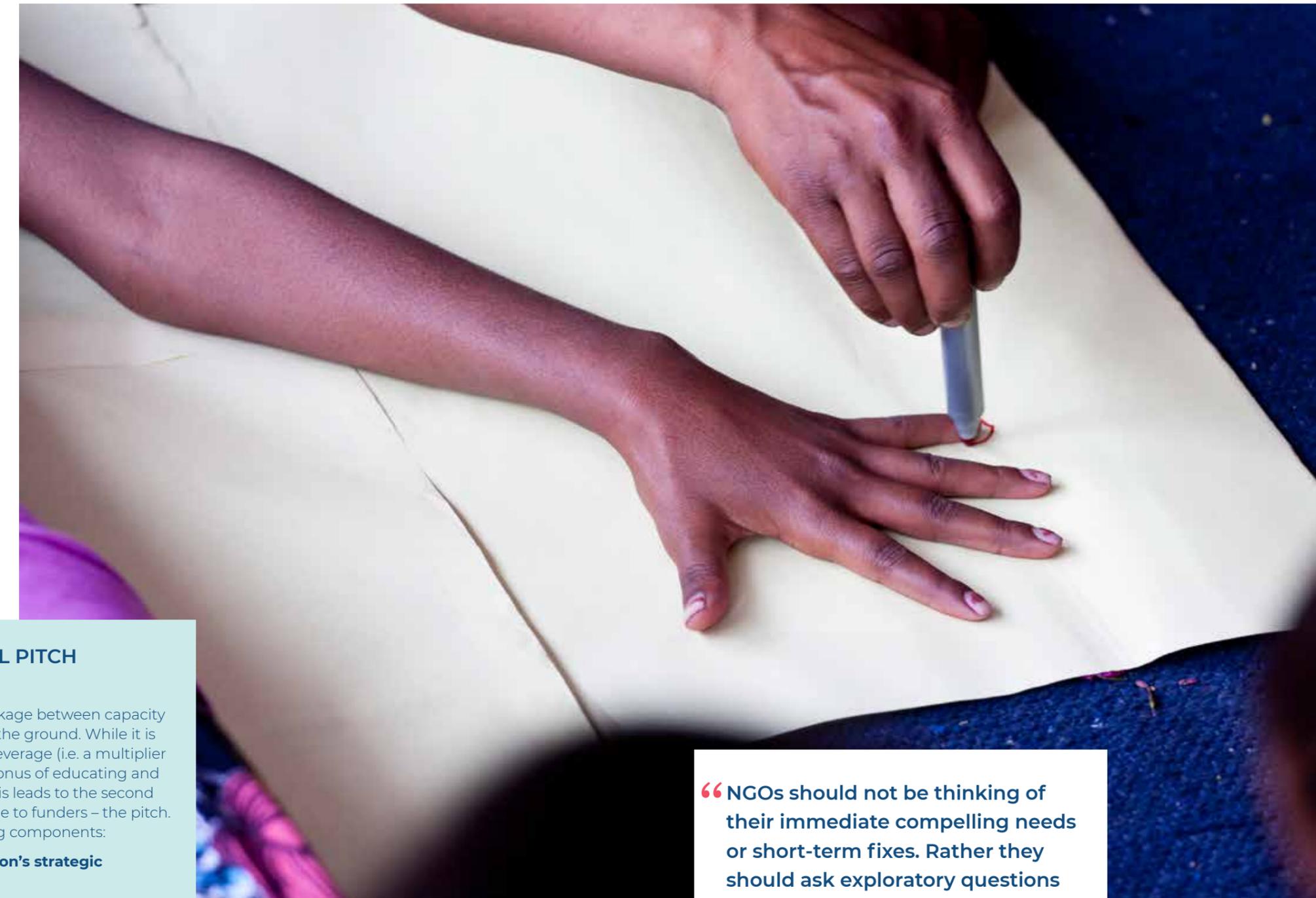
The Indian development sector is extremely diverse and there is no single path or model to scale. Scaling strategies are determined by a non-profit's vision and are contextualized based on the availability of resources. However, what remains a non-negotiable is the need for sound infrastructure before scaling. Creating this infrastructure requires NGOs to match their capacity requirements to the right strategy for growth.

COMPONENTS OF AN IDEAL PITCH

Funders need to be able to see the linkage between capacity building and the resulting impact on the ground. While it is clear that capacity building provides leverage (i.e. a multiplier effect for impact in the long run), the onus of educating and convincing funders lies with NGOs. This leads to the second step, which is to showcase the rationale to funders – the pitch. An ideal pitch usually has the following components:

- **Clear articulation of the organization's strategic requirements for scaling**
- **Linkage between the proposed activities and overall organizational effectiveness**
- **A demonstration of how investing in one capacity area results in cascading benefits across verticals and programs**

Philanthropists are more likely to fund organizations that are able to explicitly demonstrate their need for capacity building support and the impact they want to achieve. One funder told Dasra that two-thirds of organizations that reach out to him struggle to explain the 'what' and



'why' of the planned investment when making a pitch.³¹

However, NGOs must be discerning consumers and resist the urge to engage in capacity building because someone makes it available or urges them to do it. NGOs might enter

into these initiatives as a result of external pressure from funders, who may question their effectiveness and require them to develop new systems of accountability.³² However, it is important for NGOs to do what makes sense for them and let such initiatives emerge organically by evaluating their readiness for any such interventions. Rushing headlong into quick-fix solutions can be counter-productive. Laying the

“NGOs should not be thinking of their immediate compelling needs or short-term fixes. Rather they should ask exploratory questions around what the real game-changers are from a long-term perspective. The board should really be thinking along these lines.”

– PRIYAKA NAGPAL DHINGRA, SENIOR PHILANTHROPY ADVISER, ATE CHANDRA FOUNDATION

groundwork for implementation by being aware of organizational health, priorities, and circumstances, and timing the investment accordingly is imperative.³³

2. Prioritize leadership development from the outset

While organizational needs vary, in Dasra's experience it is often appropriate to begin with leadership development.

The leadership skills needed during the Initiate or Stabilize phase of an organization are typically different from the skills needed at the Grow or Amplify phase.³⁴ During the early years of a non-profit organization, it is the inspirational skills of the founder that motivate staff to work in the sector and deliver on the mission. However, as NGOs mature, the founder-leader needs to develop the next generation of leaders if they aim to create lasting change.

Scaling an organization places different demands on NGO leaders – they are required to decentralize decision-making, manage a complex organization structure and collaborate or partner with other agencies. They have to devote more effort to organizing for scale as

“When you start expanding or doing different things, you realize the need for a team and then the need to manage a team. Being a technical person, you can develop and drive processes, but for leadership, you need a management team. Management and ground-level interventions need different kinds of leadership.”

– DR. SUNIL MEHRA, EXECUTIVE DIRECTOR, MAMTA HEALTH INSTITUTE FOR MOTHER AND CHILD

compared to other types of change. In short, NGO leaders have to first build their own capacity to be able to take their organization to the next level.

Doing this requires a mindset change for first- and second-rung leaders. NGO leaders need to change the way they think to see the link between their leadership capacity and the impact their organization creates. Quite often, they tend to be reluctant to engage in investing in their own leadership capacity because they look at such activities as being part of for-profit ways of working that emphasize hierarchy and authority over flexibility and values³⁵ or worse, as distractions from programs. However, investing in leadership development is how leaders ensure that the organization achieves its potential impact. So much so that leaders like Aditya Natraj, Founder-Director, Kaivalya Education Foundation, believe that in order to truly scale, NGOs must begin investing in internal leadership early on, even beyond their second-rung leaders.

A leader is a high-leverage instrument of organizational improvement.³⁶ Studies show that investing in leadership development provides high returns on investment. It pays for itself and continues to produce tangible benefits that far exceed the costs. When leaders invest in their own leadership, they are able to see new horizons, appreciate different perspectives and identify what they need to scale their impact. All capacity building efforts end up being ancillary to leadership development.

Finally, sustaining growth requires that NGOs build a second-line leadership that is empowered to lead the organization. In Dasra's

“(Undergoing a leadership development program) was a wonderful opportunity to learn from peers, hear different perspectives and have my own thought process challenged. The program has helped me reflect better and implement the learning in my organization.”

– POOJA TAPARIA, FOUNDER, ARPAN

experience, as organizations prepare for the Grow stage, they engage in redesigning their organization structure to match the chosen scaling strategy and institute an executive committee that consists of directors as well as functional and program heads to augment management bandwidth. Smart NGO leaders create an environment that supports individual growth within the organization. They recognize when to step aside or share management responsibilities with a leadership team that has complementary skills.

3. Secure internal buy-in

Just as funders need to drive alignment with NGOs, NGO leaders need to drive alignment within their organizations – and for similar reasons. Capacity building efforts must be woven into the fabric of the organization to have long-term impact, and creating internal alignment is an important part of that. Planned improvements in one area may place unanticipated new demands on other areas, which may in turn require upgrading.³⁷ This makes it necessary to have the buy-in of all stakeholders (board, staff, partners, volunteers) that will be affected by the plan, or that have a role in its implementation. However, this does not mean that the NGO should seek to build capacities in all areas at the same time.

The board has to be bought into the capacity building initiatives as it plays a major part in driving them, by allocating a budget or being able to convince funders to invest in them.³⁸ Often, if these initiatives do not stem from the NGO leader and the board is not bought in, they will very likely not see the light of day. A strong and supportive board of directors also provides critical strategic input for leaders as they carry out the initiative. Based on Dasra's analysis of scaling NGOs, it has been observed that while the seeds for board engagement are sown in the Stabilize stage, increasing the engagement by defining roles and responsibilities, and setting up governance systems and processes usually happens in the Grow stage. Organizations like ARMMAN and Mahila Housing SEWA Trust (MHT) have also engaged with specialists in non-profit governance to create sustainable mechanisms that leverage their board expertise.

Next, NGO leaders need to ensure that the entire senior leadership team supports the initiative and is committed to its long-term success. The TCC Group, a development consulting firm, posits that capacity building initiatives alter not only the capacity but also the rhythm of organizations. Such an initiative is essentially a change process and, as with any change, there will be barriers. These could be bureaucratic structures that tend to favor the status quo, sub-cultures within the organization based on differences, or people fearing loss of power. But it is also important to acknowledge that just like founder-leaders, the staff at NGOs might be resistant to any change that feels like an imposition of “managerialism”, in which the values of the for-profit sector are imposed on them.

STEPS TOWARDS TO BUILDING ALIGNMENT

Creating buy-in for these initiatives entails a mindset shift across the organization too. It requires building an understanding of the problem, the opportunity and the solution. When people within the organization are able to see their organization's capacity in the context of the larger social ecosystem³⁹, they are able to appreciate the need for change better. And there are ways that NGO leaders can build alignment. They can:

- **Share ‘context for change’, which articulates how the needs of a scaling organization drive the proposed capacity building investment**
- **Institute an open and consultative process that brings staff at all levels into the diagnosis of needs and implementation of organizational choices**
- **Drive consensus on the goals and means of change and then communicate a consistent message throughout the organization**
- **Provide open platforms for getting feedback from within the organization to track progress and make adjustments**

NGOs use a variety of methods to gain that vital buy-in. For instance, grassroots organizations like Barefoot College and MHT organize team retreats and cross-learning workshops to drive internal alignment. KEF uses an organization development consultant to help it through transitions and work through key inflection points. Driving alignment requires significant commitment from the organization, but the payoff can be substantial.

Quest Alliance prioritizes investing in people above the rest

Bengaluru-based Quest Alliance (QA), which works to bridge the education and skills divide by enabling self-learning, devotes a considerable amount of time to its people when it comes to strengthening its institutional machinery.

“You can have the greatest systems and processes but if the people are not there, it doesn’t work. That’s why we invest heavily in our people, ensure retention is high, people have a certain level of industry understanding, and they get the opportunity to develop multilateral thinking and skills.”

— ABHIJEET MEHTA, CHIEF OPERATING OFFICER

Having been incubated by a large international NGO in its early years, QA borrowed and adopted the NGO’s thought process on institution building. Early on, QA had a fair sense of what it takes to build out a good organization, the importance of separating institutional funding from programmatic funding, and negotiating with funders. When it comes to developing a strong rationale for capacity building investments, QA draws on its core leadership group comprised of members across programs and functions as well as its second-line leadership, which meets once a month. This group looks at the organization’s strategic direction and takes key decisions on areas of investment and creating accountability mechanisms for the

same. It also engages in a constant back and forth with the board on where the investments are going. Critical questions such as whether QA is overextending its focus on systems and processes and where its funding should be directed are part of the conversations with the board that take place every quarter.

QA’s institutional priorities are clear: first come the people, second the systems and processes needed for growth. It has an institutionalized change management process in place. The process begins with identifying leaders on the ground to point out where the organization needs improvement in keeping with the needs of the sector. This group of leaders then works on change projects by analyzing challenges and evaluating potential solutions. QA also taps external voices in the form of organization development consultants to bring objectivity and manage for any biases of the leadership. QA leadership acknowledges that there will always be tension within the organization on investing for immediate priorities versus the long term. And they use this tension to initiate internal dialogue that allows them to

prioritize their investments better.

When it comes to absorbing capacity building support from its funders and partners, QA takes a nuanced approach. It engages in pro bono partnership when there is a need for strategic thought or research, but when it comes to development of tangible products, QA prefers a contractual relationship. QA’s journey with Accenture is a good example of a collaborative approach between an NGO and a corporate partner. Early in 2009, QA and Accenture set out on a long-term partnership to design and scale a digital learning ecosystem to equip youth with critical life and work skills. Their partnership has been successful as it works on the principle of co-creation where both QA and Accenture brought their respective expertise to the table. With Accenture’s technological know-how and QA’s strong evidence-based education insights, the blended learning model, ‘Skills to Succeed’ was created. The project now has an outreach of over 20,000 youth. A power imbalance is inherent in a funder-NGO partnership. In QA’s experience, trust plays a crucial role in building a long-term relationship, which gives the NGO and the funder the space to share, challenge and push each other appropriately.



4.

Ensure adequate bandwidth and expertise

Paradoxically, current organizational capacity itself constrains an NGO's ability to use capacity building support. Effective capacity building is dependent on the organization having the right resources, including staff with appropriate skills and experience to absorb the support being offered.

Many NGOs lack the time, money or awareness to put the required effort into this exercise. Acting on a capacity building plan requires NGO leaders to free up management time and resources from everyday responsibilities. Take the example of a Maharashtra-based NGO that implements a community-based model in the education sector. On the recommendation of a key funder, the NGO tried to increase its capacity to deliver services by integrating technology-based learning systems as well as installing a customer relationship management system. However, with its internal staff being busy with day-to-day execution and lacking the expertise to absorb the support provided by the funder, the technology intervention proved unsuccessful.

Capacity building efforts involve complex change management that needs to be owned and championed by senior management leaders. In addition, it is equally important to have a governance structure and cadence in place to enable that ownership. While NGOs can engage with external capacity builders or hire external talent in the beginning, sustaining the value-add from capacity building initiatives may require them to have in-house expertise. Building internal expertise actually enables the organization to come up with higher-quality solutions in the long run. Foundations like APPI support NGOs on building internal capacity to manage capacity building

efforts to ensure that the NGO will have some level of sustainability, ultimately feeding back into the NGO's impact.

In many cases, this in-house expertise is built by hiring dedicated personnel for capacity areas such as MEL, and Finance, Accounting and Compliance. Scaled organizations like Rajasthan-based Educate Girls have spent considerable time building their internal MEL capacities by hiring dedicated personnel. Magic Bus built its fundraising capacity by bringing on board leaders with extensive corporate experience to lead its corporate partnerships team.

A shared vision is hard to achieve in an organization where goals are ambiguous, technologies are unclear and structures are loosely defined.⁴⁰ Capacities have to be built across the organization to deliver change.

INTERNAL CAPACITY ALLOWS NGOS TO

- **Identify accountability mechanisms and metrics for the capacity building exercise**
- **Provide people with tools and the authority to succeed at implementing them**
- **Track progress against milestones and course-correct as needed**
- **Continuously communicate and engage with key stakeholders such as funders to maintain their confidence and commitment**

Dasra's experience is that NGOs that succeed in scaling not only put in dedicated functional leaders at the Stabilize stage but also ensure that key processes are standardized and formalized in order to improve capacity to move to the next growth stage. For instance, during its Stabilize stage, Naz Foundation, an NGO working in the areas of HIV and adolescent empowerment, first identified a senior individual to oversee its Finance function and second, streamlined and formalized its processes for vendor management, reporting and budgeting. This allowed Naz to create financial plans, which further enhanced its ability to fundraise effectively, catalyzing more support for capacity building initiatives.

5.

Ask!

This is a catch 22 of the Indian development sector. Not enough funders provide funding for capacity building, so NGOs tend not to ask for capacity building support, which propagates the loop of not enough funders supporting it. To solve this, NGOs need to collectively change the grantmaking conversation – and that starts with making the 'ask'.

Too often, NGO leaders are reluctant to ask for capacity building support (funding or expertise) for fear of being turned down, or being seen as weak or imperfect. But if NGOs do not ask, they will of course not get it. Sean Sovak, a long-time philanthropist has supported Muktangan's leadership initiatives because it made the 'ask'.

However, it is not just about asking. The indirect and delayed nature of impact from capacity building calls for a leap of faith from funders – so organizations can help them make that leap by first doing an excellent job of communicating their story to build trust. It's a virtuous cycle: the more NGOs share, the better the funders' understanding, and the more support they provide. When it comes to securing funding for capacity building initiatives, Kaku Nakhate stresses the importance of communicating not just the impact on beneficiaries but also the impact on the institution as a result of these initiatives.

“You understand NGOs better if when they make mistakes, they articulate and share it. If things are not working out, they should be open about it.”

– KAKU NAKHATE, PRESIDENT AND INDIA COUNTRY HEAD, BOA

“You, the NGO leader, will encounter a lot of rejection. You must put your ego aside. Fundraising is about being bold, persistent and resilient. Rejection is hard, but your team and end beneficiaries need you to bounce back, to get back up on your feet and ask again! Being transparent and reflective that you are not perfect, and that you need organizational improvement, instills great confidence and trust in donors.”

– SEAN SOVAK, PARTNER AND CO-FOUNDER, LIGHTHOUSE ADVISORS INDIA

At the same time, building credibility and trust through constant communication helps manage funder expectations too. Most funders are on board with changes if there is a strong rationale for them.

At **Educate Girls** (EG), data is shared freely as they believe it creates an environment of trust and clarity. Compared to its peers, EG invested in building MEL capabilities early in its life. Says Safeena Hussain, Founder of Educate Girls, “In the sector we work in, it is all the more important to know that the work you are doing is making a difference. Because if it is not, there is no point in scaling it.” Scaling requires the support of funders who are convinced of the impact that scale brings. For EG, investing in MEL is not just about data and

strengthening program design, it is also about using data and learnings from the field to communicate and tell compelling stories. This MEL focus allowed EG to strengthen its 'ask' for funding support and prepared it to work on India's first Development Impact Bond – an entirely new form of funding for itself and the sector as a whole.

There is a certain amount of preparatory work necessary before approaching funders for support. Naturally, different funders have different priorities and constraints. Organizations should ideally take the time to research the funder, show them that they have done their homework, and tailor the 'ask' to who they are. There are three things to be mindful of here:

Timing the 'ask': Funders need to be convinced that the NGO is ready for investment. Many NGOs make the mistake of asking for capacity building funding prematurely. As Matthew Spacie, Founder of Magic Bus, says, “You have to have quite an intimate knowledge of what to ask for and when.” Board members can provide good inputs on the readiness and what approach to take.

Asking the right funders: A funder with whom NGOs have successfully partnered with in the past is a good person to start the conversation around capacity building. NGOs must find funders who are interested in long-term organization building and who buy into the vision just like they would while investing in equity of a limited company.

Asking for the right kind of support: The 'ask' needn't be restricted to capital – expertise and networks are also valuable. When corporate givers are constrained financially, they can give in kind for instance. Quest Alliance has built digital learning platforms with Accenture.

How Shelter Associates' capacity building investments have catalyzed scale

Magic Bus has engaged with corporates like Genpact and IBM for its process engineering and data strategy needs respectively.

“We bring in partners where we have a deficit. (When we started thinking about processes), we thought of lots of companies that would help us build capacity. Genpact sent 3-4 people for a full year to help build process engineering. (We signed) a large commitment of resources with Bain to help with strategy. Google too sent in senior staff to help us out. We got our Magic Bus team to just learn from them.”

- MATTHEW SPACIE, FOUNDER, MAGIC BUS

Five years ago, Pratima Joshi, Founder-Director of Shelter Associates was not even thinking about scaling her organization. She felt scaling would lead to “a tremendous dilution of quality”. Founded in 1993, Shelter Associates (SA) is a Pune-based NGO that aims to improve the quality of life of the urban poor by delivering low-cost housing and sanitation solutions in urban slums. In 2013, SA won the Dasra Giving Circle (DGC) grant, which provided unrestricted funding of INR 3 crore over three years. At the same time, things in the Indian sanitation ecosystem were changing as the Swachh Bharat Mission (SBM) took shape. Having started its sanitation interventions almost a decade before SBM, Pratima knew that SA's model was time-tested. SBM also came at a point when the funding landscape was changing as a result of the new CSR policy. Scaling was not an option then. She remembers thinking, “If we don't try and trigger things now, we may not get another opportunity to make any kind of significant impact”. They quickly realized that unless there is scale, the government would not take them seriously. Around this time, various funders were also getting interested in SA's interventions and wanted to take the program to new cities.

This massive opportunity created through changes in the external environment ultimately convinced Pratima that it was the right time to begin scaling SA's work. It was also then that she realized the need to engage in building her organization's capacity in order to take on this steep challenge. Working with Dasra as part of the DGC grant enabled Pratima to engage in a productive dialogue over her capacity-building needs for scale.

The first thing Shelter Associates focused on was building a strategy for the next three years to achieve its targets and identifying resources to do this. In its initial years, SA was a highly technical organization that did not invest much in community mobilization and building community capacities. It was far more 'hardware oriented' than 'software oriented'. But seeing the difference that investing in community mobilization made in its Sangli housing and sanitation project compared to its earlier projects helped SA realize the need to build in these requisite 'software' capacities to become more sustainable. Building this capacity required bringing on board people with skills complementary to Pratima's architecture background, something she had been hesitant to do given SA's technical focus. Pratima also realized how overstretched she was, managing a lot of the organizational activities by herself. And so, between 2014 and 2016, Shelter Associates invested in developing a strong second-line leadership by defining a clear senior and mid-management structure. It added the roles of a project director (in '14) and a finance director (in '16) giving Pratima the much needed support in leading the organization.

The new project director came with strong planning and capacity building skills, and Pratima found that her entire team benefitted immensely from this. The project director not only brought

greater focus and insights to SA's work, she also built capacities of the staff to multiply their ability to do so. SA also created dedicated functions and recruited managers to oversee program delivery, M&E, data management, finance and communications. Attending the Dasra Social Impact Leadership Program (DSI LP) gave her the opportunity to hone her leadership capabilities, be a part of a peer network and better articulate long-term goals to deepen and expand SA's outreach.

When it comes to securing buy-in for capacity building investments, Shelter Associates provides exposure opportunities and encourages cross-learning among its teams across cities to emphasize the importance of standardizing certain processes and building the capacities to do that.

While securing funding for institution building has not been smooth, SA has learned the skill of making the 'ask' for capacity building. It has found that a funder with whom it had already delivered with excellence is a good place to start the conversation around capacity building. By exceeding its targets, and telling funders a compelling story backed by external evaluations, it was able to build a strong case for capacity building investments to the point where funders are now more than willing investors in SA's institution building efforts, and take an active part in ideating with the organization leadership.

SA's relationship with Bank of America (BoA) has followed this trajectory. From investing for programmatic outcomes in the first year, BoA has intensified its engagement with Shelter Associates by supporting its capacity building requirements. Now in their third year

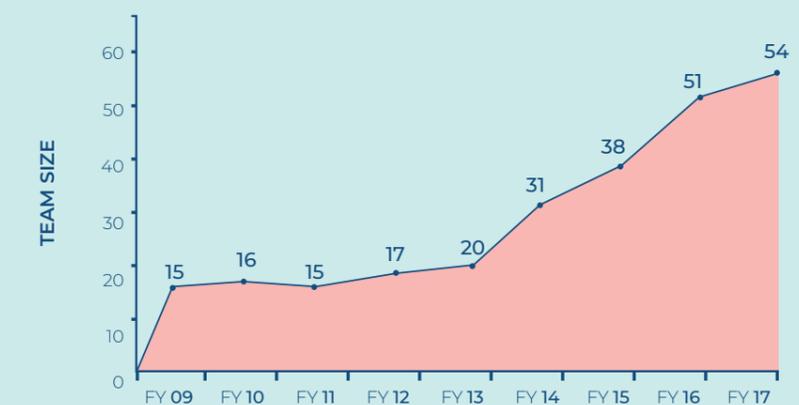
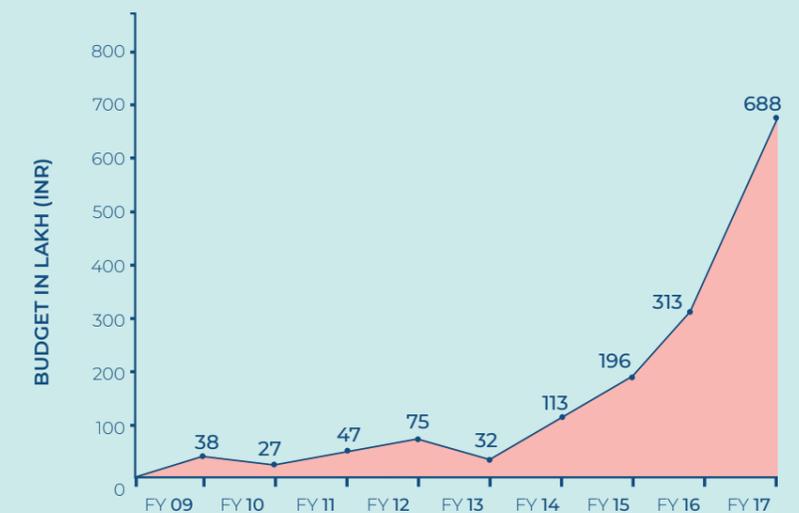
together, BoA further contributes to SA's community mobilization efforts through its employee-volunteering platform, which has seen BoA employees conduct workshops on investments and savings and menstrual hygiene in Navi Mumbai. They have also worked with SA's MEL team to conduct household surveys in Thane.

However, SA's capacity building journey has not been without its challenges. It has worked hard to find the right kind of talent, build its own capacity to manage external

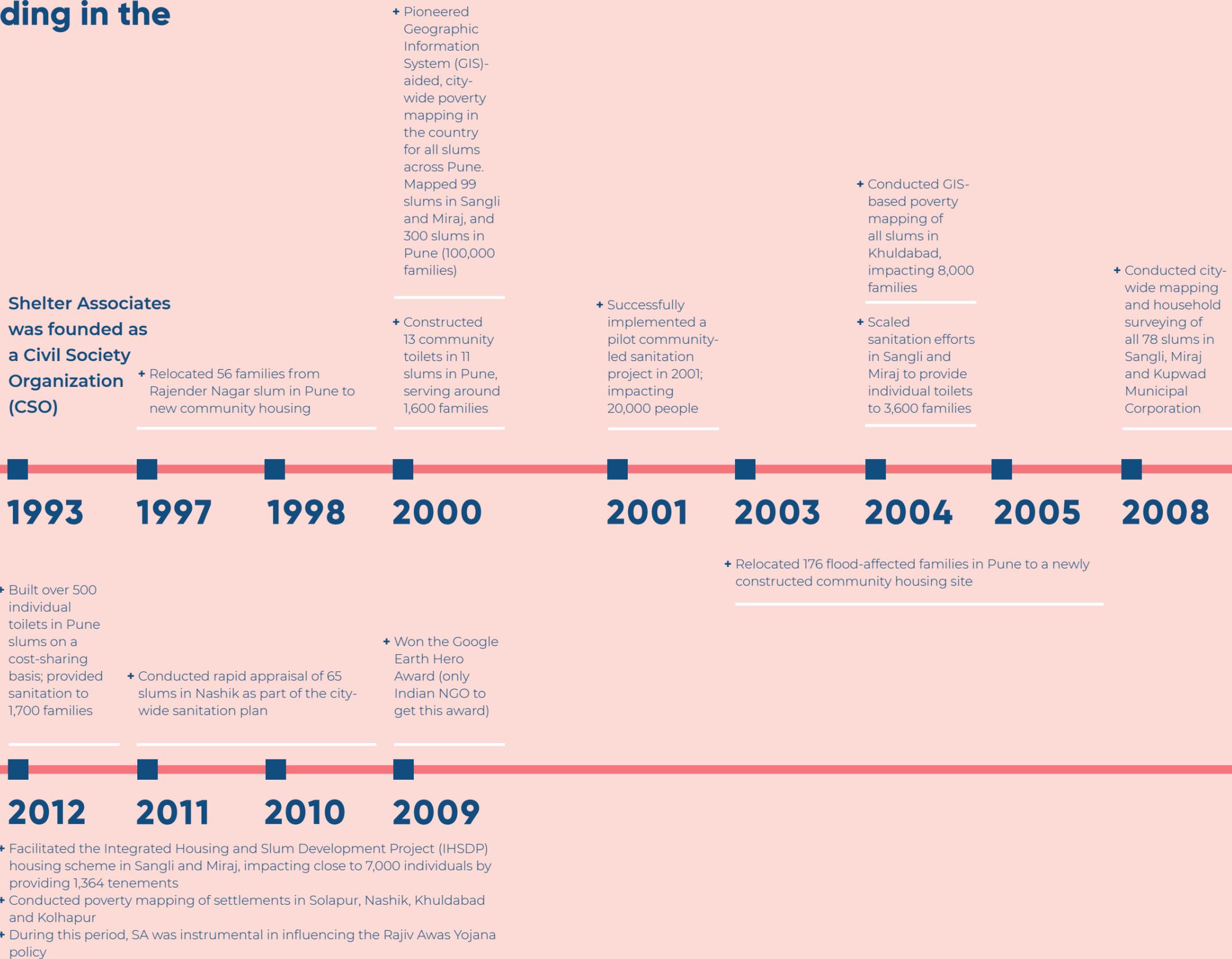
MEL evaluators, and drive usage of its GIS data by local governments. Dasra's ongoing support has helped it navigate some of these challenges.

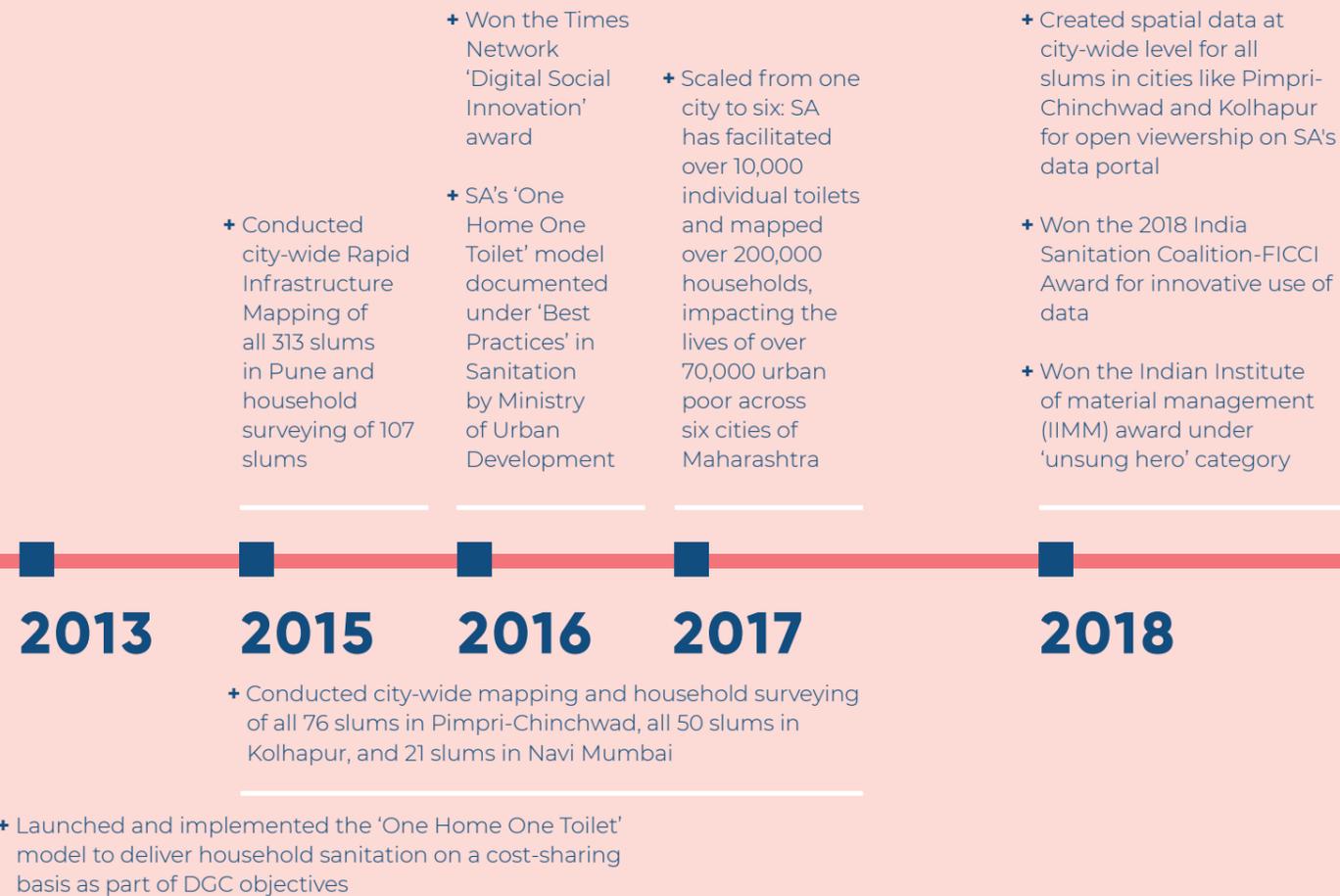
Till date, Shelter Associates has facilitated over 13,500 individual toilets and mapped over 225,000 households, directly impacting the lives of over 70,000 urban poor across six cities in Maharashtra.⁴¹

Between 2013 and 2016, Shelter Associates' team grew three-fold and its budget more than 10-fold.



This timeline illustrates Shelter Associates' organizational milestones and its investments in capacity building in the DGC years.





Shelter Associates was selected for the Dasra Giving Circle (DGC) in 2013, which kick-started its capacity building journey.

During this time, some of SA's capacity building investments were:

SECOND LINE OF MANAGEMENT

Hired key managerial personnel including a CFO and a Program Director and defined a senior and mid-management structure.

ROBUST SYSTEMS AND PROCESSES

Strengthened internal processes across Finance, Technology and HR to increase its operational capacity to deliver.

TECHNOLOGY UPGRADATION

Heavily upgraded its hardware and software over the years – using tablets to collect data, statistical tools to analyze this data, and a newly developed cloud-based server to host the data, which can be accessed from any corner of the world.

MONITORING, EVALUATION & LEARNING

Honed in-house expertise to monitor both the program and its indirect impact.

Shelter Associates' capacity building journey continues with these focus areas:

STRATEGY

SA undertook a strategy exercise to revisit its vision and mission and has identified four key strategic priorities and goals to be achieved by 2020.

FINANCE, ACCOUNTING AND COMPLIANCE

Shifted its accounting system from cash basis to accrual (mercantile) basis, enabling it to present monthly, quarterly and annual financial data as required.

MONITORING, EVALUATION AND LEARNING

Successfully leveraged a cloud-based data server to design an end-to-end, automated, data-driven process for effective planning, monitoring, tracking, reporting and implementing.

RESOURCES

This section – consisting of capacity building tools, training programs and providers of support – is intended as a starting point for NGOs and givers that are embarking on a capacity building journey. This compendium, by no means exhaustive, includes some of the best-known resources available to organizations in India.

The list starts with component-agnostic elements (such as those for capacity assessment) and intermediaries (that provide support across multiple capacity components) before listing component-specific resources. It does not include specialist vendors that extend the capacity of NGOs but do not aim to build organizational capacity. For a longer list of such intermediaries, please refer to Dasra's 2016 report Agents of Change.

component-agnostic

| | | |
|---|---|---|
|  TOOL | Organizational Capacity Assessment Tool (OCAT) McKinsey & Company www.mckinsey.com | OCAT is a free, online self-assessment questionnaire that helps non-profits assess their operational capacity and identify areas for improvement, covering 10 fundamental capacity areas. |
| | Organizational Capacity Assessment (OCA) USAID www.usaidlearninglab.org | The OCA is a structured tool for facilitated self-assessment of an organization's capacity followed by action planning for capacity improvements. |
| | Dasra Capacity Assessment Tool (DCAT) Dasra | <p>The Dasra Capacity Assessment Tool (DCAT) is a rubric that enables implementing NGOs and funders to develop a shared picture of an organization's institutional capacities. It does this by curating a guided, introspective journey for organizations to evaluate their maturity across seven critical capacities through tangible, easy-to-identify markers.</p> <p>The DCAT identifies four levels of maturity across key capacities. What the maturity level conveys regarding an organization's strengths or weaknesses depends on context including growth stage, strategy to scale, sector and nature of program(s). For efficient deployment of the DCAT, it is helpful when a participatory approach is taken between the funder and/or intermediary and NGO so that a holistic and objective organizational 'screenshot' is captured.</p> <p>The tool was built by incorporating learnings from 800+ capacity building engagements, 10+ expert interviews and the study of 20+ existing capacity assessment tools. Dasra continues to refresh and improve the tool in order to ensure that it is reflective of the realities of diverse organizations while providing ease of use. For questions or a demonstration of the tool, please write to dcat@dasra.org.</p> |

component-agnostic (contd.)

| | | |
|--|---|--|
| | Capacity Building Canvas Asian Venture Philanthropy Network (AVPN) | This canvas is a useful self-assessment framework to help organizations understand strengths and weaknesses in each of the areas within capacity building and helps create an actionable plan. |
| | Institutional Capacity Toolkit Voluntary Organization of Professional Evaluators (VOPE) www.vopetoolkit.ioce.net | This Institutional Capacity Toolkit is a collection of curated descriptions, tools, advice, examples, software and toolboxes developed by VOPE and other organizations working to support non-profit organizations. |
|  TRAINING PROGRAM | Empowering Grassroots Smile Foundation www.smilefoundationindia.org | Industry experts from reputed Indian and international organizations train community-based organizations in India on issues such as scalability, sustainability, communication, resource mobilization and governance. |
|  CUSTOMISED SERVICE PROVIDER | ToolBox India Foundation Public Health Foundation of India (PHFI) www.tbxi.org | ToolBox provides strategic assistance to non-profit, growth-stage organizations through its portfolio of highly skilled corporate volunteers who work on a pro bono basis. |
| | Social Ventures Partners India www.socialventurepartners.org | SVP currently supports non-profits in the area of livelihood. It supports building organizational capacity by providing general operating funds, skilled volunteers, professional consultants, and leadership development/management training opportunities. |
| | Human and Institutional Development Forum (HIDF) www.hidforum.org | HIDF engages with diverse actors in the development sector to enable transformative social change through training and capacity building, organizational consulting, and research and knowledge building. |
| | Phicus Social Solutions www.phicus.org | Aims to build capacity in the social sector through cohort-based development programs, deep systemic engagement with organizations, and by promoting innovative technological solutions to build capacity at scale. |
| | StartUp www.startup-india.org | Start Up is an angel investor, incubator and consultant to social entrepreneurs. It offers incubation, impact acceleration and management consulting services to social ventures at different stages in their lifecycle. |

component-agnostic (contd.)



CUSTOMISED
SERVICE
PROVIDER

Sattva
www.sattva.co.in

Sattva Consulting assists non-profits in realizing their vision in a resource-efficient manner through strategic, operational and financial consulting as well as program management services.

Social Lens
www.slens.co

Social Lens leverages multi-disciplinary skills and domain expertise to develop, design and deliver complete and comprehensive solutions for social organizations.

UnLtd India
www.unltdindia.org

UnLtd India works with early-stage social entrepreneurs and non-profits on leadership development, accelerating impact and preparing organizations for scaling and further investment.

Innovation Alchemy
www.innovationalchemy.com

Innovation Alchemy helps facilitate intelligent, accelerated growth for innovative projects and provides customized capacity building interventions to scale high-impact ideas.

iVolunteer
www.ivolunteer.in

iVolunteer is a social enterprise that brings volunteers and organizations together and provides support on organizational change, streamlining governance, strategic reorientation, and talent management.

board & governance



CUSTOMISED
SERVICE
PROVIDER

Financial Management Service Foundation (FMSF)
www.fmsfindia.org.in

FMSF is primarily involved in financial monitoring of development projects, capacity building of NGOs in the areas of financial management, legal regulations and governance. FMSF also conducts research activities and provides consultancy services on legal and financial issues to a number of NGOs.

Governance Counts
www.governancecounts.org.in

Governance Counts helps organizations create appropriate governance strategies, structures and processes based on the growth stage that they are at.

finance, accounting, & compliance



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PROVIDER

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Centre for Advancement of Philanthropy (CAP)
www.capindia.in

CAP helps NGOs and social businesses address their legal and compliance concerns and also provides consultancy services across capacities.

AccountAid
www.accountaid.net

AccountAid's focus is on accounting, accountability and regulation of organized giving. It adopts a sectoral approach to bring about accountability in civil society, and offers workshops as well as need-based advisory for NGOs.

leadership & talent



TOOL

Nonprofit Leadership Development Toolkit
The Bridgespan Group
www.bridgespan.org

A free online toolkit for developing the next generation of leaders in non-profit organizations through "Plan A" – a three-year road map that spells out leadership needs, identifies future leaders, and details activities to strengthen leadership skills.



TRAINING
PROGRAM

Leading for Impact
The Bridgespan Group
www.bridgespan.org

Leading for Impact is a program for executive teams of large non-profits with revenues over INR 13 crore to pursue strategic opportunities and build capacity to improve their performance over time.

Dasra Social Impact Leadership and Accelerator Programmes
Dasra
www.dasrasocialimpact.org

A peer learning-based initiative targeted at leaders of social organizations to help them grow strategically and achieve scale.

Strategic Perspectives in Nonprofit Management (SPNM)
Harvard Business School
www.exed.hbs.edu

A six-day residential program for non-profit executive directors and CEOs from around the world that covers leading change, scaling impact, building strategic partnerships, and measuring and managing for high performance.

Strategic Non-profit Management India (SNMI)
Harvard Business School with Ashoka University and Dasra
www.exed.hbs.edu

SNMI is an executive education program for senior non-profit leaders aimed at building sustainable institutions at scale.

leadership & talent (contd.)

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|  TRAINING PROGRAM | Aritra Leadership Program Phicus Social Solutions and IIM Bangalore www.aritra.org | Aimed at leaders with 8+ years of experience, it focuses on deepening knowledge and skills in key areas required for organization building and developing a second line of leaders. |
| | Aspire Circle Fellowship Aspire Circle www.aspirecircle.org | Focuses on development of personal leadership, professional leadership and thought leadership using the Socratic dialogue-based methodology. |
| | Continuing Education Indian School of Development Management (ISDM) www.isdm.org.in | Designed to help professionals from the social sector with at least 2-3 years of experience to grow by developing skills relevant to non-profit management. |
| | PGP in Development Management SPJIMR www.spjimr.org | Specialized executive management program for young development sector professionals focused on finance, fundraising, change management, governance, communication skills, etc. |
| | South Asia Leaders Program Common Purpose www.commonpurpose.org | This program for leaders from the South Asia region blends face-to-face modules with online learning aimed at broadening cultural intelligence, building relationships and leading change. |
| | Training & Capacity Building Association for Stimulating Know-how (ASK) www.askindia.org | ASK offers multiple courses and training on organization development, change management and strategic planning for established Indian organizations. |
| | Integrated Sustainable Development Leadership Program LEAD India www.leadindia.org | This program for mid-career professionals is focused on building systems-thinking and adaptive leadership to take on sustainability challenges. |

monitoring, evaluation, & learning

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|  TOOL | Digital Impact Toolkit Stanford Centre on Philanthropy and Civil Society www.digitalimpact.io | This toolkit created by the Digital Civil Society Lab at the Stanford Center on Philanthropy and Civil Society supports civil society organizations in using digital data ethically, safely and effectively. |
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monitoring, evaluation, & learning (contd.)

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|---|---|---|---|
|  TOOL | Monitoring & Evaluation: Tools, Methods and Approaches World Bank Report www.worldbank.org | This World Bank report provides an overview of a sample of MEL tools and methods, and outlines approaches to MEL, including their purpose and use; advantages and disadvantages; costs, skills, and time required; and key references. | |
| | Monitoring & Evaluation International NGO Training and Research Centre (INTRAC) www.intrac.org | INTRAC provides a range of MEL resources including online courses and frameworks for civil society organizations. It also supports organizations to develop practical, efficient MEL systems, as well as approaches and tools that are owned by and useful to the people implementing them. | |
| | Resources for MEL MEASURE Evaluation www.measureevaluation.org | MEASURE Evaluation provides online courses and resources including tools for health information systems free of charge to build M&E capacity of researchers, program managers, trainers, policy makers, students and other public health professionals. | |
| | Monitoring and Evaluation of Health Programs Public Health Foundation of India (PHFI) www.cdl.phfi.org | Public Health Foundation of India (PHFI) runs certificate courses in M&E with the aim of strengthening capacity and updating current knowledge about M&E among professionals working in public health globally. | |
| | J-PAL Training and Education Abdul Latif Jameel Poverty Action Lab www.povertyactionlab.org | J-PAL offers open enrollment courses, custom workshops and online courses, and organizes trainings to help implementers, policymakers and researchers become better producers and users of evidence. | |
| |  CUSTOMISED SERVICE PROVIDER | 4th Wheel Social Impact www.the4thwheel.com | 4th Wheel aims to improve and strengthen social development programs by providing support to track baseline data, impact evaluation, using development communication for social change and building capacities of implementation staff. |
| | Sambodhi www.sambodhi.co.in | Sambodhi Research and Communications is committed to creating knowledge and catalyzing accountability in the public domain through robust research, M&E and field building. It also customizes programs to client needs. | |

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