



Donor Due Diligence

Session 2: Donor Due Diligence for Nonprofits

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📍 Bangalore | Mumbai | Delhi



Agenda

#	Topic	Duration
1	Scope for the session	5 minutes
2	Overview of Organizational Due Diligence	25 minutes
3	Overview of Programmatic Due Diligence	25 minutes
4	Templates	5 minutes
5	Open discussion and Q & A	30 minutes

Speaker Profiles



Uday Khanna (Associate Consultant | Sattva Consulting)

Uday has been engaged with multiple corporate clients at Sattva for end to end management of their CSR portfolios. He has also worked on internal knowledge management systems at Sattva over the past year. Uday has a Master's in Mathematics from St. Stephen's College and has multidisciplinary research experience.



Sakshi Ahlawat (Associate Consultant | Sattva Consulting)

Sakshi has worked on developing programmes for Corporates in livelihood, and healthcare sector. Prior to Sattva, she has worked with Corporate Foundations to provide public health support to rural and urban India along with working for the advocacy of People with Disabilities. She holds a MSW from Tata Institute of Social Sciences, Mumbai and is a Certified CSR Professional, by The Institute of Company Secretaries of India.

Scope of the session



The scope for the session would be to understand the due diligence process, understand the donor's perspective and discuss some best practices

The evaluation of the organisation and its work by a donor for selection to work on any kind of engagement is what we mean by due diligence. The key areas of discussion during this session will be the following

What are the key areas evaluated in a due diligence?

Why they matter to donors?

Some case studies of due diligence gaps

Some best practices

To aid our discussion we will be dividing due diligence into 2 parts

Organisational due diligence

About the organisation and not any particular project or programme

Programmatic due diligence

About a particular project or programme implemented by the organisation

The modes of due diligence can vary significantly between donors, organisations must be aware of, and prepared to engage in relevant scenarios

Common Scenarios of Due Diligence

- 1** Donors directly reach out to the organizations
- 2** Organizations directly contact the donors to explore collaborations
- 3** External agencies reach out to the organizations, on behalf of the donors
- 4** Organizations apply for grants through funding portals

Methodologies for data collection

- Desk evaluation (via secondary research)
- Desk evaluation (via data provided by the org)
- Surveys of past stakeholders/donors
- Meeting with the org leadership
- Field visit to NGO projects



Overview of Organizational Due Diligence

The broad areas of due diligence are mentioned below, each of which can be of varying importance to a donor



Focus areas (non-exhaustive)	Assessment areas (non-exhaustive)	Rational from donor perspective
Compliance	CSR, FCRA compliance Political and religious affiliations	To check whether legal compliances are in order for the relevant partnership To check whether the organisation aligns with internal donor policies
Reputation	Media Presence Achievements and Accreditations	To check the social standing of the organisation and its key stakeholders To check whether the organisation has been deemed reputed by other agencies
Transparency	Public disclosures Financial Transparency	To assess whether the organisation operates transparently To check the financials of the organisation for any sort of discrepancies or risks

While some **assessment areas can be make or break**(eligibility), others may be more about comparison between multiple organisations



Focus areas (non-exhaustive)	Assessment areas (non-exhaustive)	Rational from donor perspective
Governance	Effectiveness of organisation board Organisational policies	To assess the leadership capabilities and establish trust in the operations of an org To check whether the operations of the organisation are moral and ethical
Execution capabilities	Monitoring and evaluation capabilities Financial capabilities	Strong monitoring and evaluation is critical to ensure measurable impact Financial capabilities are critical for any funding opportunity and are directly associated to project efficiency
Ecosystem Engagement	Representation in impact forums Intellectual property and USPs	To assess whether the organisation is seen as a key player in the ecosystem To identify the innovative products and services developed by the organisation

Case Study - An organisational due diligence was conducted for ABC Foundation by a corporate, the key findings of which are given below

1. Compliance and Governance

1. ABC foundation has 12AB and CSR certificate in addition to the necessary organisation documents, however 80G is currently under renewal
2. Mrs. Sharma is an active member of the Indian Army and closely works with government stakeholders
3. ABC although has an HR Policy, doesn't have a code of ethics or POSH policy
4. ABC has a committee of 6 members that are responsible for executive decision making. The organisation was founded by Mr. and Mrs. Sharma who are part of the 6 member committee

2. Reputability

1. ABC foundation has multiple reputed donors, as well as various positive mentions on social media and news outlets
2. In 2019, some members of Deoband village alleged that ABC foundation took false credit for reforestation of their land. ABC foundation clarified that they had implemented a CSR project supported by donor Y and have completed the outlined scope of activities
3. ABC foundation is not registered on NGO Darpan or Guidestar

3. Transparency and Execution Capability

1. ABC foundation does not have publicly available annual reports
2. Audited utilization certificate for FY21 is available on the website of the organisation, however the certificate is signed by a CA who currently does not have an active UDIN
3. The organisation currently uses MS office tools (word, excel) The organisation has a project plan detailed with timelines
4. The organisation has a 2 person dedicated team for financial management. The organisation has 2 donors responsible for 90% of their annual budget

4. Ecosystem engagement

1. The organisation leadership have been invited to 2 events as speakers in the last 3 years hosted by their past donors
2. The organisation has flagship programs and can create unique frameworks of assessment however has not registered them as IPs

The **gaps and risks identified** by the corporate and **some best practices** are given below

	Gaps and Key Risks	Some best practices
1.1	ABC is not CSR eligible until 80G certificate is renewed	Ensure tracking of all notifications by government authorities such as MCA, MHA regarding compliances
1.2	Risk associated with providing foreign funding to the organisations in case the active public servant receives foreign funding from a donor	Issue a board resolution to ensure the board member is not remunerated
1.3	The organisation operations are not governed by relevant policies, the practices within the organisation may not be ethical	Ensure policies on POSH/HR/D&I/Engagement with key stakeholders etc. are drafted within the organisation
1.4	Since the board members are related to each other, the independence of the board members may be lacking	Ensure no familial relations between board members. Leadership of the organisation can be hired externally to build organisation credibility and capability
2.2	The organisation did clarify with respect to the public allegations against them however the client reputation may be at risk in case a similar incident occurs	Dedicate personnel towards public relations, ensure project achievements are accurately shared in public domain
2.3	Donor has lesser trust as organisation is not registered/vetted by relevant portals	Ensure up to date registration on Guidestar, NGO Darpan and similar recognised portals for NGOs

No gaps identified in 2.1

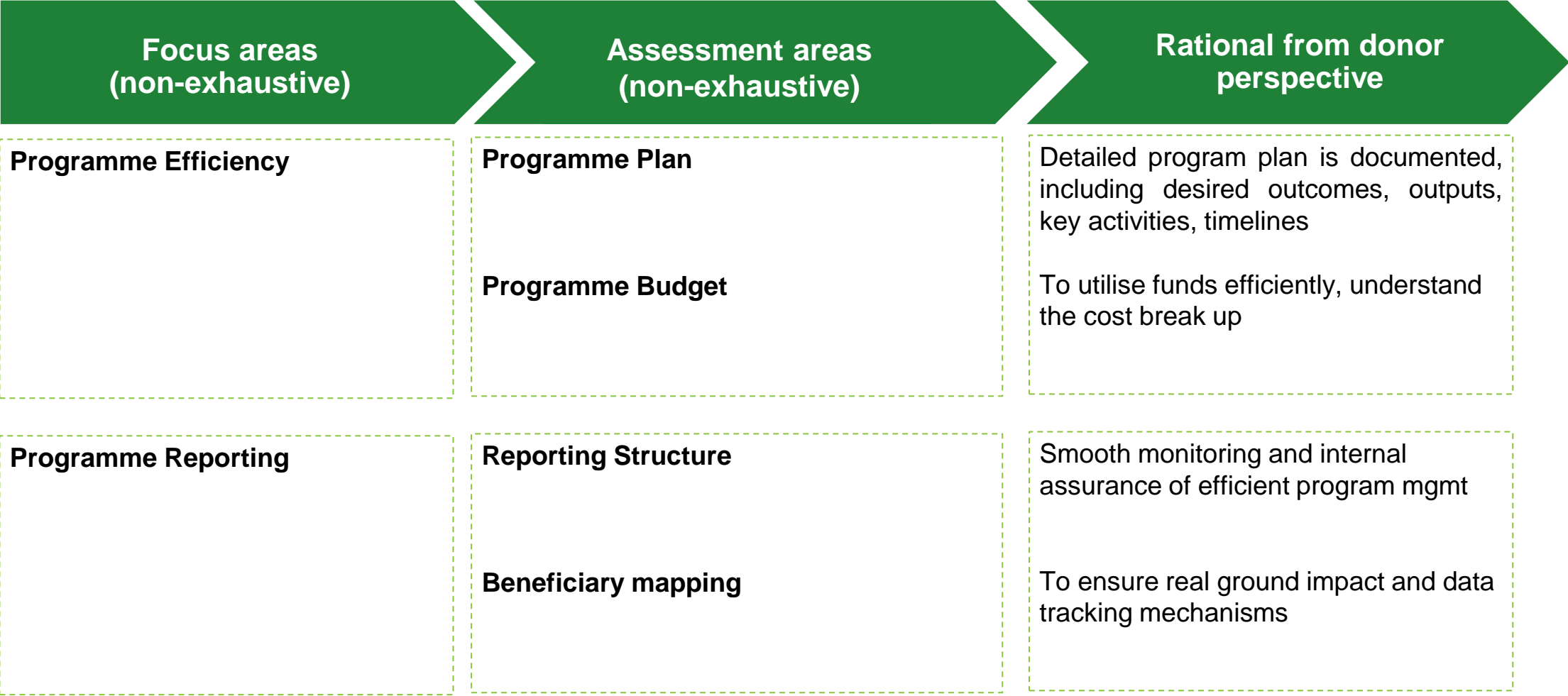
The **gaps and risks identified** by the corporate and **some best practices** are given below

	Gaps and Key Risks	Some best practices
3.1 & 3.2	The donor has lesser trust as the organisation disclosures are not sufficient	Ensure at least previous 3 annual reports and financial statements are readily available on the NGO website; the annual report contains relevant information; organisation auditors are credible and registered
3.3	The organisation does not use advanced data management and analysis tools. The organisation does not conduct a pre and post assessment	The organisation does not use advanced data management and analysis tools. The organisation does not conduct a pre and post assessment
3.4	The donor may be concerned of the financial sustainability of the organisation	The organisation can ensure they diversify their funding opportunities, the organisation can invest in skilling of their finance personnel to improve financial management capabilities
4.1	The organisation may not be perceived as a key player in the social impact space.	The organisation can engage with various forums/ engage with other similar interested organisations to build collaboratives
4.2	The donor may perceive the organisation lacking urge to scale its impact or share its learnings	The organisation can create intellectual property to share its learnings/ to define a unique appeal for themselves; can adopt recognised products and tools developed by recognised research bodies, national and international organisations etc.

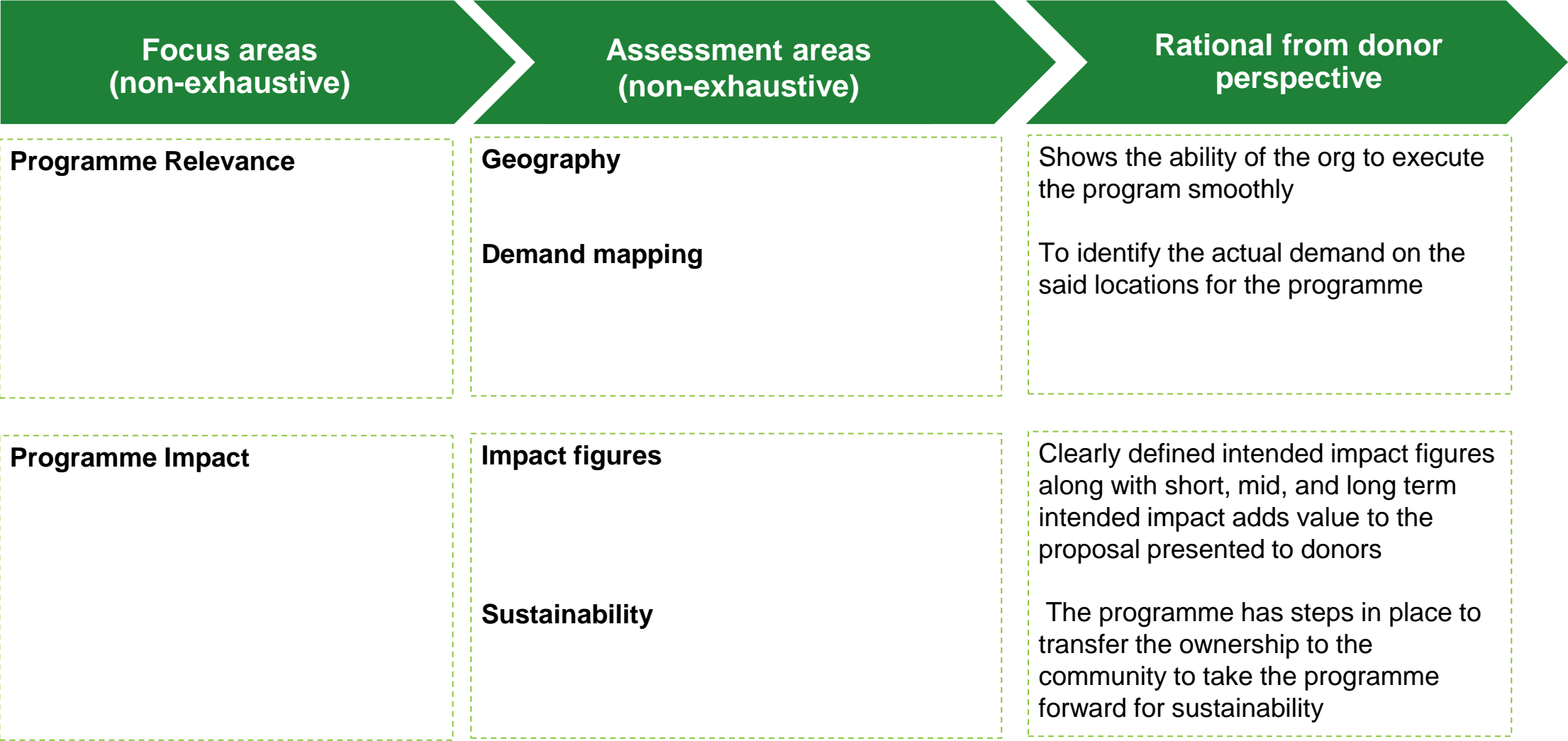


Overview of Programmatic Due Diligence

Programmatic due diligence assesses areas directly pertaining to the essentials of programme planning, execution, reporting, etc.



Programme sustainability and approach are extremely crucial at the time of delivery to ensure consistent and viable impact

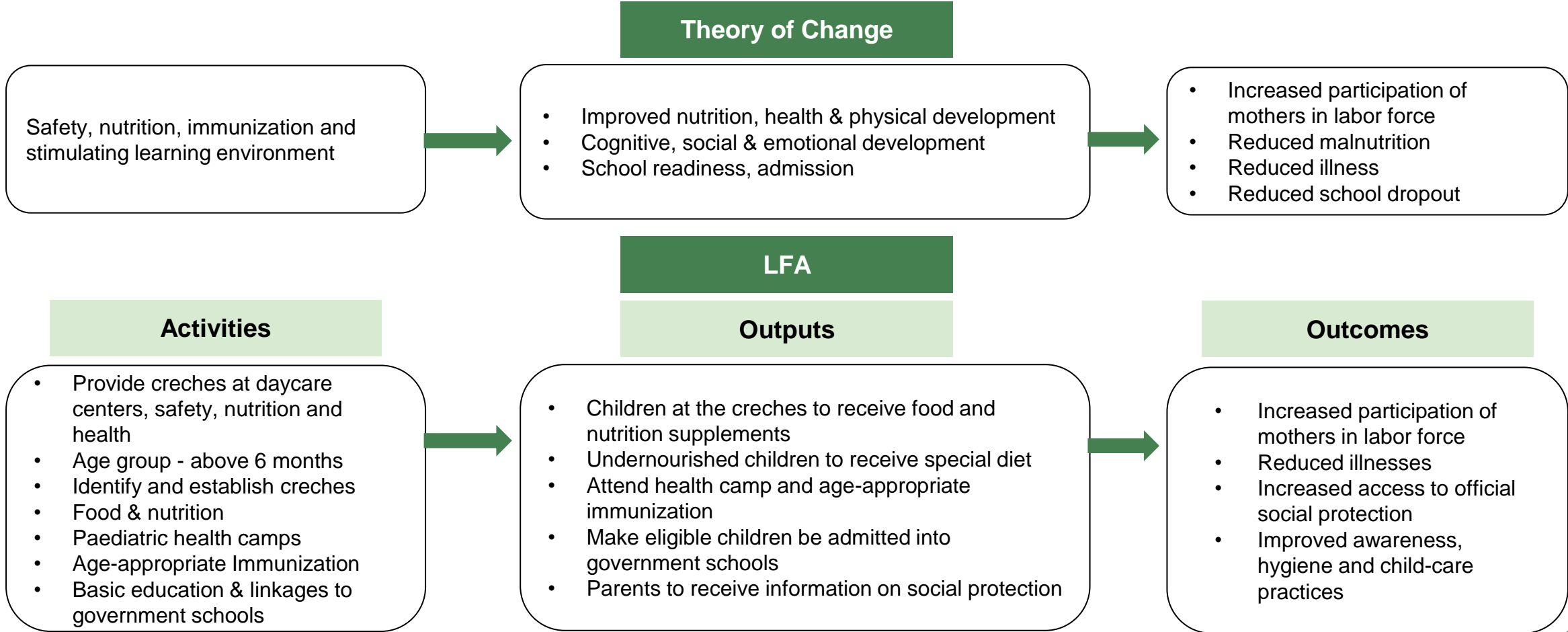


Case Study - The following Theory of Change and LFA has been shared by ABC Foundation in the proposal

Overview:

A Corporate has released an open RFP for NGOs working in the nutrition and healthcare space. They have a budget of INR 4.5 Crore and intend to work in the urban areas of Maharashtra, Punjab and Tamil Nadu. They have also requested a monthly governance structure for smooth programme management wherein the implementing partners will be required to submit a report in a format prescribed to them.

ABC Foundation has applied for the grant, below is a summary of the details submitted in their proposal.



Case Study - The programme budget and locations suggested by ABC Foundation have been provided below

Overview:

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ABC Foundation has applied for the grant, below is a summary of the details submitted in their proposal.

Geographical locations

ABC Foundation is present in the following locations:

Bangalore, **Karnataka**

Rohtak, **Haryana**

Hardoi, **Uttar Pradesh**

Kullu, **Himachal Pradesh**

Bagga, **Punjab**

Reporting structures

ABC Foundation has assured a quarterly update via team meeting along with a bi-annual update by submitting a report in their own standard format.

Programme Budget

Direct cost: INR 2.8 Crore

- Project staff salaries
- Social media outreach
- Nutritional Supplements

Indirect cost: INR 1.75 Crore

- Management staff salary
- Management staff travel
- Daycare center construction

Admin cost: INR 0.45 Crore

- Audit fee
- Head office cost
- Overhead cost

The **gaps and risks identified** by the corporate and **some best practices** are given below

Gaps and Key Risks

The Theory of Change provided in the proposal is not in complete sync with the components that the donor wants to focus on

The donor will be concerned that the LFA does not provide any information on the inputs and outcomes or impact of the programme

The donor has requested for monthly update while ABC Foundation has assured a quarterly update via team meeting along with a bi-annual report

The donor can be concerned about the reporting structure that will be adopted by ABC Foundation

The donor will point out the budgetary split provided by ABC Foundation as the budget accounts for 56% as direct cost, 35% as indirect cost and 9% as admin cost

Some best practices

Ensure the ToC is comprehensive and clearly indicates the impact the project intends to make. This should be in sync with the donor's thematic and sub thematic requirements

The LFA must have the following key components: inputs, activities, outputs, outcomes, and impact. It is crucial for the outputs to be quantified while the activities need to be detailed out for clarity.

ABC Foundation must align their reporting mechanisms with that of the donor to ensure programme management is carried out optimally

ABC Foundation should form internal mechanisms and upskill the existing teams to provide the reports in the prescribed format that the donor expects

A budget should preferably account for 65-70% of allocation towards direct costs, 20-25% towards indirect cost and 5% towards admin costs

The **gaps and risks identified** by the corporate and **some best practices** are given below

Gaps and Key Risks

The donor has not been provided with clear cost breakdown under each category (direct, indirect and admin cost)

ABC Foundation does not have presence in the desired locations, thus, the capex cost is high since a new center needs to be constructed

The proposal has not provided data on the demand of the services at the said location

Some best practices

It is essential to break down the budget and explain the rational to the cost for easier explanation. The unit cost breakdown is crucial

It is vital to apply for proposals wherein there is a direct sync with the strategy and geographical locations to avoid excessive costing and possible rejection

It is critical for the proposals to include the needs assessment data for the preferred locations mentioned by the donor

Templates



RFP Template

Introduction

Project title
Org name
Proposal submitted by
Date
Place

Compliance questions/ checklist

- Legal entity
- Registration no.
- Date of registration
- Is the org a subsidiary of a company?
- Self implementation/ through another entity?
- Will the grants be sub-funded for the project?
- Does the governing board/ executive committee have public servants?
- Does the organisation or any of its directors/ trustees have political affiliations?
- Does the organisation have any affiliations with religious bodies/organisations?

Certifications available:

Section 12A, 80G, FCRA, Cancelled Cheque, CSR Form 1/ MoA, etc.

Executive Summary

- Project Design
 - a. Project objective
 - b. Baseline study and problem statement
 - c. Schedule VII alignment
 - d. Focus sector
 - e. Geography
 - f. Target segment
 - g. Model of implementation
 - h. Timelines

Execution Approach

- Overall approach
- Key outputs and outcomes
- Risk and mitigation plan

Project Budget

- Direct cost
- Indirect cost
- Admin cost

Project Management Plan

- Monitoring approach and reporting
- Sustainability/ exit plan

Project Team

EVP Opportunities

Annexure

- About the organisation
- Organisation's financial information
- Number of years of experience in the sector
- Key CSR donors
- Key programs
- Published reports and videos

Programme Budget Template

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V	W	X	Y	Z	AA	
	Annual											Q1					Q2					Q3						
2	Sr. No	Description	Objective (further details)	Frequency of cost (one-time, monthly, quarterly etc)	Unit of measurement	# Beneficiaries covered	# Units	Rationale for # units	Unit cost	Break up of unit cost	Total Cost	# Units	Rationale for # units	Unit cost	Break up of unit cost	Total Cost	# Units	Rationale for # units	Unit cost	Break up of unit cost	Total Cost	# Units	Rationale for # units	Unit cost	Break up of unit cost	Total Cost	# Unit	
3	1 Direct Cost																											
4	1.1	Salary - Resource Persons	RP conducts virtual classes	Monthly	# RPs	10 students per RP	5	Total students per project is 50	20,000	Salary + PF	100,000					-												
5											-					-												
6											-					-												
7											-					-												
8											-					-												
9	Sub Total - Direct Cost																											
10	2 Indirect Cost (should not be more than 10% of total budget)																											
11											-					-												
12											-					-												
13											-					-												
14											-					-												
15											-					-												
16	Sub Total - Indirect Cost																											
17	3 Admin Cost (should not be more than 5%)																											
18											-					-												
19											-					-												
20											-					-												
21											-					-												
22											-					-												
23	Sub Total - Admin cost																											
24	TOTAL																											
25	Per beneficiary cost																											

Q/A



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