

# UC –FAQ

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## UC ORGANISATION

### ***Why is UC's mission limited to Education, Health and Energy & Environmental services only? Isn't UC's product applicable to other areas- cultural activities, conflict resolution etc?***

UC's product could very much be applied to more areas. However some of the reasons for the focus on the initial themes in the mission are: 1. The need for a deeper understanding and knowledge of other areas at the early stage, which would be addressed with time and experience and 2. To be able to achieve results in the short and medium term by focusing on a few areas.

### ***What is UC's legal form? Is it a for-profit or not-for-profit organisation?***

In the initial 4 months of starting UC, the founder went through evaluating various legal structure options. UC was finally registered as a not-for-profit company under the sec-25 of the Indian Companies Act, 1956. Some of the reasons for choosing this legal form were:

1. To begin with, a lot of early certificates from UC will have only social returns and no financial returns(call it grants) for those who acquire UC certificates. It was considered an uphill task to convince people to buy/acquire such certificates from a for-profit rather than a not-for-profit organisation.
2. A lot of potential customers for UC's certificates would also want to get tax-benefits for their social purpose investments. Once again, it would be very difficult to get tax-exemption status for such certificates, if they are generated by a for-profit entity.
3. In view of the prevailing ambiguities in the registration of trusts for charitable purposes and the recent directions from the Income Tax (IT) department which are still in a fluid state regarding trusts, it was considered more appropriate to incorporate UC as a not-for-profit company under sec-25 of Indian Companies Act, 1956. The clarity that the Companies Act provides in terms of the registration process, legal status and also the guidelines on IT exemptions, would more than offset any accompanying admin and reporting requirements that it imposes as compared to a Trust. Further, regulations from the banking and Insurance regulators like RBI and IRDA have some useful provisions for sec-25 companies, which UC could utilize in extending its services.
4. On a broader context, "Good Governance" and "Operational Advantages" were the points to be considered in making the choice of the legal form for UC. It was viewed that delivery of "Good Governance" is quite independent of the type of legal form of an organisation and no legal form can perhaps claim monopoly of "Good Governance". "Good Governance" ultimately boils down to people's commitment in an organisation to practice in both letter and spirit, the Governance principles laid out in the organisation. No organisation is gifted with it and they have to achieve it with their sweat, and the same would apply to UC. Then coming to the "Operation Advantages", from the points mentioned earlier, a not-for-profit company form looked a better choice for UC to begin with.

### ***How is UC different from other organisations, in terms of its post-pay model?***

*Investors/Donors can now pay for outcomes rather than expectations through the post-pay model. They will have the opportunity to evaluate the product, see it and only then contribute towards it. . This will hopefully be able to encourage a lot more people to look at funding some of the social sector investments with much lower risks. In some ways UC is creating altogether a new market of development funding through its post pay model.*

## **UC PRODUCT**

### ***What would somebody get out of acquiring UC's postpaid certificate***

*In the current certificates, which are mostly comprised of grant certificates, what the contributors get is the satisfaction that their contributions (post-paid grants) have been applied for clear social outcomes for the intended beneficiaries. More importantly, they are also made aware of the processes that have gone into the delivery of the service. The idea is also to create a greater level of awareness and involvement for these causes from the customers, beyond just financial contributions. In some ways the objective is to achieve co-creation of outcomes and new products, in participation with the customers.*

*Going forward, there would also be products, which apart from delivering clear social outcomes, will also give the customers financial returns in the form returnable grants. For instance, there could be an investment to help the rag pickers to expand their waste processing plant. Whoever would acquires this certificate, would be repaid the grant from future cash flows(repayments) from this income generating asset created for the poor.*

*As and when UC gets Tax Exemption status for its investments, people who acquire UC's certificates would also be able to get Tax Benefits for these social purpose investments.*

### ***Would UC provide updates to those who acquire its certificates regarding subsequent investments and outcomes in the same area of work?***

*All of the knowledge generated by UC in its projects would remain Open Source. All past customers and a wider interested audience will continue to get updates on in-process and completed projects, along their lines of interest. In addition, they also continue to get other research outputs that UC undertakes in its areas of work.*

### ***What is "Operations Grant/Transfer Fee" in a UC Certificate?***

*The total financial value of a UC Certificate comprises of two components. The first is the "Product Cost" which is the direct investment that UC has made in a particular project related to the certificate. A detailed break up the "Product Cost" is provided in the UC Certificate document. The second component is the "Operations Grant" that UC collects to meet its operational and administrative expenses. The "Operations Grant" is flat amount that UC collects per Certificate and it is usually close to 10% of the "Product Cost".*

## **QUALITY**

### ***How do you measure whether a 'good act' has been done?***

*UC itself has to be constantly on its toes to ensure that each of its certificates, certify only those activities which are well done. Some benchmarks could be borrowed in making this assessment. Where no clear benchmarks exist, UC will have to create them and continuously improve them. While UC itself is a kind of a third party evaluator of work done, UC would also have other third party organisations like auditing and rating firms, to independently evaluate and certify the outcomes. UC is beginning to touch base with auditing firms who could participate in this initiative.*

*Also from experience, the definitions of outcomes will keep changing and the bar raised over time. If you have noticed, UC has been reporting on a monthly basis, the number of OutPatients treated as one of the UC's outcomes. More recently, UC has been considering the idea of changing the outcomes to the levels of patient's response to treatment (cure). In such a scenario, number of patients treated only becomes a sub-process metric rather than an outcome. Of course, this will mean more and better data capture and analysis, which should pay off in the long run.*

## **FINANCE**

### ***How is UC capitalized?***

*UC's activities started in June, 2009 funded by its promoter. It was started with an idea to be able to demonstrate the concept over a 10-12 month periods based on this resource. By then, UC should be able to raise funding from other social purpose investors. By design, UC's financial model too would not be very capital intensive. It should ideally run on a strong working capital management model, where the turnaround-time/shelf-life of UC certificates should be short, to be able to plough back proceeds from acquisition of UC certificates into newer projects.*

## **OPERATIONS**

### ***Does UC operate outside India ? or only in India ?***

*UC is a very recent initiative and therefore limited to India in its current operational focus. The UC team however, has had the experience in being involved in projects outside of India in their previous areas of work. UC would therefore be open to exploring partnerships and collaborations, to share experience and promote similar initiatives outside of India.*

### ***What are UC's short term plans and priorities?***

*The following points are its current priorities*

- 1. Identification of partners and projects, targeting services for the very poor*
- 2. Getting funding for expanding UC's operations and finally and most importantly*
- 3. Getting UC's Result Certificates inventory off the shelf*

## STRATEGY

***UC follows a post-paid funding model, wouldn't this mean that it will have to turn down large grant funding, because the grant is pre-paid? How does UC see a post-paid grant funding work on a large project?***

*This is a possibility, however, UC hopes to establish the post-paid model. We believe that post-paid is a more accountable model and grant agencies would see the benefits of the model. The grant could therefore, be structured in a way that existing certificates with matching outcomes are paid for, or that the grant could be tranching into a result-based phased payment.*

*UC pictures a post-paid model in large grants working out in various ways. Some of these are listed below:*

### ***I. Pledge Grants:***

- *UC will structure a macro project, with phased development goals, where the entire project needs funding much larger than UC's pool of funds.*
- *UC receives a pledge (based on pre-defined criteria) for funding the results at the end of each phase. An agreement to this effect will be signed between the funding agency and UC.*
- *The outlay of funds at each phase, will be of a size within UC's independent funding capacity and risk factors.*
- *UC will fund a phase of the project, take it to completion and certify the outcomes*
- *The funding agency will then evaluate and fund these outcomes claiming for the development goals*
- *UC can then roll-over this funding to future phases of the project, with the procedure repeating till completion*

### ***II. Co- Owned Projects:***

- *UC plans to leverage the strengths of various players in the Development Sector by building close working partnerships with them.*
- *UC could structure co-owned projects to achieve larger scale development, whereby UC and partner agencies provide funding into a project. The entire project can then be acquired by larger donors or funders as a Result based Certificate.*
- *These projects could again be tailor-made to suit the Corporate Social Responsibility goals or match sectoral funding by Government etc, however, the communities will benefit from the work done, prior to the funds being received from the end-donor. Thus they would be shielded from unnecessary delays or bureaucracy that might be involved.*

### ***What is UC's strategy for health care delivery?***

*UC is of the view that we should be ensuring that the Governments (Central and States) should be held more accountable for the tax-payers money and made to deliver basic health and education services. Crowding out the Governments from undertaking these services should be avoided. The strategy that UC is charting out in the short and medium term, in this direction is as follows:*

- 1. UC would partner with a few organisations to deliver primary health care services like it is currently doing. In these initiatives, there would be a strong focus on getting the numbers right: financials and operating ratios etc and also achieving efficiencies in them. There would also be an equal focus to understand and capture the technical, operational and human resource management processes involved in delivering good primary health care practice, especially for rural areas.*
- 2. In a year's time, UC will perhaps have the necessary experience and knowledge to take it to the next level, which is to try and partner with PHCs for their improved performance, similar to what Karuna Trust does. There are some 22,000 Primary Health Centers (PHC) in all of India. Like the story in most parts of the country, many of them do not have the services of a regular doctor. UC with its partners could perhaps pitch to one of the local governments to outsource the running of one or two PHCs. It will require a lot of patience, to work with the Govt system, but this may be an easier task than trying to build an alternate health care system countrywide. UC could start working with one or two such PHCs and demonstrate that we can make the public health system work. The real test for success would be to make the Government buy the post paid certificates relating to the investments made in the PHC.*