DEVELOPMENT IN PRACTICE, 2016
VOL. 26, NO. 5, 580–591
http://dx.doi.org/10.1080/09614524.2016.1188886

New routes to CSO sustainability: the strategic shift to social enterprise and social investment

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ABSTRACT

The issue of sustainability is becoming more important for civil society, as non-profits, NGOs, and other civil society organisations (CSOs) face a range of political, regulatory, organisational, and financial challenges. This article focuses on the crucial dimension of financial sustainability and the growing awareness of the importance of accessing alternative sources of funds and developing new funding models. These include accessing social investment, using subsidiary businesses to fund programme work, or developing new social enterprises. The article draws on analysis of the funding environment and specific examples to explore the different dimensions of sustainability, and assess why many CSOs are looking to new funding models and alternative routes to sustainability.

La question de la durabilité revêt une importance croissante pour la société civile, alors que les organisations à but non lucratif, les ONG et les autres organisations de la société civile (OSC) sont confrontées à une variété de défis politiques, organisationnels, financiers et en matière de réglementation. Cet article se concentre sur la dimension cruciale de la durabilité financière et sur la prise de conscience croissante de l'importance de l'accès à des sources alternatives de fonds et de l'élaboration de nouveaux modèles de financement. Il s'agit entre autres d'accéder aux investissements sociaux, de l'utilisation de filiales pour financer les activités de programme ou du développement de nouvelles entreprises sociales. Il s'inspire d'une analyse de l'environnement de financement et d'exemples précis afin d'examiner les différentes dimensions de la durabilité et d'évaluer pourquoi de nombreuses OSC se tournent vers de nouveaux modèles de financement et des voies alternatives vers la durabilité.

En la medida en que las organizaciones sin ánimo de lucro, las ONG y otras organizaciones de la sociedad civil (OSC) deben enfrentar diversos retos políticos, reglamentarios, organizacionales y financieros, la cuestión de la sostenibilidad se ha vuelto cada vez más importante para la sociedad civil. El presente artículo se centra en el aspecto crucial que significa la sostenibilidad financiera y la creciente sensibilización [de las OSC] respecto a la importancia de lograr el acceso a fuentes de financiación alternas, así como de crear nuevos modelos para el financiamiento. Estos incluyen el acceso a inversiones sociales, el uso de negocios filiales para financiar el trabajo programático, o la creación de nuevas empresas sociales. El estudio parte del estudio del ambiente financiero y de ejemplos específicos que permiten explorar las distintas dimensiones de sostenibilidad, analizando por qué muchas OSC están buscando nuevos modelos de financiación y caminos alternos para lograr la sostenibilidad.

ARTICLE HISTORY
Received 25 January 2016
Accepted 5 April 2016

KEYWORDS
Civil society – NGOs; Aid – Capacity development

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Alternative perspectives on sustainability

There are different perspectives on sustainability and what it means in practice. Any analysis of sustainability needs to acknowledge the diversity of these different perspectives, but also the way that they complement each other. What is clear is that perspectives on sustainability are context specific and that it is a generic term with no agreed definition (Benton and Monroy 2004). Recent commentaries on civil society sustainability by CIVICUS (2014) and USAID (2015a) reinforce this perspective and conceptualise sustainability as being the product of the environment in which an individual CSO operates and a particular set of conditions.

For the purposes of this article a sustainable CSO is one that can continue to fulfil its mission over time and in so doing meets the needs of its key stakeholders – particularly its beneficiaries and supporters. As such sustainability should be seen as an ongoing process rather than an end in itself. It is a process that involves the interaction between different strategic, organisational, programmatic, social, and financial elements. A recent study on CSO sustainability in Ghana likened this to a plant that may grow well and thrive if watered and nurtured, but which can wither quickly if not well cared for (WACSI 2015). Such analogies are common throughout much of the literature on the sustainability and viability of non-profits and NGOs generally.

Social sustainability

Perspectives on the sustainability of CSOs vary. For many it is about environmental sustainability and addressing issues of population growth, climate change, and resource imbalances. But in the context of civil society the focus has been social sustainability and the role of viable civil society in ensuring equity and access to justice. Efforts to gauge levels of social sustainability are multifaceted and complex. This is well-reflected in the methodology used in the CSO Sustainability Index (CSOSI), which relies on a range of indicators to assess the strength and viability of civil society in different countries. This index was first developed by USAID in 1997 to assess the sustainability of the civil society sector in 29 countries in Europe and Eurasia (USAID 2015b). Since 2009 the CSOSI has been expanded to include civil society in sub-Saharan Africa, Afghanistan, and Pakistan.

By using standard indicators and collecting data each year, the CSOSI allows users of the tool to track developments and identify trends in the CSO sector over time while allowing for cross-country and cross-region comparison. It is intended to create a time-series of information which provides development practitioners and policymakers with knowledge on the opportunities and challenges for sustainable CSOs, and insights into how to strengthening their activities. The Index is based on seven dimensions: (1) the legal environment; (2) organisational capacity; (3) financial viability; (4) advocacy capacity; (5) service provision; (6) infrastructure; and (7) public image and reputation. The difficulty of trying to collate and measure this mix of criteria well highlights the complexity and methodological challenges of both preparing and applying such all-embracing measures of social sustainability.

An example of a similar multidimensional model of social sustainability is WACSI's framework designed to assess the sustainability of civil society in Ghana. This is referred to as the "*wheel of sustainability*" and draws on fifteen different criteria based on a range of indicators. This framework identifies four key dimensions as crucial to the sustainability of a local CSO: (1) financial (the continuous availability of financial resources); (2) operational (technical, operational, and administrative capacity); (3) identity (the relevance, legitimacy, and accountability of the organisation in the eyes of the community); and (4) interventions (long-term benefits and viability of specific projects or investments). This model attempts to capture the key generic and sector-specific criteria that determine the sustainability of civil society in Ghana. Specifically, it highlights the holistic and multi-dimensional nature of CSO sustainability and the importance of organisational relations in determining the sustainability of a particular CSO (WACSI 2015, 41).

Organisational sustainability

There is growing recognition of the significance for CSOs of organisational sustainability. New methodologies are being developed to identify and assess the organisational characteristics of effective and sustainable NGOs. Commonly these are based on an assessment of core attributes such as leadership capabilities and management competencies, the capacity to deliver specific services (health, education, etc.) or the ability to pay salaries and cover running costs. Another dimension of organisational sustainability relates to the long-term impact of the programmes or added-value of specific development interventions implemented by individual CSOs. "Intervention sustainability" is commonly used in reference to the viability and effectiveness of health service interventions designed to promote sustainable change in local health services.

Assessment of organisational sustainability commonly reflects a CSOs' ability to anticipate and handle change; in particular adapting to changes in the external environment and the consequences of such changes on their income as well as on existing or outdated systems and processes. In this regard sustainable CSOs are those seen able to respond strategically and effectively to changes in the external environment, revise their mission and objectives accordingly, access new resources, and adapt their systems and processes to meet the new challenges (Hailey 2014a). It is useful to reflect on the criteria for organisational sustainability that was initially developed by Ashoka and has been refined over time. This suggests that the ability of CSOs to manage change and remain sustainable depends on, first, having sufficient and positive public profile, network, and reputation to attract resources. Second, having suitable and appropriate organisational systems and processes to be able to attract resources and retain a relationship with the donor or those making the contribution. Third, having the internal capacity and willingness to learn and evolve (Hamschmidt and Pirson 2011).

Financial sustainability

While social and organisational sustainability are issues of significant concern, most researchers and commentators acknowledge that the issue of greatest concern for most CSOs is economic or financial sustainability and what strategies they can develop to access new funds or ensure their financial viability and survival. In Ghana, for example, recent research has demonstrated that many local CSOs are just surviving, or are struggling to survive financially, in an increasingly competitive market. The evidence suggests that there is limited understanding among local CSOs of the implications of changing funding trends and the consequences of the shrinking funding base. Sustainability indicators suggest that they struggle to generate income and mobilise new financial resources, and lack any effective financial planning system (WACSI 2015, 50).

The consequences of this lack of funds are that projects get cancelled, programme work is curtailed, experienced staff are laid off, and there is less investment in staff development or organisational learning. Investment in new management systems or digital and web-based technologies are put on hold. Partnerships and other collaborative ventures are jeopardised. In general, organisations have to go through a process of significant change and downsizing, all of which create tensions and threaten the trust that has been built between management and staff, as well as with the local community. In this regard organisations are more prone to internal conflict, and personal tensions are exacerbated. As a consequence, internal communication is stymied, morale is low, and productivity reduced. Weakened financial viability seems to lead to a vicious circle that jeopardises long-term sustainability.

Practice and experience tells us that CSO financial sustainability is not just about writing funding proposals, but as much about ensuring that there has been sufficient investment in organisational systems and processes. These include building relationships with potential donors, effective risk management, and basic good financial practice – including ensuring sufficient financial reserves and managing organisational costs and overheads (Mango 2015).

What is notable about both the Ashoka and Mango analysis of the characteristics of sustainable CSOs is the emphasis on their ability to develop and maintain strong external relationships. A recent study of an integrated water project in Kenya highlighted the importance of such personal relationships and effective management in ensuring long-term sustainability. The evidence suggested that such sustainable personal relationships promoted internal cohesion, enabled effective decision-making, facilitated accountability, and above all, built trust between the key actors and external stakeholders based on personal rapport and open dialogue (Spalling, Brouwer, and Njoka 2014).

This analysis of CSOs and sustainability has highlighted the need to incorporate the differing, but complementary, views of sustainability, as well as the important role of organisational processes and relationships in ensuring long-term survival and sustainability. But such analysis should not detract from the strategic importance of financial management and that financial sustainability is crucial to CSO sustainability.

CSO financial sustainability

There is a growing body of research that suggests that CSOs face a funding crisis. The growth in the number of non-profits, charities, NGOs, CSOs, and social enterprises means there is strong competition for a limited pool of funds. All the projections suggest that the number of non-profits, NGOs, and charities grows year on year – estimates suggest that there are over 10 million registered CSOs worldwide. The number of NGOs accredited to the United Nations nearly quadrupled between 1995 and 2012. In India alone the number of registered CSOs exceeds three million, an increase of over a million in a decade. Even in mature non-profit sectors, such as the UK, the number of development NGOs continues to grow. The data from the UK Charity Commission (the UK's regulator of non-profits) identifies nearly 12,000 registered charities as being involved in "overseas aid and famine relief work", of which nearly a thousand had been created in the previous two years (Hailey 2014). In other words, nearly 10% of the UK charities involved in overseas aid work were new start-ups. The picture is that of an increasing number of development non-profits and CSOs competing for a relatively limited pot of funds.

CSO funding: public giving and philanthropy

Public giving and philanthropy continues to grow, but not at the same pace as the growth in the number of CSOs internationally. Research in the US shows that public giving only grew by 0.8% in the period 2005–15, as compared with a growth of 8.5% in the previous decade (Birin 2015). Evidence from Australia suggests that public giving to development NGOs has "flatlined" since 2007 (Wilson, Pryke, and Howes 2015). While it is projected that private donations will grow worldwide as individual incomes increase and civil society takes advantage of innovative approaches to fundraising and makes greater use of new digital platforms, it is also apparent that it will only be those non-profits with sufficient capacity and access to technology that will benefit from such advances. Smaller CSOs with limited capacity will struggle in this new marketplace and the digital divide will become even more apparent.

Research also suggests that individual "givers" are more discerning. The evidence suggests that they prefer to donate to "trusted" CSOs that are perceived to have sufficient skills and capabilities, and have effective communication strategies to demonstrate impact and enhance their legitimacy (CAF 2014a). Furthermore, a new generation of individual givers see their donations not as "philanthropy" but as "investment", with the inherent expectations that goes with such a shift in thinking. There are also concerns about an over-reliance on donations from an increasingly sceptical general public. Opinion polls highlight increasing public cynicism as to the value of funding development projects, and the ageing profile of those donating to international NGOs (CAF 2014b). The evidence suggests that while many CSOs will continue to generate significant funds from individual givers and philanthropy, a high proportion of CSOs will struggle to access this competitive global marketplace.

CSO funding: aid funding

Similarly, while aid funding to civil society continues to grow internationally, access to official aid funds by the majority of CSOs is limited; partly as result of changing donor sectoral and regional priorities, partly the imposition of more onerous conditions, and partly the preference by some donors to fund larger INGOs with their economies of scale and enhanced capacity. While the share of official aid (ODA) channelled through civil society has risen from 13% of ODA in 2008 to 17% in 2012, the majority of these funds go to a small proportion of large, high profile INGOs (Development Initiatives 2014b).

In 2013 ODA channelled via civil society grew by 2% in real terms, reaching a new high of US$21 billion (a growth in real terms by 11% over the previous four years). But this funding growth is only in specific countries and regions. In the four years to 2013, there were significant declines in aid via civil society in specific regions – most notably South and Central America and South and Central Asia. In contrast the number of aid-funded civil society projects in sub-Saharan Africa grew by 14%. These now make up over half of the total funding to CSOs on a regional basis (Baobab 2015). There were also striking shifts in funding to CSOs with particular sectoral focus. There was a notable decrease in aid to CSOs working in such areas as food aid, education, multi-sectoral, and economic development between 2010 and 2013, while funding for health and humanitarian support grew significantly.

Concurrent with these shifts in the focus of aid funds to CSOs there have been significant changes in the overall aid architecture, with donors identifying new priorities, demanding tangible results or identifiable impact. Some countries have reduced their total aid budgets (such as Australia, Ireland, Italy, and the Netherlands). Other official donors, such as DFID, have introduced new conditionalities around "Value for Money" or "Payment by Results" commissioning. There is also a growing trend for official donors to contract a range of development activities and projects to the private sector. DFID's spending on "contractors to deliver aid programmes" doubled from £0.6bn to £1.2 billion between 2008 and 2014. USAID increased contracting commissions by 700% in the period 2000–08 to over US$14 billion.

Faced with this projected funding environment there is general consensus in the recent research and commentaries on the future challenges facing CSOs, and that development NGOs will have to adapt and change. This is reflected in analysis of the future of aid and the new aid architecture (Kharas and Rogerson 2012; Heiner 2014; Financial Times 2015; Baobob 2015), and the new models and practices that CSOs and INGOs will have to adopt (Edwards 2014; Hailey 2014; ICSC 2014; Bond 2015b; Gnarig 2015; Green 2015). The conclusion of such analysis is that CSOs and development non-profits of all kinds will face an increasingly challenging and competitive funding environment, and that they will have to evolve new ways of working and funding if they are to survive or be viable and sustainable.

New routes to CSO sustainability

As suggested above, reliance on either personal giving or official aid is a relatively high-risk strategy. Analysis of the CSO Sustainability Index highlights that financial viability as the weakest dimension of sustainability (USAID 2014). Analysis by the US non-profit resource organisation, Bridgespan, suggests that this lack of overhead funding will threaten the viability of many non-profits and jeopardise their ability to go to scale. In this increasingly competitive and challenging environment there is a growing imperative to find alternative models and strategies to ensure the viability and sustainability of development CSOs. Among these new routes to financial stability and sustainability there is growing interest across civil society in the way to fund development work through social investment and funds generated by social enterprises and the creation of new value-driven enterprises (Financial Times 2015; Hailey 2014).

Social investment

Social investment is the use of repayable finance to deliver social impact as well as financial return. A simple example could be taking a loan for a CSO to start a new social enterprise, service, or venture. However, social investment is not appropriate for all civil society activities as it relies on income generation to pay back investment finance. Social investment is therefore not business as normal, as capital must be paid back. Consequently, CSOs will have to adapt their business models to take advantage of such new forms of funding. Despite such challenges, social investment is seen as an important new medium for funding the work of the sector. In the UK, for example, many non-profits are starting to look to this as a potential way to change their funding models and this is leading to rapid growth in social investment of some 38% per annum. This is backed by significant government funding channelled through specialist institutions, such as Big Society Capital or DFID's Impact Fund managed by CDC, both of whom work with co-investors to promote investment that generates social and financial returns.

Social investment brings a new finance to civil society. It does so in a way that provides sustainability and the proper funding of overheads. It can be used to fill financing gaps for innovation and growth. It also allows CSOs to become more autonomous and financially independent. Typically, organisations' social investment funds are used to purchase assets such as a property or buildings, fund new social enterprises, or other value-driven ventures that generate additional income. Some more entrepreneurial non-profits use social investment funds to establish new fundraising platforms or expand existing fundraising campaigns.

The characteristics of those non-profits that have successfully engaged with a social investment model include: having an operational strategy and funding model that allows for the repayable finance; having a culture that embraces such a model and the associated risks; staff who have the skills and willingness to engage with and manage social investment and associated enterprises; having appropriate systems that generate suitable impact data and can track investment finance; and finally, and possibly most important, having senior managers and board members committed to engaging with such new business models and working with the opportunities and risks involved.

One of the main challenges for CSOs to engage with social investment relates to the need to change attitudes and culture so that they are more aligned with potential investors and their perception of what payback they will receive for their investment – either in terms of repayment of the investment funds or evidence of impact. There is still much to be done in terms of changing the mindset of key decision-makers in CSOs. For example, research suggests that a great majority of non-profits (over 70%) see social investment as a valuable way of accessing new funds, but that a minority of board members (less than a third) have a favourable view on repayable finance (CAF 2014b). As such unless there is a significant change in attitudes and culture it may take considerable time for managers and their trustees to access social investment or incorporate it into their fundraising strategies. Other barriers are the due diligence time and cost it takes to undertake an investment decision, the transaction costs in setting up special social investment platforms or legal entities, as well as generating the impact data to meet the demands of social investors.

Increasingly official aid donors are exploring how best to provide social investment funds, rather than just make donations. For example, DFID's new Impact Fund aims to direct investment capital towards sectors or pro-poor businesses that are otherwise unable to attract commercial investment in sub-Saharan Africa and South Asia. There are also a number of local social investment initiatives supported by official donors. For example, in Peru, GTZ, the German technical assistance agency, rewards forest dwellers who protect their timber resources from illegal logging by offering them access to a range of social investment funds. Schemes such as this community forest conservation project are a useful example of the way donors can link community sustainability to the wider demands of environmental sustainability. Philanthropic foundations are also exploring ways to use social investment as a way of levering up their financial resources and recycling capital for onward investment in a range of social, pro-poor initiatives (Financial Times 2015). Foundations, such as the Omidyar Foundation, provide a mix of grants and social investment funds to start and grow ventures that generate both social and financial returns. The scale of such a "blended" investment portfolio can be seen in the way that Omidyar made investments of US$400m alongside grants of US $479m between 2004 and 2014.

Recent research in the UK suggests that over the next five years a growing number of non-profits will adopt new business models that incorporate social investment. The research highlights a 12–15% shift towards social investment and away from grant provision. What is striking about these findings is that international NGOs were more open to embracing social investment models than domestic non-profits (Salway 2015). This trend is supported by new and innovative crowd-funding platforms, peer-to-peer lending, and new social impact investment institutions.

Such social investment is not just impact and/or results-focused but also potentially gives communities and a new generation of responsible investors a stake in developing more effective and viable CSOs. Peer-to-peer lending and crowd-funding is growing more rapidly than social investment, and CARE International's LendWithCare.Org initiative is a good example of how an INGO can use a crowd-funding platform to access loans to support its development work. It has raised and lent over £7 million since its inception in 2010. Christian Aid leads a consortium of other INGOs that has established Access to Capital for Rural Enterprises (ACRE). It aims to promote impact-first investment in rural enterprises in developing markets. Through their access to an extensive range of projects and programmes, ACRE have identified a range of viable rural enterprises and use a syndicated financing platform to link them with potential investors.

There are also a number of specialist investment management firms that focus on promoting social investments in developing countries. These include Blue Orchard, the Triodos Bank, Worthstone, and Vital Capital. For example, Truestone, a social impact investor whose portfolio of work includes levering up investment funds to support the work of local social enterprises or CSOs, is currently working with two Kenyan CSOs, the Kenyan Students' Christian Fellowship and CMS-Africa, to develop land they own in Nairobi which will generate rental income to support their education work in Kenya.

Another example is SpringHill Equity's investment in Bridge International Academies, which is the largest provider of low-cost private education in Africa and offers affordable high-quality primary education for poor families. By the end of 2014 Bridge had opened over 350 schools serving 100,000 pupils in Kenya, and is opening new schools in Uganda, Nigeria, and India. This rapid growth is based on the way it rolls out and franchises its "school-in-a-box" model and its ability to access social investment funds. Springhill see that the "market" for such affordable high-quality education in low-income communities is immense and continue to seek new investment funds for such high-impact social investments.

Enterprise supported CSOs

A growing number of development INGOs generate a proportion of their income from enterprises or commercial ventures that they own and run. These can either be self-standing commercial enterprises with clear profit-based business goals, as exemplified by the subsidiary companies created to support BRAC, the major Bangladesh-based INGO; or complementary for-profit enterprises that also have developmental goals, such as Oxfam's high street shops. In the UK charity sector an estimated 20% of income now comes from trading activities.

Typically, enterprise-supported INGOs rely on a mix of gift and aid income, and profits from their subsidiary enterprises make up only a relatively small proportion of total income. Such enterprises are commonly either direct trading activities such as Oxfam's shops or Practical Action's publishing business. In some cases, an INGO has established new service provision ventures through which it sells a particular expertise. For example, Marie Stopes International created Options in 1992 to provide specialist consulting support to enhance access to reproductive and sexual health services;

Transparency International offers anti-bribery training through its training and advisory services; and Practical Action provides a consulting service in the area of sustainable or alternative technologies.

Some CSOs have ambitious targets for enterprise-derived income, with the Bangladeshi INGO BRAC being the most commonly cited example. In 2013 a third of its annual expenditure of US $545 million came from official donors, and much of the rest was generated by the different enterprises it owns. These include a bank, internet and mobile phone companies, printing businesses, feed mills, tea companies, fisheries, dairy production, and so on. All of these operate commercially and their profits are used to support BRAC's development activities.

A crucial element of the enterprise-supported strategies of such ventures is that they commonly incorporate a developmental purpose with a profit-generating goal. For instance, Oxfam is a major trading presence in the UK. It is one of the top-ten high street retailers with 700 shops across the country and a significant online shopping presence. While these shops are expected to generate income they also have a developmental role in terms of selling fair-trade goods or handicrafts that benefit local producers, as well as a wider educational role.

Practical Action has two wholly owned subsidiary companies with a commercial and developmental remit. One, Practical Action Publishing, comprises book and journal publishing, and book retailing via mail order and the internet, geared to the needs of development professionals and academics worldwide. The other is Practical Action Consulting, which provides independent research and professional advice to a range of clients around issues of technology and development and enterprise development. While these subsidiaries are expected to be profitable it is clear by the way they operate that their wider societal and development remit is a key determinant of the strategies they pursue and the operational decisions made. Other European INGOs, such as ICCO in the Netherlands, Helvitas in Switzerland, or the Bristol-based Development Initiatives are in the process of developing similar value-based for-profit consulting subsidiaries.

A variation on this is the contracted INGO. In other words, those NGOs which rely on contracts and commissions that are awarded by a range of donors – either multilateral or bilateral donors, government departments, or foundations. There is a growing trend by official donors to contracting and NGOs have responded accordingly. For example, in the South many local NGOs depend on such contracts from local government to run their projects or programmes, while in the North we have seen a growing number of contract-dependent INGOs.

This is reflected in the business model adopted by those organisations which operate in a way akin to value-based consultancies. They bid for projects in the development marketplace, and differ from for-profit consultancies because of their particular developmental values, the way they build long-term partnerships, or have particular relationships with civil society. Examples of this include INTRAC (which works to support and strengthen civil society through training, consultancy, and research); Action on Poverty (APT works with partners to develop small enterprises and promote economic empowerment); or the Washington-based Technoserve, which helps entrepreneurial men and women in the developing world capitalise on business opportunities that create jobs and income for poor people. Technoserve works with a range of public- and private-sector partners (including USAID, the Coca-Cola Company, and JP Morgan), and in keeping with their private enterprise approach evaluate their performance using business metrics.

In practice, this is a relatively rare model and in most cases enterprise-funded INGOs receive only a small proportion of their income from such ventures. Experience also suggests these subsidiary enterprises have high start-up costs and can be a significant management burden and as a result carry high transaction costs. The trend is for CSOs to develop and support investment in a new range of social enterprises.

Evolving social enterprises

A small, but significant, trend is where a CSO evolves (or incubates) an autonomous social enterprise, or where a business, donor, and CSO work together to form new collaborative enterprises. This model has attracted much interest internationally – particularly because CSOs see them as a source of potential income. There has been a rapid growth in the number of social enterprises and new social franchise models established internationally.

Individuals and CSOs have moved to develop a range of new social enterprises and donors have contributed significant funds to support this trend. Donors are attracted to investing in such social enterprises despite the obvious risks because they are seen as innovative and more willing to adopt new approaches or techniques, able to access a range of difficult to reach markets and so seen as being more inclusive, and as such better able to overcome market failure than other initiatives (Rogerson et al. 2014).

This trend is well-reflected in the range of new entities being created by different NGOs across the world. These ventures are either traditional for-profit businesses or new social enterprise models. In Bangladesh, BRAC has actively created a range of social enterprises which in 2013 had a combined turnover of US$165 million. The Grameen Bank's social enterprise affiliate Grameen Shakti provides a range of solar-powered products. Another trend is the development of new social franchising models. This is seen in the success of Marie Stope's global network of BlueStar clinics, and in Basic Need's franchise model designed to provide mental health support in the poorest communities.

An example of an INGO incubating a franchise-based local social enterprise is FarmAfrica's evolving relationship with Sidai Africa. While Sidai still operates as an autonomous social enterprise which provides quality and affordable veterinary and other livestock services through a network of 150 branded franchises, each franchise is owned and staffed by qualified veterinarians, livestock technicians, and other professionals. Sidai operates as registered company in Kenya, and had a turnover of £1.6 million in 2013. Its goal is to be financially sustainable while also revolutionising the way that livestock and veterinary services are offered to pastoralists and farmers in Kenya.

There are also a number of recent cases where an existing CSO has transformed itself into a viable, market-driven social enterprise. Their ambition is that future income will come from selling products or services rather than relying on donor income or commissions. Examples of this include SolarAid's development of SunnyMoney and SNV's proposed strategic evolution to a social enterprise. This evolution is partly driven by the desire for greater economic and market sustainability, and partly increasing dissatisfaction with the constraints imposed by official aid donors.

SolarAid has evolved from a traditional gift-based INGO promoting the use of solar power in Africa to a development enterprise selling high-quality solar lighting across Africa. This new business model is run through a newly registered social enterprise (SunnyMoney) which is now working in four African countries to promote solar lighting, with the intention of eradicating the use of kerosene lamps while becoming financial sustainable. In 2008, SolarAid created SunnyMoney to run its operations in Africa. SunnyMoney uses an innovative distribution model to sell solar lights in rural off-grid communities dependent on costly, toxic kerosene for lighting. By building a sustainable market for solar products, SolarAid and SunnyMoney aim to eradicate the kerosene lamp from Africa by 2020. The well-established Dutch INGO SNV has also adopted an evolving strategy towards becoming a hybrid social enterprise. In an effort to move away from its dependence on official aid funding it intends to generate income by providing advice and capacity building support. Working with its existing local partners it will support local communities, businesses, and organisations to increase their incomes and become sustainable themselves.

Social enterprise: overcoming the risks

Despite this move to develop a range of new social enterprises experience and research suggests that they face considerable constraints and challenges – particularly developing sufficient capacity and attracting resources to go to scale and having enough turnover to generate a surplus and/or profit (Smith and Darko 2014). There are significant transaction costs for the host CSO in terms of management time and resources, strategic drift, and conflict of interest.

Unless they go to scale the social enterprise model is not a panacea for CSO sustainability. As a result, many CSOs are looking to share the risks by developing collaborative partnerships with established businesses. Examples of such collaborative social enterprises include Grameen Banks co-venture with the French multinational Danone, launched in 2006 to supply nutritious food to the poor in Bangladesh. Major INGOs, CARE and Plan International, have worked in partnership with Barclays Bank to develop their Banking-on-Change Programme intended to enhance access by the poor to basic banking services in eleven countries. CleanTeam Ghana, a social enterprise created by WSUP (Water and Sanitation for the Urban Poor) in conjunction with UniLever, uses a market-lead approach providing domestic toilets to the urban poor in Ghana. Other examples include Vodafone's partnership with AMREF in Kenya, or Digicel's relationships with the Irish INGO, Concern. A variation on this is where an NGO social enterprise collaborates with multinational companies, such as the way that Galvmed works in partnership with major pharmaceutical companies like Pfizer or Merial. Galvmed is a non-profit global alliance that makes affordable livestock vaccines, medicines, and diagnostics accessible to farmers across the developing world.

An alternative hybrid model is where a corporation works in collaboration with an official donor to support the development of a specialist INGO. Girl Hub, for example, was a strategic collaboration between DFID and the Nike Foundation (the philanthropic arm of the multinational sports company). Girl Hub was a British-registered NGO, with operations in Ethiopia, Rwanda, and Nigeria. It helped decision-makers and donors to address the needs and rights of adolescent girls. Girl Hub's strategy was to combine DFID's development expertise and global reach with Nike's experience and expertise – particularly in communication, business planning, and innovation, and the experience of the Nike Foundation's international work to empower adolescent girls. Another example is the collaborative support provided by Coca-Cola and USAID to support the Water and Development Alliance (WADA) and its programmes across sub-Saharan Africa.

Conclusion

This article is concerned with the alternative strategies for CSO sustainability. Clearly there is an appetite to explore new routes to financial sustainability, whether it is digital crowd-funding platforms, new models of accessing social investment, or developing new types of value-driven, market-driven, financially viable social enterprises. While the great majority of INGOs still rely on voluntary donations and fully aided-NGOs are a rarity, all the evidence suggests that there is growing interest in developing alternative enterprise-based models that reduce dependence on gift incomes and official aid.

It is recognised that there are challenges associated with this trend that CSOs need to address. There are concerns that the drive for profitability or need to repay investments inherent in such ventures undermines their humanitarian values and identity. Many believe that the way that social enterprises work is fundamentally different from the way CSOs work with their different values, goals, and resourcing strategies, importantly needing a different "entrepreneurial" mindset to operate them successfully. The theory of change that underpins the work of social enterprises is also seen as distinct from those of many CSOs. Social enterprises operate in the expectation that they will continue to grow, and work on the premise that they can attract sufficient investment to ensure continuity and develop their position in a social marketplace. In contrast, many CSOs expect that at some point in the future they will "do themselves out of a job" because their work will be sufficiently effective to remove poverty and suffering in the communities with which they work.

Despite these concerns and challenges there is clearly a momentum around the evolution of these new market-based models. The evidence is that a growing number of CSOs are looking to provide loan capital of their own to develop social enterprise models in the communities they serve. This not only proactively creates new ventures but also demonstrates a first loss position against which others use as evidence of viable investment. There is also a new breed of social business development professionals who help find potential investors, and facilitate links with established entrepreneurs. CSOs may also encourage their staff to promote new social ventures models as "intrapreneurs" (innovators and entrepreneurs working within their own organisations).

The trend seems to be one of greater independence through diversified income sources and a willingness to explore more entrepreneurial routes to financial sustainability. These trends have major consequences on management in terms of time invested and skills needed, as well as implications for the existing culture and values inherent in CSOs. Arguably if the sector is to benefit from these alternative models they need to learn new skills, adopt new thinking, and embrace new strategies. This is not about instant returns on new investment but a capacity building process that will take time to become embedded; one that will lead to greater resilience and opportunities for innovation.

Disclosure statement

No potential conflict of interest was reported by the authors.

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