Civil Society at a Crossroads: Exploring Sustainable Operating Models

AUTHOR
Shannon N. Green

A Report of the CSIS Human Rights Initiative

ICON The International Consortium on Closing Civic Space

CSIS CENTER FOR STRATEGIC & INTERNATIONAL STUDIES
ABOUT CSIS

For over 50 years, the Center for Strategic and International Studies (CSIS) has worked to develop solutions to the world’s greatest policy challenges. Today, CSIS scholars are providing strategic insights and bipartisan policy solutions to help decisionmakers chart a course toward a better world.

CSIS is a nonprofit organization headquartered in Washington, D.C. The Center’s 220 full-time staff and large network of affiliated scholars conduct research and analysis and develop policy initiatives that look into the future and anticipate change.

Founded at the height of the Cold War by David M. Abshire and Admiral Arleigh Burke, CSIS was dedicated to finding ways to sustain American prominence and prosperity as a force for good in the world. Since 1962, CSIS has become one of the world’s preeminent international institutions focused on defense and security; regional stability; and transnational challenges ranging from energy and climate to global health and economic integration.

Thomas J. Pritzker was named chairman of the CSIS Board of Trustees in November 2015. Former U.S. deputy secretary of defense John J. Hamre has served as the Center’s president and chief executive officer since 2000.

CSIS does not take specific policy positions; accordingly, all views expressed herein should be understood to be solely those of the author(s).

© 2017 by the Center for Strategic and International Studies. All rights reserved.

Center for Strategic & International Studies
1616 Rhode Island Avenue, NW
Washington, DC 20036
202-887-0200 | www.csis.org
OVERVIEW

Around the world, civil society is at a crossroads. Buffeted on one side by questions about their relevance, legitimacy, and accountability from governments and their beneficiaries, civil society organizations (CSOs) face pressure to demonstrate their value to and connection with local communities. On the other side, civil society is having to adjust to a rapidly deteriorating legal and operational environment, as countless governments pursue regulatory, administrative, and extra-legal strategies to impede their work. Nonstate actors also pose a threat to the sector, attacking human rights defenders, bloggers and journalists, environmentalists, and labor unionists in unprecedented numbers.1 Simultaneously, CSOs are encountering major disruptions to their revenue streams because of changing donor priorities and government restrictions on foreign funding, and to their business model from emerging forms of civic activism.2

At this pivotal moment, CSOs can either adapt or hunker down, hoping that the tide of change will crest and dissipate. For those organizations intent on survival, there is an urgent need to find alternative models and approaches—even as they fight for their right to exist and receive funding. The crisis confronting the civil society sector creates an impetus for donors and civil society to jointly reexamine traditional approaches and reimagine what healthier, more sustainable operating models would look like. This paper seeks to contribute to this conversation by assessing the strengths and weaknesses of various organizational forms on civil society’s sustainability and resilience.

The focus of this analysis is on models used by and relevant to local “social justice” CSOs—whether operating in the realm of human rights, development, environmental justice, or anticorruption and transparency. This paper will not consider government-organized nongovernmental organizations (GONGO), international nongovernmental organizations (INGO) including those with local chapters, or organizations exclusively operating in cyberspace. The research for this paper was conducted under the auspices of the international consortium on closing space (iCon), a coalition of scholars and experts from around the world that is developing concrete, evidence-based recommendations on how best to address and push back on closing space around civil society.


CIVIL SOCIETY AT A CROSSROADS: EXPLORING SUSTAINABLE OPERATING MODELS

The Case for Adaptation and Innovation

For the past three decades, CSOs have proliferated and flourished all over the world. The expansion of freedoms and human rights during the Third Wave of democratization and the free flow of global capital gave rise to a new universe of CSOs working in a variety of sectors. These organizations offered novel opportunities to affect social change at a grassroots level and fill gaps in service delivery—and as a result, donors invested heavily in them.

During this period of rapid growth, most local organizations adopted a traditional business model in which they received resources from donors such as bilateral governments, INGOs or contractors, multilateral organizations or funds, philanthropic foundations, or individuals to implement projects, deliver services, conduct research and analysis, or execute advocacy campaigns. These organizations generally fall into two categories: service delivery organizations and advocacy groups.

The key feature of service delivery organizations is the existence of two “customers”: one who pays for the service and another who receives the service. Typically, in this model, donors reside in rich countries, while the beneficiaries hail from poorer countries with large gaps in access to essential services (e.g., health, education, water and sanitation) for all or some of the population. Advocacy organizations mirror this structure in that they too are dependent on donors in wealthy countries and serve two masters. For advocacy organizations, however, the beneficiary is the segment of society (e.g., women and children, LGBTI individuals, refugees and migrants) that stands to gain from the policy or behavior change for which they are advocating. Donors pay for campaigns on human rights, environmental issues, child protection, and related issues, and advocacy organizations run these campaigns to the benefit of society at large or certain groups within society.

Of course, there are organizations that fulfill both functions. It is common for local CSOs to combine advocacy with their work to enhance access to education, recover from crises, address threats to public health, or help survivors of human rights violations. For example, the Al Nadeem Center in Egypt campaigns for an end to torture, arbitrary detention, and forced disappearances and provides much-needed psychosocial support and rehabilitation to victims of torture. Even in these blended models, the core business practice remains the same—the organization relies on donor support to enact the change they seek.

While this model of grant funding has served countless CSOs well for the past three decades, there are signs of trouble ahead. Increasingly, professional CSOs face disruption from new and emerging forms of civic activism. Service delivery organizations often operate in tandem with informal, self-organized collectives of citizens that are meeting the needs of their communities more efficiently and sustainably than formal, centralized associations. Especially during emergencies, groups of citizens come together to conduct rescue operations, provide

5 Rekosh, “Rethinking the Human Rights Business Model.”
food and shelter, and distribute other life-saving assistance. These spontaneous efforts have been an instrumental part of the response to Hurricane Harvey in Texas, the earthquake in Nepal, and the devastating civil war in Syria.

Likewise, advocacy organizations can be outflanked by social movements, which have proven more adept at reacting to events or opportunities and mobilizing broad cross-sections of society. Advocacy organizations typically rely on known supporters, whereas social movements, using social media and word of mouth, have the potential to bring together far more people around a common cause.

However, these models are not necessarily in competition with one another. Intrepid local volunteers can respond to immediate crises while an official humanitarian operation gears up, and deliver services and assistance in areas professional CSOs are unable to access. Social movements can help shift power dynamics and create bottom-up demand for change. Their challenge is sustaining an outpouring of energy or outrage, and translating these sentiments into meaningful progress. With centralized leadership, expertise, and infrastructure, advocacy organizations can help by channeling public pressure into campaigns with clear, actionable policy demands. The problem is that most CSOs have been slow to recognize this synergy and build bridges to social movements and decentralized, citizen-led initiatives.

Other critiques of the grant-driven business model center around the failure of mainstream CSOs to promote transformative change. Nicola Banks, David Hulme, and Michael Edwards suggest that the dependence of CSOs on donor funding has resulted in a sector that lacks the “urgency, foresight, and courage to move out of the comfort zone in which they have found themselves.” CSOs have had a significant impact on improving service delivery, saving lives, and enhancing opportunities for vulnerable and neglected groups throughout the world. Major strides in maternal and child health, access to education and educational attainment, and poverty reduction are a testament to the contributions of international and local CSOs and their partners in government and the private sector. Moreover, CSOs have made heroic contributions to establishing international norms and legal frameworks around political, civil, economic, social, and cultural rights and holding governments, international organizations, and transnational corporations accountable for adhering to those norms.

Despite these gains, some critics allege that these efforts are palliative rather than transformational for three reasons. First, many CSOs lack deep roots in the communities in which they work, “a weakness which greatly limits their impact and influence over the drivers of social change.” In this context, such organizations may be able to expand access to services among marginalized and excluded groups but only through “channels that are weakly connected to deeper processes of political, economic, and structural change.” Second, donors’ insistence on quantifiable results has driven some local CSOs to focus on a limited set of projects biased toward service delivery instead of the deep-rooted transformation of politics, social relations, markets, and technologies. Meaningful structural reform is time consuming and does not fit neatly into donors’ funding cycles and results frameworks, jeopardizing the

9 Ibid.
10 Ibid.
11 Ibid.
financial viability of organizations pursuing systemic change. Third, the incentive structure embedded in this model, whereby funding recipients are accountable “upward” to donors rather than “downward” to beneficiaries, puts donors’ satisfaction above CSOs’ broader goals of expanding rights, equality, and justice for poor and marginalized groups.12

The more competition there is from other CSOs, the more severe this principal-agent problem becomes. Alexander Cooley and James Ron found that the marketization of foreign assistance—or the reliance on short-term, competitively bid tenders—produces perverse incentives in which winning the next grant subverts other important considerations like gaining community buy-in and ensuring the sustainability of projects.13 To please their donors, grant-dependent CSOs often resort to apolitical, technocratic, and short-term approaches that close service delivery gaps yet create divisions with the very communities they are meant to serve. As a result, CSOs, including those focused on human rights and social justice, are increasingly accused of being illegitimate, out-of-touch, and in the sector for the money or prestige.

Many scholars argue that this grant-dependent funding model has contributed to or exacerbated closing space for civil society.14 Governments in over 100 countries have put restrictions on CSOs—making registration more difficult, cutting off foreign funding, interfering in the internal affairs of organizations, prosecuting CSO leaders under false pretenses, and restricting CSOs from working on “politically sensitive” issues.15 They have also sought to portray CSOs as malign actors, intent on thwarting national security and imposing western values on society, often at the behest of foreign countries. For example, in Kenya, President Uhuru Kenyatta and William Ruto have tried to discredit CSOs that lobbied for international accountability for their role in election-related violence in 2007 and 2008. Giving them the moniker “evil society,” the government used the media to depict activists as agents of colonialism and imperialism. Similarly, the government of Prime Minister Narendra Modi has vilified environmental and community-based organizations for pushing back against large-scale investment projects, accusing them of being foreign puppets and working against India’s national interests.

CSOs’ reliance on foreign donors and lack of accountability to beneficiaries have made them susceptible to these charges. It has also left them vulnerable to government machinations. One of the favorite tactics deployed by governments is to limit CSOs funding from foreign donors.16 Ethiopia’s human rights sector was decimated when the government issued a proclamation in 2009 requiring organizations working on human rights, democracy, gender, religion, the rights of children and the disabled, and conflict resolution to generate 90 percent of their revenue from local sources.17 Long reliant on foreign funding and unable to

12 Ibid.
make the shift to domestic sources, the majority of human rights organizations disappeared, changed their focus to less contentious issues, or rebran- ded themselves as development or service delivery organizations.\footnote{Ibid.}

Another problem arises when donors’ foreign policy priorities change, leaving their local partners to fend for themselves. This happened in Egypt when the U.S. government walked away from its longstanding diplomatic and financial support to local human rights organizations, following a major rift with the Egyptian government in 2011 and 2012.\footnote{Saskia Brechenmacher, \textit{Civil Society under Assault: Repression and Responses in Russia, Egypt, and Ethiopia} (Washington, DC: Carnegie Endowment for International Peace, May 2017), http://carnegieendowment.org/2017/05/18/institutionalized-repression-in-egypt-pub-69959.} As backing from the United States evaporated, the Egyptian regime ramped up its repression of CSOs, forcing many prominent activists to flee, relocate their operations, or close shop. Others have stayed and persevered, finding new ways to carry on their work without government sanction.

For all of these reasons, scholars and practitioners have begun questioning the viability and wisdom of the traditional, grant-driven business model. This model, which served the civil society sector admirably for the past quarter-century, is proving to be brittle when confronted with severe threats to civic space. Consequently, many CSOs are beginning to experiment with different organizational forms, revenue streams, and partnerships to fortify their operations. Donors are also thinking hard about how to support a more resilient sector and how to do business differently. Both are doing so, however, without a strong evidence base for what kinds of approaches lead to greater sustainability and resilience. This analysis seeks to fill that gap.

**Sustainability and Resilience**

To evaluate the attributes of different CSO operating models and their relationship to sustainability and resilience, we must first have a working definition for these concepts. Most definitions of civil society sustainability focus on the internal characteristics of an organization that allow it to build its institutional capacity, minimize financial disruption, sustain its programmatic activity, and maximize its impact. Research produced by the West Africa Civil Society Institute (WACSI) identified four dimensions of sustainability endogenous to CSOs: financial (the continuous availability of financial resources), operational (capacity, technical resources, and administrative structures to operate programs), identity (long-term existence of organizations themselves), and interventions (results and impact of specific projects).\footnote{Charles Kojo VanDyck, “Concept and Definition of Civil Society Sustainability,” CSIS, June 2017, https://csis-prod.s3.amazonaws.com/s3fs-public/publication/170630_VanDyck_CivilSocietySustainability_Web.pdf?QfsoMteHr9U8aeV1kOjFo. FBTsLG76HPX.} However, even this explanation does not go far enough because it ignores the external factors that have a bearing on civil society sustainability.

Charles Kojo VanDyck of WACSI attempted to rectify this shortcoming by developing a holistic definition that captures the heterogeneity of the civil society sector and embeds the notion of sustainability within the environments in which CSOs operate.\footnote{Ibid.} This definition goes beyond assessing civil society sustainability based on organizations’ ability to survive. Instead, it seeks to encompass the internal and external factors that affect the ability of organizations to thrive, be resilient in
the face of change, remain autonomous and independent, and function continuously. These internal factors include: governance and leadership (operations); resources (material, financial, and technical); relevance, legitimacy, and accountability (identity and representation); and intervention scalability and reliability (societal impact). The external factors are the nature of civic space (open, closing, or closed), legal and regulatory policies (enabling or restrictive), and foreign policy (national priorities and global geopolitical positions).

Based on these principles, iCon has adopted the following definition:

Civil society sustainability may be defined as the capacity and capability of organized and loosely formed citizen associations and groupings to continuously respond to national and international public policy variations, governance deficits, and legal and regulatory policies through coherent and deliberate strategies of mobilizing and effectively utilizing diversified resources, strengthening operations and leadership, promoting transparency and accountability, and fostering the scalability and replicability of initiatives and interventions.

This definition will serve as the basis of judging the strengths and weaknesses of different business models in this report.

**Membership-based Organizations**

Membership-based organizations (MBOs) have inherent traits that foster local buy-in, bolster their ability to adapt to shifting circumstances, contribute to transformative change, influence government policy and the legal and regulatory environment, and adopt more democratic and accountable forms of governance. Thus, they are well-positioned to weather the current crisis of closing space. For the purposes of this paper, MBOs refer both to fee-based organizations and those in which members do not pay fees. They comprise “more traditional forms of civil society organizations such as social movements, political or religious institutions, trade unions, cooperatives, small self-help groups, and campaigning organizations, among others.”

Key to the legitimacy and sustainability of MBOs is their grassroots membership. MBOs form around the common interests, needs, and priorities of members and seek to leverage the size, diversity, and influence of their membership base to advance shared policy objectives. For example, the largest

---

22 Ibid.
23 Ibid.
24 Banks et al., “NGOs, States, and Donors Revisited.”
and most powerful MBOs in the United States, the AARP (formerly known as the American Association of Retired Persons) and National Rifle Association (NRA), gained their status by taking a “functional” approach to building their memberships, developing benefits to cater to members’ daily needs and priorities.²⁵ For example, the AARP offers members discounts on travel, insurance, entertainment, and health care and in turn collects dues from its 38 million members aged 50 and older. These dues are then used to advocate for policies of greatest concern to its members, such as health care, employment and income security, and protection from financial abuse. Likewise, the NRA collects dues from its members to support its advocacy on gun rights, and as an inducement to join, provides members with discounts on insurance, car rental, prescription drugs, and other benefits. Using this model, both the AARP and NRA have built formidable voting blocks that U.S. legislators ignore at their peril. The membership model also “carries a double benefit, providing new revenue streams of local funding and adding to the legitimacy and effectiveness of local advocacy efforts.”²⁶

MBOs are also better positioned than grant-dependent organizations to mobilize and evolve as circumstances warrant and priorities change. Because they are accountable both inward (as leaders are often elected or designated) and outward (as leaders represent their constituencies), MBOs can more easily respond to the needs and aspirations of their members.²⁷ This flexibility is critical in closed, closing, or shifting environments for civil society. In such contexts, governments cannot apply the same tactics used against formalized CSOs, such as cutting off foreign funding, threatening deregistration, or exposing the organization to a lengthy, politicized audit.

Due to the benefits of this model, activists from Brazil to Egypt, India to Kenya are adopting looser, more organic, and less hierarchical forms of association and activism.²⁸ These approaches include online and offline activities, such as large-scale digital campaigns for social justice in Brazil, closed Facebook groups of women supporting each other to lead more independent lives in Egypt, increasingly radical student protests and activism in India, and the formation of new umbrella groups comprising faith groups, trade unions, and academic bodies in Kenya.²⁹

This approach is not without risks. Governments are increasingly alarmed by the prospects of mass mobilization and are resorting to draconian measures to curtail it. In Egypt, the government of Abdel Fattah el-Sisi has jailed prominent activists, instituted travel bans for outspoken critics, and criminalized public gatherings of 10 people or more without prior government approval. Egyptian authorities have also gone after labor unions and professional associations, which were instrumental in the Arab uprising. In May 2016, the head of the Press Syndicate and two senior board members were arrested on charges of “harboring suspects against whom an arrest warrant has been issued” and “publishing false news, which threatens public peace.”³⁰ Similarly, in India, the government has responded to protests on university campuses by arresting student union

²⁵ Rekosh, “Rethinking the Human Rights Business Model.”
²⁶ Ibid.
²⁷ Banks et al., “NGOs, States, and Donors Revisited.”
²⁸ Youngs, Global Civic Activism in Flux.
²⁹ Ibid.
leaders on spurious charges of sedition and intimidating dalit students who have fought against caste prejudice.\textsuperscript{31} Turkey has also experienced a brutal crackdown on journalist syndicates and lecturer associations since the unsuccessful coup against President Recep Tayyip Erdogan in 2016. Particularly in settings in which space is closed or closing, even MBOs are constrained in their ability to overtly lobby for transformational change.

Despite these challenges, most researchers and practitioners engaged on the issue of closing space agree that developing constituencies for civil society and mobilizing the public are essential to protecting individual organizations and to defending democratic values more broadly. MBOs, including social movements, provide important avenues to reclaim the rights of association, assembly, and expression and to build more inclusive societies.

Community-funded Organizations

The barriers to foreign funding, decrease in donor support for human rights, and drawbacks of relying on foreign donors have led many CSOs to explore domestic philanthropy, at least to partially fulfill their financial needs. This examination is long overdue. Beyond providing needed financial assistance, a greater emphasis on local funding has the potential to augment the sustainability of CSOs by building local constituencies and raising awareness of and support for their work.

Local funding—alternatively referred to as domestic philanthropy, community philanthropy, or domestic fundraising—takes many different forms. In some environments, a growing family of community philanthropy organizations, including community foundations, pool and distribute local resources for grantmaking, while in others, CSOs are acting alone to increase individual donations from ordinary citizens. However, underlying the diversity of these approaches are three shared elements: developing local assets, strengthening local capacities, and building local trust.\textsuperscript{32}

With the expansion of the middle class in developed and developing countries, there is a broader pool of domestic resources for CSOs to tap into. Local philanthropic sectors are emerging in many parts of the world that were traditionally considered purely “aid recipient” countries, such as Serbia and South Africa.\textsuperscript{33} This evolution has prompted a movement to grow domestic philanthropy, both as a strategy to shift grantmaking closer to the ground and as a way to encourage local giving.

One notable indicator of this mindset is the expansion of community foundations. Over the past decade, the number of community foundations has grown to 1,500 in more than 50 countries.\textsuperscript{34} There are now community foundations across much of Central and Eastern Europe, in Mexico, Kenya, and Zimbabwe, and more recently, in Azerbaijan, Brazil, and Thailand.\textsuperscript{35} Community foundations, grantmaking public charities that aim to solve discrete challenges within a defined local geographic area, pool financial contributions from individuals, fam-

\textsuperscript{31} Youngs, \textit{Global Civic Activism in Flux}.


\textsuperscript{35} Ibid.
ilies, businesses, and traditional donors to support effective nonprofits in their communities. While each foundation might look different depending on the local context, what unifies this model is the core belief that development will be stronger and more lasting when community members themselves are driving and investing their own resources in solutions. The advantage of community foundations is that they can quickly allocate resources to local organizations based on community input rather than donor priorities.

Another approach is to generate revenue from small, individual donations. Several cross-national polls have shown the potential for CSOs to tap into broad public support and trust in local human rights organizations. In a survey conducted by the Pew Research Center, a majority of citizens in India, Indonesia, Kenya, and Mexico said that human rights organizations have “very good” or “somewhat good” influence on the way things are going in their country. This sentiment puts favorability for human rights organizations below the military and religious leaders but above or on par with corporations and police. Contrary to conventional wisdom, survey respondents also pushed back against the notion that human rights organizations are a Trojan horse for foreign influence. By and large, they thought that “human rights organizations are primarily dedicated to protecting the rights of people in our country” versus “promoting the interests of foreign groups.”

Given these findings, it would appear that there is a target-rich environment for local fundraising. To determine whether ordinary people will donate to local human rights groups, James Ron, José Kaire, and David Crow surveyed a representative sample of adults in Mexico City. Their research included a “real-money” experiment in which people were given pesos and told they could keep the money or donate some or all of it to a local human rights organization. They discovered that “many people are in fact willing, if asked in the right way, to make small donations.”

Even the poorest participants decided to donate some of their money. Applied on a national scale, such an experiment holds immense promise for the ability of CSOs to supplement or supplant their funding from foreign donors with local resources.

Conectas, a Brazilian-based organization that promotes human rights and the consolidation of the rule of law throughout the Global South, is applying these lessons to its fundraising efforts. Since 2015, Conectas has been working to renew its brand and craft messages that resonate with local audiences. It has also invested in an online system of fundraising small contributions, namely from a target population of women between the ages of 30 and 40. Although this is an onerous process with uncertain financial returns, Conectas has embraced local fundraising as an opportunity to gain support from different segments of society, revisit its structures, and prepare for a future in which it is not dependent on a single funding source.

37 Younis, “Community Philanthropy.”
40 Ibid.
Military, media, human rights organizations widely viewed as having a positive influence

_____ is having a good influence on the way things are going in our country

Beyond contributing to the financial well-being of CSOs, these models lend themselves to greater sustainability in the broadest sense of the word. Domestic philanthropy helps build constituencies for the work of local CSOs, providing a protective factor if governments choose to target them. Local fundraising is crucial for getting people to learn and care about a CSO’s work, so when the government attacks an organization, there are people in the community that actually notice and speak out.43 Perhaps more importantly, educating citizens about civil society’s role is necessary for mobilizing the public to advocate for the sector as a whole and for the enabling environment that CSOs rely on.

Although there are promising developments, local funding is unlikely to replace foreign funding entirely. Substantial funding, primarily from northern sources, remains necessary to carry out much of civil society’s work.44 The Arab Human Rights Fund, for instance, was created with the intention of fostering local giving for rights work. More than a decade later, external funding remains the principal source of support, rendering the fund and its grantees vulnerable to government obstruction.45 Despite strong grassroots support and engagement, the fund and community foundations like it have yet to find a compelling enough proposition to entice the public to contribute to their services and products.

There are other constraints to applying this model across the board. In authoritarian environments, citizens might fear retribution from repressive governments for making contributions to CSOs or legal and structural challenges to local fundraising may make this strategy impossible. Hussein Baoumi explains that in such situations, “local funding can magnify the problems of unsustainability and collective self-determination.”46 The two central challenges revolve around the persecution of local CSOs—and those who support them—and the severe problem of power inequality and co-optation of elites.

Soliciting for funding is illegal in many countries and could lead to charges of terrorism or extralegal violence.47 For example, Moroccan CSOs are not allowed to fundraise domestically unless they have a separate license from the government. Article 44 of Oman’s law on nongovernmental organizations (NGOs) stipulates that associations “may not collect funds from the public or hold festivals and charitable markets except for the purpose of achieving their aims. They may not do so without a prior permission and license from the Minister.”48 Such laws are a major hurdle for organizations to cultivate a domestic resource base.

Moreover, in these environments, wealthy individuals either voluntarily avoid links with CSOs “due to a mutually beneficial relationship between them and the dictatorship, or out of fear of repercussions against their economic interests.”49 Organizations that want to attract funding from local elites may have to bend to their priorities and preferences, giving them even less autonomy than if they received funding from a distant foreign donor.

CSOs—especially those working on sensitive issues like human rights—will have a hard time overcom-

---

43 Hodgson, “Local Funding Is Not an Option Anymore.”
44 Younis, “Community Philanthropy.”
45 Ibid.
47 Ibid.
49 Baoumi, “Local Funding Is Not Always the Answer.”
ing the structural and legal barriers in these highly repressive contexts. Yet, overall, the rapid growth of community philanthropy and enduring public support for human rights ideas and organizations show that the potential for domestic fundraising has not even begun to be tapped.

Market-driven Organizations

Given challenges with funding and sustainability, and a desire to end their reliance on foreign donors, some organizations are experimenting with self-sustaining models based on a private-sector mentality and approach. The essential attribute of these market-driven organizations is that they generate all or part of the resources they need to operate and contribute to social change out of their own activities.50

There are many permutations of market-driven organizations, including those that are set up purely as commercial ventures but advance a social good, those that are registered as nonprofit organizations but have income-generating activities, and everything in between. This section will examine the most common forms: organizations that operate as a for-profit enterprise and apply market-based strategies to a social problem or market failure (i.e., social enterprise); organizations that provide microcredit or loans on favorable terms, and then funnel the returns back into their organizations to make additional investments; organizations that run businesses or offer “for-profit” services that subsidize or pay for not-for-profit activities; and organizations that collect a commission for connecting a service provider/donor and a recipient.

Social enterprises have grown in number and scale as a response to basic unmet needs or social problems that public-sector or civil society strategies have failed to resolve. In recent years, social enterprises have emerged to “fill the void between traditional approaches that have focused singularly on creating either social impact or financial returns.”51 These ventures seek to apply business concepts—market analysis, business planning, raising capital, scaling up, and return on investment—to complex social challenges. For example, The History Project—Beyond the Classroom (THP) was set up as a commercial venture to address the biased historical narratives imparted in Pakistan’s education system.52 After trying to tackle this problem through a nonprofit organization and meeting institutional resistance, the founder realized that there was a market opportunity to inspire students to be critical thinkers. THP built a curriculum around four pillars—activity, competition, reward, and outdoors—that teaches tolerance, empathy, and independent thinking, while giving students an experience that they are willing to pay for. The social enterprise also gained the buy-in of parents and school administrators by attaching prestigious credentials and shared values into the five-week program. With the fees paid by program participants, THP has been able to engage with 2,500 students and is looking to bring its message of tolerance and empathy to Pakistan’s 36,000 private schools.

One of the best-known examples of the investment model—Grameen Bank—has its roots in Bangladesh. Grameen provides microcredit to the poorest of the poor to start their own small, income-generating ventures, with no requirement for collateral. With a total disbursal of $18 billion in loans to 9 million borrowers, and a 95 percent rate of repayment, Grameen is able to use the interest on loans to continue investing in lifting people out of poverty. Acumen, a U.S.-based nonprofit organization, adapted this investment model to provide over 100 million low-income consumers with access to healthcare, water, housing, alternative energy, or

50 Gnarig, The Hedgehog and the Beetle.
agricultural inputs. Acumen raises charitable donations from the private sector and government, uses those contributions to make patient debt or equity investments in early-stage companies, helps scale game-changing companies making social impact, and then recycles the returns from their investments into new investments. Although Acumen requires up-front donations to start new operations or expand its efforts, it is able to help far more businesses tackle poverty by taking a long-term approach to investment and using its returns on investment to capitalize more partners.

Pioneering CSOs are also creating business arms or offering fee-based services to subsidize or replace other revenue streams. Business activities can either be separate or integrated into the CSO. For example, Oxfam’s shops—which sell fair-trade coffee, crafts created by disadvantaged people, and second-hand clothing donated by volunteers—generate proceeds that are then funneled into the organization’s poverty eradication efforts. Other CSOs leverage their expertise—in legal matters, organizational development and management, monitoring and evaluation, survey design and implementation, social media campaigning, etc.—and offer for-profit services to government agencies, corporations, and nongovernmental organizations to subsidize their nonprofit activity. Examples abound of organizations in Jordan that blend contributions from foreign donors with local revenue generated by offering fee-based training and capacity building services to local clients.

The final type of market-driven organization, the commission-based organization, collects nominal fees to link donors or service providers to beneficiaries. World Vision has long used this model—appealing to donors to sponsor a child for a fixed amount every month—to support its poverty alleviation efforts. Donations are pooled with other sponsors to fund programs that benefit the sponsored child and his or her community. In return, donors get to build a relationship with their sponsored child and the broader community. GlobalGiving has taken this approach into the twenty-first century, using an online platform to directly connect donors to vetted local organizations in 165 countries. For a 15 percent fee on donations, GlobalGiving sustains its operations and helps grow philanthropy around the world.

These models possess several attributes that make them more resilient to closing space. For one, all or part of their revenue is generated from customers or clients for whom they are providing a desired product or service. It is far more difficult to jeopardize this source of funding than it is for governments to cut off foreign grants. THP faced significant government suspicion and interference when it was operating as a foreign-funded NGO. As a social enterprise, it is seen as much less threatening and can keep up its operations so long as customers find value in its offerings.

Market-driven organizations are also less vulnerable to fluctuations in foreign policy and donors’ preferences. Because they do not primarily rely on foreign support, they are not subject to the whims of foreign policymakers and changing administrations.

Despite these strengths, a market-driven model is not suitable for every organization in every environment. Human rights and social justice organizations have missions and expertise that do not always lend themselves to marketable products or revenue-generating services. Furthermore, such a model does not help organizations cultivate domestic trust and

support. Market-driven organizations are not incentivized to create broad-based constituencies, as the model is dependent on having customers and clients, not partners and champions. Without a strong and vocal constituency for their work, civil society is unlikely to be able to withstand the deluge of government restrictions and repression in this era of closed, closing, and shifting space.

Furthermore, governments will find a way to shut down activity that they do not like, regardless of what form the sponsoring organization takes. Registering and operating as a commercial enterprise does not provide full protection against government interference and intimidation. Egyptian organizations tried to avoid restrictions on civil society during the Mubarak era by registering as civil companies under commercial law. For a time, this allowed these organizations to circumvent stringent reporting requirements that traditional CSOs were subjected to. However, the Sisi government has sought to close this loophole and require all public benefit organizations to register as NGOs or risk closure or prosecution.\footnote{Brechenmacher, Civil Society under Assault.} Civil companies have also faced intense repression, intimidation, and extralegal harassment alongside civil society activists, human rights defenders, opposition leaders, and others who criticize or threaten the regime.

Market-driven models are also not proven vehicles for meaningful social change. As in the case of Grameen Bank, they can have wide and deep impact on poverty eradication and service delivery, but their ability to transform the legal, regulatory, and enabling environment for civil society is unclear. These approaches, which value competition, individual effort, and short-term results, do not create the kind of collective action needed to create systemic change. Edwin Rekosh examined the potential for social enterprises to make progress on advancing human rights.\footnote{Rekosh, “Rethinking the Human Rights Business Model.”} He concluded that while there is space for experimentation, “a key question to resolve is the degree to which social entrepreneurship can go beyond delivering a partial correction to market failure in the provision of socially relevant goods and services to the underserved . . . to tackling transformative issues of law and policy, governance, and social change.”\footnote{Ibid.} In his searing critique of market-driven philanthropy, Michael Edwards reaches a similar conclusion: business models by their very nature are not equipped to tackle the root causes of major problems like inequality, discrimination, and injustice that CSOs exist to address.

Organizations looking to the market for ideas about how to adapt and sustain their operations and impact in the face of government repression have a lot to explore. Market-driven models offer new avenues to generate revenue, access untapped beneficiaries and stakeholders, allude restrictions on NGOs, and maximize return on investment. But, such an approach is not going to be suitable for every type of organization in every context.
<table>
<thead>
<tr>
<th>ORGANIZATIONAL MODELS</th>
<th>DEGREE OF FORMALITY</th>
<th>INTERVENTION SCALABILITY AND REPLICABILITY</th>
<th>ACCOUNTABILITY TO CONSTITUENTS / CUSTOMERS</th>
<th>RELIABILITY OF REVENUE STREAMS</th>
<th>ADAPTABILITY TO LEGAL AND REGULATORY CHANGES</th>
<th>ADAPTABILITY TO FOREIGN POLICY SHIFTS</th>
<th>EXAMPLES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GRANT-DEPENDENT</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SERVICE DELIVERY ORGANIZATIONS</td>
<td>High</td>
<td>High</td>
<td>Low - Medium</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>International Rescue Committee; Islamic Relief Worldwide</td>
</tr>
<tr>
<td>ADVOCACY ORGANIZATIONS</td>
<td>High</td>
<td>High</td>
<td>Low - Medium</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>Human Rights Watch; Gulf Center for Human Rights</td>
</tr>
<tr>
<td><strong>MEMBERSHIP-BASED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MEMBERSHIP-BASED ORGANIZATIONS</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
<td>High</td>
<td>AARP; NRA; Egyptian Press Syndicate</td>
</tr>
<tr>
<td>SOCIAL MOVEMENTS</td>
<td>Low</td>
<td>High</td>
<td>High</td>
<td>N/A</td>
<td>High</td>
<td>High</td>
<td>Black Lives Matter; Y’en a Marre (“Enough-is-Enough”) and Movement 23 (June 23 Movement) in Senegal</td>
</tr>
<tr>
<td><strong>COMMUNITY-FUNDED</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMMUNITY FOUNDATIONS</td>
<td>Medium</td>
<td>Medium - High</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>Greater Houston Community Foundation; Community Development Foundation Western Cape</td>
</tr>
<tr>
<td><strong>MARKET-DRIVEN</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SOCIAL ENTERPRISES</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Medium - High</td>
<td>High</td>
<td>High</td>
<td>The History Project - Beyond the Classroom</td>
</tr>
<tr>
<td>INVESTMENT ORGANIZATIONS</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Medium - High</td>
<td>High</td>
<td>High</td>
<td>Grameen Bank; Acumen</td>
</tr>
<tr>
<td>REVENUE-GENERATING ORGANIZATIONS</td>
<td>Depends</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium</td>
<td>Oxfam shops; CARE Enterprises</td>
</tr>
<tr>
<td>COMMISSION-BASED ORGANIZATIONS</td>
<td>High</td>
<td>Medium</td>
<td>Medium</td>
<td>Medium - High</td>
<td>Medium</td>
<td>Medium</td>
<td>World Vision; globalgiving.org</td>
</tr>
</tbody>
</table>
CONCLUSION

As this paper illustrates, there are different models available for CSOs to test in order to build their resilience to government repression and position the sector for the future. MBOs have intrinsic features that allow them to adapt to shifting circumstances, continue to generate revenue, and survive even as foreign donors’ priorities shift and the legal and regulatory environment deteriorates. With broad and committed constituencies, MBOs can influence policy and engage in collective action to keep civic space open. Likewise, community-funded organizations have greater legitimacy and ability to advance structural reform given their deep community roots. Research and public opinion polls show the unrealized potential for CSOs to solicit donations from the population, thus making up for the loss of revenue from foreign donors. Finally, CSOs could look to the market for answers to the challenge of closing space. Market-oriented approaches provide opportunities to diversify revenue, tap into new sources of funding, think strategically about the demand for civil society services and products, and demonstrate impact with quantifiable measures. These traits are all beneficial for enhancing civil society’s sustainability and resilience.

In spite of these advantages, each model has limitations and downsides. There is no ideal organizational model that will allow civil society to persist in the face of closed, closing, and shifting space—and in many cases, organizations will continue to require external support. To withstand the onslaught of restrictions and survive a period of significant disruption, CSOs and their funders will have to experiment with different models and pick and choose the attributes most relevant to their particular circumstances.

We are living through a perilous time for civil society. If CSOs and their partners are willing to take risks and exercise foresight, the global crackdown on civil society could engender much-needed innovation and renewal for the sector.
ABOUT THE AUTHOR

Shannon N. Green is director and senior fellow of the Human Rights Initiative at CSIS. She brings deep experience in human rights, civil society strengthening, and international development, with 15 years in the U.S. government, academia, and the nonprofit sector. At CSIS, Ms. Green’s research is focused on addressing threats to democratic institutions and norms, especially the challenge of closing space around civil society; enhancing justice and accountability in conflict and post-conflict environments; and improving security forces’ respect for human rights. Ms. Green also writes about countering violent extremism (CVE) through a human rights-based approach and managed CSIS’s Commission on Countering Violent Extremism, cochaired by Tony Blair and Leon Panetta. Prior to joining CSIS, Ms. Green was the senior director for global engagement on the National Security Council. In that role, she developed and coordinated policies and initiatives to deepen and broaden U.S. engagement with critical populations overseas, including spearheading the President’s Stand with Civil Society Agenda and young leader initiatives in sub-Saharan Africa, Southeast Asia, and the Western Hemisphere. She also led efforts to discredit and delegitimize ISIS and counter its propaganda. From 2008 to 2013, Ms. Green worked at the Center of Excellence on Democracy, Human Rights, and Governance at the U.S. Agency for International Development (USAID), where she developed policies, strategies, and programs to advance political reform and human rights in the Middle East and North Africa. She contributed to USAID’s response to the Arab Spring, initiating new programs to support civil society and enhance the transparency and credibility of elections and other political processes across the region. From 2004 to 2008, she served in USAID’s Asia and Near East Bureau, where she was responsible for managing strategic planning, performance reporting, and budget formulation processes and pioneering new development approaches in fragile, conflict, and post-conflict environments. Prior to joining the government, she worked at the Woodrow Wilson International Center for Scholars in the Environmental Change and Security Project and for nongovernmental organizations combating HIV/AIDS in sub-Saharan Africa. Ms. Green received her B.A. in political science and history from the University of Georgia and her M.A. in international peace and conflict resolution from American University.