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BETWEEN BINARIES

The Coming Together of For-Profit and Not-for-Profit Organisations

EXECUTIVE SUMMARY

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Executive Summary

"There is a middle ground in things" – Horace

The last decade has been a tumultuous one for Civil Society Organisations (CSOs) in India. Their funding context has gone through a sea change. For reasons both global and local, foreign funding for Indian CSOs has declined sharply during these years. Also, a slew of amendments in the Foreign Contribution (Regulation) Act 2010, have made it increasingly difficult for CSOs to access these funds. Given that foreign funds used to be a very important funding option for CSOs, it has meant that they have had to look elsewhere.

At the same time, the Companies Act, 2013 made Corporate Social Responsibility (CSR) mandatory for all companies that met a certain threshold criteria. Since then, an average of Rs 16,000 crore have been spent by these companies annually on social responsibility projects, either directly or in partnership with civil society organisations. While several companies were already involved in community initiatives, the scale and consistency of these efforts changed enormously. Companies had to set up CSR departments, appoint staff to carry out the mandate, and engage with organisations and issues they hadn't engaged with earlier. These have been years of rapid learning on multiple frontiers for several large and mid-sized companies in the country.

The past decade has not just seen the emergence of CSR initiatives and funds in a significant way, but has also seen the emergence of individual private philanthropy in a major way. While this has been driven mostly by the rapid increase in the numbers of billionaires and the ultra-rich in India, the increase in private philanthropy is also due to smaller donations made by larger numbers of individuals than before. The growth in small donations (also called retail giving) has in part been due to the ease of giving created by tech-enabled platforms, and possibly also because giving has become more public than before. The combination of these changes has meant that CSOs have had to quickly adapt to the working ethos and approaches of these different kinds of entities in the funding/support ecosystem.

In this situation of flux, in which both corporates and CSOs have been trying to understand and influence one another, we undertook this enquiry to comprehend the actual shifts, and to assess their overall experience of working together. We also wanted to understand how the theory and practice around governance and impact in the social sector have changed in this decade. Finally, we attempt to offer some suggestions for the way forward, so that CSOs can work with CSR funding in a mutually respectful and beneficial manner.

Methodology

The entire study was carried out during the COVID-19 pandemic, which affected the methodology. Field visits, part of the original plan, had to be done away with. Given the nature of the study, and after consulting others in the field, we decided to use long, in-depth interviews as the principal mode of investigation. These were supported by questionnaire-based surveys and secondary literature review. The initial findings were presented at a round table attended by almost all of the interviewees, after which this report was finalised.

The CSO terrain

A. Who and how many

When we speak of Civil Society Organisations in this paper, we are broadly referring to development organisations working on social issues. These could include the whole gamut of organisations involved in direct action, research, advocacy, rights-based work, capacity-building, community groups, etc. However, there is no comprehensive database of such organisations and efforts at counting CSOs rely on counting organisations registered under the Societies Registration Act, 1860, the Indian Trusts Act, 1882, and Section 8 (earlier Section 25) of the Companies Act, 2013. However, as this dataset is based on legal form rather than purpose, it includes a very wide range of entities—all the way from mohalla puja samitis that come into action only once or twice a year, to some very large institutions such as museums, sports clubs, and media clubs. While all of these no doubt constitute disparate elements of what sociologists call civil society, in operational terms it is hard to consider, say, the Board of Control for Cricket in India (BCCI) or the Gymkhana Club as CSOs.

In 2012, the Central Statistics Office (Ministry of Statistics and Programme Implementation, Government of India) counted all Registered Societies, Trusts, and Section 8 companies in the country since the time these laws were enacted – regardless of whether the entities were currently active – and came up with a number of 31 lakh NGOs/CSOs in India. Of these 31 lakh registered organisations, the Central Statistics Office physically visited 22 lakh organisations, but could actually trace only 6.94 lakh organisations. Given that about 31% of the visited organisations were actually traced, extrapolating to the full set of 31 lakh would produce a figure of 9.6 lakh NGOs/CSOs in the country, which would include not just development CSOs but all the various kinds of organisations referred to in the preceding paragraph.

Apart from inclusion errors, there are also possible exclusion errors, from the perspective of understanding the true size of the civil society organisations space in India. Cooperative societies, trade unions, temples, wakfs, gurudwaras, churches, etc – all of which have legal registration forms different from the three cited above – all adding to the rich tapestry of a nation's civil society, found no place in the above exercise.

Others have also tried to do this size estimation, including the Society for Participatory Research in Asia (PRIA) which, following an assessment in 2000, concluded that the number of CSOs in the country was likely to be about 12 lakh. In recent years, the NITI Aayog's NGO listing site, DARPAN, has become a good estimate of active developmental CSOs in the country. It currently lists only 1.25 lakh CSOs – and while listing on DARPAN is not mandatory, it is key for seeking funding or collaboration with government agencies. Thus, it would not be wrong to say that almost all active CSOs are listed on DARPAN.

Hence, while the "31 lakh" CSOs/NGOs number has often been used in media, the actual number may be well below 10 lakh, of which only about 11%-12% may be active. Given India's population, this means roughly one active CSO for every 11,000-12,000 persons. Since the density of CSOs is lower in most of the poorest ("aspirational") districts, chances are there could be one active CSO there for perhaps 25,000-50,000 persons. Thus, by no means is the CSO sector as numerous as it should be, given India's wide and deep triad of problems of economic deprivation, social exclusion, and environmental degradation.

B. Spatial distribution

The paper also looks at the spread of CSOs across the country, and the correlations if any, among the spread, the need (as indicated by the human development indicator for the state), and the availability of funds (as reflected in CSR and FCRA funding) for CSOs. The density index that we have built is based on providing greater weights for CSOs with better procedural accountability systems.

There is a major caveat, though—almost all major datasets list CSOs by states in which they are registered, not where they are working. This is important because most large and mid-size CSOs are active in multiple states. Given the limitations of data availability, our density index, as also the correlations we have made, are based on the CSO's place of registration, not its area of operation. Even so, the results are still interesting. Further, as and when more correct data is available on the actual work areas of CSOs, this same methodology can be used to arrive at an improved picture.

How has the sector changed?

Almost everyone we spoke with talked about the deep and wide shifts taking place in the social sector. While many of these shifts have been exacerbated over the previous decade, most respondents agreed that the trends had been evident for several years. Some highlights from our interviews:

1) The nature of changes

a. The scepticism, suspicion, and regulations amidst which CSOs today work is much higher than ever before. There is a growing perception that CSOs are anti-development, anti-industries, anti-urbanisation, and so on. A narrative has been created, which paints CSOs as inefficient and poorly governed. This perception and narrative lend a justification for tightening the flow of funds to the sector, and for adding to the regulatory requirements. As one respondent quoted their founder: "The freedom of CSOs is a single good indicator of the health of democracy".

   The flip side of these changes is that CSOs today devote disproportionately large amounts of energy and effort on reporting and compliances. The internal culture of CSOs has consequently become more 'corporate', focused on deliverables and, at times, more top-down. There is a lot of interest in measuring outcomes within short time-frames, leading to a dilution of process and innovation. In addition, since most funding is now 'projectised', institution-building in the CSO space has suffered setbacks.

b. A rapid loss of 'biodiversity' in the sector was flagged by most respondents. CSOs are far more focused on 'delivering development' than on strengthening the fundamentals of a more just society. Scale and impact have become extremely important, leading in part to the emergence of specialist CSOs focused on a single problem or theme. While there is no denying the value of sector-focused CSOs, organisations that took a more integrated approach to development now seem to be on the wane. The 'biodiversity' loss is also reflected in the larger number of small CSOs that have shut down or come under stress over the past decade.

c. A certain kind of "anglophilic" CSO is increasingly becoming the norm, with small vernacular groups finding it much harder to continue. The earlier narrative of small and diverse being more effective is now lost, with scale and similarity becoming the preferred attributes.

The rise in private and corporate philanthropy has been accompanied by the birth of a new kind of CSO, in which the donor is the doer. In contrast with traditional philanthropies, many of the new philanthropies have their own implementing arms. Earlier, philanthropies most often pursued their larger objectives through partnering with others in the CSO space. These partnerships were usually long-term, trust-based, and institutional as opposed to just project-based, and took a more comprehensive ecosystem view of development.

The last decade has also been marked by the emergence of intermediaries—for incubation, acceleration, capacity-building, funding, and so on. There is now a whole ecosystem of intermediaries, both not-for-profit and for-profit. While intermediaries or aggregators do serve a purpose, most of our respondents expressed disquiet over this strengthening trend. The emergence of social enterprises and other hybrid organisational forms, which combine elements of both for-profit and not-for-profit organisations, are another new and interesting space to watch.

d. Another question raised was whether CSOs of the more formal and organised kind would remain the vanguard of large-scale social change in the future. To quote one respondent—"epochal changes are happening outside of structured institutions". The farmers' movement of 2020-21, and the anti-CAA/NRC protests of 2019-20 were cited as examples of more non-institutionalised initiatives seeking change. Several people said the youth are approaching things differently, and doing remarkable things outside of formal organisational spaces; there is a need to understand these shifts.

2) Internal Reasons

a. We found significant agreement among respondents on the need for greater self-reflection within the CSO space. There were leaders who felt the sector has not truly shared the transformative potential of its work, boxing it into artificial divides of service-delivery and rights. There were others who felt that CSOs have often overprojected their successes and underplayed challenges. All of these have contributed to building a shallow development discourse.

b. Some respondents were of the view that the work on rights especially in the last decade has not been as strong, not just because of the changed funding and political context, but also because of the changed community context, in which aspirations are being increasingly influenced by social media.

c. The CSO sector comprises a wide variety of organisations, but is often spoken of as an unsegmented universe. There is a pressing need for a more nuanced classification system, and for building good-quality data on the sector, by the sector.

d. Many spoke of the need for CSOs to embrace changes such as increased collaboration and use of technology, and for greater emphasis on 'mutual self-regulation and mutual self-governance'. Mutual self-regulation refers to not just holding oneself accountable, but also to being held accountable by one's peers.

e. Embracing the young, and actively making space for them, was another desirable change that respondents hoped for.

3) External Reasons

a. Most respondents felt that the larger societal context today is less open, with a narrowing of spaces for questioning and dissent. This has affected the nature and form of civil society action.

b. Notions around charity and philanthropy have shifted, with most new philanthropies not satisfied with just providing support, but wanting to be part of, or influencing the action.

c. CSOs have long prided themselves on being self-governed entities, with core value systems that drive them towards good-governance principles such as transparency and honesty. Over the last decade however, the ideas of self-governance have increasingly come under challenge.

d. While the shift towards greater quantifiable measurement precedes the entry of CSR, it remains true that CSR funds came in with a very pronounced bias towards measurable outcomes, almost to the exclusion of any other understanding of impact. Further, given the emphasis on implementation and delivery, CSR funds have led to the birth and growth of 'vendor' CSOs that are efficient at delivery.

e. Finally, our respondents felt that despite everything, certain geographies, especially the North-eastern and Central regions, remained neglected. While the old locational disadvantages persist, new forms of inequality (technology, education access) have emerged. The social sector was about working in areas where no one else would be interested; but in the absence of funding with freedom (which would let CSOs determine their priorities), this has become harder.

Funding shifts

For fiscal year 2019–20, the Central government spending on social sector programmes was Rs 3.2 lakh crore, and State governments spent another Rs 15 lakh crore (Bain & Company, Dasra, 2021). However, support for CSOs and their work mostly came from private sources, whether foundations (foreign or Indian) or individuals.

Over the past few years, corporate giving under CSR has risen rapidly and garnered a lot of visibility. Interestingly, during this same period, Indian private philanthropy by small and large donors has grown even more, even though it has not been discussed as much as CSR. The biggest funding shift to have affected Indian CSOs has been the steady and sharp decline in funds from foreign foundations. The total private sector funding for the social sector for FY20 was Rs 64,000 crore, compared to Rs 52,000 crore in FY19 (Bain & Company, Dasra, 2021).

However, the volume of money flowing into the CSO space does not tell us anything about the health and autonomy of the sector. It is far more important to understand the nature of the money; nature refers to the conditions surrounding the money. These conditions could be about how the expenditure would be monitored and reported, but they could also be about how and where the money would be spent. The tighter the latter set of conditions, the lesser is the agency and autonomy of CSOs to innovate or respond to ground-level variations.

According to the Bain India Philanthropy Report 2021, international non-profit contributions to India have declined by 30% over the last five years. Over the last decade or so, foreign funds coming to CSOs have declined sharply and CSR funds have risen sharply. While they may have substituted each other dollar for dollar, they are different as chalk and cheese. Foreign funds often came with greater autonomy; CSR funds by nature tend to be extremely defined. This is why we often heard concerns among CSOs over becoming merely implementing agencies or 'vendors'.

New-age private philanthropies and high net-worth individuals are another rapidly emerging source of funds coming into the social sector. These are different from the older philanthropies in that they either set up their own implementing arms, or pick a specific focus/ problem and then look for partners around it.

The small individual donors probably leave the CSO with the greatest agency. They were also the kind of donors that CSOs depended on traditionally. However, in our research, we found very few instances of CSOs for whom this was a significant part of total fund inflows, even though many seemed to be re-appreciating the value of this source of funding.

There was a time when CSOs generated their own funds, through sales of products (CRY's greeting cards are the most well-known effort) or services (training and capacity-building programmes). Many spoke of the ways in which these channels were an important path to core autonomy, if not full self-sustenance. However, regulatory changes made about a decade ago put a cap of 20% on CSO revenue that could be earned income, setting back these fledgling efforts at self-reliance.

Implications

Respondents across the spectrum spoke of the implications of the shifts in the funding ecosystem. Some of the themes that came up repeatedly during conversations were:

- A pronounced funding skew towards tangible, 'hardware' kind of programmes. There is also a marked skew in thematic areas, with health, education, and skilling being clear favourites.
- There is also a geographical skew, at least as far as CSR funds are concerned. An interesting consequence of the focus on select geographies has been that whereas in the past money used to go where CSOs were located, now CSOs are expected to go where the money is located.
- Increasing projectisation and templatisation of development. There is a push towards standardising approaches, solutions, costing within the social sector reality of regions and communities differing from one another. This is accompanied by shorter time horizons, with agreements often being only for a year.
- We repeatedly heard from respondents that "donors are willing to fund programmes, but not the cost of delivering programmes". This underfunding, coupled with development work being equated with project delivery, has meant there is hardly any support available towards institution-building. The current set of well-regarded CSOs benefitted from institution-building investments made by an earlier set of philanthropies. Respondents said they feared investments in institution-building for the future are no longer happening.
- The implications of the changing funding portfolio have also been strongly felt in the impact and measurement space. CSR funds in particular, have not only influenced the way impact is defined, but have also led to a culture of constant measurement and reporting, in which CSOs are now investing significant time and resources.
- Social sector funding now involves very little risk-taking. The donor is most often looking for established models, and the spirit of

search for solutions irrespective of guaranteed success, now seems absent. This is leading to reduced emphasis on innovation or on areas of work that have lower chances of 'success'.

- Funding has become specialised, requiring a multiplicity of compliances, most of which have to be filed online. While this may improve filing convenience in the long run, in the transitional period, CSOs have struggled with software glitches, non-responsiveness to queries, and lack of staff with IT expertise. As a result, the last decade or so has seen a rapid rise in the number and salience of intermediaries and aggregators. While there were mixed views on this trend, several respondents felt it was putting greater distance between the actual work on the ground, and those who supported that work.

The Unfolding world of Corporate Social Responsibility

The history of corporate philanthropy in India goes back to pre-Independence times, with the most well-known example being of the Tata Group (the Sir Ratan Tata Trust was founded in 1919, although philanthropy by the Tatas is older than that). Many corporate houses stepped forward to support the independence struggle. M.K. Gandhi's formulation of 'trusteeship' spoke of the responsibility of business towards the larger social good. Gandhi's influence was crucial in the role that Indian companies came to play in nation-building and socio-economic development in the country (Sharma, 2009, p. 1519) between the 1880s and 1950s.

Approaches

Almost every corporate we interviewed spoke of the need for CSR to be in sync with business priorities, whether in terms of the chosen themes or geographies. Even though this was not the intent of the Act, there is clear expectation of some kind of return to business—whether as goodwill of local communities or strengthening the social licence, or at least through greater media visibility. Rare were examples of corporates giving without expectation of some returns accruing to business. The most commonly articulated reasoning behind seeking an overlap with corporate priorities was that 'business is not charity'. Some said it was a shift from philanthropic CSR to strategic CSR.

Using CSR to create possibilities of employee volunteering is central to many corporates—informed by the idea of giving not just money, but also expertise; driven by the need to be 'more than just a funding partner'. While this provides additional skilled human resources for CSOs, the availability of volunteers when needed, and their depth of understanding of issues to be addressed, is less than required.

Most corporates seem to use mixed models for implementation—both directly and in partnership with CSOs. The choice is driven most often by convenience or confidence. We had respondents who had made a deliberate choice to implement only through their own trusts since that offered greater governance assurance and control. However, even corporates who worked exclusively with CSOs did not do so from the perspective of building a larger civil society. We heard no corporate mention the strengthening of civil society as a greater objective.

Most corporates we spoke with felt good about their experience with CSOs, with very few instances of disappointment. Yet, corporates were more likely than any other donor category to speak of 'the need to build CSO capacities'. Their disappointments were mostly to do with the (slow) pace at which CSOs work, or their openness to adopt new practices.

Having heard from CSOs about the impact corporates were having on their world, we wanted to understand from corporates whether—and in what ways—this coming together with non-profits had impacted them. However, the only thing we heard was about the positive impact that volunteering opportunities have had on their staff, in terms of morale and retention.

While corporates recognise that finding a suitable partner is more than just a due diligence process, most of them still use elaborate legal/audit filters. Most corporates spoke of the difference between a vendor and a partner relationship, the desirability of the latter, and their belief that the trend would gradually move in that direction.

We spoke with our corporate respondents about the shift towards tangible and short-term measures of impact. While expressing commitment for the idea of tangible metrics, several of them felt that there was need to find a balance between the long-term, somewhat intangible idea of impact and the extremely short-term perspective. In fact, the CSR professionals seemed to chafe under the constant pressure to show results as much as their counterparts in the CSO space. As one corporate respondent said in exasperation, "almost every few weeks, I get asked about what's new in CSR?"

However, we also came across interesting instances of corporates going out of their way to create enabling conditions to help CSOs do better—such as facilitating knowledge exchange among CSOs, providing assurance of long-term and adequate funding support, etc.

A lot of the challenges of this coming together are to do with trust and expectations. For-profit and not-for-profit organisations have traditionally been suspicious of each other, with very little common ground. The Companies Act, 2013 and the mandatory CSR changed that, bringing them together, each for their own reasons. The CSOs came to the table because they needed the money; the corporates came to the table because they needed people/organisations who could deliver development.

The corporates are a completely new kind of donor, one that doesn't even like to be identified as a 'donor', one that has the self-image of a doer. They are also more comfortable in vendor-vendee relationships, supported by backend systems for dealing with vendors. Corporates take a lot of pride in their 'efficiency' paradigm, honed over centuries of working in the marketplace. On the other hand, CSOs often come to this partnership expecting the kind of donor they have usually worked with in the past. So the starting points are very dissimilar, but most people we spoke with conveyed optimism that over time, CSR as a coming-together space will evolve.

Impact

The research team attempted to understand how the conversations and practice around 'impact' have changed in the last decade. We also asked people about variables that influenced impact. While there were differences in articulation and practice, we found much common ground on both sides in terms of a deeper understanding of impact. However, the practices around impact seemed to leave much to be desired.

The meaning of impact

In terms of what people mean by impact, we heard the following:

- While many respondents felt that most CSR funding does not look at impact but only tracks inputs and outputs, some said that impact is insufficiently conceptualised even within CSOs, and often taken for granted. There is need for a clearer articulation of their theory of change so that people can appreciate what they are attempting.

- Most CSOs look at impact in generational terms; as a process of social change and transformation, which is often measured in terms of intangibles such as the strength of community institutions, improved solidarity, sense of self-worth, etc. However, many felt that the pendulum has now swung to the other extreme where the idea of impact has been reduced to merely providing infrastructure, asset-building, and other tangible targets that are achievable in the short run.
- Along with looking at what is happening within communities, people also pointed to the importance of seeing how the organisation itself, its values and work culture, are getting impacted in the course of work. Organisations may also be missing out on the community's own perception of impact.
- Finally, given the great emphasis on measurement and 'doing what can be measured', several respondents spoke of reports missing out some other interesting aspects of the work, since those were not asked for. Likewise, the adverse or unintended impacts of interventions also need to be looked at.

What drives impact

According to our respondents, these are some key drivers of impact in social interventions:

- **A contextualised perspective and approach:** Formulating 'contextualised theories of change' and moving away from silo approaches to systems approaches appeared as a strong determinant of impact. As one respondent said, "organisations have begun seeing development as a decontextualised service; instead any kind of development intervention needs to be strongly rooted in culture and community."
- **Process view:** An understanding of social change as a function of sound processes (the means) and not merely as something that is pursued only at the level of ends. This also requires the ability to adapt as things unfold on the ground.
- **Good monitoring processes:** Impact needs a comprehensive and nuanced understanding of the problem, a good sense of the intervention to address it, and processes of assessing intermediary outcomes, i.e., a process-oriented measurement system, among other things.
- **Investing in people:** Impact in the development space has an extremely high correlation with the values and commitment of the people engaged in the work. Investments in field personnel/teams give the best returns in terms of outcomes. This includes conveying a sense of stability, agency, and care to the frontline workers.
- **Community participation and involvement:** Expectedly, the extent of community involvement emerged as a key factor in strong impact. Assessment of community participation must go beyond just the optics and the mechanics.
- **An alignment with organisational vision, passion, and expertise:** This point was emphasised by several respondents, especially those from civil society backgrounds. Congruence of the initiative with the implementing organisation's vision and passion was considered vital. Interestingly, this was not emphasised as strongly by corporates.

- **Organisational stability and stamina:** Having a strong and stable implementing partner is crucial. People spoke of organisations with strong roots and the self-confidence to give honest feedback even when things are not going well—ones that have strong self-accountability, and those with the stamina for the long term and the tenacity to keep going deeper.

- **Long term funding commitments:** The implementation period must be long enough; long-term projects generally deliver better impact. Long-term work requires long-term funding. Funding organisations, instead of projects, was mentioned as a better approach from the impact point of view.

- **Regulation and enablement:** Many respondents mentioned an enabling environment of greater trust. The government contributes hugely to the enabling (or otherwise) environment but equally, donors/ corporates can help build conducive conditions at least within their micro-contexts.

Governance

- An analysis of the Edelman Trust survey over the decades has shown that CSOs have been displaced by businesses as the most trusted institutions globally. The rising trust in business has also been accompanied by an increased expectation from business leaders to fill the void left by government, as opposed to CSOs or civil society leaders. In India, since the beginning of the survey (a decade ago), businesses have enjoyed more trust than CSOs. This decade has also been marked by a tightening of the regulatory environment within which CSOs function.

The perception of the poorly governed CSO

The burden on CSOs to demonstrate accountability and transparency has increased over time. In 2013, the Delhi High Court branded 99% of CSOs as "fraud, money-making devices" (Nair, 2013). However, the narrative of the 'untrustworthy CSO' does not appear grounded in reality. There are hardly any statistics or evidence to back the impression of CSOs as untrustworthy or poorly governed.

Even during our conversations, with both CSOs and corporates, no one had evidence to bear out the prevailing perception. Many CSO leaders strongly protested this formulation of a weakly governed sector. In a survey conducted by Ernst and Young among 100 corporations engaged in CSR, only 8% of respondents were aware that they had received complaints regarding fictitious expenditure incurred during the execution of CSR projects.

The everyday discourse around CSOs has come to be laced with questions of accountability and transparency, without much evidence of wrongdoing. During discussions, most CSO respondents felt strongly that while there is always scope for improvement, the current negative narrative is both unfair and deliberate.

Relooking at the premises

The goal of 'good' governance is to ensure that the organisation stays on track in terms of its vision and values. All ideas of 'good' governance that came through in the interviews were rooted in democratic ideals of decision-making, and the necessity of devolving the understanding of good governance away from being board-centric. Self-regulation is one of the most important ways for

CSOs to improve accountability while retaining their autonomy and core characteristics. Hence, strengthening the idea of 'mutual self-regulation' in CSOs ought to be the starting point for strengthening 'good' governance.

People spoke strongly of the inaccurate data on the true size of the sector and the lack of segmentation as being major contributors to the misperceptions about the sector. As mentioned earlier, the list of registered societies, trusts, charities, etc. includes a wide range of organisations such as prayer committees, festival committees, resident welfare associations, or sports clubs, only a handful of which are engaged in the actual work of social transformation, but which get clubbed together in the framing of public perception.

Most CSO respondents who protested the label of 'inadequately governed sector' argued that governance frameworks cannot be replicated across sectors. There is a need to appreciate the CSO context and understand how they govern themselves, and to root any new ideas on governance within these realities. Most CSOs in the country are medium- to small-sized, and an insistence on setting up elaborate governance systems further strains their scarce resources. In the words of one of our respondents, "most CSOs are MSME-sized, and their governance should be compared to MSMEs, and not the top 1,000 corporates".

CSOs seem to be stuck in an awkward situation where on the one hand, their systems are being questioned for not being robust enough and on the other, the resources for building new, more elaborate systems are either depleting or not forthcoming. Most CSO respondents felt that solutions to the challenges of the social sector do not have to originate from the business world, rather, they must be located within their context. Imposing business models on CSOs has led to a new set of problems, including procedural and reporting overload.

Finally, almost everyone acknowledged the importance and indispensability of trust in these relationships. Many felt that the emergence of intermediary organisations can also be traced in large measure to the absence of trust.

We have also looked into the processes followed by corporates/donors to look for well-governed CSOs, and found little difference, in terms of outcome, between those having elaborate due diligence and assessments in place, and those using a more personalised and qualitative approach.

Disruptors

The long spell of COVID-19 and changes made to the FCRA in September 2020 impacted all our conversations—more importantly, they severely affected organisations in real time. Hence, while these were not part of our original research, we did spend time discussing their fallout with all our respondents.

The coming together

Few had anticipated the significance of the introduction of Corporate Social Responsibility as a mandate in 2013. For better or for worse, this has created a churn. It has thrown together people and organisations who had hardly known each other before. It has changed the language. It has changed practices. It has changed perceptions. While challenges abound, it is indeed too early to say much apart from the fact that this dynamic needs to be watched and understood, and hopefully influenced towards a better equilibrium.

Approaches:

We share here some of the salient aspects of this coming together.

1) As experienced by the CSOs

a. **Short-term, target-focused:** This is something we heard repeatedly—of development (or at least funding) perspectives having become target-driven and short-term, shifting focus away from process issues, from harder and longer-term issues. We heard about the loss of flexibility leading to loss of innovation, and of the "projectification of development". We heard about horizon mismatch—one respondent spoke of tree-planting projects with just a nine-month timeline. Also, most reporting now is on outputs, very little on impact: "overall a much shallower approach".

b. **Rising 'hyper-professionalism' and 'specialisation':** The 'professionalisation' of the sector that began in the 1980s has gone to the extreme of "hyper-professionalism", often sidelining other ways of working. There is an increasing emphasis on focused thematic projects, as opposed to integrated approaches.

c. **Shifts in geographies and themes:** CSOs spoke of experiencing both these shifts and regretted that neglected geographies have remained neglected under CSR as well. Also regretted was the overemphasis on certain themes (education, health) and the sidelining of others (forestry, community institutions, rights-based work).

d. **Reporting and compliance overload:** These now take up a very large part of the CSO mindspace, effort-space and time-space, without clearly evidenced value-add. One CSO mentioned submitting 80 reports to different donors over a period of six months. Micro-supervision of CSO staff is becoming more common, especially post-COVID. Donors insist on their own reporting systems, without respecting existing organisational systems.

e. **Rapid loss of institutional biodiversity:** Almost everyone we spoke to was worried about the rapidly diminishing biodiversity of the CSO sector—the smaller, the provincial NGOs fading out, leaving behind a similar type of Westernized organisations.

f. **CSOs as appendages:** CSOs worried about the sector being driven by donors or corporates, and of losing their autonomy and the ability to 'speak truth to power'. Some said that CSOs themselves have ceased to ask fundamental questions, and become more of service delivery agents. Others felt this was part of a larger shift towards top-down control. Another sentiment was that corporates tend to project CSO work as their own just because they give the money.

g. **The rise of the intermediaries:** While intermediaries and aggregators serve a function, many respondents from both non-profits and for-profits flagged this as a worrying shift, with one respondent calling them 'extraordinary middlemen'.

h. **Changing internal cultures:** People who can speak the corporate lingo are now valued more even within CSOs. Staff members are becoming more silo-ised into their 'projects'. One respondent mentioned having to let go, in the face of pressure to meet targets, of conversations dealing with gender-based violence in the communities. Another spoke of the neglect of 'community-centred approach to development'.

2) As experienced by the corporates

a. **Vendors or partners:** Most corporates are used to working with vendors, with no category of 'partners'. The systems and processes lead towards reducing CSOs to vendors.

b. **Why the increased emphasis on compliances and monitoring:** Some corporates felt that given the very high demands for accountability from company boards (including for CSR), it was to be expected that companies would pass those expectations onto the CSOs, and take a more cautious approach.

c. **Corporate value-add:** Several corporate respondents were of the view that they actually help CSOs with systems/processes, leading to better governance and impact assessment.

d. **The CSO value-add:** Many corporate respondents spoke of the value of volunteering opportunities for employees created through CSR. One respondent said her staff had become more patient as a result. Some spoke about a gradual recognition in corporate offices of the real pace of development work.

e. **CSOs lack flexibility, don't collaborate with each other**: Some corporates find that CSOs are rigid and set in their ways, unwilling to learn and change. Several wondered why CSOs have not come together to create an industry-based platform or body like FICCI/CII.

f. **The horizon question:** Almost all corporates acknowledge the need for a longer-term horizon, while recognising that much of CSR is short-term. Many try in their own ways to make these engagements longer-term.

g. **Navigating the power imbalances:** Some respondents were forthright in saying that the power imbalance is a reality, but CSOs needed to find ways to deal with that.

h. **CSO overpromise:** Some respondents felt that CSOs also need to be transparent and not overpromise.

i. **CSO exposure to business risks:** An interesting comment from one of the respondents was that 'in a way, the CSOs are also now not insulated from market risks'. CSOs' budgetary ups and downs are now linked to fluctuations in the market. Another respondent advised CSOs to not think of CSR as a 'permanent' source of funding.

j. **Nature of CSR:** while some corporates said CSR was gradually moving from being 'spend driven' to 'value driven', others felt it had become much more transactional. CSR prior to the coming of the Act was driven more by a philosophy; the primary driver now is compliance.

On balance: Suggestions and conclusion

- **Overall, a win-win:** The CSR Act proved almost providential for Indian CSOs, coming just as funding from other sources began to fall sharply. Likewise, the existence of strong CSOs in India helped corporates to rapidly meet the 2% spend target and show quick outcomes.

- **Alignment:** The expectation that CSR must add in some way to the company's credibility, goodwill, and social licence is mostly the norm. CSR departments function between "business interests and societal purpose", with the tilt often towards the former.

- **Trust and respect:** Despite seven years of working together, the underlying trust deficit remains strong. Issues of insufficient mutual respect and recognition too came up repeatedly. But there were also many cases of deep friendships and alliances being formed across these borders.

- **The nature of relationship:** Most corporates (and philanthropists) are driven by their own worldview or corporate priorities. They tend to specify the thematic area, geography, sometimes even the outcome, and then look for partners who will deliver on those. With notable exceptions, the degree of specificity with corporates tends to be much higher than with other kinds of donors.

- **Nature of development outcomes:** The jury seems to be still out on whether we are witnessing better development outcomes due to the coming together, but many felt there was a loss of depth and complexity in the discourse. The formulations have become rather 'simplistic'.

- **Culture-understanding osmosis:** More CSOs spoke of corporate influence on discourse and practice than the other way round. The score on improved understanding of the other—not an inconsequential outcome—seems somewhat low at this point. However, several CSOs spoke of the need to invest in dialogue, and to build platforms to facilitate this.

- **Bridging the gaps:** One important area of disconnect seems to be around the metrics. As one respondent said, "The answer may not be to move away from metrics, but to create another set of metrics, even if those are intangible". Improved conversation is also needed around the degree to which reporting, audit, bureaucratic processes are reasonable. Currently, CSR seems to be heading towards a procedural overload.

- **Changing profile of the sector:** Apart from intermediaries and aggregators that have come up or grown in response to the corporate need to de-risk and delegate, there is the emergence of corporate (and UHNI) foundations as a new kind of CSO, with often high visibility.

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