

Social Enterprise as a Sustainability Strategy for Local Ngos in Post-War Liberia

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ABSTRACT

Global development finance is increasingly characterized by volatility, donor reprioritization, and fiscal recalibration, reshaping the predictability of official development assistance (ODA) flows. In fragile and postwar contexts such as Liberia, where civil society organizations rely heavily on external grants, aid volatility constitutes a structural rather than episodic challenge. This study examines social enterprise as a sustainability strategy for local non-governmental organizations (NGOs) operating under conditions of systemic funding uncertainty. Using a qualitative conceptual synthesis methodology, the research integrates Aid Dependency Theory, Institutional Resilience Theory, and Hybrid Organization Theory to construct a unified analytical framework linking global aid volatility to institutional adaptation mechanisms.

The findings indicate that NGO fragility in post-war Liberia is architectural, rooted in restricted project-based financing, short planning horizons, and limited revenue diversification. Social enterprise, when strategically integrated and governed effectively, may function as a resilience-enhancing mechanism by diversifying revenue streams, strengthening absorptive capacity, and extending institutional planning horizons. However, enterprise integration introduces governance complexity and does not eliminate reliance on external funding. Rather than promoting abrupt financial independence, the study conceptualizes sustainability as incremental institutional strengthening through diversification, asset-building, and governance reform.

The analysis contributes theoretically by extending aid dependency logic to the organizational level and operationalizing resilience theory within fragile civil society environments. Practically, it highlights the shared responsibility of donors and NGOs in co-producing resilience through flexible funding frameworks and catalytic investment approaches.

Keywords: Social enterprise; NGO sustainability; Aid volatility; Institutional resilience; Hybrid organizations; Fragile states; Liberia.

INTRODUCTION

Global development finance is undergoing significant restructuring. After two decades marked by expansion in official development assistance (ODA), contemporary aid systems are increasingly shaped by fiscal pressures in donor countries, geopolitical realignments, and shifting domestic political priorities. Although aggregate ODA levels have not uniformly declined, the composition, allocation patterns, and predictability of aid flows have changed substantially (Organization for Economic Co-operation and Development [OECD], 2023, 2024). Growing portions of development budgets are being redirected toward in-donor refugee costs, humanitarian emergencies, climate commitments, and security priorities, thereby altering the stability and reliability of external financing available to low-income and fragile states (OECD, 2023).

Aid allocation is also increasingly influenced by domestic political dynamics within donor countries. Electoral cycles, foreign policy recalibrations, and ideological shifts can produce sudden funding suspensions, reallocations, or revised conditionalities (Brown, 2020). As a result, unpredictability has become a defining feature of the contemporary aid landscape. Aid volatility refers not only to reductions in aggregate funding but also to fluctuations in timing, sectoral allocation, and disbursement consistency (Frot & Santiso, 2011). Even when formal commitments remain intact, delays or restructuring can significantly disrupt implementing institutions that depend on predictable financing to maintain program continuity.

The implications of this volatility are particularly pronounced in fragile and post-conflict states. In such contexts, domestic fiscal capacity is often limited, capital markets are underdeveloped, and external assistance constitutes a substantial share of total development expenditure (OECD, 2022). When aid flows become unstable or politically contingent, institutional fragility may intensify. For civil society organizations operating in fragile environments, aid volatility is not merely a macroeconomic phenomenon; it directly affects operational stability, staffing continuity, and long-term strategic planning.

Liberia presents a compelling illustration of this vulnerability. Emerging from fourteen years of civil war (1989–2003), the country experienced extensive institutional collapse, infrastructure destruction, and social fragmentation (Ellis, 2007; Sawyer, 2005). Although democratic consolidation and reconstruction efforts have progressed over the past two decades, structural fragility persists. The 2014–2016 Ebola virus disease outbreak further exposed systemic weaknesses in public health systems, crisis preparedness, and economic resilience (World Bank, 2016). The cumulative effects of protracted conflict and epidemic have left Liberia with constrained institutional capacity and limited shock-absorption mechanisms.

Economically, Liberia remains vulnerable to external fluctuations. The national economy relies heavily on a narrow export base dominated by extractive industries and primary commodities, rendering it susceptible to global market volatility (International Monetary Fund [IMF], 2023). Domestic revenue mobilization remains comparatively low, restricting fiscal space for public investment and service provision (World Bank, 2022). Weak tax administration systems and high levels of informality further constrain the government's ability to independently finance development priorities.

Youth unemployment represents an additional fragility risk. With a large proportion of the population under the age of 30, Liberia faces persistent employment gaps, particularly among young people lacking vocational skills or access to formal labor markets (United Nations Development Programme [UNDP], 2021). Infrastructure deficits—especially in energy access, transportation networks, and rural connectivity—compound these economic constraints (World Bank, 2022). Together, these structural conditions increase reliance on external actors for service delivery and livelihood support.

Within this fragile environment, civil society organizations have emerged as essential actors in post-war reconstruction. NGOs frequently provide educational support, trauma healing, vocational training, health outreach, and youth empowerment programming in areas where state capacity remains limited (Utas, 2012). Over the past two decades, many local organizations have functioned as intermediaries between international donors and communities, playing central roles in social stabilization and development.

However, the institutional prominence of civil society in Liberia remains closely tied to external donor financing. Many NGOs rely heavily on time-bound, restricted project grants that provide limited support for core operations, reserve accumulation, or long-term institutional investment (Hulme & Edwards, 1997). This externally controlled funding architecture creates structural vulnerability when donor priorities shift or disbursements are delayed.

Aid dependency at the organizational level mirrors macro-level reliance patterns observed in development economics (Easterly, 2006; Moyo, 2009). Many NGOs operate within short planning cycles aligned with donor project timelines, typically ranging from one to three years. These cycles incentivize output delivery and compliance reporting but constrain strategic continuity and asset-building. Restricted funding reduces flexibility, limiting organizations' ability to reallocate resources in response to emerging needs or funding interruptions (Carroll & Stater, 2009).

Exposure to funding delays and donor withdrawal further intensifies this fragility. In contexts where external grants constitute the primary operational lifeline, disbursement interruptions can disrupt staffing, postpone program implementation, and weaken community trust. Evidence from fragile states indicates that organizations heavily dependent on single funding streams face heightened closure risk when donor partnerships conclude (Banks, Hulme, & Edwards, 2015). Although systematic data on NGO closures in Liberia remain limited, sectoral observations suggest that donor contraction can produce significant ripple effects across the civil society ecosystem.

The sustainability challenge facing NGOs in post-war Liberia is therefore structural rather than episodic. It reflects a misalignment between long-term social missions—such as youth empowerment, trauma recovery, and

community stabilization—and short-term, externally controlled funding cycles. As global aid volatility becomes increasingly embedded within development finance systems, the question confronting Liberian civil society is not merely how to secure the next grant cycle, but how to construct institutional architectures capable of enduring systemic uncertainty.

This context necessitates exploration of complementary financing models capable of reducing vulnerability to aid volatility. Social enterprise, which integrates mission-driven programming with revenue-generating activities, has emerged globally as one such strategy. Whether and how social enterprise can function as a sustainability pathway in fragile, post-war settings such as Liberia constitutes the central inquiry of this study.

Statement of the Problem

Despite decades of international engagement in Liberia's post-war reconstruction, many local civil society organizations continue to operate within structurally fragile financial architectures. These organizations play critical roles in delivering education, youth empowerment, trauma healing, vocational training, and community development services, yet their institutional stability remains heavily dependent on external donor grants. Funding portfolios are frequently dominated by restricted, time-bound project financing that offers limited support for core operational costs, reserve accumulation, or long-term asset development. As a result, many NGOs function without meaningful financial buffers, leaving them exposed to disruption when funding cycles conclude or disbursement timelines shift. The absence of diversified revenue architecture further compounds this fragility, as few grassroots organizations possess internally generated income streams capable of stabilizing operations during funding interruptions.

This vulnerability is intensified by systemic uncertainty within the global aid landscape. As official development assistance becomes increasingly influenced by geopolitical realignments, domestic political shifts in donor countries, and reallocations toward humanitarian or security priorities, development financing grows less predictable. In fragile and post-conflict contexts such as Liberia, even minor funding delays can disrupt staffing, postpone program implementation, and weaken community trust, while more severe contractions may lead to premature organizational closure. The core problem addressed in this study, therefore, is the structural financial fragility of local NGOs in post-war Liberia and the absence of diversified sustainability mechanisms capable of mitigating exposure to systemic aid volatility.

Purpose of the Study

The purpose of this study is to examine social enterprise as a sustainability strategy for civil society organizations in post-war Liberia under conditions of aid volatility. Rather than treating social enterprise as a peripheral fundraising activity, this research conceptualizes it as a deliberate institutional adaptation designed to strengthen revenue diversification, expand planning horizons, and enhance organizational resilience.

Specifically, the study explores whether hybrid NGO-enterprise models can function as structural buffers that reduce vulnerability to external funding fluctuations while preserving mission integrity and community-centered objectives. By situating social enterprise within broader debates on aid dependency, institutional resilience, and fragile-state development, the research seeks to contribute both theoretically and practically to the discourse on how grassroots organizations can strengthen sustainability under systemic funding uncertainty.

Research Questions

To guide the investigation, the study is structured around the following research questions:

1. How does aid volatility affect NGO sustainability in post-war Liberia?
2. In what ways can social enterprise contribute to institutional resilience?
3. What governance and structural considerations shape the viability of hybrid models in fragile contexts?

These research questions frame social enterprise not merely as an economic innovation but as a strategic resilience mechanism embedded within broader structural challenges confronting NGOs in post-war environments.

Significance of the Study

This study holds significance at institutional, policy, and scholarly levels.

At the institutional level, the research offers practical relevance for local NGOs operating in fragile and postconflict contexts. Many grassroots organizations in Liberia confront recurring funding uncertainty without possessing structured mechanisms for financial diversification. By examining social enterprise as a strategic sustainability pathway, this study provides analytical insights that may inform institutional planning, revenue architecture design, and governance strengthening. It contributes to ongoing conversations among civil society leaders regarding how to transition from dependency-based survival models toward resilience-oriented financial systems.

At the policy level, the study contributes to donor and development partner discourse on aid effectiveness and sustainability. As global development financing becomes increasingly volatile, policymakers are reconsidering traditional subsidy-based models of support. This research reframes sustainability not as abrupt financial self-sufficiency, but as gradual institutional strengthening through diversified revenue architecture and catalytic assetbuilding. The findings may inform funding frameworks that incorporate enterprise start-up capital, flexible grant structures, and governance capacity investment as components of resilience-oriented aid design.

At the scholarly level, the study contributes to emerging literature at the intersection of sustainability studies, resilience theory, and social enterprise within fragile African contexts. While social entrepreneurship scholarship is expanding globally, conceptual and empirical analyses situated in post-war West African environments remain comparatively limited. By integrating aid volatility, institutional resilience theory, and hybrid organization frameworks within the Liberian context, this study advances academic understanding of how sustainability strategies operate under conditions of structural fragility. It offers a contextually grounded contribution to debates on organizational adaptation in environments characterized by systemic uncertainty.

LITERATURE REVIEW

Organizational sustainability has long occupied a central position in development studies, nonprofit management scholarship, and public administration research. In fragile and post-conflict contexts, sustainability assumes heightened significance, as civil society organizations frequently function as frontline service providers in environments where state capacity remains limited.

However, the institutional stability of many NGOs remains closely tied to external donor financing, which is increasingly shaped by geopolitical realignments, domestic political pressures within donor countries, and shifting global development priorities (OECD, 2023). Aid volatility—manifested through funding reallocations, delays, and structural restructuring—exposes vulnerabilities embedded within project-based financing systems. In post-war environments such as Liberia, where domestic capital markets are weak and public revenue mobilization remains constrained, NGOs operate within aid-intensive ecosystems characterized by donor-driven programming, restricted grants, short-term funding cycles, and complex compliance regimes (Hulme & Edwards, 1997; Banks, Hulme, & Edwards, 2015). These funding architectures generate interrelated pressures rooted in aid dependency, financial fragility, planning uncertainty, and governance strain. Reliance on one- to three-year restricted project grants limits reserve accumulation, discourages long-term asset-building, and constrains strategic autonomy (Carroll & Stater, 2009). Consequently, many organizations prioritize short-term output delivery over institutional consolidation, reinforcing patterns of reactive survival rather than durable growth. Sustainability challenges in post-war NGOs are therefore structural rather than episodic, embedded in the composition, predictability, and control of funding streams rather than solely in managerial performance.

In response to these pressures, social enterprise has emerged in scholarship as a potential institutional adaptation rather than a peripheral fundraising mechanism. Rooted in social entrepreneurship theory (Dees, 1998), social enterprise integrates mission-driven objectives with revenue-generating activities, positioning earned income as a means of sustaining social impact rather than an end in itself. Hybrid organization theory further explains how NGOs can integrate social and commercial logics within a single structure, though such integration introduces governance tension and potential risks of mission drift (Battilana & Lee, 2014; Ebrahim, Battilana, & Mair, 2014). Financial diversification theory suggests that spreading revenue sources reduces exposure to single funding shocks and enhances absorptive capacity under volatile conditions (Carroll & Stater, 2009; Folke et al.,

2010). Complementary scholarship on catalytic capital highlights the importance of patient, risk-tolerant investment in building revenue-generating assets capable of producing recurring value in fragile markets (BuggLevine & Emerson, 2011). While social enterprise offers a pathway toward institutional resilience through diversification and asset-building, its effectiveness depends on strong governance systems, mission safeguards, and managerial competence. The literature therefore positions social enterprise as a strategic institutional redesign aimed at strengthening sustainability under systemic aid volatility, particularly in fragile post-war contexts where financial uncertainty is structural rather than temporary.

The Sustainability Problem in Post-War NGOs

The sustainability challenges confronting non-governmental organizations (NGOs) in post-war and fragile contexts are structural rather than episodic. While civil society organizations frequently assume essential roles in reconstruction, service delivery, and social stabilization, their institutional continuity is shaped by funding architectures that embed long-term vulnerability. In post-conflict environments such as Liberia—where domestic capital markets remain weak and public institutions under-resourced—NGOs operate within aid-intensive ecosystems characterized by donor influence, project-based financing, and external accountability regimes (Hulme & Edwards, 1997; OECD, 2022). These conditions generate interconnected pressures rooted in aid dependency, financial fragility, short-term funding cycles, planning uncertainty, and governance strain.

Aid dependency remains a defining structural feature of many NGOs in fragile states. Although dependency theory is often applied at the macroeconomic level (Easterly, 2006; Moyo, 2009), its logic is equally relevant at the organizational level. NGOs in post-war settings frequently emerge and expand in response to donor funding streams, aligning programmatic priorities with externally defined development agendas. Donor-driven programming may shape thematic focus, reporting systems, staffing structures, and performance metrics, often privileging compliance with funding frameworks over locally determined strategic autonomy (Hulme & Edwards, 1997). Consequently, institutional survival becomes closely tied to external decision-making processes. Funding approvals, renewals, and terminations are frequently determined by actors outside the local context. As Banks, Hulme, and Edwards (2015) observe, increasing professionalization and donor integration have at times positioned NGOs closer to donor systems than to grassroots constituencies. While external financing is indispensable in post-conflict recovery, prolonged reliance on limited donor streams creates structural exposure when geopolitical priorities or domestic political conditions in donor countries shift.

Closely linked to aid dependency is structural financial fragility. Financial fragility refers not merely to insufficient revenue but to the composition, predictability, and flexibility of funding sources. In many fragilestate environments, NGO financing is dominated by restricted project grants that provide little support for core operational costs, administrative overhead, or reserve accumulation (Carroll & Stater, 2009). Such funding arrangements constrain flexibility and inhibit the development of financial buffers. Organizations may deliver successful programs while remaining financially precarious. Resilience scholarship emphasizes that institutions capable of absorbing shocks typically possess redundancy, buffer capacity, and adaptive financial structures (Folke et al., 2010). However, where unrestricted income and internally generated revenue are absent, NGOs have limited capacity to withstand funding interruptions. In fragile contexts where macroeconomic instability intersects with donor volatility, financial fragility becomes a persistent institutional condition rather than a temporary risk.

The dominance of short-term project cycles further intensifies sustainability pressures. Development funding is commonly structured around one- to three-year grant windows tied to specific outputs and performance indicators (Hulme & Edwards, 1997). Although such arrangements enhance accountability, they may undermine long-term institutional development. Organizations operating within short funding horizons often prioritize immediate deliverables over investments in staff capacity, governance strengthening, or asset-building. As Stiles (2002) notes, donor accountability mechanisms can incentivize programmatic responsiveness while inadvertently discouraging long-term consolidation. In post-war societies, where rebuilding trust and institutional legitimacy requires sustained engagement, short funding cycles constrain continuity and strategic foresight.

Planning uncertainty emerges as a consequence of volatile, restricted, and short-term financing. NGOs dependent on unpredictable disbursement schedules frequently adopt reactive management strategies, adjusting staffing

levels and program scope in response to funding fluctuations. This reactive posture limits innovation and discourages multi-year investment in infrastructure or institutional systems. Institutional resilience theory underscores the importance of anticipatory governance and forward-looking adaptation in uncertain environments (Boin & van Eeten, 2013; Folke et al., 2010). Yet when funding streams are externally controlled and subject to delay or reallocation, planning uncertainty becomes chronic. Organizations struggle to extend planning horizons beyond immediate grant cycles, reinforcing patterns of episodic survival rather than sustained growth.

Governance pressures associated with donor compliance regimes further complicate sustainability. International funding typically entails detailed reporting requirements, fiduciary standards, procurement rules, and monitoring frameworks designed to ensure accountability and transparency (Hulme & Edwards, 1997). While essential for safeguarding resources, these mechanisms impose significant administrative burdens on grassroots organizations with limited managerial capacity. Moreover, accountability structures may generate tension between upward accountability to funders and downward accountability to communities (Banks et al., 2015). As NGOs become increasingly embedded within donor systems, institutional identity and priorities may shift accordingly. When organizations pursue revenue diversification strategies—including social enterprise initiatives—they encounter additional governance complexity associated with hybrid organizational models (Battilana & Lee, 2014). Balancing commercial discipline with social mission requires strengthened oversight mechanisms to prevent mission drift and preserve legitimacy.

In fragile post-war contexts, where institutional trust and social cohesion remain delicate, sustainability cannot be reduced to financial solvency alone. It requires governance architectures capable of managing compliance demands while preserving mission integrity, community alignment, and adaptive capacity under conditions of systemic uncertainty.

Social Enterprise as Institutional Strategy

As sustainability pressures intensify within aid-dependent environments, social enterprise has emerged as a prominent strategic response in nonprofit and development scholarship. However, the concept is often misunderstood as a peripheral income-generating activity rather than a structural institutional adaptation. In fragile and post-conflict contexts, where external funding volatility creates systemic uncertainty, social enterprise must be conceptualized not as supplementary fundraising but as an intentional redesign of organizational revenue architecture aimed at strengthening institutional resilience.

The foundational articulation of social entrepreneurship is commonly attributed to Dees (1998), who characterizes social entrepreneurs as change agents committed to creating and sustaining social value. In this framework, revenue generation is not an end in itself but a means of advancing mission-driven impact. This distinction differentiates social enterprise from conventional commercial entrepreneurship, where profit maximization is central. Mission-driven enterprise therefore represents a hybrid model in which economic activity is subordinated to social purpose, and revenue is reinvested into programming, institutional capacity, or community development rather than distributed to private shareholders. In post-war contexts, such a model offers an alternative to perpetual grant dependency by enabling organizations to generate internally controlled income streams while maintaining their normative commitments to social transformation (Defourny & Nyssens, 2010).

The integration of social mission and commercial activity situates social enterprises within hybrid organization theory. Hybrid organizations combine multiple institutional logics—typically social welfare and commercial market logics—within a single structure (Battilana & Lee, 2014). While this integration can foster innovation, it also introduces structural tension. Commercial logic emphasizes efficiency, cost management, competitiveness, and revenue growth, whereas social logic prioritizes equity, inclusion, mission integrity, and community impact. Managing these dual logics requires governance systems capable of balancing financial performance with social accountability. Without such safeguards, commercial imperatives may gradually overshadow mission objectives, leading to mission drift (Ebrahim, Battilana, & Mair, 2014). In fragile environments, where markets are small and volatile, this tension may be amplified, making leadership discipline and governance design central to the viability of hybrid models.

The rationale for social enterprise as a sustainability strategy is closely aligned with financial diversification theory. Organizational finance research demonstrates that reliance on a narrow revenue base increases exposure

to external shocks (Carroll & Stater, 2009). Revenue concentration heightens vulnerability when dominant funding streams contract or withdraw. Diversified revenue portfolios, by contrast, distribute financial risk across multiple sources, enhancing absorptive capacity under volatile conditions (Folke et al., 2010). For aid-dependent NGOs, even modest earned-income streams can serve as buffers during funding delays or transitions. Diversification does not imply financial independence from donors; rather, it reduces overexposure to single funding channels and expands strategic flexibility. In fragile states where macroeconomic instability intersects with donor volatility, diversification functions as a mechanism for mitigating systemic uncertainty.

Complementary scholarship emphasizes the importance of catalytic capital in enabling enterprise development. Catalytic capital refers to patient, risk-tolerant investment designed to unlock sustainable business models in underserved or fragile markets (Bugg-Levine & Emerson, 2011). Unlike traditional operating grants, catalytic capital supports the acquisition of revenue-generating assets—such as agricultural infrastructure, vocational production facilities, or service enterprises—that can produce recurring income over time. In post-conflict environments where access to affordable credit is limited, such investment can facilitate a shift from perpetual subsidy toward asset-building and structural resilience. Asset accumulation strengthens institutional buffers, enhancing the capacity to absorb financial shocks (Folke et al., 2010).

Despite its promise, social enterprise introduces meaningful risks. Commercial pressure in fragile markets may compress profit margins and expose organizations to liquidity stress if enterprises underperform. Hybrid models also demand managerial competencies in financial planning, market analysis, and operational oversight that may not be deeply embedded in traditionally program-focused NGOs. Governance complexity further intensifies as organizations must separate enterprise revenue from donor funds, establish transparent reinvestment policies, and maintain accountability to both beneficiaries and funders. Absent robust governance structures, the integration of commercial and social logics can generate reputational and operational vulnerability.

The literature therefore positions social enterprise as a deliberate institutional strategy for strengthening sustainability under aid volatility. Grounded in social entrepreneurship theory, framed by hybrid organization scholarship, informed by financial diversification logic, and enabled through catalytic capital, social enterprise offers a pathway toward incremental institutional resilience. However, its effectiveness depends on disciplined governance, mission safeguards, and careful management of commercial pressures. This theoretical foundation provides the basis for examining social enterprise as a sustainability strategy for local NGOs operating in postwar Liberia.

Resilience Thinking in Fragile Institutions

Resilience thinking has emerged as a central analytical framework for understanding how systems—ecological, social, economic, and institutional—respond to disturbance and uncertainty. Originally rooted in ecological systems theory, resilience scholarship has expanded to encompass governance systems, public institutions, and organizational structures operating under volatile conditions (Folke et al., 2010). In fragile and post-conflict environments, where uncertainty is structural rather than episodic, resilience provides a critical lens for analyzing sustainability beyond financial solvency alone. Rather than equating stability with the absence of shock, resilience frameworks assume that disruption is inherent in complex systems and focus instead on how institutions maintain function while adapting to change (Boin & van Eeten, 2013).

Institutional resilience refers to the capacity of organizations to sustain core functions in the face of disruption while adjusting to evolving environmental conditions (Boin & van Eeten, 2013). Resilience scholarship commonly distinguishes among three interrelated capacities: absorptive capacity, adaptive capacity, and transformability (Folke et al., 2010). Absorptive capacity denotes an organization's ability to withstand shocks without significant loss of function. In financial terms, this may involve operational reserves, diversified revenue streams, or structural flexibility that allow temporary funding interruptions to be absorbed without program collapse. Adaptive capacity refers to the ability to modify strategies, structures, and resource allocations in response to changing circumstances. Adaptation may include diversifying funding sources, reforming governance systems, strengthening managerial competencies, or adjusting program models. Transformability represents a deeper institutional shift—the capacity to fundamentally redesign organizational structures when existing models become unsustainable. In fragile contexts, this may involve transitioning from grant-dependent architectures toward hybrid revenue systems that integrate social mission with income generation.

Importantly, resilience is not an automatic outcome of good intentions. Boin and van Eeten (2013) caution against romanticizing resilience as a natural organizational trait; rather, it is cultivated through deliberate structural design, strategic diversification, and disciplined governance. Applying resilience thinking to NGOs in post-war environments highlights the structural vulnerabilities embedded in aid-dependent systems. In fragile states, external funding volatility is a persistent feature of the development landscape rather than an anomaly (OECD, 2022). NGOs routinely encounter donor reprioritization, delayed disbursements, geopolitical shifts, and macroeconomic instability. Under such conditions, sustainability strategies must move beyond reactive survival toward proactive buffer-building and institutional redesign.

Building financial buffers constitutes a core element of absorptive capacity. For NGOs, this may involve developing internally generated income, modest operational reserves, or diversified funding portfolios that reduce overreliance on single donors (Carroll & Stater, 2009). Even limited earned income can provide flexibility during transitional funding periods, mitigating disruption to staffing and service continuity. Adaptive capacity is reflected in anticipatory planning—scenario analysis, phased enterprise development, incremental capacity building, and governance reforms that prepare organizations for fluctuation rather than assuming stability. Transformability, meanwhile, embodies gradual institutional strengthening. In fragile post-conflict settings, resilience is unlikely to emerge through abrupt financial independence; rather, it develops incrementally as organizations redesign revenue architectures, strengthen oversight systems, and cultivate hybrid competencies.

Resilience thinking therefore reframes sustainability as an ongoing process of institutional adjustment rather than a fixed endpoint. NGOs in post-war Liberia and similar contexts may continue to rely on external assistance, yet they can reduce vulnerability by strengthening absorptive and adaptive capacities. When conceptualized as a deliberate institutional strategy rather than a supplementary activity, social enterprise can serve as one pathway toward building these capacities. By integrating resilience theory with scholarship on aid dependency and hybrid organizational models, this study situates social enterprise within a broader framework of institutional adaptation under systemic uncertainty. In fragile environments, sustainability is not defined by insulation from volatility but by the capacity to navigate it without compromising mission continuity or organizational integrity.

Theoretical and Conceptual Framework

This study is grounded in three interrelated theoretical traditions: Aid Dependency Theory, Institutional

Resilience Theory, and Hybrid Organization Theory. Together, these frameworks provide an integrated analytical lens for examining social enterprise as a sustainability strategy for local NGOs operating in post-war Liberia under conditions of systemic aid volatility. While each theory originates from distinct scholarly traditions, their intersection offers a coherent foundation for understanding structural vulnerability, adaptive institutional response, and organizational redesign in fragile environments.

Aid Dependency Theory provides the structural foundation for understanding financial vulnerability in post-war NGOs. Traditionally applied at the macroeconomic level, aid dependency scholarship argues that prolonged reliance on external assistance may distort incentives, weaken endogenous capacity development, and create structural vulnerability to external decision-making (Easterly, 2006; Moyo, 2009). Although this framework has primarily focused on state-level dynamics, its logic extends to institutional actors embedded within aid-intensive ecosystems. In fragile contexts such as Liberia, civil society organizations frequently depend on international donor financing for program implementation, staffing, and operational continuity. When revenue architecture is dominated by external funding streams, institutional survival becomes closely tied to donor priorities, disbursement schedules, and geopolitical recalibrations beyond local control (Banks, Hulme, & Edwards, 2015). Aid dependency at the organizational level therefore produces a structural sustainability gap: long-term social missions are pursued within financial systems that remain externally controlled and time-bound. Under conditions of increasing global aid volatility, this configuration exposes NGOs to systemic risk.

While Aid Dependency Theory explains structural vulnerability, Institutional Resilience Theory provides the framework for analyzing adaptive response. Resilience scholarship conceptualizes institutions as dynamic systems operating within uncertain and disturbance-prone environments (Folke et al., 2010). Rather than assuming stability as the norm, resilience theory recognizes volatility as inherent to complex social systems. Institutional resilience refers to the capacity of organizations to maintain core functions under stress while adapting structures and strategies to evolving conditions (Boin & van Eeten, 2013). Three interrelated

dimensions are particularly relevant. Absorptive capacity denotes the ability to withstand shocks without significant loss of operational continuity, often supported by diversified revenue or financial buffers. Adaptive capacity refers to the ability to modify strategies and governance arrangements in response to environmental change. Transformability represents the deeper capacity to redesign institutional architecture when existing models become unsustainable (Folke et al., 2010). In the context of aid-dependent NGOs, transformability may involve transitioning from purely grant-based models toward hybrid revenue systems that integrate mission-aligned enterprise activities. Institutional Resilience Theory thus reframes sustainability as structured adaptation under uncertainty rather than insulation from volatility.

Hybrid Organization Theory explains how such structural adaptation may occur. Hybrid organizations integrate multiple institutional logics—most commonly social welfare and commercial logics—within a single organizational structure (Battilana & Lee, 2014). Social enterprises represent a specific form of hybrid organization in which mission-driven objectives coexist with revenue-generating activities. The coexistence of these logics generates both opportunity and tension. While hybridization enables revenue diversification and reduced dependency on external donors, it also introduces governance complexity and risks of mission drift (Ebrahim, Battilana, & Mair, 2014). In fragile post-war contexts, hybrid models offer a pathway for strengthening financial autonomy while maintaining social commitment, provided that governance safeguards balance commercial discipline with mission accountability. Hybrid Organization Theory therefore supplies the institutional design logic through which social enterprise is understood not as a supplementary activity but as deliberate architectural restructuring.

Conceptual Model

Building on these theoretical foundations, this study advances a conceptual model linking global aid volatility to institutional resilience through the mediating mechanism of social enterprise strategy. The model proposes a sequential pathway:

Global Aid Volatility → Financial Instability → Sustainability Gap → Social Enterprise Strategy → Revenue Diversification → Institutional Resilience

Global aid volatility constitutes the exogenous structural condition within the model. Official development assistance (ODA) has increasingly been characterized by fluctuations in allocation, donor reprioritization, and political recalibration influenced by domestic pressures in donor countries (OECD, 2023). In fragile states where external financing represents a significant share of development resources, such volatility functions as a recurring systemic shock rather than an isolated disturbance (OECD, 2022). For local NGOs operating in postwar contexts, macro-level unpredictability translates directly into operational uncertainty.

This volatility produces financial instability at the organizational level. Financial instability refers to operational vulnerability arising from uncertain or delayed funding streams, including interrupted programming, staffing disruptions, and constrained cash flow. Research on nonprofit revenue structures demonstrates that organizations heavily reliant on restricted grants are particularly vulnerable to funding interruptions (Carroll & Stater, 2009). Thus, macro-level aid volatility manifests as micro-level institutional instability.

Repeated exposure to instability reveals the sustainability gap—a structural misalignment between long-term social mission and short-term, externally controlled funding architecture. NGOs often pursue ambitious objectives within financial systems dominated by time-bound project grants (Hulme & Edwards, 1997). While such funding supports program implementation, it rarely enables reserve accumulation or asset-building. Aid Dependency Theory explains how this externally controlled structure embeds chronic vulnerability rather than episodic shortfall (Easterly, 2006; Moyo, 2009).

Recognition of this gap generates the impetus for institutional adaptation. Within the model, social enterprise strategy functions as the central intervention. Drawing on Dees (1998) and Battilana and Lee (2014), social enterprise strategy refers to the deliberate integration of mission-aligned revenue-generating activities into organizational architecture. Enterprise is positioned not as ancillary fundraising but as structural redesign aimed at strengthening internally controlled income streams.

The immediate effect of this strategy is revenue diversification. Diversification distributes financial risk across multiple funding channels, reducing overexposure to single donor streams (Carroll & Stater, 2009). In resilience terms, diversification enhances absorptive capacity by creating alternative resource pathways during funding interruptions (Folke et al., 2010). Importantly, diversification mitigates concentration risk without eliminating donor reliance.

Over time, diversified revenue strengthens institutional resilience. Resilience encompasses absorptive capacity (withstanding shocks), adaptive capacity (strategic adjustment), and gradual transformability (redesign of revenue architecture) (Folke et al., 2010; Boin & van Eeten, 2013). Social enterprise moderates the pathway from aid volatility to institutional collapse by inserting adaptive restructuring into the financial system. Through hybrid organizational design, NGOs transition from pure grant dependency toward blended revenue models that distribute risk more evenly.

The model therefore conceptualizes sustainability not as abrupt financial independence but as progressive institutional strengthening. In fragile post-war contexts such as Liberia, resilience is built incrementally through diversification, governance reform, and asset-building rather than rapid commercialization. By situating social enterprise within this structured pathway, the conceptual model clarifies how adaptation under aid volatility may occur and provides a coherent analytical foundation for examining sustainability strategies among local NGOs in fragile environments.

METHODOLOGY

This study adopts a qualitative analytical research design grounded in conceptual synthesis and theory-informed interpretation. Rather than conducting primary empirical data collection or case-based fieldwork, the research integrates existing scholarship, policy reports, and development finance analyses to construct and apply a conceptual framework explaining how social enterprise may function as a sustainability strategy for local NGOs in post-war Liberia. The methodological orientation is interpretive and policy-relevant, aimed at clarifying structural dynamics and theoretical relationships rather than generating statistical generalizations.

Research Design

The study employs a qualitative analytical design centered on conceptual integration. Such an approach is appropriate when the objective is to synthesize existing theoretical and empirical insights in order to develop explanatory frameworks or policy-relevant models (Creswell & Poth, 2018). The purpose of this research is not to test hypotheses quantitatively, but to clarify the relationships among aid volatility, financial instability, sustainability gaps, and institutional adaptation strategies.

A conceptual synthesis approach guides the research. This involves integrating three major theoretical traditions—Aid Dependency Theory, Institutional Resilience Theory, and Hybrid Organization Theory—into a coherent analytical structure. Conceptual synthesis draws connections across bodies of literature that are often treated independently, allowing the development of a unified model linking macro-level aid volatility to microlevel institutional adaptation mechanisms.

The study is also guided by a policy-oriented interpretive framework. Beyond theoretical clarification, the research seeks to generate practical insight for civil society leaders and development policymakers operating in fragile contexts. The interpretive orientation allows theoretical constructs to be contextualized within Liberia's post-war institutional environment without reliance on a single empirical case.

Data Sources

The analysis draws upon multiple categories of secondary data and scholarly sources. Development policy documents and fragility assessments provide contextual grounding regarding structural conditions in post-war Liberia. Reports from institutions such as the OECD, World Bank, IMF, and UNDP inform the analysis of aid trends, fragility indicators, fiscal constraints, and institutional capacity challenges.

Aid trend reports and development finance analyses contribute to the examination of global aid volatility, documenting fluctuations in official development assistance (ODA), donor reprioritization, and restructuring of

funding mechanisms affecting fragile states. Scholarly literature on NGO sustainability and nonprofit financial management provides theoretical insight into revenue diversification, funding concentration risk, governance pressures, and structural financial fragility.

In addition, research on social enterprise and hybrid organization theory offers conceptual foundations for understanding how mission-driven enterprises integrate commercial and social logics within institutional structures. Resilience theory literature—particularly work addressing absorptive capacity, adaptive capacity, and transformability—provides the analytical lens for interpreting institutional adaptation under systemic uncertainty. Collectively, these diverse sources enable structured theoretical synthesis rather than isolated descriptive analysis.

Analytical Approach

The study employs thematic synthesis as its primary analytical technique. Thematic synthesis involves identifying recurring patterns across bodies of literature and organizing them into coherent conceptual categories (Creswell & Poth, 2018). In this research, themes including aid dependency, financial fragility, revenue diversification, hybrid governance tension, and institutional resilience were systematically examined and integrated into a unified explanatory framework.

The analysis is explicitly theory-informed. Aid Dependency Theory guides the explanation of structural vulnerability. Institutional Resilience Theory informs interpretation of adaptive mechanisms. Hybrid Organization Theory shapes understanding of governance complexity within social enterprise models. The reasoning process combines deductive and inductive elements. Deductively, established theoretical principles are applied to the context of post-war Liberia to assess whether the logic of dependency and resilience explains observed sustainability challenges. Inductively, the synthesis of diverse literature reveals recurring patterns suggesting that social enterprise may function as a mediating mechanism between vulnerability and resilience.

The conceptual model developed earlier in the study serves as an interpretive tool rather than an empirically measured framework. Rather than quantifying each construct, the model clarifies how global aid volatility may translate into institutional fragility and how enterprise integration may strengthen adaptive capacity. The methodology therefore prioritizes analytical coherence and explanatory depth over statistical measurement.

Scope and Limitations

Several limitations define the scope of this methodological approach. First, the study does not involve empirical financial modeling or quantitative impact measurement. It does not calculate specific revenue ratios, conduct econometric analysis, or test statistically significant correlations between enterprise activity and financial stability. Instead, it develops a theoretically grounded explanatory model intended to inform future empirical research.

Second, the study is not a longitudinal impact evaluation. It does not assess long-term financial performance of specific NGOs over extended periods. The focus remains on conceptual pathways and structural relationships rather than measured institutional outcomes over time.

Third, the analysis is confined to institutional-level sustainability. Although macroeconomic fragility and donor policies are discussed, the primary analytical unit is the NGO as an organizational actor. The research does not provide comprehensive evaluation of national fiscal policy, government reform trajectories, or private sector development.

Fourth, as a qualitative conceptual analysis, the findings are analytically rather than statistically generalizable. The aim is to offer theoretical insight and policy relevance applicable to similar fragile contexts, not to claim universal empirical certainty.

FINDINGS AND DISCUSSION

This section presents analytical findings derived from the integration of development finance literature, nonprofit sustainability scholarship, resilience theory, and contextual analysis of fragile-state environments. Because this

study employs a conceptual qualitative methodology, the findings are interpretive rather than empirically measured. The discussion evaluates how global aid volatility interacts with institutional architecture in post-war contexts and how social enterprise may function as an adaptive sustainability strategy within structural constraints.

Aid Volatility as Structural Shock

Contemporary global aid systems are increasingly characterized by donor reprioritization and fiscal recalibration, reducing predictability in official development assistance (OECD, 2023, 2024). While aggregate aid volumes may appear stable, fluctuations in sectoral allocation and disbursement timing create operational uncertainty, particularly in fragile states where external financing constitutes a significant share of development expenditure (OECD, 2022). In such environments, volatility operates as a structural condition rather than an episodic disruption.

For NGOs operating in post-war contexts, externally controlled revenue streams translate macro-level unpredictability into institutional instability. Organizations with concentrated funding portfolios are especially vulnerable to interruptions (Carroll & Stater, 2009). In Liberia's constrained philanthropic and commercial environment, limited alternative funding pathways intensify this exposure.

The first analytical finding is therefore that aid volatility must be understood as an embedded environmental condition within development finance systems. Sustainability strategies must be designed with this structural reality in mind rather than assuming episodic disruption.

The Sustainability Gap in Post-War Liberia

The literature indicates that post-war NGOs frequently operate within structurally dependent funding models shaped by restricted project grants and short planning horizons (Hulme & Edwards, 1997; Banks, Hulme, & Edwards, 2015). Aid Dependency Theory explains how prolonged reliance on externally controlled funding may produce institutional vulnerability when survival depends on donor decisions beyond local authority (Easterly, 2006; Moyo, 2009).

In fragile environments, this reliance generates what this study conceptualizes as a sustainability gap—a misalignment between long-term social mission and short-term funding architecture. NGOs may deliver essential services such as education, trauma healing, and youth empowerment, yet remain financially precarious due to limited core funding and absence of internally generated income streams.

Planning fragility represents a central dimension of this gap. Short-term project cycles, often lasting one to three years, constrain strategic investment and discourage reserve accumulation (Hulme & Edwards, 1997). Without predictable multi-year funding, organizations adopt reactive management strategies tied to grant renewal timelines. Governance stress further intensifies vulnerability. Donor compliance regimes impose reporting and fiduciary requirements that strain administrative capacity (Banks et al., 2015). While accountability is necessary, excessive upward accountability may limit autonomy and strategic flexibility.

The second analytical finding is that the sustainability challenge in post-war Liberia is architectural rather than managerial. It is embedded in funding structures, planning cycles, and external control over institutional survival.

Social Enterprise as Adaptive Strategy

Within this structural context, social enterprise emerges as a potential adaptive mechanism. Drawing on social entrepreneurship theory (Dees, 1998) and hybrid organization theory (Battilana & Lee, 2014), enterprise integration represents deliberate redesign of revenue architecture rather than opportunistic fundraising.

The findings suggest that social enterprise functions as resilience architecture when strategically embedded. Revenue diversification distributes financial risk across multiple streams, reducing overexposure to single donors (Carroll & Stater, 2009). Even modest internally generated income enhances absorptive capacity by providing financial buffers during funding delays. Resilience theory clarifies this mechanism: institutions capable of

absorbing shocks typically possess diversified resource pathways and structural redundancy (Folke et al., 2010). Enterprise integration introduces internally controlled income into otherwise grant-dependent systems.

The asset-building logic further strengthens this adaptive function. Catalytic capital scholarship emphasizes that investment in revenue-generating assets—such as agricultural production or service-based enterprises—can create recurring income streams that extend beyond short-term project cycles (Bugg-Levine & Emerson, 2011). Asset ownership enhances institutional autonomy and extends planning horizons.

The third analytical finding is that social enterprise, when mission-aligned and governance-supported, may reduce vulnerability to aid volatility by strengthening absorptive and adaptive capacities. However, it does not eliminate structural reliance on external funding.

Governance as Moderating Variable

A critical insight emerging from the analysis is that governance functions as a moderating variable within hybrid sustainability models. Hybrid organizations integrate social and commercial logics, generating both innovation and tension (Battilana & Lee, 2014). Without deliberate safeguards, commercial pressures may produce mission drift or prioritize financially viable beneficiaries over the most vulnerable (Ebrahim, Battilana, & Mair, 2014).

Mission safeguards—including clear reinvestment policies, transparent financial accounting, and active board oversight—are essential for preserving alignment between enterprise activities and core objectives. Governance systems must balance upward accountability to donors with downward accountability to communities.

Leadership capacity plays a decisive role in managing this balance. Hybrid models require leaders capable of maintaining commercial discipline without compromising mission integrity. Governance weakness may undermine enterprise viability, whereas governance strength enhances the likelihood that diversification translates into resilience.

The fourth analytical finding is that governance capacity determines whether social enterprise strengthens sustainability or introduces new institutional risk.

Limits and Structural Constraints

Despite its adaptive potential, social enterprise operates within significant structural constraints. Capital intensity represents a primary limitation. Enterprise development requires upfront investment in infrastructure, equipment, and operational systems. In fragile economies with limited access to affordable credit, capital acquisition may strain organizational resources (World Bank, 2022).

Market fragility further constrains viability. Liberia's small and import-dependent economy limits purchasing power and exposes local enterprises to competition from imported goods. Revenue projections in such environments remain uncertain. Climate risk introduces additional vulnerability, particularly for agriculture-based enterprises. Environmental shocks may disrupt income streams and program continuity simultaneously.

Capacity gaps in financial management and enterprise administration also restrict scalability. NGOs historically oriented toward service delivery may lack specialized business management expertise, necessitating training and governance strengthening.

The fifth analytical finding is that social enterprise reduces exposure to certain risks while introducing new forms of vulnerability. It is therefore a conditional rather than universal solution.

Refinement of the Conceptual Model

The findings refine the conceptual model in three significant ways. First, social enterprise moderates vulnerability but does not eliminate aid reliance. In fragile contexts, full financial independence from donors remains unlikely. Enterprise functions as a buffer rather than a substitute for external support.

Second, resilience is incremental rather than binary. Institutions do not shift abruptly from fragility to stability; resilience develops gradually through diversification, asset-building, and governance strengthening (Folke et al., 2010).

Third, governance strength moderates outcomes. Where governance is robust, enterprise integration enhances resilience. Where governance is weak, hybrid complexity may generate mission drift or financial instability.

The refined conceptual pathway therefore becomes:

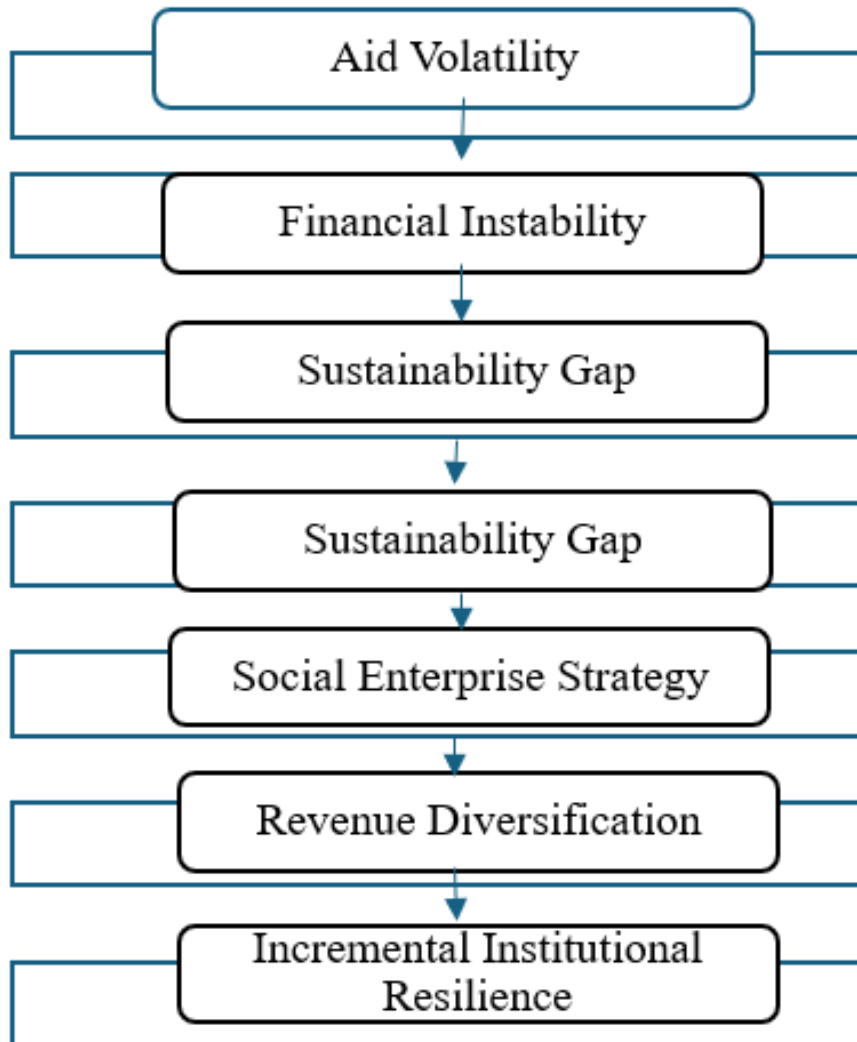


Figure 1. Conceptual Model of Aid Volatility and Institutional Resilience

This refinement emphasizes that sustainability in post-war Liberia is not a fixed destination but a structured process of institutional adaptation under systemic uncertainty.

Empirical Illustration: Social Enterprise in the Liberian Context

To ground the conceptual framework in practical reality, this section provides an illustrative example of how social enterprise functions within a Liberian civil society organization operating in a fragile post-war environment. The purpose is not to present a full empirical case study, but to demonstrate how the theoretical pathway outlined in the conceptual model may operate in practice.

Consider a locally founded NGO operating in rural Lofa County that delivers trauma-informed education, youth vocational training, and community development programming. Like many grassroots organizations in Liberia, the NGO initially relied almost exclusively on time-bound donor grants to finance staffing, educational materials, and outreach activities. Funding cycles typically ranged from one to three years, and core operational costs—such as maintenance, utilities, and administrative salaries—were only partially covered. During periods of

delayed disbursement, the organization experienced temporary staff salary postponements and scaled-back programming.

In response to these recurrent funding uncertainties, the organization introduced mission-aligned enterprise activities. These included (1) the development of a modest guesthouse facility to accommodate visitors and development partners traveling to the region, (2) small-scale agricultural production involving poultry and piggery operations, and (3) the sale of locally produced goods associated with vocational training programs. These enterprises were not designed to replace donor funding but to supplement it through internally controlled revenue streams.

Income generated from the guesthouse provided a modest but predictable cash flow during months when donor disbursements were delayed. For example, during a three-month gap between grant cycles, guesthouse and agricultural income covered essential utility costs and partial staff stipends, preventing full program suspension. While enterprise income constituted a minority share of the total annual budget, it functioned as a buffer mechanism—consistent with resilience theory's concept of absorptive capacity (Folke et al., 2010). The organization was able to maintain core educational programming and avoid staff attrition during the funding interruption.

Revenue diversification also extended planning horizons. Rather than aligning all strategic decisions strictly with donor grant timelines, leadership began incorporating enterprise revenue projections into annual budgeting processes. This shift reduced overexposure to a single funding stream and increased strategic flexibility. In conceptual terms, the enterprise strategy moderated the pathway between aid volatility and institutional instability.

Governance safeguards were critical to the viability of this hybrid model. The organization adopted clear reinvestment policies stipulating that enterprise-generated surplus would be directed toward operational reserves, infrastructure maintenance, and program continuity rather than private distribution. Separate accounting systems were established to distinguish donor-restricted funds from enterprise revenue. Board oversight was strengthened through quarterly financial reviews, and written conflict-of-interest policies were introduced to prevent misuse of enterprise income. These governance mechanisms helped mitigate the risks of mission drift and financial opacity commonly associated with hybrid organizations (Battilana & Lee, 2014; Ebrahim et al., 2014).

Despite these adaptive benefits, the enterprise initiative also revealed structural constraints. Initial capital investment required external catalytic support, as domestic credit markets offered limited affordable financing options. Market fragility posed additional challenges: occupancy rates for the guesthouse fluctuated seasonally, and agricultural production remained vulnerable to climate variability. Profit margins were modest, and enterprise income alone could not fully substitute for external grants. Moreover, management complexity increased, requiring new competencies in budgeting, inventory management, and customer service.

This illustration reinforces three analytical insights developed in the study. First, social enterprise in fragile contexts functions as a moderating buffer rather than a replacement for donor funding. It reduces vulnerability but does not eliminate dependency. Second, resilience is incremental. The organization did not transition abruptly from fragility to stability; rather, absorptive and adaptive capacities strengthened gradually through diversification and governance reform. Third, governance capacity determines outcomes. Clear financial oversight, reinvestment policies, and board accountability were essential in ensuring that enterprise activity strengthened mission continuity rather than distorting institutional priorities.

The Liberian example demonstrates that social enterprise can operate as resilience architecture when embedded within intentional governance structures and aligned with core mission objectives. However, its viability remains conditional upon capital access, market stability, and leadership discipline. In fragile post-war environments, enterprise integration represents a structured adaptation to systemic uncertainty—not a panacea for aid volatility, but a strategic mechanism for moderating its institutional impact.

Operational Indicators for Future Empirical Testing

Although this study advances a conceptual framework, empirical validation requires measurable constructs that correspond to the model's key variables. Governance strength functions as the moderating variable influencing

whether social enterprise integration enhances sustainability or introduces new vulnerabilities. Future research may operationalize governance strength through indicators such as board independence, frequency of external financial audits, existence of formal reinvestment policies, and clear separation between enterprise-generated income and donor-restricted funds. These measures reflect transparency, fiduciary oversight, and mission safeguarding capacity—core dimensions emphasized in hybrid organization scholarship (Battilana & Lee, 2014; Ebrahim, Battilana, & Mair, 2014). Strong governance structures help ensure that commercial activity reinforces rather than distorts social objectives.

Institutional resilience, conceptualized as the capacity to absorb and adapt to aid volatility, may likewise be operationalized using financial and structural indicators. Potential measures include revenue concentration ratios (Carroll & Stater, 2009), the proportion of internally generated enterprise income within the overall budget, months of operating reserves, and the percentage of unrestricted income available for flexible allocation. These indicators align with resilience theory's emphasis on absorptive and adaptive capacity under systemic uncertainty (Folke et al., 2010). Organizations exhibiting lower revenue concentration and stronger financial buffers are better positioned to withstand funding disruptions without compromising core programming.

By articulating measurable indicators, the conceptual model becomes empirically testable while remaining theoretically grounded. Future comparative or longitudinal studies may examine whether NGOs with diversified revenue portfolios and stronger governance mechanisms demonstrate greater stability during periods of aid contraction or disbursement delay. In this way, the present study provides not only a theoretical explanation of sustainability under aid volatility, but also a structured foundation for future empirical investigation in fragile and post-conflict contexts.

Policy and Donor Implications

The findings of this study indicate that sustainability challenges facing local NGOs in post-war Liberia are structurally embedded within aid architecture rather than solely the result of managerial inefficiency. If social enterprise is to function as a meaningful resilience strategy under conditions of aid volatility, complementary adjustments in policy and donor frameworks are necessary. Organizational adaptation alone is insufficient; sustainability requires shifts in development financing models that acknowledge volatility as structural rather than episodic. Four key implications emerge from this analysis.

Enterprise Start-Up Capital: Treating Sustainability as Investment

First, donors should recognize enterprise development as a legitimate sustainability investment rather than a deviation from core programming. Traditional grant frameworks frequently prioritize short-term service delivery outputs while allocating limited resources for asset formation or revenue-generating infrastructure (Hulme & Edwards, 1997). Yet the conceptual model advanced in this study demonstrates that enterprise functions as a structural intervention designed to strengthen absorptive and adaptive capacity.

Catalytic capital—defined as patient, risk-tolerant funding aimed at unlocking sustainable models in underserved contexts—provides a viable mechanism for supporting such transitions (Bugg-Levine & Emerson, 2011). Rather than financing enterprise activities exclusively through tightly restricted project grants, donors may consider providing start-up capital that enables NGOs to develop productive assets capable of generating recurring income. In fragile economies where access to commercial credit is limited, such patient investment is particularly critical.

Reframing sustainability as investment alters the donor–NGO relationship. It shifts the focus from annual operational subsidy toward long-term institutional strengthening. Enterprise start-up capital should therefore be understood not as commercialization of development, but as strategic buffer-building within structurally volatile environments.

Flexible Grant Architecture

Second, grant architecture must become more flexible to accommodate resilience-building strategies. Short-term, highly restricted funding cycles constrain planning horizons and limit reinvestment capacity (Carroll & Stater, 2009). Multi-year funding commitments provide greater predictability, enabling NGOs to integrate enterprise initiatives gradually and responsibly rather than reactively.

Flexibility in budget reallocation and reinvestment allowances is equally important. Permitting organizations to retain modest enterprise-generated surpluses for reinvestment in governance systems, infrastructure maintenance, or reserve funds strengthens long-term stability. Rigid restrictions that prohibit reinvestment may undermine the diversification strategies donors seek to encourage.

Flexibility does not imply reduced accountability. Rather, it recognizes that resilience-building requires adaptive capacity. In fragile contexts characterized by systemic uncertainty (OECD, 2022), narrowly defined short-term output frameworks may inadvertently perpetuate planning fragility. Funding models incorporating phased implementation, reinvestment provisions, and strategic flexibility align more closely with resilience principles.

Governance Strengthening

Third, governance strengthening must accompany enterprise integration. Hybrid organizational models introduce dual logics—social and commercial—that require deliberate oversight (Battilana & Lee, 2014). Without strengthened governance systems, enterprise development may generate mission drift or financial mismanagement (Ebrahim, Battilana, & Mair, 2014).

Donor support should therefore include targeted investment in financial oversight mechanisms, transparent accounting systems distinguishing enterprise income from donor funds, board development in hybrid governance, and formal reinvestment policies aligned with mission objectives. Capacity-building in enterprise management, financial planning, and risk assessment enhances the likelihood that diversification strengthens rather than destabilizes institutions.

Hybrid accountability structures are equally essential. NGOs must balance upward accountability to donors with downward accountability to communities. Governance reform should prioritize safeguards that prevent commercial pressures from overshadowing social objectives. In this sense, governance capacity operates as a moderating variable within the sustainability model: strong governance increases the probability that enterprise integration enhances resilience, whereas weak governance amplifies exposure to new vulnerabilities.

From Subsidy to Catalytic Asset-Building

Finally, development financing frameworks may need to transition from perpetual operational subsidy toward catalytic asset-building partnerships. Traditional aid models often finance service delivery on an annual basis without addressing structural revenue vulnerability. While operational funding remains necessary in fragile contexts, long-term resilience requires investment in productive assets capable of generating recurring value.

Asset-building approaches align closely with resilience theory, which emphasizes buffer mechanisms and adaptive capacity under uncertainty (Folke et al., 2010). By supporting investments in mission-aligned enterprises—such as agricultural infrastructure, vocational production facilities, or service-based operations—donors contribute to the development of institutional buffers that moderate exposure to volatility.

This shift does not imply withdrawal of donor responsibility. Rather, it reframes partnership from dependency-based financing toward shared resilience-building. NGOs remain engaged in mission delivery, while donor support increasingly strengthens the structural foundations of sustainability. In fragile post-war contexts such as

Liberia, where systemic volatility is likely to persist, resilience-oriented partnerships offer a more sustainable pathway than repeated short-term subsidy cycles. The objective is not financial independence from aid, but reduced vulnerability through diversified revenue architecture and strengthened governance systems.

CONCLUSION

This study examined social enterprise as a sustainability strategy for local NGOs operating in post-war Liberia under conditions of global aid volatility. The analysis began with the recognition that volatility in official development assistance (ODA) is no longer episodic but structural. Shifts in donor priorities, geopolitical realignments, domestic political pressures within donor countries, and humanitarian reallocations increasingly shape both the predictability and composition of aid flows (OECD, 2023). For fragile and post-conflict states—

where civil society organizations depend heavily on external funding—such volatility constitutes a persistent environmental condition rather than an isolated disruption.

The study further demonstrated that NGO fragility in post-war Liberia is architectural rather than incidental. Structural financial dependence on restricted, short-term project grants produces sustainability gaps characterized by limited reserves, constrained planning horizons, and vulnerability to funding delays or donor withdrawal (Hulme & Edwards, 1997; Banks, Hulme, & Edwards, 2015). The sustainability challenge is therefore embedded in funding design and institutional architecture, not merely in managerial efficiency. Within this structural context, social enterprise emerges as an adaptive pathway rather than a peripheral activity. When strategically integrated, enterprise restructures revenue architecture by introducing internally controlled income streams that diversify risk and strengthen absorptive capacity (Carroll & Stater, 2009). While enterprise does not eliminate reliance on aid, it moderates vulnerability and extends institutional planning horizons. Sustainability, in this framing, becomes a process of structured adaptation rather than abrupt financial independence.

Theoretical Contribution

This study contributes to scholarship in three interrelated ways.

First, it extends the aid dependency debate beyond the state level to institutional civil society actors. While Aid Dependency Theory has traditionally examined macroeconomic and governance distortions (Easterly, 2006; Moyo, 2009), this analysis demonstrates how structural reliance on external grants can generate sustainability gaps within NGOs themselves. By applying dependency logic to organizational architecture, the study broadens the theory's relevance to nonprofit sustainability discourse.

Second, the research operationalizes Institutional Resilience Theory within the NGO context. Rather than treating resilience as a normative aspiration, the study identifies concrete mechanisms—revenue diversification, asset-building, and governance reform—through which absorptive and adaptive capacities can be strengthened (Folke et al., 2010). Resilience is conceptualized as incremental institutional strengthening under uncertainty, not as binary survival.

Third, the study applies Hybrid Organization Theory to fragile-state environments. Much of the hybrid literature has focused on relatively stable institutional contexts (Battilana & Lee, 2014). This research extends that scholarship by examining the viability and constraints of hybrid models within post-war settings characterized by weak capital markets, governance fragility, and systemic volatility. It identifies governance strength as a moderating variable shaping whether enterprise integration enhances resilience or introduces new vulnerabilities.

Collectively, these contributions integrate aid dependency, resilience thinking, and hybrid organization theory into a unified analytical framework for examining sustainability in fragile contexts.

Practical Implications

The practical implications of this analysis are both institutional and policy-oriented.

First, sustainability requires gradual diversification rather than rapid financial transformation. In fragile postwar environments, enterprise development must proceed incrementally, with attention to capital constraints, market fragility, and environmental risk. Diversification spreads exposure only when strategically aligned with mission and implemented prudently.

Second, enterprise must be governed carefully. Hybrid models introduce dual logics—social and commercial—that require strengthened oversight mechanisms (Battilana & Lee, 2014). Transparent financial systems, clear reinvestment policies, board oversight, and leadership discipline are essential safeguards against mission drift. Governance capacity is not peripheral to sustainability; it is foundational to it.

Third, donors share responsibility in resilience-building. If funding architecture remains rigid, short-term, and narrowly output-driven, NGOs will continue to operate within structural fragility. Enterprise start-up capital, flexible multi-year grant frameworks, governance strengthening investments, and catalytic asset-building

approaches can collectively enhance institutional resilience. Sustainability, therefore, is co-produced through partnership between local organizations and development actors.

Final Reflection

Sustainability in post-war Liberia is not achieved through rapid financial transformation or sudden independence from external aid. Rather, it emerges through gradual institutional strengthening under conditions of systemic uncertainty. Social enterprise, when strategically integrated and responsibly governed, offers one adaptive pathway for reducing vulnerability to aid volatility. It does not eliminate exposure to structural shocks, but it enhances the capacity to absorb disruption, adapt strategy, and maintain mission continuity during periods of instability.

In fragile contexts where uncertainty is the norm rather than the exception, resilience must be intentionally embedded within institutional architecture. The central challenge is not to escape aid altogether, but to transform dependency into diversified partnership. Through incremental diversification, asset-building, and governance reform, local NGOs in post-war Liberia can move from structural fragility toward adaptive stability.

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