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SUMMARY

Many studies have been conducted on civil society organisations, especially nongovernment organisations (NGOs), in Cambodia. However, very few have focused on the funding mobilisation and diversification strategies—in particular, commercial ventures—these nonprofit organisations (NPOs) employ. This is a critical lack of knowledge in this area since NGOs are faced with reduced donor funding and are struggling to sustain their operation and (re)gain organisational autonomy. The research featured in this dissertation aims to respond to this knowledge gap by exploring the challenges and various diversification strategies used by NGOs in Cambodia, with specific focus on entrepreneurial activities. The main research question is “How does commercialisation impact on funding diversification among NGOs in Cambodia and what alternative approaches to development accrue from this diversification?”

The research generated data mainly from a survey and key informant interviews with senior NGO representatives in Cambodia. The data collection occurred between March 2011 and May 2012 in five major regions of Cambodia: Phnom Penh, Kandal, Kampong Cham, Battambang, and Siem Reap. The random sample technique for the survey implies that the findings represent the five regions in Cambodia where NGOs are the most active.

The research found an emerging market approach, namely social entrepreneurship, was a major replacement strategy of reduced foreign donor funding among NGOs. The trend towards commercialising human services is expected to rise further at least in the medium term. The new approach is critical in areas where government and market institutions as well as the traditional approach adopted by development practitioners fail. Beyond striving for sustainability, NGOs adopt this strategy to generate employment, income, and to create training ventures for disadvantaged people as well as solving broader social ills, such as inequality and chronic poverty. The commercialisation processes in the nonprofit sector in Cambodia has produced other consequences. These include innovation, improved transparency and accountability of NGO operations and promotion of a sense of ownership of development projects. In addition, NGOs tend to be more responsive and accountable to the communities they serve.

However, there are numerous drawbacks of NGOs’ commercial ventures. Not only does their lack of a business background and skills make them prone to failure, NGOs also risk drifting away from their mission—for example, by excluding non-paying beneficiaries. NGO leaders and social entrepreneurs also face the dilemma of balancing between social and financial bottom lines. While receiving government tax subsidies, as well as institutional

grants, NGOs also face the issues of unfair competition with the private sector, ethical issues, and risk losing their reputation as a true constituent of civil society. Thus, like any other NGO funding strategy, commercialisation has its own shortcomings; it is important that NGO leaders can manage the associated risks and negative effects well. At the same time, NGOs must maintain diverse funding sources to avoid dependence on any single income stream.

The dissertation contributes to theoretical debates on commercialisation and social entrepreneurship among NPOs. This research challenges the conventional views that business ventures bring additional problems rather than improve NGO funding and sustainability. The suggested propositions have wider implications beyond Cambodia. The findings contribute to the academic discourse particularly because empirical studies from developing and transitioning countries are under-represented.

Finally, the research has important implications for the development of Cambodia and other countries with a similar social environment. Despite the mixed consequences, entrepreneurial activities closely aligned with the NGOs' core mission have the potential to improve the current development practice. More importantly, this new approach may shift the development paradigm from foreign-supported initiatives and upward accountability (NGOs to donors) to locally oriented development and downward accountability by bringing NGOs and their constituencies closer. The various nonprofit organisational forms, such as social enterprises, cooperatives, farmer associations, self-help groups—to name a few that have sprung up during this process—may indicate the hybridity the Cambodian civil society sector. More importantly, this process indicates that Cambodia is beginning to shed the yoke of the foreign-dominated process of development.