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CHAPTER 3: 3 FUNDING MOBILISATION STRATEGIES OF NONGOVERNMENTAL ORGANISATIONS IN CAMBODIA⁶

Abstract

The objectives of this paper are to map strategies for resource mobilisation in nongovernmental organisations (NGOs) in different sectors in heavily aid-dependent Cambodia and to analyse the past and future trends of each of the evolving strategies. The data used is the product of a national survey revealing NGOs' key funding sources and trends in a 10-year period from 2006–2016. Foreign grants and donations are still dominant, but one out of five NGOs surveyed engage in earned-income activities, and this trend is expected to increase in the next five years. This study contributes to the ongoing academic and development debate about the struggles nonprofit organisations face and the ensuing strategies for mobilising funding. It also raises questions about the potential effects of different strategies for resource mobilisation, social and ethical dilemmas, and the trade-off between different choices of funding resulting in a diversification strategy.

Key words

NGOs, funding trends, resource mobilisation, Cambodia

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3.1 Introduction

Official development assistance (ODA) has helped rebuild and reduce poverty in many post-conflict countries where public social services like health care and education are weak. In Cambodia, international development agencies and bilateral donors started providing substantial ODA to the country in the early 1990s following the first democratic election that was held after decades of civil war. Cambodia remains one of the most heavily aid-dependent countries in the developing world. Average annual ODA since 2005 amounts to 9–10% of the gross national product (Council for the Development of Cambodia, 2011). Despite the large influx of aid, many key basic social services in Cambodia do not reach those most in need due to inadequate reform, rampant corruption and low tax revenue. NGOs, which are also primarily dependent on international funding, play a vital role in Cambodian society, complementing the government in some areas and supplementing in others, providing education, health, agriculture and rural development services while advocating civil society space and stronger democratic governance at national level.

By the early 2000s, foreign assistance for Cambodia began to decline. Because of apparent political and economic inadequacies, donors began to question the effectiveness and efficiency of Cambodian NGOs in institutional reforms and poverty reduction programmes. Later on, the 2008–09 global financial and economic crises exacerbated this trend. Not only did the international donor community cut down on foreign assistance to developing countries as part of their austerity measures, but also greater demand and diminishing willingness to pay for NGOs services put further pressure on this scarce resource (Suárez & Hwang, 2012). Meanwhile, the number of NGOs soared between 2000 and 2011. Both local NGOs (LNGOs) and International NGOs (INGOs) are affected by these developments and face mounting competition in mobilising increasingly limited resources while meeting demands from the donor community for more visible short-term impacts (Parks, 2008).

These developments have raised the bar for LNGO operations, especially concerning human rights and advocacy, areas where NGOs' financial supports could be more challenging to mobilise from the local government, private sector and other sources (due partly to the sensitivity of the issues to the government). Constrained by limitations of this volatile and string-attached foreign funding regime, NGOs develop strategies to diversify programme funding to local available resources such as private benefactors and corporate sponsorship, government funding and commercial activities (Froelich, 1999).

A wide array of literature documents NGOs in post-conflict countries. Nevertheless, there is little scholarly research into how these local organisations have evolved over time, what specific strategies they use in resource mobilisation, and what success rates the different strategies show in different sectors. With the exception of the recent national survey by Suárez and Hwang (2012), there is very limited rigorous quantitative research into NGOs' strategies and resourcefulness in the social, political and cultural context of Cambodia. Generating such knowledge has broader, academic, development and policy implications in the region.

3.1.1 Objective of the Study

The objective of this paper is to address questions regarding the diversification of NGO funding sources in Cambodia. Specifically, how did the funding strategies evolve in the five-year period 2006-2011, during which time Cambodia experienced impacts of the global economic crisis and changing donor priorities? In addition, how do NGO leaders expect the funding to change in the following five years (2011–2016)? This study contributes to the present debate about resource constraints and external control related to resource dependency theory and different mobilisation strategies adopted by local organisations in Cambodia with even wider implications for NGOs working in other parts of the developing world. More critically, the study provides perspectives on shifting roles of INGOs and LNGOs and raises questions about the potential impacts of different resource mobilisation approaches.

The next section briefly presents the development relevant to an understanding of Cambodia's NGO sector. This is followed by conceptualisation and operationalization of key terms. The paper then describes the methodology and data sources employed in the study. The core section of the paper presents key research findings and the analysis, followed by a discussion of funding trends. The paper concludes with implications of different strategies and the key issues for further research.

3.2 Background

3.2.1 Cambodia: A Donor-Dependent Nation

In Cambodia, ODA, which includes both grants and loans, has doubled from about US\$600 million in 2005 to about US\$1.2 billion in 2011 (CDC, 2011). This makes up about half of the annual national budget. The highly aid-dependent development process has several negative consequences. For example, various empirical studies suggest that the relationship between aid,

economic growth and poverty alleviation is positive only when a good policy environment and “sound economic management” exist (Burnside & Dollar, 1997; The World Bank, 1998).

Research also suggests that “aid dependence can potentially undermine institutional quality by weakening accountability, encouraging rent seeking and corruption, fomenting conflict over control of aid funds, siphoning off scarce talent from the bureaucracy, and alleviating pressures to reform inefficient policies and institutions” (Knack, 2001, p. i). Similarly, the fact that many Cambodian local NGOs receive funding from various international NGO has resulted in an upward accountability and submissiveness of NGOs since they are financially dependent, lack genuine grassroots representation and local ownership of their programme. Moreover, it has resulted in the reconciliation between two shifting paradigms: western concepts and agenda and local cultural, political and social context (Malena et al., 2009; Un, 2006).

A huge amount of international aid pays the salaries and expenses of mostly Western advisors and consultants who supposedly provide technical assistance for the government, which accounts for almost half of total aid disbursement to Cambodia (Council for the Development of Cambodia, 2007). This means that they not only substitute or supplement the work of government officials, but that also, as a consequence, “many of the development policies and programmes are conceived, prepared and proposed essentially by foreign donors in Cambodia” (Nagasu, 2004, p. 68). Cambodia, therefore, is much more than an aid-dependent nation—it is a donor-dependent nation. This dependency is rooted in the country’s historical and political context. Cambodia was a French protectorate for almost a century (between 1863–1953), under Japanese occupation between 1941 and 1945, and then was liberated from the Khmer Rouge by Vietnam in 1979 and continued to be occupied by them until 1989 (Chandler, 2007; Tully, 2006). Various heads of state and leaders were installed by foreign governments throughout Cambodia’s modern history. After the Paris Peace Accord 1991, the United National Transnational Authority of Cambodia (UNTAC) arrived in Cambodia and was responsible for peacekeeping and holding the first democratic election in early 1993. This marked the new era in Cambodian history in which the country began to reconstruct the country. With massive technical and financial aid from the international community, the weakly equipped government with poor institutions and human resources just left the development matters to the donors and complied to their interests and initiatives (Nagasu, 2004).

Based on sources of origin, there are two broad types of foreign assistance to Cambodia: (1) from Western donors and (2) from emerging East Asian nations like China, South Korea and Vietnam. Western aid usually comes with conditions and expectations for good governance. In contrast, Chinese aid is *unconditional*, at least in terms of no demand for good governance and with respect to human rights. By contrast, East Asian nations explicitly seek access for their (state-owned) corporations to tap Cambodia's rich natural resources and cheap labour. Some experts suggest that likely alternative sources of funding in Cambodia are business elites, returning Cambodian expatriates, and foreign investors. This is a valid challenge to the earlier belief that local sources of funding for NGOs in Cambodia were practically non-existent (Parks, 2008).

NGOs seeking ways to secure resources and struggling to address challenges through various diversification approaches are not unique to Cambodia. Various studies (Fischer et al., 2011; Fowler, 2000b; Viravaidya & Hayssen, 2001; Weisbrod, 1985) reveal that NGOs across the globe have also experienced similar funding constraints and suggest ways as to how their leaders can address the challenges. For instance, the Population and Community Development Association (PDA), which provides family planning services and fights AIDS in Thailand, the Bangladesh Rural Advancement Committee (BRAC), which focuses on rural development, and Yayasan Kusuma Buana (YKB), which provides basic health services in Indonesia, represent similar challenges in mobilising resources and their success in diversifying their income (Viravaidya & Hayssen, 2001).

3.2.2 NGO Contributions to Cambodia Development

NGOs play key roles as development agents and have contributed quite significantly to developing the economy and reducing the poverty in Cambodia. Between 1992 and 2011, NGOs contributed about US\$1.1 billion or 10% of total aid from their own resources (Council for the Development of Cambodia, 2011). In 2010 alone, NGOs provided more than US\$127 million and managed other US\$93 million from development partners, resulting in over 20% of total ODA for Cambodia. In a government annual development effectiveness report, the government acknowledged NGO substantial contributions to national and sub-national development through both service provision and policy advocacy. Based on their funding allocation and in order of importance, NGOs' main areas of activities are health and HIV/AIDS, education, and community development (Council for the Development of

Cambodia, 2011). These sectors are very much in line with the priorities of the National Development Strategic Plan (NSDP). Beyond basic social services, NGOs have also developed strong roles in “extending and deepening democracy in terms of forming democratic attitudes and habits of tolerance and trust; reconciling people through changing attitudes and inculcating a culture of peace; building social capital and bridging societal gaps” (Merla, 2010). Similarly, according to veteran development expert Eva Mysliwiec, “the single most important contribution of NGOs to Cambodia is in building social capital” (Xinhua, 2009).

In addition, several umbrella NGOs (the Cooperation Committee for Cambodia, NGO Forum and MEDiCAM) have been key policy dialogue partners with the government and other NGOs, participating in 16 out of 19 Technical Working Groups (TWG) in various sectors. Another contribution is the NGO community’s efforts of to promote accountability and good governance among civil society organisations with the flagship programme called Voluntary Certification System. Since its launch in 2007 and with the lead of the Cooperation Committee on Cambodia, this programme has set out Code of Ethical Principles and the Minimum Standards for NGOs in Cambodia and has so far helped and certified a number of NGOs who meet the set criteria.

A 2012 NGO survey estimates that over 52,650 local staff are employed with NGOs across the country, which has contributed to the national socioeconomic and human resource development significantly (Cooperation Committee for Cambodia, 2012). NGO programmes directly benefit over one million Cambodians across the 24 cities and provinces (Cooperation Committee for Cambodia, 2012). The major groups of beneficiaries are children (17%), women (12%), general populations (12%) and student and youth groups (11%). A recent development of social entrepreneurship among the NGO community has contributed and will continue to contribute towards job creation, vocational training and income generation for disadvantaged groups and others at “the bottom of the pyramid”. This practice will also help ensure more “self-reliance and away from the traditional ‘welfare’ approach to development which has been the dominant approach to community development programmes implemented by a number of NGOs in Cambodia” (Cooperation Committee for Cambodia, 2010).

3.3 Conceptualisation and Theoretical Framework

This section consists of two related discussions on the concepts and related theoretical literature. Key concepts of NGO and its related subgroups INGO and LNGO are discussed and operationalised, followed by the discussion on the theoretical literature on resource dependence and resource mobilisation strategies.

3.3.1 INGOs and LNGOs

The terms NGO, INGO, and LNGO are the three most common terms used in this article. There are various forms of organisations or associations in the nonprofit sector and each of these organisations has diverse definitions. In this paper, two types of organisation are used as units of analysis: INGOs and LNGOs. Analysis and presentation of the findings are mainly based on the differentiation between these two types of organisations.

According to a useful distinction from Ishkanian (2010) and Anheier and Toepler (2009), *non-governmental organisations* (NGO) commonly refer to civil society organisations in developing and transition countries and international development work. The term *nonprofit organisation* (NPO) is common in the United States, while *voluntary* or *charity organisation* is common in the United Kingdom. NGOs' link to international development is perhaps due to the United Nations' differentiation between "the roles of state and non-state actors" (Anheier & Toepler, 2009, p. 858).

In Cambodia, a draft law on Associations and NGOs defines *local nongovernment organisations* (LNGOs) as "a group of Cambodian natural persons who agree to establish to serve public interests without conducting any activity to generate profits for sharing among their members" while *international nongovernment organisations* (INGOs) are "a group of foreign natural persons in foreign countries which are established under foreign laws and undertake activities to serve public interests in the Kingdom of Cambodia without conducting any activity to generate profits for sharing among their members" (The Royal Government of Cambodia, 2011, p. 2).

Key aspects, such as funding sources and office locations help differentiate the relevant conceptualisation and relation between INGOs and LNGOs. The former are NGOs that source their funding from multiple developed countries to channel to or implement various types of service provision activities in developing countries (Anheier & Toepler, 2009). INGOs may

have organisations like LNGOs or Community-Based Organisations (CBOs) as local partners in project implementation and, thereby INGOs fund the latter organisations either directly or indirectly. The latter are NGOs whose offices are in the host countries in the South and receive much of their financial and technical supports from foreign sources, including but not limited to INGOs.

In general, it is fair to suggest that the establishment of NGOs in Cambodia was a response to available donor funding or foreign initiatives in the early 1990s rather than based on real needs of communities and therefore many of them did not evolve from people's organisation per se (Mansfield & MacLeod, 2002; O'Leary, 2006). Some LNGOs were former programmes of international NGOs and founded by their parent INGOs as local organisations (e.g. Cambodia Health Education Media Service, founded by Health Unlimited) or the result of the localisation process (e.g. Life with Dignity, localised from Lutheran World Federation). However, many of LNGOs were founded by local Cambodians and Cambodian returnees (e.g. from France or the United States) to provide basic social services, such as education, vocational training, health and agriculture. In some cases, the motivation is less about helping the country at large than about the founders generating employment through donor funding (O'Leary, 2006).

While some have disappeared, overall, the number of NGOs in Cambodia has risen over the years. NGO statistics remained a key issue until 2011 when an NGO census was conducted by the umbrella NGO "Cooperation Committee for Cambodia" (CCC). The latest figure in 2011 shows that there are over 500 INGOs and 800 LNGOs that are currently active. The relations between INGOs and LNGOs are of interest here because of the dependence of both types of organisation on each other. For example, INGOs are dependent on LNGOs as their local partners with local knowledge and human resources to (co-)implement their programme. Conversely, LNGOs are dependent on INGOs' financial and technical assistance as well as technological support for their operation and programme implementation.

3.3.2 Resource Dependence and Mobilisation Strategies

NGOs require various types of resources to survive, which is why the organisations' managers' ability to acquire and sustain resources is critical to their existence (Pfeffer & Salancik, 2003). Likewise, NGOs are both interdependent and dependent on external organisations for resources and when the external organisations face difficulties, such as

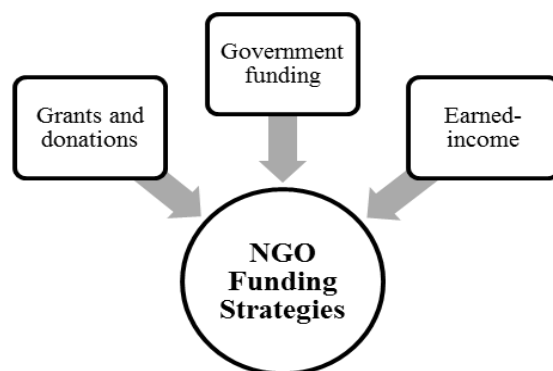
economic downturn or changing strategic priority, the NGOs' survival is problematic. Even with assurance of resource availability, NGOs face issues of resource dependence, including compromised organisational control, legitimacy and autonomy (Mitchell, 2012; Pfeffer & Salancik, 2003), accountability, integrity as well as “the feeling of insecurity among the staff of an NGO” (Antrobus, 1987, p. 99).

Without diverse funding sources, NGOs could look for prospects of collaboration and donations (Suárez & Hwang, 2012). NGOs employ different strategies to diversify their funding sources in order to avoid becoming too dependent on any single source. This way, NGOs may be able to minimise the resource insecurity, external control and loss of autonomy and consequently lessen upward accountability to donors. Still, NGOs' diversification strategies with restricted resources can instead make the organisations even less autonomous (Mitchell, 2012).

NPOs use three main resource mobilisation strategies: private contributions, government funding, and earned-income activities (Figure 3.1) (Froelich, 1999; Viravaidya & Hayssen, 2001). Froelich, an expert on NPOs' resource strategies, analyses characteristics and impacts of each strategy in terms of their goals, process and structure, each of which is discussed and operationalised in turn.

First, private contributions include mainly donations from either individuals or corporations and grants from foundations—the traditional and dominant forms of funding in the nonprofit sector. From Froelich's research, it is clear that contributions from donations and grants provide both support and legitimacy for organisations. However, such sources of funding, especially grants from foundations, are commonly beset with constraints. Funding is usually unpredictable and unstable and comes with sets of conditions (or *strings*) that can negatively affect a beneficiary organisation's goals and missions. Some organisations have to adjust or modify their goals or

Figure 3.1: Three Types of Funding Strategy



(Source: adapted from Froelich, 1999; Viravaidya & Hayssen, 2001)

programme priorities to fit or satisfy the requirements of funding agencies or individual donors, a *goal displacement effect*. Private contributions are also associated with structural change and process effects on NPOs; “over time, professionalised form of administration emerged and nonprofit organisations have increasingly come to resemble for-profit corporations” (Kelly, 1998; Peterson, 1998; Useem, 1997 cited in Froelich 1999:253).

Government funding is another source of funding for NPOs. In this study, the operational definition of government funding is Cambodia’s national budget allocation or development assistance from multilateral and bilateral donors, which is channelled through government ministries or sub-national government to NGOs. Unlike grants and donations, government funding is more limited, especially in developing countries where public institutions are usually under-financed and moderately to largely dependent on foreign aid. Despite low volatility, government funding is no exception when it comes to goal displacement, changes in internal process and structure of nonprofit recipients albeit to a lesser extent. Froelich describes this dynamic as “government-driven professionalization, bureaucratisation, and loss of administrative autonomy” of NPOs (Froelich, 1999, p. 256).

The third type of funding source involves income generation or *earned-income* activities. This strategy can be traced back to the early 1900s, but, increasingly, NPOs now partly or even fully depend on one or more types of income-generating activity from the sales of goods and services as they try to diversify their sources of funding. These organisations are sometimes referred to as social enterprises. Others develop hybrid forms, blending traditional nonprofit features with some aspects of commercial venture, resulting in a whole range of organisations. The practice is controversial due to the traditional concept that organisations should have a “pure nonprofit” status, with some arguing that it can lead to potential loss of values that are unique to the nonprofit sector.

Results from Froelich’s research show that commercial activities have moderate volatility, which is partly due to the possible failure of the venture. On the positive side, such self-financing activities not only minimise the likelihood of goal displacement but also promote organisations’ flexibility and autonomy vis-à-vis the other two forms of funding strategies. The author suggests that “calls of alarm over commercial strategies seem exaggerated” because all forms of funding strategies do come with side-effects (Froelich, 1999, p. 261).

To summarise, it is reasonable to claim that the different strategies of mobilising funding sources have their own benefits and potential (unintended) negative impacts. The expectation that there is always a flow of unconditional funds for social missions has never been a reality (Froelich, 1999). Instead, a variety of sources of funding is available and it is the skills and decisions of NPO leaders to mobilise and balance the opportunity and trade-off of each strategy. Using Froelich's (1999) revenue strategy framework, the survey aims to investigate NGOs' three major funding sources—grants and donations, government funding, and earned income—and analyse past and future trends of the funding mobilisation strategies, using Cambodia as a sample case study.

3.4 Data and Research Methodology

This paper is based on the analysis of two NGO survey databases in Cambodia. The first and primary database is the empirical work conducted in late 2011 by the author, mainly to map resource mobilisation strategies among NGOs in Cambodia. The second one is a secondary database from an NGO survey in 2006, which serves as a baseline in analysing NGO funding trend. Details about each set of data are presented in turn.

3.4.1 Primary Database

The first data source on which this paper is based has been generated by a large-scale survey among NGO leaders in Cambodia. First, two stakeholder consultation workshops with civil society organisation leaders, development practitioners and academic and development researchers were held in March and October 2011 in Phnom Penh, the capital city of Cambodia, to generate topics of the survey.

In the second stage of the research, the quantitative survey employed mainly face-to-face structured interviews. The survey questionnaire was developed based on results from a literature review and the proceedings from the stakeholder workshops, and by adapting some questions from two relevant NGO surveys. The questionnaire was pre-tested in both online and face-to-face interviews with NGOs leaders, and revised to improve accordingly. It contains 43 questions, mostly with multiple-choice answers designed to map NGOs' resource mobilisation strategies including the following: annual budget, funding sources and share, trends of funding, main sectors and location of their programmes, beneficiaries, and determinants of the programmes.

The survey was conducted in five regions across Cambodia: Phnom Penh, Siem Reap, Battambang, Kandal and Kampong Cham. Table 3.1 summarises the regions, the number and other key characteristics of the NGOs that participated. The choices of the regional coverage were mainly based on two main premises: 1) in these five regions, Cambodian NGOs are the most active, as defined by their numbers in the regions, with the combined population that represents about 80% of total NGOs in Cambodia; and 2) the focus on the quality of the survey with in-person interviews and limited time and resource available to conduct the field work. The majority of participating NGOs were based in Phnom Penh. Data collection fieldwork was carried out between November 2011 and January 2012 by a team of 16 research assistants (12 interviewers and 4 field supervisors).

Sample NGOs were selected for structured interviews using stratified sampling: 668 organisations (60% of total NGOs) were drawn randomly from each of the five provinces proportional to the NGO population in that province; a 45% participation rate resulted in 312 NGOs, 223 of which are LNGOs.¹ These participating NGOs represent about 22% of all NGOs in Cambodia (N=1409).² The sampling frame where the sample NGOs were drawn was established by combing all the major lists of NGOs available, including the three largest umbrella organisations Cambodia Cooperation Committee (CCC), NGO Forum on Cambodia, Medicam, and government institutions, namely the Council for Development of Cambodia (CDC) and Ministry of Foreign Affairs and International Cooperation (MFAIC)³.

3.4.2 Secondary Database

A secondary database from the NGO survey conducted in 2006 (Council for the Development of Cambodia, 2006) is used as a baseline to trace trends of NGO funding sources between 2006 and 2011. This survey was the collaborative effort of the Council for Development of Cambodia, the Department for International Development (DFID) and the Danish International Development Agency (DANIDA). It is a nationally representative survey of 185 NGOs across Cambodia and aimed to map NGO presence, status, and sources of funding.

3.4.3 Characteristics of the Sample NGOs

Table 3.1 demonstrates some key characteristics, such as main sectors and annual budget of the NGOs participating in the survey (first database). NGOs mainly engage in education and vocational training (20%), health and water (17%), community development (14%) and agriculture and environment (11%). The sector labelled “democracy, right-based and

advocacy”⁴ encompasses the four subsectors “child welfare and rights”, “gender and women issues”, “advocacy and policy dialogue” and “democracy and human rights”, and constitutes the largest percentage (21%) of NGOs’ main activities. Other sectors of NGOs’ activities include organisational building (providing grants to NGOs/CBOs), landmine clearance, disability and rehabilitation, tourism, arts and culture and religion. Many NGOs implement projects in multiple sectors, signifying the diverse activities in which an NGO may be involved.

Table 3.1: Main Characteristics of the Participating NGOs

Sample characteristics (n=312)	Frequency	Percent
Main sector		
Democracy, rights-based and advocacy	277	21
Education and training	275	20
Health and water	227	17
Community development	192	14
Agriculture and environment	149	11
Others	96	7
Providing grants to NGOs/CBOs	55	4
Landmine, disability and rehabilitation	29	2
Tourism, arts and culture	23	2
Religion/faith-based	19	1
<i>Total</i>	<i>1,342</i>	<i>100</i>
NGO Size (US\$)		
≤ 10,000	28	9
10,001-100,000	83	26
100,001-200,000	44	14
200,001-300,000	30	10
300,001-400,000	15	5
400,001-500,000	18	6
500,001-10,00,000	31	10
1,000,001 and over	34	11
N/A	29	9
<i>Total</i>	<i>312</i>	<i>100</i>
Geographic distribution		
Phnom Penh	208	67
Siem Reap	38	12
Battambang	36	12
Kandal	16	5
Kampong Cham	14	4
<i>Total</i>	<i>312</i>	<i>100</i>
NGO Status		
LNGOs	223	71
INGOs	89	29
<i>Total</i>	<i>312</i>	<i>100</i>

(Source: author’s own database)

Financial data is used as a generic indicator of NGO size. More than half of all the NGOs in the survey operate on an average annual budget of US\$300,000 or less, with the biggest percentage of NGOs (26%) in the category of US\$10,001–100,000. Contrasting INGOs with LNGOs, a major group of INGOs (23%) have an annual budget of at least US\$1 million while the biggest percentage of LNGOs’ budget (31%) remains between US\$10,001–100,000. This implies that sizes of LNGOs and INGOs vary greatly: LNGOs are much smaller than their peer INGOs (Table 3.2).

Table 3.2: Differences in Average Annual Budget between LNGOs and INGOs (US\$)

Average annual budget	Percentage		
	LNGOs	INGOs	Total
≤ 10,000	12	1	9
10,001–100,000	31	15	26
100,001–200,000	12	20	14
200,001–300,000	10	7	10
300,001–400,000	6	2	5
400,001–500,000	5	7	6
500,001–100,0000	9	13	10
1,000,001+	6	23	11
N/A	8	13	9
Total	100	100	100

3.5 Key Findings

Overall, the findings indicate that most NGOs in Cambodia are still very much dependent on external funding (grants and donations) from abroad. Seventy-five percent of NGOs surveyed report grants and donations as their main source of funding, compared to 21% whose fund is from earned-income activities, with government funding limited to a mere 4%. When investigated more closely, the data reveals marked contrasts in the percentage of funding sources reported by local and international NGOs. There are almost twice as many as INGOs that generate their own income. However, there are more INGOs than LNGOs that receive grants and donations (80%) and government funding (6%) (Table 3.3).

Table 3.3: Percentage Shares of NGO Funding Sources by NGO Status (n=312)

Funding sources	NGO Status		
	LNGOs	INGOs	Total
Grants and donations	73.2%	79.8%	75.0%
Earned income	24.0%	13.8%	21.2%
Government funding	2.8%	6.4%	3.8%
Total	100%	100%	100%

The diversity between NGOs' funding sources is another aspect of the variation between local and international organisations. Close to 30% of LNGOs receive funding from two sources compared to about 22% of INGOs (Table 3.4). However, a nonparametric equality-of-medians test shows that the average number of sources does not significantly differ between LNGOs and INGOs (See Appendix I for a detailed result of the test). In the sections below, I will discuss the different types of funding sources in order of their frequency—grants and donations, earned income, and government funding.

Table 3.4: Differences between Numbers of Funding Source by NGO Type

Number of sources	NGO Status				Total
	LNGOs	Percentage	INGOs	Percentage	
1	158	71.2%	69	77.5%	227
2	63	28.4%	20	22.5%	83
3	1	0.5%	0	0.0%	1
Total	222	100.0%	89	100.0%	311

3.5.1 Grants and Donations

Funding from abroad, whether from individuals or institutions, is still the major source of income for NGOs operating in Cambodia, reported by 75% of all NGOs in the study. The most common forms of such funding are private donations, UN Agencies and other international organisations. Foundations and charitable trusts, corporate sponsorships, contributions from community members, Christian churches, membership fees and foreign governments constitute other sources of income. While income from institutional donations shows a downward trend, resulting from the global economic crisis, and an overall shift in development priority and strategy, some local development NGOs reported increase in private donations from individual donors and international volunteers. A few NGOs have developed innovative sponsorship programmes where individual donors can sponsor an English class or support a business start-up or expansion of a poor family's business. Table 3.5 lists major and specific donors as examples in this category.

Table 3.5: Main Types of Grants and Donations

Main categories	Examples of specific donors
INGOs	ForumSyd, IWDA, CIDSE ⁵
Foreign governments	UK and US embassies, DANIDA, EU, France, Netherlands
Inter-government agencies	UNDP, UNIDO, UNICEF, WFP, IFAD, ADB, World Bank
Foundations and charitable trust	Rotary clubs, Skoll Foundation, charitable trust in the UK
Christian churches	Donations from churches in New Zealand, Singapore
Individual donations	Fund raising concerts, gala dinners, private donations from locals and international donors
Corporate sponsorship and donations	Sneider Electric (France), G Adventure (Australia), ANZ Royal Bank, Mobitel telecom, sabay.com.kh
LNGOs	Cambodian NGO Capacity Building Network, Star Kampuchea
Community contributions	Parents' contributions to school materials
Membership fees	Membership fees from NGOs and staff

Comparatively, INGOs receive 7% more of funding share from grants and donations (80% of total fund) than their peer LNGOs (73% of total funding). The international network, publicity and longevity of Western NGOs are some of the factors that enable them to mobilise more resources from this source of funding. Conversely, many of the LNGOs are not as well established and their managers have limited skills in English and proposal writing. LNGOs also lack access to information about calls for grant proposals and related international funding opportunities.

However, a few exceptions signify perhaps the beginning of a shift toward more local funding. LNGOs are able to mobilise sponsorship and donations from private companies and local people at fund raising events such as concerts or gala dinners. Donations and sponsorship from the private sector in Cambodia is generally still very limited due to several major constraints. Qualitative data reveals a common perception of NGO directors regarding the lack of a philanthropic culture in Cambodia. This is particularly true for bigger corporations and businesses that are viewed as purely profit-oriented and unlikely to help unless it suits their business interests. Moreover, the fact that local business elites like tycoons or *oknha* (Cambodia's royal title given to individuals who donate US\$100,000 or more to charity) in Cambodia are usually strongly affiliated to a political party is another constraint. Other issues inhibiting NGO-private sector partnerships are associated with the lack of common vision and trust, loss of control and ownership of a programme, lack of information about potential opportunities and business network, and lack of legal incentives that promote charitable donations.

3.5.2 Earned Income

The second most important funding source for NGOs is income that these organisations earn through the sales of goods and services that indirectly or directly support target beneficiaries. One-fifth of the NGOs surveyed report receiving such income, which, though still relatively low compared to grants and donations, is increasingly more significant. Earned-income activities are twice as prevalent among LNGOs as INGOs. Specifically, about a quarter of LNGOs report receiving funding from this source compared to only 14% of INGOs.

To generate income or subsidise operational costs, NGOs engage in a variety of activities, most of which fall under tourism and hospitality, agriculture and fishery, publication and the media, training courses, and microcredit. Table 3.6 provides examples of activities in which NGOs engage in to generate income.

Table 3.6: Types of Earned-income Activities

Main categories	Examples of specific activities
Tourism and hospitality	Handicraft and souvenir shops, coffee shops and restaurants, hotels, performing arts (traditional dance, orchestra and circus), visual art galleries
Education and vocational training	School fees, fees from English and computer training courses, subject
Publications and media	Sales of NGO reports, books, magazines, t-shirts, DVDs, radio spots
Agriculture and fishery	Rice farmer cooperatives, rice farms, organic and fair trade produce, poultry and domestic animals farms, fish farming
Consultancy	Bidding for government projects, research and training consultancies
Volunteer	Fees and contributions from international volunteers
Microcredit	Rice bank, micro and group loan, self-help and saving groups
Health	Fees from clinics, family planning, medical consultancy, and medical
Others	Data processing, construction, electronic equipment maintenance and repair, IT solution, wheelchair sales, legal consultancy, event organising,

Besides these, NGOs generate income from volunteer fees, consultancy, project bidding, retail sales and service provision. Income earned through these activities adds up to 50% or more of some NGOs' total funding, providing sustainable resources for their social programmes. For organisations like DDD (data processing services), Phare Ponleu Selpak (performing arts), Buddhism for Social Development Action (restaurants and handicrafts), Youth with Disabilities Foundation for Education and Employment (handicrafts and farming) and Mith Samlanh (restaurants and handicrafts), earned-income activities are critical not only

for their financial survival but also for their independence, community ownership and programme sustainability. Moreover, they produce longer-lasting benefits for programme beneficiaries because of the skills they learn and small businesses they establish with the financial and technical assistance of NGOs.

3.5.3 Government Funding

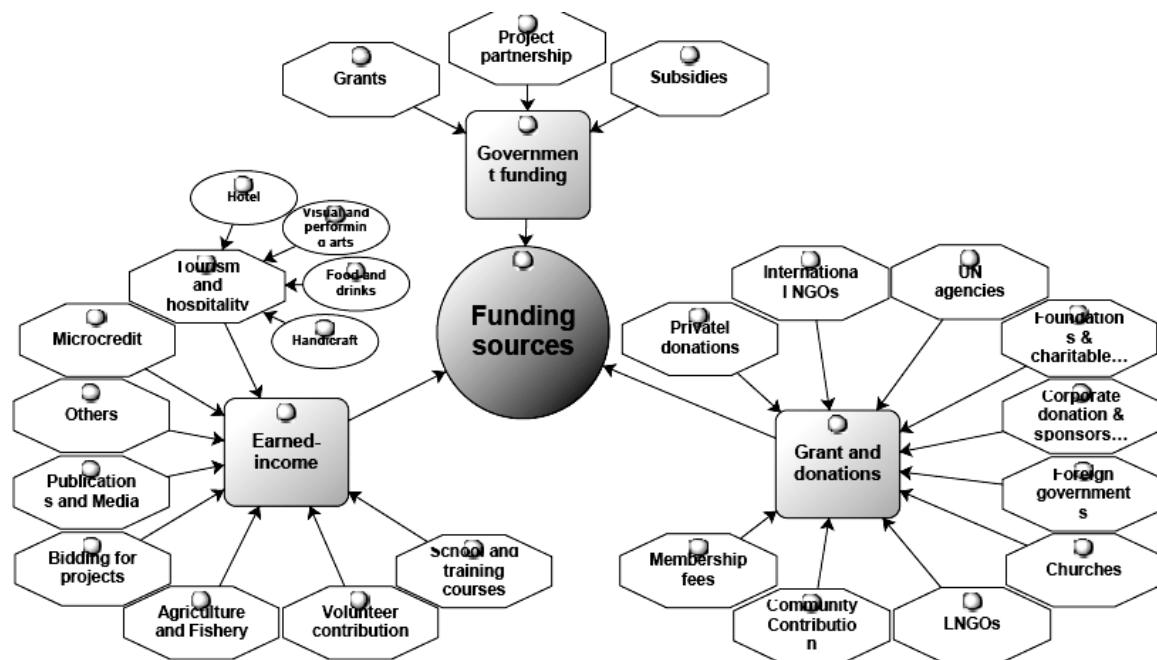
In this paper, government funding refers to any financial support, tax exemption and related subsidies provided by the Cambodian government to NGOs. Government funding and support of NGOs remains very limited, which is not surprising given that government institutions themselves are poorly funded. A small percentage of NGOs (4%) reports receiving *direct* government funding. INGOs' share of such funding is higher than LNGOs'. More often than not, INGOs establish a Memorandum of Understanding (MOU) that specifies detailed collaboration (either technical, financial or both) with government institutions (usually at a ministerial level) that share common goals with the NGOs' sectoral programmes. Such a formal type of arrangement (i.e. an MOU) allows INGOs to receive special treatment from the government, including possible salary tax exemption for their expatriate employees and import tax exemption for imported goods (e.g. equipment and vehicles). This may contribute to the higher percentage of reported share of government support by INGOs.

However, most of government funding and support (particularly to LNGOs) is through project partnerships where the government receives grants from foreign development partners, the terms of which require the government to collaborate with local NGOs to implement the programme. For instance, CCCA has its own trust fund coordinated by UNDP and solicits proposals from local NGOs (e.g. SCW) to work closely with the government to help Cambodia adapt to climate change. Another example is the National Child Protection Programme funded by UNICEF through the Ministry of Social Affairs, Veterans and Youth Rehabilitation (MoSVY) and implemented by Mith Samlanh, a local NGO working with disadvantaged youths, and other local organisations.

This again reflects the funding challenges raised by local NGO directors about how donors now provide more funding through government institutions to help build the capacity of civil servants and strengthen public institutions and less directly to NGOs. Further, there is

currently no formal mechanism for the government to provide grants directly for NGOs working to provide important social services or advocating democracy and human rights. Figure 3.2 summarises the three major sources and sub categories of NGO funding described thus far in the section.

Figure 3.2: Mapping NGO Funding Diversification Strategies



(Source: author's database)

3.5.4 10-Year Trends of NGO Funding between 2006–2016

NGO funding has gradually begun to diversify. Parks (2008) argues that NGOs in Cambodia started diversifying in the early 2000s when donor funding from abroad started to fall. To illustrate the change in funding mobilisation, it is important to trace the development that NGOs have experienced in the past and to forecast the future. This section presents expected trends of NGO funding based on results from analysing the data of the current study and previous NGO study on “Mapping Survey on NGO Presence and Activity in Cambodia” (Council for the Development of Cambodia, 2006) as a baseline.⁶

Tracking trends of NGO funding by comparing the current data with the 2006 survey data shows that the share of grants and donations have significantly declined over the five-year period 2006–2011. The percentage of NGOs receiving such funding decreased by 17%—from 92% in 2006 to 75% in 2011. NGOs reporting generating their own income,

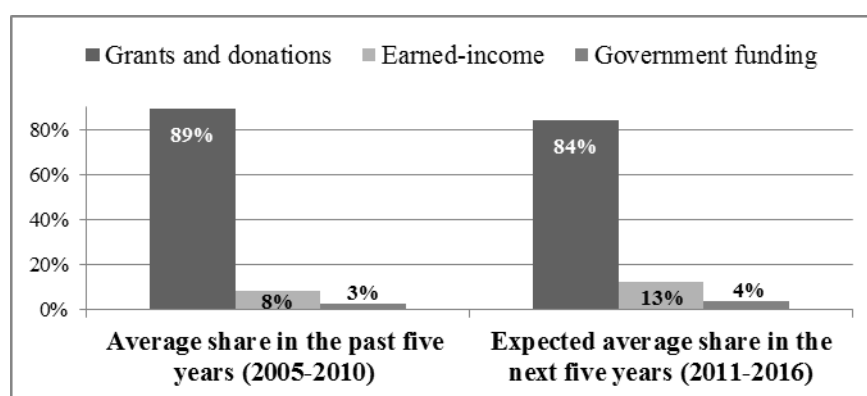
however, have increased by 15% over the same period. The number of NGOs that received funding from the government did not change much, gaining a mere 1.4% over the five-year period. Table 3.7 summarises the trends of NGO funding sources between 2006 and 2011.

Table 3.7: Trends of NGO Funding Shares, 2006–2011

Funding sources	2006 Survey (n=185)	2011 Survey (n=312)	Difference
Grants and donations	91,6%	75,0%	-16,6%
Earned-income	6,0%	21,2%	15,2%
Government funding	2,4%	3,8%	1,4%

Using the 2011 survey data, further analysis was completed to find out the actual percentage share of amount of NGO funding. NGO respondents were asked to recall and project the average share of each funding source for the last five years (2005–2010) and the next five years (2011–2016) respectively. The share of total NGO funding shows a similar trend to NGOs reporting their main sources of funding, with grants and donations expected to decrease from 89% to about 85% of total funding (Figure 3.3). Income generated by NGOs themselves is expected to increase by 5% while government funding is going to remain somewhat the same.

Figure 3.3: Trends of NGO Funding Shares, 2005–2016



(Source: author's database)

3.6 Discussion

Empirical data from this study clearly show that grants and donations are vital sources of funding for NGOs' operation and survival, and are likely to remain so. Nevertheless, the proportion of such funding compared to total funding will likely decline due to some unrelated global events such as the economic crisis, natural disasters, and armed conflicts in the Middle East. Meanwhile, there will also be more organisations, particularly LNGOs,

which generate their own income by either introducing subsidised fees or costs of their products and services. The prospect is that funding from earned-income will, one way or another, compensate the decrease in foreign donations and will continue to grow to become even more significant as NGO directors learn of potential benefits from and are inspired by successful experiences of social entrepreneurial NGOs, such as DDD, Mith Samlanh, MKP, BSDA and their earned-income activities.⁷ Even though other locally available funding sources such as partnership with and sponsorship by local businesses are limited, they will likely grow along with the growth of social businesses and other for-profit firms that integrate corporate social responsibility (CSR) programmes into their marketing strategy.

The shift of more foreign aid toward the government implies that less funding is available for NGOs. However, LNGOs in particular could slowly receive more funding and support from the government because of the following factors: (1) the government will be better financed by their own revenues such as through improved tax collection and natural resource revenues; (2) international ODA, especially bilateral and strategic aid, will increasingly flow to government institutions; and (3) sub-national government institutions will be allocated a higher share of the national budget such as through the Commune/Sangkat Fund (CSF)⁸ as the government implements decentralisation and deconcentration (D&D) reforms with more transparency and less corruption. These trends are supported by the data from this study and the 2006 NGO survey (Council for the Development of Cambodia, 2006), but the actual percentage share will likely remain low vis-à-vis funding from grants and donations and earned-income.

The challenges for the majority of NGOs in Cambodia in mobilising funding are rather diverse. ODA and bilateral aid are now strategic and are redirected to support the government in building stronger institutions and better governance. The impacts of (changing and differing) development priorities of donor communities and countries are further escalated by the global financial crises. The competition of NGOs for resources may also create barriers to the cooperation among the NPOs, particularly between INGOs and LNGOs. On the one hand, they are competing for funding from possibly similar sources. On the other hand, LNGOs are dependent on their peer INGOs as donors and technical advisors to realise their mission. In this situation, LNGOs may turn to cooperate more with firms in the private sector to seek sponsorship and donations.

The findings from this study support the existing literature emphasising the need for NGOs to become more self-sufficient and maintain their autonomy as well as their social mission. This study also supports existing theory with regard to the very dependence of LNGOs on their foreign donors and INGOs for the majority of funding. However, this study extends beyond the literature by revealing the increasing efforts of LNGO leaders in diversifying, especially through engaging in earned-income activities to maximise their independence, autonomy, sustainability and possibly their programme efficiency. At the same time, the fact that a large number of NGOs are successful in mobilising locally available resources through earned-income activities contradicts the previous literature (Parks, 2008) that claims local funding opportunities for NGOs are absent.

Contributions and implications from this study extend beyond Cambodia as many NPOs in Southeast Asia have either experienced or are experiencing and struggling to address similar funding challenges. Scholars and NGO leaders engaging in civil society sector can benefit from comparative case studies and lessons learnt from countries across the region so that their research can have wider impacts and NGO leaders learn the key lessons of success and failure along with critical ethical issues to be considered regarding resource mobilisation and diversification. This study contributes to opening up the field of NPO research in Cambodia and the region where scholars can further investigate a particular funding strategy and its potential impacts.

The findings also have important policy implications for Cambodia as the government has introduced a controversial draft law on NGOs and associations that will regulate LNGOs, INGOs and other NPOs. The first implication is related to the prevalence of commercial activities and NGO directors' expectations in securing even more funding share from such activities. In the current draft law, there is no specific clause that defines "commercial activities" of NGOs and its statement on "without conducting any activity to generate profits for sharing among their members" is vague. The second implication relates to the results of the survey that demonstrate that private donations to charity in Cambodia by both individual citizens and corporations are minimal. Current law stipulates that "a deduction shall be allowed for charitable contributions to an organisation as provided in article nine of this law. But it shall not exceed 5% of taxable profit determined before taking the charitable contribution deduction" (The Royal Government of Cambodia, 1997, p. 8). Increasing this deductible percentage to a

higher amount may lead to increased donations to charity.⁹ Also, improved regulatory frameworks on NGOs will facilitate the operation of the sector (Simon, 2006).

3.7 Conclusion

In the face of reduced donations from abroad and limited local sources of funding, such as corporate donations and sponsorship, LNGOs in Cambodia are left trying to cope with many challenges to mobilise adequate financial resources and volunteer contributions. Beyond resource challenges, they are also struggling to (re)gain organisational autonomy and ownership of their development programme from their patrons and institutional donors. More and more NGOs are exploring and adopting different models and approaches that could help sustain their programmes, which is as important as sustaining their operation.

As NGOs diversify their resource mobilisation strategies, NGO leaders must find a balance between potential benefits and effects of different strategies. Major effects include mission drift, crowding out alternative sources of income, compromising organisational autonomy and programme flexibility, and marginalising persons who cannot afford to pay service fees (Cooley & Ron, 2002; Fischer et al., 2011; Froelich, 1999; Mitchell, 2012; Weisbrod, 2000, 2011). These effects on NGOs vary according to the level of dependence on each funding source, organisational types, sectors in which they engage and the skills of the NGO leaders in managing the effects. Smaller, grass-roots and community-based organisations will generally experience more effects compared to bigger organisations, particularly INGOs that are based in Phnom Penh and have stronger networks and better access to funding opportunities.

Looking forward, the trends of funding sources diversification towards greater income shares earned from commercial activities and other locally available resources will exacerbate the social and ethical challenges facing NGO leaders and donors. Funding from such sources is more flexible and can enable NGO managers to align their programmes more closely to the needs of the communities and promote organisational autonomy, financial sustainability and self-reliance. More critically, such shifts could provide LNGOs with more legitimacy where LNGOs now can better represent the interest of their beneficiaries since they now can better respond to the needs of those beneficiaries as results of (unrestricted) self-generated income. At the same time, LNGOs' poor management and governance

structure could potentially facilitate *elite capture* by officers in power, resulting in misuse and illegal appropriation of important and scant resources supposed to provide vital social services to disadvantaged groups and to lift communities out of poverty. This particular funding strategy is particularly associated with the risks and potential negative effects mentioned earlier in the preceding paragraph.

The roles of LNGOs will probably change according to the shift of donor priorities and less funding available. As state capacity is strengthened through various reforms, local development NGOs that engage directly in community development providing basic social services will see decreased roles. Conversely, those organisations (including INGOs) that work at the national level and are involved in influencing policy development, advocacy and human rights will likely play more critical roles, especially in the face of serious human rights violation and limited freedom of expression and the international donors' attention on such issues.

This survey serves as baseline data given previous empirical research thoroughly investigating the funding sources of NGOs in Cambodia is not available. Due to time and budget constraints, the design is to gain an insight into the overall state of affairs of NGOs as represented by regions that most NGOs are operating. However, this also means the results of the survey might not reflect a complete picture of the whole NGO population in Cambodia. For instance, the funding constraints and trends of the organisations in less NGO-populated and more rural regions of the country could be less challenging due to lower competition.

Further research is needed to provide more in-depth empirical information on the effects of NGOs' different choices in diversifying sources of funding. In addition, further research would bring more contributions by further extending resource mobilisation beyond financial resources. A longitudinal study or simply a replication of this survey with the same NGOs after an interval of three to five years would more accurately trace changes, transformations, and impacts on NGOs during this process of resource diversification. More detailed discussion of the effects and risks of various funding strategies, particularly on the commercial ventures of NGOs, is well worth further investigation. Qualitative research involving NGOs as specific case studies would provide a rich illustration and exemplify variations among different organisations in different sectors.

Endnotes

1. The sampling design does not permit the findings to be representative of all the NGOs in Cambodia. However, it is still significant because the sample represents five largest regions in which NGOs are most active. NGOs in these five regions represent about 80% of all NGOs in the country.
2. The Latest NGO census, conducted with the Cooperation Committee of Cambodia (CCC) in tandem with this study, indicates that approximately 1350 NGOs are currently operating in Cambodia.
3. Lists from the Ministry of Interior were not included in the sampling frame because they were not updated. Also, many of the NGOs in the list lack details contact information such as email, phone or physical address.
4. Main sectors are the result of a recode of 20 types of activities in the survey questionnaire into meaningful synthesis. For example, *Democracy, right-based and advocacy* is a result of the recoding of (4) Child welfare and rights, (11) Gender and women issues, (1) Advocacy and policy dialogue, and (7) Democracy and human rights into one major sector. Details categories, which were adapted from CCC's standard categorical identification of civil society organisations, are listed below:

Q 19. What are the main activities best describe your organization's programme? Please tick ALL that apply.

Main areas of activities	Main areas of activities
<input type="checkbox"/> (1) Advocacy and Policy Dialogue	<input type="checkbox"/> (12) Health, Nutrition and HIV/AIDS
<input type="checkbox"/> (2) Agriculture/Animal Health	<input type="checkbox"/> (13) Humanitarian Aid, and Disaster Preparedness and Relief
<input type="checkbox"/> (3) Business/Organizational Development	<input type="checkbox"/> (14) Landmine/UXO Action/Awareness
<input type="checkbox"/> (4) Child Welfare and Rights	<input type="checkbox"/> (15) Providing grants to NGOs/CBOs
<input type="checkbox"/> (5) Community Development	<input type="checkbox"/> (16) Religion/Faith
<input type="checkbox"/> (6) Credit and Savings	<input type="checkbox"/> (17) Tourism, Arts and Culture
<input type="checkbox"/> (7) Democracy and Human Rights	<input type="checkbox"/> (18) Water and Sanitation
<input type="checkbox"/> (8) Disability and Rehabilitation	<input type="checkbox"/> (19) Research and consultancy
<input type="checkbox"/> (9) Education and Training	<input type="checkbox"/> (20) Other (please specify).....
<input type="checkbox"/> (10) Environment and Natural Resources
<input type="checkbox"/> (11) Gender and women issues	<input type="checkbox"/> (21) No activity

5. Notes on acronyms: ForumSyd: a Swedish advocacy organisation; IWDA: International Women's Development Agency; CIDSE: Coopération Internationale pour le Développement et la Solidarité (International Cooperation for Development and Solidarity); DANIDA: Danish Development Assistance; UNIDO: United Nations Industrial Development Organisation; WFP: World Food Programme; IFAD: International Fund for Agricultural Development; ADB: Asian Development Bank.

6. This section discusses NGOs funding trends without differentiating between INGOs and LNGOs due to the nature of the secondary database that limits such detailed analysis.
7. Social entrepreneurship is a recent but increasingly popular approach to solving social and development issues among some NGOs in Cambodia. Most of the social enterprises are NGOs or former NGOs that try to self-finance by selling their goods and services. Their programmes usually benefit impoverished community members, and disadvantaged groups like women, disabled persons and drug users. The earned-income activities of these organisations could also have huge potentials to reduce dependence on foreign aid, gain organisational autonomy and programme sustainability.
8. Commune/Sangkat Fund (CSF) is a fund that is transferred from the Royal Cambodian Government to the Commune/Sangkat Councils. The Fund includes both tax revenues and development partner contributions. The Fund includes a “General Administration” component for administration of the C/S Council and a “Local Development” component for local development expenditures (National Committee for the Management of Decentralization & Deconcentration Reform, 2009).
9. For instance, Taiwan’s tax deductibility is allowed up to 10% for corporations and 20% for individuals, while China’s tax deduction limit is up to 3% for corporations and 30% for individuals (Simon, 2006).

Appendix

A nonparametric equality-of-medians test*

Greater than the median	Status		
	LNGOs	INGOs	Total
No	158	69	227
Yes	64	20	84
Total	222	89	311

Pearson chi2(1) = 1.3022 Pr = 0.255

Continuity corrected:

Pearson chi2(1) = 0.9998 Pr = 0.317

**The result of the median test above is also in line with a ttest of the average sources of NGOs and NGO types (LNGOs and INGOs).*