

What does the future hold?

Cambodian NGOs Organizational Development, Independence and Sustainability

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NOTE OF THANKS

Pact would like to thank all its current and former partners who graciously took time out of their busy schedules for the interviews and provided information about their organizations.

The insights and lessons, drawn from Pact and its partners' experience can benefit all actors in the Cambodian NGO sector. We continue to be proud of working with the first generation of Cambodian NGOs.

PREFACE

This study reviews the organizational capacity of Cambodian NGOs in order to assess characteristics contributing to the long-term sustainability of this young sector. As Pact has supported some 40 organizations since mid-1992, the Pact portfolio represents a microcosm of the larger NGO sector. By studying it, we hope to take snapshots in time that reveal insights relevant to the entire sector as it continues to grow and change.

Given the nature and scope of this study, it should be clear that this is not intended to be an in-depth evaluation of individual NGOs nor an assessment of the quality of their work. Above all, it is not an assessment of community participation and does not pretend to be. We did not set out to determine the extent NGOs are serving their constituencies, but simply to find out how well the organizations continue to function today.

In order to compare organizations we had to come up with some rough indicators that facilitated comparison. The reader should be aware that these indicators have no innate meaning in themselves but are only useful when used in comparisons.

TABLE OF CONTENTS

Executive Summary	1
1. Introduction	5
2. Objectives of the Study	5
3. Methodology	5
4. Survey Respondents	7
5. Viability	7
6. General Findings	8
6.1. Governance Structures	8
6.2. Advocacy & Networking	11
6.3. Funding Base	12
6.4. Accountability & Transparency	17
6.5. Management Stability	19
6.6. Program Directions	20
6.7. Program Sustainability	21
6.8. Vision & Fostering Leadership	22
6.9. Elements of Success	23
7. Pact Support	24
8. Appendices	27
8.1. List of organizations interviewed	29
8.2. Financial Profiles	31

EXECUTIVE SUMMARY

This retrospective of Pact's 43 current and former partners provides an insight into the independence and future sustainability of Cambodian NGOs. As an indication, only three of the 31 organizations that have ceased to receive funding from Pact have closed their operations. The reasons for this were mainly lack of commitment and transparency at the highest level. If the leadership of these organizations had been serious in their commitment to development work and to learning about management, in all likelihood they would continue to be in existence today.

Governance

Those that continue to operate are moving towards independent governance structures. A strong inducement for doing so is the impression that sooner or later it will become a donor requirement. At the same time, many NGO leaders feel uncertain as to the role of the board and have difficulty finding qualified and enthusiastic candidates. Some have established boards only to dissolve them because they were not effective. It is clear that the trend is towards eventually establishing independent governance structures, but in order to do so they will need additional assistance from support agencies and exposure to existing board activities. In the long run we can expect that having a board of directors will increase the NGO's performance, accountability and credibility, assist to resolve management crises as well as provide strategic and networking assistance.

Organizations where power is distributed more evenly have experienced more tension and in some cases the board has provided assistance in the form of conflict resolution. During the interviews a number of founding directors expressed their intention to retire or move on to other career challenges. Although initially doubtful as to the usefulness of the structure, the idea of a board is becoming more appealing to them as a mechanism to ensure the continuity of their vision.

Networking & Advocacy

Networking is an important skill that allows NGOs to learn from one another, discover opportunities for collaboration, and communicate with supporters. Advocacy takes networking a step further and allows the NGO to begin to speak on behalf of another group or issue, becoming agents of change. Together, networking and advocacy are important characteristics for both the sustainability and independence of Cambodian NGOs.

In the past eight years, Pact's partners have made impressive strides in both these areas, as can be seen by the variety of networks they participate in and issues advocated. As can be expected, rights and issue-centered organizations are developing more advanced advocacy skills. Rural and community development (CD) organizations are doing some advocacy at the local level, but these activities remain limited. To ensure their survival and independence, Cambodian NGOs will have to continue to develop their ability to network and advocate for issues, especially in order to differentiate themselves as competition for scarce funding among NGOs increases.

Funding Base

If the NGOs in the Pact portfolio have been able to survive it is because they have been able to secure some kind of funding every year. In this sense we can say until now there has been sufficient funding available. A 1999 inquiry about donor funding indicated that funding for local NGOs continues to increase each year.¹ However, these same donors indicated that they were funding on average 30% fewer organizations than they were five years ago, which means that more funding is being made available to fewer organizations.

A review of the funding history of 29 of the 43 current and former Pact partners highlights other trends:

- rights and issues-oriented NGOs are finding it relatively easy to secure funding
- funding levels for community development organizations appear to be decreasing
- some development NGOs are increasingly relying on income from credit interest
- membership and training/support organizations continue to rely on grants rather than fees
- student/volunteer organizations were able to generate income by offering low-cost classes in the late 90s, but in recent years this income has been reduced.

Current funding trends are of most concern to community development organizations. At present, no local mechanisms are emerging to fund small CD NGOs in isolated areas and the viability of these organizations is at risk. Special attention needs to be paid to developing creative strategies that foster the continued emergence of local initiatives. If, as we suspect, less funding will be made available to CD NGOs in the future, these organizations need to start practicing community education about their programs and fundraise locally from their communities. They will also need to learn about more sophisticated fundraising strategies, such as Buddhism for Development's (BFD) US affiliate based in Lowell, Massachusetts, which allows internet sponsorship of children in Battambang. Regardless of the organization, all NGOs expressed that financial sustainability remains one of their main concerns as they begin the process each year of securing funding for the next cycle.

Accountability & Transparency

Cambodian NGOs are learning the importance of accountability and transparency. While initial pressure to institutionalize these practices came from donors, many NGOs have institutionalized them and understand their importance. While NGOs were initially apprehensive of audits, for example, those that now receive regular audits are very comfortable with the process. However, audits can only be done if donors include the expense in partner budgets.

As funding still comes primarily from donors, it comes as no surprise that accountability focuses on donors. Most NGOs prepare annual reports in English and distribute them only to their donors. Very few NGOs are making the move towards informing their target communities or constituencies in Khmer about their activities. Until NGOs begin to receive support from their communities, they are unlikely to practice any kind of accountability with them. What most do not realize is that until they start to inform their communities and become accountable in some form, they are unlikely to be able to mobilize their support.

Management Stability

As those familiar with the Cambodian NGO movement are aware, the development of the sector has not been without numerous management crises and splits. Although it is difficult to

¹ 1999 *Cambodian NGO Resource Directory*, Ponlok.

substantiate, there appear to have been fewer crises within the Pact portfolio, which could be attributed to management and conflict negotiation support from Pact.

In general the survey concludes that conflict is more likely to occur within organizations managed by a founding director than in organizations where the director has been appointed, although there is less room for the expression of conflict when power is more centralized. As one can imagine, conflict is more likely to be expressed when power is more equally distributed – and it is in these cases that the board of directors is useful to resolve conflict.

Program Directions & Sustainability

Cambodian NGOs are no longer a homogenous group and different types are developing at a different pace. Advocacy/issue-oriented NGOs appear to be the most mature, responsive and creative. Support organizations also appear strong although they are constantly working to improve the quality of their services and continue to rely on donors. Community development organizations have acquired skills in implementing programs, but are less skilled at program design: gradually CD programs are beginning to resemble each other. The fate of student organizations remains uncertain.

While program sustainability is becoming an increasingly important concern for NGOs, this capacity area remains under-developed. It is mostly the larger CD NGOs that are beginning to transfer management of projects to community groups. The ability to design, implement and maintain responsive programs is an indication of the maturity of the NGO. These skills remain of great importance to the sustainability of the organization and will become more important if available funding for CD NGOs decreases. If there should be a shake out of CD NGOs, the more creative organizations will have the best prospects for surviving.

Vision and Fostering Leadership

In order to assess whether NGOs are fostering leadership that will eventually translate into improved management, creative programs, and better quality services, we selected indicators to measure the extent NGO directors delegate their responsibilities, emphasize English language skills and provide exposure opportunities. Although it was not possible to do a statistical analysis, our limited review indicates that the NGOs we consider most successful are indeed emphasizing English language skills and exposure abroad for their staff. We also observed that more mature organizations focus their vision on improving their performance for a target group rather than on a broad vision in which they aim to improve conditions in Cambodia.

Elements of Success

When we asked NGOs what they felt were the elements of their success, the most common responses related to good management practices, quality and commitment of staff, ability to respond to needs of the community, and inclusion of community members in planning activities.

Pact Support

NGOs in the Pact portfolio valued input in the form of capacity building above all, particularly with regards to proposal and report writing, planning, and program design. Pact's financial management system was highly praised by NGOs, especially those who have been able to use the system with other donors. They also naturally appreciated the funding support, which has made it possible for them to implement projects. Other valuable inputs brought to our attention included, placement of volunteers and technical consultants, and provision of organizational development technical assistance.

What does the future hold?

Cambodian NGOs - Organizational Development, Independence and Sustainability

1. Introduction

Pact began its work in Cambodia in October 1991 with funding from USAID to begin the Cambodia Community Outreach Project (CCOP). Pact initially provided support to 10 international NGOs – three of which were Cambodian-American organizations providing services in the US – to carry out programs designed to benefit women, disabled victims of war and other vulnerable groups in Cambodia. Several of these have since localized as Cambodian NGOs.

Pact was also one of the first donors to support local NGOs in Cambodia. Since the inception of the Local Initiatives Support Program in September 1992, Pact has provided grants and other assistance to over 40 Cambodian NGOs and associations working in the fields of community development, credit, vocational training, health education, birth spacing, HIV/AIDS awareness, advocacy and human rights.² Pact has also promoted the development of support organizations that provide services to other NGOs.

Most of the grants were for long-term institutional and programmatic support, although in a few cases grants were given for short-term support or specific events. As the interest of this survey was to afford a wider view of organizational capacity among Cambodian NGOs, small grant recipients were included in the sample.

2. Objectives of the Study

The objective of the study was to look at 43 current and former Pact grantees to identify characteristics of organizational development among Pact NGO partners contributing to their independence and sustainability. The survey was conducted between April and July 2000. The Terms of Reference called for an in-depth survey of 25% (10) of the grantees. In all, organizational profiles were completed for 32 partners. Twenty-nine of these provided financial information.

3. Methodology

At the time of this writing, a number of organizational capacity measurement tools have been developed or adjusted for the Cambodian context. However, support to the majority of Pact partners took place during the early years when capacity building support to the local NGO sector in Cambodia was still at an early stage and organizational capacity assessment was not systematized. In addition, most of the tools that have been developed are complex and difficult to use on a large scale. Furthermore, most of them are not designed with the issues of *sustainability* and *independence* in mind.

After reviewing a number of organizational capacity tools, including Pact's Management Assessment Tool (MAT) and Organizational Capacity Assessment (OCA), in which indicators are developed by the partner organizations, the researchers attempted to identify a

² Four of the grants were administered by Pact for the National Endowment for Democracy.

moderate number of indicators that could be used to compare the Pact partners across the board.

In discussions with professional colleagues prior to selecting the indicators, a concern was expressed that partners and donors usually have different expectations and different interpretations of definitions. A valid argument was raised that in order to make any observations about sustainability and independence, we first need to figure out from whose perspective we are starting. In response, it is important to point out that NGOs are for the most part a western concept in Cambodia and that the large majority of funding (up to 88%) comes from western donors, although there are other forms of civil society association in Cambodia today.³ Therefore, there is a compelling argument for using standardized western indicators for sustainability. Furthermore, while donors may place more emphasis on organizational and program sustainability, the high level of dependence of local NGOs on international funding and the lack of long-term funding security means that a large majority of local NGOs are still at a stage where they focus on financial sustainability.⁴ In order to assure continued financial support, Cambodian NGOs are interested in meeting the organizational capacity expectations of western donors.

With these issues in mind, the following organizational capacity areas were identified as key factors to sustainability:

- Governance Structure
- Advocacy & Networking
- Funding Base (including income generation)
- Accountability and Transparency
- Management Stability
- Program Directions
- Program Sustainability
- Fostering Leadership & Long-Term Vision

The researchers therefore set out to answer the following questions:

- To what degree have the Pact partners institutionalized specific organizational capacity areas?
- What is the outlook for their sustainability?
- What factors contribute to a positive outlook?
- To what degree are they gaining independence in setting the direction of their programs?
- What have been the most valuable contributions made by Pact?
- What lessons can be drawn from the Pact experience?

The methodology employed was to review existing Pact documents on the organizations, then to interview one or more members of the partner organization. The team also held some group discussions on specific themes and on occasion brought up the same theme with various NGOs in order to solicit their perspective.

³ Ponlok funding profile of 77 NGOs – March 2000.

⁴ Within the Pact portfolio, there are only two or three organizations that have a broad enough funding base that they can begin to address other issues of sustainability.

4. Survey Respondents

The team went in search of all 43 organizations to find out at what stage they are today. A full list of the Pact partners interviewed is included in Appendix A. Of the 43, three are considered closed and one declined to be interviewed. Organizational profiles were completed for 32 of the 43 organizations and 29 organizations provided financial information, although some information for earlier years is missing due to lack of documentation or institutional memory. All but one agency agreed to have the financial information printed publicly, and Saboras asked only that the budget amounts not be made public. All respondents welcomed the team and were open about sharing information and discussing problems.

5. Viability

Most of the organizations supported by Pact were established during the period 1991-1994, and can be termed the first generation of Cambodian NGOs. A review of NGOs outside the Pact portfolio indicates that a second wave took place beginning in 1998 and consists of many small rural community development NGOs and advocacy and training organizations.

As of July 2000, three can be considered to have discontinued operation. These include the Cambodian Conductors Association (CCA), the Committee of the Development for Friendship of Rural Youth (CDFRY), and the Federation of Ponleu Khmer. In addition, the viability of one other organization – the Battambang Women’s AIDS Project (BWAP) can be considered in serious question as the organization has been forced to close the doors of its main office for the last few months.

CCA aimed to provide services to cyclo drivers, including rental of cyclos at low cost, assistance for drivers to purchase their own cyclos, facilities to rest and obtain low-cost meals, and education on issues such as traffic regulations. Pact support intended to strengthen organizational capacity of the organization while implementing an HIV/AIDS project in which cyclo drivers would sell condoms to customers. Although some key staff at CCA were extremely committed to their work, the organization suffered from mismanagement by the leadership. Pact spent considerable effort trying to assist the leadership but commitment at the highest level at CCA was lacking. After many unsuccessful attempts to improve the situation, Pact withdrew its assistance, the committed staff left to continue very good work in other organizations and CCA eventually folded. As with CDFRY, the failure of CCA can be directly attributed to the lack of leadership and commitment to running a transparent non-profit organization.

CDFRY was established in 1993 to provide skills training and was one of Pact’s earliest grantees. Pact provided support for an in-country study tour to expand CDFRY’s understanding of management, planning and general program design and to purchase supplies for the training program. However monitoring visits uncovered a number of inconsistencies and put the credibility of the organization and its leadership in doubt. Pact withdrew support and although CDFRY may have received support from one or two organizations thereafter, in general it is thought that no program activities were actually completed. In subsequent years CDFRY was said to have opened a branch office in Kampong Cham but follow-up inquiries in June 2000 with the Cooperation Committee for Cambodia (CCC), Star Kampuchea and the Kampong Cham coordinators of the provincial NGO network for ADHOC and Star

Kampuchea revealed no leads to any CDFRY activity. The failure of this organization can be attributed to lack of transparency and commitment on behalf of the leadership.

The collapse of the Federation of Ponleu Khmer -- once indeed the 'light' of Cambodian NGOs with a membership nearing 100 organizations -- is a complex issue to analyze and has been much discussed and written about elsewhere. Ponleu Khmer started out as a real grassroots movement to promote peace prior to the 1993 elections and encourage voter participation. In the simplest terms we can say that Ponleu Khmer tried perhaps too quickly to make the difficult transformation from a grassroots movement to a formal organization. The fact that it was a membership organization complicated the process even further as there were varying opinions as to how the organization should be managed and who should manage it. It appears that the crisis began when donors (including Pact) began to fund an organization, most of whose members were without funding themselves. This created an unbalanced situation between the organization and its members. As the crisis mounted, the organization became weakened, making it an attractive target for a power play by political interests and spurring its demise. While Ponleu Khmer continues to maintain an office and exist on paper, our interviews revealed that it has in effect no activities and remains a sore memory for all actors interested in supporting local NGOs in Cambodia. Perhaps its most lasting effect has been to create distrust of local membership organizations among NGOs, thus preventing them from having any significant national representation.

BWAP began to take form in mid 1993 when Pact awarded a grant to a group of women to conduct a survey on HIV/AIDS in the town of Battambang. Since then the organization has been consistently funded and provided AIDS education to tens of thousands of people, focusing on high-risk groups such as commercial sex workers and military officers. Despite intensive technical assistance from Pact, and subsequently from the International HIV/AIDS Alliance (now KHANA), BWAP has continuously suffered from management crises, mainly resulting from personal conflict. The case of BWAP serves to highlight the importance of a governance structure as a mechanism to resolve internal conflict. Nevertheless BWAP's technical skills in the area of HIV/AIDS education, the relevance of HIV/AIDS programs for Cambodia today and the staff's ability to continue to communicate with donors bodes well for its future if a real governance structure is put in place immediately as planned. BWAP also represents an important lesson learned for its leadership, which knows it will not survive without a governance structure.

Conclusions

Given the number of NGOs Pact has supported and the fact that the NGOs were new and in many instances Pact was the first donor, the failure rate has been exceptionally low. Although we discuss financial sustainability separately below, from the organizational standpoint, most startup NGOs have been able to continue implementing activities, develop their human resources, weather management crises and find donors to support them.

6. General Findings

The following findings are based on completed profiles of 32 organizations.

6.1. Governance Structures

Of the 32 completed profiles, we identified four governance structures *external to the organization* among the sample:

- board of directors

- advisory board, committee or individual advisors
- steering committee (made up of members, but sometimes with staff on them)
- general assembly

We also identified organizations with *internal* ‘governance’ structures made up of staff. Various terms are used to describe these structures, but in this report we will refer to them in general as management committees. A number of organizations indicated they had no governance structure at all and are exclusively governed by the Director.

Board of Directors

Twelve of 32 organizations (38%) indicated they have a board of directors.⁵ Of these, 5 (16%) were found to be active, 1 active but irregular, 5 not active, and one was just established so it was too soon to tell. A number of respondents indicated that they had experienced difficulties finding people who were willing to be board members. At least three organizations indicated they had false starts with boards that were eventually dissolved.

The number of members on a board of directors ranges from 3 to 10, with an average of five. Half of the organizations indicated they have expatriates on their boards (and a number of NGOs seeking to start boards are looking for expatriate volunteers), indicating perhaps that Cambodians still feel more comfortable if there is an expatriate presence to oversee a balance of power.

Most board members are directors or other senior NGO staff, although a few organizations have members from the private sector, institutes of higher education, monks and occasionally civil servants (the most surprising from the Ministry of Defense). None of the rural community development NGOs appeared to have any board members outside of the NGO community (either local leaders or members of the business community).

When asked about the role of the boards, we received a variety of responses:

- Provide advice, guidance (8 responses)
- Review program, planning, policy update and strategy for training (7)
- Network with donors, edit proposals, fund raise (6)
- Select senior staff, director, and staff (4)
- Monitoring by-laws (4)
- Technical assistance

In general, however, with the exception of two or three boards that have a reputation for being formal structures, the impression given during the interviews was that most boards continue to play an advisory rather than a governing role and that local NGOs are keen to establish them in order to gain legitimacy in the eyes of their donors.

In cases where boards are not required or particularly encouraged (yet) by donors, it is clear that boards are not the structure of choice for most NGO founder/directors. They feel they have legitimate reasons for not wanting a board, namely that as founders they are still developing and carrying the vision of the organization and that they would not trust most board members to hand over full governance powers to them.

“As founder, I do not want to become the Executive Director of Saboras. I have been dreaming my vision of the organization for more than 10 years.”

⁵ CADET, CEPA, Chivith Thmei, CMA, CWDA, KSIA, KWWA, Mother’s Love, USG, Vigilance, VBNK, WFP.

Advisory Committee or Individual Advisors

Another nine organizations (28%) said they have advisory committees who meet on a fairly regular basis to provide general and technical advice, and assist with strategic planning and networking. The number of advisors on any committee ranges from one to five. As with the boards, the advisory committees are made up of a combination of Cambodians and expatriates, mostly from NGO backgrounds. CVCD's advisory committee is made up of members of the organization. Women for Prosperity has both a board and an advisory committee.

For the most part, these advisory committees appear to be a compromise between the perception that a board is needed and the reality that the leadership is not ready for a board yet. At times these committees can be very useful in helping set new directions and create new alliances for the organization. For example it was the Outreach Advisory Committee that introduced the idea of follow-up activities to the human rights education in the provinces and cooperation with CIHR.

Steering Committee

Student organizations, NGO alliances and membership organizations, have steering committees. In this category we find the Khmer Students and Intellectuals Association (KSIA), whose advisory committee is made up of founding and regular members, as well as Kottarak (an alliance of four NGOs in Battambang), and MEDICAM, the membership organization of NGOs working in health.

Management Committee

Four NGOs surveyed (12.5%) indicated that they have no external governance structure but they do have a management committee that meets to solve internal conflicts and set organizational policies. These meetings can be held on a regular basis or in response to specific problems. It is interesting to note that three of the four NGOs with management committees (BFD, LICADHO and Samakee) are generally considered strong NGOs. In the case of BFD, the management committee dealt with all high-level management decisions when the founder/director took a two-year leave of absence to pursue his studies abroad. The fourth NGO with an advisory committee is CVCD, which also has a steering committee made up of 7 members.

Combined Structures

ADHOC presents an unusual governance structure that aims to combine organizational legitimacy with a more traditional Cambodian approach to associations. The result is a hybrid governance structure made up of a General Assembly that selects the President, Secretary General and other officers (staff) and a Board of Advisors of respected leaders who provide the legitimacy in the eyes of the NGO and donor community.

The Board of Advisors has five members, including three expatriates and is responsible for providing ideas and professional guidance. The General Assembly is held every three years and is the highest policy making body of the organization. Over 100 ADHOC staff and activists attend the meeting. The General Assembly elects the President and other officers to oversee the overall management, program operations, and administration. Approximately 70% of General Assembly participants are staff or volunteer activists.

No Formal Governance Structure

Six NGOs in the survey (19%) indicated they have no formal governance structure of any kind. The example of BWAP has been described above in Section 5. It appears as no coincidence that three others (KRDA, Saboras and MODE) receive most of their funding from ICCO. The researchers inquired of ICCO as to their policy regarding governance structures. The response was that at this stage in the development of the Cambodian NGO sector ICCO is more concerned with the NGO's ability to integrate with its target group and with the staff's ability to work together.

Conclusions

In general, the idea of a governance structure still seems unfamiliar and daunting to most local NGOs. The pressure of forming a board of directors is still coming from donors (albeit subtly) rather than because the NGO leaders perceive the benefit of it themselves. One of the reasons, as pointed out by ICCO, may be that the large majority of Cambodian NGOs have not had the opportunity to observe the boards of international NGOs in action as they are not located in the country. Another contributing factor is the lack of confidence that individuals invited to be on boards will be able to make a dispassionate contribution. This last reason highlights the fact that NGO leaders have not learned (or been taught) that board members must be oriented and that educating the board is part of the process.

Governance presents a particular problem for charismatic founder/directors who are still fully vested in their organizations and who have not been able to reconcile their role with the role of the board. Among these we can include KRDA, Saboras and BFD. It appears to be much easier for NGO directors who were not founders (such as USG) to take to the idea of a board. However, founder/directors we spoke to have been managing their organizations for almost a decade now and are beginning to feel that they have accomplished what they set out to do and are ready to take on other challenges outside their organization. Therefore it is not unlikely that within the next five years these leaders will begin to think seriously about forming a board in order to feel comfortable about moving out of their organizations.

6.2. Advocacy & Networking

Advocacy

Given their short history, Cambodian organizations have made impressive progress in the area of advocacy. Within the Pact portfolio, at the national level Cambodian NGOs are advocating actively for human rights, women's rights, labor rights, squatters' rights, land rights, health policy, and even for a more active role for monks in community development. Thirty of the NGOs we interviewed advocate or participate in advocacy networks of some form or other.

Star Kampuchea is an advocacy network within itself, collaborating with more than 30 NGOs around the country. Star is steadily establishing advocacy networks centered on specific issues in various provinces, and most recently has begun to work on labor rights. Equally interesting advocacy activities are taking place in small increments at the provincial, district and local levels. In Battambang, Chivith Thmei learned last year that a provincial annual report alleged that the NGO was storing arms. In response, Chivith Thmei followed the story through various government departments to its source only to find that there was no evidence to back the allegations. CT then proceeded to distribute copies of the report to 70 NGOs in Battambang along with a letter of protest. This act brought the incident to the attention of provincial authorities that have since reacted and said they would look into the matter.

At the local level, a number of NGOs indicated they have developed good relations with local authorities, a task that has not been easy as most local NGOs were suspected of having political affiliations. Proving themselves through their work, NGOs have gained the confidence of local officials and have been able to successfully mediate in local disputes involving such issues as appropriation of community land and seizure of farming equipment (water pumps) by military officials.

Naturally, it is the human rights NGOs that have developed the strongest capacity for advocacy and deal with the most difficult issues. Their strength comes from their long history (most human rights NGOs were established in 1991, before they were officially recognized) and because their staff and volunteer activists are often victims of human rights abuses themselves.

Networking

Given their need for strength in unity, human rights NGOs are also at the forefront of creating networks to address issues that individual organizations cannot deal with alone. These include the Human Rights Action Committee, COMFREL, COFFEL and others.

Since the demise of Ponleu Khmer, most local community development NGOs network at the provincial level, in addition to one or two NGO networks in Phnom Penh. While Pact has supported mainly community development NGOs and support organizations, many other local NGOs participate in networks centered around issues, for example through the NGO Forum. Interestingly, fully 15 organizations indicated they participate in international networks on issues ranging from women's rights to housing rights.

Conclusions

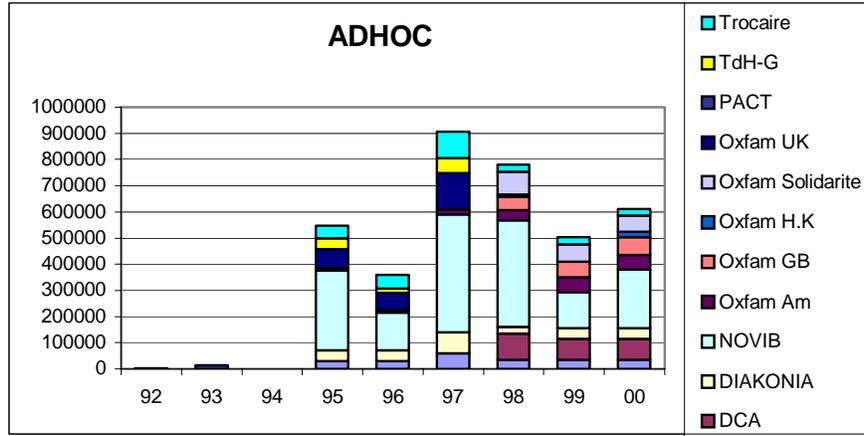
While NGOs that focus on human rights, women's rights and other issues are participating in advocacy, community development NGOs are less active in this field. Capacity building efforts so far have focused on organizational and program development, and although there has been some emphasis to encourage CD NGOs to develop their advocacy skills (such as the July 1999 Pact Advocacy Workshop), there has been limited follow-up in this area.

6.3. Funding Base

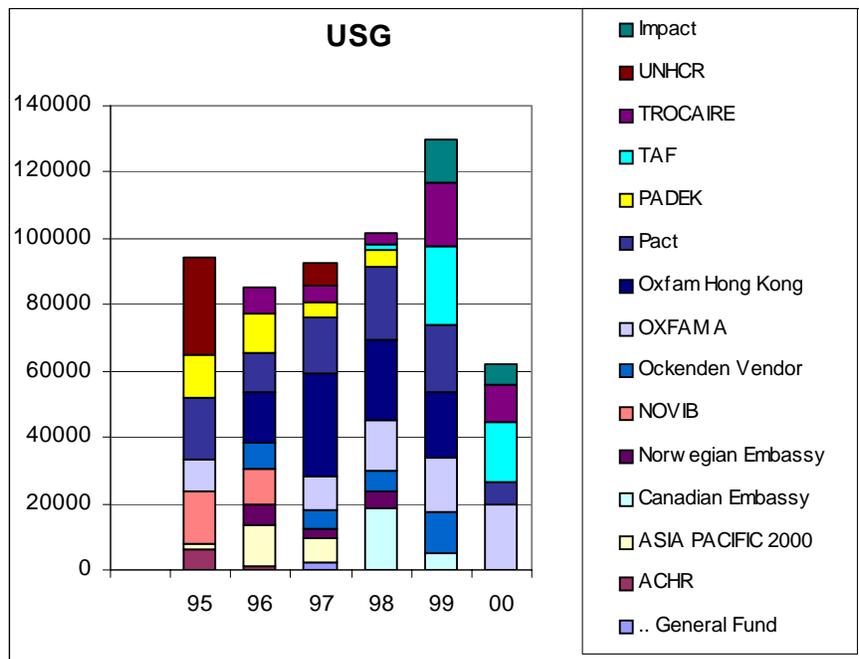
To assess the funding base of the Pact partners, whenever possible the researchers produced graphs of grants and other income over the life of the organizations. A complete set of graphs can be found in Appendix B. In this section we will limit ourselves to a few illustrative examples.

Grants

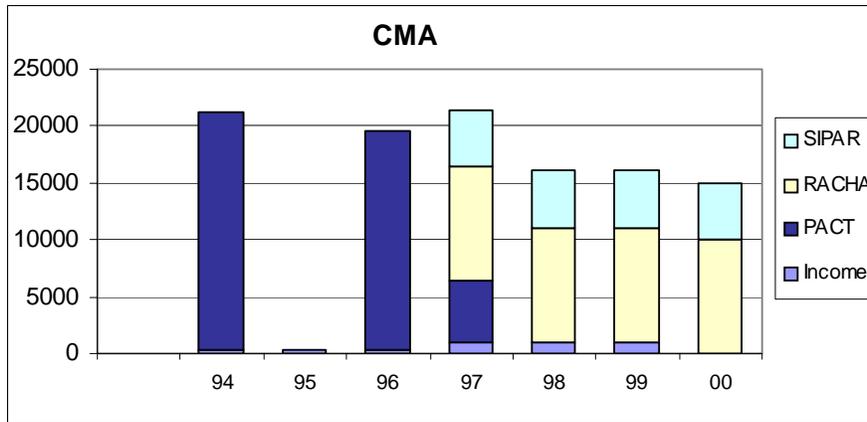
Issue-Oriented NGOs. Of the 29 organizations for which we collected financial data, only three can be said to have a stable funding base. By this we mean that the organization has received grants from a large number of organizations over a period of years and that support can be expected to continue. The most successful organizations appear to be issue-oriented, such as human rights groups and advocacy groups. The examples we have selected as illustrations are ADHOC (human rights) and USG (squatter's rights) depicted here below:



As can be seen, both graphs show that the organizations regularly receive grants from 8 to 10 donors every year. While ADHOC appears to be receiving less funding now than in 1997 and 1998, the peaks in those years are most likely attributable to funding for election monitoring. The overall trend appears to be rising and total funding is large (slightly over \$600,000). The trend is also clearly rising for USG, although the overall budget is much smaller at under \$140,000.

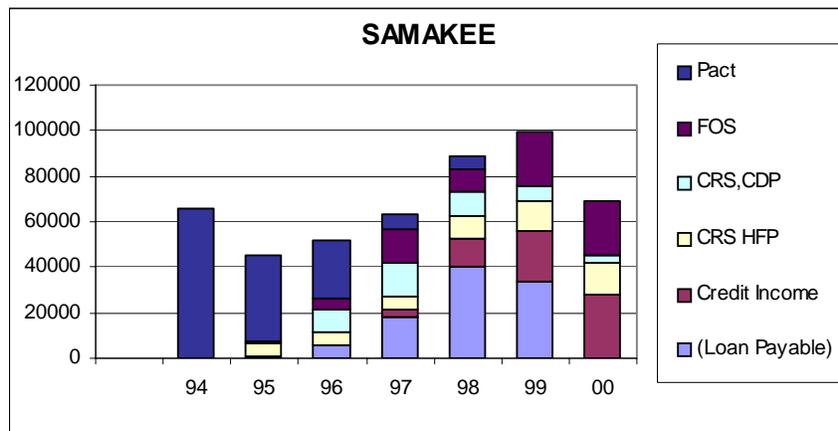


Other organizations receive regular support every year from a limited number of donors. These include issues-oriented groups like the Cambodian Midwives Association depicted below:



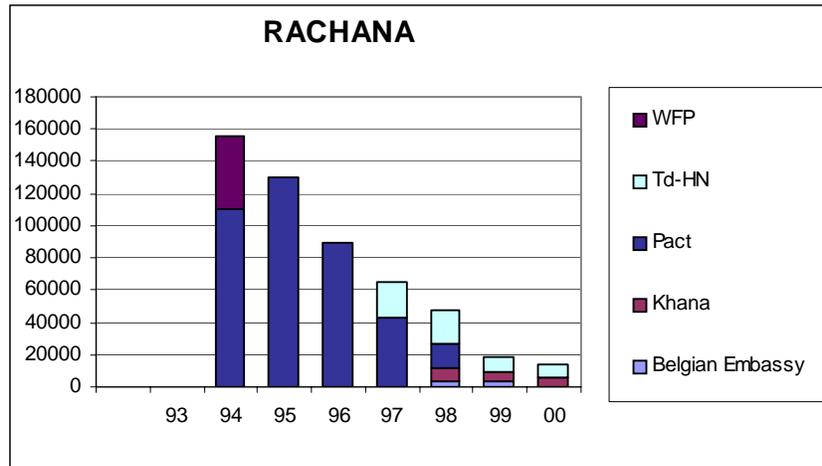
Here we see that Pact was the start-up donor, and that other funding agencies that support midwives or family planning are now providing regular support to CMA always at the same level.

Community Development. We observe wider variations in the funding of community development organizations both among organizations and within them over subsequent years. BFD has received stable funding since its establishment, although the level of funding is decreasing (see BFD graph below under Income Generation). Samakee also has a stable funding base and a variety of donors, but there too the overall funding level is decreasing:

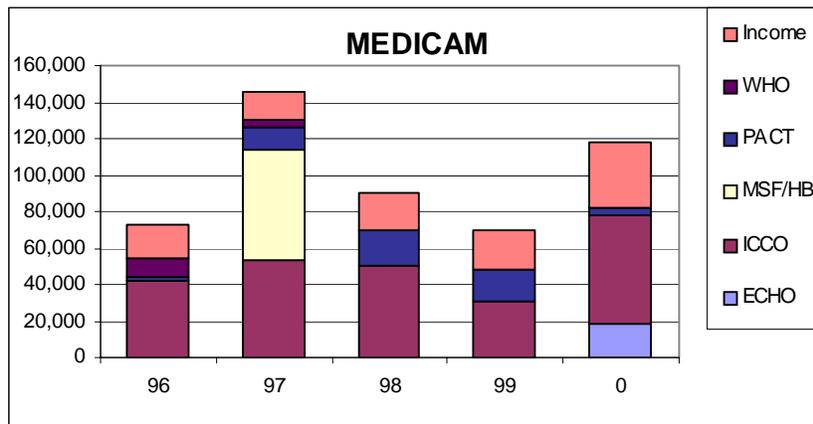


Other CD organizations have much more erratic funding profiles, also with decreasing funding levels, but in these cases it is obvious that funding agencies have opted not to continue support to the organizations indefinitely. It appears that these organizations have been more adept at finding new ‘replacement’ donors every year.

Others simply appear to be losing ground, such as Rachana depicted below:



Membership Organizations. As a membership organization, the MEDICAM has primarily relied on donors as its source of funding. This type of support has been erratic, varying greatly between years:



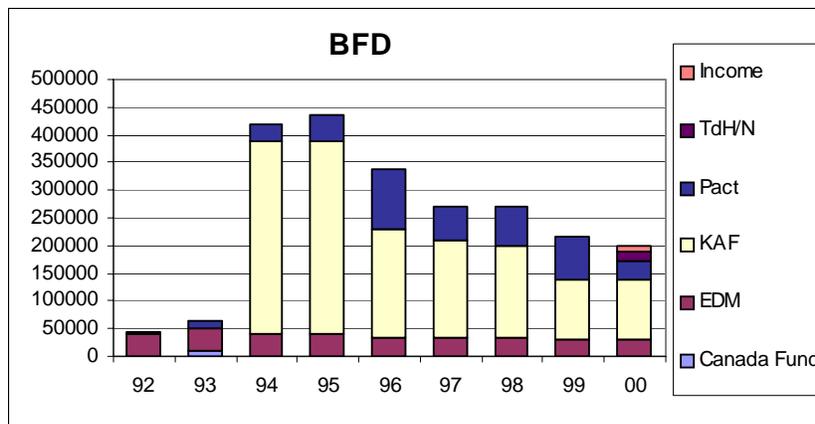
Income Generation

Advocacy Organizations. In general advocacy organizations do not seek to mobilize funds from non-donor sources. In its early years ADHOC solicited contributions from human rights activists/volunteers, but even the small amounts they were requesting proved to be too high for volunteers, so the practice was discontinued. While USG occasionally does small fundraising for emergencies, it too does not actively pursue other forms of funding.

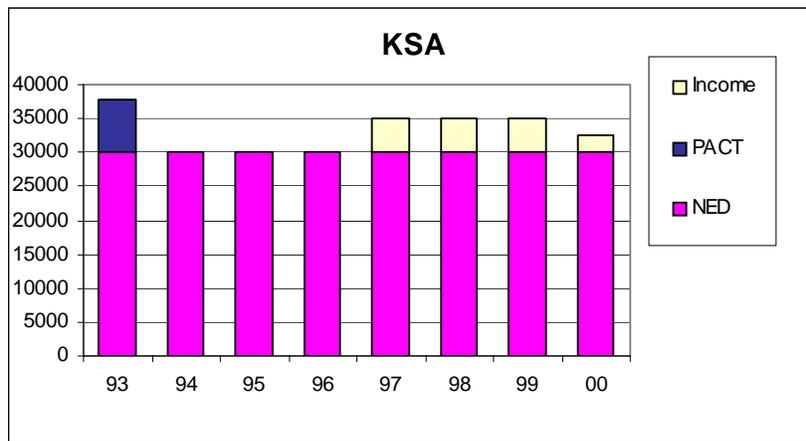
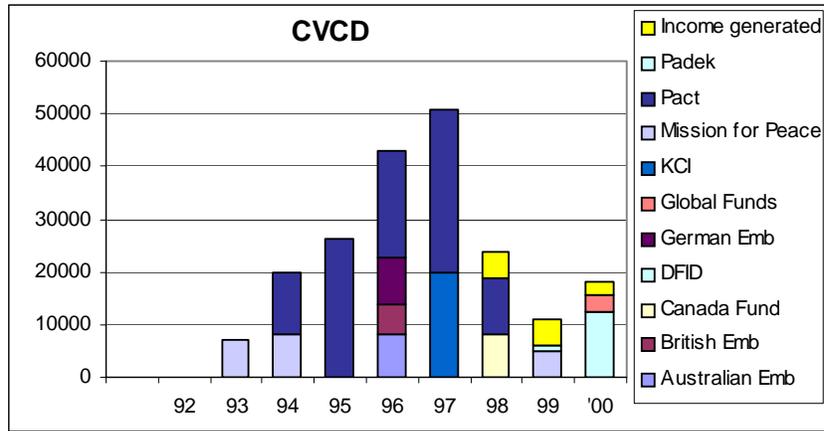
Community Development NGOs. A growing number of CD NGOs have begun to generate income from other sources. For most, this takes the form of interest from credit activities, a subject that is becoming the center of considerable discussion within the NGO community as the perception grows that NGOs are increasingly tempted to cover their operating costs by

charging interest to the poor. As we can see in the Samakee graph presented above, almost 30% of Samakee’s income is now generated from credit interest.

On the other hand, a small number of NGOs are developing their fundraising skills and beginning to generate larger amounts from public fundraising. KRDA generates income from all kinds of services ranging from photocopying to condom sales. For the past two years, KRDA has generated \$4,500 a year on its own for operating costs. Another example is that of BFD, which solicits contributions in-country and is beginning to generate larger sums through BFD International based in Lowell, Massachusetts, home to the second largest Cambodian-American community in the US. Through BFDI, it is now possible via Internet to sponsor schooling for a child in Battambang. While the income generated appears relatively small compared to donor funding, this is simply because BFD’s overall budget exceeds \$200,000 a year.



Student/Volunteer Organizations. CVCD, KSIA and KSA are three membership organizations that target students and other young individuals. Members join the association at no cost and can attend computer and English classes at rates lower than the private sector. Members are then requested to participate in community activities such as tree planting and clean-up days. While in the late 1990s these groups were able to generate considerable income from their classes, the number of student associations offering the same services has increased and self-generated income has decreased among more established organizations. In the case of CVCD, donor funding is getting harder to come by, and KSA relies heavily on grants from a single organization, the National Endowment for Democracy:



Conclusion

In general advocacy groups appear better able to secure stable (donor) funding than community development organizations, membership organizations, or student associations. While some CD NGOs are generating large amounts from credit programs, most of them appear to be having a hard time maintaining their funding levels. Only a very few large NGOs are sophisticated enough to obtain contributions from the public at home and abroad. Not pictured in the graphs are the training organizations that are finding it more challenging to survive on training fees alone and appear to be reverting to donor funds.

During the interviews, nearly all NGOs expressed concern about future funding. With few exceptions, donor commitments are made on a year-to-year basis, so that even an organization like ADHOC constantly worries about where the funding will come from for next year's activities.

6.4. Accountability & Transparency

Audits

Of the 32 completed profiles, 13 organizations (41%) have regular external audits by firms including Ernst & Young, Price Waterhouse, Optima (Philippines) or audit firms from

Malaysia. Six other NGOs (19%) indicated their donors regularly audit them. Ten more (31%) are not audited and we lack information on the remaining four.

The presence of external audit appears to be directly related to the policies of the donor agency. In-country funding agencies with adequate financial staff usually conduct their own financial reviews of partners. Donors with no in-country presence are more likely to require an audit by a private firm and include the cost of the audit in the budget. For example, 4 out of 6 of Pact's partners that are currently supported by ICCO have regular external audits.

Organizations that receive regular external audits feel very comfortable with this process, which may have once been a cause for anxiety for them. As one respondent aptly put it:

“Before the first audit my staff were all very worried. Now we are pleased to have external audits because after we can know our strengths and our weaknesses and we can improve. We accept that the external audits is very important for us and we need the feedback.”

During the course of the survey, the researchers examined a number of audit reports. Although the audits are said to be expensive, the reports we examined were thin and did not include income statements. In at least one case, the audit firm did not visit the NGO office. Therefore, while external audits are a good idea, if they are guided by excessively vague terms of reference, donors and other agencies will cease to perceive audited NGOs as being held to a high standard of accounting practices and audits will lose their credibility.

WFP practices transparency within the organization and always shares information with all the staff. In their view, less committed staff who are aware of the organization's financial insecurity will be more likely to look for other employment, thereby leaving behind a core of committed staff

As mentioned before, in-country support agencies that provide capacity building support tend to be more active in auditing their partners. As they know their partners well, their audits are more likely to provide an accurate picture of the NGOs financial situation and procedures.

Accountability

Twenty-five of the 32 organizations interviewed (78%) prepare annual reports. Most of these include income statements, and NGOs that have income from sources other than grants usually include this information too. Most NGOs prepare their annual reports in English and distribute them only to their donors. For some organizations such as the human rights and advocacy groups this may be explained by the fact that their work creates tension with government authorities, and so prepare reports only for an external audience. Only a few NGOs produce their annual reports in Khmer, making it accessible to other Cambodians and local community leaders in particular. Among the NGOs surveyed only one NGO consistently produces a bilingual report that is distributed to community members – highlighting the donor orientation to accountability.

Conclusions

In general all the local NGOs surveyed accept the external audit as means of gaining credibility and of learning about their strengths and weaknesses. The main reason that NGOs do not have audits is that they do not have funds budgeted for this activity and their donor support agency is not offering the services.

The NGOs we interviewed were all in favor of organization-wide audits rather than project audits. A lot of staff time is spent accommodating auditors from various donors at different times of the year. Until the NGOs gain enough confidence to put pressure on their donors to conduct organization-wide audits, however, it is up to the support agency to initiate a collaborative effort with other donors and work out a financial system and auditing procedures that are acceptable to all parties. As a policy, Pact supports organization-wide audits, but only on demand.

Accountability from the point of view of NGOs still focuses on satisfying the donor and there has been little effort (or perhaps encouragement) to direct NGOs to begin communicating their activities to their target area. This type of effort is important because it will inform the community of the NGOs activities, help them gain credibility and hopefully encourage contributions in the future.

6.5. Management Stability

In order to assess management stability, we examined staff turnover and management crisis and compared our findings to the management style of the organization. Of the 32 organizations we found:

- 22 directed by founders
- 7 directed by individuals appointed to their post
- 3 directed by co-founders who are part of group of individuals with relatively equal status.

In our analysis of staff turnover, we classified organizations by low, medium and high turnover rates. A high rating indicated that the NGO had in at least one year experienced a turnover rate of about 20% or more. In doing this we took into consideration that percentages are not relevant for smaller organizations as replacement of a single staff person in one year translates into a high turnover rate. Using this approach we found that 20 of the organizations had never experienced any turnover peaks, 7 had experienced medium turnover peaks (around 10%) in any given year, and 4 experienced high turnover in one or more years.

LICADHO is a strong organization that has experienced relatively little internal conflict. Problems in the past arose when staff compared their salary and transportation benefits with that of staff working for other organizations.

With regards to conflict, we found that 10 NGOs experienced a major management crisis in the past, sometimes resulting in the splintering of organization. Only one NGO is in current crisis. The remaining 21 have been relatively stable organizations. Although it will come as no surprise, findings indicate that in 8 of the 10 organizations that experienced management conflict, there had been high staff turnover. We also found that 11 organizations that had experienced management difficulties in the past were continuing to experience it in the present. Three are student organizations and the remaining eight are either directed by their founders now or were directed by the founder during the crisis (but now their management structure has changed and the founder is no longer a part of the organization).

“My mistake was not to supervise my accountant because I trusted him.”

Conclusions

From this we conclude that management conflict is more likely to occur within organizations managed by their founder than organizations where the director has been appointed. It is

interesting to note that conflict and turnover remain at a minimum when the founder/director is more charismatic. However, the outstanding question is how the eventual transition to a non-founding director will proceed in those organizations.

6.6 Program Directions

Cambodian NGOs can be broadly classified into four types:

- community development NGOs
- advocacy/issues-oriented NGOs
- training/support organizations
- membership organizations (including student associations)

Many community development organizations begin their programs with savings and credit activities and add on other activities such as agriculture, health education, literacy and small infrastructure activities. In general, however, most programs are designed to meet the basic needs of beneficiaries – and most beneficiaries have the same basic needs. Based on the interviews, NGOs have not altered their programs to any great degree in the recent past and in only a few cases were NGOs able to explain why they had chosen to change their approach.

In two cases we found that community development NGOs had false starts and in effect completely changed their activities, approach and target area. One of the reasons cited for these false starts was that the initial selection of the target area was unsound. In one case, the target villages were submerged during the rainy season and there was no hope of improving the situation. In both cases, the NGOs were not based in their target areas and problems occurred because of lack of supervision.

It is possible that in some cases program directions are being set by donor agendas that translate directly into the availability of funding that partners can apply for. In one or two cases, the organization indicated that program directions were set based on input received from expatriate advisors. One example of external guidance can be observed with an NGO implementing HIV/AIDS and credit where separate HIV/AIDS activities are implemented outside the NGO's defined target area. Some groups have preferred to spin off their credit activities. This was the case for ADHOC with CREDO, while others like Samakee do not consider this to be in the interest of the accompanying development activities.

Advocacy organizations, on the other hand, are starting more targeted and varied activities such as LICADHO's rehabilitation center for torture victims and Star Kampuchea's upcoming project to disseminate information about the legislative process.

Since their establishment, training and support organizations have found themselves in a position where they must regularly upgrade or review their activities in order to meet the growing changes and more sophisticated needs of their NGO clients. For instance, Vaddhanak has determined this to be the cause of declining registration for its basic community development training course.

As mentioned earlier in the report, the original idea by student associations to support and encourage development activities among Cambodia's youth by offering them access to low-cost classes. However, increased competition for the classes and inability to cover costs of development activities places student associations at risk of phasing out their development activities and turning into private schools.

One interesting exception is KSIA. In 1996 mismanagement forced this student association to cease operation for a short period. New elections by the membership resulted in a leadership change and management has improved. This organization is singular in that its membership is made up of students and graduates of the faculties of Philosophy and Literature of the Royal University of Phnom Penh. These graduates have now become teachers and today form the backbone of KSIA's development efforts, particularly in the provinces.

Conclusion

Cambodian NGOs today are no longer a homogenous group. There are very clear and different categories and each type is developing at a different pace. Advocacy/issue-oriented NGOs appear to be the most mature and the ablest at developing unique programs. Support organizations also appear strong although they are constantly working to improve the quality of their services and continue to rely heavily on donors. Community development organizations have acquired skills in implementing programs, but are less creative in program design than advocacy groups. The fate of student organizations remains uncertain.

6.7. Program Sustainability

General understanding of program sustainability is still limited and often identified with financial sustainability. When we asked NGOs what they were doing to increase the likelihood of program sustainability, the most common response (especially among issue-oriented organizations) was that they were focusing on staff capacity and practicing transparency within the organization. Nevertheless, many organizations are concerned about the program sustainability.

Human rights organizations have a good chance of having sustainable programs because much of their activity depends on volunteer activists. These activists are for the most part victims of human rights abuses, and for this reason, are highly committed to promoting the protection of human rights and the rule of law. Unlike community development volunteers, human rights activists have a certain amount of solidarity and do not require any kind of benefits for their efforts.

Community development organizations like BFD, CT, MODE and others are already beginning to transfer management of some of their activities to community committees. VDCs in the KRDA target area are already managing some projects. KRDA is also training village health trainers in the villages so their staff can move on to other target areas. At the same time, many of the smaller NGOs expressed that they were not in a position yet to think about program sustainability. In urban areas, groups like CWDA collaborate closely with local authorities in the aim of transferring management of some programs to them and USG provides training to squatter communities and helps them network so they can do projects on their own.

As mentioned above, the student association KSIA depends on support from its membership, but is likely to have long-term support from members who are teachers, making KSIA an interesting NGO to observe in the future.

In general training organizations are trying to assure their program sustainability by expanding into new activities and courses capable of addressing the rising level of management capacity in Cambodia.

Conclusion

Program sustainability – not just the financial sustainability of the organization – is becoming an increasingly important concern for more mature NGOs as they begin to understand the concept. While larger, more mature organizations are beginning to transfer activities to communities, smaller NGOs realize that they need to focus more on this aspect but acknowledge that they are not currently in a position to seriously consider the issue.

6.8. Vision & Fostering Leadership

As might be expected of the first generation of Cambodian NGOs, it is not surprising that founders still manage many of the organizations in the Pact portfolio. Traditional Cambodian society is based in on a highly hierarchical system. Therefore, in order for these NGOs to remain vibrant organizations in the future, much will depend on the ability of the leader to impart his/her vision with the staff and foster new leadership. For this reason we decided to take a special look at these two topics.

With regards to vision, we found that 18 out of 32 organizations have broad visions along the lines of effecting change and improving the general situation in Cambodia. Four organizations focus on improving the situation of the people in their target communities, and five more described a vision that relates to improving the quality of work and programs of their organization.⁶ While the following observation is difficult to quantify, it appears that more mature organizations have visions that focus more narrowly on improving their services – and becoming learning organizations – rather than a vision of contributing broadly to the development of Cambodia.

Fostering leadership is another way to ensure the development and maturity of the organization. In order to assess whether an organization deliberately fosters leadership among its program staff and middle management, we focused on the degree that leadership was delegating responsibilities, particularly communication with donors, and to what degree the NGO provided educational and travel opportunities to its staff. In general we found that 21 of the organizations are making an effort to delegate responsibility downward, specifically authorizing and encouraging staff to network with donors. Eight of the 32 organizations indicated they are not doing this yet.

The Star Kampuchea Director is a quiet and insightful person. When staff make mistakes, he invites them to his room and gives advice discretely. His philosophy is to let staff work on their own and make mistakes and he can correct them later.

With regards to English language skills or courses, 17 of 32 organizations said that this is a priority for them and that either a large portion of their staff already spoke English or were enrolled in English language classes. As there appears to be a correlation between staff exposure to other development models and general communication skills, we thought it would be interesting to find out whether NGOs are promoting staff travel. We divided NGOs into three groups according to staff size and observed that there was not much difference between the groups:

- 29% of staff in the 8 smaller organizations (less than 10 staff) have traveled abroad. Within this group, the range is between 0 and 100% of staff traveling abroad.
- 31 % of medium organizations (up to 24 people) have traveled abroad. Here the range is as high as 75% of staff having traveled abroad from one organization.

⁶ We did not collect information about visions for five NGOs.

- 30% of staff in the 9 larger organizations (25 or more) have traveled abroad. Here the range is from 3% to 50%.

From these figures we can see that regardless of organization size, certain NGOs have more international exposure opportunities than others. This calls into question whether donors support international exposure and whether they provide partners with adequate resources for this activity.

Conclusion

Within the scope of this study it was not possible to look at correlation between a stable funding base and the organizational characteristics discussed in this section on fostering leadership. However, we suspect that English language skills are very important to an NGO's ability to secure funding, as it appears that CD NGOs with limited English language skills are having more difficulty securing funding and their funding levels are going down. With regards to international travel and exposure, we noticed that groups such as USG and ADHOC, generally considered among the most successful NGOs in the country, have a high proportion of staff that have traveled abroad and who are increasingly delegating more responsibility to their staff.

6.9. Elements of Success

We asked all the organizations to give us some insight into what they thought were the reasons for their success and continued viability. We tallied the responses and summarized them below.

General Management. The number one response relates to general management. NGOs interviewed indicated that the most important aspect of success is to have good management, capable and committed leaders, clear planning, policies, and job descriptions, and above all transparency. Other characteristics mentioned included quality of services and careful budgeting that reflects actual program needs.

Quality, Capacity, and Experience of Staff. The most common response after good management is the need to have staff with adequate capacity and experience in their areas of responsibility. This includes taking initiative and being able to implement projects.

Staff Commitment. Almost as important as staff capacity is staff commitment. This includes motivation, honesty, confidence and satisfaction with the work.

Community Participation. After staff commitment, the most common response was the ability of the NGO to elicit the participation of the community and the ability of the community to take an increasingly important role in the planning, management, and monitoring of program activities. Trust in the NGO was cited as an important aspect of obtaining community participation.

Networking. Networking with donors and local authorities followed community participation in importance. A number of NGOs indicated that part of their success was related to securing adequate regular donor funding, support from large donors, and due to the trust that donors have in the leadership of the NGOs. In an interesting comment, one NGO attributed its success partly to word-of-mouth of one of its donors to other donors. According to the groups interviewed, networking with local authorities is considered almost as important

as networking with donors in order to receive the support of authorities needed to implement programs such as human rights education of military and police.

Program Design & Implementation. Success of program activities also depends on the ability of the NGO to meet the real needs of the community. For membership and service organizations this means meeting a demand for services or providing training for skills that are in high demand. Other important aspects of program implementation include conducting an in-depth needs assessment before initiating a project and making a commitment to follow up projects after completion and to understand their failure.

Teamwork. Only a few NGOs mentioned the importance of teamwork and team solidarity. In their opinion, organizations that can solve issues and come to consensus as a team have a better chance of success. One interesting comment was the characteristic of believing that a solution could be found to any problem.

Other Factors. Finally, a few NGOs mentioned that they had learned a lot from sharing with other NGOs. Some have received important technical assistance and support from overseas Khmers, and one mentioned that the organization was encountering success because the general NGO environment is energetic.

7. Pact Support

Twenty-two of the organizations we interviewed expressed appreciation for Pact's efforts in the area of capacity building. Specific areas mentioned included:

- proposal writing
- planning
- strategic planning
- program design
- report writing.

Fourteen organizations expressed their appreciation for Pact's funding, without which naturally it would have been impossible for the NGOs to implement their activities and develop their organizations. Nine organizations expressed *high* appreciation for the financial management system, accounting training and accounting materials. A number of organizations expressed that they had been able to use the financial system initiated by Pact with other donors without any problems.

Three NGOs said that placement of a volunteer or advisor had been very helpful to them. One of these was a financial advisor; another was a community development trainer. On the other hand, one NGO was appreciative of Pact's efforts to help their staff find internships with organizations.

Other ways in which Pact contributed to their partners included were:

- support of conferences and provincial networks
- organizing partner meetings at Pact
- providing management and organizational development (including Organizational Capacity Assessment training)
- negotiation during times of conflict within the partner organization.

Pact also helped promote NGOs (for example at conferences) and introduce them to other donors. The Future Directions Workshop and Fundraising Workshop, organized by Pact in 1998 and 1999 respectively were also cited in particular as being useful to partners.

Finally, Pact was commended by one NGO for contributing to building leadership and helping partners learn to analyze their programs and identify strengths and weaknesses through an evaluation process and monitoring activities. On at least two occasions partners said, "Pact taught us to become a real NGO."

Nearly all the NGOs that Pact sponsored in some form or other between 1992 and 2000 continue to operate. They no longer form part of a homogenous group and are developing into different levels of maturity and sophistication both within the same sector and among sectors. While they continue to increase their knowledge and skills, their future sustainability will depend on their ability to compete for resources that are being increasingly concentrated in fewer organizations. An important element of sustainability will be their capacity to develop more independence and creativity in designing and implementing programs as well as eliciting support from their local communities.

8.1. LIST OF ORGANIZATIONS INTERVIEWED

ACRONYM	Full Name of Organization
1. ADHOC	Cambodia Human Rights and Development Association
2. BWAP	Battambang Women's AIDS Project
3. BFD	Buddhism For Development
4. CVCD	Cambodian Volunteer for Cambodia Development
5. CADET	Cambodian Association for Dev. of Economy Together
6. CMA	Cambodian Midwives Association
7. CWDA	Cambodian Women's Development Association
8. CEPA	Cultural & Environment Preservation Association
9. CHED	Cambodian Health Education Development
10. CT	Chivith Thmei
11. VIGILANCE	Human Rights Vigilance of Cambodia
12. KNCED *	KNCED
13. KT	Kasikar Thmey
14. KRDA	Khmer Rural Development Association
15. KSA	Khmer Student Association
16. KSIA	Khmer Student and Intellectuals Association
17. KOTTARAK	Kottarak
18. KWVA	Kratie Women's Welfare Association
19. LICADHO	Cambodia League for Promotion and Defense of H.R
20. MEDICAM	MEDICAM
21. MODE	Minority Organization for Development of Economy
22. ML	Mother's Love
23. OUTREACH	Human Rights and Community Project
24. PLK	Ponleu Khmer
25. RACHANA	Rachana
26. RUFAD * *	Rural Family Development
27. RDA *	Rural Development Association
28. SABORAS	Saboras
29. SAMAKEE	Samakee
30. Silaka *	Silaka
31. SSC	Social Service of Cambodia
32. SEDOC	Socio-Economic Development Association
33. STAR	Star Kampuchea
34. USG	Urban Sector Group
35. VBNK	Vicheasthan Bandothbandal Neakropkrong Kangea
36. WFP	Women For Prosperity

* Due to time and scheduling constraints, we were not able to prepare a complete data set on these NGOs, so they are not included in the analysis of 32 organizations.

