Introduction

Corporate Social Responsibility (CSR) is becoming an important instrument to link profit-oriented operations with social engagement. Thus, CSR is responding to one of the main principles of the social market economy, the principle of *Eigentum verpflichtet* (property entails obligations). Firms are beginning to acknowledge a certain responsibility for their social environment, even in the absence of a corresponding legal framework. CSR does not replace a proper legal framework and cannot in general replace the state as the guarantor for balanced growth. However, the CSR approach can be particularly significant in countries where state structures that would allow the introduction of proper social systems by the government are not yet set up. CSR has up to now been familiar as an instrument of multinationals that would like to improve their image as socially and ecological responsible entities. In the meantime, however, CSR is becoming more important as an instrument for larger or even medium-sized domestic firms, which are increasingly seen as potential partners in the search for greater social equality. These firms also view their engagement as a way to increase the commitment of their employees and thus improve the overall performance of their operations.

Corporate Social Responsibility in Cambodia

Because of the low level of business and private sector development in Cambodia, the level of CSR remains at a nascent stage. This is perhaps compounded by the extensive number of non-governmental organizations (NGOs), which might appear to make it unnecessary for firms to undertake

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1The presentation draws on Brimble and Kang 2006 and Brimble 2007.

2Article 14, paragraph 2, German constitution.
significant CSR-type activities. In addition, there are no policy measures designed to promote business CSR activities as a tool for rural development, indicating a critical need to advocate for more promotional and proactive policies to support CSR, in particular, and business involvement in rural development, in general.

CSR has become extremely popular in developed economies in Europe and North America over the past decades. However, in developing countries in East Asia, such as Cambodia, CSR is a relatively new concept, and the implications of developments in CSR for local companies are still being explored.

The Kenan Institute Asia (2005) provides a useful summary of why corporate citizenship is particularly important for East Asian corporations at the present time: “Over the last five years, there has been increasing pressure for corporations to be better corporate citizens. This pressure has come from customers, buyers, investors, employees, governments, the news media, NGOs, and local communities. The corporate scandals of Enron, WorldCom, etc. have drawn attention to corporate failures and led to greater government scrutiny. In response, forward-looking companies are strengthening their corporate governance, improving labor conditions, exceeding environmental standards, and positively engaging their communities in order to build trust with their stakeholders. Many business managers have concluded it is no longer sufficient for companies to have simply philanthropic mechanisms; they must become active partners in helping prevent and solve social problems.”

In Cambodia, the size of the industrial base and the extent to which the industrial structure offers potential for CSR activities are limited. At present, most businesses are concentrated around Phnom Penh and urban and other provincial or district centers, and appear to take little interest in rural development issues. There seem to be few businesses interested or willing to be involved in CSR-type projects in Cambodia.

However, it is important to emphasize that the private sector generally has an entrepreneurial way of operating that is based on vision, innovation, and planning. This business know-how is traditionally lacking in rural societies, in NGOs, and in the public sector. For example, farmers are eager to grow food and vegetables, yet they are disconnected from the information and resources needed to develop their activity so that it becomes a strong and sustained source of income. With the business sector’s expertise, farmers can learn the skills needed to create more profitable and sustainable enterprises and activities and generate income.

The following examples demonstrate the potential for CSR activities in Cambodia, especially those that connect businesses and rural society through innovative partnerships which leverage resources from both sides to develop sustainable income-generating activities for rural areas:
• **Total (Cambodge) Company**: As part of the UNDP Growing Sustainable Business for Poverty Reduction Program, Total Company carried out a project called “Promoting Energy Entrepreneurship in Cambodia’s Rural Areas,” which promoted four rural electricity entrepreneurs directly supplying electricity to rural villagers in four provinces: Battambang, Banteay Meanchey, Prey Veng, and Kampong Cham. The project aimed to support the development of rural electricity enterprises by building up the capacity of entrepreneurs. The project was conducted from May to December 2005 with an amount of US$40,000 spent on training in accounting software, business plan development, electrical techniques, etc. This project is part of a global Total CSR program.

• **British American Tobacco (BAT) Company**: In 1997, BAT set up an extension service program to support tobacco farmers in Kampong Cham province, with the mission to improve product quality, reduce production and maintenance costs, as well as to be socially responsible. BAT supports tobacco farmers in Kampong Cham by supplying seeds, training, and quality control. The company’s staff supervises and provides technical information to farmers on how to improve the quality of production and also encourages them to take up new techniques. At the start of project, BAT focused on capacity building for the farmers. The initial goal was to substitute local products for around 10% of imports in the first few years. BAT has contracted with around 350 farmers, mainly in Kampong Cham, to grow tobacco with new seed varieties. Their yield per hectare has increased to 1.7 tons from just 750 kg in 1996. The programs undertaken by BAT illustrate the significant role of BAT in poverty alleviation through corporate social responsibility.

• **Manhattan Textile Company**: Manhattan Textile initiated a cotton project in Koh Sotin district, Kampong Cham province, to support cotton farmers by providing seeds, training, and quality control. Through the project, Manhattan Textile is looking at long-term investments and encouraging government ministries and agencies, as well as authorities at all levels, to work closely with it in order to rehabilitate cotton production. The company’s cotton project is a campaign to promote cotton plantations. The main thrust of the project is to invigorate and modernize the agricultural sector, generate employment, enhance household incomes, and improve access of the less privileged to food.

• **Les Artisans D’Angkor**: Les Artisans d’Angkor was established to provide sustainable and fair development for arts and crafts in Siem Reap province. It offers young artisans a job on-site or in its rural workshops in Siem Reap surroundings. In addition, Artisans d’Angkor is a center for vocational
training where young people can express their talents and continue to develop their skills. To date, Artisans d'Angkor is completely self-financed. It continues to invest in new apprenticeships and skill creation by providing on-going training, setting up new rural village workshops, and participating in major promotional events to help promote Cambodian culture and handicrafts (for example, 2005 World Expo). At the core of the company’s activities are ideas for the social, economic, and professional advancement of Cambodian artisans. The company guarantees fair pay as well as social and medical welfare. The artisans have formed an association and have a 20% stake in the company.

**CSR and the Thai Business Initiative in Rural Development (TBIRD)**

The Population and Community Development Association (PDA), one of the largest NGOs in Thailand, initiated the Thai Business Initiative in Rural Development (TBIRD) in 1996 to complement PDA’s core activities in family planning. The experience of TBIRD in Thailand proves to be an invaluable guide for possible CSR activities in Cambodia.

TBIRD’s overall concept is to encourage the private sector to help improve the quality of life of rural people throughout Thailand. The basic idea is to mobilize relatively untapped private-sector resources and recruit successful businesses to participate actively in rural development. Ideally, each company would “sponsor” a village and help villagers to develop the business skills necessary for successful income generation activities. Long-term sponsor involvement is important to sustain the village development. Two pioneering TBIRD companies were Swedish Motors Co., Ltd. (Volvo), which started a project in 1988, and the Bangkok Glass Co., Ltd., which got involved in 1989. The Ford Foundation was the first donor to support TBIRD; its assistance was in the years 1990-1993. German Agro Action (GAA) started to provide assistance to PDA's TBIRD Bureau in 1994 and continued the funding until 2003.

TBIRD has proved that it is possible to recruit businesses to transfer business skills to villagers, establish income generation activities in the villages, slow down migration to urban areas, and improve the quality of life of rural people. TBIRD is a partnership involving the government, the private sector, and the villages; the villages are the focus of the projects and the main actors in implementing the specific activities. The government builds up the infrastructure and plays a supporting role. The private sector takes the lead in providing business skills, appropriate technology, market opportunities, and business networks. A well-established NGO creates awareness of business social responsibility and serves
as a facilitator. Key strategies are resource mobilization, integrated development, human resource development, and local institution building. There are a number of key lessons from TBIRD that are relevant for Cambodia and other developing countries:

- There appears to have been considerable discussion within TBIRD and PDA on present and future directions – especially regarding corporate social responsibility and its implications for TBIRD-type projects. Indeed, the TBIRD Division has recently been renamed as the CSR Division.
- The government has put in place generally supportive policies for industrial decentralization – in particular, the additional benefits provided by the Thailand Board of Investment for investors locating their factories far away from Bangkok, as well as certain policies of the Ministry of Industry.
- Recruiting companies to actively participate in rural development is not an easy task.
- A critical facilitating role was played by the PDA, which is a strong NGO with strong outreach into Thailand’s rural areas and with sufficient financial and related resources.
- Dynamic leadership with a clear vision and strong networks in the business and political communities is required to attract sponsoring companies. It should be noted that the initial concept of TBIRD was actually developed by the chairman of PDA; this doubtless contributed to the successful development of a dedicated unit within PDA.
- The TBIRD project developed an innovative project implementation process that emphasizes inclusiveness – involving all stakeholders. This has been critical in creating ownership among the rural villagers and contributing to sustainability.
- The previous experience of PDA in rural areas before TBIRD had resulted in the perception that PDA and its staff had high levels of integrity and a clear mandate to contribute to rural development through building linkages between business and the village communities.

The Cambodia Business Initiative in Rural Development

In an effort to stimulate CSR in Cambodia, the Asian Development Bank supported a technical assistance project in 2005 to facilitate the establishment of the Cambodia Business Initiative in Rural Development (C-BIRD) project, drawing on the experiences of TBIRD, similar projects in Cambodia, and additional research.3 Supported by a task force of business and government leaders, NGO representatives,

3see Brimble and Kang 2006 and Brimble 2007.
and selected donors, the Ministry of Rural Development and a team mobilized and financed by the Asian Development Bank worked from July 2005 – March 2007 to develop the C-BIRD concept and implementation methods.

In particular, a C-BIRD Public-Private Partnership Task Force, chaired by H. E. Lu Lay Sreng, Deputy Prime Minister and Minister of Rural Development, was constituted to support the project implementation. It comprised: (a) senior representatives from Cambodia’s main business associations – the Phnom Penh Chamber of Commerce, the Garment Manufacturers Association in Cambodia, the International Business Club, the Cambodia Hotels Association, the Association of Banks in Cambodia, and the Cambodian Federation of Employers and Business Associations (CAMFEBA); (b) senior representatives from the Ministry of Commerce, the Ministry of Industry, Mines, and Energy, the Ministry of Women’s Affairs, the Ministry of Agriculture, the Ministry of Economy and Finance, and the Council for the Development of Cambodia; (c) representatives from interested NGOs; and (d) donor agencies as needed. The overall role of the task force was to steer the C-BIRD initiative, provide overall guidance on policy and institutional issues, facilitate the capacity building exercises, assist in developing pilot partnerships, and generally support project implementation.

The Cambodia Business Initiative in Rural Development developed as a program to connect businesses and rural society through innovative partnerships that leverage resources from both sides to develop sustainable income-generating activities for rural areas. C-BIRD provides benefits to the business side as well as the rural community. First, the involvement of staff members from the business enterprise has resulted in higher levels of morale. Second, the company has been able to achieve higher levels of corporate social responsibility. And third, to the extent that the C-BIRD activities relate to the core business of the company, either through deepening the supply chain or supplying raw materials or products to the company, the profitability of the company may also increase.

In the development of the C-BIRD project business plan, some critical lessons were derived from previous experiences in Cambodia:

- **Lesson 1: Business commitment is required.** The importance of business commitment cannot be overstated, and will depend, to some extent, on the type of C-BIRD modality being considered. Firms that develop activities that strengthen their supply chains – like BAT – are likely to have a strong commitment to the activity, as are firms that see C-BIRD activities as major elements of their corporate philanthropy programs.

- **Lesson 2: C-BIRD projects are not easy to implement.** C-BIRD projects often are complex, involve many stakeholders, and require considerable resources –
both financial and human – for successful implementation. This is especially the case in an environment like that in Cambodia – where business impediments are numerous and infrastructure is rather weak. In that case, a strong facilitator and high levels of awareness of the importance of C-BIRD type projects among the business community and the rural communities are required.

- **Lesson 3: A participatory approach is important.** Since C-BIRD projects are the initiatives of businesses from outside the village, using a participatory approach can help ensure that such projects fit the needs and demands of local people. In addition, a participatory approach is a tool that includes the needs of both men and women in the village.

- **Lesson 4: The village information base is critical.** Rural development is an erratic process. To eliminate or minimize the losses incurred by certain groups as well as to avoid misunderstanding among groups, it is critical to have a reliable, updated, and accessible information base in the village that communicates to both villagers and external stakeholders (businesses, government, NGOs, donors, etc.).

In order to meet the objective of developing C-BIRD and related activities, mainly through developing the structure of a business plan for the most suitable institutional mechanism, the following institutional options for the C-BIRD initiative in Cambodia were considered:

- Option 1: Form a new C-BIRD institution or NGO as the facilitator;
- Option 2: Use an existing NGO (or NGOs) as facilitator; and
- Option 3: Use a public agency as facilitator.

In the Cambodian context and on the basis of numerous interviews and deliberations in the task force meetings and a major national stakeholder meeting held in November 2005, option 1 was selected as being the most suitable. The Ministry of Rural Development was to play a transitional role in facilitating the formation of the new institution and in facilitating the implementation of selected sample C-BIRD projects. The project team therefore proceeded with this element of the project – the formation of the C-BIRD Foundation.

To guide the preparation of C-BIRD, a second phase of technical assistance commenced in December 2006 to prepare a draft C-BIRD business plan, a draft C-BIRD governance framework and strategy, a C-BIRD Foundation briefing paper, and some notes on fund raising. In addition, a C-BIRD retreat was held on January 18, 2007 to review the range of issues to be covered in the business plan and the governance framework, and then the first meeting of the C-BIRD Foundation was held on February 27, 2007.
A number of factors critical to success were identified to guide the achievement of the C-BIRD Foundation’s principles and objectives:

1) Strong leadership with a business orientation;
2) Top-level commitment for C-BIRD;
3) Clear focus, mandate, objectives;
4) Need to engage business;
5) Development of information and capacity to interface with rural areas;
6) Good governance;
7) Networking with NGOs, donors, and other key stakeholders, likely through involving them on a board of directors;
8) Support from donors or other sources of finance for certain institution and project activities; and
9) Starting with manageable projects and with initial successes.

The C-BIRD Foundation, as a newly created institution under the umbrella of NGO status, is intended to play a critical role as the facilitator of activities and resource mobilization among four key groups of players (and stakeholders) in Cambodia: the two key partners in any C-BIRD project – rural communities and villages, and business associations and businesses; and the two key supporters of such projects – government agencies, and donors and NGOs. These groups
are illustrated in the institutional context chart presented in Figure 1, drawn from the C-BIRD Foundation business plan.

All key groups and stakeholders will be explicitly involved in the activities of the C-BIRD Foundation, either through direct involvement in the foundation or through proactive efforts to create additional mechanisms to link them into foundation activities. Figure 1 presents the roles and activities of key stakeholders and the contributions expected from each.

**Figure 2: Structure of the C-BIRD Foundation**

The proposed organizational structure for the C-BIRD Foundation is shown in Figure 2, drawn from the C-BIRD Foundation business plan. This structure is designed to support the full range of activities required to facilitate and support C-BIRD type projects in Cambodia, and to involve all key stakeholders explicitly in the C-BIRD Foundation implementation process. The C-BIRD Foundation comprises three levels as indicated:

First, the C-BIRD Foundation, with up to seven members from three of the key stakeholder groups: (a) business associations; (b) donors/NGOs; (c) government agencies. The C-BIRD Foundation will be a relatively large group in order to mobilize resources, networks, and influence. A chairperson
will be selected by all members to provide direction to and lead the C-BIRD Foundation.

Second, the C-BIRD management committee, with nine members selected from the C-BIRD Foundation as well as the manager of the C-BIRD secretariat. The C-BIRD management committee will be more closely involved in the activities of C-BIRD and will establish a number of sub-committees to deal with specific issues. These sub-committees will be chaired by a management committee member, but could involve additional resources from the C-BIRD Foundation or from outside, if required and deemed suitable.

Third, the C-BIRD secretariat, which will be responsible for day-to-day operations of the C-BIRD initiative and will support the foundation and management committee in their activities. Figure 2 indicates an initial proposed staffing of the C-BIRD secretariat of six persons: the manager (who will play an especially critical role in running the C-BIRD Foundation), the publicity and IT officer, the secretary and office administrator, the research and database officer, and two C-BIRD project account executives.

C-BIRD Foundation Next Steps and Lessons Learned

A number of critical next steps need to be carried out in order to ensure that the C-BIRD Foundation achieves its ambitious objectives. At the present time, the project has not made the rapid progress that was anticipated at the first meeting of the C-BIRD Foundation. The critical issues are as follows:

- Urgent attention must be paid to raising funds to support the establishment of the C-BIRD Foundation and other matters (funding for basic setup and six months running costs should be a minimum – around US$50,000). This task appears to be difficult, with all parties waiting for the first move from another party.
- Immediate efforts must be undertaken to identify possible candidates and recruit the C-BIRD secretariat manager. This person will play a key role in moving all aspects of the C-BIRD Foundation ahead, including fund-raising.
- The structure of the management committee and sub-committees and definition of their roles must be finalized. Suggestions for possible sub-committees are presented in the draft business plan.
- The offer of the Population and Community Development Association (PDA) in Thailand to provide financial (US$10,000) and related support to the human resource development activities of the C-BIRD Foundation and related projects must be followed up.

Indicative Lessons Learned: Although it is a relatively small project, a number of useful lessons were learned from the implementation of C-BIRD activities:
• The initial C-BIRD task force was a valuable tool with which to mobilize a broad range of stakeholders to play a role in the innovative C-BIRD initiative. These included businesses and business associations, donors and development partners, and government policy makers.

• An innovative concept like C-BIRD has the potential to draw together a unique group of public and private institutions and individuals to focus on poverty alleviation, rural development, business linkages and skills, and related matters.

• There is strong potential for injecting valuable experiences from other countries through direct institutional involvement, as was done with the Population and Community Development Association from Thailand.

• It is important to allow for carefully selected pilot projects (such as the Business Guide for Emerging Entrepreneurs) to demonstrate the basic concepts of a project model, create greater awareness, and show the potential for scaling up project activities.

In order to provide a indication of the kinds of projects that C-BIRD could carry out, two sample C-BIRD projects are presented here – one of which (the business guide book) has already been completed with financial support from the Association of Banks in Cambodia and the Asian Development Bank.

Garment Remnant Utilization Project: The Garment Remnant Utilization or Creating Village Workshops and Income Generating Opportunities Project aims to take advantage of the willingness and ability of garment factories to make available remnants, scraps, machinery, and training to help groups of villagers set up small workshops that can make products from these materials – such as toys, cushions, children’s clothes, etc. The Garment Manufacturers Association of Cambodia (GMAC) and selected garment factories and other groups would provide finance and training to the village groups, likely through micro-credit and small training programs. The project involves the provision of materials and equipment to the villagers, as well as assistance in identifying what types of products to produce and ways to market them. This project seeks to increase incomes in selected villages, create job opportunities in rural areas that will reduce migration to cities, link garment workers and their home villages, and create value-added applications for waste products and old machinery from garment factories. Garment factories and the GMAC will benefit from an image of corporate social responsibility.

Business Guide Book for Rural Communities: The Business Guide Book for Rural Communities or Promoting Understanding of Business among Rural Communities Project produced a written resource that assists rural communities in developing a better understanding of key business concepts.
and how to establish and run small businesses. The guide book was based on existing materials from the Stock Exchange of Thailand and other books and manuals on doing business, in particular for small and medium-sized enterprises. In a broader sense, the project aims to increase credit extension from financial institutions to rural micro enterprises/entrepreneurs and to strengthen the confidence of financial institutions in providing credit to rural micro enterprises/entrepreneurs. Project activities included the production and dissemination of a business guide book for rural communities. The expected impacts of the project are:

- Greater awareness among rural communities of business concepts and practices;
- Publicity for the Association of Banks in Cambodia and for C-BIRD among rural communities; the guide book will be a flagship project of the association; and
- Support to all rural communities that will become involved in C-BIRD type projects.
References

