

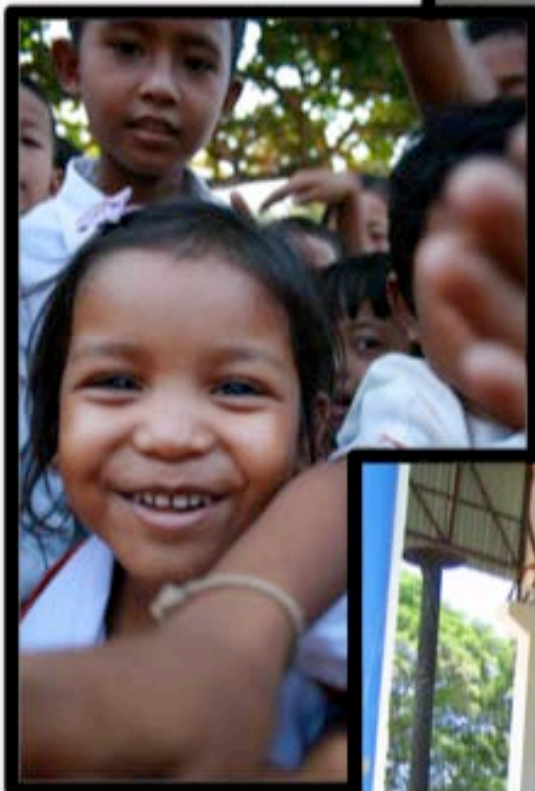


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# Case Study #4:

Three Approaches to the Triple Bottom Line  
Social Enterprises, Private Sector Companies and NGOs in Cambodia



Bleak is an apt word to describe the picture that is often painted of Cambodia. Just 30 years removed from the atrocities of Pol Pot and the Khmer Rouge, this country faces many challenges. Despite these challenges, there are many people in Cambodia trying to change things for the better by creating a more environmentally and financially sustainable future for the Khmer people.



Images from Tuol Sleng Genocide Museum

First some grounding facts. No way around it, Cambodia is a very, very poor country. 2009 per capita GDP was a miniscule \$2,018, putting Cambodia 145 of 181 countries ranked by the International Monetary Fund. On environmental issues, Cambodia is not fairing much better, ranking 148th of 163 countries in the 2010 Yale Environmental Performance Index (EPI). Even within a regional context, Cambodia ranks last among Asian and Pacific countries in the EPI, just behind North Korea.

**2010 ENVIRONMENTAL PERFORMANCE INDEX**

Table 2.2. Asia and Pacific

Rank	Country	Score	Rank	Country	Score	Rank	Country	Score
1	New Zealand	71.4	10	Thailand	56.0	18	China	49.0
2	Japan	71.0	11	Sri Lanka	55.7	20	India	48.3
3	Singapore	69.0	12	Taiwan	52.2	21	Philippines	48.0
4	Israel	58.2	13	Brunei	50.8	22	Indonesia	46.8
5	Sweden	58.0	14	Laos	50.6	23	Papua N. G.	44.3
6	Maldives	55.0	15	Vanuatu	50.0	24	Bangladesh	44.0
7	Pi	50.0	16	South Korea	47.0	25	Mongolia	42.0
8	Polippines	46.7	17	Myanmar	37.3	26	North Korea	41.0
9	Australia	46.7	18	Slovenia	37.7	27	Cambodia	41.2

On the face of it, the prospects for success in Cambodia are not bright. However, when we arrived in Phnom Penh on February 18, 2010 we found a city that was filled with welcoming, warm and entrepreneurial people. Specifically, we were able to connect with three people working in Cambodia to realize a more sustainable future. They each had individual approaches to creating an organization with a focus on triple bottom line (TBL) results. All three of these remarkable people are proving once again that there is never a single “right” approach to solve problems as difficult and complex as those that exist in Cambodia today.



Phnom Penh Housing Project

**Triple Bottom Line Organizations**

In practical terms, triple bottom line accounting means expanding the traditional reporting framework to take into account ecological and social performance in addition to financial performance. The phrase was coined by John Elkington in 1994. It was later expanded and articulated in his 1998 book *Cannibals with Forks: the Triple Bottom Line of 21st Century Business*. Sustainability, itself, was first defined by the Brundtland Commission of the United Nations in 1987.

The concept of TBL demands that a company's responsibility be to stakeholders rather than shareholders. In this case, "stakeholders" refers to anyone who is influenced, either directly or indirectly, by the actions of the firm. According to the stakeholder theory, the business entity should be used as a vehicle for coordinating stakeholder interests, instead of maximizing shareholder (owner) profit.<sup>3</sup>

<sup>1</sup>Source: World Economic Outlook Database-October 2009, International Monetary Fund. Accessed on March 15, 2010.

<sup>2</sup>Source: Yale Center for Environmental Law & Policy, Accessed on March 15, 2010

<sup>3</sup>Source: [http://en.wikipedia.org/wiki/Triple\\_bottom\\_line](http://en.wikipedia.org/wiki/Triple_bottom_line), Accessed on March 30, 2010

## **Solution 1: Social Enterprise - [Bloom Bags](#)**

We first met Diana Saw, founder of Bloom Bags, over lunch in Siem Reap. Diana was quick to explain that Bloom is a social enterprise, which is different from the thousands of non-governmental organizations (NGOs) operating in Cambodia in that Bloom does not rely on donations to fund its operations. Instead, Bloom wants to provide customers with fashionable bags made from recycled materials and to be paid a fair price for the bags, allowing Bloom to make a modest profit. Diana's triple bottom line approach was to prioritize the social goals of her business.

The idea for Bloom was conceived when Diana visited Cambodia with Dale Edmonds, the founder of [Riverkids Project](#), in 2006, when Dale was trying to prevent the sale of a baby girl by her mother. Diana felt pity for the mother who was subsequently jailed. She believed the woman sold the child out of a desperate need for money and decided to start a business to provide jobs for women. Diana believes that it is important to help Cambodians by providing jobs. As long as parents do not have a stable, secure life their kids will never be safe. Jobs provide regular income, which in turn provides stability, security, and a sense of the future.<sup>4</sup>

After resigning from a successful career in publishing in Singapore, Diana arrived in Cambodia with the idea of creating a co-op with Cambodian women producing silk fashion accessories. Silk was Diana's top choice for several reasons. First, silk is produced locally and therefore its use would incur a smaller carbon footprint than the use of imported materials. Secondly, Diana wanted to provide as much employment as possible to Cambodians throughout her supply chain. However, Diana soon realized that there were difficulties in marketing silk products to her target consumer, young adults. Diana wanted to target this group because she thought they were the group that held the most promise for the future of fair trade and sustainability. Unfortunately, she found that many young people do not like silk, finding it more suitable for "aunties". Diana needed a differentiated product for Bloom that would appeal to her target.

The idea to use recycled, or more accurately reused, materials such as milk and juice cartons, newspapers, cigarette boxes, banners and the signature and very colorful fish feed and rice bags to produce Bloom's stylish accessories came from Diana's Cambodian workers. To source the boxes, newspapers and magazines, Diana pays rubbish collectors 6000 riels (~\$1.50USD) per kg, or more than double what a kilogram of rice costs. Most of these materials would have otherwise been burned with the rest of the trash, emitting toxic fumes. To source her signature fish feed and rice bags, Diana heads to the O'Russey Market in Phnom Penh, where there is an existing secondary market for this Vietnamese farmers' "trash".



Diana then opened two retail locations to sell Bloom's accessories to the increasing number of tourists visiting Cambodia. One of her shops is in Siem Reap and the other in the Russian Market in Phnom Penh. However, her unique and successful designs were quickly copied by other shops and sold at lower prices. The lower prices come at the expense of workers who, rather than being paid a guaranteed living wage as Diana's workers are, are paid a low piece price. With little intellectual property protection available in Cambodia there is not much Diana can do legally to protect her designs. And unfortunately many tourists do not seem to be motivated to pay slightly more for a product that was produced in a socially responsible manner. The good news for Diana is that she is increasingly finding markets outside of Cambodia for Bloom's unique and sustainable products.

<sup>4</sup>Source: [www.bloomcambodia.com/faq.php](http://www.bloomcambodia.com/faq.php), Accessed March 30, 2010



By focusing her time and energy on creating relationships with buyers and retailers from markets like the United States, Diana is hopeful she will be able build a business that provides living wages and a healthy work environment for Cambodian women.

Now in its fourth year of operation, Bloom is making a modest profit while employing 10 formerly economically disadvantaged Khmer women. However, Diana still debates taking a salary for herself so she can recoup her initial investment. This is one of the many challenges of being committed to first enacting positive social change while trying to also run a profitable and environmentally sustainable business.

### **Solution 2: Private Company - SME Renewable Energy Ltd.**

In spite of the difficult environment for private businesses in Cambodia, Managing Director Rin Seyha has grown SME Renewable Energy Ltd. (SME RE) into a profitable business that sells bio-mass gasifier systems providing reliable, affordable and environmentally friendly electricity to Cambodia's critical rice, brick, textile and ice industries.

The absence of a robust and stable Cambodian electrical grid has created an opportunity for SME RE's gasifiers. The national grid is in reality a patchwork of highly inefficient regional grids that extend from the major cities out into the countryside. Grid electricity in Cambodia is also some of the most expensive in Southeast Asia, with costs in excess of \$0.20/kwh. This is a 20-160%<sup>5</sup> premium on electricity rates in neighboring Vietnam and Laos, respectively. Despite the premium prices, Cambodian businesses are often plagued with blackouts, requiring the use of back-up diesel generators to maintain business operations. While diesel generated power can be less expensive than the grid, with costs between \$0.13-\$0.15/kwh, it remains highly vulnerable to fuel pricing and shortages in remote areas.

SME RE has been successful in Cambodia because their gasifiers convert a widely available waste product, rice husks and other bio-mass, into a source of cheap, reliable and green energy. The benefits to their customers are considerable. Electricity generated by a gasifier can cost as little as half that of grid electricity. Business continuity is also improved as operators now have control of the bulk of their energy supply and are not forced to shut down during frequent blackouts. The environmental benefits are also substantial. The 32 gasifiers installed by SME RE eliminate the need for over 3 million liters of diesel fuel and reduce carbon emissions by over 9,000 tons each year. If the Cambodian government begins to regulate emissions, as other Southeast Asian counties have, SME RE customers will increasingly value these environmental benefits.

Along with the strong environmental and financial results delivered by SME RE to date, they are also committed to screening clients to ensure that all labor regulations are being upheld with regard to child labor and minimum wage. While SME RE's model is not focused on affecting a direct positive social impact, the repercussions of the success of their business are significant.

<sup>5</sup>Source: Laos = \$0.075/kwh Source: <http://www.invest.laopdr.org/cost.htm>, Vietnam \$0.166/kwh Source: <http://english.vietnamnet.vn/biz/2009/02/833147> Accessed March 18, 2010



Keith & Seyha

Cambodia has a serious electricity problem and a poor regulatory environment for sustainable technologies. Despite these issues, SME RE delivers on all three elements of the triple bottom line, providing an innovative solution that is creating and maintaining jobs in core Cambodian industries by allowing them to remain regionally cost competitive.

**Solution 3: Non-Profit, Non-Governmental Organizations (NGOs) - Resource Equality - International**

“It all starts with clean water.” In our day spent with Peter Williams, Regional Director of Resource Equality - International (RE-I), we heard quite a bit on the importance of clean water as a foundation for any effort to create a more sustainable future in Cambodia. “Why build a school at all if you are not also going to include adequate bathroom facilities and safe drinking water?” Peter asked this rhetorical question as we pulled away from an elementary school on Silk Island, just outside of Phnom Penh, where RE-I has funded the refurbishment of the school’s bathrooms, as well as provided one of its ceramic water filters to each classroom to ensure the children have access to clean water while at school.



Amy at school

Operating as a non-profit NGO, RE-I relies on donations to support the distribution of ceramic water filters that provide clean drinking water to rural Cambodians. Rather than only applying for grants and other passive funding, Peter has created a successful way of engaging tourists in Phnom Penh that have a day to spare along with \$40-50. We noticed Peter’s flyer hanging in the Foreign Correspondents Club, with a headline reading “Want to Save a Life while you’re here? Volunteer with Resource Equality” We took down the contact email and reached out the next day. After setting a date, we agreed that for \$50 we would be able to fund the delivery of three water filters. Along with attending the presentation of the filters to the recipient families, we participated in the educational program that ensures that recipients are aware of how to operate and care for the filters.

Peter also informed us that all recipients have to pay a nominal amount to receive the filter, sometimes as low as a \$1, and that their money goes to buy more filters for schools, health clinics or community meeting halls where all villagers can use them. This payment also ensures that the villagers truly value the filters and do not see them as “gifts” from an NGO.



After we finished the presentation of the filters to the three recipient families, Peter explained to us that the water filters’ benefits are not limited to just providing clean water. They have significant environmental benefits due to the reduced use of charcoal and wood that is no longer needed to boil water to make it safe to drink. There is also the reduced time and effort required by women to complete the arduous daily task of collecting and boiling water.

As a licensed Principal Investigator through the Alaska Department of Environmental Conservation who lives half of each year in Alaska, Peter has the technical knowledge to make a difference in providing clean water in Cambodia. His newly formed NGO is still awaiting certification of its Memorandum of Understanding (MoU) from the Cambodian government, because in his words, “for the past 2- years, RE-I has been working to get our Memorandum of Understanding signed by both the Ministry of Rural Development and Ministry of Foreign Affairs. Unfortunately the Ministry of Foreign Affairs expects a significant gratuity of several thousand US dollars to sign our MoU. RE-I patiently plays this game with the Ministry, hoping to have our MoU this year.” The benefit to operating as a non-profit NGO is that Peter can quickly scale to meet demand and receive donations without having to maintain a business infrastructure (he sources the filters from a local company as needed). Peter does not need to worry about meeting financial targets or payroll, but he often spends his days dealing with the bureaucracy of the Cambodian and American governments, the tedium of writing endless grant proposals and waiting for the phone to ring with another group of interested tourists.

By the end of our few weeks in Cambodia, we were inspired by the resilience and innovative approaches taken by Bloom, SME RE and RE-I. While all are balancing the three aspects of a triple bottom line organization differently, they are all focused on ensuring that they have a positive impact on their stakeholders by delivering against financial, environmental and social metrics. Their success comes from clear focus and understanding on how their organizations will prioritize the three aspects of the triple bottom line. This way when the need to compromise arises, as it surely will, there is clear direction on which element takes priority.

