

# CAMBODIA'S COMMUNITY REVOLVING FUND: REDUCING EXPLOITATIVE LENDING AND BUILDING RESILIENCE AGAINST MULTI-HAZARDS

Akhteruzzaman Sano, Save the Earth Cambodia

## Introduction

The Community Revolving Fund (CRF) is an innovative financial mechanism designed to empower communities to build resilience against multiple hazards and reduce vulnerability to various disasters. Rooted in a community-led, community-owned, and participatory approach, this fund provides flexible, accessible financial support to CRF member households. It allows them to undertake risk assessment, preparedness, adaptation, and recovery activities in collaboration with local authorities that strengthen their resilience over time. By pooling resources and reinvesting loan repayments, the fund becomes a sustainable and self-sufficient model for disaster risk reduction, enabling communities to act proactively and address specific vulnerabilities tailored to local needs.



Figure 1: CRF works as a transformative agent (Pic. Ref. Samaki Community, Kaos Krala, Battambang 2009)

The fund typically operates through micro-loans directed towards livelihood activities, such as the Annual Climate Adapted Farming Calendar, which fortifies infrastructure, improves livelihoods, and supports environmental conservation efforts that reduce disaster risk. For example, households can utilize funds for initiatives like flood-resistant infrastructure, soil erosion prevention, resilient agriculture practices, emergency preparedness, etc. This



Figure 2: Community development budget and savings of the CRF member households is the main source of funding to the CRF

approach enhances community solidarity, as members collectively share responsibility for the fund's growth and outcomes.

Furthermore, the CRFs are instrumental in fostering a culture of accountability and financial literacy within communities as participants gain skills in budgeting, project planning, investment, and refunding. This results in a cycle of continuous improvement and resilience, where communities not only bounce back from disasters but also grow stronger in their capacity to manage future risks, ensuring sustainable development and reduced dependency on external aid.

### Background of the CRF Model

The Community Revolving Fund (CRF) model draws from practical experience and academic insights into micro-credit systems, particularly those that empower rural communities to manage resources and build resilience. This model originated from the author's early research during a Master's degree in Rural Development, where a detailed analysis of micro-credit systems revealed both the opportunities and limitations in supporting sustainable livelihoods. The assignment highlighted the need for community-driven approaches to provide immediate financial support and enhance long-term resilience and adaptive capacity to withstand environmental and economic challenges.



*Figure 3: Composting and plantation of high-quality timber wood-trees (Neang Nuon, Beng etc.)*

The CRF model benefits from proven collective saving and micro-finance practices and is further enriched by hands-on experiences with Oxfam America's "Saving for Change" program in Cambodia. In "Saving for Change," the emphasis was on empowering small groups, especially women, to pool their savings and make loans within their communities, which provided members with a strong safety net and fostered financial independence. This experience underscored the importance of community ownership, transparency, and financial literacy, central pillars of the CRF model.

Additionally, years of direct engagement in community development refined the CRF model, incorporating best practices from various community-led resilience and disaster risk reduction projects. These experiences demonstrated the effectiveness of revolving funds in mitigating immediate risks and fostering a cycle of financial growth and empowerment that allows communities to build self-sustaining resilience capacities. Each iteration of the CRF model has been informed by real-world challenges and successes, allowing it to evolve into an adaptable tool that strengthens multi-hazard resilience and reduces vulnerability to disasters at the grassroots level.

### Where and how the model can be applicable

The Community Revolving Fund (CRF) model is versatile and can be applied across disaster-prone and multi-hazard communities. It provides critical support for resilience-building in regions facing drought, flood, coastal erosion, island vulnerability, flash floods, and other environmental challenges. By tailoring the fund's structure and focus to the



community's specific hazards, the CRF model can empower residents to address localized vulnerabilities and enhance preparedness in relevant and sustainable ways.

Here's how the CRF model can be adapted across different types of communities:

1. **Drought-Prone Communities:** In areas susceptible to prolonged droughts, the CRF can fund initiatives like water conservation systems, drought-resistant crop cultivation, and alternative livelihood projects to reduce dependency on water-intensive activities. These investments can help secure water resources and stabilize incomes, making communities less vulnerable to drought impacts.



*Figure 4: CRF empowers community for climate smart agriculture (Morning Glory vegetables in drought affected areas)*

Save the Earth Cambodia, a Cambodian CSO, facilitated the implementation of the Community Revolving Fund model in Battambang, Cambodia, to support drought-resilient community development. This initiative took place from 2007 to 2008 and was funded by Oxfam America under the Community-Based Disaster Risk Management (CBDRM) program to enhance disaster resilience. The model continued from 2008 to 2009 with support from the GEF Small Grants Programme (SGP) of UNDP Cambodia, focusing on integrating gender considerations and strengthening disaster resilience within sustainable livelihood development.



*Figure 5: CRF drives vulnerable households with pig raising and home gardening for enhancing resilience*

2. **Flood and Flash Flood Areas:** For communities frequently affected by floods, the CRF can support flood mitigation infrastructure, such as raised housing, levees, and improved drainage systems. Additionally, it can

finance early warning systems and emergency response training, empowering residents to respond more effectively to sudden flood events.

3. **Coastal and Island Communities:** In coastal and island regions, where climate change intensifies the risk of erosion, sea-level rise, and storms, the CRF can fund mangrove restoration, protective seawalls, and sustainable fishing practices. This can reduce coastal vulnerability while promoting environmental conservation efforts that strengthen long-term resilience.
4. **Earthquake-Prone Regions:** In seismically active areas, the CRF can support community-led retrofitting of homes and critical facilities to make them more earthquake-resistant. Additionally, earthquake preparedness programs can be allocated, including training for safe evacuation, first aid, and basic search-and-rescue techniques.
5. **Forest Fire-Prone Areas:** In regions where wildfires pose significant threats, the CRF can fund projects to create defensible spaces, support fire-resistant infrastructure, and establish early detection systems. Community members can also access funds for fire safety training and diversify their livelihoods in ways that reduce dependency on fire-prone areas.
6. **Other Multi-Hazard Communities:** The CRF can be a flexible resource pool for communities exposed to multiple hazards to fund diverse resilience initiatives. For example, a coastal community that also experiences seasonal floods might use the fund for a combination of flood barriers and mangrove restoration projects, ensuring resilience against multiple threats.

In these contexts, the CRF model funds tangible projects, builds community capacity, fosters local ownership, and encourages a proactive approach to disaster risk reduction as a financial inclusion platform, ensuring 'no one left behind.' Through regular contributions and reinvestment, communities can create a perpetual fund that evolves with their changing resilience needs, making this model a dynamic and scalable solution adaptable to any disaster-prone environment.

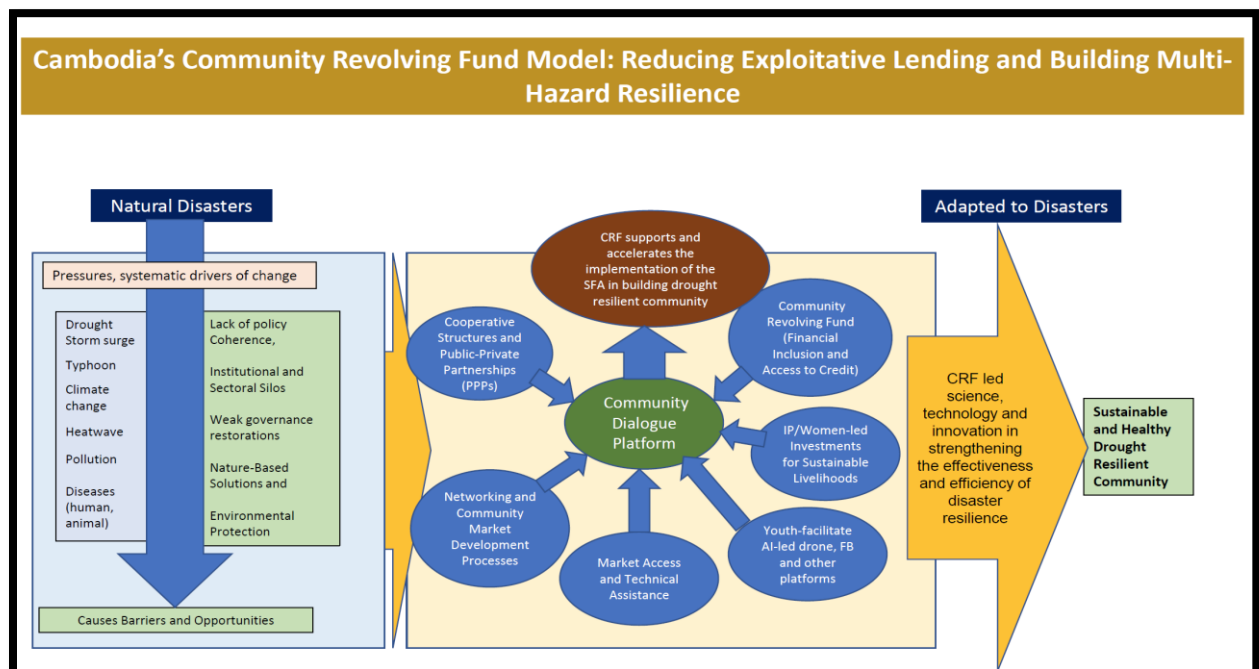


Figure 6: CRF Model for Enhancing Resilience

## What makes the CRF unique from other community funding mechanisms

The Community Revolving Fund (CRF) model incorporates several unique, community-centered features that enhance its effectiveness in building resilience and ensuring sustainability. Notably, this model emphasizes inclusivity, accountability, and a focused commitment to climate-resilient practices:

1. **Women-Centered Funding Access:** Only women can apply for funding, which promotes gender inclusivity and empowers women as financial decision-makers within the households and community. This approach strengthens women's roles in resilience-building and economic development while ensuring that resources are directed toward household and community priorities.



2. *Figure 7: CRF secures the Women's economic empowerment and Children's accessing to safe drinking water*

- in the CRF process. Men must participate in planning and risk assessment activities and follow the community's climate-adapted farming practices, fostering a shared commitment to resilience and sustainable agriculture.
3. **Climate-Adaptive Farming Calendar:** All funds allocated through the CRF must be used strictly in alignment with the Annual Climate-Adapted Farming Calendar. This guideline ensures that investments directly support climate-resilient agricultural practices, including crop selection, water management, and other climate-sensitive activities. This restriction maximizes the fund's impact on long-term food security and environmental adaptation.
4. **Restricted Use of Funds for Resilience-Building Only:** The model mandates that CRF funds cannot be used for non-resilience purposes, such as social gatherings, alcohol, or activities outside the climate-adapted farming plan. This strict allocation maintains the fund's integrity and ensures resources are directed solely toward resilience-enhancing activities.
5. **Community-Driven Risk Assessment and Planning:** The CRF model engages community members, especially women, in assessing local risks and developing risk reduction action plans. Local authorities support this process, reinforcing collective ownership of resilience initiatives.
6. **Savings-Based and Development-Enhanced Funding:** Community members contribute personal savings, augmented by development funds, to create a robust and sustainable financial pool, fostering greater ownership and commitment.
7. **Regular Community Dialogues:** CRF members participate in ongoing monthly dialogues about local risks, challenges, and strategies. These discussions ensure alignment with community priorities and foster accountability and transparency.



8. **Technical and Financial Support Tailored to Households:** The CRF provides technical and financial assistance for households to engage in resilience-building activities customized to individual needs and aligned with the climate-adapted calendar.
9. **Self-Monitoring and Accountability Systems:** Communities employ self-monitoring mechanisms, tracking fund usage and compliance with the CRF's terms, reinforcing transparency and accountability.
10. **Guidance on Financial Literacy and Management:** CRF members receive training on borrowing, investing, and repaying funds, enhancing financial literacy and sustainable financial management.
11. **Community-Elected Leadership:** The CRF committee is elected with at least 50% women representatives by its members, ensuring that leadership remains locally rooted and accountable to community priorities.
12. **Collateral-Free Lending and Mobile Banking Access:** Members can access funds without collateral, and transactions are facilitated through mobile banking, making it accessible to all, especially in remote areas, transparent and trackable to handle complaints.
13. **Member-Determined Terms and Interest Rates:** CRF members collectively set interest rates and terms, ensuring that financial commitments remain manageable and adapt to local economic conditions.

The CRF model, focusing on women's empowerment, structured male involvement, and strict adherence to climate-adaptive practices, is a transformative tool for community resilience. It fosters financial inclusion, promotes climate resilience, and effectively uses resources to build long-term security for vulnerable communities.

### Situation analysis

Communities at risk face compounded socio-economic vulnerabilities due to their reliance on seasonal incomes and high exposure to natural disasters. This financial dependence and the frequent destruction of critical assets during storms, floods, and coastal erosion leave these communities especially vulnerable. The loss of crops, businesses, boats, fishing gear, and other assets can quickly destabilize their livelihoods, creating a cycle of dependency and insecurity that forces them to rely on exploitative financial systems like *dadon*, a high-interest informal lending system prevalent in some regions.

The limitations of *dadon* and other high-cost credit options trap many households and their families in a cycle of debt, hindering their ability to invest in long-term recovery or adopt resilience measures that could protect against future shocks. Consequently, communities may turn to unsustainable recovery strategies, including deforestation, overfishing, or environmentally damaging practices, as a means of short-term income generation to meet pressing debt obligations. These practices undermine the health of local ecosystems, further increasing their vulnerability to future climate-related impacts.

Given these challenges, access to flexible, affordable, and accessible credit and financial services is critical. Such options would allow vulnerable communities to escape exploitative lending systems and instead invest in sustainable recovery and resilience-building initiatives. By improving access to equitable financial support, communities can strengthen their economic stability, enhance resource sustainability, and build resilience against the ever-present threat of natural disasters, fostering a more sustainable future for the people and the ecosystems they depend on.

## Key Components of Cambodia's CRF Model

### 1. **Affordable Credit and Diversified Livelihoods:**

One of the primary objectives of the CRF is to provide affordable credit that empowers rural households to invest in income-generating activities. This reduces their dependency on exploitative lending practices, which trap them in cycles of debt. For example, through the CRF, households in drought-affected regions have been able to diversify their sources of income by engaging in activities like poultry farming, vegetable cultivation, and small-scale retail. This diversification is crucial in reducing vulnerability, especially in regions where agriculture is susceptible to drought impacts.

### 2. **The Micro Insurance Facility (MIF):**

A prominent example of the CRF's success is the Micro Insurance Facility (MIF), a community-led revolving fund designed to offer low-interest loans. The MIF provides critical financial support to households affected by drought and other risks. This initiative, implemented in partnership with local communities, NGOs, and international organizations, has improved access to credit and facilitated investments in alternative livelihoods. This approach boosts financial resilience and ensures communities have better access to resources to cope with external shocks.

### 3. **Empowerment of Women and Marginalized Groups:**

The CRF model has significantly enhanced social and financial stability, particularly for women and marginalized groups. By involving women in the management and governance of the fund, the CRF has empowered them to take leadership roles within their communities. This has increased their economic agency and autonomy, leading to more equitable community development. The active participation of women in decision-making processes also ensures that the fund is better aligned with the needs of the community's most vulnerable members.

### 4. **Community-Led Governance and Trust-Building:**

One of the CRF's key strengths is its emphasis on self-monitoring and community-led governance. This approach fosters trust and accountability within the community, ensuring that resources are managed effectively and the fund's benefits are sustained over time. By entrusting the community with oversight responsibilities, the CRF promotes a sense of ownership and responsibility, leading to more effective fund management and long-term sustainability.

## Long-Term Impacts of the CRF

Cambodia's Community Revolving Fund (CRF) has not only reduced its dependence on predatory lenders and promoted financial independence, but it has also embraced science-based knowledge, technology-driven solutions, and modern communication tools to enhance community resilience. Combined with traditional knowledge, these innovations have provided a comprehensive framework for local adaptation to climate change and natural disasters. Here are the long-term impacts, including these key elements:

### 1. **Integration of Science-Based Knowledge for Local Adaptation:**

The CRF model encourages science-based knowledge to inform decision-making, particularly in climate change adaptation. Communities can access climate data, weather forecasts, and scientific research on local environmental changes. This empowers community members to adjust their agricultural practices, adopt water management techniques, and implement disaster preparedness strategies based on reliable, evidence-driven information. For instance, climate-resilient farming methods, such as drought-resistant crops, are introduced and supported through CRF funding, ensuring that investments align with scientifically validated practices for local adaptation.

### 2. **Technology-Based Innovations for Resilience:**

The CRF model incorporates technology-based innovations to support sustainable development and enhance resilience. For example, communities can utilize mobile banking platforms for secure, efficient access to CRF funds, allowing for greater financial inclusion even in remote areas. In addition, technology-driven solutions such

as mobile apps for weather monitoring, pest control, and agricultural advice are promoted to help farmers adapt to changing climatic conditions. These innovations enable community members to respond more rapidly to emerging challenges, optimize resource use, and enhance agricultural productivity in the face of unpredictable weather patterns.

**3. Leveraging Social Media for Risk Communication:**

Social media platforms have become crucial tools for disseminating risk communication and fostering greater awareness of climate and disaster risks. The CRF model encourages communities to use social media to share weather alerts, early warning messages, and climate-related advice, empowering households to make informed decisions. Community groups can leverage platforms like Facebook, WhatsApp, or local apps to coordinate responses, share knowledge on climate adaptation, and build solidarity. By fostering communication across diverse groups, including youth and women, social media facilitates inclusive dialogue and collective action to address community challenges, thus enhancing overall resilience.

**4. Improved Health, Safety, and Livelihoods through Technology and Knowledge Integration:**

By combining financial empowerment with technology and scientific knowledge, the CRF has made communities more adaptable to environmental and socio-economic stressors. Communities can now access digital tools for health advice, agricultural innovations, and market trends. These tools help households reduce their exposure to health risks while diversifying their income sources in more climate-resilient ways. For example, knowledge-sharing platforms may guide post-disaster recovery methods, ensuring households can rebuild sustainably and efficiently.

**5. Strengthened Community Cohesion with Digital Tools:**

Social media and digital platforms foster a more profound sense of community unity and collective risk management responsibility. Regular online discussions, virtual meetings, and information-sharing channels enable community members to stay connected, even during crises. This digital cohesion complements the face-to-face interaction facilitated by the CRF, ensuring that communities remain informed and prepared. Social media engages local authorities, NGOs, and stakeholders in ongoing dialogues about climate risks and resilience strategies.

**6. Gender Equality through Access to Digital Solutions:**

The CRF's emphasis on gender equality, particularly by allowing women to apply for loans, is enhanced through digital tools. Women in rural areas, who may have limited access to traditional banking, can now use mobile technology for financial transactions and gain access to critical information. This empowers women, boosts their leadership in climate adaptation processes, and reduces barriers to economic participation. Moreover, digital platforms allow women to access resources, such as online training on sustainable practices, empowering them with the knowledge to lead climate adaptation and mitigation efforts within their households and communities.

**7. Fostering Long-Term Climate-Resilient Livelihoods:**

With the support of science-based knowledge and technology, CRF members can continuously adapt their livelihoods to changing climatic conditions. This results in more sustainable practices, such as adopting agroforestry, integrated pest management, and sustainable fishing techniques. Using technology for financial planning and resource management also ensures that households can maintain diversified, resilient livelihoods despite recurrent climate shocks.

**Conclusion:** By incorporating science-based knowledge, technology innovations, and the strategic use of social media platforms, the CRF model in Cambodia has become a comprehensive, forward-thinking approach to building multi-hazard resilience. In conjunction with financial empowerment and gender-inclusive practices, these elements contribute to creating adaptive, self-sufficient communities capable of responding to climate change and natural disasters, which can be applied to any community at disaster risk. The CRF addresses immediate financial needs and provides long-term solutions for sustainable development, health, and safety, enhancing the resilience of vulnerable communities.