

350 Fifth Avenue, 34th Floor
New York, NY 10118-3299
Tel: 212-290-4700
Fax: 212-736-1300; 917-591-3452

ASIA DIVISION

Brad Adams, *Executive Director*
Kanae Doi, *Japan Director*
Meenakshi Ganguly, *South Asia Director*
Elaine Pearson, *Australia Director*
Sophie Richardson, *China Director*
Phil Robertson, *Deputy Director*
John Sifton, *Advocacy Director*
Patricia Gossman, *Associate Director*
Judy Kwon, *Seoul City Director*
Linda Lakhdhir, *Legal Advisor*
Jayshree Bajoria, *Senior Researcher*
Andreas Harsono, *Senior Researcher*
Sunai Phasuk, *Senior Researcher*
Maya Wang, *Senior Researcher*
Carlos H. Conde, *Researcher*
Sarooop Ijaz, *Senior Researcher*
Yaqiu Wang, *Researcher*
Riyo Yoshioka, *Senior Program Officer*
Tepei Kasai, *Program Officer*
Shayna Bauchner, *Assistant Researcher*
Nicole Tooby, *Senior Coordinator*
Seashia Vang, *Senior Associate*
Racquel Legerwood, *Coordinator*

ADVISORY COMMITTEE

David Lakhdhir, *Chair*
Orville Schell, *Vice-Chair*
Maureen Aung-Thwin
Edward J. Baker
Robert L. Bernstein
Jerome Cohen
John Despres
Mallika Dutt
Kek Galabru
Merle Goldman
Jonathan Hecht
Sharon Hom
Rounaq Jahan
Ayesha Jalal
Robert James
Joanne Leedom-Ackerman
Perry Link
Krishen Mehta
Andrew J. Nathan
Xiao Qiang
Bruce Rabb
Balakrishnan Rajagopal
Ahmed Rashid
Victoria Riskin
James Scott
Mark Sidel
Eric Stover
Ko-Yung Tung
Francesc Vendrell
Tuong Vu

HUMAN RIGHTS WATCH

Kenneth Roth, *Executive Director*
Nic Dawes, *Deputy Executive Director*
Michele Alexander, *Deputy Executive Director, Development and Global Initiatives*
Emma Daly, *Deputy Executive Director, Media (Acting)*
Liesl Gernholtz, *Deputy Executive Director, Program (Acting)*
Chuck Lustig, *Deputy Executive Director, Operations*
Bruno Stagno Ugarte, *Deputy Executive Director, Advocacy*

Dinah PoKempner, *General Counsel*
James Ross, *Legal and Policy Director*

August 6, 2020

Mr. Philippe Le Houerou
Chief Executive Officer
International Finance Corporation
2121 Pennsylvania Avenue, NW
MSN F 3K-300
Washington, DC 20433

Re: Request for Information to Covid-19 Response for Cambodia-Based Clients

Dear Mr. Le Houerou,

We are reaching out to you to raise our concerns about reports of human rights abuses stemming from widespread over-indebtedness in Cambodia's micro-finance and micro-loan sector, particularly during the economic downturn brought on by the Covid-19 pandemic. Specifically, we are concerned that debt collection practices carried out by micro-finance institutions supported by the IFC are harming low-income workers and their families.

Human Rights Watch is an independent nongovernmental organization that monitors and reports on human rights in nearly 100 countries. In Cambodia, we have predominantly focused our research, monitoring and reporting efforts on the clampdown on civil and political liberties of community activists, trade union leaders, journalists and government critics, as well as land grabbing and other land rights violations leading to a loss of livelihood and increased poverty of many vulnerable Cambodian communities.

Recent research [found](#) that the lack of client protection regulation in Cambodia's micro-finance sector, and more recently the Cambodian government's response to the Covid-19 pandemic, have resulted in insufficient protection of micro-loan borrowers and ultimately in the loss of their rights to an adequate standard of living, notably access to adequate housing. A 2019 [report](#) by two respected civil society

HUMAN
RIGHTS
WATCH

HRW.org

organizations with whom we have worked closely, the Cambodian League for the Promotion and Defense of Human Rights (LICADHO) and Sahmakum Teang Tnaut (STT), documented entrenched unethical lending practices by many lending institutions in Cambodia – including pressure on and threats against overly indebted borrowers to pay off loans or to take out multiple loans to pay off their rising debt.

Lending practices in Cambodia have also resulted in other serious human rights abuses such as coerced land sales where collateral was seized or threatened to be seized by micro-loan providers upon borrowers' inability to pay off their loans. Human Rights Watch is deeply concerned about the haphazard enforcement of institutional disciplinary processes adopted by micro-loan providers that prevent proper investigations into alleged misconduct by micro-loan officers or make it difficult for borrowers to complain about such incidents freely, and without fear of retaliation. In many instances, access to complaints mechanisms by aggrieved borrowers is denied.

Human Rights Watch learned from publicly available information that the IFC has a direct equity stake in Cambodia's largest micro-loan provider [Amret](#) (19.99 percent) and has made US\$10 million direct investment in Amret. The IFC has a 14.51 percent direct equity stake in [Advans Group & LPP](#), which in turn has a 52.78 percent stake in Amret – thereby increasing IFC's stake indirectly.

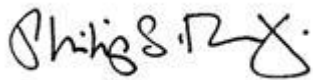
In addition, the IFC currently lists as “active” several loans of tens of millions of dollars to [Hattha Kaksekar Limited \(HKL\)](#) and [PRASAC](#). The IFC is also one of several international holders of so-called “B shares” worth US\$338 million in the framework of the [Micro-finance Enhancement Facility \(MEF\)](#), with [direct investments](#) in Amret (US\$11.8 million), HKL (US\$16 million), KREDIT (US\$1 million), LOLC (US\$3.3 million), PRASAC (US\$12.8 million) and Sathapana Bank (US\$3 million). On June 26, 2020, as part of the IFC's Covid-19 response program, the Board of the IFC approved a further US\$25 million loan investment each to [Amret](#) and [HKL](#).

Given this significant and recent investment in the sector, Human Rights Watch requests information regarding any and all steps the IFC is currently taking, or has previously taken, to quantify, assess and/or mitigate the oversaturation and over-indebtedness in Cambodia's micro-loan sector. We request information on what steps the IFC has taken to ensure micro-finance clients are protecting borrowers from potentially predatory and abusive debt collection practices. This includes prior to the Covid-19 pandemic, and also any assessments, research, reports, or actions taken in recent years that address and/or mitigate reports of human rights abuses, over-indebtedness and oversaturation in the country's micro-loan market.

We have attached our questions in Appendix I and ask that you respond by **August 27, 2020**. We wish to ensure that your relevant responses are reflected in Human Rights Watch's reporting, and note that we may publish your responses in part or in whole.

I would like to thank you for your consideration and would be happy to discuss this matter further, via conference call or other means. Please do not hesitate to contact Seashia Vang at vangs@hrw.org with any questions regarding our letter, and to provide responses to the information requested in Appendix I by August 27, 2020.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Phil Robertson". The signature is stylized and cursive.

Phil Robertson
Deputy Director of Asia Division, Human Rights Watch

CC:

Ms. Mary Porter Peschka, Director of Environment, Social and Governance department.

Mr. Osvaldo Gratacos, VP for the CAO

Ms. Nena Stoiljkovic, VP for Asia and Pacific

Mr. Vivek Pathak, Regional Director for East Asia and the Pacific

Mr. Kyle Kelhofer, Country Manager for Cambodia

Mr. Aaron Shane Rosenberg, Head of Public Affairs

Appendix I
Human Rights Watch Information Request to the IFC

We kindly request the following information from the IFC by **August 27, 2020**:

- 1) Any documentation that the IFC has produced or commissioned regarding any of the following topics in relation to the Cambodian micro-finance sector or any IFC client providing microfinance loans in Cambodia:
 - a. Human rights abuses and relevant client protection regulations
 - b. Abusive debt collection practices, including coerced and/or forced land sales
 - c. Frequency and impacts of collateral seizure for debt repayment
 - d. Market saturation and indebtedness levels nationally, regionally, by institution, by type of borrower
 - e. Any and all documentation of direct contact with Cambodian micro-loan borrowers regarding any of the previous topics.

- 2) What actions, if any, has the IFC itself taken, or advised other bodies, institutions, or micro-loan providers to take, to address any of the following topics in relation to the Cambodian micro-finance sector?
 - a. Over-indebtedness
 - b. Oversaturation
 - c. Abusive debt collection practices, including coerced and/or forced land sales
 - d. Lack of client protection regulations
 - e. Collateral seizure

- 3) Please provide information and documents regarding the impact assessments carried out to identify and address the social and human rights risks associated with abusive debt practices, including coerced and/or forced land sales, with respect to IFC's Cambodian micro-finance clients, both before and during the pandemic. In particular, we would appreciate detail on:
 - a. processes to ensure that IFC's Cambodian micro-finance clients complied with its social and environmental requirements and met the "do no harm" standard;
 - b. processes undertaken to identify, prevent, and mitigate social and human rights risks;

- c. processes for remedying abuses when they occurred.
 - d. If social and human rights impacts were identified after IFC's investments were made, please provide information on the steps IFC took to prevent and mitigate future harm, and remedy ongoing and past abuses associated with their clients.
- 4) Please provide any documents regarding relief for borrowers and other client protection measures that IFC has promoted in the Cambodian micro-loan sector in response to the Covid-19 crisis.
- 5) Please provide any information, if existent, on how many loan repayment suspensions or other borrower relief measures have been implemented by IFC clients, including financial intermediaries, that provide microfinance loans.
- 6) Has the IFC communicated any new or updated recommendations or requirements on Covid-19 debt relief responses to its clients that provide micro-loans? If so, please provide as detailed information as possible regarding these recommendations.
- 7) Please provide any information that the IFC has received from its Cambodian micro-finance clients in relation to Covid-19 response funds already dispersed or to be dispersed in the future. Please provide the following information for all your Cambodian micro-finance clients:
 - a. how Covid-19 response funds are being used;
 - b. how Covid-19 response funds are monitored; and
 - c. how Covid-19 response funds are implemented on the ground.