

## **DISPUTE RESOLUTION CONCLUSION REPORT**

**Regarding the Ninth Complaint Received in Relation to IFC's Investment in the  
Microfinance Enhancement Facility (MEF) (IFC Project #27827) in Cambodia**

**December 2025**

Office of the Compliance Advisor Ombudsman  
*for*  
the International Finance Corporation and the  
Multilateral Investment Guarantee Agency  
[www.cao-ombudsman.org](http://www.cao-ombudsman.org)

## **About the CAO**

The Office of the Compliance Advisor Ombudsman (CAO) is the independent accountability mechanism of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), members of the World Bank Group. We work to facilitate the resolution of complaints from people affected by IFC and MIGA projects in a fair, objective, and constructive manner, enhance environmental and social project outcomes, and foster public accountability and learning at IFC and MIGA.

CAO reports directly to the IFC and MIGA Boards of Executive Directors. For more information, see [www.cao-ombudsman.org](http://www.cao-ombudsman.org)

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## LIST OF ACRONYMS

CAO	Office of the Compliance Advisor Ombudsman
DR	dispute resolution
GAGS	Global Gender-Smart Fund
IFC	International Finance Corporation
MEF	Microfinance Enhancement Facility
MIGA	Multilateral Investment Guarantee Agency
MLF	Microfinance Liquidity Facility
KB PRASAC	KB PRASAC Bank Plc

## OVERVIEW

In June 2024, the Office of the Compliance Advisor Ombudsman (CAO) received four separate complaints from four individuals concerning the same project and sub-client. This report describes one of these complaints (case name: Cambodia MEF 09). The complaint alleges social impacts associated with over-indebtedness in Cambodia's microfinance sector, specifically in relation to the International Finance Corporation (IFC) sub-client KB PRASAC Bank Plc ("PRASAC"), a microfinance institution (MFI), operating in Cambodia. At the time the complaint was filed, IFC had indirect financial exposure to PRASAC through its investment in the Microfinance Enhancement Facility (MEF) (IFC Project: MLF<sup>1</sup> #27827). PRASAC subsequently repaid its loan to MEF on July 18, 2024. There is an ongoing CAO compliance investigation regarding the practices of six financial institutions (four banks and two microfinance institutions) in Cambodia,<sup>2</sup> and PRASAC is one of the six. There are nine other ongoing CAO cases in assessment, dispute resolution (DR), and DR monitoring related to the social impacts of over-indebtedness in Cambodia's microfinance sector.<sup>3</sup>

The complainant in this case claimed that after taking out a loan from PRASAC in 2020, he experienced significant financial hardship, including a decline in his livelihood and adverse effects on his family's well-being. He further alleged that PRASAC's lending and collection practices, such as threats and intimidation by staff and an ineffective grievance redress mechanism, have caused harm to him and his family. In October 2024, CAO began an assessment of the complaint. During the assessment phase, both the complainant and PRASAC (together referred to as "the parties") agreed to participate in a CAO-facilitated DR process.

During the CAO assessment phase, bilateral and joint sessions were held in person with the parties. During the first joint session in March 2025, the parties reached and signed a full and final agreement. The signature of a final agreement represents the conclusion of the DR process.

Following the closure of the assessment and DR process, the case moved to CAO's DR monitoring phase. In accordance with the terms of the agreement, CAO monitored the implementation of the agreement until August 12, 2025. Since the parties informed the CAO that the agreed terms were being implemented to their mutual satisfaction at the end of the monitoring phase, the CAO, in accordance with paragraph 69 of the CAO Policy, concluded the dispute resolution process and closed the case.

This conclusion report documents CAO's assessment, dispute resolution, and DR monitoring processes for this case, and offers reflections and lessons learned from the outcomes.

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<sup>1</sup> Project #27827 originally appeared on disclosed IFC documents as the Microfinance Liquidity Facility, or MLF. The MLF was later renamed the Microfinance Enhancement Facility, or MEF, and has since been renamed the Global Gender-Smart Fund, or GGSF. See IFC Disclosure at <https://disclosures.ifc.org/enterprise-search-results-home/27827>

<sup>2</sup> Further information on this case can be found at <https://www.cao-ombudsman.org/cases/cambodia-financial-intermediaries-04>.

<sup>3</sup> Further information on these cases can be found at <https://www.cao-ombudsman.org/cases>.

## BACKGROUND

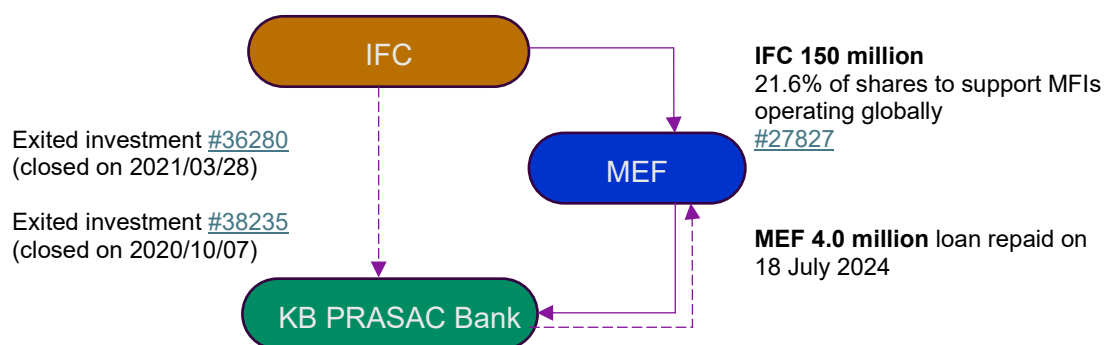
### The Project

IFC had indirect financial exposure to PRASAC through their investment in MEF (IFC Project: MLF #27827). MEF is a global microfinance liquidity facility launched by IFC, the German development bank KfW, and the Development Bank of Austria<sup>4</sup> in response to the 2008/09 liquidity crisis. It provides short- and medium-term financing to microfinance institutions worldwide that are encountering difficulties securing market financing. IFC invested US\$150 million in B shares, giving it a 21.6 percent equity ownership in MEF, which was approved in 2009<sup>5</sup> and categorized as “FI” under IFC’s previous 2006 Sustainability Policy.

On January 1, 2024, MEF was renamed the Global Gender-Smart Fund (GGSF), reflecting a changed mandate focused on gender-smart investing and responsible finance. IFC converted US\$80 million of its US\$150 million shares in MEF to shares in GGSF and received US\$70 million in repayments. IFC now has 23.1 percent of equity ownership in GGSF, alongside other founding shareholders—KfW, which also manages a junior share investment from the German Federal Ministry of Economic Cooperation and Development, or BMZ, and the Development Bank of Austria.

PRASAC paid off a US\$4.0 million loan from MEF on July 18, 2024 (figure 1). PRASAC is a subsidiary of KB Kookmin Bank-Korea, a new commercial bank in Cambodia formed through the successful merger of PRASAC Microfinance Institution Plc and Kookmin Bank Cambodia Plc. PRASAC has a commercial license from the National Bank of Cambodia and officially received approval from the Ministry of Commerce of Cambodia for its banking operations in August 2023. PRASAC Microfinance Institution Plc is a former direct IFC client through two loans<sup>6</sup> designed to support the expansion of PRASAC’s microfinance, agricultural, and small and medium enterprises portfolio. IFC exited these investments in October 2020 and March 2021. The sub-client’s repayment transaction happened during CAO’s eligibility determination stage.

**Figure 1. IFC financial links to PRASAC**



### The Complaint

In June 2024, CAO received four separate complaints from four different individuals concerning the same project and sub-client. The four complaints allege social impacts linked to over-

<sup>4</sup> MEF is a special-purpose vehicle constituted in Luxembourg. See <https://ggs-fund.com/>

<sup>5</sup> See <https://disclosures.ifc.org/project-detail/SPI/27827/ifc-mlf>

<sup>6</sup> See <https://www.kbprasacbank.com.kh/en/bank-overview/profile/>.

indebtedness in the Cambodian microfinance sector. This complaint—case number: Cambodia MEF 09—alleges specific harm, including a loss or decrease in livelihood and loss or decrease in food security as a result of the loan taken out by the complainant from IFC’s sub-client PRASAC in 2020.

A redacted version of the [letter of complaint](#) to the CAO is available on the case page on CAO’s website.

## ASSESSMENT

CAO’s assessment phase began in October 2024 with the objective of clarifying the issues and concerns raised in the complaint, gathering information on the views of relevant stakeholders, and determining whether the parties wanted to engage in a CAO-facilitated dispute resolution process or proceed to a compliance appraisal of IFC’s environmental and social performance standards (see appendix A). As part of the assessment, the CAO team carried out a desk review of project-related information; held virtual meetings with the complainant, PRASAC representatives, and IFC project teams; and carried out an assessment mission to Cambodia.

During the assessment phase, the complainant indicated that he took out a loan from PRASAC in 2020. He alleged that the loan caused significant hardship, including a decrease in livelihood and negative impacts on his family’s well-being. The complainant asserts that he has been harmed by PRASAC’s lending practices, which include providing a loan without adequately explaining the potential future risks associated with it, threats and intimidation by PRASAC staff because he could not repay the loan, and an ineffective grievance redress mechanism to address his concerns. As a first-time business owner with limited financial knowledge, the complainant believed the loan would help grow his retail pork business. However, the COVID-19 pandemic and related restrictions severely impacted his operations, leading to financial distress. He stated that the high-interest loan exacerbated his situation, leaving his family struggling to meet their basic needs.

The complainant also reported feeling pressured by PRASAC staff to sell his last plot of farmland to repay his loan. He stated that PRASAC declined his repeated requests to renegotiate the loan terms, including interest-only payments, unless he could pay three months’ worth of principal and interest—terms he found unfeasible due to his financial situation. The complainant further noted that he did not think that the government restructuring programs applied to his case and therefore did not seek assistance from the National Bank of Cambodia.

During the assessment stage, MEF’s fund managers expressed their understanding and support for the CAO process and helped the CAO assessment team connect with PRASAC, their former client. In response to the concerns raised by the complainant, PRASAC claimed that its loan restructuring policy was aligned with the National Bank of Cambodia’s regulations, with approximately 9.4 percent of its portfolio already restructured. The restructuring process typically involves an extension of loan terms by two years, during which penalty fees are waived and only interest is due. Borrowers are expected to resume full payments as soon as their economic situation improves. PRASAC said that restructuring requests are generally accepted unless the loan is classified as nonperforming. In cases of severe financial distress, particularly when repayments are delayed for over 179 days, PRASAC said they assess the individual borrower’s situation to explore alternative solutions. Its loan recovery process includes in-person visits to discuss potential restructuring or negotiated terms based on repayment capacity.

PRASAC explained that its loan approval process is based on a borrower's repayment ability and collateral, and that Cambodia operates largely as a collateral-based lending market. While collateral is used as a tool to encourage repayment, PRASAC emphasized that it cannot legally seize property without the involvement of the courts. PRASAC said it provides channels for resolving borrowers' complaints through its grievance redress system, including a hotline and a Facebook account, where complaints are escalated from the call center to bank managers and then to credit officers who visit the borrowers to assess the situation. Additionally, PRASAC noted its involvement in borrower education efforts, including training and workshops in partnership with banking associations, aimed at improving financial literacy and responsible loan usage.



*Members of the CAO mediation team are explaining CAO's processes to the complainant during assessment (December 2024)*

During the assessment phase, the parties agreed to proceed with a CAO-facilitated DR process. CAO published its [assessment report](#) in March 2025, and the case was subsequently transferred to CAO's Dispute Resolution function.

## **DISPUTE RESOLUTION PROCESS**

CAO began the DR process by inviting parties to separate dialogue-preparation and capacity-building sessions, during which it helped the parties acquire the understanding, information, and skills they needed to navigate the process. In March 2025, the CAO mediation team traveled to Phnom Penh to meet with the parties and began targeted in-person capacity-building sessions, covering aspects such as active listening, effective communication, understanding conflict, collaborative dispute resolution, negotiation, and household income management. The capacity-building sessions clarified the expectations, roles, and responsibilities of each party and offered an overview of what to expect during the DR process.

The PRASAC team demonstrated a high level of engagement throughout the capacity-building session. They actively participated, asked thoughtful questions, and contributed relevant insights based on their operational experiences. The complainant was unable to attend the scheduled capacity-building activity due to prior work commitments. While this prevented him from participating in that specific capacity-building session, he continued to engage collaboratively in the DR process.





*Capacity-building session with PRASAC team (March 2025)*

The DR process began in March 2025 with a series of bilateral sessions in-person. These initial meetings focused on discussing and agreeing on the ground rules and mediation framework to guide the process. The parties agreed on the core principles of mediation, the respective roles of the CAO mediation team and the parties, the scope of the dialogue, and a soft timeline of six months to build a consensus around solutions for the issues raised in the complaint.

The bilateral preparatory sessions facilitated by the CAO mediation team provided an opportunity for the parties to brainstorm potential solutions in a confidential setting, to clarify concerns, and to identify key areas of possible common ground. A joint session was convened in March 2025, during which both parties reached and signed a full and final agreement addressing the complainant's concerns regarding financial hardship and over-indebtedness. Both parties agreed to keep the agreement confidential and issue a [public joint statement](#) indicating that they reached an agreement; it was published on CAO's website. According to the agreement, CAO transferred the case to DR monitoring phase to monitor its implementation until August 12, 2025.



*The parties and CAO mediation team during a joint meeting (March 2025)*

Following the signing of the full and final agreement in March 2025, CAO checked in with the parties monthly to follow up on the implementation of the agreement. In June 2025, the CAO mediation team met with the parties separately and in person in Phnom Penh. Both parties

expressed satisfaction with the implementation progress of the agreement. They agreed to end the DR monitoring phase and close the case.

In August 2025, the CAO convened a final joint monitoring meeting with the parties. During this session, participants reflected on how the agreement had been implemented over the previous six months and assessed whether the commitments had been satisfactorily fulfilled. As part of the meeting, the CAO mediation team facilitated a feedback circle exercise in which participants shared reflections on what aspects of the DR process had worked well, how participation had influenced their lives or work, and what areas could have been better. The complainant expressed that a positive aspect of the process was the strong leadership and willingness shown by PRASAC to help resolve his issues. He expressed appreciation that the PRASAC team dedicated their time, demonstrated their commitment, and showed a genuine understanding of his challenges as a fellow Cambodian. The complainant further expressed gratitude to the CAO mediation team and stated that, *“I was trying to get out of the ‘money prison.’ My wife could not believe what I had achieved in my loan agreement negotiation, and she asked me repeatedly whether it was true, what I was saying. I was able to get more than I asked for. I feel light in my heart and can live now not so heavy inside. You are my angels who came to me during my difficult time. Thank you, CAO team.”* During the feedback circle exercise, members of the PRASAC team noted that finding solutions requires ethical and constructive communication. They added that they recognized some gaps in their internal complaint resolution process and highlighted the importance of offering effective solutions as quickly as possible. They expressed that an added value of the DR process was the ability to engage in conversations in a nonconfrontational and solution-oriented manner.

Following these discussions, the parties jointly agreed that the terms of the agreement had been satisfactorily implemented and consented to formally close the case.



*The parties and CAO mediation team after final joint monitoring meeting (August 2025)*

## CHALLENGES, REFLECTIONS, AND LESSONS LEARNED

This case offered several challenges, reflections, and learning opportunities.

**Value of thorough preparation before joint meetings.** One of the most important lessons that can be drawn from this case is the value of thorough preparation prior to joint meetings. Because both parties invested time in advance to conduct research, clarify their priorities, brainstorm various proposals, and work with the CAO mediation team on their Best Alternative to a Negotiated Agreement (BATNA), the dialogue itself became significantly more focused and productive. The parties arrived at the negotiation table with a clear understanding of the issues, realistic expectations, and concrete options for resolution. This groundwork created an environment where time was used efficiently, and discussions remained focused on solutions. The impact of this preparation was evident in the fact that an agreement was reached in a single joint session.

**Balancing the urgency of addressing over-indebtedness with the practicalities of aligning multistakeholder schedules.** Cases involving financial hardship often require swift action because delays can deepen the financial impact on complainants. The desire to resolve issues quickly highlights the importance of designing dispute resolution processes that operate efficiently without compromising fairness or thoroughness. When parties see that their concerns are being acted on with urgency, it helps build trust and reinforces the credibility of the DR process. Combining the roles of the DR specialist and the mediator in one individual proved effective in addressing the urgent need for action. This dual capacity allowed the team to respond swiftly and mediate in real-time, seizing any momentum. The result was a more efficient, timely, and constructive DR process that fostered a coherent and solution-oriented approach. Of course, the desire to move quickly must be carefully weighed against the practical constraints of aligning multiple parties' schedules and ensuring adequate preparation for each step. Striking the right balance between timely action and practical scheduling is critical to ensuring a responsive and workable DR process.

## CONCLUSION AND NEXT STEPS

The parties expressed their satisfaction with the outcome of the DR process and the implementation of the agreement during the DR monitoring period. In accordance with CAO Policy, CAO concluded the DR process and closed the case.

All relevant documentation is available on CAO's website at [www.cao-ombudsman.org](http://www.cao-ombudsman.org). See appendix A for more information on the CAO complaint-handling process.

## APPENDIX A. CAO COMPLAINT-HANDLING PROCESS

Once CAO declares a complaint eligible, an initial assessment is carried out by CAO's Dispute Resolution function. The purpose of CAO's assessment is to: (1) clarify the issues and concerns raised by the complainant(s); (2) gather information on how other stakeholders view the situation; (3) help stakeholders understand the recourse options available to them and determine whether they would like to pursue a collaborative solution through CAO's Dispute Resolution function or whether the case should be reviewed by CAO's Compliance function.

As per the IFC/MIGA Independent Accountability Mechanism (CAO) Policy,<sup>7</sup> the following steps are typically followed in response to a complaint received:

Step 1: **Acknowledgment** of receipt of the complaint.

Step 2: **Eligibility.** Determination of the complaint's eligibility for assessment under CAO's mandate. The eligibility phase is 15 business days.

Step 3: **Assessment.** Examination of the issues and the provision of support to stakeholders to help them understand and determine if they would like to pursue a solution through a collaborative process convened by CAO's Dispute Resolution function or if the case should be handled by CAO's Compliance function for a review of IFC's/MIGA's environmental and social due diligence. Assessments must be conducted within 90 business days with a possible 30-business-day extension if the parties confirm the likelihood that the complaint will be resolved or if either party expresses an interest in dispute resolution and it is possible that the other party would agree.

Step 4: **Facilitating settlement.** If the parties choose to pursue a collaborative process, CAO's Dispute Resolution function is initiated. The dispute resolution process is typically based on or initiated by a memorandum of understanding and/or mutually agreed-on ground rules between the parties. It may involve facilitation/mediation, joint fact finding, or other agreed resolution approaches leading to a settlement agreement or other mutually agreed and appropriate goals. The major objective of these types of problem-solving approaches will be to address the issues raised in the complaint, and any other significant issues relevant to the complaint that were identified during the assessment or the dispute resolution process, in a way that is acceptable to the parties affected.<sup>8</sup>

OR

**Compliance appraisal/investigation.** If the parties opt for an investigative process, the complaint is transferred to CAO's Compliance function. The complaint is also transferred to the Compliance function if a dispute resolution process results in partial or no agreement. At least one of the parties must provide explicit consent for the transfer unless CAO is aware of concerns about threats and reprisals. CAO's Compliance function reviews IFC/MIGA's compliance with environmental and social policies, assesses related harm, and recommends remedial actions, when appropriate, following a three-step process: (1) A compliance appraisal is conducted to determine if further

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<sup>7</sup> For more details on the role and work of CAO, please refer to the IFC/MIGA Independent Accountability Mechanism (CAO) Policy: <https://documents.worldbank.org/en/publication/documents-reports/documentdetail/889191625065397617/ifc-miga-independent-accountability-mechanism-cao-policy>

<sup>8</sup> When stakeholders are unable to resolve the issues through a collaborative process within an agreed period, CAO Dispute Resolution first tries to help the stakeholders break through any impasses. If these efforts fail, the Dispute Resolution team informs the stakeholders, including IFC/MIGA staff, the President and Board of the World Bank Group, and the public, that CAO Dispute Resolution has concluded the DR process and transferred the case to CAO Compliance for appraisal.

investigation is warranted. The appraisal phase is 45 business days, with a possible 20-business-day extension allowed in exceptional circumstances. (2) If an investigation is warranted, the appraisal is followed by an in-depth compliance investigation of IFC/MIGA's performance. An investigation report is made publicly available, along with IFC/MIGA's response and an action plan to remediate any findings of noncompliance and related harm. (3) In cases where noncompliance and related harm are found, CAO will monitor the effective implementation of the action plan.

Step 5: **Monitoring and Follow-up**

Step 6: **Conclusion/Case Closure**



## CAO Case-Handling Process

