

**INTERNATIONAL FINANCE CORPORATION**

**MANAGEMENT REPORT  
IN RELATION TO THE CAO COMPLIANCE INVESTIGATION REPORT**

**ON**

**ACLEDA, AMRET, HTB, PRASAC, LOLC AND SATHAPANA  
CAMBODIA—EAST ASIA AND THE PACIFIC  
(PROJECT # 21856, 27827, 31467, 34748, 38609, 39167, 41294, 42480, 44211, 44231, 44742,  
44882, 45535)**

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## ABBREVIATIONS AND ACRONYMS

ABC	Association of Banks in Cambodia
ACLEDA	ACLEDA Bank Plc
ADB	Asian Development Bank
AMRET	Amret Plc
AS	Advisory Services
BFI	Banking and Finance Institution
CAFT	Cambodian Association of Finance and Technology
CAO	Office of the Compliance Advisor Ombudsman
CBC	Credit Bureau of Cambodia
CCM	Consumer Complaint Mechanism
CERISE	Comité d'échange, de réflexion et d'information sur les systèmes d'épargne-crédits
CMA	Cambodia Microfinance Association
CSO	Civil Society Organization
DFI	Development Finance Institution
EC	Equitable Cambodia
E&S	Environmental and Social
ESG	Environmental, Social and Governance
FCC	Financial Consumer Center
FI	Financial Intermediary
FMO	Financierings-Maatschappij voor Ontwikkelingslanden N.V
G20	Group of Twenty
GDP	Gross Domestic Product
GGSF	Global Gender-Smart Fund
GIIP	Good International Industry Practice
GRM	Grievance Response Mechanism
HKL	Hattha Kaksekar Limited
HTB	Hattha Bank Plc (formerly Hattha Kakeskar Limited)
IBF	Institute of Banking and Finance
ICLT	Indigenous Communal Land Title
IDA	International Development Association
IEG	Independent Evaluation Group
IFC	International Finance Corporation
LICADHO	Cambodian League for the Promotion and Defense of Human Rights
LOLC	LOLC (Cambodia) Plc.
MAP	Management Action Plan
MEF	Microfinance Enhancement Facility S.A., SICAV-SIF
MFI	Microfinance Institution
MIFA	Microfinance Initiative for Asia Debt Fund SA. SICAV-SIF
MIMOSA	Microfinance Index of Market Outreach and Saturation
MSME	Micro, Small and Medium Enterprises
NAADR	National Authority for Alternative Dispute Resolution
NBC	National Bank of Cambodia
PRASAC	Prasac Microfinance Institution Plc. Or (KB PRASAC Bank Plc.)
Sathapana	Sathapana Bank Plc.
SME	Small and Medium Enterprises
SPTF	Social Performance Task Force
US\$	United States Dollar
UN	United Nations

UNRC  
WBG

UN Resident Coordinator  
World Bank Group

## EXECUTIVE SUMMARY

- i. The International Finance Corporation (IFC), as part of the World Bank Group, is committed to advancing responsible financial inclusion globally. Financial inclusion fosters entrepreneurship, economic growth, and employment, and contributes to reducing poverty.
- ii. IFC has invested in Cambodia since 1999. In recent years, IFC's direct financing, in partnership with other Development Finance Institutions, supported access to finance for approximately 400,000 micro, small, and medium enterprises (MSMEs) each year, with particular emphasis on women-owned businesses and individual borrowers.
- iii. This Management Report responds to the Compliance Advisor Ombudsman (CAO) investigation of 13 direct and indirect IFC investments in six Cambodian financial institutions offering microfinance services. The 18 microfinance borrowers of the complaint describe that lending and debt collection practices contributed to over-indebtedness, as well as broader social impacts on their lives and livelihoods.
- iv. The complainants portray complex situations of economic hardship and multidimensional cycles of poverty that do not stem from a single source. Their testimonies point to gaps in Financial Consumer Protection regulation, consumer education, and responsible finance practices, together with other challenges that microfinance borrowers face in Cambodia. IFC takes these concerns seriously and addresses them at the complainant, financial institution, and sector levels, as detailed in this Report.
- v. IFC has agreed with the complainants and its microfinance clients to facilitate the review and resolution of their cases through mechanisms available in Cambodia. IFC is committed to supporting the complainants in bringing their concerns safely and confidentially to the respective IFC clients or, if desired, to available sector-wide consumer complaint mechanisms. IFC will continue working with its clients to strengthen consumer complaint mechanisms and ensure alignment with good industry practice.
- vi. In response to the CAO complaint, IFC is taking significant actions to address concerns related to aggressive lending and debt collection. IFC designed and delivered training to direct and indirect clients as well as sector stakeholders on responsible lending and debt collection, handling consumer complaints and managing the risk of reprisals in microfinance. IFC will expand these offerings to also address risks associated with the use of land titles as collateral.
- vii. At sector level, IFC strengthens the regulatory and institutional environment for financial inclusion and consumer protection. In 2009, IFC supported the establishment of the Credit Bureau of Cambodia which introduced centralized credit reporting to improve transparency, expand access to finance, and reduce the risk of over-indebtedness.
- viii. Further, IFC has worked with the Cambodia Microfinance Association to introduce Responsible Lending Guidelines to help prevent over-indebtedness, protect consumers, and standardize loan procedures. In 2022, Cambodia introduced standard contract terms for microfinance lending, facilitating consumer education.

ix. Most recently, IFC helped establish Cambodia's Financial Consumer Center, which became operational in July 2025. The Center provides a centralized, industry-wide mechanism for complaint handling, counseling, and resolution, with possible financial ombudsman services at a later stage, and works on financial empowerment and literacy.

x. IFC collaborates closely with its government counterparts, development partners, and others, to address Financial Consumer Protection risks. Currently, IFC is actively contributing to a United Nations and National Bank of Cambodia initiative launched in 2023 to strengthen consumer protection, responsible lending, legal safeguards, and financial safety nets for rural borrowers.

xi. However, IFC does not agree with CAO's arguments related to the applicability of the IFC Sustainability Policy and Environmental and Social Performance Standards. IFC's position is consistent with its November 2022 Management Response, in which IFC clarified that risks and impacts associated with lending and debt collection practices are not within the scope of the IFC Sustainability Framework. Therefore, IFC does not present a Management Action Plan in response to this CAO compliance investigation.

xii. Looking forward, while supporting the review and resolution of cases between complainants and IFC clients, IFC will continue to advance responsible microfinance, support regulatory reforms, and build capacity across the sector. By fostering sector-wide good practices and ongoing stakeholder collaboration, IFC contributes to a more inclusive and resilient financial ecosystem in Cambodia.

## I. INTRODUCTION

1. On October 14, 2025, the Compliance Advisory Ombudsman (CAO) submitted its investigation of investments by the International Finance Corporation (IFC) in three Cambodian microfinance providers, ACLEDA Bank Plc (ACLEDA), Amret Plc (Amret), and Hattha Bank Plc (HTB) and three sub-clients, LOLC Cambodia Plc (LOLC), Prasac Microfinance Institution Plc. (now KB PRASAC Bank Plc), and Sathapana Bank Plc (Sathapana) through investments by three funds, Microfinance Enhancement Facility S.A., SICAV-SIF (MEF), Microfinance Initiative for Asia Debt Fund SA. SICAV-SIF (MIFA), and North Haven Thai Private Equity L.P. (North Haven) and the investment holding company Advans SA SICAR (Advans). CAO carried out a sector-wide investigation through the review of 13 IFC projects made between 2004 and 2021.

2. The investigation was prompted by a February 2022 complaint submitted by the Cambodian League for the Promotion and Defense of Human Rights (LICADHO) and Equitable Cambodia (EC), two Cambodian Civil Society Organizations (CSOs), on behalf of 18 microfinance borrowers, alleging adverse social impacts resulting from their indebtedness and the lending and debt collection practices of IFC clients and sub-clients.<sup>1</sup>

3. During the CAO process the complainants declined to engage with IFC or its clients, thus very little information was available to IFC to understand and assess the alleged harms.<sup>2</sup> Only in November 2025 was IFC able to meet complainants directly and hear their individual stories. They described their struggles to make ends meet, including the impact of the COVID-19 pandemic and adverse weather events. They also shared their challenges to repay debt and said they felt pressured by credit officers of microfinance lenders to do so. Given their lack of awareness and inexperience working through locally available mechanisms to address their concerns, they welcomed IFC's proposal to facilitate the review and resolution of their cases through the respective clients' consumer complaint mechanisms (CCMs), safely and confidentially.

4. This Management Report constitutes IFC's response to the CAO investigation. IFC acknowledges that the socio-economic harms identified during the investigation are serious and agrees with CAO that they stem from systemic gaps and the unique socio-economic situation in Cambodia, rather than arising from any single microfinance loan from an IFC direct or indirect microfinance institution (MFI) client. Complainants shared their complex borrowing histories over several years, often involving multiple formal and informal lenders (not all of which were related to IFC) that ultimately led them to experience socio-economic harm. CAO's findings recognize IFC's role and highlight the need for robust Financial Consumer Protection and responsible microfinance frameworks in Cambodia to address these challenges.

5. Section II of this report describes the commitment of the World Bank Group (WBG) to financial inclusion and Financial Consumer Protection, while Section III provides an overview of the evolution of microfinance in Cambodia. Section IV describes the CAO process and the

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<sup>1</sup> The 2022 complaint included 19 complainants, however, during the four-year CAO process, one complainant ceased contact.

<sup>2</sup> To date no information about the complainants has been shared with IFC direct and indirect MFI clients that would allow a review of underwriting processes or credit officers' behavior, or an assessment of any link to harm.

complainants' experience. Sections V-VIII lay out how IFC is addressing the issues and harms raised in the CAO investigation, including the support planned to facilitate resolution of the complainants' cases, activities with MFIs, work at sector and regulatory level and collaboration with other development partners. Section IX responds to CAO's findings and recommendations in relation to the IFC Sustainability Policy.

6. Because the pertinent risks and impacts do not fall under the IFC Sustainability Framework,<sup>3</sup> IFC does not present a Management Action Plan (MAP) in response to this compliance investigation. Instead, Management explains how its programmatic actions and initiatives targeted at strengthening Cambodia's consumer protection infrastructure and regulation address the issues raised.

## **II. WBG COMMITMENT TO FINANCIAL INCLUSION AND FINANCIAL CONSUMER PROTECTION**

7. The WBG is committed to promoting financial inclusion globally as a cornerstone for economic growth, job creation, the economic empowerment of women, and poverty eradication. Financial inclusion has enabled individuals and businesses to access a diverse range of affordable and useful financial products and services, including payments, savings, credit, and insurance, tailored to their specific needs.<sup>4</sup> To maximize their potential benefits, financial products and services must be delivered responsibly and sustainably. Financial Consumer Protection is a critical complement to financial inclusion, helping to ensure that consumers benefit from financial services and are not exposed to potential harm.

8. The WBG actively fosters financial inclusion by providing financing and advising policymakers on developing effective regulatory frameworks. The aim is to create market conditions and investments to empower low-income households and micro, small and medium enterprises (MSMEs), particularly those vulnerable to external shocks, to invest, manage risks, improve livelihoods, and create jobs. The WBG has long worked with market authorities dealing with competition policy and consumer protection, particularly in the financial sector. The WBG's support has centered on improving regulatory frameworks and institutional arrangements and strengthening Financial Consumer Protection. In 2023, the WBG's Independent Evaluation Group (IEG) found that such interventions had an 82 percent success rate.<sup>5</sup>

9. In low-income countries and fragile or conflict-affected situations, MFIs play an important role by providing essential financial services to MSMEs and low-income individuals who are often excluded from traditional banking. For poor households, microfinance offers opportunities to invest in livelihoods, manage unexpected risks, and improve financial security, helping families build more stable and prosperous futures. Through its work, the WBG strives to ensure that

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<sup>3</sup> The IFC Sustainability Framework (2012) consists of the: (i) Policy on Environmental and Social Sustainability (Sustainability Policy); (ii) Performance Standards on Environmental and Social Sustainability (Performance Standards); and (iii) Access to Information Policy.

<sup>4</sup> WBG IEG, 2023, Financial Inclusion – Lessons from WBG Experience, Fiscal Years 2014-22, <https://ieg.worldbankgroup.org/evaluations/financial-inclusion/overview>

<sup>5</sup> Ibid.

individuals and businesses have access to responsible and sustainable financial services, fostering inclusive economic growth and development.

10. The WBG acknowledges that the evolution of financial inclusion from the domain of non-profits and public policy to one that involves diversified commercial actors and rapid expansion through digital means presents challenges. Addressing these requires comprehensive policy and regulatory reforms. The WBG advises and supports governments, regulators, and central banks in establishing legal, regulatory, and supervisory frameworks to address these challenges. This includes helping authorities develop, supervise, and enforce robust regulatory safeguards necessary to prevent aggressive lending and debt collection practices, and increasingly to strengthen WBG support in other areas of consumer protection, especially those relating to digital markets. The strengthening of microfinance ecosystems is an evolving process, especially in more challenging, less-developed markets like Cambodia. IFC is committed to supporting their continuous improvement.

11. Since its first microfinance investment in the mid-1990s, IFC has placed responsible microfinance and Financial Consumer Protection at the center of its financial inclusion work. The 2007-2008 global financial crisis and subsequent microfinance sector challenges highlighted the need for sustainable and responsible practices. In response, IFC co-founded the Responsible Finance Forum in 2009 together with other Development Finance Institutions (DFIs) and the wider G20 Global Partnership for Financial Inclusion community to foster dialogue and action among the private sector, governments, practitioners, policymakers, academics, and consumer organizations, with the aim to tackle critical questions in addressing consumer protection gaps and improve outcomes for low-income and vulnerable people.<sup>6</sup>

12. In the same year, the Smart Campaign<sup>7</sup>—led by the Center for Financial Inclusion with support from IFC—established a voluntary code of conduct based on Client Protection Principles and a certification program to validate compliance by financial institutions. The Client Protection Principles and certification program are now under the stewardship of Cerise+SPTF, which launched the Client Protection Pathway in September 2021, providing financial institutions with practical guidance for implementing good client protection practices.<sup>8</sup> IFC and other DFIs, microfinance investors, networks, and associations have integrated these broadly accepted good industry practices into their microfinance investment processes. IFC continues to collaborate with Cerise+SPTF to pursue initiatives aimed at raising awareness and implementation of responsible microfinance.

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<sup>6</sup> For background on the Responsible Finance Forum, please see <https://globalrff.org/history-of-rff>

<sup>7</sup> The Smart Campaign was a global initiative to create an environment in which financial services are delivered safely and responsibly. The Campaign developed the Client Protection Principles, the first global financial consumer protection standard, and established a rigorous certification program to validate responsible practices by financial service providers. The Smart Campaign transitioned the certification program and client protection standards to Cerise+SPTF in 2020. In September 2021, Cerise+SPTF launched the Client Protection Pathway, an updated initiative to support implementation of client protection practices.

<sup>8</sup> In addition to the Client Protection Standards and Pathway, Cerise+SPTF is also promoting standards for digital financial services. Since 2022 the initiative also advocates for universal standards for social and environmental performance management. Those do not align with the IFC Sustainability Framework and the Equator Principles.

13. IFC's approach to responsible finance starts with selection of its partner clients based on a shared vision of responsible finance. IFC invests in MFIs that demonstrate commitment to good industry practice and those that seek to continuously improve in this regard. IFC evidences this commitment through review of the MFI's governance, risk management, and human resources systems, as well as its track record of responsible financing in the market. IFC also confirms that the Client Protection Principles are incorporated in the MFI's policies and procedures, with a particular focus on: (i) compliance with local Financial Consumer Protection regulations; and (ii) policies and practices related to product design and delivery, prevention of over-indebtedness, transparency and responsible pricing, lending and collection practices, collateral policies, data privacy, and customer complaint mechanism.

14. Sample loan files are reviewed to check the consistency between policies in place and implementation. IFC also includes affirmative covenants aligned with the Client Protection Principles in its financing agreements with relevant clients. These efforts aim to align client policy and practices with IFC's approach to responsible finance, ensuring good international practice is adopted and maintained throughout IFC's investment cycle. Through advisory projects, IFC helps further strengthen responsible microfinance at both a sector level and with its partner clients globally.

15. Following an investment, IFC monitors the continued application of the MFI's obligations under the legal agreements through a combination of supervision and market benchmarking. IFC conducts regular operational reviews, including annual on-site visits and interviews with management and staff to assess day-to-day practices and the effectiveness of internal controls. When issues are identified, the institution is required to investigate and, where necessary, implement corrective actions.<sup>9</sup> IFC engages with clients early and proactively to address concerns and issues, mitigate risks, and improve project outcomes.

16. IFC recognizes that even the most robust consumer protection frameworks cannot fully eliminate the risk of deviations in individual cases, particularly given the scale of microfinance operations and the high volume of loans. Despite best efforts, some borrowers may still become over-indebted or face circumstances that impair their ability to repay. In this context, IFC's focus is on ensuring that appropriate systems, incentives, and governance arrangements are in place and function effectively to resolve issues when they arise.

17. Notwithstanding these inherent risks and well-documented challenges in Cambodia, IFC has consciously chosen to remain selectively engaged in Cambodia's microfinance sector, recognizing its critical role in providing access to finance for low-income borrowers, most of whom are micro-entrepreneurs. Continued support, particularly during periods of economic stress such as the COVID-19 pandemic, has been essential to sustaining livelihoods and economic activity, while working with responsible institutions to strengthen industry standards and mitigate risks to borrowers.

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<sup>9</sup> IFC notes that the cases of the 18 complainants have to date not been shared with IFC clients. Therefore, underwriting and debt collection procedures could not be reviewed, nor could any related harm be assessed.

18. The WBG’s practices continue to evolve and improve. Most recently, its financial inclusion work was strengthened following the 2023 review by the WBG’s IEG<sup>10</sup> and now encompasses a diverse and expanding range of providers of financial services, including banks, non-bank financial institutions, consumer credit providers, and fintech firms that serve low-income customers. This has resulted in ever more people gaining access to formal financial services. However, the expansion of digital financial services has exacerbated existing consumer risks and introduced new ones. For its part, IFC is enhancing its approach to responsible finance through updated procedures for project due diligence and supervision and increased legal and reporting requirements to strengthen monitoring and accountability (see also Section IX).

19. The latest WBG Financial Inclusion and Consumer Protection survey shows that over 97 percent of responding jurisdictions have some form of legal framework for Financial Consumer Protection. This is a positive step, but the WBG stresses that frameworks must be comprehensive and adaptable to cover all financial products and services amid continuing sector evolution. While industry self-regulation can temporarily bridge regulatory gaps, it cannot substitute for Financial Consumer Protection regulation. Ongoing collaboration across the WBG remains vital to building effective Financial Consumer Protection ecosystems, mitigating risks, and preventing social harm, especially for vulnerable consumers.

### **III. EVOLUTION OF MICROFINANCE IN CAMBODIA**

20. Poor and vulnerable households in Cambodia face multidimensional challenges in escaping poverty. Many rely on informal or low-paid work in agriculture, garments, construction, or cross-border migration, leaving incomes highly exposed to price shocks, adverse weather events, and shifts in global demand. Rising costs of food, energy, healthcare, and education have further strained household budgets, while limited access to public services forces families to depend on out-of-pocket spending and borrowing to meet basic needs. When delivered sustainably and responsibly, microfinance can play an important role in supporting poverty alleviation in such contexts, by providing essential financial services.

21. Since Cambodia emerged from conflict in the 1990s, microfinance has helped rebuild the country’s financial sector, reducing poverty, supporting livelihoods, and creating jobs. In some years, women accounted for up to 80 percent of microfinance clients, underscoring the sector’s contribution to financial inclusion and participation of women in Cambodia.<sup>11</sup>

22. Growth in the Cambodian financial sector has been driven by a supportive regulatory framework, a positive economic environment between 2000 and 2019, and an influx of foreign investment. The National Bank of Cambodia (NBC), the country’s central bank, introduced regulations allowing qualified MFIs to collect deposits, which helped them diversify funding sources beyond foreign capital. Rapid national economic growth (averaging over 7-8 percent

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<sup>10</sup> WBG IEG, 2023, Financial Inclusion, Lessons from World Bank Group Experience, Fiscal Years 2014-22, <https://ieg.worldbankgroup.org/evaluations/financial-inclusion>

<sup>11</sup> National Bank of Cambodia, 2017, Financial Inclusion in Cambodia, Issues and Challenges, [https://www.imf.org/-/media/files/news/seminars/2017/cambodia-seminar-2017-oap/session-iv1-khou-vouthy.pdf?utm\\_source=chatgpt.com](https://www.imf.org/-/media/files/news/seminars/2017/cambodia-seminar-2017-oap/session-iv1-khou-vouthy.pdf?utm_source=chatgpt.com)

annually from 2000 to 2019) provided fertile ground for loan expansion correlated with a reduction in the official poverty rate, which encouraged investment in the sector.

23. Once largely driven by nongovernmental organizations, the microfinance sector has transformed into a significant commercialized financial industry experiencing extraordinary growth, from 16 MFIs in 2005 to 89 in 2024.<sup>12</sup> In addition, there are numerous banks and rural credit operators, as well as unregulated and informal lenders. The number of borrowers expanded dramatically, from approximately 377,505 in 2005 to 1.47 million in 2024.<sup>13</sup> During this period, microfinance lending transitioned away from the original model of collateral-free group loans where repayment was encouraged through collective responsibility, toward individual, collateralized loans. The most common form of collateral is a land title.

24. In Cambodia, land ownership is widespread, empowering poor and vulnerable groups. Cambodian law permits using land for collateral that has a “soft title,” which represents possessory rights rather than full legal ownership and is commonly used due to lower costs and simpler transfer procedures that avoid the national transfer tax. “Hard titles,” on the other hand, are nationally registered certificates of ownership that provide the highest level of legal security but require a lengthier transfer process and a mandatory 4 percent transfer tax. The nature of soft titles makes them difficult to verify and prone to disputes, especially when overlapping with private, public, or communal land titles, including with Indigenous Communal Land Titles (ICLTs).

25. Microfinance borrowers can use both soft and hard titles as land collateral. Similar to other countries, land titles as collateral can lead to larger loan amounts, lower interest rates, and longer repayment terms compared to unsecured loans. The shift towards individual, collateralized loans along with other market factors (e.g., increasing land value, interest rate caps, competition, pandemic-led economic contraction) resulted in a significant increase in the average loan size, reaching over US\$5,162 equivalent by 2024, which is more than four times the country's annual median per capita income.

26. A 2019 World Bank study found that growth in microcredit had positive financial and welfare impacts for households in Cambodia. The share of households that borrowed from formal sources of credit quadrupled during 2004–2016. This shift increased access to financial services, and to loans of longer durations and lower effective interest rates for segments of the population who had previously relied on informal as well as unregulated money lenders.<sup>14</sup>

27. Numerous studies during the period also brought awareness of the growing Financial Consumer Protection risks in the sector. These included the 2015 and 2019 Microfinance Index of

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<sup>12</sup> Annual Supervision Report 2005 and 2024, issued by National Bank of Cambodia: [https://www.nbc.gov.kh/english/publications/supervision\\_annual\\_reports.php?page=2](https://www.nbc.gov.kh/english/publications/supervision_annual_reports.php?page=2), [https://www.nbc.gov.kh/english/publications/supervision\\_annual\\_reports.php?page=1](https://www.nbc.gov.kh/english/publications/supervision_annual_reports.php?page=1)

<sup>13</sup> Annual Supervision Report 2005 issued by National Bank of Cambodia: [https://www.nbc.gov.kh/english/publications/supervision\\_annual\\_reports.php?page=2](https://www.nbc.gov.kh/english/publications/supervision_annual_reports.php?page=2) and CMA Annual Report 2024: <https://www.cma-network.org/annual-reports>

<sup>14</sup> Pimhidzai, Obert; Tong, Kimsun; Anantavasilpa, Ratchada; Popovic, Andrej; Mel, Sokim; Sanchez Martin, Miguel Eduardo, 2019. *Microfinance and Household Welfare. Cambodia policy note. Washington, D.C.: World Bank Group.*

Market Outreach and Saturation (MIMOSA) reports, the 2015 IFC report on Promoting Financial Consumer Protection in Cambodia, and the 2019 WBG Policy Note on Microfinance and Household Welfare in Cambodia.<sup>15</sup>

28. The COVID-19 pandemic had a severe impact on Cambodia, causing its first recession in 25 years. In 2020, the economy contracted by 3.6 percent and key sectors such as garments, tourism, and real estate were disrupted. The informal sector, which employs approximately 93 percent of the workforce, was severely affected, with increased unemployment and reduced incomes, notably among women in the garment sector. Adverse weather events such as droughts and floods also affected agricultural outputs and food security. With minimal social safety nets, many individuals resorted to formal and informal borrowing to meet essential needs. The economy has been struggling to recover to pre-pandemic growth levels. Non-performing loans have been rising, and the country faces a number of heightened risks, among them the border conflict with Thailand, which reignited in July 2025 and has led to the return of one million unemployed migrant workers.<sup>16</sup>

29. Recognizing both the development impact and the challenges in the sector over the years, IFC took a conscious decision to remain engaged in the microfinance sector in Cambodia, working with select clients and supporting policy, legal, and regulatory changes and reformed institutions in Cambodia, an International Development Association (IDA) country.

#### IV. CAO INVESTIGATION

30. In February 2022, CAO notified IFC that a complaint had been filed by two local CSOs, LICADHO and EC, on behalf of microfinance borrowers in Cambodia.<sup>17</sup> Due to confidentiality concerns, IFC only learned in June 2025 that the complainants are 18 individuals from different regions in Cambodia. Seven out of the 18 complainants identify as Indigenous People.<sup>18</sup> By way of context, Cambodia's microfinance system serves a large and diverse population - approximately 1.47 million borrowers nationwide in 2023.

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<sup>15</sup> See Mimosa reports 2015 and 2019, <https://www.dropbox.com/scl/fi/102tz7legjbtzjsog7kur/MIMOSA-White-Paper.pdf?rlkey=j6st07rx3vy99o5expic5gefz&e=2&st=7vim19l4&dl=0>, <https://www.dropbox.com/scl/fi/c2fav8r4543l4c2f3tfjf/MIMOSA-2.1-White-Paper-FINAL-corrected.pdf?rlkey=je001w7dua15pgwlpulg5vo74&e=2&st=zsnpdvj0&dl=0>, Pimhidzai, O., et al., 2019., Microfinance and Household Welfare. Cambodia Policy Note, <https://documents1.worldbank.org/curated/en/144661552916327946/pdf/128266-REVISED-WP-PUBLIC-Nota-MFI-web.pdf>, and IFC, 2015, Promoting Financial Consumer Protection in Cambodia, [https://lib.ncdd.gov.kh/storage/app/public/library\\_backend/CAT\\_18831\\_1/2015-Cambodia+Financial+Consumer+protection-Final.pdf](https://lib.ncdd.gov.kh/storage/app/public/library_backend/CAT_18831_1/2015-Cambodia+Financial+Consumer+protection-Final.pdf)

<sup>16</sup> Khmer Times, January 19<sup>th</sup> 2026, Nearly One Million Cambodians Return from Thailand as Government Rolls Out Nationwide Support Measures, accessible at: [https://www.khmertimeskh.com/501829110/nearly-one-million-cambodians-return-from-thailand-as-government-rolls-out-nationwide-support-measures/?utm\\_source=chatgpt.com](https://www.khmertimeskh.com/501829110/nearly-one-million-cambodians-return-from-thailand-as-government-rolls-out-nationwide-support-measures/?utm_source=chatgpt.com)

<sup>17</sup> CAO, 2022, Complaint concerning IFC project investments in ACLEDA, Amret, Prasac, LOLC, Sathapana Bank and Hattha Bank, redacted version, <https://www.cao-ombudsman.org/sites/default/files/downloads/Cambodia%20FI%2004%20Complaint%20Redacted%20ENG.pdf>

<sup>18</sup> The Complaint was submitted on behalf of 19 individuals, but one complainant ceased contact during the CAO process.

31. The Complaint concerns three IFC clients, ACLEDA, AMRET, and HTB, and three sub-clients, LOLC, PRASAC, and Sathapana, through investments by three funds, MEF, MIFA and North Haven, and an investment holding company, Advans, in which IFC had direct investments. For additional context, there are currently around 240 licensed financial institutions in Cambodia.<sup>19</sup> Informal lenders are not included in these counts.<sup>20</sup>

32. Starting from 2007, complainants borrowed from several formal and informal lenders in Cambodia, not all of which were clients or sub-clients of IFC. Over the years, the complainants have taken loans from one or more of the six financial institutions mentioned in the Complaint. Eleven of the 18 complainants indicated that they still have outstanding debt with IFC clients or sub-clients.

33. The complainants allege that they have been harmed by aggressive lending and collection practices contributing to their indebtedness. To repay their debts, they sold land, losing their livelihoods. Some indicated that they had to cut back on food intake, affecting nutrition and food security, or could not afford expenses for health and education. They also shared that their debt is a source of anxiety.

34. In April 2022, CAO found the Complaint eligible and initiated an assessment. Although some parties expressed an interest in engaging in a CAO-led dispute resolution process, at the time there was no consensus among all parties to proceed. Therefore, in November 2022, CAO transferred the case to its Compliance function for appraisal to determine whether an investigation in relation to the issues was merited.<sup>21</sup> The decision by CAO to find the Complaint eligible was based on its view that IFC's Sustainability Framework should apply to consumers, that is, the microfinance borrowers, because their decisions to take loans led to unintended social impacts.

35. IFC clarified in its Management Response in November 2022, at the time of the transfer of the Complaint from assessment to compliance appraisal, that issues related to lending and debt collection are managed through IFC's risk management framework for responsible finance, rather than the 2012 Sustainability Framework. IFC also offered to facilitate the review and support in resolution of the complainant cases with direct and indirect clients. The complainant representatives did not take up IFC's offer to facilitate the review of the cases.<sup>22</sup>

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<sup>19</sup> As of 2024, Cambodia's licensed financial system comprised 59 commercial banks, four specialized banks, 89 MFIs, and 89 rural credit institutions, collectively serving millions of deposit and credit accounts across the country. See, National Bank of Cambodia, 2024, Annual Supervision Report 2024, [https://www.nbc.gov.kh/download\\_files/supervision/sup\\_an\\_rep\\_eng/EN%20Supervision%20Annual%20Report%202024.pdf](https://www.nbc.gov.kh/download_files/supervision/sup_an_rep_eng/EN%20Supervision%20Annual%20Report%202024.pdf)

<sup>20</sup> Informal or private lenders are individuals or unregistered money lenders that offer quick and flexible access to cash, often without paperwork, charging high or opaque interest rates. They include pawnshops that provide short-term loans secured by physical assets such as motorbikes or jewelry.

<sup>21</sup> CAO, 2022, CAO Assessment Report, [https://www.cao-ombudsman.org/sites/default/files/downloads/CAO\\_Assessment\\_Report\\_Cambodia\\_FI-04%20November%202022.pdf](https://www.cao-ombudsman.org/sites/default/files/downloads/CAO_Assessment_Report_Cambodia_FI-04%20November%202022.pdf)

<sup>22</sup> IFC, 2022, Management Response to CAO complaint, see Annex in CAO Compliance Appraisal Report, [https://www.cao-ombudsman.org/sites/default/files/downloads/CAO%20Compliance%20Appraisal-Cambodia%20FI04%20-FINAL-%28For%20publication%29-ENG\\_0.pdf](https://www.cao-ombudsman.org/sites/default/files/downloads/CAO%20Compliance%20Appraisal-Cambodia%20FI04%20-FINAL-%28For%20publication%29-ENG_0.pdf).

36. In launching a sector-wide compliance investigation on 13 past and present IFC investments made between 2004 and 2021, CAO argued that because consumers are not explicitly excluded from the Sustainability Framework, Financial Consumer Protection should be considered as an Environmental and Social (E&S) requirement that applies to IFC direct and indirect clients.

37. In a July 2023 presentation to the Board, IFC explained the distinction between IFC's Sustainability Framework and its approach to responsible microfinance.<sup>23</sup> IFC's Sustainability Framework is specifically defined to manage the E&S risks and impacts associated with business activities of IFC-financed projects and sub-projects, to surrounding communities and workers. IFC's approach to responsible microfinance is based on the Client Protection Principles and sets out the requirements for clients on responsible lending, including on Financial Consumer Protection, such as managing risks of over-indebtedness.<sup>24</sup>

38. Throughout the CAO process, IFC complainants and their representatives shared their concerns regarding threats and reprisals, including from third parties. IFC took action and worked with its clients, development partners, and across the WBG to address them.

39. Of note, the CAO Policy states that CAO shall not accept complaints that are the same in all material respects as a complaint that has previously been submitted to CAO, unless CAO determines there has been a material change in circumstances.<sup>25</sup> Nevertheless, during the two-year compliance investigation, CAO accepted nine more microfinance complaints on the same IFC investments from other individual borrowers, facilitated by LICADHO and EC.

40. In October 2025, CAO shared its Investigation Report, and the complainants and their representatives agreed to engage with IFC directly. In November 2025, IFC met with all 18 complainants of the CAO case. Their accounts describe complex situations of economic hardship and poverty and are testimonies to the challenges low-income microfinance borrowers in Cambodia can face.

41. IFC learned that all 18 complainants had over the years borrowed not only from IFC direct and indirect microfinance clients, but also other Banking Finance Institutions (BFIs) and/or private lenders. Some complainants' loans were taken out as early as 2007 and repaid and/or refinanced over the years. Therefore, no individual loan can be singled out as causing over-indebtedness.

42. Some complainants borrowed to purchase agricultural inputs and could not repay when droughts or floods occurred or when agricultural commodity prices dropped. Others took loans to build or expand their homes, or to pay health and family expenses. In some cases, complainants reported that the respective credit officer encouraged them to obscure the purpose of the loan.

43. All complainants reported that they felt pressured or threatened to repay their debts by their respective credit officers of BFIs. They perceived monthly or bi-weekly visits of credit officers as

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<sup>23</sup> A Meeting of the Committee for Development Effectiveness (CODE) took place on July 21, 2023.

<sup>24</sup> IFC, 2023, IFC Request for Board review of Decision to Investigate, [https://www.cao-ombudsman.org/sites/default/files/downloads/IFC%20Management%20Board%20Review%20Request%20%28por%20publication%29\\_0.pdf](https://www.cao-ombudsman.org/sites/default/files/downloads/IFC%20Management%20Board%20Review%20Request%20%28por%20publication%29_0.pdf)

<sup>25</sup> CAO Policy, paragraph 42.i.

harassment. Complainants reported that they felt ashamed when credit officers approached village chiefs, who often had served as witnesses to process land titles for collateral. According to some complainants, some credit officers threatened to call the police or military or take borrowers to court, although no police or judicial action was taken against any of the complainants.

44. All complainants confirmed that IFC direct and indirect microfinance clients did not enforce land collateral or land sales, neither were the BFIs involved in any land sales. However, most complainants reported that they sold (parts of) their land to repay debt and felt pressured to do so.<sup>26</sup> As a result, they lost all or part of their livelihoods.

45. Seven of the 18 complainants identify as Indigenous People. They used individual soft land titles as collateral to borrow, some with the acknowledgement of their local and indigenous authorities. In the absence of a centralized cadaster, IFC direct or indirect MFI clients accepted these individual soft titles without verifying if they were subject to other land claims. The complainants confirmed that IFC direct and indirect clients did not accept collateral over Indigenous Communal Land Titles directly, nor enforce any land collateral of these seven complainants.

46. Indigenous complainants, as well as elderly borrowers, reported having a low level of literacy in Khmer and a lack of ability to read and understand documents. They shared that when they took the loan, family or community members assisted in translation or understanding the conditions. Later, the borrowers had trouble understanding repayment and restructuring requirements on their own. Only one out of 18 complainants was aware of and had used existing consumer complaints mechanisms. This points to the opportunity of using existing avenues to resolve cases and the need to strengthen awareness of them.

47. IFC recognizes that the socio-economic harms described by the complainants are serious and require further analysis and action. The experiences of the complainants align with systemic and country-level patterns that have been shaped by structural dynamics, including rapid sector commercialization, weak social protection, land tenure insecurity, and limited consumer financial literacy. These phenomena are driven by regulatory, market, and socio-economic conditions and highlight the WBG's critical role in Cambodia's microfinance ecosystem and broader financial sector development.

48. The following sections describe how IFC will work with the complainants and clients to facilitate resolution of the 18 cases. Further, Management presents how IFC has been working in Cambodia at sector and regulatory level and highlights initiatives with development partners.

## **V. IFC SUPPORT TO RESOLVE SPECIFIC CASES OF COMPLAINANTS**

49. As laid out in IFC's Management Response from November 2022, IFC is committed to reviewing and supporting addressing the issues raised in the Complaint which pertain to responsible microfinance and Financial Consumer Protection.

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<sup>26</sup> CAO shared that most complainants did not provide formal documentation of land ownership transfers. The primary evidence of land sales consists of complainant testimonies.

50. When IFC met with the complainants in November 2025, 17 of the 18 complainants were neither aware of existing consumer complaints mechanisms of their respective microfinance lenders, nor informed about sector-wide complaint mechanisms available to them.<sup>27</sup> Most had not engaged with microfinance employees other than the credit officers that managed their loan and were not aware that they could submit a complaint about aggressive lending and debt collection practices. Instead of using these local mechanisms, LICADHO and EC, on behalf of these borrowers, submitted their concerns directly to CAO, citing concerns about reprisals in Cambodia.

51. Due to confidentiality and reprisal concerns, the cases of the complainants have not yet been shared with IFC direct and indirect clients. They have been unable to assess and respond to the concerns of complainants. Likewise, to date it could not be assessed whether the behaviors of specific credit officers or deficiencies in respective underwriting procedures have contributed to alleged harms.

52. IFC shared with complainants information about CCMs available to them and how they work (see Figure 1). All complainants agreed to use direct or indirect clients' CCMs and/or sector-level mechanisms to review their cases, facilitated by IFC. The complainants indicated that their intention would be to have their debt restructured or forgiven so they could continue to have access to lending services from formal MFIs, which offer better terms and conditions than informal lenders. Some also expressed the desire to repurchase their land.

53. To facilitate the resolution of the 18 specific cases, IFC will engage an independent consultant to assist direct and indirect clients to process the cases of complainants through their existing CCMs, creating a safe, constructive environment for complainants to address their concerns. This will include the collection of comprehensive socio-economic data about the complainants to inform the process. Where reprisal concerns persist, complaints will be processed confidentially. While complainants will have to reveal their identities to have their loans reviewed, they can be kept confidential within the CCM process. The respective microfinance branch or credit officer would not have to be informed about a complaint.

54. Cases will be reviewed individually and processed within the framework of national regulations and good industry practice. Such solutions may entail restructuring loans (e.g., extending repayment periods), reducing or deferring repayments, granting temporary grace periods, or adjusting interest rates.<sup>28</sup> Management notes that the CSO representatives requested, and CAO recommends that IFC clients and sub-clients provide debt forgiveness and livelihood restoration. However, these are not within the scope of restructuring options laid out by national regulations nor are they part of the requirements of good industry practice.<sup>29</sup>

55. When resolution cannot be reached at the client level, the consultant will inform complainants about the available sector-level complaint mechanisms and, if needed, assist them in

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<sup>27</sup> Loans of the complainants predate the introduction of standard contract terms for microfinance loans in Cambodia in 2022 that provide information about client and sector-wide consumer complaints mechanisms.

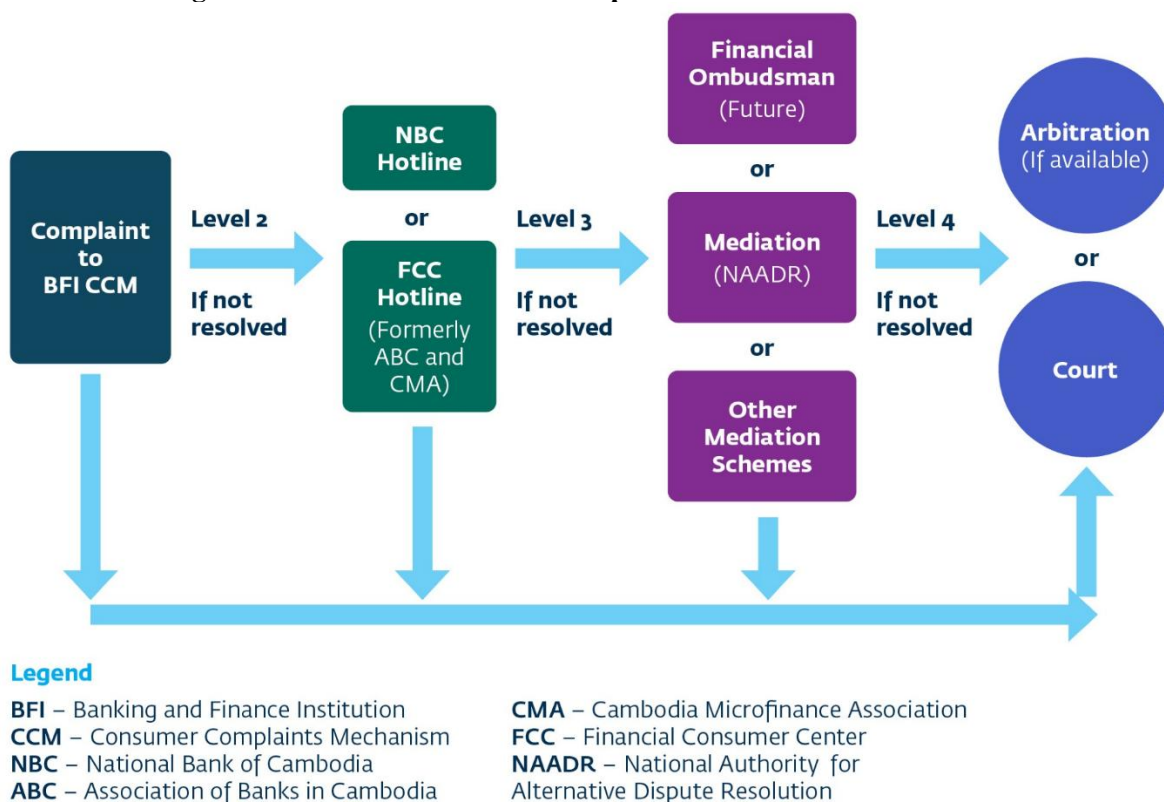
<sup>28</sup> IFC's initiative is aligned with the solutions approach offered in the 9 additional CAO cases that chose a dispute resolution process. Although processes are confidential, CAO reports indicate that all agreements were within the scope of national regulations.

<sup>29</sup> The Cerise+SPTF Client Protection Standards set out that the financial services provider restructures or writes off loans on an exceptional basis, based on specific (pre-defined) cases of distress.

accessing them. Figure 1 describes the consumer complaints architecture available to microfinance borrowers in Cambodia now. At the time of the 2022 CAO complaint, not all avenues for sector redress had been established and available.

56. Complainants who are not satisfied with the resolution offered by the CCM of the respective financial institution can access the complaint mechanism of the Financial Consumer Center (FCC) or NBC. Further, complainants have the option to use the mediation services of the National Authority for Alternative Dispute Resolution (NAADR) or take their case to court. Neither the FCC nor NAADR were available in 2022 when the complainants submitted their cases directly to CAO. In November 2025, the complainants together with their representatives welcomed the use of the sector-wide mechanisms.

**Figure 1: Financial Consumer Complaint Architecture in Cambodia**



57. IFC notes that as of November 2025, 11 out of 18 complainants had outstanding loans with IFC direct or indirect clients. Those complainants who no longer have such outstanding debt would be able to obtain support from the consultant to access sector-level complaint mechanisms directly.

58. CAO recommends expanding this initiative beyond the 18 complainants to all microfinance borrowers of IFC direct and indirect clients in Cambodia. IFC notes that such an approach would undermine client CCMs as well as the sector-level consumer complaints architecture available to microfinance borrowers in Cambodia, which is not in the best interest of the long-term, sustainable development of the sector.

## VI. IFC SUPPORT TO MICROFINANCE INSTITUTIONS

59. As mentioned above, when investing in microfinance providers in Cambodia, IFC selectively engages with BFIs that demonstrate commitment to responsible lending practices consistent with recognized industry standards. Between 2020 and 2024, direct financing by IFC and other DFI partners enabled IFC clients in Cambodia (ACLEDA, HTB, and Amret) to serve approximately 400,000 MSMEs on average each year, with a particular emphasis on women-owned businesses and individual borrowers.

60. The six financial institutions referenced in the Complaint are collectively considered as systemically important for the Cambodian financial sector. IFC's investments date back to the early 2000s and were fully aligned with the WBG Country Partnership Frameworks, the WBG COVID-19 Crisis Response Approach Paper, and IFC's strategic priorities for Cambodia.

61. As described above, IFC engaged with a limited number of MFIs in Cambodia based on their alignment with IFC's approach to responsible finance and their capacity to implement applicable standards over time. IFC determined the prospective institution's commitment to Financial Consumer Protection through careful assessment of its underwriting and collection procedures during due diligence, as well as through ongoing monitoring of these practices through regular portfolio supervision (for more information, see Annex B). In addition, IFC has provided and continues to provide advisory services to its clients to strengthen their responsible finance practices. These services include diagnostics and support in obtaining third-party client protection certifications. All IFC clients and sub-clients obtained client protection certifications between 2015 and 2021. In 2025, LOLC, Amret, ACLEDA, and Sathapana renewed their certifications, obtaining "gold" status, the highest level of achievement.

62. Since 2022, in response to the CAO case and to address aggressive lending and debt collection practices in the sector and align them instead with good international industry practice, IFC has delivered capacity building on managing the risk of reprisals, stakeholder engagement, and consumer complaints management to all IFC direct and indirect clients. In 2024, this training format was extended and delivered to 100 representatives from across the Cambodian financial sector.

63. In 2023, IFC also began working with the Institute of Banking and Finance (IBF) and has reviewed and strengthened the Cambodian Curriculum for Responsible Lending that defines ethical lending and debt collection practices. This curriculum is the basis for mandatory certification of all 65,000 Cambodian Credit Officers working in BFIs. An updated version including content to prevent and manage reprisals was launched in December 2025. IFC will continue this collaboration to support further initiatives to train leadership and staff of BFIs in Cambodia.

64. IFC direct and indirect clients have welcomed IFC's offer to support the strengthening of their Consumer Complaint Mechanisms and promote sector-level complaint mechanisms. In 2025, they reported that borrowers have access to their CCMs via multiple channels, e.g., websites, branch visits, hotline, social media, or email. Complaints are classified and prioritized and require

acknowledgement, investigation, proper documentation, and escalation as needed. The CCMs provide regular reporting to senior management and regulatory bodies.

65. Facilitating the processing of the 18 complaints through the respective client CCMs will provide an opportunity to test and review the mechanisms, helping to identify good practices to be shared among IFC clients and sector partners. Lessons learned can be shared in updated training and outreach formats to promote effective consumer complaints mechanisms in Cambodia.

66. IFC direct and indirect clients also expressed interest in capacity building on identifying Indigenous Communal Land Titles in Cambodia to avoid accepting individual land titles as collateral that overlap with Indigenous Peoples' land.<sup>30</sup> IFC is engaging with the Ministry of Land Management, Urban Planning and Construction to build the capacity of the financial sector and other stakeholders including on topics related to land rights, titling, and the availability of cadasters or systems to verify titles for land collateral.

## **VII. IFC SUPPORT AT THE SECTOR AND REGULATORY LEVEL**

67. Since 2008, IFC has continuously worked to strengthen responsible microfinance practices in Cambodia through numerous advisory services (AS) projects.<sup>31</sup> The CAO investigation acknowledges that IFC's work in Cambodia was informed by extensive sector-level research, diagnostics, and forums that identified Financial Consumer Protection risks in the sector and appreciates IFC's role in strengthening Financial Consumer Protection in Cambodia.<sup>32</sup>

68. IFC's engagement has catalyzed industry initiatives in responsible financing to improve, both directly and indirectly, the Cambodian Financial Consumer Protection regulatory framework. IFC works closely with the NBC, which regulates the banking sector and oversees its development, including financial inclusion and consumer protection. The Association of Banks of Cambodia (ABC) as the official industry body representing all banks, which promotes sound lending practices, consumer protection, and complaint handling as well as overall policy dialogue in the sector, is another key partner. IFC also works with the Cambodia Microfinance Association (CMA), which represents MFIs, and promotes responsible lending, financial literacy, and sector sustainability.

69. IFC (alongside the World Bank) does not work in isolation but closely coordinates and collaborates with other DFIs and development partners. These include the Asian Development Bank (ADB), Agence Française de Développement, and the Dutch entrepreneurial development bank, Financierings-Maatschappij voor Ontwikkelingslanden N.V (FMO), among others. The

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<sup>30</sup> In 2024, a regulation prohibiting use of Indigenous Communal Land as collateral entered into force. While some clients reported that ICLTs given as collateral have been returned, they faced challenges in identifying overlaps individual land titles held as collateral that may overlap with ICLTs.

<sup>31</sup> AS that financed and supported financial inclusion in Cambodia are: AS #564187, #601954, #607528, #599902, #606119.

<sup>32</sup> Relevant research included the following: Consumer Protection Cambodia Diagnostic (Consultative Group to Assist the Poor 2009), Microfinance and Global Financial Crisis Forum (IFC 2009), Cambodia Financial Consumer Protection Report (IFC 2015), MIMOSA Report (2015), Cambodia Microfinance & Household Welfare (WBG 2019), MIMOSA Report (2019), Impact of Interest Rate Cap on Financial Inclusion in Cambodia (International Monetary Fund, 2021).

United Nations (UN) has also recently begun to play an increasingly important role in strengthening the sustainable development of the Cambodian financial sector.

70. The Cambodian government established a regulatory framework in the early 2000s, which was widely recognized for promoting transparency and attracting private-sector interest and addressing the risk of over-indebtedness. However, this framework did not include all the critical elements required for a comprehensive consumer protection architecture.

71. In this regard, IFC's first AS project aimed at strengthening Cambodia's responsible finance infrastructure was launched in 2008 to support the NBC in creating the Credit Bureau of Cambodia (CBC). The creation and expansion of credit bureaus in IDA emerging markets was a pillar of the WBG's response to the global financial crisis. In 2011, the NBC established the foundational regulatory framework for a comprehensive credit reporting system which led to the establishment of the CBC, and issued a regulation to ensure fair, transparent, reasonable, and responsible credit practices, including requirements for disclosure of processing procedures, terms, rates, and charges. These were important first steps as credit information systems globally have proven essential in mitigating risks and providing the necessary infrastructure for the development of efficient and sustainable financial systems.

72. The CBC officially launched in 2012. It collects and shares borrowers' credit histories with lenders so that loans can be assessed responsibly, over-indebtedness reduced, and borrowers can access credit on clearer, fairer, and more transparent terms. The bureau was acknowledged as a positive case study in IFC's Credit Reporting Knowledge Guide of 2012 and is considered as an example of best practice in Asia.<sup>33</sup> With continued support from IFC, the CBC now serves about 5.04 million borrowers, covering roughly half of the country's adult population. Its database includes nearly 2,000 business entities and receives data from 199 member institutions, such as banks, MFIs, and leasing companies.

73. In 2013, the Smart Campaign launched its Client Protection Certification Program globally, which the CMA promptly helped introduce in Cambodia. The certification program is a voluntary, globally recognized standard that evaluates and certifies financial service providers on their compliance with the Client Protection Principles. In its Annual Report 2024, Cerise+SPTF highlighted the country's achievement in introducing the Client Protection Principles nationally.<sup>34</sup> The six Cambodian financial institutions named in the CAO complaint all received certifications between 2015 and 2021. In 2025, LOLC, Amret, ACLEDA, and Sathapana updated their certifications and received the highest level of certification (gold).

74. Concerns of over-indebtedness and market overheating related to a high growth rate, increases in loan size, and multiple loans by consumers began to grow in 2013. With support from IFC, the Austrian Development Agency, FMO, Incofin and Proparco, the CMA launched a set of Responsible Lending Guidelines in 2016 that provide a self-regulatory framework to avoid the types of practices most likely to lead to consumer over-indebtedness. The initial Guidelines were

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<sup>33</sup> IFC, 2012, Credit Reporting Knowledge Guide, accessible at:

<https://openknowledge.worldbank.org/entities/publication/bfe6e031-7a02-55e0-ad45-235b268facf5>

<sup>34</sup> Cerise+SPTF, 2025, Client Protection Pathway, 2024 Annual Report, accessible at: <https://cerise-sptf.org/wp-content/uploads/2025/07/CP-Pathway-Annual-Report-2024.pdf>

amended in 2018 with agreement by CMA members to limit "high-risk" loans, such as those for refinancing. Today, the CBC produces a monthly dashboard of verifiable indicators such as multiple loans and loan-to-income ratios to ensure independent monitoring of adherence to guidelines by microfinance lenders.

75. In 2017, the NBC took additional actions, including issuing a regulation setting an 18 percent annual interest rate ceiling on loans offered by BFIs, microfinance deposit-taking institutions, and rural credit operators, with the aim to prevent predatory pricing. The ceiling applied to new, restructured, and refinanced loans.

76. The NBC also issued a regulation on Resolution of Consumer Complaints, which established a two-tiered system for handling financial consumer complaints. First, customers must file complaints directly with the bank or financial institution. Then, if a consumer disagrees with the institution's decision, the consumer and/or the institution may request the NBC to conduct a formal review. The CMA and ABC introduced separate complaint hotlines in 2018 to further complement the two-tiered system.

77. The outbreak of the pandemic in March 2020 had a profound impact on the Cambodian economy, resulting in negative GDP growth with spillover effects on microfinance borrowers. Borrowers who lost employment or were affected by restrictions of movement and economic activities found it difficult to repay their loans. All the complainants were impacted either directly or indirectly by the pandemic.

78. The NBC rolled out measures to ensure the resilience and stability of the banking sector, including requirements for loan restructuring by financial institutions for borrowers affected by the COVID-19 pandemic. According to NBC, financial institutions in Cambodia restructured some US\$4.2 billion in loans for 285,074 borrowers in 2020 and some US\$5.5 billion in loans for 367,239 borrowers through the first half of 2021.<sup>35</sup> The microfinance sector played an important role in Cambodia and globally to boost economic recovery by providing liquidity support to micro and small businesses affected by the pandemic.

79. Since then, the sector has continued to strengthen the environment for Financial Consumer Protection in the face of continued concerns, including those raised in the CAO compliance investigation. Led by the industry and with the backing of the NBC and support from IFC, additional measures have been introduced to address issues of ethical conduct, including lending and collection practices, transparency, and the use of Indigenous Communal Land Titles as collateral for loans.

80. In 2022, the ABC, CMA and the Cambodian Association of Finance and Technology (CAFT) officially launched the revised Banking & Financial Institutions Code of Conduct and updated Lending Guidelines incorporating updated principles and standards and introducing a mandatory Responsible Lending Certification Program, in which all lending officers from BFIs must participate and be certified (see paragraph 82 below). The Code of Conduct and Certification

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<sup>35</sup> Khmer Times, July 31, 2021, Cambodia restructures \$5.5 billion worth of loans to ease people's burden, accessible at: [https://www.khmertimeskh.com/50905311/cambodia-restructures-5-5-billion-worth-of-loans-to-ease-peoples-burden/?utm\\_source=chatgpt.com](https://www.khmertimeskh.com/50905311/cambodia-restructures-5-5-billion-worth-of-loans-to-ease-peoples-burden/?utm_source=chatgpt.com)

Program define ethical practices for lending and debt collection, including the requirement to thoroughly assess the repayment capacity of borrowers and restrain undue pressure to repay, among others.

81. Since January 2023, by a decree from the NBC, all financial institutions that are members of ABC and CMA are required to include Standard Contract Terms in their loan contracts with borrowers. The standard loan contract includes key terms related to lock-in period, notice period for early settlement during the lock-in period, and collateral release procedures upon loan repayment. They also include contact numbers for the CCM of the respective BFIs as well as hotline numbers for sector-wide customer complaint mechanisms. These template contracts represent a milestone in strengthening financial literacy in Cambodia.<sup>36</sup>

82. Also in 2023, the IBF in Cambodia became the certificate-awarding body for the CMA and ABC Responsible Lending Certification Program. The certification became compulsory for all credit officers and related staff by the end of 2025. According to CMA, by the end of 2023, approximately 76 percent of credit officers and related staff from member institutions had successfully passed the certification exam. Since 2024, IFC has been contributing to IBF's revision of the program's curriculum. In December 2025, an updated version with specific guidance on managing threats and reprisals, addressing consumer complaints, and best practices in debt collection has become available.

83. In August 2024, the CMA and the ABC announced new rules to address the risk of exploitation of indigenous communities by preventing the use of Indigenous Communal Land Titles as collateral for loans. BFIs are now encouraged to provide new credit to indigenous individuals and communities through unsecured lending approaches. The CMA and ABC also recommend providing loan restructuring to existing clients who are affected by the change, such as those already using their Indigenous Communal Land Titles as collateral. In response to the CAO complaint, IFC approached the Ministry of Land Management, Urban Planning and Construction to support strengthening the capacity of the financial sector with respect to the country's land titling process and registers.

84. Critically, in November 2024, as a result of IFC's advisory work, the NBC established a new Directorate General of Financial Inclusion and Regulation, which includes a new and full-time Department of Financial Consumer Protection. This aligns with the prevailing practice among Asian central banks. This new organization aims to finalize the Financial Consumer Protection regulations and guidelines, monitor the conduct of market players, alert consumers to emerging risks, conduct on-site and off-site supervision of financial institutions, and impose sanctions on non-compliant players. IFC has provided initial training to this team on Financial Consumer Protection practices.

85. More efforts are underway to strengthen sector-wide consumer complaints mechanisms for microfinance borrowers. NAADR was established in November 2023 and became operational in March 2024. The NAADR's mandate is to provide out-of-court mediation for civil, commercial, and financial disputes, reducing court congestion and issuing legally binding settlements. In the

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<sup>36</sup> While IFC or IFC clients and sub-clients do not have access to the loan contracts of the 18 complainants, they predate 2023 and would therefore likely not include these standard provisions.

financial sector, NAADR offers free mediation for loan-related disputes and is partnering with the ABC and CMA to strengthen complaint handling and build capacity for financial dispute resolution.

86. The FCC was established in January 2025, a core result of IFC’s advisory project. The FCC is an independent body responsible for complaint handling, counseling, and resolution for general banking, financial inquiries, digital payment concerns, as well as for consumer outreach and education. The FCC is also expected to act as the secretariat of a future Financial Ombudsman. Results from January to September 2025 show that the FCC received 276 consumer complaints of which 81 percent were already resolved. The main issues brought up in these complaints were about the ability and process to pay off debt, challenges in repaying debt, and opportunities to restructure loans.<sup>37</sup> IFC will continue to support the FCC in the implementation of its core mandate.

87. In the next years, IFC efforts will aim to (i) enhance data collection and analysis and integrated credit reporting through the CBC; (ii) increase outreach and awareness for the FCC; (iii) strengthen case management and referral systems for complaints; (iv) provide recommendations to the NBC on reinforcement of its inspection functions; (v) build capacity of market participants on consumer education, responsible market conduct, ethical and fair debt collection, consumer complaint management, and complaint mechanisms; (vi) prepare for the establishment of a Financial Ombudsman; and (vii) continue strengthening the self-regulatory capacities of ABC and CMA.

88. The FCC is currently being supported in capacity building by the Austrian Development Bank through the Consensus Building Institute, a US facilitation/mediation firm. In November 2025, ADB approved a policy-based loan to strengthen Cambodia’s financial sector, including the FCC. Most recently, IFC facilitated training on dispute resolution delivered by CAO specialists. The NAADR, which offers dispute resolution services, is currently supported by FMO and Oxfam.

89. The coming into force of the FCC and NAADR mechanisms are important milestones in establishing a fully functioning architecture for the resolution of financial services complaints in alignment with good industry practice (See also Figure 1). First, borrowers can submit their concerns to the CCM of the respective financial institution. Then, if unsatisfied with the institution’s decision, they can choose the complaint mechanisms, accessible through hotlines, of the NBC or the FCC. Further, borrowers are also able to turn to mediation services or in the future, to a financial ombudsman. Finally, arbitration or court proceedings would also be available to borrowers if they are unsatisfied with the outcome of mediation services. This architecture, particularly the FCC and NAADR services, was not available to the complainants in 2022 when they submitted their complaint to CAO directly but are available to them and all microfinance borrowers in Cambodia now.

## **VIII. IFC’S WORK WITH DEVELOPMENT PARTNERS**

90. In addition to the measures taken above, the NBC and the UN co-convened a multi-stakeholder consultation process on microfinance in Cambodia in November 2023 to address the challenges in the financial sector, including over-indebtedness. Under the leadership of the UN

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<sup>37</sup> Financial Consumer Center Cambodia, Report January – September 2025.

Resident Coordinator (UNRC) office in Cambodia, stakeholders representing 100 different groups and institutions were consulted, including representatives from government, regulatory bodies, BFIs, associations, investors, civil society and nongovernmental organizations, think tanks, and development partners, along with UN agencies, and international financial institutions.<sup>38</sup>

91. IFC participates and collaborates in this process. In 2024 the NBC-UN initiative defined 22 priority actions for addressing the challenges in the sector.<sup>39</sup> As reported in September 2025, following the third NBC-UN Multi-Stakeholder Consultation, ten of the priority actions have been completed, and twelve remain in progress across five key areas:

- (i) **Regulation and Supervision:** A Code of Conduct with Responsible Pricing Principles was finalized in 2023, and a Sectoral Fund Pool will be initiated to finance consumer financial literacy, debt counseling, and awareness-raising activities, with work continuing on incentive frameworks for responsible lending and compliance monitoring.
- (ii) **Borrower Protection:** The FCC has been established to manage complaints, complemented by other mechanisms; Financial Consumer Protection laws are being strengthened; and nationwide financial literacy campaigns are scaling up.
- (iii) **Data:** Stakeholders are developing a hybrid data-sharing model across regulators, banks, BFIs, and non-bank institutions to strengthen responsible lending; and standard definitions for microloans are being finalized.
- (iv) **Informal Lending and Local Authorities:** A Joint Statement has been issued to advance Financial Consumer Protection and target illegal lending practices; an online land title system is being expanded; and stakeholders recommended piloting community-based lending models to reduce reliance on informal money lending.
- (v) **Insurance and Alternative Financing:** Efforts are being made to expand access to credit and risk protection for smallholder farmers through modern agricultural cooperatives and inclusive insurance products; and cost-sharing models are under discussion to improve affordability and reach among farmers.

92. As part of the NBC-UN process and aligned with IFC’s role in empowering Cambodia’s financial consumer complaint architecture, IFC is actively engaged in the working group on “Grievance Mechanism, Debt Counselling, and Mediation.” This working group aims to support the establishment of an independent sector-wide consumer complaints mechanism along with other mechanisms to facilitate trust in the system and better outcomes for borrowers in Cambodia.<sup>40</sup> IFC further contributes its expertise in the “Data” working group tasked to explore a credit reporting system that can include data from banking and non-bank financial services, e.g., informal lenders.

93. In summary, IFC’s work in Cambodia has played a pivotal role in launching and advancing responsible microfinance and Financial Consumer Protection in the financial sector. Through targeted investments, advisory services, and collaboration with local and international stakeholders, and by catalyzing reforms, building capacity, and supporting systemic

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<sup>38</sup> The CSO Representatives, LICADHO and EC, have been consulted but declined to participate in the initiative.

<sup>39</sup> UN, 2024, List of Recommended and Adopted Priority Actions, [https://cambodia.un.org/sites/default/files/2024-07/Recommended%20Priority%20Actions\\_Adopted\\_12Jul2024.pdf](https://cambodia.un.org/sites/default/files/2024-07/Recommended%20Priority%20Actions_Adopted_12Jul2024.pdf)

<sup>40</sup> The working group includes CSOs. The CSO Representatives of the CAO case declined to participate.

improvements, IFC has not only strengthened market conduct and regulatory oversight but also fostered a safer, more inclusive financial ecosystem for Cambodian consumers. However, work remains to address key sector challenges such as over-indebtedness, transparency in lending, CCMs, and the vulnerability of indigenous communities. At an institutional level, IFC recognizes that even the most robust consumer protection frameworks cannot fully eliminate the risk of deviations in individual cases. Thus, IFC’s focus will remain on working with institutions with the appropriate systems, incentives, and governance arrangements in place. IFC is committed to continuing its engagement in these areas to maximize systemic impact and minimize unintended harms.

## **IX. IFC RESPONSE TO CAO FINDINGS AND RECOMMENDATIONS – SPECIAL MANAGEMENT ACTION PLAN**

94. This section presents IFC’s Special Management Action Plan as approved by the Board on June 24, 2026. As described above, IFC recognizes that the socio-economic harms and sector challenges raised in the CAO Investigation Report are serious and require further analysis and action by IFC and other stakeholders at multiple levels. These include: (i) facilitating resolution of the 18 cases; (ii) supporting IFC clients to further strengthen internal policies and procedures; (iii) working at the sector and regulatory levels to address systemic challenges; and (iv) contributing to multi-stakeholder initiatives of the UN and other development partners.

95. However, IFC disagrees with CAO’s findings of non-compliance with the 2012 Sustainability Policy. IFC’s Sustainability Policy, along with the Performance Standards, are meant to address the E&S risks and impacts associated with the end use of proceeds of IFC financing. IFC’s financial inclusion work and approach to responsible microfinance based on good industry practice manages risks to microfinance borrowers in the financial sector, like over-indebtedness, that also have important socio-economic dimensions. Likewise, WBG policies and frameworks on corruption, integrity, money laundering, and procurement, among others, also manage socio-economic challenges and impacts of development initiatives but are not part of the Sustainability Policy.

96. CAO’s interpretation, that Financial Consumer Protection should be considered as included in the Sustainability Framework because it is not specifically excluded, would materially broaden the scope of IFC’s Sustainability Framework. Per the CAO Policy, CAO’s compliance function assesses IFC non-compliance with current E&S Policies<sup>41</sup> under its defined purpose.<sup>42</sup> CAO’s compliance function does not evaluate the adequacy or suitability of said policies.<sup>43</sup> In

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<sup>41</sup> “E&S Policies” are defined in the CAO Policy as: (i) the Policy on Environmental and Social Sustainability of IFC or MIGA as applicable; (ii) the Project-specific provisions of the Access to Information Policy of IFC or MIGA as applicable; and (iii) any other Board-approved environmental and social commitments for Projects.

<sup>42</sup> CAO Policy (paragraph 76) provides that “[t]he purpose of the CAO compliance function is to carry out reviews of IFC/MIGA’s compliance with E&S Policies, assess related Harm, and recommend remedial actions where appropriate.”

<sup>43</sup> CAO Policy (paragraph 77) provides that “CAO’s compliance function does not evaluate the adequacy or suitability of E&S Policies and does not make findings in relation to compliance of a Project, Sub-Project, Client, or Sub-Client with the Performance Standards. However, in making findings regarding Harm and whether any Harm is related to IFC/MIGA non-compliance with their E&S Policies, CAO will assess, as relevant, IFC/MIGA’s review and supervision of its E&S Requirements at the Project- or Sub-Project-level and consider Project- or Sub-Project-level E&S performance.”

other words, a CAO compliance investigation cannot expand the scope of the IFC Sustainability Framework and infer IFC non-compliance retroactively.

97. Some arguments brought forward in the compliance investigation merit further clarification and are addressed in the paragraphs that follow.

### **Scope of the IFC Sustainability Framework**

98. In November 2022 IFC confirmed its position that risks and impacts related to lending and debt collection practices and consequently Financial Consumer Protection do not fall within the scope of the IFC Sustainability Framework.

99. The purpose and scope of the 2012 Sustainability Policy is to manage E&S risks and potential impacts on surrounding communities, workers, and the environment resulting from the business activity supported by IFC.<sup>44</sup> With respect to financial intermediaries, the business activity IFC supports through its direct and indirect clients is the business activity resulting from the end use of proceeds of loans by sub-borrowers, e.g. microfinance borrowers. For example, if a microfinance borrower uses the loan from a financial intermediary client to cultivate a cassava field, this cultivation of the cassava field is the “business activity” supported—not the contractual lending relationship between the IFC client and the microfinance borrower.

100. Performance Standard 1 allows for a broader consideration of stakeholders that could be affected by IFC projects,<sup>45</sup> such as national and local authorities, neighboring projects, and/or nongovernmental organizations.<sup>46</sup> Customers or consumers of a client’s products or services, in this case the microfinance borrowers, are not referenced in the Sustainability Policy or Performance Standards as a category of stakeholder to which E&S risk mitigation measures should apply.

101. Figure 2 offers a visualization of how Financial Consumer Protection and E&S risks are managed in IFC operations. Client Protection Principles manage consumer risks and apply to the receipt and repayment of loans. IFC’s Sustainability Framework applies to the use of proceeds. The client protection principles for financial consumer protection and requirements of IFC’s Sustainability Framework are illustrative examples and do not constitute exhaustive lists.

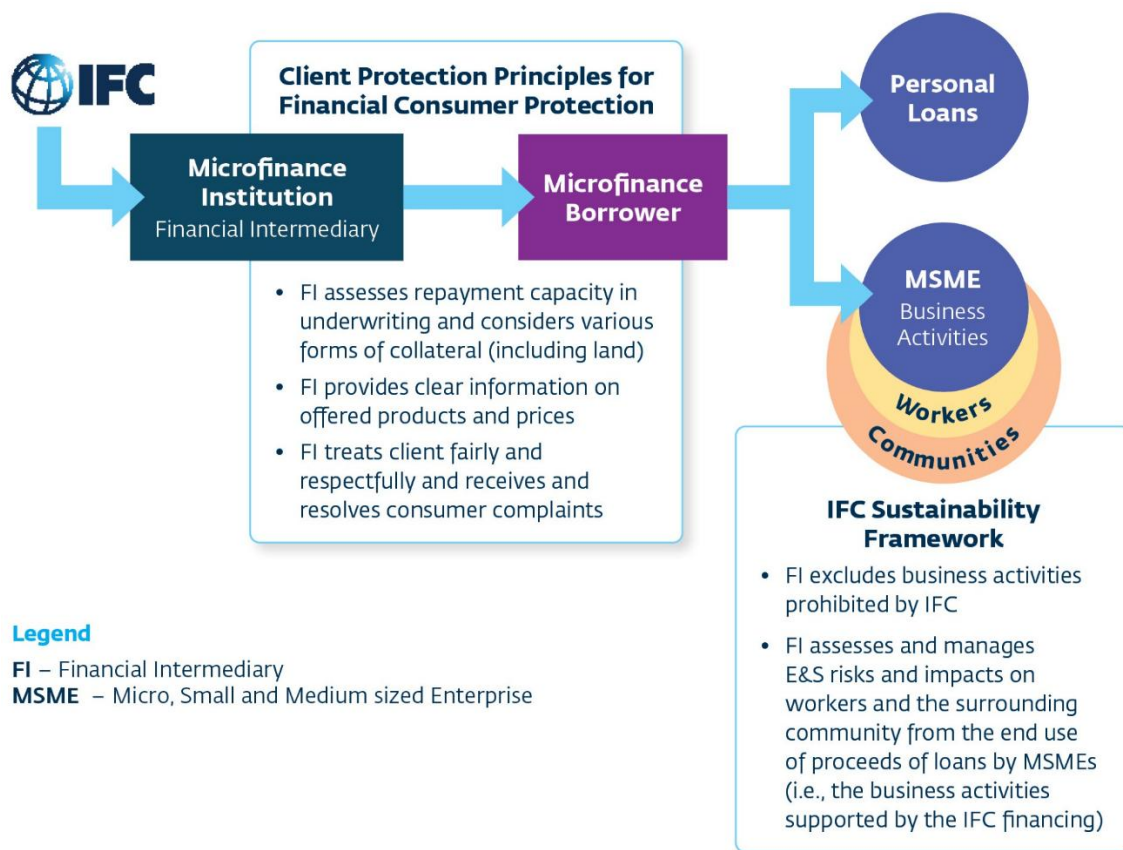
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<sup>44</sup> The 2012 Sustainability Policy (paragraph 3, footnote 2) provides that “[e]nvironmental and social impacts refer to any change, potential or actual, to (i) the physical, natural, or cultural environment and (ii) impacts on surrounding community and workers, resulting from the business activity to be supported by IFC.” “Surrounding community and workers” are stakeholders considered when assessing potential E&S risks and potential impacts.

<sup>45</sup> For the purposes of Performance Standard 1, the term “project” refers to “a defined set of business activities, including those where specific physical elements, aspects, and facilities likely to generate risks and impacts, have yet to be identified (for example, corporate entities which have portfolios of existing physical assets, and/or intend to develop or acquire new facilities, and investment funds or financial intermediaries with existing portfolios of assets and/or which intend to invest in new facilities).”

<sup>46</sup> Performance Standard 1 also specifies “other stakeholders” (beyond surrounding community and workers) as national and local authorities, neighboring projects, and/or nongovernmental organizations (paragraph 1, footnote 1).

**Figure 2: Managing Risk in IFC Investments in Microfinance Institutions**



102. Given that the IFC Sustainability Policy was not intended to apply to consumers but to E&S risks and potential impacts on the surrounding community and workers resulting from the business activity supported by IFC proceeds, the assessment of individual borrowers’ vulnerability and their ability to repay loans has never been part of IFC E&S risk assessments.

103. This is not an oversight, but a considered decision to address these important issues through a separate approach, consistent with good international practice. As is the case for all major DFIs, including the World Bank, IFC assesses, manages, and mitigates risks to microfinance borrowers through its financial inclusion work and Client Protection Principles. In recent updates of their E&S Policies, both the European Bank for Reconstruction and Development and ADB have clarified that any consideration of consumer protection under E&S risk management is limited to product safety. IFC is aware that some jurisdictions recommend financial institutions to integrate E&S and consumer protection risk management and that the European Investment Bank’s E&S Policies from 2022 have been following such an approach. However, this does not change the scope of IFC’s 2012 Sustainability Framework.

### **Good International Industry Practice in Financial Consumer Protection**

104. In its investigation, CAO confirms that IFC adequately identified and assessed E&S risk to surrounding communities and workers in IFC’s investments. Likewise, CAO acknowledges that

sector-wide financial risks like indebtedness were identified and addressed in legal covenants for responsible lending. However, CAO suggests that in addition, IFC should have extended the scope of its E&S requirements to include the Client Protection Principles. To make this argument, CAO suggests that the Cerise+SPTF Client Protection Principles along with the World Bank’s Good Practices for Financial Consumer Protection should be considered good international industry practice (GIIP) in E&S risk management.

105. Under the IFC Sustainability Policy, IFC applies GIIP when assessing E&S risks of the business activities that it will support. The World Bank Group Environmental, Health, and Safety Guidelines serve as the primary technical reference for GIIP.

106. IFC confirms that the Client Protection Principles are globally recognized standards of GIIP in Financial Consumer Protection—not in E&S risk management. The WBG develops and/or applies GIIP in many areas. The WBG’s procurement, anti-money laundering, integrity, and Financial Consumer Protection policies and frameworks set global standards in development finance and the financial sector. GIIP that applies to matters outside the scope of IFC’s Sustainability Framework (such as those cited by CAO in its compliance investigation) is not E&S GIIP.

### **Microfinance for Indigenous Peoples**

107. CAO’s investigation acknowledges that clients and sub-clients have established procedures to exclude, up front, potentially harmful business activities as defined in the IFC Exclusion List. CAO highlights that IFC’s Exclusion List states that microfinance programs shall not finance “Production or activities that impinge on the lands owned, or claimed under adjudication, by Indigenous Peoples, without full documented consent of such peoples.”

108. CAO suggests that indigenous borrowers who sold their lands to repay debt to IFC direct or indirect MFI clients, or other lenders, have harmed their indigenous communities and lands and that IFC should have required its clients and sub-clients to implement the Exclusion List so as to prevent this practice. The IFC Exclusion List is intended to apply in the context of financing offered to a microenterprise whose business activity could impinge on the land of Indigenous Peoples. It was not intended to apply to individual indigenous borrowers.

109. The situation in Cambodia is complex. Cambodia recognizes 24 Indigenous Peoples numbering about 400,000 people, or 1.4 percent of the country’s total population. The 2001 Cambodian Land Law allows Indigenous People to obtain communal land titles. The communal land titling process in Cambodia has been successful in preserving traditional culture, protecting land security, and improving the livelihoods of Indigenous People but faces challenges and delays. Overlapping land claims on communal, public, and private land are common. Some indigenous communities are turning away from communal land registration because their applications for Indigenous Communal Land Titles take too long and land under a communal title cannot be mortgaged or sold outside the community.<sup>47</sup>

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<sup>47</sup> Heinrick Boell Stiftung, 2022, Indigenous Communal Land Titling in Cambodia, <https://kh.boell.org/en/2022/08/10/indigenous-communal-land-titling-still-hundred-years-go>

110. Cambodian law permits land collateral using “soft land titles.” This led to a situation where indigenous borrowers obtained individual soft titles of their lands and used them as collateral to obtain microfinance loans. They often did so with the knowledge of the respective indigenous communities and on top of existing Indigenous Communal Land Titles or while those communal titles were being processed. In 2024, the NBC reinforced existing regulations that Indigenous Communal Land Titles cannot be used as loan collateral. However, national registers lack information about communal lands and do not cover soft titles. Therefore, it is difficult for microfinance lenders to check if individual soft titles presented as collateral overlap with communal land titles.

111. Seven of the 18 complainants are indigenous. They used individual soft land titles as collateral to borrow, some with the acknowledgement of local, indigenous authorities. These complainants self-reported to CAO and IFC that their soft titles overlapped with the Indigenous Communal Land Titles of their communities. IFC clients and sub-clients accepted these individual soft titles without being able to verify whether they were subject to other land claims. They did not accept collateral over Indigenous Communal Land Titles directly or enforce any collateral of these seven complainants.

112. The seven complainants reported that they sold land to repay their debt. Five out of those seven sold their land to persons within the indigenous community, hence there were no negative impacts on indigenous land or the indigenous communities. Only two indigenous borrowers sold land to a non-indigenous person, leading to conflict with their indigenous authorities that have since been resolved. Importantly, there were no complaints by indigenous communities themselves alleging harm to their land or identity by the actions of indigenous borrowers or IFC clients and sub-clients.

113. IFC disagrees with CAO’s suggestion that the IFC Exclusion List should be interpreted to prohibit the use of land as collateral or the ability to sell land by Indigenous Peoples. This could lead to discriminatory practices against Indigenous Peoples. Under CAO’s interpretation, MFIs may also be discouraged from lending to indigenous borrowers or in indigenous areas, limiting access to finance and further marginalizing vulnerable groups.

### **Consumer Complaint Mechanisms**

114. The CAO investigation conflates stakeholder grievance response mechanisms (GRMs) and Consumer Complaint Mechanisms (CCMs). Both are required under national law and by IFC. GRMs are required by IFC’s Sustainability Framework and apply to workers employed by a project and communities affected by business activities of IFC-financed projects. CCMs are required as part of IFC’s approach to responsible finance (aligned with good industry practice) and are embedded in IFC legal agreements. Microfinance clients are required to have in place a timely and responsive mechanism for complaints and problem resolution for borrowers that wish to engage with persons other than their credit officer and/or that person’s supervisor.

115. In its findings, CAO suggests that the GRMs that were established in IFC’s investments for affected communities should also have received financial consumer complaints. While smaller financial institutions may operate both mechanisms jointly due to resource constraints, CCMs are designed and monitored based on the Client Protection Principles. Lack of awareness or

understanding of CCMs by the borrowers of IFC direct and indirect clients cannot be considered non-compliance under the Sustainability Framework.

### IFC Actions Corresponding to CAO Recommendations

116. IFC is fully committed to strengthening responsible microfinance and Financial Consumer Protection in Cambodia and continuing to address the challenges raised in the CAO investigation. Management is also fully committed to supporting the resolution of the cases of the 18 complainants through locally available consumer complaints mechanisms.

117. The CAO Policy sets out that where CAO finds non-compliance and related harm, CAO makes recommendations for IFC to consider when developing a MAP. In its Investigation Report, CAO made seven recommendations, including for IFC to undertake actions for all microfinance borrowers in Cambodia, with its direct and indirect clients, at sector level, and with development partners. IFC appreciates these recommendations as they reflect IFC’s role in strengthening Financial Consumer Protection in Cambodia. However, because the harms presented in the CAO Investigation Report are not related to IFC’s non-compliance with the Sustainability Policy, IFC does not present a MAP.

118. The section below explains how past, present, and future actions respond to CAO’s project-level recommendations. For simplification, IFC has summarized CAO’s recommendations per topic and has grouped actions along the following thematic areas raised in the CAO recommendations per the table below.

#### Summary of CAO Project-Specific Recommendations

CAO Project - Specific Recommendations
As presented in CAO Compliance Investigation Report, October 2025
<b>Recommendation 1</b> addresses complaints resolution of microfinance borrowers in Cambodia, including the 18 complainants
<b>Recommendation 2</b> focuses on regulatory and sector-level developments
<b>Recommendations 3 and 4</b> address client policies and procedures as well as training and capacity building
<b>Recommendation 5</b> targets financial empowerment and literacy of microfinance borrowers

119. In relation to CAO’s Recommendation 1, IFC will facilitate the review and resolution of the 18 cases, as described in Section V above. An independent consultant will support this process through the respective CCMs of IFC direct and indirect clients.

120. IFC appreciates CAO’s Recommendation 2 to continue to strengthen sector-level complaint mechanisms. The CSO representatives stated that an independent sector-level complaint mechanism is their priority. Over the last two decades, IFC supported the creation of Cambodia’s consumer complaints architecture. Looking ahead, IFC’s focus will shift to the newly established FCC. The FCC’s mandate is to receive and resolve consumer complaints, provide financial literacy programs, and act as the secretariat of a future Financial Ombudsman in Cambodia. As part of its ongoing advisory work, IFC will continue to promote the development of a robust Financial

Consumer Protection framework in Cambodia, address regulatory gaps, and promote responsible microfinance.

121. In Recommendations 3 and 4, CAO recommends expanding E&S requirements set out in the IFC Performance Standards to its direct and indirect clients. While IFC disagrees with this approach, IFC has taken many actions to review and strengthen the capacity of its direct and indirect clients in Cambodia in relation to CCMs, stakeholder engagement, threats and reprisals, and ethical lending in line with its approach to consumer protection.

122. These initiatives have already been expanded beyond IFC clients and are being offered to other MFIs and sector stakeholders. Most recently, IFC has supported the IBF in launching its updated certification program for all 65,000 credit officers in Cambodia.

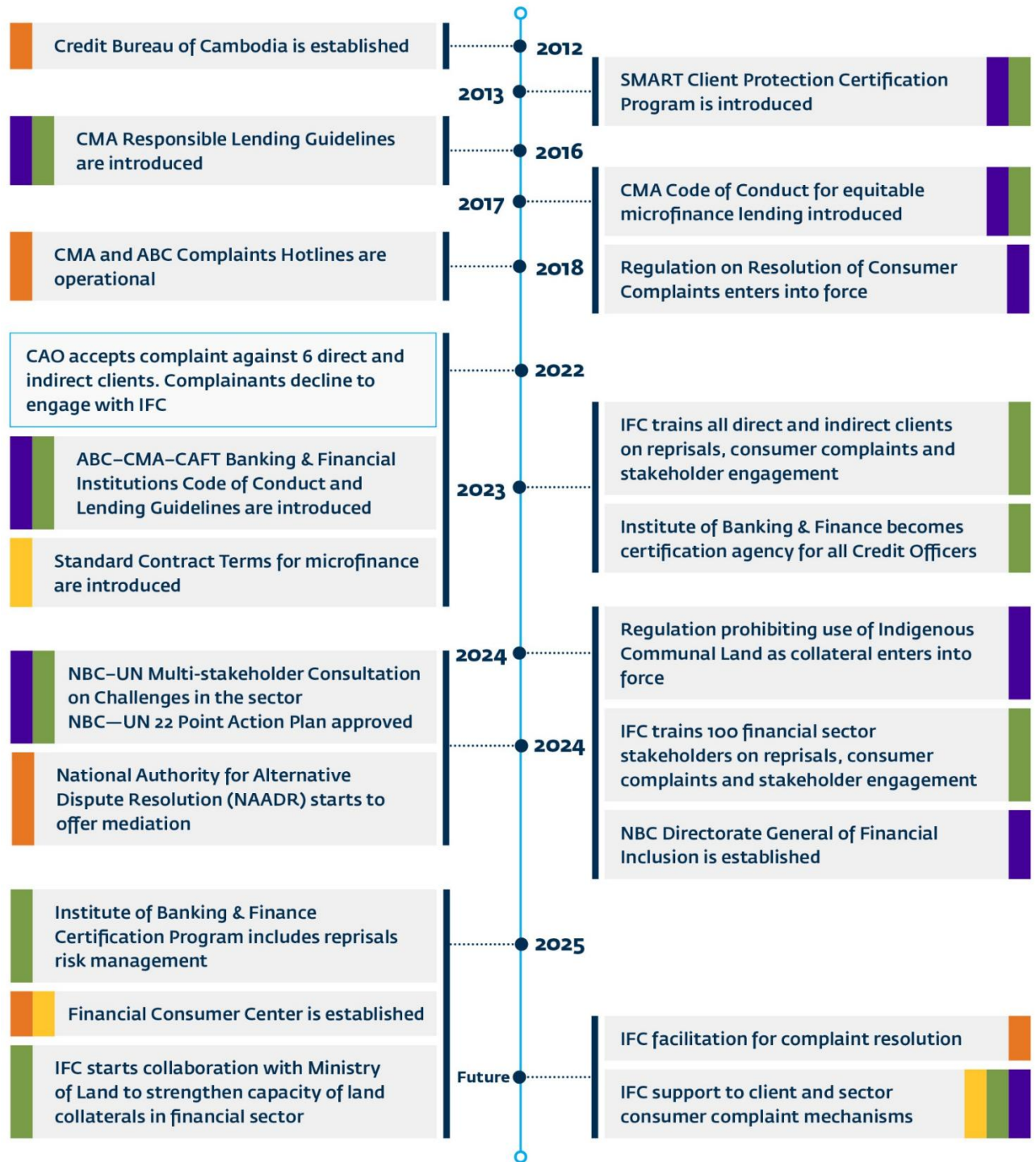
123. IFC will continue to support and promote its clients' CCMs together with sector-wide avenues for microfinance borrowers. Together with the Ministry of Land Management, Urban Planning and Construction, IFC will develop capacity training for the financial sector on land titling and using available systems to verify land collateral.

124. CAO's Recommendation 5 focuses on financial empowerment and literacy. The NBC and FCC are key partners in this regard. IFC will continue to support them in implementing their mandate to strengthen financial literacy in Cambodia, including efforts to raise borrower awareness about existing complaint mechanisms, which was a specific challenge for the 18 complainants.

125. Finally, IFC will continue to contribute to stakeholder engagements, such as the NBC-UN 22-Point Action Plan, to collaborate on and contribute to sector-level initiatives in areas of regulation, debt counseling and mediation, financial literacy programs, coordination between the formal and informal lending sectors, as well as the clarification of roles of local authorities in preventing the misuse of overlapping land titles.

126. Figure 3 presents a timeline mapping achievements in Financial Consumer Protection in Cambodia supported by IFC. Complainants took loans as early as 2007; therefore, the timeline highlights relevant actions going back to 2012 when the CBC was established. Many actions correspond to more than one CAO recommendation, as indicated by color tags.

**Figure 3: Timeline of IFC Actions Addressing CAO Recommendations**



**Legend**

- **Recommendation 1:** Complaints Resolution
- **Recommendation 2:** Regulatory and Sector level developments

- **Recommendation 3 & 4:** Capacity Building for IFC clients and sector stakeholders
- **Recommendation 5:** Financial Empowerment and Literacy

## Strengthening Global Practice

127. CAO also makes two systemic-level recommendations that IFC has considered. At the global level, IFC collaborates with other DFIs who apply responsible finance principles in their lending operations and are members and financiers of Cerise+SPTF.<sup>48</sup> Since 2011, IFC has integrated its approach to responsible microfinance into project documentation, including risk disclosures, underwriting, loan file reviews, and legal provisions aligned with the microfinance industry's Client Protection Principles.

128. As mentioned above, in 2023, WBG's IEG reviewed and recommended strengthening the WBG's work on financial inclusion.<sup>49</sup> Likewise, the CAO investigation confirmed the need to strengthen monitoring in IFC's approach to responsible finance. Therefore, IFC is introducing formal procedures for project due diligence and supervision of IFC investments where the use of proceeds includes micro or informal enterprises, or individual consumers, as well as additional contractual requirements to strengthen monitoring and accountability.

129. This updated approach will take into consideration the growing number and diversity of financial service providers serving low-income borrowers, and gaps in Financial Consumer Protection regulation, as well as emerging consumer risks associated with digital financial services. The implementation of these procedures, when complete, will also be included as part of contractual requirements, including affirmative covenants and reporting requirements to help ensure IFC's target beneficiaries benefit from financial services and have access to local consumer complaint mechanisms.

130. Finally, it is important to note that the implementation of activities outlined in this Management Report, delivered through IFC's advisory work and aligned with the WBG Country Partnership Framework in Cambodia, together with the implementation of institutional procedures at the global level, are evaluated and monitored by the WBG's IEG, which reports to the Board. Upon request, IFC may also report directly to the Board.

## X. CONCLUSION

131. The IFC Management Report recognizes the serious concerns raised by CAO's investigation into Cambodia's microfinance sector, including issues of over-indebtedness, aggressive lending, and debt collection. While maintaining that these matters fall outside the scope of its Sustainability Framework, IFC addresses them through a robust approach to responsible microfinance and takes actions at multiple levels corresponding to the CAO recommendations.

132. As agreed with all 18 complainants and with clients and sub-clients, IFC will facilitate the review of the 18 cases through the existing consumer complaints mechanism of the respective IFC clients. The complainants will also be able to access sector-wide consumer complaints mechanisms

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<sup>48</sup> List of signatories of the Joint Statement of Financial Service Providers to join the Client Protection Pathway accessible here: <https://cerise-sptf.org/sign-the-joint-statement/>

<sup>49</sup> WBG IEG, 2023, Financial Inclusion, Lessons from World Bank Group Experience, Fiscal Years 2014-22, <https://ieg.worldbankgroup.org/evaluations/financial-inclusion>

such as the FCC and NAADR that were not available at the time they submitted their complaint to CAO.

133. IFC will continue working with its clients to strengthen consumer complaints mechanisms and ensure alignment with IFC's Financial Consumer Protection framework. IFC will also continue delivering training to clients and others in the sector on responsible lending and debt collection, handling consumer complaints, and managing the risk of reprisals in microfinance. IFC will expand these offerings to also address risks associated with processing land collateral. IFC will also continue to support the certification of all credit officers in Cambodia in responsible lending and debt collection.

134. At the sector level, IFC will continue to support the NBC in strengthening the financial regulatory framework, promote the establishment of a Financial Ombudsman, and help strengthen the capacity of the FCC in relation to complaint resolution and promoting sector-level consumer complaints mechanisms and financial literacy.

135. Looking forward, IFC aims to advance responsible microfinance, support regulatory reforms, and prioritize the needs of vulnerable borrowers. By fostering sector-wide good practices and ongoing stakeholder collaboration, IFC will contribute to a more inclusive and resilient financial ecosystem in Cambodia.

## ANNEX A. IFC STAKEHOLDER ENGAGEMENTS

In its Management Response of November 2022, IFC proposed to engage with the complainants and review and resolve their cases.

In November 2025 IFC met all 18 complainants and some of their family members, who travelled from different provinces in Cambodia to share their stories. IFC also met with all current and former clients and sub-clients, national authorities and institutions, the UN, other DFIs and development partners to present the results of the CAO investigation and discuss resulting priorities of IFC's activities earmarked for strengthening Financial Consumer Protection practices and infrastructure in Cambodia. IFC convened the UN-NBC working group on Grievance Mechanism, Debt Counselling, and Mediation and IFC clients and sub-clients to take stock of progress achieved in 2025 and ongoing initiatives.

### Engagement with Complainants

IFC appreciates the complainants' trust and openness in sharing their stories, which have been reflected in this report. IFC learned that the complainants' concerns about reprisals at the beginning of the CAO process were mostly related to aggressive debt collection practices of Credit Officers. The CSO representatives, however, remain fearful of reprisals because as an organization they voice opposition and raise concerns with IFC and its clients. To IFC's knowledge, engagement with IFC in response to this compliance investigation has not led to renewed incidents of reprisals. IFC takes seriously any credible allegations of reprisals.<sup>50</sup>

In November 2025, IFC shared with stakeholders how it intended to respond to CAO's recommendations. The CSO representatives welcomed IFC's initiative to retain an independent consultant to support IFC clients and sub-clients in processing the 18 complaints through their CCMs. The consultant will help the complainants present their cases to the CCMs or sector-level mechanism available in Cambodia, where preferred. They provided suggestions on the desired profile of such a consultant. The representatives confirmed that their priority is for Cambodia to have a functioning sector-level CCM for microfinance borrowers. They also highlighted that their intention is for CAO and other DFI accountability mechanisms to accept complaints from microfinance borrowers globally.

IFC informed the CSO representatives about IFC's position on the CAO investigation and that IFC may not submit a MAP for Board approval but would facilitate the review and resolution of the cases of the 18 complainants as part of its work in Cambodia. The complainants provided written comments and suggestions on IFC's proposed actions in December 2025.

### Clients' Positions

All clients and sub-clients expressed their commitment to reviewing the cases of the 18 complainants together with any other consumer complaint they receive. They welcomed IFC's proposal to hire a consultant to facilitate processing of the 18 complaints and IFC's support in strengthening their CCMs.

Importantly, the nine additional CAO cases in dispute resolution processes led by CAO in Cambodia have been perceived as undermining institutional CCMs and sector-wide consumer complaints mechanisms. IFC clients and sub-clients are now engaging simultaneously on both the

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<sup>50</sup> IFC, 2018, IFC Position Statement on Retaliation Against Civil Society and Project Stakeholders, <https://www.ifc.org/content/dam/ifc/doc/2023/201810-ifc-position-statement-on-reprisals-en.pdf>

compliance investigation and multiple independent dispute resolution processes, diverting resources from advancing collaborative solutions.

### **Engagement with CAO**

Prior to submission of this Management Report, IFC informed CAO that IFC maintains its 2022 position that Financial Consumer Protection does not fall within the scope of IFC's Sustainability Framework and that IFC will not present a MAP for Board approval. IFC has invited the CAO Dispute Resolution Team to continue to provide capacity building on mediation to the FCC, independent of the compliance process.

## **ANNEX B. IFC INVESTMENTS SUBJECT TO THE CAO INVESTIGATION**

Since the late 1990s, IFC has worked to advance Cambodia’s financial sector, focusing on promoting financial inclusion, strengthening institutional resilience, and supporting sustainable private-sector growth through direct investments, advisory services, and indirect exposure. This annex provides an overview of IFC’s investments and partnerships with the six Cambodian BFIs who have been subject of the CAO Investigation Report and includes detail on CCMs as provided by IFC clients and sub-clients.

### **I. ACLEDA BANK PLC.**

IFC has maintained a longstanding partnership with ACLEDA, supporting its evolution from a non-governmental organization to a leading commercial bank. As of December 2025, IFC holds two active investments: (i) Project #42480 (Subordinated Loan): Structured as Tier 2 capital, this project marked IFC’s first mobilization of such capital in Cambodia helping to diversify ACLEDA’s capital structure, strengthen capital adequacy, and support its digitalization strategy; and (ii) Project #44882 (Senior Loan): Enabled ACLEDA to expand financial services for small and medium enterprises (SMEs), especially women-owned and agricultural enterprises, facilitating recovery from the COVID-19 pandemic.

IFC’s legal agreements with ACLEDA ensure that proceeds are ringfenced to support SME growth and prevent refinancing of existing debt, except for acquisition of new capital assets. IFC also invested US\$15 million in North Haven Thai (project #38609), which acquired a 3.5 percent equity stake in ACLEDA in April 2022.

ACLEDA has demonstrated leadership in client protection, achieving the gold level in the MicroFinanza Rating Srl’s (MFR) Client Protection Certification Plus in October 2025, the highest standard for E&S performance management. ACLEDA has established a CCM, offering multiple channels for customers to submit complaints and ensuring timely resolution through its CCM Management System. It reported that reports on complaint handling are regularly submitted to senior management and regulators, and all complaints from 2022 to 2025 have been resolved on time, with no pending issues. ACLEDA also provides responsible lending and client protection training to its credit officers, reinforcing its commitment to ethical practices and customer satisfaction.

### **II. AMRET CO. LTD.**

IFC has been a shareholder in Amret since 2014, with an initial 19.99 percent equity stake. IFC provided senior revolving loans during the COVID-19 crisis to support MSMEs. As of September 2025, only the equity project (#34748) remains active, with IFC holding a 9.99 percent stake. Recent changes include Advans Group’s sale of its majority stake to Bank SinoPac in January 2025, with IFC retaining a 10 percent share for at least two years post-acquisition to ensure continuity and uphold Environmental, Social and Governance (ESG) standards.

Amret has demonstrated a strong commitment to client protection, achieving Gold-level Client Protection Principles Certification from MFR Global Rating Agency in May 2025, valid for three years. Amret’s approach includes continuous staff training—both e-learning and intensive face-to-face programs—ensuring all credit officers are well-versed in responsible lending and client protection standards. Clients can submit complaints through multiple channels: website, branch visits, hotline, Facebook, or email. Complaints are prioritized by urgency and type, with high-priority issues resolved within two working days and all complaints finalized within 30 days. Amret tracks complaints by priority and type, with thousands resolved annually, and reports 100 percent compliance with its Code of Conduct.

### III. HTB (HATTHA BANK PLC.)

HTB, formerly Hattha Kaksekar Limited, transitioned from a MFI to a commercial bank with IFC's support. As of late 2025, IFC's exposure to HTB is through a Subordinated Loan, which was extended under Project #44742, Tier 2 capital, financing MSME and women-owned MSME borrowers, diversifying HTB's capital structure, and enhancing financial stability. IFC's prior engagement with HTB included technical and financial support to HTB for its transition, responsible finance benchmarking, and gender finance initiatives.

HTB's customer complaint handling framework sets out clear policies and procedures for resolving issues fairly, promptly, and transparently. Customers can lodge complaints via various channels, including call centers, branches, website, email, social media, staff, suggestion boxes, and regulatory bodies like NBC, ABC, and CMA. Priority is given to cases involving financial loss or systemic concerns, with verbal complaints addressed within two working days and written ones within 30 days. All complaints require acknowledgement, investigation, proper documentation, and escalation as needed. Records are maintained for at least three years, with regular reporting and systematic case closure. HTB has engaged Microfinanza, a consulting firm specializing in inclusive finance and sustainable development, to assess its compliance with Client Protection Principles and the BFI Code of Conduct. Microfinanza's final report is expected in February 2026.

### IFC INDIRECT EXPOSURES

IFC has indirect investments in Cambodian BFIs through structured vehicles and funds:

- **MEF/GGSF** (Project #27827): Launched in response to the global financial crisis, MEF was renamed the Global Gender-Smart Fund (GGSF) in January 2024. IFC holds a 23.1 percent stake as of September 2025. MEF/GGSF previously provided loans to PRASAC, LOLC, Amret, HTB, and Sathapana but currently has no outstanding exposures to these entities.
- **MIFA Debt Fund** (Project #31467): Focuses on Asia, with IFC holding an 8.71 percent stake as of September 2025. MIFA currently has a US\$1 million loan exposure to LOLC, maturing in June 2026.
- **North Haven Thai Private Equity Fund** (Project #38609): IFC invested US\$15 million in this Fund, which held a 3.5 percent equity stake in ACLEDA. The fund closed in June 2025.
- **Advans**, an international microfinance group, was founded in 2005. IFC became a founding shareholder with a US\$12 million equity investment to help establish and expand the Advans microfinance network in Africa, Asia, and the Middle East. In Cambodia, IFC and Advans were equity holders in Amret.

Fund managers operate independently, applying responsible finance and ESG principles to investments. LOLC Cambodia and Sathapana Bank have demonstrated strong commitments to responsible finance and client protection, as evidenced by their attainment of the gold level Client Protection Certification.

**LOLC Cambodia** was awarded the gold level Client Protection Principles Certification (valid 2025–2028) by M-CRIL, recognizing the company's excellence in transparent product design, prevention of over-indebtedness, fair treatment, privacy, and clear pricing. Responsible lending and client protection training are integrated into LOLC's staff orientation and annual refreshers, with hundreds of credit officers certified in these standards since 2022. Complaints and feedback can be submitted via multiple channels—including hotline, direct calls, branch visits, comment boxes, website, email, and external bodies such as FCC. Complaints are systematically tracked, categorized, and resolved according to a structured protocol, with performance closely monitored and reported to demonstrate transparency and continuous improvement.

**Sathapana Bank** holds gold level Client Protection Principles Certification from M-CRIL (valid March 2025–March 2028), following a rigorous evaluation process. The bank conducts regular responsible lending and client protection training for all relevant staff, both during induction and through refresher programs. Customers can file complaints via various channels, including email, phone, social media, online forms, branch visits, or the FCC. Sathapana’s Customer Care Department operates 24/7, ensuring complaints are logged, categorized by severity and type, and resolved through clear escalation protocols. Both financial and non-financial issues are addressed through dedicated processes with strict timelines, and unresolved critical complaints are escalated to senior management. The bank’s robust system ensures regular reporting to management and regulators, and their zero-tolerance policy for misconduct further reinforces their dedication to ethical standards and ongoing improvement.

## TABLES AND DATA: INVESTMENT OVERVIEW

**Table 1: IFC projects with ACLEDA that were mentioned in the initial Complaint**

Project Number	Project Name	Committed Year	Initial Committed Amount			Status as of April 7, 2022	Status as of this Management Report	E&S Categorization
			IFC Own Account Investment	IFC Mobilization	Total			
#30607	ACLEDA Sub-Debt	2011	6	-	6	Closed	Closed	FI
#32642	CF ACLEDA Sub-Debt 2	2012	40	-	40	Closed	Closed	FI-2
#34386	ACLEDA Loan 2013	2013	50	-	50	Closed	Closed	FI-2
#35963	ACLEDA Group Loan	2015	40	70	110	Closed	Closed	FI-2
#37594	ACLEDA Gender Loan	2016	100	130	230	Closed	Closed	FI-2
#42480	ACLEDA Sub-Debt	2019	60	50	110	Active	Active	FI-2
#44882	ACLEDA Senior 2020	2021	100	69	169	Active	Active	FI-2

FI – Financial Intermediary

**Table 2: IFC projects with AMRET that were mentioned in the initial Complaint**

Project Number	Project Name	Committed Year	Initial Committed Amount			Status as of April 7, 2022	Status as of this Management Report	E&S Categorization
			IFC Own Account Investment	IFC Mobilization	Total			
#34748	AMRET Equity Project	2014	17.5	-	17.5	Active	Active	FI-2
#37505	AMRET AB Loan	2016	7	53	60	Closed	Closed	FI-2
#601602	AMRET Transform	2016-2017	An Advisory Project			Closed	Closed	
#41294	AMRET Senior 18	2018	2.5	15	17.5	Active	Closed	FI-2
#44231	WCS COVID Tranche 1	2020	12.5	12.5	25	Active	Closed	FI-3
#44231	WCS COVID Tranche 2	2021	12.5	-	12.5	Active	Closed	FI-3

AB – IFC A Loan and B Loan; WCS – working capital solutions; FI – Financial Intermediary

**Table 3: IFC projects with HTB that were mentioned in the initial Complaint**

Project Number	Project Name	Committed Year	Initial Committed Amount			Status as of April 7, 2022	Status as of this Management Report	E&S Categorization
			IFC Own Account Investment	IFC Mobilization	Total			
#36242	HKL Senior Loan	2015	10	-	10	Closed	Closed	FI-3
#38239	HKL AB Loan	2016	20	30	50	Closed	Closed	FI-3
#39167	HKL Senior 2017	2017	5	-	5	Active	Closed	FI-3
#41223	DCM HKL LCY Bond	2018	20	-	20	Closed	Closed	FI-3
#44211	WCS Covid HKL	2020	25	-	25	Active	Closed	FI-3
#44742	HTB Sub-Debt	2021	10	30	40	Active	Active	FI-2
#45535	Base of Pyramid (BOP) HTB Senior	2021	10	60	70	Active	Closed	FI-2

AB – IFC A Loan and B Loan; BOP – Base of Pyramid; DCM –debt capital market; WCS - working capital solutions;  
FI – Financial Intermediary

**Table 4: IFC projects with PRASAC that were mentioned in the initial Complaint**

Project Number	Project Name	Committed Year	Initial Committed Amount			Status as of April 7, 2022	Status as of this Management Report	E&S Categorization
			IFC Own Account Investment	IFC Mobilization	Total			
#36280	PRASAC Sr Loan 3	2015	10	-	10	Closed	Closed	FI-2
#38235	PRASAC AB Loan	2016	20	70	90	Closed	Closed	FI-2

AB - IFC A Loan and B Loan; FI – Financial Intermediary

**Table 5: IFC projects with MEF, MIFA, and North Haven mentioned in the initial Complaint**

Project Number	Project Name	Fund Name	Committed Year	Initial Committed Amount	Status as of September 2025	Status as of this Management Report
#27827	IFC – MLF	MEF	2009	150	Active	Active
#31467	MIFA Debt Fund	MIFA Debt Fund	2012	16.75	Active	Active
#38609	North Haven Fund	North Haven Thai Private Equity Fund L.P.	2018	15	Active	Active

**Table 6: MEF Exposure on Cambodian BFIs**

MEF (Project #27827)	Product Type	Committed Amount US\$ million	Outstanding Exposure as of September 2025 US\$ million
LOLC Cambodia	Senior Loan	14.2	Nil
Amret	Senior Loan	13.8	Nil
PRASAC	Senior Loan	7.8	Nil
HTB	Senior Loan	5.5	Nil
<b>MEF's Total Exposures on Cambodian BFIs</b>		<b>41.3</b>	<b>-</b>

**Table 7: MIFA's Exposure on Cambodian BFIs**

<b>MIFA (Project #31467)</b>	<b>Product Type</b>	<b>Committed Amount US\$ million</b>	<b>Outstanding Exposure as of September 2025 US\$ million</b>
Sathapana Bank Plc.	Subordinated Loan	4.0	Nil
Amret	Senior Loan	2.5	Nil
Amret	Senior Loan	3.0	Nil
LOLC Cambodia	Subordinated Loan	5.0	Nil
LOLC Cambodia	Subordinated Loan	5.0	1.0
<b>MIFA's Total Exposures on Cambodian BFIs</b>		<b>19.5</b>	<b>1.0</b>

**Table 8: North Haven Exposure on Cambodian BFIs**

<b>North Haven (Project #38609)</b>	<b>Product Type</b>	<b>Committed Amount US\$ million</b>	<b>Outstanding Exposure US\$ million</b>
ACLEDA Bank	3.5% Equity committed in April 2022	44.8	44.8

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