

## **Statement on “Collateral Damage: Land Loss and Abuses in Cambodia's Microfinance Sector”**

August 07, 2019: *LICADHO and STT examine human rights abuses in Cambodia's microfinance sector*

More than 2 million Cambodians currently have a loan with a microfinance institution, or MFI. Levels of debt have skyrocketed in recent years, leading to a number of human rights abuses, including coerced land sales, child labour, debt-driven migration, and bonded labour, according to a joint report from the Cambodian League for the Promotion and Defense of Human Rights (LICADHO) and Sahmakum Teang Tnaut (STT), two Cambodian human rights NGOs.

[\*\*Collateral Damage: Land Losses and Abuses in Cambodia's Microfinance Sector\*\*](#) details the size and scope of Cambodia's MFI sector and seeks to highlight the human rights abuses that researchers discovered. The research spans 10 communes in 4 provinces as well as Phnom Penh and features seven detailed case studies of abuses, chosen from the 28 MFI clients who suffered human rights abuses that were interviewed by researchers.

Cambodia has long had one of the world's fastest-growing microfinance sectors. As of December 2018, 2.38 million Cambodians borrowers held more than US\$8 billion in microloans and had the world's highest average MFI loan, of about US\$3,370. This far exceeds the country's GDP per capita, which was just US\$1,384 in 2017.

MFIs in Cambodia charge high interest rates, require land titles as collateral, and target poor clients who are vulnerable to land loss. This predatory form of lending, which has led to immense profits for MFIs and their foreign lending partners, has negatively impacted the land tenure security of Cambodians, especially vulnerable communities. Interest rate caps that limit the annual interest rate to 18% for new loans, instituted by the government in March 2017, have not slowed growth or provided relief for borrowers. The top seven largest MFIs in the country made more than \$130 million in profit in 2017.

Harmful coping mechanisms used by Cambodian families to repay debt appear to be common. Cambodian farmers are losing productive farmland through pressured and coerced land sales. These sales are most often undertaken due to significant pressure applied by the MFIs themselves, which hold the farmers' land titles as collateral and wield them as leverage in order to ensure timely repayment. In addition, two high-level current and former executives at Cambodian MFIs reported that it was a common policy for MFIs to employ village- or commune-level authorities in order to pressure these land sales. Researchers found that clients often feared being called into commune or district halls to speak with authorities, who they knew pressured clients on behalf of MFIs.

Many debt holders are also engaging in high-risk private borrowing to cope with unsustainable levels of MFI debt. This issue extends to their families, as children often drop out of school to work to repay debt and MFI clients are forced to eat less or lower-quality food in order to pay their debt.

Development agencies and state banks are shareholders or lending partners of many of Cambodia's largest MFIs. These include but are not limited to the development agencies or state banks of Austria, Spain, France, Germany, the Netherlands, the UK, the European Investment Bank, as well as significant investment from the International Finance Corporation, Asian Development Bank, and World Bank.

Poor farmers should not be subjected to predatory financial activity, but rather have access to sustainable and community-managed financing. LICADHO and STT call on the Cambodian government, microfinance institutions and international investors to reform these practices and ensure that Cambodians are no longer forced to sell land and suffer human rights abuses in order to pay their debts.

For more information, please contact:

Ms. Naly Pilorge, director of LICADHO, on Wire @nalypilorge or Signal at +85512214454 (English)

Mr. Am Sam Ath, deputy director of monitoring at LICADHO, on Wire @samatham or Signal at +85510327770 (Khmer)

Mr. Soeung Saran, executive director of STT, on Signal at +85589666013 (Khmer/English)