

**Cambodia: Project No. 000562 – PRASAC COVID-19 Response Facility (Borrower: PRASAC Microfinance Institution Plc. (PRASAC)) and Project No. 000614 – Emergency and Crisis Response Facility (Borrower: Acleda Bank Plc. (ACLEDA)) (the Projects)**

**AIIB Response to the  
Joint Statement: AIIB Loans to Cambodian Microlenders Risk Worsening a Human Rights  
Crisis (November 17, 2022)**

**December 5, 2022**

AIIB takes allegations of human rights violations related to the projects it finances extremely seriously, and AIIB is open to dialogue with all concerned stakeholders, and to continuous improvement of its policies and practices.

In May and August 2022, in connection with the Board approval of loan facilities to PRASAC and ACLEDA, AIIB received concerns raised by civil society organizations (CSOs) regarding allegations of predatory lending and abusive collection practices, among others, in the microfinance sector in Cambodia, with particular emphasis on the risks to and impacts on vulnerable people, including Indigenous Peoples stemming from these allegations.

AIIB spoke with the concerned CSOs in July and October 2022. AIIB took the issues raised by the CSOs very seriously, and carefully considered them in the enhanced due diligence activities it undertook, which included a site visit by AIIB staff to Cambodia in September 2022.

The Cambodian economy relies heavily on micro, small and medium enterprises (MSMEs). The MSME sector is crucial for employment creation, economic growth, poverty alleviation, as well as promotion of inclusive and sustainable development. Inability to access finance is considered a significant impediment to the development of a robust and innovative MSME sector.

AIIB does not support predatory lending or abusive collection practices, and recognizes the significant risks such actions pose to both creditors and borrowers. The MSME credit market in Cambodia has grown rapidly, and factors leading to such practices are complex. Loans to MSMEs have sometimes been secured by land-based collateral, with both formal and informal titles. At the same time, some Cambodian lenders have not kept pace with international best practices.

More recently, COVID-19 pandemic-related macroeconomic shocks have exacerbated conditions on both the demand and supply sides of the market, thereby complicating efforts to address predatory or abusive practices when they have been identified.

AIIB further recognizes that systemic issues in the market, which have been exacerbated due to COVID-19 pandemic, have arisen due to factors such as the highly competitive nature of the market, financial illiteracy among borrowers, unregulated informal lending, and difficulties in verifying semi-formal land titles.

AIIB is still undertaking internal review of these issues with regard to the loans in question as well as the sector overall. AIIB continues to remain in contact with all concerned stakeholders, including CSOs. AIIB is also working closely with its clients to further strengthen practices and safeguards to mitigate the risks of inappropriate lending and collection practices, while providing much needed capital to Cambodia to help it recover from the economic upheaval of the pandemic period.