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Human Rights NGOs File Complaint against Oikocredit over Cambodian MFI Investments

12 December 2022

Three NGOs today filed a complaint to the Dutch government's National Contact Point for Responsible Business Conduct accusing Oikocredit, a global social investor based in the Netherlands, of failing to conduct proper due diligence on its investments in Cambodia's microfinance sector since at least 2017, despite evidence of harms directly linked to those investments.

Oikocredit has made large and increasing investments in Cambodian microfinance institutions (MFIs) from 2017 through 2022, at a time when overwhelming evidence of widespread over-indebtedness and negative social impacts was being produced by local NGOs, journalists, international NGOs and even Oikocredit itself. Despite this evidence, Oikocredit increased its investments in Cambodian MFIs, rising from 50 million Euros in 2017 to more than 67 million Euros [as of September 2022](#) – making Cambodia the country with the second-largest exposure in Oikocredit's portfolio.

Cambodia has the largest microfinance sector per-capita in the world, with average loan sizes more than triple average incomes, and its ongoing debt crisis and foreseeable harms have been recognized by the [UN Secretary-General](#), [local](#) and [international](#) human rights groups, and even by Oikocredit-supported studies produced as early as 2017.

Oikocredit's investments have contributed to a debt-driven human rights crisis in Cambodia, leading to coerced land sales, food insecurity, and loss of livelihoods for hundreds of thousands of borrowers. The complaint alleges that Oikocredit refused to engage safely with local stakeholders as part of their due diligence processes, despite repeated requests from local groups and concerns about reprisals.

As a member of the Organization for Economic Cooperation and Development (OECD), the Netherlands' National Contact Point is a government-supported grievance mechanism for complaints regarding the global activities of Dutch-based companies and their alleged infringements of responsible business conduct outlined in the OECD Guidelines on Multinational Enterprises.

The three NGOs filing the complaint - two Cambodia-based human rights groups, the Cambodian League for the Promotion and Defense of Human Rights ([LICADHO](#)) and Equitable Cambodia ([EC](#)), as well as [FIAN Germany](#) - have all publicly reported on widespread and systematic human rights abuses in Cambodia's microfinance sector in recent years, including by MFIs that receive direct funding from Oikocredit.

"Oikocredit claims to be a social investor, but their investments in Cambodia have caused irreparable harm to borrowers here," said Naly Pilorge, outreach director at LICADHO. "Our hope is that this complaint will compel Oikocredit, as well as other so-called 'social' or 'impact' investors

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who have fueled this human rights crisis, to fix the harms they've contributed to and provide real relief for Cambodian borrowers."

LICADHO has published four reports on abuses in Cambodia's microfinance sector since 2019. In the most recent report, "[Right to Relief](#)" co-published alongside EC in June 2021, the two NGOs interviewed more than 170 borrowers across 14 communities in Cambodia, detailing the aggressive collection practices, coerced land sales, and threats that are common in Cambodia's microfinance sector, leading to food insecurity, land sales, child labour, migration, and other abuses.

FIAN Germany in February 2022 published a report "[Mikrokredite und Überschuldungskrise in Kambodscha](#)" detailing German banks and government funding of harmful microfinance institutions. Since then, a [BMZ-funded study](#) by the Institute for Development and Peace (INEF) confirmed the findings of all three NGOs, estimating that up to 160,000 borrowers in Cambodia had sold land to repay MFI debts in the last 5 years – roughly [1 land sale every 16 minutes](#).

"Oikocredit and many other social and state investors have ignored the growing body of evidence of rising over-indebtedness and social harms and continue to pump money into Cambodian MFIs," said Mathias Pfeifer, program officer at FIAN Germany.

The OECD complaint comes as several of the MFIs funded by Oikocredit are also the subject of an ongoing complaint to the Compliance Advisor Ombudsman (CAO) of the International Finance Corporation. That CAO complaint, filed by LICADHO and EC on behalf of affected borrowers in February 2022, [entered the compliance stage](#) on 10 November.

In October 2021, the Dutch development bank FMO [invested \\$50 million](#) in a Cambodian MFI linked to abuses; around that same time, a fund whose shareholders include the IFC, KfW, BMZ, and other European state actors [increased their investment](#) in Cambodian MFIs. In April 2022, the Asian Infrastructure Investment Bank (AIIB) hastily approved its first investments in Cambodia's microfinance sector, [pledging US\\$175 million](#) to two Cambodian MFIs that are currently the subject of the CAO complaint. In August 2022, UNDP Cambodia included investments in MFIs as part of their SDG Investor Platform, reflecting a stunning lack of due diligence and awareness of these issues among some development actors.

"Investors and development agencies need to realise that these investments are doing real harm, and they need to come to the table to start a discussion about how to fix these problems," said Eang Vuthy, executive director of Equitable Cambodia. "We are ready to work with investors interested in finding real solutions that will benefit the most vulnerable borrowers in Cambodia and provide real relief to struggling borrowers."

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