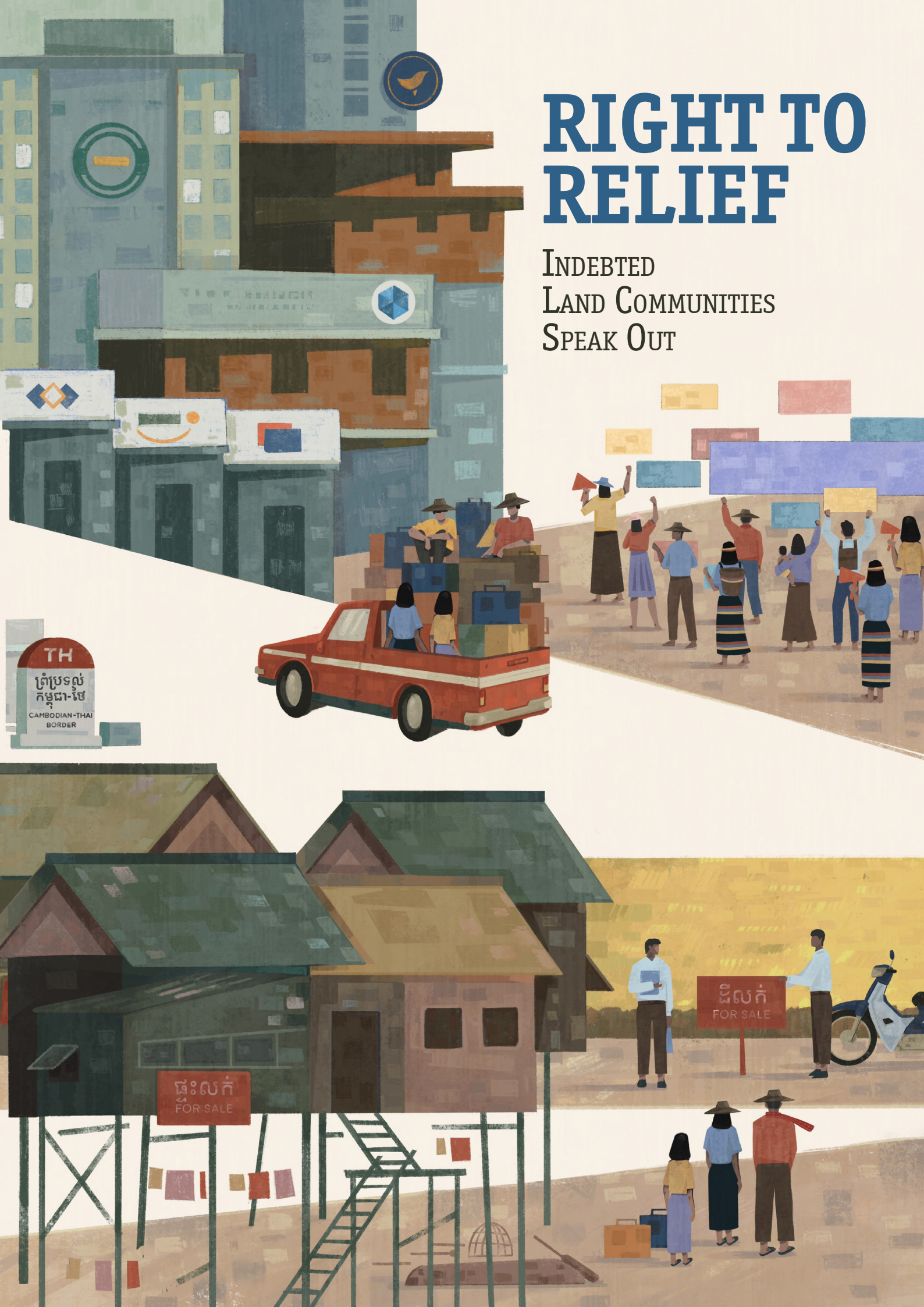


RIGHT TO RELIEF

INDEBTED
LAND COMMUNITIES
SPEAK OUT



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កម្ពុជា-ថៃ
CAMBODIAN-THAI
BORDER

ផ្ទះលក់
FOR SALE

ផ្ទះលក់
FOR SALE

Right to Relief

Indebted land communities speak out

A report issued in June 2021

FOR MORE INFORMATION:

WWW.MFICAMBODIA.COM



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អង្គការ សមធម៌កម្ពុជា
equitable cambodia

Equitable Cambodia (EC) is a national leader in advocating for the protection and defense of housing, land, and natural resource rights in Cambodia. EC was established in 2012 to enhance and safeguard the rights of all Cambodians from a protracted land-grabbing crisis and human rights abuse. Through policy research, advocacy at the national and international level, coalition-building and community organizing, EC endeavors to transform the land and economic development practices of the country into a model that respects, protects, and fulfills the human rights of the Cambodian people. EC accomplishes its goals through three dynamic programs, each striving toward our vision of a Cambodia in which all people are able to enjoy their basic human rights and natural resources are managed sustainably for the common good.



សម្ព័ន្ធនៃខ្មែរជំរឿននិទណ្ឌការពារសិទ្ធិមនុស្ស លីកាដូ
LICADHO
CAMBODIAN LEAGUE FOR THE PROMOTION
AND DEFENSE OF HUMAN RIGHTS

LICADHO is a national Cambodian human rights organization. Since its establishment in 1992, LICADHO has been at the forefront of efforts to protect civil, political, economic and social rights in Cambodia and to promote respect for them by the Cambodian government and institutions. Building on its past achievements, LICADHO continues to be an advocate for the Cambodian people and a monitor of the government through wide-ranging human rights programs from its main office in Phnom Penh and 13 provincial offices.



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This research is not intended to be statistically representative of Cambodia or of all MFI clients in the country. It seeks to highlight issues that researchers discovered in target groups, such as communities affected by land conflicts, that clearly stand to undermine the human rights of a significant number of Cambodians.



This report features the stories and voices of 14 Cambodian communities who have had their **human rights violated** due to overwhelming microloan debt. This report seeks to bring the **voices of these indebted communities** to investors, policymakers, and stakeholders in the MFI and banking sector who are responsible for ensuring these human rights violations stop, and that proper redress and relief is granted to affected borrowers.

The microloan providers and their international investors, including many state development banks in Europe and the United States, have a moral obligation to address these human rights abuses and provide proper remedy and redress. Cambodian borrowers must have the **right to relief**, or else they will continue to face debt-driven hunger, child labour, migration, coerced land sales, and many other human rights abuses raised in this report.

The **14 communities and two NGOs** who worked together to create this report call for:

1. The **return of all land titles** that are currently held as collateral for microloans.
2. **Independent investigations** into the scale of human rights abuses caused by microloans in Cambodia.
3. **Debt relief** and proper compensation for borrowers who suffered human rights abuses as the result of predatory microloans.
4. Effective **enforcement of the law** in order to:
 - > Stop coerced land sales;
 - > Prevent illegal pressure from MFIs, credit officers and local authorities;
 - > Halt the use of fees that lead to effective interest rates higher than the legal maximum of 18 percent.
5. **Lower interest rates** on microloans and more flexible restructuring options for distressed borrowers, including temporary suspension of principal and interest accrual.



This report highlights the voices of 14 communities from eight provinces across Cambodia who are struggling with overwhelming levels of microloan debt. These communities are all entangled in land conflicts that have disrupted their lives for years. They have different sources of income; different experiences with land conflict; different ethnicities, religions, and languages; different geographies and climates; but they are all over-indebted and suffering because of their microloans.

Cambodians hold more than \$11.8 billion in microloans from both microfinance institutions (MFIs) and banks. The majority of these microloans are collateralised with borrowers' land titles, posing a serious risk to borrowers' land tenure security. Nearly all of the loans carry an 18% annual interest rate, the legal maximum, while effective interest rates can be much more than that due to up-front fees.

The average microloan in Cambodia was around \$4,280 at the end of 2020, the highest amount in the world and more than the annual income of 95% of Cambodians in that year.¹ Loan sizes have increased faster than incomes for the past decade and a half. This irresponsible growth has left people deeply indebted and vulnerable to human rights abuses as borrowers are pushed to undertake desperate actions to repay loans. These actions include coerced land sales, unsafe migration, eating less food, child labour, and more. These actions are a direct result of the sector's rapid growth, which has been fueled by investments from private and public actors, including the World Bank's International Finance Corporation (IFC) and many state development agencies in Europe and the US.

This unsustainable growth has taken place in a sector that lacks any effective client protection. Cambodia regularly ranks around the bottom of all microfinance sectors in terms of client protection, despite being the world's largest sector per-capita.² Reports commissioned by international development agencies routinely raise concerns about over-indebtedness and market saturation, and more recently have highlighted that many borrowers report that a common collection practice by MFIs is the seizure of collateral, most commonly land.³ These reports are too often ignored when decisions about new investments are made.

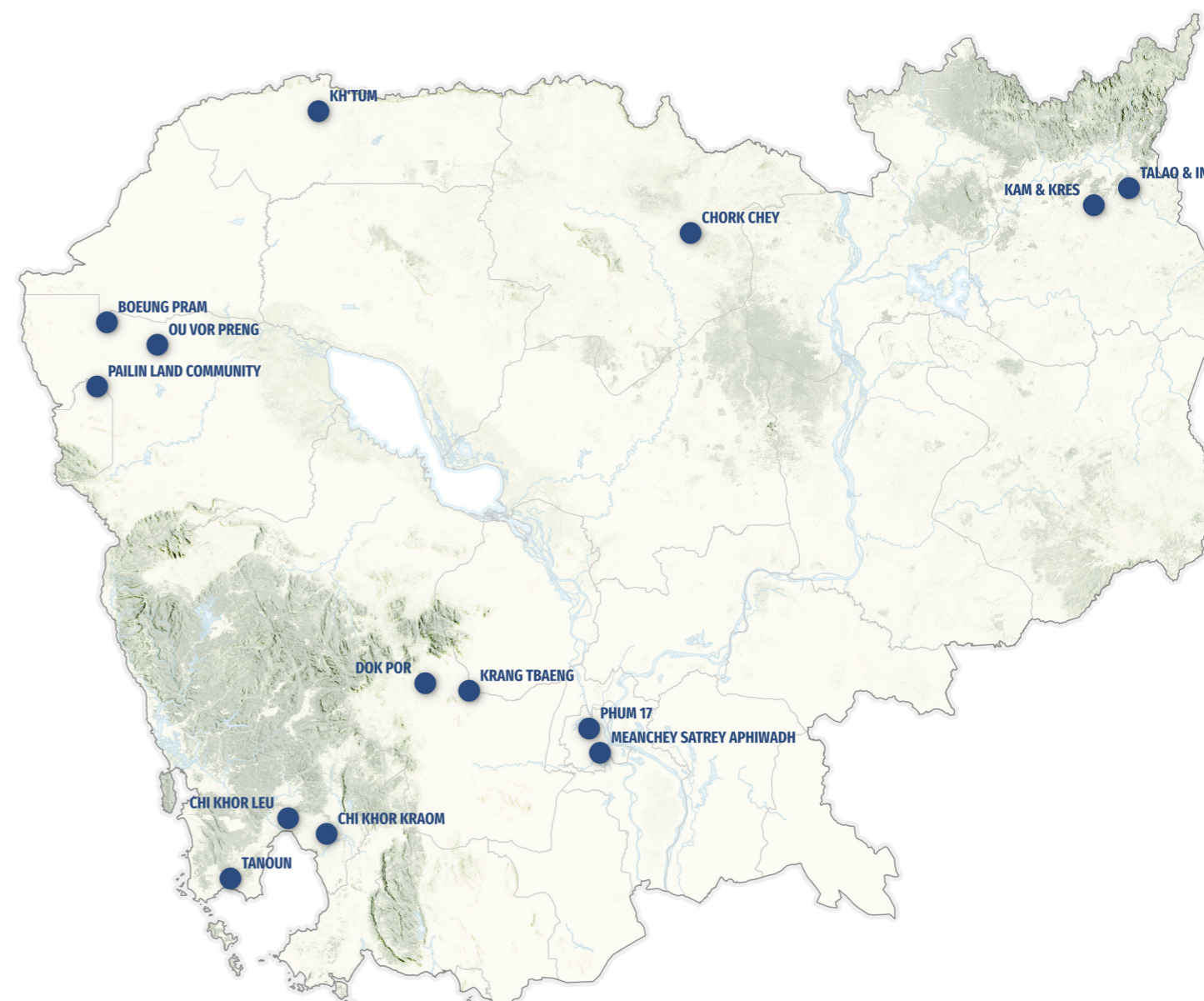
After listening to the experiences of these 14 communities, it is impossible to believe that this sector is working as it should. Many of the country's most vulnerable borrowers are losing their land. Children are being taken out of school to work to repay debts. Villages are being emptied of working-age family members, who are migrating to find jobs outside of the country. Eating less food has become commonplace. All of this is happening so that scared and desperate borrowers can repay loans that

should never have been collateralised with land titles, while "microfinance" is still viewed uncritically in many Western capitals as a successful development tool in Cambodia. The country's banks and MFIs have enjoyed record profits during the COVID-19 pandemic, even as hundreds of thousands of borrowers have lost incomes and communities' have struggled to survive. International development agencies have proposed hundreds of millions of dollars of new funding to MFIs in Cambodia during the pandemic, threatening to push people further into debt if there is no protection for borrowers.

The sector needs dramatic reform. Land titles need to be returned to borrowers. People who are struggling to repay their loans need systematic, widely implemented restructuring options, not the haphazard plans implemented thus far. People who cannot repay their loans need urgent debt relief. Investigations into human rights abuses must be conducted, independently of the MFIs themselves. These investigations must carry enforceable accountability mechanisms, both in terms of compensating borrowers who have been wronged and holding perpetrators accountable for abuses.

The disconnect between microfinance investors and the actual situation on the ground is unsustainable and causing real harm, as was repeatedly demonstrated over the course of this research. In one interview in Cambodia's northeast province of Ratanakiri, an elderly indigenous woman was crying as she recounted how a credit officer at one of Cambodia's largest MFIs had pressured her to sell her land to repay her debts. The woman recalled through tears how the credit officer threatened to call the police and send her to jail if she did not repay him immediately, and how scared she felt. Shortly after that interview, that same MFI was announced as the proposed recipient of a multi-million-dollar loan from the IFC.

Many development priorities in Cambodia are being undermined by overwhelming microfinance debt – from children's education, to nutrition, to safe migration, to land tenure security, and more. We call on everyone involved in Cambodia's microfinance sector – investors, shareholders, development agencies, local MFI leadership, the government, and NGOs that partner with MFIs – to acknowledge these issues and work together to implement real reform and actual client protection. These reforms must include returning land titles to their rightful owners; forgiving debts for people who are unable to repay them without suffering a human rights abuse; investigating human rights abuses; compensating borrowers who have been wronged by predatory or illegal practices; and holding perpetrators of abuses accountable.



1 For income data, see "Final Report of Cambodia Socio-Economic Survey 2019-20", published by the National Institute of Statistics, p.115, available at: <https://www.nis.gov.kh/index.php/en/14-cses/86-cambodia-socio-economic-survey-2019-20>

2 Global Microscope 2019 "The enabling environment for financial inclusion", published by The Economist Intelligence Unit.

3 MIMOSA report, "Cambodia March 2020", commissioned by the International Finance Corporation.

Executive Summary



NGO researchers and community members facilitated 14 focus group discussions (FGDs) with 14 different communities that were originally formed in response to a land conflict, in order to explore the consequences of over-indebtedness among Cambodian microloan borrowers. In total, 124 community members participated in these FGDs, about two-thirds of whom were women. In addition, between one and four additional people from each community were interviewed individually. In total, 47 people were interviewed individually, about 80% of whom were women. More than 100 hours of discussion were held as part of this project.

These discussions were structured in an open-ended manner to facilitate dialogue about the lived experiences of community members who borrowed and repaid microloans from banks and MFIs in Cambodia.

The discussions revealed a range of experiences and consequences of microloan debt. These consequences were placed into three categories based on how many communities experienced them:

“Widespread”, defined as being raised by between 10 and 14 communities;

“Common”, defined as being raised by between 5 and 9 communities;

“Uncommon”, defined as being raised by between 2 and 4 communities.

Experiences reported in only one community were not included in this executive summary, but still appear in the individual community profiles.

The appearance of an issue in a community does not necessarily reflect its frequency. For example, some communities reported that a handful of members had sold land to repay microloan debts, but in Pailin Land Community, it was estimated that up to 60% of their community had done so. Reading each community’s full profile will provide a more complete understanding of the various ways microloan debt affects the communities featured in this report.

Reasons for Borrowing

Widespread Repay other debt (13 communities) • Healthcare (13) • Build a house (11) • Agriculture (11)

Common Child’s education (9) • Buy a motorbike (8) • Buy land (8) • Business (7) • Migration (5) • Clear land (5)

Uncommon Child’s wedding (4) • Repair a house (3)

Reasons for Borrowing: There were a variety of reasons why community members chose to take out microloans. The fact that so many communities reported that members borrowed in order to repay other debt (13) shows that debt levels in Cambodia have already reached unsustainable levels, and the country’s continual growth in loan sizes can be at least partly attributed to the need to repay old loans with new loans. The fact that borrowing was frequently required for access to healthcare (13) and child’s education (9) reflects that many Cambodians cannot access adequate services that are supposed to be provided by the government for free, such as healthcare and education, without going into debt to microloan providers such as banks and MFIs.

Unethical Behaviour of Credit Officers

Widespread Aggressive collection practices (12)

Common Pressured land sales (9) • Threats (9) • Aggressive lending practices (8) • Encourage use of private lenders (5) • Keep land titles after repayment (5)

Uncommon Fraud (4)

Unethical Behaviour of Credit Officers: Aggressive collection practices (12) is used to capture a wide range of behaviours, such as frequent visits or long stays at borrowers’ homes; repeated harassment or yelling; visits by multiple credit officers to apply pressure; and other behaviours. Pressured land sales (9) were instances where credit officers specifically attempted to force a borrower to sell land without using the existing legal foreclosure mechanism. Threats (9) were varied, and most frequently were either threats to sell a borrower’s land at auction or without their permission, or to bring a borrower to the local authorities or police, which is not part of the legal foreclosure process under Cambodian law.

Negative Consequences of Microloan Debt

Widespread Eat less food (14) • Borrow from private lenders (14) • Sell possessions (13) • Land sales (12) • Child labour (11) • Migration (11) • Children leave school (10) • Borrow from MFIs (10)

Common Family tensions (9) • Additional work (5) • Trouble sleeping (5)

Uncommon

Negative Consequences of Microloan Debt: All communities reported that they ate less food (14) and borrowed from private lenders (14) to repay microloan debts. This is deeply worrying and runs directly counter to the stated mission of reducing poverty and promoting sustainable businesses embraced by both microloan providers and international development banks. The widespread nature of land sales (12) to repay microloans is deeply troubling. No one should lose their land to repay a microloan. Child labour (11) to repay microloans was also widespread, as was children leaving school (10) due to pressure to repay microloans, raising serious and urgent questions about the impact of this over-indebtedness crisis on children.

Emotional Effects

Widespread Worry (12) • Fear (12)

Common Pressure (6) • Shame (6)

Uncommon Sadness (4) • Regret (3) • Upset (3)

Emotional Effects: Fear (12) was one of the most commonly reported emotions felt toward microloan debt. There were different reasons for community members being afraid, but it often centered around the fear of losing land, regardless of whether credit officers had specifically threatened to seize or sell the land or not. This reflects the widespread belief among borrowers that failing to repay a microloan will result in losing land, a belief reinforced by the fact that their land titles are held as collateral. Worry (12) and pressure (6) were most commonly exacerbated by credit officers who issued threats or engaged in aggressive actions that stressed borrowers. Shame (6) about not being able to repay loans was also common among communities.

Effects of Covid-19

Widespread Incomes went down (14) • COs did not offer restructure (11)

Common COs refuse request to restructure (7)

Uncommon COs say restructure not helpful (3)

Effects of Covid-19: All communities reported that incomes went down (14). In some cases, incomes dropped by up to 90%. A widespread issue was that credit officers did not offer options to restructure loans (11), and guidance from the government regarding restructuring options placed immense discretionary power in the hands of individual MFIs, banks and credit officers. In some communities, borrowers had not heard of the restructuring options, while in other cases they had heard from television or social media, but not from COs. COs refusing requests to restructure (7) was common. In some cases, COs said restructuring was not helpful (3). Several borrowers who had received restructuring also shared this view, expressing frustration that the restructuring options often increased their total debt amounts in the long-term. This is because interest accrual was never suspended when a loan was restructured, so a decrease in monthly payments resulted in an increase in overall debt burdens.



Equitable Cambodia (EC) and the Cambodian League for the Promotion and Defense of Human Rights (LICADHO) are Cambodian human rights organisations founded on principles of community-based research and grassroots-driven advocacy. The primary goal of our activities is to amplify the voices of communities and highlight the human rights abuses these communities face at the hands of both state and private actors.

This project was conceived and executed using the principles of community-based participatory research, attempting to break down the divide between NGO “researchers” and community “subjects.” Instead, both equitably work as co-researchers and co-producers of knowledge, always seeking to value and elevate the lived experiences of community members.

A team of four researchers from EC and LICADHO hosted 14 focus-group discussions (FGDs) with a total of 124 community members from 14 different communities across eight different provinces, with about 10 participants in each discussion. The 14 communities selected had previously worked with either EC or LICADHO in relation to their land conflicts. Initial interviews and FGDs occurred between June and September 2020, with verification and validation meetings extending into 2021. Participants were selected in consultation with community representatives⁴ on the basis that they were aware of the community’s situation related to debt. This gave community members an existing level of trust and comfort when talking about debt – an issue which is often considered personal, private and shameful in Cambodia.

NGO researchers came with a set of questions intended to facilitate open discussion about two main subjects: the community’s ongoing land conflict, and the debt situations of its members, in particular microloan debts. Community members were encouraged to engage in the discussion freely, without fear of judgement. NGO researchers often encouraged group discussions after individuals presented opinions or experiences about key issues or human rights violations, seeking to determine if there was consensus that such problems existed in the community and garnering further viewpoints on these issues.

In addition to these FGDs, NGO researchers interviewed between two and four members from each community who were not involved in the FGDs. NGO researchers asked a series of questions about each individual’s economic situation and relationship with debt. These individual interviews were semi-structured, lasted about an hour,

and their results were used to verify or complement the conclusions drawn from the FGDs.

Overall, NGO researchers (2 women, 2 men) facilitated 14 FGDs involving 124 community members (83 women, 41 men), as well as 47 individual interviews (39 women, 8 men). In total, more than 100 hours of discussion were facilitated. NGO researchers then analysed those discussions to create 14 “Community Profiles.” These profiles highlight key issues faced by each of the 14 communities and provide details about the experiences of community members with microfinance debts.

NGO researchers then met separately with two members of each community, at least one of whom was a community representative and had participated in the FGD, to review the draft community profiles and ensure the information was complete, accurate, and reflected the true experiences of community members. Edits, changes and additions were made as part of this process.

After these 14 FGDs and 14 verification meetings were held, NGO researchers facilitated additional validation meetings with representatives to review the final community profiles; to hear a presentation of the results from other communities; and to discuss, share knowledge, and raise any questions or concerns they had about any part of the research project or its planned release.

These meetings had a significant safety and security aspect to them. Research conducted in the past has resulted in several cases of retaliation by individual MFI credit officers against borrowers who spoke to NGOs or media outlets about abuses. Most notably, the Cambodian Microfinance Association (CMA) made the decision to track down and publicly reveal the identity of research subjects who had spoken to NGO researchers on the condition of anonymity.

To prevent such a scenario from happening again, NGO researchers have decided not to hide participants’ identities or include unnamed case studies in this research, out of concern that some in the industry would once again seek to expose them. Instead, community members agreed to have their stories shared with their community names attached, and some community representatives agreed to have their names published as part of the research. Both EC and LICADHO would like to extend our sincerest appreciation for community members who are taking a great personal risk to speak publicly about the important issue of microfinance debt, and would like to urge all stakeholders to refrain from the types of reprisals and retaliation that have been taken against borrowers who shared their experiences in the past.

⁴ In 12 of the 14 communities, the position of community representative is formalised and decided by a vote held by all members of the community. In two communities, both in Phnom Penh, there is no elected community representative who holds a formal position in the community, but there is a focal person who operates with support from community members and often coordinates with NGOs and authorities, collects documents, and is active in advocacy issues.

A note on our methodology

Local Cambodian human rights NGOs have published three reports highlighting human rights abuses in the microfinance sector since August 2019. The findings in these reports show numerous cases of coerced land sales to repay debt, child labour, debt-driven migration and families eating less food so that they aren’t shamed by the local credit officer when it is time to repay their loans.

All of these NGOs stand by these findings and are committed to amplifying the voices of the Cambodian people and communities affected by over-indebtedness. But these reports have also faced criticism for their qualitative methodology, with some people – especially those aligned with the MFI sector – asking: “Why don’t you conduct a broader survey of clients?”

If microloan providers and their investors truly want to value the voices of clients or understand client perspectives, as so many of them claim, they must take seriously the stories, the voices and the experiences reported in this project.

The answer is because there is value in conducting thorough, community-based discussions about debt, and these discussions can often raise issues that get lost in broader surveys. We continue to call for further research, of all types, into over-indebtedness and human rights abuses in Cambodia’s microfinance sector, but there have also been examples of how broad surveys based on fundamentally flawed assumptions about the lives of borrowers can create misleading conclusions.

One example can be found in the August 2020 “Client Perspectives on Consumer Protection” report, which was published by the Center for Financial Inclusion (CFI), a prominent microfinance-focused think-tank based in the United States.⁵ This research was explicitly launched as a response to the August 2019 “Collateral Damage” report published by local Cambodian human rights NGOs.⁶

In a blog post in 2019, the CFI asked, “[I]s collateralized debt seizures a troubling and growing trend, or was the LICADHO study reflecting isolated incidences of mistreatment? We hope that a new study initiated by CFI will help shed light on the issue.”

⁵ “Client Perspectives on Consumer Protection: Analysis of a Client Survey in Cambodia”, 26 August 2020, available at: <https://www.centerforfinancialinclusion.org/client-perspectives-on-consumer-protection-analysis-of-a-client-survey-in-cambodia>

⁶ “Land Seizures and Reported Abuses in Cambodia: CFI Responds”, 15 October 2019, available at: <https://www.centerforfinancialinclusion.org/land-seizures-and-reported-abuses-in-cambodia-the-center-for-financial-inclusion-responds>

As part of their research, the CFI surveyed more than 1,000 people. They used microfinance credit officers – the same people accused by NGOs of exerting pressure and contributing to abuses – to prepare borrowers and explain the survey. Despite land sales being the stated primary purpose of the research, CFI asked only 153 of the respondents if they had sold assets to repay debts. This is because CFI decided to narrow down the pool of respondents to this question based on whether the borrower had reported “difficulty” repaying their loan.

But our findings revealed that once a borrower sells their land – coerced or not – and has cash in hand, it is likely not “difficult” for them to repay the loan. To quote a community member who participated in this research project: “No, I did not have any difficulty repaying my MFI loan. I sold my land to repay them.” This land sale, and the economic pressure behind it, would not have shown up in the CFI survey.

This is a good example of why community-based research, undertaken by groups who have spent time forming relationships of trust and mutual understanding with communities, is crucial. It is also an example of why research into the MFI sector in Cambodia must be independent, and not rely on MFI credit officers or MFI executives to guide or facilitate interviews with clients.

We strongly believe that there is a real need for quantitative research into rising over-indebtedness caused by microloans. But without rooting this research in an informed and in-depth understanding of the day-to-day social and economic impact of MFI debt on borrowers, their families and communities, these surveys will not be able to fully capture issues and human rights abuses related to microloan debt.

The experiences of Cambodian microloan borrowers are complex. They involve intersecting issues, such as falling crop prices, drought, pressure from government officials and income declines due to COVID-19. They include emotional issues such as shame over having to take a loan or for being unable to repay one, fear of local authorities, and frustration at a lack of a fair and impartial legal system to seek redress. Some of these factors are unique to Cambodia, others are likely universal among borrowers across the world.

If microloan providers and their investors truly want to “value the voices of clients” or understand “client perspectives”, as so many of them claim, they must take seriously the stories, the voices and the experiences reported in this project.

These are the voices of your clients, and they are asking you to act. It is time to listen.



Microfinance institutions frequently cooperate with local authorities – most commonly village and commune chiefs – in order to both offer loans and ensure repayments. This section is a consolidation of local authority involvement with MFIs across all communities in this report. References to local authorities have been removed from individual community profiles and can be found here instead, to better protect community members against retaliation from local authorities and allow them to speak freely about topics involving corruption and inappropriate behaviour among local authorities.

These results build on past research that has shown that microloan providers frequently use local authorities to facilitate loan repayments, and that microloan providers utilise widespread corruption to coerce borrowers to repay on time.⁷ This practice has continued despite a letter from the interior minister in March 2017 ordering all local officials to stop participating in activities with MFIs that lead people to be confused about whether MFIs are private.⁸

In all communities interviewed as part of this project, members reported that village and commune chiefs were involved in the processing of microloans. When land is pledged as collateral, borrowers must first get approval from village and commune authorities. This approval was almost always accompanied by informal payments, which were sometimes seen as bribes and other times seen as fees. Such “fees” were also often collected when a borrower went to sell their land in order to repay their MFI debts, a process that also often requires approval from a local authority.

“The [borrowing] documents are certified by village and commune chief. The authorities have acknowledged the borrowing, so it is easy to pressure borrowers and confiscate collateral if borrowers can’t repay.”

In eight of the 14 communities, local authorities were involved in pressuring borrowers to repay microloans, including four communities where land sales were directly pressured by government officials. Most commonly, commune authorities would summons individuals who were late on repayments to have a meeting between MFI

credit officers, the local authority, and the borrower. When this practice was previously described to researchers by an executive at an MFI, they called it a “facilitation” meeting and said that local authorities were frequently paid for their services by the microlender.

“Local authorities recognise and act as a witness when we do not pay, so it is easy for [MFIs] to confiscate property.”

At these meetings, local authorities used various means to apply pressure to borrowers. In some cases borrowers were directly pressured, such as one case in which a commune chief said, “You will sell your land to repay.” In other cases, the meetings – or even the threat of such meetings – instilled fear in borrowers and compelled them to sell land to repay loans. Many borrowers said that microloan providers would regularly report late repayments to commune chiefs and being summonsed to these government offices was often a source of distress and fear. In at least one community, a commune official was also acting as a private lender. He called meetings for local residents to attend, at which he said he knew that everyone had a lot of microfinance debt and if they needed any private loans, they could take those loans from him.

In addition to pressure at the point of repayment, local authorities are also involved in offering microloans. In five of the 14 communities interviewed, local authorities helped offer loans and acted as intermediaries between MFIs and borrowers. In one case from several years ago, a village chief was the head of a group loan and borrowers were made to repay him directly, rather than the MFI. In three cases, village chiefs had actively advertised for MFIs and facilitated borrowers to take loans by hosting events at their house or distributing information.

In two communities, local authorities took actions that were seen as helping or advocating on behalf of borrowers. In one case, a borrower went to a village chief’s house to get approval for a loan and the village chief told the borrower that the interest rate on the loan was too high, and the borrower should re-negotiate for a lower rate. In another case, a borrower fled to Thailand and MFI credit officers summonsed a witness who had signed the loan to meet with commune authorities. The commune chief told credit officers not to apply so much pressure on the witness, otherwise they would flee to Thailand just like the borrower.

7 “Collateral Damage: Land Loss and Abuses in Cambodia’s Microfinance Sector”, LICADHO and STT, August 2019, available at: <https://www.licadho-cambodia.org/reports.php?perm=228>

8 Letter number 556 SCN, signed by Interior Minister Sar Kheng, dated 31 March 2017.



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Krang Tbaeng

36 families
land conflict began 2010

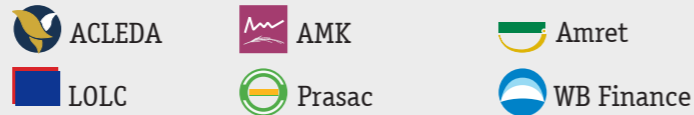
Families with MFI debt (estimated)

100%

Average loan sizes (estimated)

\$4,000

Microloan lenders in community



Community Profile

Krang Tbaeng community is located Kampong Speu province's Oral district. Community members settled there prior to the Khmer Rouge regime, and many received plots of land since 1996. More than half of households have at least one member who is currently or was recently employed at a garment factory. Some families earn income by selling goods from their homes or working as day-labourers, whereas others harvest mushrooms and vegetables from the nearby forests.

In 2010, **Phnom Penh Sugar Company** – owned by ruling party Senator Ly Yong Phat – began clearing land that was actively farmed by community members. Despite some families having lived there since before the Khmer Rouge regime, community members were intimidated with armed guards, and some had their houses burned down. After seizing between 1.5 and 5 hectares of the community members' land, the company filled in three water reservoirs and polluted one stream. Community members continue to advocate for getting their original land back, or monetary compensation equal to the value of the seized land.

Income and land conflict

Sources of Income

- Day labourer
- Selling handicrafts
- Agriculture
- Animal husbandry
- NTPF
- Garment worker
- Construction worker
- Fishing

Major Effects of Land Conflict

- Loss of income
- Environmental degradation
- Mental health issues
- Lost water sources

Pending Issues

- Improper compensation

MFI Debts

An estimated **100% of families** borrow from microfinance institutions. Primary reasons for borrowing include to start businesses, healthcare, buy motorbikes, build houses, pay for marriage ceremonies, or pay off other debts. Community members have noticed that the only thing MFIs ask about before giving loans is whether the borrower has a land title. About one-third of families have sold land in order to repay their microfinance debts, and some borrowers have also sent their under-aged children to work to earn money to repay debts. Private loans from informal lenders are also a serious problem, and are often used to repay MFI loans.

In their own words

"I didn't have money to repay, so I sold my land ... I was afraid if I didn't repay [the MFI], they would sell my land."

"To repay MFIs, there are no other ways or choices besides selling land, selling possessions or borrowing money from others."

"The credit officer said, 'Borrow from wherever to give me back my money.'"

"Debt levels in all families are too high. We can't think of anything else. We no longer go to the pagoda because we can't afford to buy food for the monks."

"Now I have only 3,000 riel (\$0.75) to buy fish twice a day. Before having debt, we could eat well."

"The credit officer said, 'Aunt! Are you selling land? If you are going to sell, please sell quickly to have money to pay me back!'"

Taking MFI Loans

Reasons for borrowing

- Agriculture
- Build a house
- Business
- Buy a motorbike
- Child's education
- Child's wedding
- Healthcare
- Repay other debt

Loan assessment process

Income assessment • CO asks for all land titles

- COs prefer to use community members' house land titles, because these are hard titles given by the Samdech Techo Volunteer Youth Group.
- In some cases, COs have "topped-up" loans by giving new, larger loans, without doing an assessment on

whether the borrower can repay the additional loan. In other cases, MFIs offered larger loans to borrowers in order take clients from another MFI.

How do people hear about loans?

- COs visit the houses of community members.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of the loan. Many borrowers do not understand their interest rate.

"If we put farm land, we may only get a small loan or no loan at all. If someone doesn't have a land title, they can't get a loan."

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Aggressive lending practices • Encourage use of private lenders • Pressured land sales • Threats

- Credit officers encouraged clients who were late on repayments to sell land.
- COs sometimes waited many hours at customers' houses (from 9am to 6pm) to continue asking for money. In one case, six COs came at once. In another case, a CO accused a borrower of attempting to escape after they did not see them for several days. She replied, "How can I escape? My rice cooker is here!"
- In some cases, credit officers directed borrowers to specific private money lenders who would give them a new loan in order to repay their microfinance loans.

- One young girl left school to work to help repay loans. Another under-aged girl used her cousin's ID to get a job at a factory - a common occurrence in the community. She didn't want to stop studying, but the family had debts and other financial obligations.
- Some private lenders borrow from MFIs to then lend to clients. Private lenders will then charge 15%-20% interest per month and sometimes require both a motorbike and motorbike registration card.

Emotional effects

Fear • Pressure • Shame • Worry

- Borrowers felt pressure over their children's future and not having enough rice to eat.
- Borrowers felt ashamed about their high levels of debt, especially when speaking to their children about the debt.

"I owed a lot, and had to take two children out of school. My first child stopped studying at 13 years old. The second stopped at 14 years old."

"I'm afraid they'll take my land."

Negative consequences of debt

Additional work • Borrow from MFIs • Borrow from private lenders • Child labour • Children leave school • Eat less food • Family tensions • Land sales • Sell possessions

During Covid-19

Income changes

Incomes went down during Covid-19

- Agricultural prices went down due to lack of demand and factories closed or suspended for several months.

Delays or restructuring

COs did not offer option of restructuring • COs refuse request to restructure • COs say restructuring not helpful

- No community member had heard of the restructuring opportunities from a CO. Some heard from TV.
- One borrower repays their debt via money transfer, and didn't know who to ask for restructuring.

- Several COs from different MFIs responded to requests to only repay interest by saying that it would be an overall loss for the borrower, because the principal amount would not change. In one case, the borrower chose to borrow from a private lender to keep repaying the full repayment amount.

Other comments

- Community members felt strongly that debt levels would increase in the future.
- They requested all MFIs to postpone loan repayments of both interest and principal for six months in order to help relieve the burden.



Dok Por

50 families
land conflict began 2011

Families with MFI debt (estimated)

90%

Average loan sizes (estimated)

\$1,500

Microloan lenders in community



ACLEDA



AMK



LOLC



Prasac



Sathapana



WB Finance

Community Profile

Many of the families in the Dok Por community moved to the area prior to the Khmer Rouge regime. Community members began growing corn, cassava, fruit and rice, and harvesting non-timber forest products (NTFP) such as vegetables and fish from the forest and stream nearby. But a company linked to ruling party Senator Ly Yong Phat seized their land, and pollution from its operations made the stream unusable. The effects of this land conflict, coupled with heavy debt, have led many community members to migrate for work. More than 60% of families have at least one member working in a factory.

In 2011, Phnom Penh Sugar Company cleared the community's farmland and destroyed many community members' crops. Most people lost between 1 and 5 hectares of farmland to the company, and much of the communally used land – land around a stream where villagers would collect NTFP – has been heavily polluted. Since then, community members have advocated through local authorities, the Senate and National Assembly, and several ministries, as well as the Anti-Corruption Unit, to seek justice and fair compensation. Despite promises to address their problem, there is still no solution.

Income and land conflict

Sources of Income

Agriculture • Day labourer • Garment worker • Migration • Construction worker • Animal husbandry

Major Effects of Land Conflict

Loss of income • Environmental degradation • Migration • Child labour • More debt

Pending Issues

No compensation

- Community members want their farmland back and have not yet received compensation.

MFI Debts

Community members said debt levels in the village was “overwhelming”, and an estimated 90% of families have borrowed a microloan. Borrowers said they feel the burden of this debt and the intense pressure from credit officers, which has manifested in debt-driven land sales, migration, child labour, and predatory practices from credit officers. Most borrowers can't read or write Khmer and don't fully understand the terms and conditions of these loans. MFI credit officers did not offer the option of restructuring loans or delaying payments during the Covid-19 pandemic. In some cases, credit officers told borrowers that restructuring a loan would instead increase their overall debt burden and not be helpful.

In their own words

“A credit officer said to a borrower, ‘Put all [land titles] that you have, we are afraid you will borrow from another institution.’”

“If there was no pressure, the borrower would not sell land.”

“When we repaid already, it isn't easy to take our land title back. They wanted to keep it, to make us get a new loan.”

“I read the [terms and conditions] once. Reading it was scary.”

“When we can't earn money, we borrow from a private lender. We borrow from here and there, and the interest rate goes up and up.”

“We work hard with no rest, even if we are sick. When we didn't have debt, we could sleep and rest when we were sick. Now we don't have time to rest, even if we are sick.”

“When I see borrowers who can't pay on time, and credit officers come to demand money, I am worried and afraid that in the future, I will face that.”

Taking MFI Loans

Reasons for borrowing

Agriculture • Build a house • Business • Buy land • Child's education • Healthcare • Repay other debt

Loan assessment process

Income assessment • Check land title and value of land • COs ask for all land titles

- After a borrower repays a loan, COs sometimes keep land titles longer than usual in order to pressure borrowers to borrow again.

How do people hear about loans?

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Keep land titles after repayment • Pressured land sales • Aggressive lending practices

- Often if a borrower is late, 3-4 credit officers will go to their house at the same time.
- One borrower changed jobs, and the date she received her salary changed to after her MFI loan due date. She asked to change the repayment date, but the CO refused. After 3 months of late repayments due to the change, the credit officer told her to sell her land.

Negative consequences of debt

Additional work • Borrow from private lenders • Child labour • Children leave school • Eat less food • Family

“The first way to pressure, the [credit officer] has the loan repayment date, so they tell borrowers that if they cannot pay on time, they will be fined. Then, the borrower will try to find a solution until the credit officer puts so much pressure, too much pressure, by telling the borrower that if they can't repay, the interest will increase. And if they still can't repay, they will ‘implement the bank's policy.’ Then the borrower is scared, and can't find a solution, so the borrower will sell possessions, even land, or whatever it takes to get money to pay back their debt.”

During Covid-19

Income changes

Incomes went down during Covid-19

- Many factory workers had hours cut or jobs eliminated entirely. Agricultural prices declined and daylabourers didn't have as much work as before.

Delays or restructuring

COs did not offer option of restructuring • COs say restructuring not helpful

- No community member had heard of the restructuring opportunities from a credit officer.
- Some borrowers who asked for a restructured loan were told by their CO that it wouldn't be helpful because, “If

- COs visit the houses of borrowers to offer loans.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of the loan.
- No cases were reported of COs cheating borrowers during the offering of the loan.

“It depends on the credit officer. I don't know how many contracts they did. When they tell me to thumb print - I thumb print.”

tensions • Land sales • Migration • Sell possessions

- About 10 families have already sold land to repay debts, and 2 more plan to sell land to repay debts.
- It is not uncommon for children aged 13 to 15 to leave school to begin working to help repay debts. An estimated more than 20% of families have had children leave school to work to repay debt.
- Dozens of community members migrated to Phnom Penh and other provinces to find work to repay debt.

Emotional effects

Fear • Pressure • Regret • Shame • Worry

- Not being able to send children to school due to debt is a primary source of emotional distress.

you only pay interest, the principal doesn't go down, making the loan last longer.”

- Many credit officers did not fine borrowers for paying late during Covid-19.

Other comments

- MFI's charge borrowers a fee if they wanted to repay their loan earlier than scheduled. This is not fair.
- MFI's always require collateral, but private lenders assess borrowers based on trustworthiness and repayment capacity, so those loans are easier to get.
- Community members asked NGOs to learn more about MFI loans and share that information with community members.

Chi Khor Kraom

175 families
land conflict began 2006

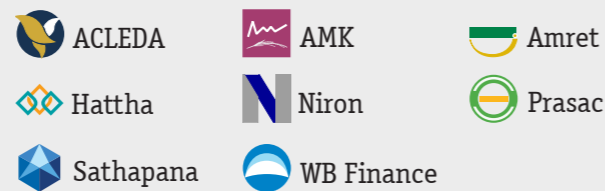
Families with MFI debt (estimated)

80%

Average loan sizes (estimated)

\$5,000

Microloan lenders in community



Community Profile

Chi Khor Kraom Land Community has residents from six different villages across two districts in Koh Kong province. These villages used to rely on plentiful catches of fish and farmland to grow crops for sustenance and sale. Fish catches have fallen in recent years and weather changes have disrupted agricultural habits, severely affecting livelihoods. More than 60% of households now rely on at least one family member to migrate to work in Thailand or another province.

In 2006, *Koh Kong Sugar*, which is linked to Senator Ly Yong Phat, began clearing community members' farms and homes, some of which already had crops planted. The loss of land led to a dramatic drop in incomes, children being pulled out of school, increased levels of domestic violence, and lasting psychological effects. After deciding to advocate as a community in 2007, they continuously campaigned and protested until 2017, when the company agreed to provide \$2,500 per household, and, in 2018, granted 3 hectares of land to each household. This land needed to be cleared, requiring additional money. More than a dozen villagers faced another a land dispute in 2009 with tycoon Heng Huy. Villagers worry about their tenure security as they have not yet been granted hard titles for their homes.

Income and land conflict

Sources of Income

Agriculture • Fishing • Animal husbandry • Migration • Construction worker • Garment worker • Day labour

Major Effects of Land Conflict

Loss of income • Child must leave school • Mental health issues • Violence against women land activists • Arrests • Migration • Legal harassment

Pending Issues

Inadequate infrastructure

MFI Debts

More than 80% of families are estimated to have MFI debts, with many also holding loans from private, informal lenders. At least half of the households have sold land to repay their microfinance debts. This land was given to the villagers as part of a compensation package to resolve the land dispute. The "overwhelming" amount of debt has resulted in villagers being overworked, labouring through sickness without rest. They had to reduce their food intake to save for repayments, or borrow more money to repay old debts. Villagers said the "fear" created by credit officers in the community meant that children as young as 12 were pulled out of school and made to work to help their families repay MFI debts.

In their own words

"I feel afraid when I see credit officers come to borrowers' homes. I'm afraid of land confiscation."

"When I called to ask for a delay of 7 days, the credit officer told me that if I paid too late, they would sell the land under market price."

"My three children stopped studying since they were 14, 15 and 16 years old in order to work as noodle-sellers in Phnom Penh, to earn money and send money to me to repay the debt."

"I am afraid my children will get sick, and they won't be able to work and earn money to repay the debt."

"I often heard about loan postponement, but when I called to ask for information, they said it did not exist."

"In the past, my children worked, but during Covid-19 my children don't have jobs. I couldn't repay the debt, so I felt afraid. I got a private loan to repay my microloan, because I was afraid of having my land confiscated."

Taking MFI Loans

Reasons for borrowing

Agriculture • Build a house • Business • Buy a motorbike • Child's education • Clear land • Healthcare • Repay other debt

Loan assessment process

Income assessment • Check land title and value of land • Some COs falsified "purpose for loan"

- Borrowers can't get personal MFI loans without land titles. The value of the land must be at least twice the loan size.

- In one case, a borrower told the MFI he was taking a loan in order to afford food to eat, and they said that was fine as long as he could repay it later.

How do people hear about loans?

- COs visit the houses of borrowers to offer loans.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of the loan.

"Whenever I go to try and borrow, they do not give me a loan because I don't have a land title."

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Aggressive lending practices • Keep land titles after repayment • Pressured land sales

- Borrowers were threatened by COs that the COs would sell their land for below-market prices if they were unable to repay their MFI loans.
- In one case, a borrower's land title was returned more than one full month after they had repaid their loan, and the borrower was encouraged to take another loan from that MFI during that month.

Negative consequences of debt

Additional work • Borrow from MFIs • Borrow from private lenders • Child labour • Children leave school • Eat less food • Family tensions • Land sales • Migration • Sell possessions • Trouble sleeping

- Some community members were busy advocating on behalf of their land rights and could not afford to repay their loans, and many went to borrow more money to repay.
- Borrowers reported cutting their food budgets in half to help repay debts.
- Most of the borrowers in the community are women, and many of their livelihoods are worse than before they borrowed from MFIs.

Emotional effects

Fear • Pressure • Shame • Worry

- MFI debts have caused strain in the community and families have split up, in part due to stress from MFI loans.
- This especially affects women, who are usually the official borrower in the family.

"Even borrowers who get sick and have fever must still work, because the deadline for repayment is coming."

During Covid-19

Income changes

Incomes went down during Covid-19

- Prices for cashew and mangoes fell sharply.
- Fish stocks are depleted, and often fishers cannot catch enough fish to sell, only enough to eat.
- Factory workers have been suspended or fired, and many migrants in Thailand are either earning less money or have had to come home.

Delays or restructuring

COs did not offer option of restructuring • COs refuse request to restructure • COs say restructuring not helpful

- No community member had heard of the restructuring opportunities from a CO. Some had heard about it through Facebook.

- Several community members had requested loans to be restructured during Covid-19, and had been denied by credit officers.
- Some COs said restructuring wouldn't help borrowers, because it would increase overall debt burdens.

Other comments

- Livelihoods have decreased since MFIs began offering loans in the community.
- Private lenders are also problematic and exert pressure on borrowers. They have higher interest rates than MFIs, but also fewer fees and less paperwork.
- Community members asked MFIs to stop forcing people who sign MFI loan documents as witnesses to repay loans when the primary borrower cannot repay.



Chi Khor Leu

200 families
land conflict began 2006

Families with MFI debt (estimated)

90%

Average loan sizes (estimated)

\$1,000

Microloan lenders in community

- ACLEDA
- AMK
- Amret
- Hattha
- Niron
- Prasac
- Sathapana
- WB Finance
- Chanreah

Community Profile

Chi Khor Leu is a group of 200 families from three villages in Koh Kong province’s Srae Ambil district. It is primarily an agricultural community, where members relied on their farmland and forest products for income. But, since the start of the land conflict, and especially during the Covid-19 pandemic, household incomes have plummeted. Many villagers had to migrate to work after losing their land and grappling with rising levels of indebtedness.

In 2006, workers from Koh Kong Plantation and Koh Kong Sugar, linked to Senator Ly Yong Phat, attacked community members who were protecting their land. The workers were driving bulldozers and excavators and provided protection by local and military police. The mixed forces destroyed people’s rice farms and plantation lands, and also didn’t spare the community’s collective forest. Around 10 houses were burned, and 1,365.7 hectares of the community’s land was cleared by the company. In addition to the land grab, the company has polluted streams with chemicals, and essential natural resources have become scarce. While some community members have received limited compensation (in most cases, 1.5 hectares of land), 24 households have yet to receive land as compensation.

Income and land conflict

Sources of Income

- Agriculture • Animal husbandry • NTFP • Fishing • Construction worker • Migration • Garment worker

Major Effects of Land Conflict

- Physical violence • Burned homes • Loss of income • Migration • Emotional violence • Child must stop studying • Environmental degradation

Pending Issues

- Incomplete compensation • Inadequate infrastructure

MFI Debts

MFI’s entered the community shortly after their land conflict began, and the community’s debt expanded rapidly in 2018 and 2019. Around 90% of families have a microloan and about 50 households – 25% of the community – have sold their land to repay debts. Credit officers, generally, are not rude to borrowers in the community, but borrowers are aware that if they don’t repay loans, the MFI’s will seize their homes and land. This fear leads many of them to sell land to repay their debts. An estimated 80 underage children, some as young as 14 years old, have been taken out of school and put to work to repay MFI debt. The mental and physical stress that accompanies being heavily indebted resulted in one woman, a widow and mother of 2, dying from sickness after a period of immense stress and pressure because she couldn’t repay two MFI loans.

In their own words

“I feel it is so difficult. When we can’t afford to repay the debt, we must sell land to repay, and then we don’t have a home to stay in anymore.”

“We don’t know what our rights are when we are unable to repay the debt.”

“My community has so many problems with debt. There is no way to relieve the burden, or to not borrow money.”

“In my village, when people can’t repay, they flee their homes.”

“I wasn’t late ... I couldn’t pay back and I was afraid they would come to my house and I’d have a problem. So I sold my land.”

“The MFI’s have many conditions, and the conditions are like threats.”

“Most borrowers know they can lose their land when they can’t repay, but don’t know about their rights.”

Taking MFI Loans

Reasons for borrowing

- Agriculture • Build a house • Buy a motorbike • Child’s education • Clear land • Healthcare • Repay other debt

Loan assessment process

CO asks about land titles, possessions and income

- Community members noted that borrowing a loan was very easy and COs were helpful to answer questions, but when a borrower could not repay, COs do not offer any consultations or advice on how to earn money.

How do people hear about loans?

- Credit officers visit the houses of borrowers to offer loans.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of the loan.

“We know about interest rates and terms from the MFI officers. They say the collateral will be confiscated if we don’t repay, and witnesses have to repay if we can’t.”

Repaying MFI Loans

Unethical behaviour of credit officers

Pressured land sales • Threats

- COs threatened to confiscate or sell land when borrowers were late on repayments.

Negative consequences of debt

Borrow from MFI’s • Borrow from private lenders • Child labour • Children leave school • Eat less food • Family tensions • Land sales • Migration • Trouble sleeping

- In some cases, husbands would claim they did not know about the loan taken by their wives, leading to divorce or marital problems.
- In one case, a single mother with two children was so upset and frightened due to her overwhelming MFI debt that she became sick and later died.
- Child labour is the second-largest problem, behind

debt-driven land sales, with regards to MFI debt in the community.

Emotional effects

Fear • Pressure • Upset • Worry

- Borrowers were afraid of being blamed by COs, and afraid of being in more debt.
- Many also reported being afraid of having their land confiscated by credit officers, who have explicitly threatened to seize possessions if payments are late.
- Borrowers who had to migrate in order to repay debt were sometimes upset at the need to leave their homes in order to service their loans.

“I’m afraid I won’t have enough money to repay, and they will fine me, and come to blame me.”

During Covid-19

Income changes

Incomes went down during Covid-19

- Agricultural prices dropped by at least 50% compared to 2019.
- Migrants have had work hours cut or have had to return from Thailand or other provinces.
- More people are haresting NTFP, so there is less to be collected and sold per household.

Delays or restructuring

COs did not offer option of restructuring • No known cases of borrower being granted restructure

- Only 1 community member had heard of the circular by the National Bank of Cambodia to restructure loans.

- About 17 community members have sold land during Covid-19 in order to repay MFI debts.

Other comments

- Community members requested that MFI’s not issue fines to people who are only a few days late on repayments, but instead be more understanding.
- During Covid-19, delays of up to 6 months should be granted to borrowers who need it.
- The interest rate should be lower than the current level of 18% annually.
- The contract and income assessment should be more clearly explained prior to giving the loan.
- Credit officers should follow up more with clients about how they are using the loan and how their business is going.



Tanoun

33 families land conflict began 2010

Families with MFI debt (estimated)

100%

Average loan sizes (estimated)

\$3,000

Microloan lenders in community



Community Profile

Prior to 2010, community members in Tanoun could open their doors and see the ocean. Now the community has been pushed about 13 kilometres from the harbour where they keep their fishing boats by a land conflict, severely disrupting the livelihood of the village’s fishermen and farmers. Hundreds of families across the province were affected by the company’s tourism project, including the 33 families that make up Tanoun community. In 2010, they decided to advocate as a community when some of the promises of fair compensation by the government and company began to fall through.

In 2008, the Cambodian government granted a 36,000-hectare concession on the coast of Koh Kong to [Union Development Group](#), a Chinese-owned firm. Negotiations and promises of compensation were made in 2009, but when the Tanoun community was relocated in 2010, some of those promises were not yet completed. Villagers were relocated to a village 6km away with no electricity, poor roads and no access to the sea, poor-quality land, a lack of irrigation, and houses that were lower quality compared to what was promised. Some community members have not received monetary compensation, and even those who have were not given the promised amount or quality of compensation.

Income and land conflict

Sources of Income

Fishing • Migration • Animal husbandry • Security guard • Day labourer • Construction worker • Making charcoal

Major Effects of Land Conflict

Loss of livelihood • Migration

Pending Issues

Improper compensation • Inadequate infrastructure

MFI Debts

An estimated 100% of families in Tanoun have an MFI loan, many using multiple land titles as collateral. No one reported receiving information about risks stemming from taking a loan, and problems such as declining income during repayment went ignored by COs. MFIs first entered the community in 2010, following the land conflict, and the number of loans grew rapidly in 2017 and 2018. Some COs threatened to take borrowers to the police station or commune chief if they were several days late on payments. Many borrowers fear legal action or seizure of their land if they can’t repay. Some borrowers reported eating less food and high stress levels that prevented them from sleeping well or made them feel afraid when COs visited their homes. For some households, nearly all the seafood they catch has to be sold to repay their debts, leaving little for eating. Others have chosen to migrate, sell their possessions, or take children out of school. About eight of thirty-three families – around 25% - have sold land in order to repay their microfinance debt.

In their own words

“The first thing they do is ask about our land titles.”

“If we don’t have a stable job, they [the MFIs] require us to put more land titles.”

“The loss of fishing equipment and less fish make us worry about repaying our loans. But credit officers don’t care about this problem, they only care that they must collect money every month.”

“I feel scared. I don’t have money to repay. I’m afraid they’ll seize my land if I can’t repay.”

“The MFIs will give us a loan, as long as we have land titles.”

“Old people or divorced women cannot be guarantors.”

Taking MFI Loans

Reasons for borrowing

Build a house • Business • Buy a boat • Buy a motorbike • Buy fishing equipment • Healthcare • Migration • Repair a house • Repay other debt

Loan assessment process

CO prioritise land titles • Guarantors are restricted • Income assessment, but no talk of risks

- Divorced women and old people are commonly prohibited from being guarantors for MFI loans.

- Land titles were viewed as the most important criteria for qualifying for an MFI loan.

How do people hear about loans?

- COs visit the houses of borrowers to offer loans.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of loans. Most know they need land titles and can’t have more than 3 loans.

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Threats

- Borrowers reported COs harassed them, accused them of being difficult or lazy, and threatened them with local authorities or police involvement.

Negative consequences of debt

Borrow from private lenders • Children leave school • Eat less food • Family tensions • Land sales • Migration • Sell possessions • Trouble sleeping

- Around 8 families sold land in order to repay debts.
- Children as young as 14 have been taken out of school due to the financial pressure caused by debt.
- Some families experienced increased tension and verbal abuse within households due to stress from debts.

Emotional effects

Fear • Pressure • Regret • Worry

- Many community members are afraid of legal action as a result of their debts.
- Many also reported being afraid of having their land confiscated by credit officers, who have explicitly threatened to seize possessions if payment are late.
- Feelings of regret were primarily regarding children who needed to leave school or go to work as a result of debt.

“The credit officers said, ‘I don’t care where you get the money from, just repay me.’”

“They said if I don’t pay on time, they will invite me to police station or commune hall.”

During Covid-19

Income changes

Incomes went down during Covid-19

- Seafood prices dropped and fish stocks are lower, resulting in incomes falling as much as 80% compared to pre-Covid 19 levels.
- Migrants have had work hours cut or have had to return from Thailand or other provinces.
- Young people who previously worked in factories have instead starting picking trash in their home village.

Delays or restructuring

COs did not offer option of restructuring • Late fees still applied during Covid-19

- Some community members had heard of the National Bank of Cambodia circular regarding restructuring,

but none felt brave enough to ask their credit officer about it.

Other comments

- Overwhelming debt levels are a big problem in the community and some borrowers are unable to earn enough money to repay the MFIs on time.
- Community members requested compensation from the government, such as a better road to access the sea.
- Community members requested MFIs relieve debt burdens and stop being so strict during Covid-19, especially by delaying loan repayments and not issuing fines.

“During Covid-19, we have sold everything we have.”



Pailin Land Community

147 families
land conflict began 2006

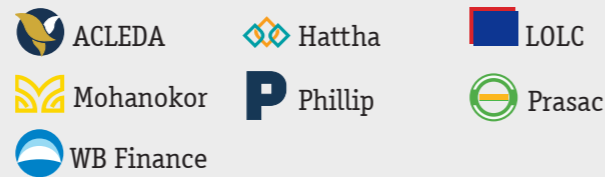
Families with MFI debt (estimated)

97%

Average loan sizes (estimated)

\$3,000

Microloan lenders in community



Community Profile

The Pailin Land community has been in an ongoing and shifting land conflict since 2006. The community is made up primarily of farmers, although in recent years the number of migrants has dramatically increased. Now, about 70% of families have at least one member who is a migrant, mostly in Thailand but also in garment factories in Cambodia. Livelihoods have come under serious threat on account of the Covid-19 pandemic, the long-standing land conflict and suffocating MFI debt.

The community's land was first claimed by a government official in 2006, who attempted to clear people's crops and claimed more than 2,000 hectares of land. The government official later gave up this claim. In 2012, the land was claimed by the then-provincial governor and later by his wife, who is the current provincial governor. Three community representatives were detained in 2014 on charges of encroaching on public land and using violence against authorities, and later a fourth representative was arrested after calling for their release. Following protests and petitions to local and international actors, the four community representatives were released. Most families have now received at least some compensation, between 2 and 12 hectares of land. However, some families received inadequate compensation, and families have not received any land titles for their land.

Income and Land Conflict

Sources of Income

Agriculture • Animal Husbandry • NTFP • Migration • Day-labourer

Major Effects of land conflict

Loss of income • More debt • Emotional distress • Imprisonment • Legal harassment and discrimination

Pending Issues

Lack of proper compensation • Lack of land titles

MFI Debts

MFI debt is destroying lives, families and livelihoods in the Pailin Land Community. About 97% of families in the community have MFI debts, and the majority of them have already sold land to repay those debts. MFI credit officers regularly engage in threats, fraud, intimidation and coercion to force repayments. Borrowers are often terrified of even discussing their loans with their COs in case such discussions lead to further threats or legal action. Worryingly, rising debt has also exacerbated unsafe migration, child labour, sex work, and domestic violence.

In their own words

"We used to eat well, but since we began owing money to the MFIs, we haven't eaten as well as before."

"The credit officer noted all the borrower's possessions, including a tractor and motorbike. Later, when he couldn't repay, they encouraged him to sell those possessions."

"They came with two to three staff and threatened me that 'Aunt! If you can't earn money to repay, I will call you to meet with the village and commune chief.'"

"Sometimes we do not want to take a loan, but [COs] still entice us to get a loan."

"If we didn't sell our house to repay them, they would have come every day. We would've been so embarrassed."

"Our knowledge is still limited, so there can't be conversations or arguments with credit officers. Whatever they say is right, even if they blame us, or they threaten us, we will accept it all."

Taking MFI Loans

Reasons for borrowing

Agriculture • Build a house • Buy a motorbike • Buy land • Child's education • Child's wedding • Healthcare • Household expense • Migration • Repay other debt

Loan assessment process

Regular income assessment • Some COs falsify reason for taking loan

How do people hear about loans?

- Credit officers visit the houses of borrowers to offer loans.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers, as well as their own sons and daughters, to explain the conditions of the loan.

"The over-indebtedness with MFIs was due to bad soil. We took their money to farm, but eventually we lost our land because the land was low quality."

"One CO said, 'If you put the purpose of borrowing for doing farming, you can get a loan of 2 million riels, but if you add another purpose to build a toilet, you can borrow up to 4 million riels, even if you do not actually build a toilet.'"

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Aggressive lending practices • Fraud • Keep land titles after repayment • Pressured land sales • Threats

- Community members reported that COs threatened to sell their land, call local authorities or police, or pursue legal action against them when they were late on repayments.
- Some COs would charge excessive fees, up to 9% of the loan amount, prior to disbursing the loan.
- Some MFIs would hold onto a borrower's land title for up to two months after they had repaid the loan in full.
- Some COs encouraged borrowers to take private loans to repay them, and sometimes private lenders had taken MFI loans to offer loans to the community.

Negative consequences of debt

Borrow from MFIs • Borrow from private lenders • Child labour • Children leave school • Eat less food • Family tensions • Forego healthcare • Land sales • Migration • Sell possessions • Sex work

- About 60% of community members have already sold land to repay their MFI debts.
- Migration was regular, with about 70% of families who

had at least 1 member who had migrated for work. Sometimes, these migrants were underage children, or both parents left behind small children to find work. Many of the children who stopped studying later migrated for work.

- Some people reported reducing their daily meals from three to two meals a day to help repay MFI debts.
- Land sales were a common way for borrowers to repay their debts.
- One community member told multiple people that they had entered sex work in order to repay their MFI debts. Several families split up or experienced divorce as a result of stress from microloans.

Emotional effects

Fear • Shame

- Most of the fear was around the CO's threats to take borrowers to local authorities, police officers, or pursue legal action when they were late on repayments.

"If we didn't sell our house to repay them, they would have come every day. We would've been so embarrassed."

"I didn't have any problems with the MFI. I sold my house to repay them."

During Covid-19

Income changes

Incomes went down during Covid-19

- Border closures and factory suspensions cause many community members' incomes to plummet during Covid-19.

Delays or restructuring

COs did not offer option of restructuring

- Some borrowers did ask for and receive restructured loans, but they expressed concern that after their delayed payments restarted they would have to sell land to repay.

Other comments

- MFI debt levels are overwhelming in the community, interest rates and fees are too high, and it hurts the lives of many community members.



Ou Vor Preng

16 families
land conflict began 1998

Families with MFI debt (estimated)

56%

Average loan sizes (estimated)

\$1,000

Microloan lenders in community



Community Profile

The Ou Vor Preng community is located in Battambang province's Bavel district, where many community members have lived since the early 1990s. The land community first formed when 38 families were forced off their land by a powerful local businessman – 16 families have still not received compensation and are actively advocating for their rights. Since the land conflict began, many community members have been unable to grow enough rice or crops to make a living. The community has seen an increase in migration, borrowing, and working as a day labourer as the only means to earn money.

In 1998, a wealthy businessman named Eang Oeun cleared and grabbed community land with the help of armed forces. A year later, he filed a complaint against 14 families, represented by a community representative, for encroaching on 110 hectares of land that he claimed. The court ruled in Eang Oeun's favour, but community members continued to demand justice and advocate for their land rights. Over the following years there were more complaints, and more armed forces hired to intimidate community members and stop them from using their land. In 2016, Eang Oeun came with local authorities and police to clear the contested land and dig canals around the land, preventing community members from accessing the land for farming.

Income and Land Conflict

Sources of Income

Agriculture • Animal husbandry • Day labourer • Migration

Major Effects of land conflict

Loss of income • Jail for community representatives • Children must leave school • Increased migration

Pending Issues

No compensation • Legal harassment of representative

MFI Debts

About 56% of families in Ou Vor Preng have MFI loans, and the community does not have the same widespread over-indebtedness problem with microfinance loans as other communities. This is because very few community members have land titles, and thus can't access individual MFI loans. Those who did get individual loans, as well as borrowers who took uncollateralised group loans, still face many of the same consequences of indebtedness as other communities, such as eating less food, borrowing from private lenders, and selling possessions in order to repay. Borrowers have also faced shaming, intimidation, and some have sold land in order to repay private lenders, some of whom had themselves borrowed from MFIs in order to offer private loans. Additionally, of the 22 former community members who left the community after receiving land as compensation, more than 5 of them have sold some or all of that land to repay debts.

In their own words

"International banks that came to help Cambodia, they didn't come and help Cambodia. They came and killed us."

"Send this information to the leaders of MFIs, so they can fix the problem. I don't want to protest against MFIs. I just want them to fix the problems, and to have justice."

"When they [CO] came, I told them I didn't have enough money and asked to suspend payments. They didn't say anything, so I went to a private lender to borrow money, so that they did not confiscate my land, so they don't come blame us or accuse us."

"It's hard. I want to sell my 5 hectares of land to repay. I can't make enough money, I don't know how to get money, except to sell my land ... There's no point in telling [the MFI], they won't listen, they want their money."

Taking MFI Loans

Reasons for borrowing

Agriculture • Build a house • Buy land • Child's education • Household expense • Migration • Repay other debt

Loan assessment process

COs require land titles, preferably two titles, and a guarantor • For group loans, COs look at possessions, size of land, business, etc.

- Despite group loans not requiring land titles as collateral, COs still assess the size and value of borrowers' land.

- Most community members do not have land titles, meaning most cannot access individual MFI loans.

How do people hear about loans?

- Credit officers visit the houses of borrowers to offer loans, and people share information with one another.

Are borrowers aware of conditions and terms?

- Generally, people who get MFI loans can read and write Khmer.

"People in cities borrow from MFIs and their livelihood gets better. But farmers borrow the same way and it doesn't get better."

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices

- While most credit officers behaved appropriately and threats or intimidation were rare, some borrowers still reported threats and immense pressure over late loan repayments.

Negative consequences of debt

Borrow from private lenders • Eat less food • Sell possessions • Spend less on child's education

- Some families reported cutting food budgets in half in order to help them repay loans.

Emotional effects

Worry

- Some borrowers felt worried because they had sold all of their cows, and feared they would have to sell land in the future to repay loans.
- Another borrower was concerned that a CO would post on Facebook about how she was late to repay.

"I was late 4 days, and asked for 2 more days. After those 2 days, they came with 2 motos, 3 people. They blamed us, and my husband began having trouble breathing. I have a heart issue, I was afraid I would faint like my husband, I was so panicked ... They said I was lying."

During Covid-19

Income changes

Incomes went down during Covid-19

- Agricultural prices dropped during Covid-19 and it became difficult to migrate, while prices for food and basic goods rose, leading to a serious drop in livelihoods.
- Floods have destroyed crops and decreased yields.

Delays or restructuring

Some COs informed borrowers of restructuring • COs refuse request to restructure

Other comments

- Debt levels in the community are "overwhelming", and as livelihoods decline, debt levels increase.

"In 2020, it's difficult to get money. There are no customers for our business. Everything we sell, we used that money to repay the MFIs."



Boeung Pram

192 families
land conflict began 2005

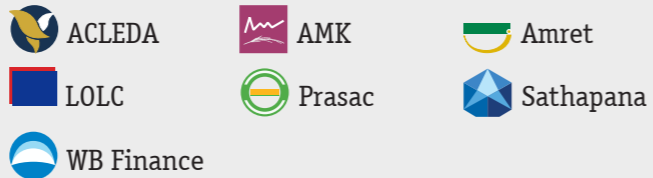
Families with MFI debt (estimated)

80%

Average loan sizes (estimated)

\$1,000

Microloan lenders in community



Community Profile

Boeung Pram community is located in Battambang province, where community members began to live and grow crops in the 1990s. Previously located in Ampil Pram Deum commune, the area is now Boeung Pram commune. Community members primarily rely on farming and migration to make a living, although chronic droughts and debt issues have led to a decline in incomes.

Starting in 2005, hundreds of new residents from different provinces began settling in the area, led by a man who would later become the local commune chief. The land disputes caused by this settling culminated in violent clashes in 2011, when community members' crops and houses were destroyed, several people were injured, and a woman was left dead. In 2012, land titles were distributed to some residents, but 192 community members have not yet received land titles or any adequate compensation. The community has continued to petition local and national authorities for a proper solution, and after receiving a letter from the Senate in 2014, many community members can farm on their land while they wait for a more permanent resolution to their conflict.

Income and Land Conflict

Sources of Income

Agriculture • Day labourer • Animal husbandry • Migration

Major Effects of land conflict

Emotional distress • Legal harassment • Loss of crops • Loss of income • Death • Injury • Burned homes

Pending Issues

Lack of compensation • No land titles

MFI Debts

About 80% of families in Boeung Pram have a loan from an MFI, and many of those are group loans. Many families do not have land titles due to their land conflict, and this makes it difficult to get individual MFI loans. In one case, a community member had 3 different MFIs deny her an individual loan because she did not have a land title, and instead would only offer her a group loan. But despite this, and despite having smaller loan sizes than many other communities in Cambodia, borrowers in the community still reported facing threats, coerced land sales, eating less food, and migrating in order to repay MFI loans. Children have been taken out of school and sent to work, either in different provinces or in Thailand, in order to make more money to help pay off debts, and community members reported feeling shame, sadness and fear about their levels of microfinance debt.

In their own words

"Before they provide us a loan, they ask us in detail - 'How many cows, buffalos, houses, and how much land do you have?'"

"For me, I am unable to get a loan because I have no land title."

"In the past, getting a loan was not bad because our livelihood was fine, we could grow rice. But three years of drought has made our lives worse - now, our children left school and went to Thailand in order to help their parents. If they didn't, how else would we be able to repay the loans?"

"I can't get an MFI loan because I don't have a land title, so instead I went to get a private loan."

"I sold all my rice to repay [MFIs]... I couldn't save any money."

"After my children went to Thailand, the MFIs came to ask if I needed a loan."

Taking MFI Loans

Reasons for borrowing

Agriculture • Buy land • Healthcare • Migration

Loan assessment process

People above 60 can't get loans unless they have a child in Thailand • COs require a land title for individual loans

- One borrower was denied a loan from 3 different MFIs because she lacked a land title.
- Other borrowers reported it was very difficult to get a loan unless the borrower had at least one child working as a migrant worker in Thailand.

How do people hear about loans?

- Credit officers visit the houses of borrowers to offer loans.

Are borrowers aware of conditions and terms?

- Most borrowers can read and write Khmer, and those who can't often find witnesses to read the contracts for them.

"The COs came to ask if I needed to borrow, and I said yes. But then they asked if I had a land title, and I said no. So then they said they had to 'talk to their boss'."

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Pressured land sales • Threats

- In one case, a CO put a "for sale" sign up at a borrower's house after they were two days late on a repayment.
- In another case, a borrower who borrowed about \$750 was late on repayments because his farming was not going well. The MFI seized his land without using the legal system.

Negative consequences of debt

Borrow from MFIs • Borrow from private lenders • Child labour • Children leave school • Eat less food • Family tensions • Land sales • Migration • Sell possessions

- Community members reported eating less food, and some that had previously been able to afford fish regularly can now only eat rice with prahok (fermented fish paste) for several days straight.

Emotional effects

Fear • Sadness • Shame

- One borrower reported crying after being told by COs that they could not receive any delays or restructuring to their loans during Covid-19.

"As the incomes decrease, the debt increases."

"I want to stop borrowing money from MFIs and planting cassava. I'm scared because if I don't have rice to sell to repay them, I'll have to sell my land."

During Covid-19

Income changes

Incomes went down during Covid-19

- The drop in incomes during Covid-19 came after three years of drought conditions which have hit farmers in the community hard.
- During the pandemic, many migrants in Thailand had their work hours cut or were forced to return home, further cutting incomes.

Delays or restructuring

COs did not offer option of restructuring • COs refuse request to restructure

- One borrower relied on a family member's income to repay their loan. The family member was a migrant worker in Thailand and had their hours cut due to the Covid-19 pandemic. The CO still refused to restructure the borrower's loan.

Other comments

- Community members requested that MFIs help restructure and implement the circular from the NBC during Covid-19, to offer relief for borrowers.
- Borrowers who rely on the harvest often had trouble making monthly payments to MFIs, as they had income only after harvesting crops.



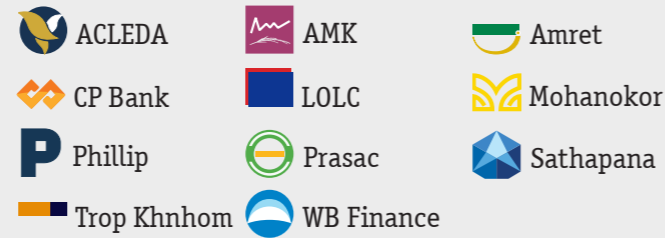
Kh'tum

162 families
land conflict began 2007**Families with MFI debt (estimated)**

95%

Average loan sizes (estimated)

\$5,000

Microloan lenders in community

Community Profile

Kh'tum community is an agricultural community in Oddar Meanchey province. Community members rely on farming, animal husbandry and, increasingly, migration to make a living. About 80% of households have at least one member who is a migrant worker, most of them working across the border in Thailand.

Three sugarcane companies, subsidiaries of Thai sugar giant **Mitr Phol**, were granted Economic Land Concessions, arrived in the area in 2007 and began evicting community members in 2009. People lost between 2.5 and 20 hectares of land, and many families were coerced into accepting inadequate compensation, proposed by government officials on behalf of the companies. Community members were told take the inadequate compensation and leave, or have their land seized. Some accepted, while others did not, but many people from both groups continued to advocate for full and fair compensation. The companies left in 2014, and some people returned to their land in 2015. Some community members who were coerced into accepting compensation land found the land forested and full of unexploded ordnance, and a new land conflict emerged as the government granted a social land concession to people from Tboung Khmum province, some overlapping with Kh'tum community members' land.

Income and Land Conflict**Sources of Income**

Agriculture • Animal husbandry • NTFP • Migration • Day labourer

Major Effects of land conflict

Income decline • Debt • Child labour • Children must stop studying • Death • Mental health issues • Hunger • Threats/restrictions from authorities

Pending Issues

Have not received land back • Lack of land titles • UXO

MFI Debts

Of the community's 162 families, about 95% of families have microloans. Many people borrow to farm, migrate, or clear land of unexploded ordnance. More than 20 families have already sold land to repay debts, while many others have experienced threats, intimidation, and pressure from credit officers. This debt has pushed families into situations where they experience coerced land sales, unsafe migration, child labour, and hunger. The pressure from COs extends beyond the borrowers themselves to people listed as witnesses on the loan documents. Several people who acted as witnesses for MFI loans have been pressured by credit officers to sell their land to repay the borrower's debt. Debt levels are at an "emergency level" in the community, and have contributed to the decline in livelihoods for community members.

In their own words

"Even when I can gather wild mushrooms, I don't eat them. I need to sell them to repay my debts."

"I used to eat pork and beef, but ever since I borrowed money from the bank, I haven't eaten beef or pork once. I just eat prahok [fish paste]."

"The loss of land leads to bad things, you owe money to the bank and often borrow more and more. Now, from one day to next, all we do is try to make the next payment."

"There is no counseling to borrowers about risks, if they can't harvest for any reason the borrower has to deal with the repayment. Credit officers don't talk about this."

"Nowadays credit officers walk around from house to house in the villager to advertise, often in pairs."

"The credit officer came many times to encourage me to take a loan. I said no and replied that I already had a loan at MFIs, and then he said, 'Take a loan with two MFIs, I can give you one more loan.'"

Taking MFI Loans

Reasons for borrowing

Agriculture • Build a house • Buy land • Child's education • Clear land of mines/UXO • Healthcare • Migration • Repay other debt

Loan assessment process

COs require land titles • Value of collateral exceeds value of loan • COs ask about migrants in family • COs conduct income assessments

- Borrowers above the age of 50 are not able to get MFI loans unless they can prove they have at least one family member working in Thailand, and COs regularly

ask about how many migrant workers a borrower has in their family.

How do people hear about loans?

- COs visit the houses of borrowers to offer loans, and there are signs on people's homes and along the road.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of the loan.

"The credit officer asked whether my husband had migrated to Thailand. If he wasn't in Thailand, they wouldn't lend me very much."

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Aggressive lending practices • Encourage use of private lenders • Fraud • Threats

- One person who had signed a loan document as a witness reported that when the borrower was unable to repay, COs pressured them to repay, and even lied to them to try to trick them into thumbprinting a document agreeing to repay the original borrower's loan. Later, the CO pressured the witness to sell their land to repay that loan.
- COs threaten and pressure people who thumbprinted as witnesses for loans to sell land to repay, if the primary borrower is unable to repay. At least two witnesses have sold land to repay other people's loans.
- COs threaten to put borrowers on a blacklist if they repay several days late.

Negative consequences of debt

Borrow from MFIs • Borrow from private lenders • Child labour • Children leave school • Eat less food • Family tensions • Land sales • Migration • Sell possessions

During Covid-19

Income changes

Incomes went down during Covid-19

- Many incomes fell by up to 90%, as agricultural prices fell sharply and migrants lost their jobs or had work hours cut. Recently, agricultural prices have risen, but floods have caused crop yields to drop by 70%.

Delays or restructuring

COs did not offer option of restructuring • COs refuse request to restructure

- Some borrowers noted that the restructuring offered by MFIs would not help them, because they would

- Migration, particularly unsafe migration through informal channels, became a large issue due to debt.
- In several cases, underage children as young as 13 migrated to Thailand to make money to help repay microloans, while children as young as 10 migrated with their parents to find work.
- One family had to sell land after taking a microloan to pay a broker to migrate, only to be cheated by that broker.
- Another family had a son who migrated to help repay a microloan, only to later die in a workplace accident.

Emotional Effects

Shame • Upset • Worry

- Borrowers worry that MFIs will seize their land if they are unable to repay their loans.
- Many borrowers who sold land did so because they felt shame due to not being able to repay the CO.
- Some borrowers who migrated were upset leaving behind small children with grandparents.

have to pay the deferred repayments at a later date.

- One borrower who received a restructured loan for three months was then fined when the loan repayments began again. He was unable to make repayments, so the CO offered him another loan to repay that old loan.

Other comments

- The interest rate for microloans should be cut in half while the effects of Covid-19 are being felt.
- MFIs should be managed under the government to stop abuses when borrowers repay late, and so that there is less competition among MFIs. Competition leads to pressure on borrowers to borrow more money.



Chork Chey

91 families
land conflict began 2012

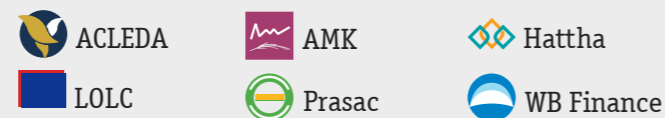
Families with MFI debt (estimated)

95%

Average loan sizes (estimated)

\$5,000

Microloan lenders in community



Community Profile

Chork Chey community in Chhaeb district, Preah Vihear province, is a rural community that relies on income from agriculture and the sale of non-timber forest products (NTFP). Some families have relatives working in Thailand or at factories in Cambodia to earn money.

Five companies related to Chinese-owned sugar producer Rui Feng were granted Economic Land Concessions in 2011 for a combined 42,000 hectares. Forests were cleared by the company; 110 hectares of rice fields were seized, with each household losing on average 1-2 hectares; and streams were filled in. The company's clearing of forest pressured community members to also clear land for farming and indicate ownership of the land. MFI loans were often used for clearing and farming. Company workers have been involved in violent clashes with community members, and four members were sued after they planted rice on disputed land. National authorities have failed to compensate or give land titles to community members. Recently, the companies appear to have left and rice is being planted on the concession – a problem because it is driving down the price of rice.

Income and Land Conflict

Sources of Income

Agriculture • Animal husbandry • Labourer • NTFP • Migration

Major Effects of land conflict

Need to rent land to farm • Community tension • Migration • Legal threats • Loss of freedom of assembly and expression • Emotional distress • Environmental degradation • Loss of income • Increased debt

Pending Issues

No compensation • No land titles • Company appears to have left • Community forest not recognised

MFI Debts

Around 95% of households have MFI debts, with the other 5% being elderly people or those without jobs or land. People's borrowings from MFIs increased as their income and livelihood dropped due to the land conflict. Common reasons for borrowing were to clear land for farming, buy farming materials, for healthcare, and to repay existing debts, and other expenses. Around seven of the 86 households who have borrowed from a microfinance institution have already sold land to repay their debts. The lack of earnings, aggravated by the economic impacts of the COVID-19 pandemic, have made it harder for the community to service their debts. As a result, many community members are eating less food, borrowing from other sources, selling land and possessions, or migrating in search of jobs. No one had heard of or received any delays or restructuring during the Covid-19 pandemic until February 2021, and community members understand that the restructuring options will ultimately lead to larger debts for borrowers.

In their own words

"I feel that we farmers lack so much, and we try very hard. We started to borrow after we noticed the company had large rice fields. First, we borrowed 1 million [riel], then 2 million, and it keeps going up."

"He [credit officer] asked about our income and what I do, but he did not tell us about the risks of taking a loan."

"I accept that I must eat nothing, or only salt and prahok [fish paste], in order to save money to repay the MFIs."

"When the money we earn is not enough to pay the MFIs, then we have to sell rice to fulfil the repayment to them, and we run out of rice for own eating, so then we have to buy rice from other people."

"Only people without land titles don't get MFI loans."

Taking MFI Loans

Reasons for borrowing

Agriculture • Buy a motorbike • Buy land • Child's wedding • Clear land • Healthcare • Household expense • Repay other debt

Loan assessment process

COs require land titles • Some income assessment • Land size assessment

• COs do income assessments when offering MFI loans but do not tell borrowers about the risk or what happens when borrowers are unable to repay.

How do people hear about loans?

• COs visit the houses of borrowers to offer loans, and people who borrowed previously share information.

Are borrowers aware of conditions and terms?

• Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of the loan.

• One community member noted that even if you could read the contract, it would be difficult to understand interest rates or technical terms such as "hypothèque" (land pledged as collateral).

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Aggressive lending practices • Encourage use of private lenders • Keep land titles after repayment

- In some cases, COs explicitly told borrowers to take a loan from their MFI in order to repay a different MFI.
- In some cases, COs gave 'commissions' to borrowers who convinced other people to borrow from that same MFI.
- In some cases, COs encouraged borrowers to take loans from private lenders in order to repay their debts.
- In at least two cases, MFIs kept land titles that were used for collateral for months after full repayments were made, despite community members asking for the land title back.

Negative consequences of debt

Borrow from MFIs • Borrow from private lenders • Child labour • Eat less food • Land sales • Migration • Sell possessions

During Covid-19

Income changes

Incomes went down during Covid-19

- Salaries for labourers decreased by about 50%, while NTFP yields have also fallen by about half.
- The village locked down for several months during Covid-19 last year, meaning no one left or entered, which led to lower salaries and higher prices for goods.
- Rice yields have plummeted due to a drought and floods.

Delays or restructuring

COs did not offer option of restructuring

- No community member was aware of the option to

- About 7 families had already sold land to repay MFIs in the community.
- Children as young as 10 years old drop out of school, while some as young as 15 years old must work to repay debt.

Emotional effects

Fear • Regret • Upset • Worry

- Fears largely centered around going hungry, not being able to repay MFI loans, no money for children's education, and getting sick and therefore not being able to work to repay the debt.
- Many community members said they regretted taking loans, which forced them to sell possessions and livestock to repay.

"If my field is unfavorable, or the price of rice is cheap, or I harvest less, I am afraid that I won't have enough money to repay them [MFIs]. I am afraid they will seize my house."

restructure or ask for a delay on an MFI loan during the Covid-19 pandemic until February 2021, when several were offered restructured loans.

- Community members recognised this restructuring option would ultimately increase their debt burden.
- Three families sold land during Covid-19 to repay microloan debts.

Other comments

- MFIs should be more understanding during Covid-19, interest rates should be lowered, and MFIs should not fine borrowers who repay late.
- MFIs should consider letting borrowers repay only interest and not charge interest on the suspended principal amount.



Kam and Kres

386 families
land conflict began 2011

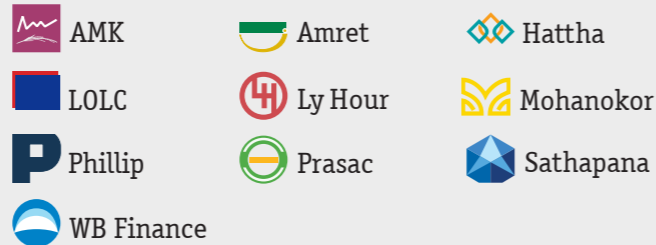
Families with MFI debt (estimated)

70-90%

Average loan sizes (estimated)

\$1,000

Microloan lenders in community



Community Profile

Kam and Kres are two indigenous communities in Ratanakiri's Ou Chom district. Residents are primarily farmers, and none work in factories or migrate abroad, though some move to the nearby provincial town for work. People grow crops, such as rice, rubber, cassava, cashews, bananas and beans; raise animals, like cows, buffalo, pigs, chickens and ducks; gather NTFP; and work various jobs in the provincial capital town. Both communities have communal land, and Kres has a collective land title recognised by the Ministry of Interior.

Both communities were affected by the Hoang Anh Gia Lai (HAGL) rubber firm, which in 2011 began to clear and seize land, including community land, such as community forests, lakes and canals; religious sites, such as mountains where Arak spirit lives and spirit forests; Chrob and Chrab (land for collecting meat, vegetables and fish); burial forests; and other sacred spaces and communal land. Following the clearing of one spiritually significant area, one villager died from a lightning strike, a communal building was hit by lightning, a community leader died in his sleep, and a previous village leader lost consciousness. Some land lost to the company was rotational farmland, and community members are concerned if they lose that land, that they will not have land to give to their children.

Income and Land Conflict

Sources of Income

Agriculture • Animal husbandry • Day labourer • Migration • Non-timber forest products • Seller

Major Effects of land conflict

Loss of income • Environmental degradation • Mental health issues • Loss of culture/religious sites • Death

Pending Issues

Inadequate Compensation • Environmental damage

MFI Debts

Microfinance debt is common in both Kam and Kres. Between 70% to 90% of families have borrowed a microloan, many of those collateralized with land titles. In Kam, about half of loans are group loans, which do not require land titles for collateral. At least 6 families have sold land to repay debt, and community members suspect there were more cases. Credit officers often used aggressive collection practices, including threatening to call the police to arrest borrowers and encouraging the use of private lenders if borrowers are a few days late on their repayments. Many community members were confused and frustrated over fees collected by the MFIs, including late fees, and the lack of relief given to borrowers during Covid-19.

In their own words

"If you can't pay the debt, you will see a car arrive at your home. After I saw it happen to my neighbors and on TV, where MFI staff drive a car with many people to their house and someone was put into the car, therefore I am afraid."

"If the borrower doesn't understand the problem, they won't argue with the MFIs."

"When I was 5 days late, the CO came to my house and said, 'If you can't find money, you will have to sleep at the police station.' I was afraid, because my child is only 1 year old."

"The credit officer said, 'If there is a moto, sell a moto. If there is a cow or buffalo, sell a cow or buffalo. If there is land, sell land. Whatever you have to do to pay the debt. If you don't sell, I will invite you to visit the village and commune authorities.'"

"He borrowed the money to farm, but in the end, it was not good. Then, there was not enough money to repay the debt, so he sold all his land."

Taking MFI Loans

Reasons for borrowing

Agriculture • Build a house • Business • Buy a motorbike • Buy land • Child's education • Healthcare • Religious ceremony • Repay other debt

Loan assessment process

COs require land titles • Difficult for people above 50 to get loans without guarantors

- Community members reported that if you want to borrow an individual loan, you must have a land title, otherwise you can only borrow using a group loan.

How do people hear about loans?

- COs visit the houses of borrowers to offer loans, borrowers share information with each other, and COs put signs and posters on houses and on the road.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of the loan.
- In some cases, MFI credit officers informally paid local interpreters to offer loans in indigenous languages.

"We can take a personal loan if we have a land title, but if not we must take a group loan."

"I don't know how much the service fee is, I don't really understand it."

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Aggressive lending practices • Encourage use of private lenders • Pressured land sales • Threats

- Community members said coerced land sales were a normal practice for COs when a borrower couldn't repay.
- Some borrowers had been threatened by COs with lawsuits or arrest by police.
- MFIs sometimes gave loans for borrowers to repay other MFI loans.

Negative consequences of debt

Borrow from MFIs • Borrow from private lenders • Child labour • Eat less food • Land sales • Migration • Sell possessions • Trouble sleeping

During Covid-19

Income changes

Incomes went down during Covid-19

- Agricultural prices fell and many borrowers became unable to pay their MFI loans for at least part of Covid-19

Delays or restructuring

COs did not offer option of restructuring • COs refuse request to restructure

- One borrower asked their credit officer to restructure their loan, but the CO told her that only people who had Covid-19 could get restructured loans.

Emotional effects

Fear • Sadness • Worry

- Community members expressed fear over losing all of their land and not being able to pass anything down to their children.
- There was also fear of going to prison, or of having to migrate and thus losing connection to the spiritual and cultural aspects of the community.

"If the credit officer collected some money that I did have, 1 or 2 million riel, it would be better, but the credit officer didn't agree unless I had all the money. Then, I was afraid they would sue me."

- About 7 families in Kam have had to sell land to repay MFI debts during Covid-19. Three sold to local indigenous buyers, while four sold to Khmer buyers from outside the community.

Other comments

- Interest rates are too high.
- Community members noted that some MFIs had optional insurance available for purchase so that if the borrower died, the COs wouldn't demand money from their family.

Talao and Inn

268 families
land conflict began 2011

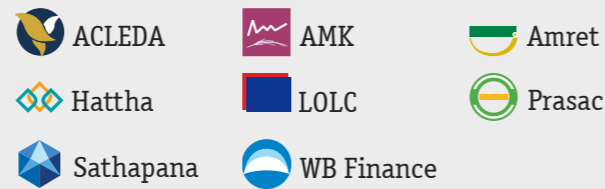
Families with MFI debt (estimated)

95%

Average loan sizes (estimated)

\$2,500

Microloan lenders in community



Community Profile

Talao and Inn are two communities in Ratanakiri province's Talao commune. They are indigenous, with several different ethnicities and religions living together. The communities are primarily agricultural – members did not work at garment factories and there was little migration. People grow cassava, cashews, vegetables, and rice; raise cows, buffalo, and ducks; harvest NTFP, such as mushrooms and resin; and work as day labourers. Indigenous beliefs and communal land are central to community members' lives.

Talao and Inn were both affected by the [Hoang Anh Gia Lai \(HAGL\)](#) rubber firm, which in 2011 began to clear and seize land, including community land, such as community forests, lakes and canals; religious sites, such as mountains where Arak spirit lives; Chrob and Chrab (land for collecting land for collecting meat, vegetables and fish); and other sacred spaces and communal land. Villagers lost their primary sources of income and religiously significant sites. After years of advocacy, the company agreed to pay several thousand dollars to each community in order to fund an animal sacrifice ceremony for the Arak spirit that was disturbed by the company. While villagers have received some land in official compensation, most still lack formal hard land titles.

Income and Land Conflict

Sources of Income

[Agriculture](#) • [Animal husbandry](#) • [Day labourer](#) • [NTFP](#)

Major Effects of land conflict

[Loss of income](#) • [Environmental degradation](#) • [Mental health issues](#) • [Loss of culture/religious sites](#) • [Death](#)

- After the company disturbed the Arak, villagers saw a flash of light travel from the mountain to the village, and later two people died.

Pending Issues

[No land titles for compensated land](#)

MFI Debts

Microfinance debt is common in both Inn and Talao, with about **90% of families** borrowing from a microfinance institution. Land titles are almost always used for collateral, except in cases of group loans. An estimated 9 families have already sold land – often personal farmland – in order to repay their microfinance debt. Some villagers have been forced to flee due to shame from selling land and pressure from credit officers. Some residents of Inn think debt levels are not yet too high because villagers refuse to take loans above \$5,000. But, in Talao, many said debt levels were too high. Community members from Inn and Talao had faced pressure from both MFIs and private lenders and aggressive practices from credit officers. In some cases, credit officers followed borrowers to ensure they took a loan from private lenders or threatened to put a “For Sale” sign in front of their homes.

In their own words

“Sometimes, when the repayment due date approaches, we borrow money from a private lender to repay the MFI, and then borrow from the MFI to repay private lender.”

“The [CO] said, ‘If you can’t repay the debt, you need to sell land, or else I will take it.’”

“If people have cows and water buffalo to sell, they can keep their land. If they don’t, their land is already gone.”

“We don’t have enough money to eat pork and beef, we have to save money to repay loans.”

“I have stopped borrowing now. I am afraid I will lose all of my land.”

“The credit officer told me two or three times to take a private loan to repay their debt, but I didn’t go.”

Taking MFI Loans

Reasons for borrowing

[Agriculture](#) • [Build a house](#) • [Buy a motorbike](#) • [Child’s education](#) • [Child’s wedding](#) • [Clear land](#) • [Healthcare](#) • [Repair a house](#) • [Repay other debt](#)

Loan assessment process

[COs require all of a borrowers’ land titles](#) • [Income assessment](#) • [Some COs falsify reason for loan](#)

- In one case, a CO knew the borrower was taking the loan for healthcare, to buy a motorbike, and for some business, but they only wrote “for business” on the contract.

How do people hear about loans?

- Credit officers visit the houses of borrowers to offer loans, borrowers share information with each other, and COs put signs and posters up on houses and on the road.

Are borrowers aware of conditions and terms?

- Most borrowers cannot read or write Khmer, and relied on credit officers to explain the conditions of the loan.
- In some cases, MFI credit officers informally paid local interpreters to offer loans in indigenous languages.

Repaying MFI Loans

Unethical behaviour of credit officers

[Aggressive collection practices](#) • [Encourage use of private lenders](#) • [Keep land titles after repayment](#) • [Pressured land sales](#) • [Threats](#)

- Coerced land sales are normal practice for COs in the communities.
- COs have threatened to put “For sale” signs up in front of homes of borrowers late on repayments.
- COs have told borrowers to take additional loans from private lenders in order to repay their MFI loans, and in some cases have given the names and locations of specific private lenders to use.

Negative consequences of debt

[Additional work](#) • [Borrow from private lenders](#) • [Eat less food](#) • [Land sales](#) • [Sell possessions](#)

- Many borrowers had sold possessions, such as cows and buffalo, in order to repay MFIs, especially during the economic downturn caused by Covid-19.

Emotional effects

[Fear](#) • [Pressure](#) • [Worry](#)

- Many borrowers are able to repay their loans on-time and have not experienced direct coercion from COs, but they are aware of the consequences of debt and are concerned about needing to sell land in the future.
- Those unable to repay on time have faced coercion, such as threats from COs that they will sell the borrowers’ land without their permission; accusations that borrowers are lying; and pressure to borrow from private lenders.

“Because he was illiterate, he couldn’t understand the payment date, terms and conditions. He just agreed to it all. When the due date arrived, he didn’t have money because he had not yet harvested his cassava.”

“I want to have a meeting with MFIs to ask them to decrease their interest rate.”

During Covid-19

Income changes

[Incomes went down during Covid-19](#)

- Agricultural prices were down and people selling goods experienced a drop in demand.

Delays or restructuring

[COs did not offer option of restructuring](#) • [COs refuse request to restructure](#)

- No community members had heard of the restructuring program from a credit officers, and several who had heard from other sources were told by their CO that it was not allowed.

Other comments

- Community members requested that MFIs lower their interest rates, which are too high.
- Fees, especially the service fees, are too high and cause confusions about the overall interest rate.
- MFIs should not charge fees to borrowers who repay the full amount of the loan prior to the due date.
- Be more flexible when borrowers are unable to repay on time, don’t fine them and don’t pressure them to sell their land.



Meanchey Satrey Aphiwadh

55 families land conflict began 2010

Families with MFI debt (estimated)

85%

Average loan sizes (estimated)

\$9,000

Microloan lenders in community



Community Profile

Meanchey Satrey Aphiwadh is one of eight communities located along the Meanchey waterway in Phnom Penh's Stung Meanchey commune. Residents first began living along the waterway in 1993, when the water was clean and fishing was good. In 1998, it began to be converted into a canal and is now a major wastewater canal. The community formed in 2010, after residents received a letter from the local government informing them they would be required to leave their homes within 15 days, without compensation, to make way for development.

For the next decade, the community petitioned the government and developed an "alternative development plan", which allowed for both the development and for the community to remain on site. The plan eventually won the support of the local authorities, and now nearly all families have received a registration letter for new 4m x 6m plots of land on the site, although they lack hard titles and some families lack money to build houses on that land. In addition, many promises such as roads, supply of water and electricity, and street lights have been implemented, but other promises such as constructing community parks and a place for a community center have not yet been completed.

Income and Land Conflict

Sources of Income

Selling recyclables • Construction worker • Selling goods • Garment worker • Tuk tuk driver • Housekeeper

Major Effects of land conflict

Loss of income • Emotional distress

Pending Issues

Not all families received land registration letter • Promises of community spaces not fulfilled

MFI Debts

MFI debts are common, with about 85% of families holding a microloan. Most people took loans to build houses on the new development land they received from the government. MFIs accept the registration letters as collateral, and often COs will disburse loans in instalments to ensure borrowers are actually building houses with those microloans. Most people repay their MFI loans on time using a mix of coping mechanisms such as eating less, migrating, and primarily borrowing from private lenders in order to repay.

In their own words

"They ask to check our land registration letter first, and then they ask about the size of the loan we want and our income."

"First I borrowed from one institution, then it went from one to two, then from two to three."

"When we can't pay the bank, we go to the private lender. When we can't pay the private lender, we go to borrow from the bank."

"When there's a guarantor, if the borrower is unable to repay the MFI and runs away, they come to squeeze the guarantor's neck."

"[When the payment date is near], we are afraid and very sad. We must sell whatever we have, go to pawn possessions, or borrow from others. We must find money to repay them."

"We're not only afraid of not being able to borrow again, but most importantly we're afraid of losing our collateral."

Taking MFI Loans

Reasons for borrowing

Build a house • Business • Healthcare • Repay other debt

Loan assessment process

COs require land titles or registration letters • COs disburse loans in instalments for housing loans

- The first thing MFIs do when assessing a borrower for a new loan is to ask about their land registration letter, and they go to inspect the land.

- When borrowers take loans to build houses, many COs will give the loan in two or three tranches, ensuring the borrower is building the house before giving the new tranche.

How do people hear about loans?

- COs visit the houses of borrowers to offer loans.

Are borrowers aware of conditions and terms?

- Most borrowers can read and some can write. Some rely on COs to explain the conditions of the loan.

Repaying MFI Loans

Unethical behaviour of credit officers

Fraud

- The vast majority of times, COs speak normally with borrowers. Most borrowers do not repay late because they borrow from other MFIs or private lenders to repay, so many said there is not a lot of pressure from COs.
- In some cases, COs have lied about repayments and do not keep their agreements with clients, resulting in more burdens for borrowers. Most cases were resolved when customers complained to managers at the MFI.

Negative consequences of debt

Additional work • Borrow from MFIs • Borrow from private lenders • Child labour • Children leave school • Eat less food • Family tensions • Migration • Sell possessions

- Some community members work up to 16 hours a day to repay their MFI loans.

- At least two underage children began working to help their parents repay debts after schools closed during Covid-19. They did not return to school when schools re-opened.
- There are cases of domestic violence and altercations within families due to debt burdens.

Emotional effects

Fear • Sadness • Worry

- Despite a lack of direct pressure from COs, many borrowers said they felt afraid when repayment dates were approaching. Many sold possessions or took additional loans to avoid repaying even one day late.
- Much of this fear and worry was because the MFIs had their land as collateral, so borrowers were afraid of losing that land.

"We need to pay back their money, but we don't need to be threatened."

During Covid-19

Income changes

Incomes went down during Covid-19

- The price of recycling material went down because of export restrictions.
- Garment and restaurant workers faced suspensions and tuk-tuk drivers had no clients as well.

Delays or restructuring

Some COs informed borrowers of restructuring

- In one case, a borrower called their CO and requested to repay one month late, which the CO agreed with. But the CO later denied any agreement and accused the borrower of repaying late.

- In most cases, borrowers heard about restructuring from other sources, not COs.

Other comments

- Debt levels are very high in the community.
- Community members suggested that the government set up loans for communities with lower interest rates than MFIs, so that community members can get more affordable housing loans.

"No one told us any information [about restructuring] until we called to ask the credit officer."



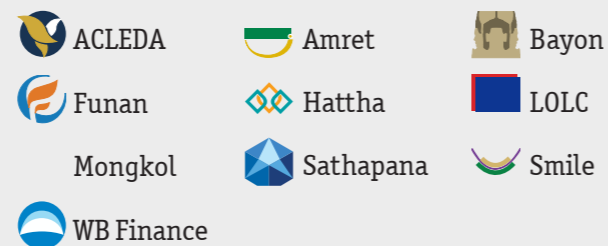
Phum 17

153 families
land conflict began 2014**Families with MFI debt (estimated)**

100%

Average loan sizes (estimated)

\$10,000

Microloan lenders in community

Community Profile

Phum 17 is an urban community formed as a reaction to a railway project funded by the Asian Development Bank (ADB) and implemented by the government. The railway line was set to run through or close to many community member's homes. Later the railroad plans were set aside, but new plans to have major roads go through the area have once again put the land tenure security of community members at risk. Many community members are construction workers, motorbike drivers, civil servants, waste pickers, garment workers, or work as cleaners at nearby schools.

Since 2014, the community has petitioned Phnom Penh Municipal Hall, the Ministry of Public Works and Transport, and Ministry of Land Management to demand hard titles for their land, and has also petitioned the ADB for compensation for affected families. While a handful of families have received hard titles for their land, many others have not and fear that they will be relocated without any proper compensation.

Income and Land Conflict**Sources of Income**

Construction worker • Waste collector • Laundromat • Tuk tuk driver • Restaurant worker • Seller • Cleaner • Garment worker • Civil servant

Major Effects of land conflict

Incomes went down • Fires • Emotional distress

Pending Issues

Improper compensation

MFI Debts

Community members borrowed smaller amounts at first, around \$2,000 or \$3,000 per loan, but as borrowers became unable to repay, they began taking larger and larger loans to repay their old debts. These loans are collateralised with land, and while some of the money goes to supporting business activity, the economic slowdown caused by COVID-19 has caused many borrowers to be unable to repay these loans. There is immense pressure from microlenders, both when giving large loans and when demanding repayments. Many community members said that they did not like how aggressive credit officers were, especially coming to borrowers' homes and threatening to confiscate land over microloans.

In their own words

"Nowadays, they want us to borrow a lot of money. I don't know why the MFIs do that. Maybe it is because they want our house? I think that is it."

"First, they [COs] ask about land titles. Then they ask about salary later."

"If we have a land title, we can borrow a lot of money, quickly and easily."

"After we receive a loan, there is no follow-up. They only ask at the beginning, and then once the borrower receives the money, they can use it for whatever they want."

"They came to our house to demand money and told us to sell whatever we owned. They didn't tell us to try to earn more money, they just told us to sell land."

Taking MFI Loans

Reasons for borrowing

Business • Buy land • Healthcare • Repair a house • Repay other debt

Loan assessment process

COs require land titles • Some COs falsify sources of income • COs conduct income assessments

- Multiple borrowers reported that COs pressure borrowers to take large loans, and lie about sources of income on loan documents in order to approve larger loan amounts.

- Land titles are the most important thing for getting a loan. Without land titles, borrowers can't get a loan.

How do people hear about loans?

- COs visit the houses of borrowers to offer loans.

Are borrowers aware of conditions and terms?

- Most borrowers can read and write, and credit officers provide and explain contracts and answer questions if borrowers have any.

"For example, we ask for \$20,000, but our repayment capacity isn't enough. So the CO tells us to think of other sources of income. If we can't, they will put down that we have a house that we rent out to others, or they are even brave enough to put the vehicle registration card of someone they know, so their boss can see more income sources, like that we have a car we rent out too. This is because they really want us to get the loan."

Repaying MFI Loans

Unethical behaviour of credit officers

Aggressive collection practices • Aggressive lending practices • Fraud • Pressured land sales • Threats

- In one case, a borrower was seven days later on their repayment, four or five staff members from the MFI came to demand money and told her to sell her possessions. They did the same thing the next day, waiting at the house for four hours. The later tried to pressure her to sell her land.

Negative consequences of debt

Borrow from MFIs • Borrow from private lenders • Child labour • Children leave school • Eat less food • Land sales • Migration • Sell possessions • Trouble sleeping

- Many community members have cut their food budgets by about 50% in order to repay their debts.
- Children as young as 14 have left school and worked in restaurants in order to help their family repay MFI debts.

Emotional effects

Fear • Sadness • Worry

- Most of the fear is about whether community members will lose their land or will have their land confiscated by COs if they are unable to repay.

During Covid-19

Income changes

Incomes went down during Covid-19

- Economic activity slowed during covid, with schools closed, construction and factory workers facing suspensions, and tuk tuk drivers losing about two-thirds of their income.

Delays or restructuring

Some COs informed borrowers of restructuring

- In one case, a borrower asked their CO for a restructure, and the CO apologised for not offering them a restructured loan sooner, and granted the request.
- Some borrowers expressed confusion and frustration

about the restructuring process, noting that interest and principal still accrued during suspensions. "How did that help?" asked one borrower who had received a restructured loan.

Other comments

- Debt levels in the community are very high.
- Community members suggested that COs should allow borrowers to delay repayments of both principal and interest when they can't repay. They also suggested that if a borrower is only several days late, COs should not come to their house, and should find acceptable settlements to problems instead of pressuring borrowers.



FOR MORE INFORMATION:

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