

World Bank Board Denies Recourse to Millions of Victims of Predatory Lending, Sets a Dangerous Accountability Precedent

Last week, the World Bank Group's Board of Directors [overruled](#) its own independent accountability mechanism - the Compliance Advisor Ombudsman (CAO) - and allowed the International Finance Corporation (IFC), the institution's private sector arm, to avoid accountability for the microfinance debt crisis it has contributed to in Cambodia. In response, CAO Director General Janine Ferretti has resigned. The Board must answer for its actions and explain how it will uphold the integrity of its accountability system going forward.

A CAO investigation [found](#) that IFC violated its own Sustainability Framework's requirements in its investments in six banks providing microfinance in Cambodia, and this noncompliance contributed to predatory lending practices that have led to the loss of land and livelihoods, hunger, increased suicide risks, and threats of retaliation against the very communities that are supposed to benefit from microfinance programs.

The harms caused by the microfinance industry in Cambodia are [well documented](#) and were confirmed by CAO. However, in an unprecedented fashion, the World Bank Group Board rejected CAO's noncompliance findings and recommendations to address the harm from its investments. In direct contradiction to the CAO investigation, and without any evidence, the Board published a statement on June 24th declaring that, "there has been no policy noncompliance under IFC's Policy on Environmental and Social Sustainability." Although required by the Board-approved CAO policy, IFC refused to develop and submit to the Board a management action plan with time-bound commitments to address the noncompliance. Instead, it has promised piecemeal actions in a "Special Management Action Plan" that do not address most of CAO's recommendations. Furthermore, according to unofficial reports, IFC has suggested that victims of predatory micro-finance lending or other consumers harmed by IFC-financed products will no longer have access to recourse through CAO. This is completely unacceptable.

It is not the role of the Board to determine whether or not IFC Management has acted in compliance with its Sustainability Framework. CAO was established to serve as an independent arbiter and hold the institution accountable to the policy commitments made by IFC's shareholders. If the Board can reject CAO's policy on a case-by-case basis, then it means that CAO is no longer a reliable and predictable mechanism and can no longer credibly shield IFC from legal liability.

This decision sets a dangerous precedent for accountability at the World Bank Group. It comes at a time when the Board has already shaken the public's confidence in its accountability architecture by approving a hasty merger of the institution's public and private sector accountability mechanisms. At this point, the only conclusion we can reach is that the Board prioritizes its investment portfolio over environmental and social protections.

We call upon the Board to:

- 1) Meet with us to explain how they reached this decision.
- 2) Publish the voting record of each member of the Board.
- 3) Require IFC to accept CAO's findings and develop an effective Management Action Plan in consultation with the complainants.
- 4) Disclose how any other current and future cases to CAO alleging environmental and social harms stemming from its microfinance portfolio will be handled fairly and predictably.
- 5) Explain who will be leading CAO following Janine Ferretti's departure and before the new mechanism is established, and how this leadership vacuum will not further undermine accountability on other CAO cases.
- 6) Commit to a [transparent and inclusive](#) leadership selection process, which includes civil society participation on the selection committee, to ensure the independence and integrity of the new World Bank Group accountability mechanism. Despite the Board's [assertion](#) that a transparent recruitment process has been underway since June 9th, the job posting, terms of reference, and recruitment process have not been publicly disclosed.
- 7) Reaffirm its commitment to strong due diligence and supervision to ensure that the costs of economic development do not fall disproportionately on poor or vulnerable people.
- 8) Reaffirm its commitment to strong accountability and ensure that the institution's new independent accountability mechanism is equipped to do its work effectively.

Signatories

Organizations

1. AbibiNsroma Foundation – Ghana
2. Accountability Counsel – International
3. ATGL – Tunisia
4. Al-Hayat Center – RASED – Jordan
5. Alternative Law Collective – Pakistan
6. Arab Watch Coalition – United States
7. Asia Indigenous Peoples Network on Extractive Industries and Energy (AIPNEE) – Philippines
8. ASOCIACIÓN AMBIENTE Y SOCIEDAD – Colombia
9. Asociación unión de talleres 11 de septiembre – Bolivia
10. Association for Farmers Rights Defense, AFRD – Georgia
11. Bank Climate Advocates – United States
12. Bank Information Center – United States
13. BankTrack – The Netherlands
14. Both ENDS – The Netherlands
15. Bretton Woods Project – United Kingdom
16. CEE Bankwatch Network - Czech Republic

17. Center for Economic and Social Rights (CESR) – Global
18. Centre de développement de la région de Tensift – Morocco
19. Centre for Environmental Justice- Sri Lanka – Sri Lanka
20. Centre for Human Rights and Development – Mongolia
21. Cohesión Comunitaria e Innovación Social – Mexico
22. Colectivo Voces Diversas – El Salvador
23. Community Empowerment and Social Justice Network (CEMSOJ) – Nepal
24. Crude Accountability – United States
25. Deep Sea Mining Campaign – United Kingdom
26. Derecho, ambiente y recursos naturales (DAR) – Peru
27. Dibeem for Environmental Development – Jordan
28. Equitable Cambodia – Cambodia
29. ESPOD (Arab Watch Coalition Association) – Morocco
30. European Network on Debt and Development, Eurodad – Belgium
31. FIAN Germany – Germany
32. Friends of the Earth U.S. – United States
33. Fundación Acue – Chile
34. Fundación Ambiente y Recursos Naturales (FARN) – Argentina
35. Fundación CAUCE: Cultura Ambiental - Causa Ecologista – Argentina
36. Fundación Libera contra la Trata de Personas y la Esclavitud en Todas sus Formas – Chile
37. Fundeps – Argentina
38. Germanwatch – Germany
39. Green Advocates International – Liberia
40. Growthwatch – India
41. HRM “Bir Duino -Kyrgyzstan” – Kyrgyzstan
42. Human Rights Law Centre – Australia
43. Inclusive Development International – United States
44. Indigenous Peoples Alliance Of the archipelagos Chapter Sumbawa (AMAN SUMBAWA) – Indonesia
45. Indigenous Peoples Rights International-IPRI – Philippines/Global
46. Inisiasi Masyarakat Adat (IMA) – Indonesia
47. International Accountability Project – Global
48. International Rivers – United States
49. International Work Group for Indigenous Affairs – Denmark
50. Jamaa Resource Initiatives – Kenya
51. Just Finance International – The Netherlands
52. Just Ground – United States
53. Kapaeeng Foundation – Bangladesh
54. KTNC Watch – Republic of Korea
55. Liberia Artisanal Fishermen Association LAFA – Liberia
56. MADANI Berkelanjutan – Indonesia
57. Manushya Foundation – Thailand
58. Mekong Watch – Japan

59. MenaFem Movement for Economic, Development And Ecological Justice - SWANA/Morocco
60. MiningWatch Canada – Canada
61. Nash Vek PF – Kyrgyzstan
62. NLG IC – Costa Rica
63. OEARSE – Democratic Republic of the Congo
64. Oil Workers' Rights Protection Organization Public Union – Azerbaijan
65. Oxfam International – United States
66. Oyu Tolgoi Watch – Mongolia
67. Pakaid – Pakistan
68. Peace Point Development Foundation -PPDF – Nigeria
69. People Ecology Network – India
70. PFAA – Iraq
71. Phenix Center – Jordan
72. Philippine Movement for Climate Justice – Philippines
73. Psychological Responsiveness NGO – Mongolia
74. Recourse – International
75. RimbaWatch – Malaysia
76. Rivers & Rights – Southeast Asia (Regional)
77. Rivers without Boundaries – International
78. Rivers without Boundaries Coalition – Mongolia
79. Sinergia Animal – Global South
80. Society For Women Rights & Development (SWoRD) – Pakistan
81. Studies and Economic Media Center – Yemen
82. Surge Africa Organisation – Nigeria
83. Sustentarse – Chile
84. SynDev – Senegal
85. The William Gomes Podcast – United Kingdom
86. Third World Network – Malaysia
87. Transparentem – United States
88. Trend Asia – Indonesia
89. Uganda Consortium on Corporate Accountability – Uganda
90. Urgewald – Germany
91. WEED - World Economy, Ecology & Development – Germany
92. Wemos – The Netherlands
93. Wedyan Association For Society Development – Yemen
94. Witness Radio – Uganda
95. Yemeni Observatory for Human Rights – Yemen
96. Uzbek Forum for Human Rights – Uzbekistan/Germany

Individuals

97. Dr. Guljakhon Amanova – Uzbekistan
98. Ms. Sophia Cramer, Independent Researcher and Policy Advisor
99. Ms. Fiona Faye, University of Kassel, Afrique-Europe-Interact

100. Prof Daniel D. Bradlow, University of Pretoria
101. Prof. Arntraud Hartmann, SAIS Europe Johns Hopkins University
102. Prof. David Hunter, Peregrine Environmental Consulting, LLC
103. Prof. Emeritus Shin Imai, Osgoode Hall Law School
104. Prof. Aram Ziai, University of Kassel and Global Partnership Network