



FFA and GRAISEA. (2022). Harvesting inequality: The social impact of financial institutions' investments in Asia's agribusinesses.

ENABLING STRONGER DUE DILIGENCE IN THE ASEAN'S FINANCIAL SECTOR



THE FINANCING GAP

Gender justice is the full equality and equity between women and men in all spheres of life, resulting in women jointly and equally defining and shaping the policies, structures, and decisions that affect their lives and the society.¹ In its *Harvesting Inequality Report*,² Fair Finance Asia (FFA) and Oxfam³ conclude that despite government regulations on labor rights and gender equality, workers in the food and agriculture sector, particularly women, are still subjected to unequal conditions.

While most Asian financial institutions, particularly banks, do better in addressing financial inclusion which is essential in addressing the financing gap for women-owned businesses and small and medium enterprises, they still perform poorly in addressing sustainability issues pertaining to gender equality, labor rights, and transparency and accountability, among others. According to FFA's research, nearly 90% of financial institutions assessed do not disclose information on how gender issues and women's rights are addressed in their engagement with corporate clients or the companies they invest in. Most of the banks did not consider human rights issues in their transactions either, and all banks remain silent on conflicts over land rights. None of the banks assessed include living wage and a cap to maximum working hours in their due diligence with clients despite evidence that both are salient human rights issues in the agriculture sector in Asia. These are just some of the critical issues where the Asian financial sector could play a key role in promoting more sustainable and responsible financing in the food and agriculture sector in Asia.

In 2020, the food and agriculture sector was the largest employer in Asia and considered as one of the backbones of national economies, workers' livelihoods, and household food security. In the ASEAN, this sector accounts for 10.3 percent of the region's total GDP. In addition, Asia is home to about 350 million smallholder farmers who produce around 80 percent of the food consumed in the region. The continent likewise contributes 89 percent to the global fish production industry.⁴

This comparative advantage attracted investments and spurred the growth of agribusiness in Asia, along with an increased scrutiny from international investors, regulators, consumers, the media, and civil society, on the challenges that plague complex agriculture and food value chains disproportionately impact women. Governments and

¹ Oxfam International. Gender justice and human rights. <https://www.oxfam.org/en/what-we-do/issues/gender-justice-and-womens-rights>.

² FFA and GRAISEA. (2022). *Harvesting inequality: The social impact of financial institutions' investments in Asia's agribusinesses*. <https://fairfinanceasia.org/blog/2022/03/08/harvesting-inequality-the-social-impact-of-financial-institutions-investments-in-asias-agribusinesses/>.

³ Through its Gender Transformative and Responsible Agribusiness Investments in South East Asia (GRAISEA) programme: <https://asia.oxfam.org/gender-transformative-and-responsible-agribusiness-investments-south-east-asia-graisea>.

⁴ Para reference: Fair Finance Asia (2022): *Harvesting inequality: The social impact of financial institutions' investments in Asia's agribusiness*, March 2022

regulators responded to these challenges by developing sustainability frameworks, such as the *Gender Guidance for the UN Guiding Principles on Business and Human Rights* and the *ASEAN Guidelines on Promoting Responsible Investment in Food, Agriculture and Forestry*. However, these frameworks are voluntary and have limited to no enforcement and monitoring mechanisms.

GALVANIZING SUSTAINABLE & RESPONSIBLE FINANCING IN THE ASEAN'S FOOD & AGRICULTURE SECTOR

Through credit and investments, financial institutions can exercise significant influence over the practices and policies of the companies they invest in. However, when banks do not consider the potential or actual adverse impacts on people and local communities, they can facilitate gender-based and human rights violations and are exposed to significant financial and reputational risks of their own.

Over the past two decades, pressure has been mounting on financial institutions to integrate environmental and social risks in their business operations, leading to the introduction of various standards and regulations for sustainable financing and environmental, social, and governance (ESG) practices.

However, labor rights and gender equality granted and assured through various laws at national levels, remain insufficient in protecting workers from exploitative activities in the food and agriculture sector. FFA-Oxfam's report indicates that women, indigenous peoples, migrants, informal workers, persons with disabilities, and ethnic and religious minorities are disproportionately impacted by the business-as-usual conduct of agribusinesses.

RECOMMENDATIONS

Financial institutions can leverage their lending power to influence borrowers—both public and private—in enabling women's economic empowerment, labor and human rights safeguards, transforming informal economies, supporting micro, small and medium-sized enterprises

(MSMEs) to address environmental and social risks, and establishing grievance mechanisms that comply with international standards. To enable these, the following recommendations are offered for the consideration of the ASEAN based governments and the financial sector:

For financial institutions:

- Comply with international conventions in respecting labor rights (i.e., ILO Declaration on Fundamental Principles and Rights at Work) and women's rights (i.e., Convention on the Elimination of All Forms of Discrimination Against Women), and integrate sustainability standards and regulations across their business operations. **For Cambodia, the financial sector is encouraged to consider developing social indicators for their investment and lending risk matrix that are aligned with international guidelines, especially the international conventions that they have ratified.**
- Develop sector-specific policies for industries associated with significant environmental and social risks, particularly in food and agriculture. These policies should comply with international conventions and standards with clear and measurable goals, timelines, procedures; should be transparent and publicly reported; and should be a pre-condition for financing and investment placements. **For Cambodia, financial institutions are encouraged to refer to the Fair Finance Guide International Methodology⁵ in evolving related policies and understanding theme-based materiality.** The Fair Finance Guide International methodology includes a range of suggestions for how banks and investors can include international conventions and standards in their policies. There are separate indicator-based guidance and as such individual themes can be picked up to understand the materiality.
- Adopt a gender-responsive approach to human rights due diligence that will adequately address disproportionate investment impacts on women and girls, affected communities, and vulnerable groups, such as migrant workers and indigenous people. **For Cambodia, this is proposed to include clear definitions, policy measures, and public access to information for the beneficiaries, and capacity building of the implementing staff.**
- Establish access to remedy by those who are impacted by financing and investments, particularly for high-risk sectors/projects, and commit to cooperate with non-judicial, state-based platforms, such as the OECD National Contact Points and other mechanisms, that could enable remediation. **For Cambodia, this can be a mechanism that will enable constructive dialogue between impacted communities and civil society organizations. This includes a two-fold capacity building approach of communities to access remediation and ground level staff of rolling out the remediation mechanism.**
- Support and promote the adoption of binding legislation of national

⁵ Fair Finance Guide International Methodology 2021, Laplane, J. and L. van Loenen (2021, October), Fair Finance Guide International Methodology 2021, Fair Finance International. Can be accessed on: <https://fairfinanceguide.org/media/497246/ffg-policy-assessment-methodology-2021.pdf>

laws and regulations that and ensure responsible financing inclusive of business and human rights both at the national as well as regional level, particularly in the agriculture sector as this leads to better business profitability as it attracts better investments in businesses.

For Cambodia: It would make long-term business value for the financial sector, to incorporate social risks in their lending and investment practices, as this would help in considerations related to social as well as environmental risks.

For governments:

- Adopt sustainable finance taxonomies that will uphold human rights and social standards, consider the rights and challenges of vulnerable marginalized communities, and address gender inequalities. **For Cambodia, for policies to be implemented well, there is a need for developing definitions, such as labor rights, human rights, and gender rights. Policy tools like sustainable finance taxonomies are very useful in defining these at both the levels – country as well as regional level. At the regional level, it would be helpful to make multi-stakeholder task force to engage with the ASEAN board of taxonomy.**
- Strengthen enforcement mechanisms to ensure that regional (e.g., ASEAN RAI Guidelines) and national guidelines are fully adopted, and that compliance is monitored, evaluated, and reported. Specifically at the ASEAN level, the establishment of a regional, non-judicial grievance mechanism for remediation is proposed. **For Cambodia, ways of operationalizing government enabled national grievance mechanism to allow for well documented reporting along with a redressal timeline is being proposed. This platform can be undertaken through channels with enabling environment that involve CSOs as well, and allow a space for (non-judicial) conflict resolution.**
- Adopt national human rights due diligence regulation for the private sector and financial institutions in accordance with the UNGPs and the OECD Guidelines for Multinational Enterprises, with a strong safeguarding mechanism for human rights defenders. **For Cambodia, consider human rights due diligence as a requirement for investments, especially from international financial institutions, in accordance with the UNGPs to promote the responsible investments in respect of human rights and FPIC principles.**
- Improve women’s access to credit and financial products by providing business development support, offering incentives for financial institutions to do so, removing discriminatory requirements, promoting affirmative action for women-led enterprises, and setting national gender goals on procurement and commerce.

For Cambodia, this is specifically recommended to:

- **Enable access to financial services for women farmers and women-led/women-owned enterprises.**
- **Provide business development support for women-led/women-owned enterprises and improve access to**

financial and digital literacy for women and girls to reduce barrier to entrepreneurship.

- **Promote labor protection and social benefits for microenterprises and women-led enterprises and bring them under the remit of responsible business conduct.**

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For further information on the issues raised in this policy brief, please e-mail info@fairfinanceasia.org, advocacy@oxfaminternational.org

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E-mail: info@fairfinanceasia.org, policyandpractice@oxfam.org.uk

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Address: Oxfam, Cambodia Country Office

The Point, 3rd Floor, U08-09, No 113C, Mao Tse Tung Blvd., Tuol Svay Prey I, Beung Keng Kang, Phnom Penh, Cambodia