

Joint CSO Statement: Financial Institutions Must Strengthen Human Rights Due Diligence in Cross-Border Climate Finance for Water-Dependent Communities



A woman community activist in Cambodia (Photo: Oxfam's Mekong Regional Water Governance Program)

On August 26, at World Water Week 2025 in Stockholm, Sweden, Oxfam's Fair Finance Asia (FFA) and Transboundary Rivers of South Asia (TROSA) Programs convened a multi-stakeholder dialogue calling on climate finance initiatives to strengthen transparency and accountability at the heart of their governance, design, financing, and delivery that's more inclusive, transparent, and accountable to local water-dependent communities and beneficiaries.

Ongoing gaps in the due diligence policies of financial institutions and in national and regional regulations in Asia risk exacerbating the social and environmental impacts of cross-border climate finance for water-dependent communities and ecosystems. These impacts include loss of forests, wetlands, and mangroves, forced displacement and resettlement of local communities and Indigenous Peoples, increased unpaid care and domestic work, poverty, and mental health stresses, particularly for female community members bearing the brunt of the impacts.

To ensure that cross-border climate finance upholds the rights of water-dependent communities and ecosystems in Asia, FFA and the undersigned allied civil society organizations (CSOs) and community representatives call on financial institutions to:

- Develop and disclose an overarching human rights policy and due diligence process aligned with the United Nations Guiding Principles on Business and Human Rights (UNGPs).
- Apply an intersectional perspective when conducting risk assessments that considers the specific risks faced by women and other minority groups, such as Indigenous Peoples.
- Develop and disclose a sector policy for high-risk and high-impact sectors, such as hydropower and other large infrastructure or adaptation-related projects.
- Develop and strengthen measures that enable effective remedy for affected stakeholders.
- Align cross-border water project financing and investments with green technical screening criteria of national and/or regional taxonomies, if any.
- Address the challenge of shrinking civic space in Asia by acknowledging the threat it poses toward meaningful stakeholder engagement, especially with project-affected communities.

We call on multilateral development banks (MDBs) and other international financial institutions (IFIs) delivering climate finance projects to:¹

- Improve climate finance reporting by clearly identifying target groups in vulnerable water ecosystems and improve vulnerability analysis to focus more on involving and empowering target groups.
- Increase the amount of grant-based and highly concessional finance directed toward vulnerable water-dependent communities and ecosystems to avoid burdening them with further debt and contributing to international efforts to reform MDBs and IFIs to increase mobilization of more grants to adaptation and resilience in vulnerable water-dependent communities.
- Strengthen climate finance project indicators and processes for involving and empowering target groups in vulnerable water ecosystems during project preparation and planning.

¹ These set of recommendations are based on Oxfam in Asia's 2024 report, *Unaccountable Adaptation: The Asian Development Bank's overstated claims on climate adaptation finance*.

- Promote gender equality and social inclusion by ensuring that all projects undergo thorough gender analysis to address the specific needs and vulnerabilities of women and marginalized groups in water-dependent communities; implementing a gender continuum to assess and guide the gender sensitivity of projects, ranging from harmful to transformative; engaging women at all stages of the project life cycle to ensure that their perspectives shape climate projects, and ultimately deliver more effective and inclusive outcomes; and committing to transparency by regularly publishing how gender-responsive approaches are being integrated into projects.
- Advance locally led adaptation (LLA) and empower local water-dependent communities by devolving decision-making to affected communities and supporting local governance structures to decide and manage direct climate finance efforts, particularly through community service delivery on adaptation and resilience-building, by adhering to LLA principles to help ensure that local communities and local governments are empowered to lead sustainable and effective adaptation to climate change.
- Support policy and capacity building by integrating climate finance for vulnerable water-dependent communities into national and local policies and planning processes, providing technical assistance and capacity-building efforts to help partner countries and regions develop and implement effective adaptation policies and strategies, and implementing a continuum system to guide the development of adaptation projects, ranging from those that may be inadvertently harmful, to those that actively contribute to resilience and transformation.

We also submit the following recommendations toward national regulators and policymakers:

- Central banks should require the banking sector to include material Environmental, Social, and Governance (ESG) risks, including those related to hydropower and other projects affecting water-dependent communities, in their credit risk assessments.
- Resource sharing countries should set stricter requirements for large water infrastructure projects, such as dams and hydropower (including for life-cycle emissions and Do No Significant Harm/DNSH), such as those outlined in the European Union (EU) Taxonomy and other internationally credible frameworks and standards.
- Central banks and national governments should consider introducing incentives for banks and other financial institutions to increase their portfolio of green, social, and sustainability-linked financial instruments and to support and scale up climate finance for frontline water-dependent communities.

- Central banks and financial regulatory authorities should make more active use of existing tools and guidelines developed by regional intergovernmental bodies such as taxonomies or frameworks for sustainable finance.
- Countries that still lack national taxonomies for sustainable finance should develop and launch them with a focus on sectors that require intensive water use and resource sharing and following a transparent and inclusive stakeholder consultation process.
- Regulators should encourage commercial banks, asset managers, and other financial institutions to develop sector policies.
- Central banks and financial regulators and regional development banks should consider changing their approach to large-scale water projects including hydropower, based on a more nuanced assessment of their cumulative transboundary and basin-level impacts.
- Policymakers should prioritize studies investigating the cumulative impacts of water projects, particularly large-scale hydropower dams, and integrate their findings in national legislation, policy frameworks, and strategic planning processes related to project development.
- Central banks should create civil society roundtables, committees, or working groups that serve platforms for dialogue between central banks and representatives of a range of research and civil society organizations (CSOs), as well as community, grassroots, and volunteer groups.

This joint statement is endorsed by:

- Asian Forum for Human Rights and Development (FORUM-ASIA)
- Centre for Peace and Development Initiatives (CPDI)
- Fair Finance Asia (FFA)
- Fair Finance Cambodia (FFC)
- Fair Finance Guide Japan (FFGJ)
- Fair Finance Laos (FFL)
- Fair Finance Pakistan (FFP)
- Fair Finance Philippines (FFPh)
- Fair Finance Thailand (FFT)
- Indus Consortium
- Japan Center for a Sustainable Environment and Society (JACSES)
- NGO Forum on Cambodia (NGOF)
- ResponsiBank Indonesia
- The Initiatives for Dialogue and Empowerment through Alternative Legal Services (IDEALS)
- The Network for Consumer Protection