

Research on Cross-border Investment in Agriculture

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The Fair Finance Cambodia (FFC) coalition aims to reduce the negative impacts of cross-border investments on human rights, the environment and climate change, particularly those made by multinational financial institutions, banks and insurers while increasing inclusive economic development. FFC is operational in Cambodia – wherein the Fair Finance Cambodia Civil Society Organisation (CSO) coalition leads research and engagement with key stakeholders, including financial regulatory and policymaking institutions, banking and investment associations, multilateral development banks and academia. FFC is a member of Fair Finance Asia, a regional network of CSOs committed to ensuring that financial institutions' funding decisions in the region respect local communities' social and environmental well-being.

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Executive Summary

This study is an examination of cross-border agricultural investments in Cambodia. It contains four main sections. The first section provides an overview of Foreign Direct Investment (FDI) in the country's agribusiness sector, while the second breaks down the nature of Cambodian agribusiness investments. The third is a case study involving a foreign agribusiness company investing in Cambodia. Finally, we review good practices in the financial sector, particularly regarding sustainable practices in agricultural investments.

Findings from each section indicate that Cambodian FDI has steadily increased in the past ten years. The bulk of FDI in Cambodian agriculture is directed into the agribusiness sector and rubber plantations, with the most significant share of investments coming from Cambodia itself, China, and Vietnam.

Finally, despite its infancy, sustainable finance is being steadily adopted into mainstream practices by stakeholders (including financing agricultural investments) worldwide and in Cambodia. Our research suggests that companies are increasingly aware of the benefits of sustainable finance, partly because green loans are becoming more competitive globally, improving the business case for companies to use them. This is a trend that is likely to continue. In Cambodia, a particularly promising finding was the increasing momentum reported by the Association of Banks in Cambodia regarding the launch of their "*Sustainable Finance Principles*" in 2019 and their members' positive uptake of these principles.

Overall, our research found several international best practices that could be applied to Cambodia. The final section of the study provides ten recommendations to improve the sustainability of Cambodia's financial sector, particularly regarding the management of its exposure to Environmental and Social (E&S) risks when financing agricultural and agribusiness investments. Our study identifies local stakeholder capacity building as a critical tool to leverage the global trend towards green finance and accelerate its uptake within Cambodia.

1. Background

1.1 FDI into Cambodia

Despite the outbreak of the coronavirus pandemic in 2020 and its severe repercussions on the world economy, Cambodia's longstanding trend regarding FDI remains positive. FDI into Cambodia has increased almost every year from 2010 to 2019 (*Table 1*).¹

Table 1: Cambodia's Inward FDI 2010-2019, Year by Year (in million USD)

2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
782.5	891.7	1,557	1,274.9	1,726.5	1,700.9	2,281	2,733	3,102.5	3,706

1.1.1 Total FDI

The total FDI inflows to Cambodia from 2010 to 2019 amounted to almost USD 20 billion. The Royal Government of Cambodia has long adopted a pro-business stance, encouraging the country to open to private investment from abroad. The data below breaks down the composition of FDI by economic sector.² The sectors receiving the most significant shares of FDI were Manufacturing and Finance. In 2019, agriculture constituted less than 2% of the total value of inward FDI (*Table 2*).

Table 2: Cambodia's Inward FDI 2010-2019, by Sector (in million USD)

Sector	2013	2019
Agriculture, forestry, and fishing	2,330.2	2,602
Mining and quarrying	8,103.6	3,519.7
Manufacturing	39,905.1	56,242.3
Electricity, gas, steam, and air conditioning supply	1,193.7	1,559.2
Water supply; sewerage, waste management and remediation activities	597.9	559.1
Construction	836.3	2,809.9
Wholesale and retail trade; repair of motor vehicles and motorcycles	17,384.3	18,281.7
Transportation and storage	2,612.4	1,438.3
Accommodation and food service activities	21.2	-54
Information and communication	1,827	-803.4
Financial and Insurance activities	22,078	51,306.9
Real estate activities	9,312.1	9,873.3
Professional, scientific, and technical activities	421	688.6
Administrative and support service activities	62.1	408.2
Public administration and defence; compulsory social security		11.3
Education	65.7	37.8
Human health and social work activities	131.1	2,313.9
Arts, entertainment, and recreation	221.2	66.6
Other services activities.	10,210.4	3,497.7
Unspecified activity	3,651.6	6,202.2
TOTAL	120,965.5	160,561.8

¹ ASEAN Stats Data Portal. <https://data.aseanstats.org/indicator/FDI.AMS.TOT.INF>

² ASEAN Stats Data Portal. <https://data.aseanstats.org/fdi-by-sources-and-sectors>

1.1.2 Sources of FDI

By analysing the inward FDI value (in fixed assets) by country of origin from 1994 to 2017, China emerges as the largest investing country in Cambodia, with approximately one-third of the share, valued at USD 12.6 billion. South Korea and the United Kingdom occupy the second and third positions, respectively, with the former possessing assets of the value of USD 4.6 billion (13.4%) and the latter USD 3 billion (8.7%). Other countries individually own less than 8% (*Table 3*).³

Table 3: Top 10 Sources of Inward FDI to Cambodia (1994-2017), by Country of Origin

Rank	Investing Nation	Fixed Assets (million USD)	% Of total FDI
1	China	12,601	36.39%
2	South Korea	4,651	13.43%
3	United Kingdom	3,027	8.74%
4	Malaysia	2,728	7.88%
5	Vietnam	1,762	5.09%
6	United States	1,362	3.93%
7	Hong Kong	1,334	3.85%
8	Singapore	1,225	3.54%
9	Japan	1,211	3.50%
10	Taiwan	1,208	3.49%
	Others	3,514	10.15%
	Total	34,625	100

³ Oxfam International. (2019). Foreign Direct Investment in Agribusiness in Cambodia. https://cng-cdn.oxfam.org/cambodia.oxfam.org/s3fs-public/file_attachments/Foreign%20Direct%20Investment%20in%20Agriculture.pdf

1.1.3 FDI in Agriculture

In recent years, the Cambodian government has been actively pursuing foreign investment into agriculture, with 11.4% of the total FDI from 1994 to 2017 steered to this sector, with the value rising across the years. From 2011 to 2016, in particular, the value of year-by-year agricultural FDI rose by 366%, from USD 794.5 million to USD 3.7 billion.⁴ This investment has been primarily channelled into several *Economic Land Concessions* (ELCs), or provisional land tenures, granted by the Royal Government to private investors through lease agreements.⁵

Table 4 shows the division of total domestic and foreign agricultural investment from 1994 to 2017 into nine agricultural subcategories, with the total number of projects approved for each.⁶

Table 4: Agricultural FDI in Cambodia (1994-2017, by Subcategories)

Subsector	Projects	Fixed Assets (USD million)	% Of Fixed Assets
Agro-Industry	98	3,537	57.9%
Rubber	67	1,643.4	26.9%
Rice Mill	27	551.7	9%
Plantation	41	212	3.4%
Other	10	95.2	1.5%
Animal Farming	9	48.3	0.7%
Flour	3	6.6	0.1%
Fishery	1	4.9	0.08%
Tobacco	1	2.1	0.04%
Total	257	6 101.5	100%

According to the latest estimate, there are at least 301 ELCs in Cambodia, covering a total area of 2.18 million hectares, or 12% of the country's landmass.⁷

⁴ Oxfam International. (2019). Foreign Direct Investment in Agribusiness in Cambodia. https://cng-cdn.oxfam.org/cambodia.oxfam.org/s3fs-public/file_attachments/Foreign%20Direct%20Investment%20in%20Agriculture.pdf

⁵ LICADHO. Cambodia's Concessions. https://www.licadho-cambodia.org/land_concessions/

⁶ Oxfam International. (2019). Foreign Direct Investment in Agribusiness in Cambodia. https://cng-cdn.oxfam.org/cambodia.oxfam.org/s3fs-public/file_attachments/Foreign%20Direct%20Investment%20in%20Agriculture.pdf

⁷ CIA World Factbook. (2020). Cambodia Geography 2020. https://theodora.com/wfbcurrent/cambodia/cambodia_geography.html

1.2 The Impact of FDI on ESG Issues in Cambodia

As in other developing countries, FDI into agriculture presents both benefits and drawbacks, particularly for the local communities, as exemplified in other studies on the sector. These features are summarised in Table 5.⁸

Table 5: Impact of Agricultural FDI, Benefits and Drawbacks

Potential Benefits	Potential Drawbacks
Technology transfer and innovation	Loss of biodiversity
Financially inclusive business models	Loss of culture/indigenous communities
Introduction of international best practices	Land speculation
Access to larger markets	Land loss and disputes
Value chain development	Resettlement
Access to foreign currency	Unfulfilled job promises
Economic development	Overuse of agricultural inputs
Economic spillover	Pollution
Job opportunities	Loss of livelihoods and rural income
Improved infrastructure	Loss of conservation areas
Improved food security	Reduced food security
Improved gender equality	Reduced gender equality

If not regulated or conducted responsibly, agricultural FDI may cause the unequal distribution of costs and benefits to the involved stakeholders. A particular risk is that the brunt of the costs – social, environmental, and economic (also referred to as *Environmental, Social and Governance*, or *ESG*, issues) – are borne by local communities and ecosystems, whilst investors reap most of the (primarily economic) benefits. Examples of costs borne by the local environment include land degradation, deforestation, and illegal land grabbing.

Unfortunately, several cases involving such issues have cropped up, as Cambodia has opened more and more to FDI in agriculture in recent years. Human rights organisations and local communities have accused several foreign agribusinesses, holding ELCs and producing cash crops, of illegally grabbing communal land – including forest areas – and converting them for agricultural use.

⁸ Oxfam International. (2019). Foreign Direct Investment in Agribusiness in Cambodia. https://cng-cdn.oxfam.org/cambodia.oxfam.org/s3fs-public/file_attachments/Foreign%20Direct%20Investment%20in%20Agriculture.pdf

2. Methodology

This report aims to shed light on cross-border agricultural investments in Cambodia. It contains two main deliverables:

- 1) the research report tracking financial flows in cross-border investment in agribusiness
- 2) the company case study.

The research report will analyse financial flows in cross-border investments in agriculture in Cambodia. Besides conducting a desk review, we planned to interview relevant stakeholders operating in Cambodia: banks, NGOs, sectoral associations of finance, and ELC holders. We also made requests for updated data from relevant government ministries.

As per our agreement in the kick-off meeting with **NGO Forum**, the company case study will showcase the practices of **Hoang Anh Gia Lai (HAGL)**, a Vietnamese-based holding company operating in the agribusiness sector in Cambodia. HAGL has been involved in a series of controversial cases of illegal land-grabbing and deforestation in the country.

Table 6 shows our preliminary list of interviews.

Table 6: List of Interviews

Stakeholder Type	Name of the Organisation/Company	Rationale
ELC Holder	HAGL Group	A major company in agribusiness
Finance Institution	World Bank	Promotor of international initiatives to make FDI more sustainable
Finance Institution	International Finance Corporation (IFC)	Promotor of international initiatives to make FDI more sustainable
Finance Institution	Association of Banks in Cambodia (ABC)	Promotor of initiatives to make FDI more sustainable in Cambodia
NGO	USAID	Has knowledge of agriculture FDI/impacts thereof in Cambodia
Bank	National Bank of Cambodia (NBC)	
Bank	Prince Bank	Potential funder
Bank	Acleda	Potential funder

We consider our interview with the Association of Banks of Cambodia the most important for the research report. It will allow us to gain further insights into the companies involved in financing agricultural FDI in Cambodia. Possibly, acquired knowledge from this meeting will enable us to identify new stakeholders – particularly Financial Institutions (FIs) - to be interviewed.

2.1 Scope

The scope of the research report is to analyse financial flows in cross border agricultural investment in Cambodia. 298 crops in total are planted on the estimated 301 ELCs in Cambodia.⁹ The crop most grown by ELC holders is rubber by far, followed by cassava, acacia, sugar cane and cashew nut. All these crops are important food or export products for Cambodia. The detailed distribution of ELCs by type of crops is shown below (*Table 7*).

Table 7: ELC Distribution, by Crops

Crop	Number of ELCs
Rubber	162
Cassava	32
Acacia	27
Sugar Cane	19
Cashew	15
Miscellaneous	10
Jatropha	9
Crop	6
Palm Oil	5
Rice	4
Corn	4
Apple	3
Bean	2

⁹ Oxfam International. (2019). Foreign Direct Investment in Agribusiness in Cambodia. https://cng-cdn.oxfam.org/cambodia.oxfam.org/s3fs-public/file_attachments/Foreign%20Direct%20Investment%20in%20Agriculture.pdf

3. Financial Flows to Cross-Border Investment in Agribusiness

3.1 Overview

According to LICADHO's latest estimates, 2.1 million hectares of Cambodian land are held under 301 Economic Land Concessions (ELCs).¹⁰

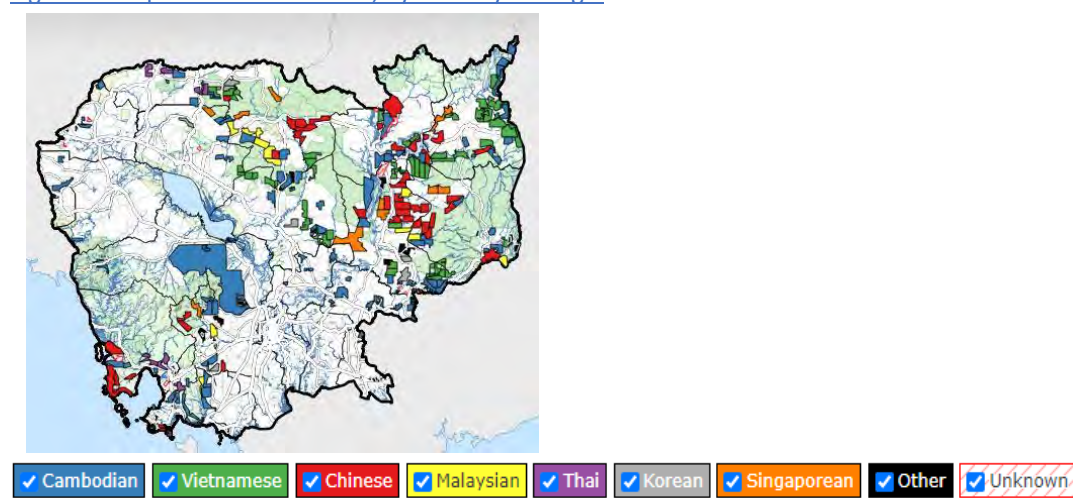
By elaborating the data, we see that Cambodian companies own the majority of ELC land hectares (44.3%), followed by those owned by the Chinese (17.5%), Vietnamese (16.6%) and Singaporeans (6.3%). Other countries each hold 5% or less of the total land. *Table 8* shows the complete list of source countries with the corresponding number of owned ELCs and percentage of land.

Table 8: Cambodian ELCs by Source Country, ELCs and hectares owned

Country	Number of ELCs	% Of Number of ELCs	Hectares Owned	% Of Hectares Owned
Cambodia	126	41.9%	969,502	44.3%
China	54	17.9%	362,515	17.5%
Vietnam	55	18.3%	384,041	16.6%
Singapore	11	3.7%	90,844	6.3%
Malaysia	12	4%	59,663	4.2%
Thailand	7	2.3%	56,548	2.7%
Korea	8	2.7%	137,815	2.6%
Other	14	4.7%	94,123	4.7%
Unknown	14	4.7%	33,694	4.7%
Total	301	100%	2,188,745	100%

Using the latest data from an interactive map drawn by LICADHO (Figure 1), we provide further information regarding the profile of ELCs in the country, their country of origin, and crop(s) produced.¹¹

Figure 1: Map of Cambodian ELCs, by Country of Origin



¹⁰ LICADHO. Cambodia's Concessions. https://www.licadho-cambodia.org/land_concessions/

¹¹ As above

3.2 Cambodia

Companies registered in Cambodia hold the largest share of Economic Land Concessions (41.9% of the total), and they are spread throughout the country. Some of the largest ELCs in Cambodia belong to this category. Examples include an ELC held by *Pheapimex*, which spans 333,327 hectares (the single largest in the country) and produces multiple crops; and one owned by *Think Biotech*, spanning 34,000 hectares and growing timber.

3.3 Vietnam

Vietnamese-owned ELCs are concentrated in the North-Central and North-Eastern parts of the country. Some of the largest include the one owned by *Rama Khmer International*, 20,000 hectares wide, producing rubber, and one belonging to *Dai Dong Duong Commercial Joint Stock*, encompassing 9,380 hectares. Of note, several Vietnam-held ELCs are part of larger conglomerates – such as the *Vietnam Rubber Group* and *Hoang Anh Gia Lai Group (HAGL)*. Taken together, the individual ELC holding companies under Vietnam Rubber Group have well over the 10,000 hectares permitted by the 2001 Land Law, which is reiterated in the 2005 Sub-Decree on Economic Land Concessions.

3.4 China

Chinese-held ELCs are concentrated in the South-Western and North-Eastern parts of the country, with most of the agricultural ELCs being in the latter. The largest seems to be the controversial *Union Development Group* concession, of 36,000 hectares, aimed at promoting tourism in Koh Kong province. *Siemon Agriculture Comprehensive Development* owns the second largest one, 26,990 hectares wide and producing timber.

3.5 ELCs by Province

As we can see from the map (*Figure 1*) above and in *Table 9* below, ELC land is not evenly distributed across the country. The latest available data shows that nearly two-thirds of this land is concentrated in five provinces: Kratie, Pursat, Monduliri, Preah Vihear and Ratanakiri.¹²

Table 9: ELCs by Province (in Order of Land Size)

Province	Granted ELCs	ELC Land Size (ha)	% Of Total ELC Land Area
Kratie	54	277,600	18.1%
Pursat	4	244,032	15.9%
Monduliri	28	177,745	11.6%
Preah Vihear	23	143,811	9.4%
Ratanakiri	27	139,572	9.1%
Stung Treng	18	116,537	7.6%
Kampong Thom	28	101,102	6.6%
Kampong Speu	18	83,015	5.4%
Oddar Meanchey	15	56,586	3.7%
Siem Reap	10	49,439	3.2%
Koh Kong	10	46,383	3.0%
Kampot	4	20,904	1.4%
Tboung Khmom	7	19,281	1.3%
Svay Rieng	4	14,761	1.0%
Sihanoukville	6	14,682	1.0%
Banteay Meanchey	6	12,165	0.8%
Kampong Cham	3	10,545	0.7%
Battambang	2	4,616	0.3%

3.6 Creditors

At this stage of the research and due to the nature of the assignment, it is difficult to get access to comprehensive information detailing the financiers of cross border investments in agriculture in Cambodia, particularly in the case of private banks unwilling to share these confidential details.

For now, we have identified the role of international financial institutions, such as the World Bank and its sister organisation, the International Finance Corporation (IFC). The World Bank is currently implementing a four-year project with local agricultural exporters to improve competitiveness, build an enabling environment for the agribusiness sector, and facilitate more and higher value agricultural exports.¹³ The IFC

¹² Oxfam International. (2019). Foreign Direct Investment in Agribusiness in Cambodia. https://cng-cdn.oxfam.org/cambodia.oxfam.org/s3fs-public/file_attachments/Foreign%20Direct%20Investment%20in%20Agriculture.pdf

¹³ World Bank. (2019). Cambodia Agricultural Sector Diversification Project. <https://projects.worldbank.org/en/projects-operations/project->

is financing Cambodian banks and microfinance institutions to lend to hundreds of thousands of SMEs and fulfil an advisory role on various technical issues.¹⁴

[detail/P163264?lang=en](#)

¹⁴ IFC. IFC in Cambodia. https://www.ifc.org/wps/wcm/connect/regionext_content/ifc_external_corporate_site/east+asia+and+the+pacific/countries/ifc-in-cambodia

4. Company Case Study

We selected **Hoang Anh Gia Lai** as our case study since the company has been at the centre of several controversies in Cambodia. Due to the well-publicised case and HAGL being a publicly listed company, it also provides the easiest access to information regarding its financial operations.

4.1 HAGL Summary

Hoang Anh Gia Lai Group (HAGL) is a diversified company headquartered in Pleiku, Vietnam. From a small furniture producer, the company diversified into other industries such as rubber, real estate, mining, and energy. The company



gained visibility by financing a professional football club (Hoang Anh Gia Lai Club). The firm claims to be Vietnam's largest property developer in 2010 and the second largest in 2011 (behind Vingroup). It has also grown significantly outside of Vietnam, with investments of around USD 1 billion in Laos, hundreds of millions of US Dollars in Myanmar, USD 100 million in Cambodia and tens of millions of US Dollars in Thailand. HAGL was registered as a joint-stock company in 2006 and is listed on the Saigon stock exchange.¹⁵

The HAGL group has 16 agribusiness subsidiaries in total. Six of these manage their agribusiness operations in Cambodia. Each subsidiary is specifically allocated to a plantation, all located in the province of Ratanakiri. Out of the six subsidiaries, four are operational. The activities of HAGL in Cambodia are exclusively dedicated to rubber plantations.

4.2 HAGL In the Press

HAGL has been at the centre of controversies in Cambodia. In May 2013, a natural resource NGO accused the company of illegally seizing pieces of land and committing rights abuses in the process. The company dismissed the accusations, citing its efforts in supporting local communities in areas where it operates its plantations.¹⁶

Indigenous communities in affected areas from Ratanakiri province filed complaints to the relevant authority, the Compliance Advisor Ombudsman (CAO) of the IFC, for the first time in January 2014. The complaint cited how the IFC itself invested indirectly in the alleged wrongdoing company - HAGL - by holding private equity through a Vietnamese fund, despite HAGL's alleged breach of international and Cambodian laws and IFC's own internal social and environmental safeguard policies.¹⁷

After years of mediations with mixed results, a second complaint to the CAO was filed in 2019, citing new data of the IFC's financial ties with HAGL. The company has, in the meantime, unilaterally withdrawn from the mediation process with local communities.¹⁸

More recently, in March 2020, during the coronavirus crisis, HAGL allegedly carried out further sweeping clearances of land earmarked for return to local communities through a government-led land demarcation

¹⁵ HAGL Agrico. Annual Report 2018. https://haagrico.com.vn/images/2019/07/hng_2018_annual_report.pdf

¹⁶ Reuters. Vietnam rubber firms illegally take land in Cambodia, Laos, group says <https://www.reuters.com/article/vietnam-rubber-land/vietnam-rubber-firms-illegally-take-land-in-cambodia-laos-group-says-idUSL3N0DQ2T520130513>

¹⁷ Inclusive Development International. Cambodia: Hoang Anh Gia Lai Rubber Plantations. <https://www.inclusivedevelopment.net/campaign/cambodia-rubber-land-grabs/>

¹⁸ As above.

process.¹⁹

4.3 Relations with Banks in Cambodia

HAGL has received two loans from Sacombank, a Vietnamese bank with a subsidiary in Cambodia. The first is a long-term loan of 40,633,990,000 VND (USD 1.74 million), and the second is a short-term loan of 18,962,528,000 VND (USD 814,000). Both loans invite an interest rate of 9%.

The purpose of the long-term loan is to finance the following two projects:

Project 1 at:			Project 2 at:		
Talao, Ward, Ouchum District, Ratanakiri, Province, Cambodia			Nhang Ward, Andong Meas, District, Ratanakiri Province, Cambodia; owned by Hoang Anh, Oyadav Co., Ltd		
CRD	7,591 hectares	Rubber	Hoang Anh Oyadav	9,000 hectares	Rubber
Heng Brother	2,361 hectares	Rubber	Hoang Andong Meas	9,775 hectares	Rubber

Sacombank does not currently indicate any strategy regarding policies to reduce the negative impacts of its loans on local communities and the environment. There is just a short statement (very marketing oriented) about the company vision and core values. Nevertheless, as a member of the Association of Banks in Cambodia (ABC), Sacombank would have been a signatory of the ABC Sustainable Finance Principles²⁰, launched on March 29, 2019, and supported by the IFC.

According to the NGOs' reports describing the financial structure of HAGL, Dragon Capital Group holds a 5.5% stake in the Vietnamese company. Dragon Capital has implemented a CSR policy that relies on only a few principles, including Active Ownership and Exclusion List Activities.

4.4 Initial Attempts at CSR Policies

HAGL itself has implemented a sustainable development strategy, as described in the 18-page HAGL "Sustainable Development Report", published in November 2014. This report is only available in English, which is perhaps telling of its expected readership. In addition, HAGL details its activities relating to CSR in its annual corporate reports, which the company must publish as a requirement of their listing on the Saigon Stock Exchange. The 2019 annual report has five pages on the sustainable development strategy, but there is no information regarding specific actions in Cambodia.

That said, HAGL has indeed attempted to mitigate the impacts of its investment activities in Cambodia. Efforts include infrastructure investments, power systems, wells, housing for employees, establishing an Internal Environment Department, and obtaining Bureau Veritas certification. In addition, the company returned 10,000 hectares of undeveloped land to indigenous communities and agreed to limit its use of chemical products (amongst other conditions). These agreements were made during the 2015 mediation process overseen by the IFC's Compliance Ombudsman (CAO).

4.5 Summary of Impacts and Significance

¹⁹ Inclusive Development International. Vietnamese Agribusiness Giant HAGL Destroys Indigenous Lands. <https://www.inclusivedevelopment.net/vietnamese-agribusiness-giant-destroys-indigenous-lands/>

²⁰ ABC. (2019). The Association of Banks in Cambodia Sustainable Finance Principles. <https://www.sustainablebankingnetwork.org/upload/file/2019/0531/1559290438713939.pdf>

In addition to the information above, we have provided a summary table of HAGL's impact on the local community and environment, both positive and negative. Some of this information was retrieved from the company's own published report of sustainability activities, with other data coming from third parties.

Table 10: Summary table of HAGL's positive & negative impacts

Positive	Negative
<p><u>Medical Treatment:</u> ²¹</p> <ul style="list-style-type: none"> HAGL has organised medical examination and treatment, medicine delivery and periodic gift donations to 18 communities in Ratanakiri province with the support of Bệnh viện Đại Học Y Dược hospital in Pleiku. Four thousand nine hundred twenty-seven people were examined and received medicine, of which 140 cases of blurred vision and other ailments underwent surgery. A HAGL team examined and provided free medicine to 1,872 people and diagnosed 52 cases of blurred vision that needed special treatment in Vietnam. 	<p><u>Land Rights:</u> ²²</p> <ul style="list-style-type: none"> HAGL's concessions in Cambodia spanned more than 50,000 hectares- about five times the legal limit for a landholding company in the country. A part of the 742-hectare land in the northern province of Ratanakiri was reportedly cleared in March 2020. The international media have reported that HAGL had bulldozed land in Cambodia earmarked for return to indigenous communities. HAGL unilaterally withdrew from the Compliance Advisor Ombudsman process, an independent accountability mechanism for IFC and MIGA. CAO helps address the concerns of communities who believe they are affected by IFC and MIGA projects. According to Global Witness, HAGL exceeds the 10,000-hectare legal threshold for concession holdings in Cambodia by hiding their beneficial ownership behind complex layers of shell companies. HAGL denied ownership of approximately 28,000-hectare concessions inside Lumphat Wildlife Sanctuary and Virachey National Park despite evidence collected by Global Witness.
<p><u>Food and financial support:</u> ²³</p> <ul style="list-style-type: none"> Via the CAO, a member of the World Bank Group and in cooperation with NGOs, HAGL delivered 400kg of beef meat and cash to each village around the project area to support their religious spirit ceremony for a total amount of USD 23,800. In April 2015, HAGL donated 50kg of rice and one box of instant noodles each to 349 households. When HALG provided medical treatment to 1,872 people, the company also gave 50 kg of rice, 2 kg of sugar and 2 kg of salt per person 	<p><u>Environment:</u> ²⁵</p> <ul style="list-style-type: none"> The unavoidable consequences of converting primary forest into cropland have been the loss of habitat and biodiversity in HAGL concession areas
<p><u>Infrastructure and Environment:</u> ²⁴</p> <ul style="list-style-type: none"> In 2016, HAGL pledged to build 3,000 houses for workers to live and work at the project sites with a total value of USD 3,500. HAGL contributed financially to build the Bati National Football Academy in Takeo Province, which cost USD 4 million. In 2014, HAGL applied the ISO 9001:2008 quality management system to its oil palm project in Cambodia. 	

Although it is hard to reconstruct the exact details of the events surrounding HAGL's involvement in Cambodia, the complaints against the company indeed highlight recurrent challenges in implementing agricultural investments in the Kingdom. The IFC's alleged role in funding HAGL sheds the spotlight on one

²¹ HAGL Agrico. Annual Report 2018. <https://haagrico.com.vn/images/2019/07/hng.2018.annual.report.pdf>

²² Equitable Cambodia. (2020). <https://news.mongabay.com/2020/06/vietnamese-agribusiness-firm-hagl-accused-of-clearing-indigenous-land-in-cambodia/>; South China Morning Post. (2020). <https://www.scmp.com/week-asia/health-environment/article/3086758/vietnam-firm-world-bank-links-accused-bulldozing>; Global Witness.

²³ HAGL Agrico. Annual Report 2018. <https://haagrico.com.vn/images/2019/07/hng.2018.annual.report.pdf>

²⁴ HAGL Agrico. Annual Report 2018. <https://haagrico.com.vn/images/2019/07/hng.2018.annual.report.pdf>

²⁵ Equitable Cambodia. (2020). <https://news.mongabay.com/2020/06/vietnamese-agribusiness-firm-hagl-accused-of-clearing-indigenous-land-in-cambodia/>; South China Morning Post. (2020). <https://www.scmp.com/week-asia/health-environment/article/3086758/vietnam-firm-world-bank-links-accused-bulldozing>; Global Witness

particular aspect of such bad practices- the level of exposure of financial institutions (FIs) to E&S risk in their investment portfolios, particularly when engaging in transactions with major agribusiness companies or ELC holders.

As a counter to this, we draw inspiration from good practices in the financial sector to highlight some potential solutions to this issue.

5. Findings and Analysis

5.1 Role of Finance in Reducing ESG Issues in Agriculture

In parallel to the creation of the Sustainable Development Goals (SDGs) and their subsequent integration into the development strategies of many leading international development institutions during the last decade, the concept of sustainable finance (and its implications for the safeguarding of the environment, climate, and resolution/mitigation of ESG issues) has gained ground. Sustainable finance is slowly becoming a mainstream component of global development practices. As such, these practices are paving the way for sustainability to be mainstreamed in the financing of agricultural investment.

5.1.1 Overview

A wide variety of stakeholders are represented in the pool of good financial practices worldwide, including international development agencies, FIs and sectoral financial associations. As shown in *Table 11* below, we have also documented several types of good practices, including declarations of commitment, management guidelines, and financial instruments. This report briefly describes some of the most relevant categories of such practices.

[Table 11: Overview of good practices documented](#)

1. Commitments
2. Frameworks and Regulations
3. Guidelines and Recommendations
4. Instruments
5. Ad-Hoc Bodies
6. Certifications

5.1.2 Commitments

The following are the most relevant commitments made by stakeholders in international finance, agriculture, and agribusiness (*Table 12*):

Table 12: Overview of Financial Good Practices, Declarations/Commitments by relevant stakeholders

Name	Initiator(s)
<i>UNEP Statement of Commitment by FIs on Sustainable Development</i> ²⁶	UNEP FI
<i>Principles for Responsible Banking (PRB)</i> ²⁷	United Nations Environmental Programme Finance Initiative (UNEP FI)
<i>Principles for Responsible Investment (PRI)</i> ²⁸	United Nations-sponsored PRI (leading global FIs)
<i>Equator Principles (EPs)</i> ²⁹	EP Association
<i>Responsible Agricultural Investment (RAI) Principles</i> ³⁰	Committee on World Food Security (CFS)
<i>Principles for Responsible Agricultural Investment (PRAI)</i> ³¹	UNCTAD, FAO, IFAD, World Bank
<i>Food and Agriculture Business Principles</i> ³²	UN Global Compact

The *Statement of Commitment by Financial Institutions (FIs)* for the *United Nations Environmental Programme (UNEP) Financial Initiative (FI)* is the backbone of the UNEP FI, an international initiative involving more than 300 FIs and 100 supporting institutions. The Statement recognises the leading role that the financial sector can play in encouraging sustainable development worldwide by promoting sustainability management in banks' decision-making.

More than 185 banks worldwide have signed the 6 *Principles for Responsible Banking (PRB)*, which provide a framework to create a sustainable banking system across all business areas. Similarly, the 6 *Principles of Responsible Investment* are a voluntary set of investment principles that offer options for investors to incorporate actions to integrate ESG issues into their business transactions.

Currently adopted by 110 FIs across 38 countries, the 10 *Equator Principles* are a risk management framework to determine, assess and manage E&S risk in financial projects, to provide a minimum standard of due diligence and monitoring in risk management in the sector. Three initiatives are particularly related to investments in agriculture and agribusiness.

The *Committee on Food Security* has established the 10 *Responsible Agricultural Investment (RAI) Principles*. Intended for investors in agriculture, especially in developing countries, the principles include commitments to respect land tenure, conserve and sustainably manage natural resources, promote inclusive and transparent governance, and promote accountability of investors in the sector.

²⁶ UNEP FI. (1992). Statement of Commitment by Financial Institutions on Sustainable Development. <https://www.unepfi.org/about/unep-fi-statement/>

²⁷ UNEP FI. (2019). Principles for Responsible Banking. <https://www.unepfi.org/banking/bankingprinciples/>

²⁸ PRI. (2006). Principles for Responsible Investment. <https://www.unpri.org/pri/what-are-the-principles-for-responsible-investment>

²⁹ EP Association. (2019). Equator Principles. <https://equator-principles.com/about/>

³⁰ Committee on World Food Security. (2014). Principles for Responsible Investment in Agriculture and Food Systems. <http://www.fao.org/3/a-au866e.pdf>

³¹ UNCTAD. (2010). Principles for Responsible Agricultural Investment. <https://unctad.org/en/Pages/DIAE/G-20/PRAI.aspx>

³² UN Global Compact. (2014). <https://www.unglobalcompact.org/take-action/action/food>

The *7 Principles for Responsible Agricultural Investment* (PRAI), developed jointly by major international development organisations, have also been set up to promote sustainable agriculture. They offer a framework for several international stakeholders to promote sustainable agricultural practices, particularly regarding the rule of law, generating equitable impacts and shared value with local communities, promoting transparency of contracts, and mitigating environmental and social risks.

Finally, the UN-established *Food and Agriculture Business Principles* encourage companies operating and investing in these sectors to embrace a set of good governance principles, including a pledge to be environmentally responsible, share the created value with all members of the agricultural value chain, and be accountable for their business decisions.

Why are commitments relevant to financial good practices in Cambodian agribusiness investment?

In being adopted by more and more development and economic stakeholders worldwide and in Asia, international commitments promote sustainable and good financial practices. In turn, they help create positive pressure to change from actors that may be lagging. International pledges by FIs and international financial sectoral associations set good examples for practitioners in specific countries, including Cambodia, to adopt. Although commitments and principles offer little immediate practical change in agribusiness investments, they help “lock down” policy stakeholders into committing to future reform, which is a necessary first step. Commitments are relevant to all Cambodian stakeholders, particularly to FIs, financial sectoral associations, investors, and companies in the agricultural/agribusiness value chain.

5.1.3 Frameworks and Regulations

Frameworks and regulations are legal and operational structures that define how stakeholders in the financial sector can integrate the promotion of sustainable outcomes within the scope of their everyday operations.

Table 13: Overview of Financial Good Practices- Frameworks and Regulations

Name	Initiator(s)
<u>Sustainability Framework:</u> ³³ <ul style="list-style-type: none"> ➤ <i>Policy on Environmental and Social Sustainability</i> ➤ <i>Performance Standards</i> ➤ <i>Access to Information Policy</i> 	International Finance Corporation (IFC)
<u>Environmental and Social Framework:</u> ³⁴ <ul style="list-style-type: none"> ➤ <i>Environmental and Social Policy for Investment Project Financing</i> ➤ <i>Environmental and Social Standards</i> ➤ <i>Bank Directives on addressing risks and impacts on the environment and disadvantaged groups</i> 	World Bank
<u>National financial sector regulations, sectoral and bank-specific</u> ³⁵	National financial sectoral associations, FIs

The **International Finance Corporation's (IFC) Sustainability Framework** helps client signatories among FIs do business more sustainably. As part of the framework, the 8 Performance Standards are a global benchmark for E&S risk management in the private sector and help signatories align their practices with specific minimum good governance requirements.

Some of the Standards worth mentioning are:

- ❖ *Number 1 on Risk Management*
- ❖ *Number 4 on the Protection of Communities*
- ❖ *Number 5 on Land Resettlement issues*
- ❖ *Number 6 on the Protection of Biodiversity*
- ❖ *Number 7 on the Protection of Indigenous Peoples.*

Similarly, the **World Bank's Environmental and Social Framework** enables the group and its borrowers to manage E&S risk by offering broad and systemic coverage in areas such as transparency, accountability, and establishing grievance mechanisms for alleged wrongdoings. As part of the framework, 10 *Environmental and Social Standards* establish conditions for borrowers on E&S Risk Management, Community Health and Safety, Land Acquisition and Resettlement, Biodiversity Conservation, Indigenous Peoples, Stakeholder Engagement, and Information Disclosure.

Best practices are also emerging from FIs and sectoral financial associations across the world. Selected examples are included further down in the study.

³³ IFC. (2006). Sustainability Framework. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/sustainability+framework

³⁴ World Bank. (2018). Environmental and Social Framework. <https://www.worldbank.org/en/projects-operations/environmental-and-social-framework>

³⁵ SBN. (2019). Global Progress Report. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn_2019+globalprogressreport

Why are frameworks and regulations relevant to financial good practices in Cambodian agribusiness investment?

Frameworks and regulations are useful for countries wishing to reform their financial practices (such as Cambodia), as a follow up from adhering to ideological principles. These tools provide legal and managerial structures that help make initial initiatives to reform more consistent, and are adopted by stakeholders at several levels, ranging from government, national financial regulators, financial sectoral associations, and FIs themselves. By giving a legal and managerial structure to financial reform, these stakeholders consolidate progress and establish the foundations for more specific action plans.

5.1.4 Guidelines and Recommendations

Guidelines and Recommendations issued by international development organisations, donors and advisory bodies are intended to facilitate the transition of FIs to more sustainable business models.

Table 14: Overview of Financial Good Practices- Guidelines & Recommendations

Name	Initiator(s)
<i>Environmental, Health Safety Guidelines (particularly those on Agribusiness/Food Production)</i> ³⁶	World Bank/IFC
<i>Guidance Document</i> ³⁷ (implementation steps) of UNEP FI PRB	UNEP FI
<i>Guide to Banking and Sustainability</i> ³⁸	UNEP FI
<i>Final Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)</i> ³⁹	TCFD
<i>Voluntary Guidelines on the Governance of Tenure</i> ⁴⁰	FAO
<i>Operational Guidelines for Responsible Land-Based Investment</i> ⁴¹	USAID Green Invest Asia

The **IFC's Environmental, Health, and Safety (EHS) Guidelines** are general and industry-specific examples of international industry best practices. Borrowers from the institution are required to adopt these guidelines before entering transactions.

The **UNEP FI's Guidance Document** complements the initiative's concerted effort to promote sustainable finance by presenting the best examples and implementation steps for FI signatories of the UNEP FI. Also, the *Guide to Banking and Sustainability* provides banks with a tool for awareness-raising, integration, and outreach to help create the ideal sustainable bank.

The **Financial Stability Board's** advisory report- *Recommendations from the Task Force on Climate-related Financial Disclosures*, provides financial sector organisations with tools to provide better transparency and disclosure mechanisms for green financial transactions.

The **Food Agricultural Organization's Voluntary Guidelines on Governance of Tenure (VGGT)** are reference standards and principles intended to help operators in agriculture and agribusiness govern land tenure responsibly by mitigating potential negative impacts on the environmental and local communities.

USAID's Green Invest Asia project connects investors and FIs with sustainable projects from agricultural and forestry companies in ASEAN countries, including Cambodia, thus helping them increase their ESG lending portfolio. The project has mobilised more than USD 400 million in private finance to help fund projects related to natural products, including rubber and timber. USAID provides a range of services to investors, including

³⁶ IFC. (2007). Environmental, Health, and Safety Guidelines.

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/ehs-guidelines

³⁷ UNEP FI. (2019). Principles for Responsible Banking Guidance Document. <https://www.unepfi.org/wordpress/wp-content/uploads/2019/09/PRB-Guidance-Documents-Final-19092019.pdf>

³⁸ UNEP FI. (2016). Guide to Banking and Sustainability. <https://www.unepfi.org/publications/banking-publications/guide-to-banking-and-sustainability-2/>

³⁹ Task Force on Climate-related Financial Disclosures. (2017). <https://www.fsb-tcfd.org/>

⁴⁰ FAO. (2012). Voluntary Guidelines on Tenure. <http://www.fao.org/tenure/voluntary-guidelines/en/>

⁴¹ USAID. Green Invest Asia. <https://greeninvestasia.com/>

technical assistance on land-use ESG management.

Why are guidelines and recommendations relevant to financial good practices in Cambodian agribusiness investment?

Guidelines and recommendations are meant to accompany financial stakeholders into adjusting and improving the effectiveness of their reform initiatives, through continuous learning processes. The mentioned tools cover all major sensitive aspects of agribusiness investment, from E&S impacts to transparency of information, and are meant primarily for investors, FIs, financial sectoral associations, and all members of the agricultural/agribusiness value chain.

5.1.5 Instruments

Several instruments, financial and managerial, have been created to facilitate the promotion of sustainable finance and the mitigation of ESG risks (*Table 14*).

Table 15: Overview of Financial Good Practices- Instruments

Name	Initiator(s)
<i>Climate Investment Funds</i> ⁴²	World Bank
<i>ESG Bonds</i> ⁴³	IFC
<i>Global Map of Environmental and Social Risks in Agro-Commodity Production (GMAP)</i> ⁴⁴	IFC
<i>Environmental and Social Management System (ESMS) Toolkit</i> ⁴⁵	IFC
<i>Sustainability indexes</i> ⁴⁶	Business sectoral associations, private markets
<i>Rating agencies</i> ⁴⁷	Business sectoral associations, private markets

The **World Bank** has set up a USD 8 billion *Climate Investment Fund*, with contributions by 14 donor countries. The fund enables investments in 72 countries in sustainable energy and environmental conservation projects, particularly forest management. The *Forest Investment Program* (FIP), a sub-component of the fund, is implemented in 23 countries, aiming to conserve forest land. Currently implemented in Cambodia, the FIP operates in synergy with the Cambodian government's environmental strategies: *the Climate Change Strategic Plan 2014-2023*, the *National Strategic Plan on Green Growth 2013-2030*, and the *REDD+ national implementation strategy*.

The **IFC** has set up three initiatives.

- ESG bonds, or *Socially Responsible Investments*, are issued by the IFC to borrowers to make economic growth sustainable and inclusive. Borrowers must agree to the bond's sustainability principles.
- The *Global Map of Environmental and Social Risks in Agro-Commodity Production* (GMAP) is an online tool to ensure agro-commodity production chains align with the *IFC Performance Standards on Environmental and Social Sustainability*. The map allows users to conduct quick environmental and social due diligence with financial projects.
- The *Environmental and Social Management System (ESMS) Toolkit* contains implementation steps for companies wishing to set up an ESMS.

Private financial markets have created sustainability indexes and ratings for companies, allowing investors an overview of corporate sustainability efforts and helping inform socially responsible business decisions.

⁴² Climate Investment Funds. <https://www.climateinvestmentfunds.org/>

⁴³ IFC. Sustainable Bonds.

https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc_new/investor+relations/ifc+a+sustainable+bond+is+uer

⁴⁴ IFC. GMAP. <https://gmaptool.org/>

⁴⁵ IFC. ESMS Toolkit. https://www.ifc.org/wps/wcm/connect/6147cbba-efe8-4879-ba77-c7af63bede7c/ESMS_Toolkit_General.pdf?MOD=AJPERES&CVID=I50s0OZ

⁴⁶ UNEP FI. (2011). Guide to Banking and Sustainability (1st Edition)

⁴⁷ As above

Why are instruments relevant to financial good practices in Cambodian agribusiness investment?

Instruments serve two purposes to improve good practices in the Cambodian agribusiness investment sector: they mobilise financial resources for sustainable agriculture and agribusiness projects, and they serve as knowledge-sharing and awareness-raising tools for all major stakeholders in the sector. As learning tools, instruments serve a similar function to guidelines and recommendations.

5.1.6 Ad-Hoc Bodies

Ad-hoc bodies, such as organisations, networks or programmes, serve various functions in promoting sustainable finance practices, including knowledge sharing, research, and analysis.

Table 16: Overview of Financial Good Practices- Ad-Hoc Bodies

Name	Initiator(s)
<i>Sustainable Banking Network (SBN)</i> ⁴⁸	IFC
<i>Natural Capital Finance Alliance (NCFA)</i> ⁴⁹	UNEP FI, Global Canopy Programme (NGO)
<i>Green Finance Platform</i> ⁵⁰	Global multi-stakeholder network of organisations and experts
<i>Global Green Finance Leadership Program (GFLP)</i> ⁵¹	Regional (Asia-centred) multi-stakeholder network of organisations and experts

The *Sustainable Banking Network* (SBN) is a voluntary global community of financial sector regulatory agencies and banking associations, mostly from developing countries. Members commit to improving ESG risk management (including better disclosure of risk activities) in FIs. The SBN is a platform for knowledge sharing and capacity building.

The *Natural Capital Finance Alliance* is a global finance initiative to integrate natural capital, including the mitigation of ESG issues, into financial products and services and to include natural capital considerations in financial accounting, disclosure, and reporting.

The *Green Finance Platform* (GFP) and the *Green Finance Leadership Program* (GFLP) are networks of organisations and experts that address critical knowledge gaps in sustainable finance and provide knowledge-sharing platforms. The GFP focuses on addressing sustainability issues in the East and South-East Asian regions.

Why are ad-hoc bodies relevant to financial good practices in Cambodian agribusiness investment?

In the Cambodian context, ad-hoc bodies provide venues for Cambodian practitioners in the sector, particularly FIs, financial sectoral associations and NGOs, to continuously monitor and report the impact of agribusiness investments on the local environment. They also promote the exchange of information from other stakeholders around the world.

⁴⁸ Sustainable Banking Network (SBN). https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn

⁴⁹ Natural Capital Finance Alliance. <https://naturalcapital.finance/>

⁵⁰ Green Finance Platform. <https://greenfinanceplatform.org/>

⁵¹ Green Finance Leadership Program. <http://www.gflp.org.cn/>

5.1.7 Certifications

Certifications are meant for members of product value chains to ensure that all its components follow sustainable practices (*Table 16*).

Table 17: Overview of Financial Good Practices- Certifications

Name	Categories
<i>Forest Stewardship Council (FSC)</i> ⁵²	Sustainable forest management
<i>Vietnam Forest Certification System (VFCS)</i> ⁵³	Sustainable forest management
<i>Rainforest Alliance</i> ⁵⁴	Sustainable forest management
<i>ISO families 14001</i> ⁵⁵ , <i>31000</i> ⁵⁶ , <i>26000</i> ⁵⁷	Environmental management, risk management, social responsibility

The *Forest Stewardship Council (FSC)*, *Vietnam Forest Certification System (VFCS)* and *Rainforest Alliance* are examples of product certifications that ensure that value chain members maintain and protect forest land and refrain from illegal logging or land clearing. The VFCS is inspired by the FSC certification and is an innovating practice in Southeast Asia- one of the first local certification initiatives in sustainable forest management. The three ISO categories certify companies on three aspects of their environmental and social commitment.

Why are certifications relevant to financial good practices in Cambodian agribusiness investment?

Certifying sustainable products is one way to increase consumer awareness in Cambodia about the impact consumer choices and E&S bad practices has on the local environment. They can be a huge opportunity for Cambodian-based companies in the agribusiness and agricultural sectors to align themselves with sustainable branding strategies worldwide and drive change for a socially responsible way of doing business in Cambodia.

⁵² Forest Stewardship Council. <https://fsc.org/en>

⁵³ Vietnam Forest Certification System. <https://www.pefc.org/discover-pefc/our-pefc-members/national-members/viet-nam-forest-certification-system-vfcs>

⁵⁴ Rainforest Alliance. <https://www.rainforest-alliance.org/>

⁵⁵ International Organization for Standards (ISO). ISO 14 001. <https://www.iso.org/iso-14001-environmental-management.html>

⁵⁶ International Organization for Standards (ISO). ISO 31 000. <https://www.iso.org/iso-31000-risk-management.html>

⁵⁷ International Organization for Standards (ISO). ISO 26 000. <https://www.iso.org/iso-26000-social-responsibility.html>

5.2 Best Practices from Financial Institutions

UBS – Establishing a Comprehensive E&S Framework

Headquartered in Switzerland, UBS operates in 54 countries worldwide. The bank has established a comprehensive framework to prevent or manage E&S risks for itself and its clients.⁵⁸ The framework applies to all transactions, services, products, and activities and, through it, the bank regularly reviews sensitive sectors and activities prone to E&S risks. Clients are assessed on their exposure to such risks, with their results being benchmarked against sector averages. UBS can find new ways to improve the future portfolio using this data. Also, advanced data analytics on companies associated with E&S risks are used by all staff members when entering a relationship with clients.



The framework has identified specific areas of concern, including timber, where UBS does not operate or does so under strict criteria. UBS does not enter knowingly into transactions with clients who partake in environmental damage such as illegal logging or usage of fire for land clearance.

Ecobank-Aligning E&S Risk Management with International Standards

Ecobank is the leading pan-African bank, present in 36 countries on the continent. It is committed to promoting sustainable practices, has signed the Equator Principles, and is an active member of UNEP FI. To implement the Equator Principles, the bank has developed a corporate Environmental and Social Policy, using international standards, including the IFC's Performance Standards.⁵⁹



The policy is being implemented through the bank's own Environmental and Social Management System. Due diligence procedures are undertaken for several bank activities and sectors, including agribusiness. Ecobank implements Environmental and Social Due Diligence (ESDD) as part of a multi-stage process in business transactions with clients. This includes going from an initial screening phase to classifying potential E&S risks, applying checklists and guidelines for due diligence, formulating E&S Action Plans, and continuous monitoring and reporting on the bank's E&S risk and exposure.

⁵⁸ SBN. (2019), Global Progress Report of the Sustainable Banking Network – Case Studies: Good Practices among Financial Institutions. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn_2019+globalprogressreport

⁵⁹ As above.

5.3 Best Practices from National Markets

China – Using KPIs to Drive Sustainability

The former China Banking Regulatory Commission (CBRC), China's leading financial regulator (now newly established as the China Banking and Insurance Regulatory Commission, or CBIRC), established the Green Credit Implementation Key Performance Indicators in 2014 and required the 21 largest Chinese banks (representing a total of over 70% of the country's banking assets) to submit self-evaluation reports against their progress on these KPIs annually.⁶⁰ A third-party agency verifies the reports.



In the latest progress report from 2018, which shows a general improvement regarding compliance, a few KPIs stood out for the high levels of compliance. These include integrating E&S risks into compliance checks, including E&S pacts in loan agreements for certain clients, and training staff to review E&S risks and seek support when needed.

Indonesia – Standardising Sustainability Reporting

Indonesia's financial sectoral regulator, Otoritas Jasa Keuangan (OJK), has required the 55 largest Indonesian banks to submit annual action plans detailing their implementation of the sustainable finance initiative and prepare a yearly sustainability report.⁶¹



⁶⁰ SBN. (2019), Global Progress Report of the Sustainable Banking Network – Case Studies: Good Practices among Financial Institutions. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn_2019+globalprogressreport

⁶¹ As above

5.4 Best Practices from Financial Regulators

Nepal – Providing Detailed Guidance on Expectations towards an E&S Policy and E&S Risk Management System

Nepal's central bank, Rastra Bank, provides a complete checklist for banks and other FIs for a sound E&S policy.⁶² The eight-step process, summarised below, covers typical E&S risks, applicable standards, suggested steps for a complete E&S evaluation, and reporting templates.



Step 1:	Exclusion List Screening (screening clients for risky activities)
Step 2:	Loan Categorisation (into either Small Loan, Term Finance or Project Finance, each with different subsequent requirements)
Step 3:	E&S Due Diligence (reviewing and checking client records in these areas)
Step 4:	Generating E&S Risk Rating (based on the results of the previous checklist, as either Low, Medium, or High)
Step 5:	E&S Risk Management and Control (preparing E&S Risk Summary, drafting E&S Action Plans/Pacts attached to loan application)
Step 6:	Escalation (if the E&S risk is Medium or High, the transaction will have to be escalated to a higher credit authority)
Step 7:	E&S Risk Monitoring (Monitoring and reviewing the implementation of the required E&S measures)
Step 8:	E&S Reporting (Reporting on E&S performance internally to senior management or externally to a credit authority)

Vietnam – Central Bank Directive to Disclose E&S Risk

The Vietnamese Central Bank (SBV) issued a 2015 Directive requiring FIs, among other things, to disclose information on their E&S risk management processes every quarter. A reporting template is also provided.⁶³



⁶² As above

⁶³ SBN. (2019). Global Progress Report of the Sustainable Banking Network - Case Studies: Inspiring Practices from SBN Members.

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn_2019+globalprogressreport

5.5 Financial Good Practices in Cambodia

The spread of sustainable finance is in its infancy in Cambodia. The concept is new to most financial practitioners in the country, who lack the knowledge and skills to apply relevant financial sustainability guidelines and policies to their day-to-day operations. Therefore, the first challenge in promoting sustainable finance in Cambodia is the capacity-building of the Cambodian financial sector. This includes raising awareness of the key definitions and impacts of E&S Risk Management amongst the frontline workers, senior and junior management, and client relations staff in FIs.

ABC – Increasing Technical Capacity and Promoting Sustainable Finance Initiatives

It is in this context of weak technical capacity that we should mention the case of the Association of Banks in Cambodia, or ABC. The association represents all areas of banking in Cambodia, and it is the primary sectoral representative in the country.



The value of ABC's action in promoting Cambodian sustainable finance has been two-fold: increasing the technical capacity of Cambodian FIs and spearheading the promotion of sustainable finance initiatives in the sector.

ABC has garnered the support of the country's leading banks and carries out frequent capacity-building and training workshops to staff members from its FI network, aiming to increase local knowledge of international best practices and definitions. In doing so, ABC relies on its membership of the SBN, the aforementioned global network of banking associations that promotes sustainable best practices worldwide. As an example of the benefits of this cross-border learning, the ABC has strived to increase local awareness of and learn from the success of Mongolia's financial sector. Mongolia's FIs have now established clear definitions of sustainable financial products and services, and the ABC is now hoping to replicate this success in Cambodia.

The ABC has also launched its *Cambodia Sustainable Finance Initiative* (CSFI), with the support of development partners, including USAID, and the cooperative partnership of the National Bank of Cambodia (NBC) and the Ministry of Environment (MoE).

The initiative aims to develop and strengthen finance sector safeguards and risk management standards related to social and environmental impacts potentially created through the private sector, considering the need to protect the country's environment and preserve its culture and way of life.

Other Practices

Thanks notably to the pioneering efforts of the ABC, a growing number of Cambodian FIs are starting to imitate international trends in creating their own social and environmental policy frameworks and reporting templates to make their investment decisions more sustainable. Notable mentions are ACLEDA's Environmental and Social Sustainability Report⁶⁴, CIMB 2019 Sustainability Report⁶⁵, and Sathapana Bank's cited E&S risk management approach⁶⁶.

ACLEDA

The bank has issued an online Environmental and Social Sustainability report, which breaks down the various ways it implements sustainable practices in its operations in Cambodia.

Quoting from the report, ACLEDA employs full-time Environmental Officers trained regularly to better coordinate the bank's environmental activities. It provides loans to customers in the fields of biogas and solar energy.

Environmental Performance Indicators have been set up internally to measure the company's reduction of its ecological impact. The corporate social responsibility policy details ACLEDA's staff recruitment practices, including providing equal opportunities, ongoing professional training, and personal benefits. Finally, the report highlights ACLEDA's positive impact on local communities. For instance, in 2019 alone, the company provided 768 internships for local students. Also, voluntary blood donations were made by bank staff to the National Blood Transfusion Centre to help patients in emergencies.



Other

On the government side, the future promulgation of Cambodia's *Environment and Natural Resources Code* (ENR Code) is expected to break ground in several areas related to environmental protection, openness, and accountability in the country, particularly regarding the conservation of land tenure and protection of forest areas.⁶⁷

⁶⁴ ACLEDA. Environmental and Social Sustainability Report. https://acledabank.com.kh/kh/eng/bp_sustainabilityreport

⁶⁵ CIMB. (2019). Future Forward – Sustainability Report 2019. <https://www.cimb.com/content/dam/cimb/group/documents/investor-relations/annual-reports/2019/cimb-2019-sustainability-report.pdf>

⁶⁶ Sathapana Bank. Environmental and Social Sustainability. <https://www.sathapana.com.kh/about-sathapana/csr/the-purpose-of-ess/>

⁶⁷ Mekong Region Land Governance. (2019). Review, Comments and Recommendations on the Draft Environment and Natural Resources Code (Version 11) of Cambodia. <https://www.mrlg.org/publications/review-comments-and-recommendations-on-the-draft-environment-and-natural-resources-code-version-11-of-cambodia/>

5.6 Assessment

While the literature on sustainable finance and its exemplary case studies worldwide is vast, it is harder to find country-specific assessments, especially regarding a relatively small country like Cambodia.

Our primary desk source to evaluate Cambodia's progress towards implementing sustainable finance principles is the *Country Progress Report Cambodia*, from October 2019, published by the Sustainable Banking Network.⁶⁸ The report is part of a broader, comparative assessment of achievements in selected developing countries by using a set of sustainable finance indicators. We were thus able not only to view the country's progress as a standalone, but we could also compare it to some of its ASEAN neighbours: Lao PDR, Vietnam, and Thailand.

The evaluation indicators represent the extent of policy coverage achieved in Cambodia, regarding a specific set of sustainable finance principles and guidelines, from alignment with international commitments to E&S reporting. The report measures how fully each aspect of sustainable finance has been integrated and mainstreamed into the country's political and economic context, for example, by being included in national legislation or official strategic documents of private banks. Each indicator's potential range of policy coverage is in percentage, from 0 to 100%.

The indicators are grouped into three pillars:

1. *Strategic Alignment*
2. *Climate and Green Finance*
3. *ESG Integration*

The pillars are further broken down into sub-pillars. *Table 18* lists all the indicators.

⁶⁸ SBN. (2019). Country Progress Report – Cambodia. https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn_2019+globalprogressreport

Table 18: Overview of Sustainable Finance Indicators, SBN Country Progress Report Cambodia, 2019

Pillar	Sub-Pillar	Indicator Number	Description
I) Strategic Alignment	<i>As in description.</i>	1	Alignment with Global E&S standards and best market practices
	<i>As in description.</i>	2	Alignment to NDCs and with national/regional climate change targets
	<i>As in description.</i>	3	Multi-stakeholder collaboration
II) Climate & Green Finance	Products and services	4	Defining sustainable assets and financial products
		5	Green finance product guidelines
	Climate and green investment reporting	6	Tracking and disclosure of climate and green finance
	Measurement	7	Calculation of environmental benefits
		8	Climate risk exposure assessment
	Incentives	9	Financial and non-financial incentives
III) ESG Integration	Governance of E&S	10	Role of governing bodies on E&S
		11	Organisation
	E&S management risk	12	E&S policy
		13	Risk assessment
		14	E&S covenants
		15	Project supervision and portfolio review
		16	Training
		17	External communication mechanism
		18	E&S reporting
	<i>As in description.</i>	19	Enforcement

Figure 2 shows the results of the evaluation using the graph from the report- 'Policy Coverage of Sustainable Finance Indicators in Cambodia, as of June 2019'

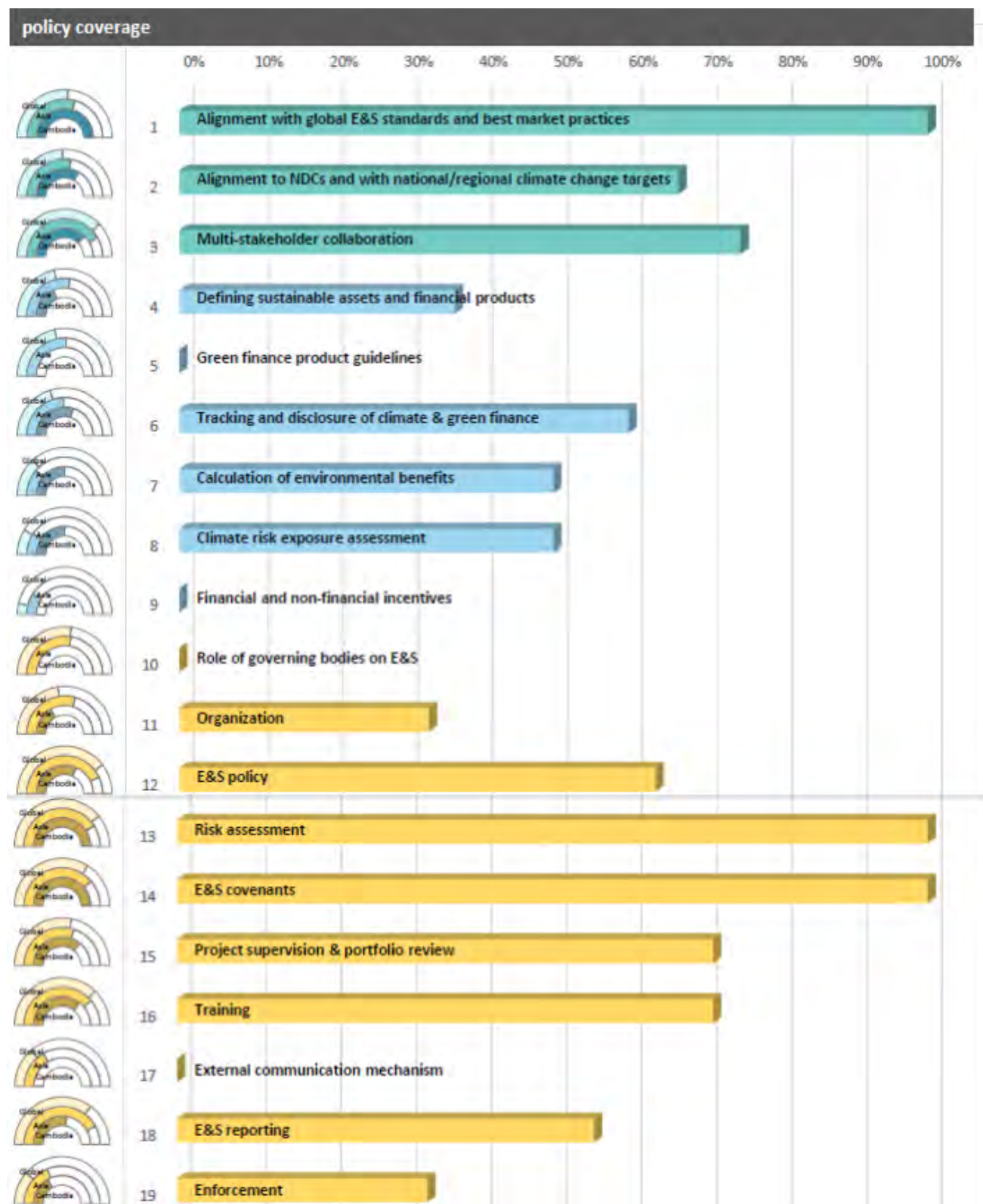


Figure 2: Policy Coverage of Sustainable Finance Indicators in Cambodia (as of June 2019)

As of June 2019, of the 19 indicators, Cambodia manages to score 100% score in 3 of them (*indicators 1, 13, 14*); at least 70% in 3 (*indicators 3, 15, 16*) and at least 50% in 1 (*indicator 18*). Cambodia scores positive (*at least 50%*) in 7, or around 35% of the 19 indicators. By contrast, the score on four indicators (*5, 9, 10 and 17*) was deficient, at 0%. Cambodia scored poorly on the presence of Green Finance Guidelines, the availability of financial & non-financial incentives, having defined roles for governing bodies, and on the effectiveness of external communication mechanisms. Overall, 7 indicators, or 35% of the total, scored less than 40% (*4, 5, 9, 10, 11, 17*).

The relative equality in the number of positive and negative indicator scores paints a mixed picture for Cambodia, highlighting both areas of significant achievements but also of required future improvements. We calculated the approximate average scores across the three pillars, indicating that the one with the highest level of coverage is Pillar I (Strategic Alignment) at 78%, followed by Pillar III (ESG Integration) at 51% and Pillar II (Climate and Green Finance) at 31%.

Significance

The results suggest that, as with many developing countries, the strategies for effective E&S risk mitigation in finance are beginning to take shape, but their implementation, governance and enforcement remain limited.

5.7. Comparing Cambodia with its Neighbours

Cambodia's score can be compared to that of its fellow ASEAN countries: Lao PDR, the Philippines, Thailand, Vietnam, and Indonesia. As shown in *Figure 3*, taken from the *2019 SBN Country Progress Report*, Cambodia scores moderately well, being in an intermediate position of progress achievement.



Figure 3: Comparing Progress of Cambodia with Other ASEAN Countries (from SBN Report)

There are three stages of progress, each of them further divided, for a total of 6 phases:

1. Commitment
2. Formulating
3. Developing
4. Advancing
5. First Movers
6. Mainstreaming Change.

Cambodia is currently placed in stage 3, ahead of Lao PDR, the Philippines and Thailand, but behind Vietnam and Indonesia.

5.8 Way Forward

Another way to look at data from the report regarding Cambodia's achievements is to measure the extent of unmet policy gaps across the three pillars as of June 2019. The report estimates the policy gaps in percentage, from 0 to 100%, using the same indicators for classification. A higher score indicates a higher scope for improvement in the future.

We have colour-coded the values in green, representing areas with positive achievements (less than 50% gap), and red, highlighting areas for future improvement (more than 50% gap). The results are shown in *Table 19*.

Table 19: Policy Coverage to Be Developed in Cambodia, Identifying Gaps

Pillar	Sub-Pillar	Gaps
Pillar I - Strategic Alignment	Alignment with global E&S standards and best market practices	0%
	Alignment to NDCs and with national/regional climate change targets	33%
	Collaboration across different agencies	25%
Pillar II – Climate and Green Finance	Products and services	83%
	Climate and green investment reporting	40%
	Measurement	50%
	Incentives	100%
Pillar III – ESG Integration	Governance of E&S	80%
	E&S risk management	28%
	Enforcement	67%

Pillar I shows the most satisfactory results, with all three sub-pillars scoring green and an average policy gap of less than 20% (19%). Pillar II has the weakest result, with an average gap of 68%, and only one of the four sub-pillars scoring green. Pillar III has an average gap of 58%, with one-third of the sub-pillars scoring green.

Looking into the results in greater detail, we see that half of the sub-pillars in Cambodia show varying high degrees of policy gap and, therefore, low compliance with sustainable finance practices. The other half of the sub-pillars, while still displaying gaps, does not appear to be in such an urgent state.

We reordered the ten sub-pillars according to the width of their compliance gap and, therefore, the need for future reform. In the process, we also assigned one of four values for the priority of future reform to each sub-pillar, ranging from Highest to Low. The results are shown in *Table 20*.

[Table 20: Priority for Reform in Cambodian Sustainable Finance Sub-Pillars, reordered](#)

Sub-Pillar	Pillar	Gap	Priority Reform
Incentives	II - Climate and Green Finance	100%	Highest
Products and services	II - Climate and Green Finance	83%	Highest
Governance of E&S	III - ESG Integration	80%	Highest
Enforcement	III - ESG Integration	67%	High
Measurement	II - Climate and Green Finance	50%	High
Climate and green investment reporting	II - Climate and Green Finance	40%	Moderate
Alignment to NDCs and with national/regional climate change targets	I - Strategic Alignment	33%	Moderate
E&S risk management	III - ESG Integration	28%	Moderate
Collaboration across different agencies	I - Strategic Alignment	25%	Moderate
Alignment with global E&S standards and best market practices	I - Strategic Alignment	0%	Low

We can see that five of the sub-pillars with the most significant compliance gaps and, therefore, the highest need for reform belong to Pillars II and III. The most considerable weaknesses in Cambodian sustainable finance practices are green finance and integration of ESG issues in mainstream practices. The most urgently needed reforms regard the introduction of green incentives and definitions of green financial products and services.

On a lower tier, reforms to better enforce compliance in ESG issues and refine the measurement and methodology of climate risk assessments must be adopted. Less urgent reforms need to tackle the quality of financial reporting standards, integrate Cambodia's national strategies with Nationally Determined Contributions (of CO2 emissions), mitigate the risks of E&S issues, and increase stakeholder coordination at all levels.

To an extent, all 3 Pillars are relevant to the scope of our study on financial investment in the agribusiness sector, which is to increase the adoption of financial good practices. However, our previous case study has highlighted that ESG issues – in the form of land tenures, the wellbeing of local communities and negative environmental impacts from land clearing – are of particular concern. This reflects in us giving higher importance to the three sub-pillars belonging to Pillar III – ESG Integration. We see that they have placed either as high- or medium-priority reform areas. Our recommendations for financial stakeholders will be primarily addressed in this area.

6. Recommendations

The following nine recommendations are primarily for the main stakeholders in the Cambodian financial sector: FIs and sectoral associations. The goal is to improve the adoption of financial good practices among Cambodian stakeholders, particularly regarding the mitigation of ESG issues.

The recommendations are classified as either Capacity-Building-oriented, Regulatory, or Monitoring/Reporting/Disclosure. Each recommendation also indicates the stakeholders who are supposed to implement them, although most are broad in scope and require concerted action with the involvement of multiple stakeholders across society.

Table 21 provides a summary of the recommendations:

Table 21: Sustainable Finance Recommendations

Area	Recommendation		Stakeholders
1. Capacity-Building	1.1	Establish training sessions for relevant staff members in the financial sector.	Financial sectoral associations, FIs, development partners
	1.2	Publish and disseminate informative material on critical aspects of sustainable finance (definitions, role of finance in mitigating ESG risks, taxonomies, guidelines, best practices).	Financial sectoral associations, FIs, development partners
2. Regulatory	2.1	Allocate roles and adopt a financial sectoral strategy to promote sustainable finance and ESG mitigation.	Financial sectoral associations
	2.2	Require FIs to adopt ESS frameworks/strategies (including E&S risk management objectives and targets)	Financial Institutions
	2.3	Establish a system of non-compliance with ESG rules.	Government, financial sectoral associations
	2.4	Establish a grievance settlement mechanism about non-compliance with ESG rules.	Government, financial sectoral associations
3. Monitoring, Reporting and Disclosure	3.1	Make ESG reporting and disclosure more consistent via principles and guidelines.	Financial sectoral associations
	3.2	Require FIs to report periodically to governing bodies on implementing their ESS/ESG strategies and E&S risk exposure.	Financial sector associations
	3.3	Require FIs to disclose E&S policy and governance structure.	Financial Institutions

6.1 Capacity-Building

The two capacity-building recommendations aim to address what we perceive as the current most prominent threat to the spread of sustainable finance practices in Cambodia: the lack of human capital and technical skills among financial practitioners in the country. It is crucial that staff members from FIs and sectoral associations at all relevant levels (from frontline units handling client transactions to senior management) possess adequate knowledge and awareness about their impact on this issue, as they are the most important stakeholders that can drive change in the sector.

Therefore, we suggest two initiatives to raise human capital: training sessions and the production of informative material. The ABC is already carrying out training sessions in Cambodia. Therefore, this initiative could be expanded and supported by a more comprehensive engagement of stakeholders, possibly with more support from international development partners. Informative material can be in the shape of booklets, infographics, how-to guides, and best practice illustrations, which may be disseminated at relevant events or even during the training sessions.

Materials for training and informative campaigns

The purpose of recommendations 1.1 and 1.2 is to increase knowledge of sustainable finance and bridge the skills gap among financial stakeholders in Cambodia. The content material could be organised into a curriculum tailored according to the profile of the stakeholder for enhanced effectiveness of the training and informative campaigns.

For the primary beneficiaries, which are the staff members of FIs (from frontline offices to senior managers), more detailed, "heavy" curricula can be designed. They can include introductory sessions explaining key definitions and concepts of sustainable finance and international initiatives aimed at promoting the issue. A crucial part of the curriculum for the private sector is making the business case for sustainability. FIs must understand the full range of opportunities offered by them going "green" since it will incentivise them to participate actively. Therefore, a significant part of the curriculum can focus on explaining the economic opportunities provided to FIs by switching to sustainable products and services, such as access to cheap green loans and enhanced brand reputation.

The content can be lighter for other participants, such as staff from government, sectoral associations, and NGOs. An introduction to sustainable finance is still a welcome topic. However, the curriculum's focus should be on detailing how non-private actors can promote sustainable finance in Cambodia. For instance, regulators could help set up legal frameworks and requirements, whilst NGOs could help organise awareness-raising events and training sessions.

The international best practices described earlier provide a wealth of training and informative material, although not exhaustive. The *UNEP FI Guide to Banking and Sustainability* is meant primarily for FIs. It makes a thorough argument favouring the business side of sustainability by showcasing potential initiatives across nine areas of corporate activity, from leadership to communication. For policymakers and regulators, a paper⁶⁹ published by the *Principles for Responsible Investment Initiative* covers recent developments in sustainable finance from the policy perspective, emphasising the important role that sound policymaking can play in helping the financial sector adopt sustainable practices faster and more effectively.

⁶⁹ PRI. (2019). Taking Stock: Sustainable Finance Policy Engagement and Policy Influence
https://www.unpri.org/Uploads/c/j/u/pripolicywhitepapertakingstockfinal_335442.pdf

6.2 Regulatory

The four regulatory recommendations are meant to tackle Cambodia's current lack of a "hard" structure regarding sustainable finance governance. Despite the laudable efforts by ABC, private FIs, government entities and others in promoting the Cambodia Sustainable Finance Initiative, the space for engagement in this area need to be more thoroughly regulated to ensure that the initiative maintains momentum, objectives and strategies are clearly defined, and continuous improvement can be made.

The first step is to allocate clear roles to the major stakeholders in the sector: FIs, sectoral associations (including the ABC), and government entities. This relates to defining key competence areas to each player, such as who is supposed to establish a grievance mechanism and the nature of contribution from other stakeholders. The allocation of roles can be formalised in a document and possibly integrated with the next step.

The financial sector needs more than just a sustainability initiative. It requires a clear strategy with a stated objective, allocated roles and competence areas (especially among sectoral associations and FI members), activities, indicators, and timelines. Adopting a sectoral sustainability strategy with the participation of sectoral associations and FI members would be a welcome step. FIs themselves could then be required to create their sustainability strategies or frameworks, particularly regarding E&S risk mitigation.

Complementary tools to these strategies are a transparent non-compliance and a grievance addressing mechanism. The former can help create incentives among participants to comply with agreed provisions and could contain multiple types of penalties for non-compliers, from simple warnings to formal complaints and financial penalties. The grievance mechanism could help promote the inclusion of the broader society into financial good practices, by creating a venue for complaints from disadvantaged groups negatively impacted by investment decisions.

Developing sector-wide financial roadmaps

The launching of the *Cambodian Sustainable Financial Initiative* has been laudable in establishing the first degree of linkages and coordination mechanisms among various stakeholders in the Cambodian financial sector, including the *Association of Banks of Cambodia*, the initiative's leading promoter, as well as various institutional partners such the Cambodian Ministry of Environment and the *National Bank of Cambodia*.

However, to reach the next step of deepening the commitment by Cambodian stakeholders to promote sustainable finance, the current degree of institutional coordination should be more formalised into a national strategic action plan, detailing operational steps and roles for each contributing stakeholder. Morocco is an excellent example to follow, as it created sector-wide roadmaps for future action.⁷⁰

In 2016, the country's financial sector regulators launched two sustainable finance roadmaps: the *Roadmap for Aligning the Moroccan Financial Sector with Sustainable Development* and *Morocco's Roadmap for The Alignment of the Financial Sector with Climate Change Commitments*.

The former was coordinated by the Moroccan central bank, with contributions from seven regulators, including the country's Ministry of Economy and Finance, the *Moroccan Bank's Association*, and the national stock exchange. The latter was launched to promote the country as an attractive destination for green and climate-resilient investments.

These two roadmaps are potentially replicable in Cambodia, provided they are adapted to suit the local context. For example, a similar initiative in Cambodia could see the ABC play a more prominent, leading role, given its proactive approach in promoting the topic.

6.3 Monitoring, Reporting and Disclosure

⁷⁰ SBN. (2019). Global Progress Report of the Sustainable Banking Network - Case Studies: Inspiring Practices from SBN Members.

https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/company-resources/sustainable-finance/sbn_2019+globalprogressreport

These recommendations aim to improve the transparency of information and knowledge sharing among financial practitioners in Cambodia.

Standard templates for ESG reporting in sustainability strategies could help Cambodian FIs increase the quality of their writing and make comparisons easier among institutions. There is a vast literature of international best practices to draw from.

FIs could be required to report on their implementation of E&S strategies and their investment exposure to E&S risks. This would increase knowledge of these institutions' practices while providing a reputational incentive for members to make their sustainable initiatives align more closely with the objectives. Finally, the public would benefit from greater access to information on FIs' governance structure and sustainability policies, benchmark sustainability commitments and adhere more closely to international principles of good governance and information transparency, which are also part of international sustainable finance best practices.

Requirements for FIs regarding reporting and disclosure

The European Union has recently passed legislation to improve sustainability reporting and information disclosure transparency.⁷¹ *EU Regulation 2019/2088* aims to mainstream several aspects of sustainability management into the operations of European-based FIs. Several articles detail requirements for financial companies when disclosing information on their structure and operations.

- *Article 3* states that FIs must publish information online on the integration of sustainability risks in their investment decision making and advice offered.
- *Articles 4 and 7* list a similar requirement that FIs reveal their consideration of adverse sustainability impacts brought about by their investment decisions.
- *Articles 10 and 11* have specific transparency requirements for company websites and periodic reports that promote new financial products being made available on the market, such as "green" loans.

This legal initiative is potentially applicable in Cambodia at various regulatory levels, from financial regulators to financial sector associations. We encourage further discussion on the practical aspects of integrating such measures in the country's legal framework.

⁷¹ Official Journal of the European Union. (2019). Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector. <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32019R2088&from=EN>