

“The Hole in the Bucket”-

The impact of de-risking practices on women organisations’ financial inclusion & resilience

OECD-CVM REGIONAL SEMINAR ON FINANCIAL EDUCATION
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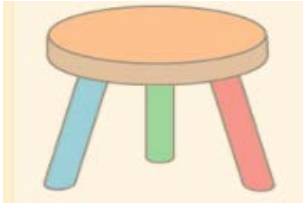


Contrasting the Financial Inclusion & De-risking Agendas

Financial Inclusion Engine

**World Bank/
G20/
OECD**

**Individuals &
Vulnerable
Communities**

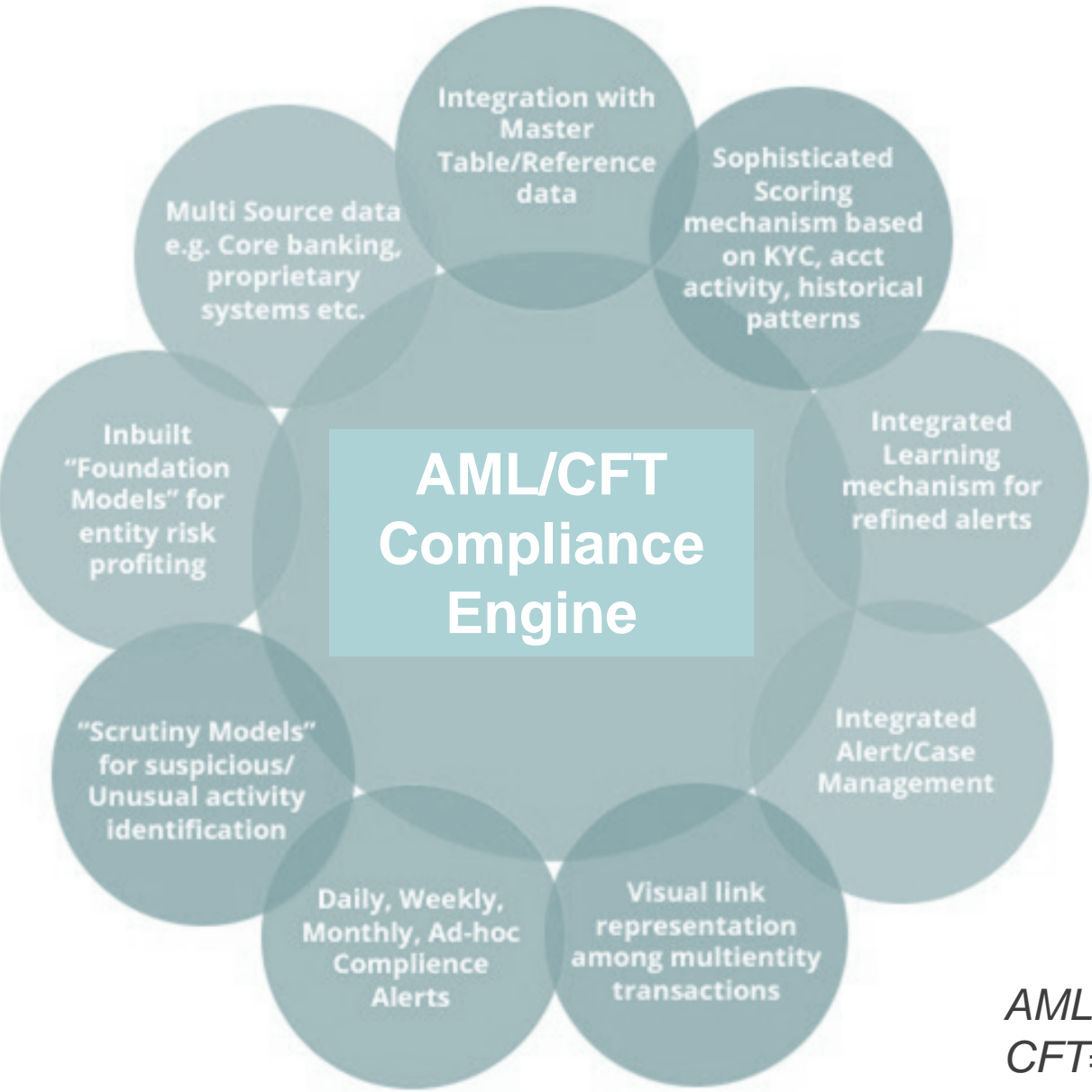


**Regulatory
Bodies**

1. Affordable & accessible products
2. Financial Capabilities
3. Consumer Protection

Civil Society

**Financial
Institutions**



**AML/CFT
Compliance
Engine**

Multi Source data
e.g. Core banking,
proprietary
systems etc.

Integration with
Master
Table/Reference
data

Sophisticated
Scoring
mechanism based
on KYC, acct
activity, historical
patterns

Inbuilt
"Foundation
Models" for
entity risk
profiling

Integrated
Learning
mechanism for
refined alerts

"Scrutiny Models"
for suspicious/
Unusual activity
identification

Integrated
Alert/Case
Management

Daily, Weekly,
Monthly, Ad-hoc
Compliance
Alerts

Visual link
representation
among multientity
transactions

⇒ **De-Risking**

*AML= Anti-Money Laundering
CFT= Countering Financing of
Terrorism*

De-risking practices regarding non profit organisations

FATF Recommendation 8:

**“Non profit organisations are particularly vulnerable & countries need to ensure they are not misused”
(2006)**

**Subject to
Interpretation
-What
actions?**

**Non profits
seen as risky:
Sanctions**

**Limited
Access to
Finance &
Resources
Civil Society**

What this means in practice...

**Call for
detailed
information**

**Heavy
compliance
requiremen
t**

**Well known
organisatio
n favored**

**Delays or
block
receipt of
funds**

**Restricted
remittance
s/correspo
ndent
banking
relationshi
ps**

**Restricted
transnatio
nal
financial
flows**

“As banks’ appetite for risky and less profitable business has declined, new challenges are being introduced that could halt, or even reverse, the progress of financial inclusion..

This is especially the case for the most vulnerable groups like women.”

Source: OXFAM (2015)



Study Results: Impact on Financial Inclusion & Resilience of Women's Organisations

Context: Characteristics of Women's Organisations

- Grassroots: Represent low income or at risk women
- Working on women's rights or women's economic empowerment
- Face already some degree of financial exclusion (Highly reliant on foreign funding)
- Personal data protection of beneficiaries is key: confidentiality of rights activists that challenge power and gender issues in society.

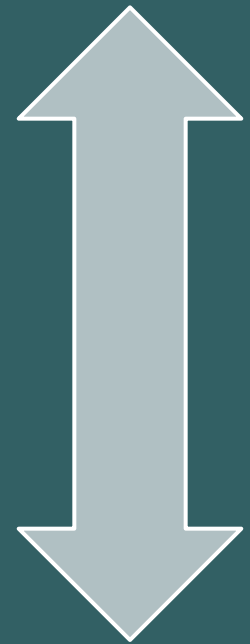
Research Presented

- **Duke University School of Law & Women's Peacemakers Program (2017).** *"Tightening the Purse Strings: What Countering Terrorism Financing Costs Gender Equality and Security"*
 - Literature Review
 - Interviews 61 key stakeholders (Banks, Gov, NGOs)
 - 100 surveys face-to-face & electronic,

Results: 5 Overarching impacts

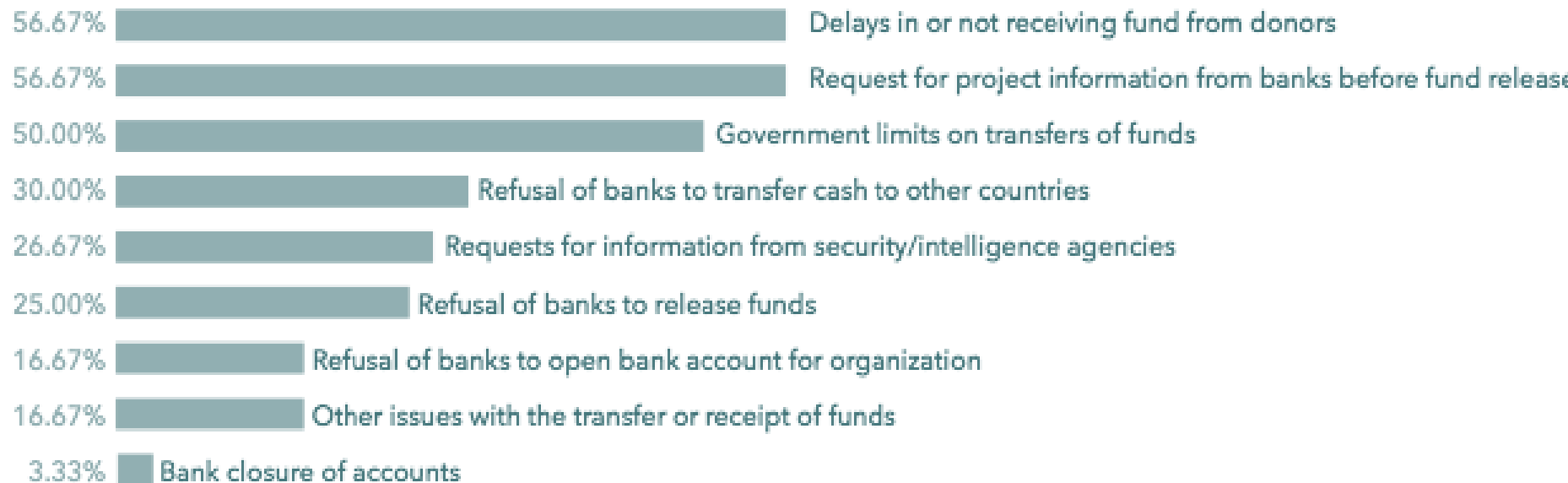


- 1. Access to Finance &**
- 2. Prohibitive costs of due diligence**
3. Reduced resources and space for women's rights & gender equality;
4. Program, partner, and beneficiary impacts.
5. Insecurity & adaptive measures



Results Financial Inclusion

IMPACTS ON FINANCIAL ACCESS



Source: WPP/Duke (2017)

Results Financial Inclusion

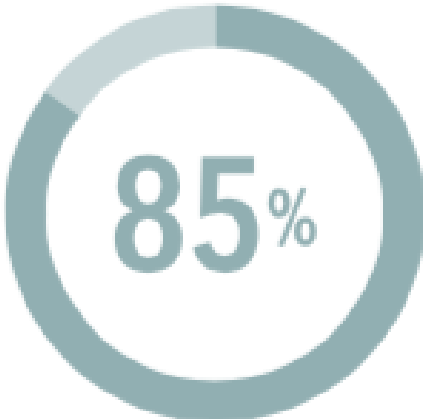
Refusal to Open Bank Accounts:

We are not able to open a new bank account anymore... They did not officially refuse it, but the regulations to get the approval to open a new account are impossible for us, in regards to the papers we have to provide, the information we have to give. We do not have the structure to set up all those mechanisms for reporting. And within the bank, there seems to be no one who can explain the regulations to us. “

- Women's Rights Organisation Turkey

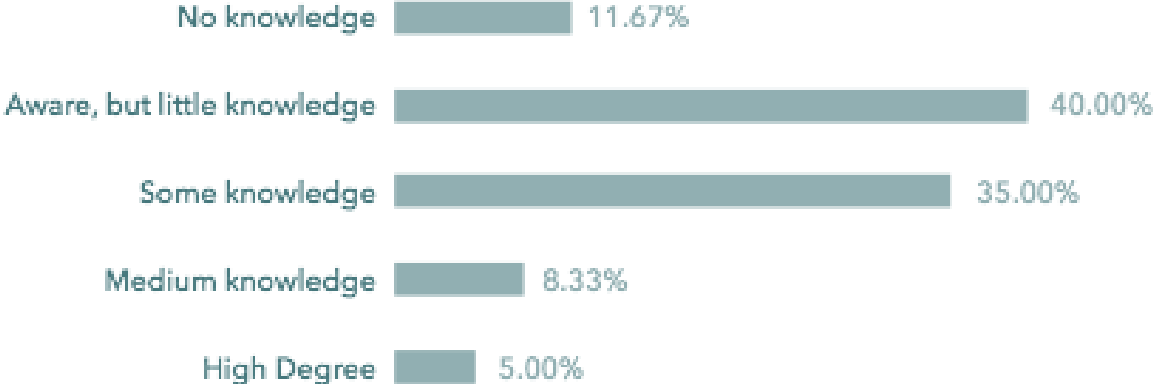
Results Financial Inclusion

INCREASED COMPLIANCE DEMANDS



Of surveyed women's organizations have experienced increased demands on their organizations (e.g. growing administrative burden due to transparency requirements) in terms of compliance conditions in order to receive or transfer funds from/to third parties

KNOWLEDGE OF COUNTERING TERRORISM FINANCING RULES



Source: WPP/Duke (2017)

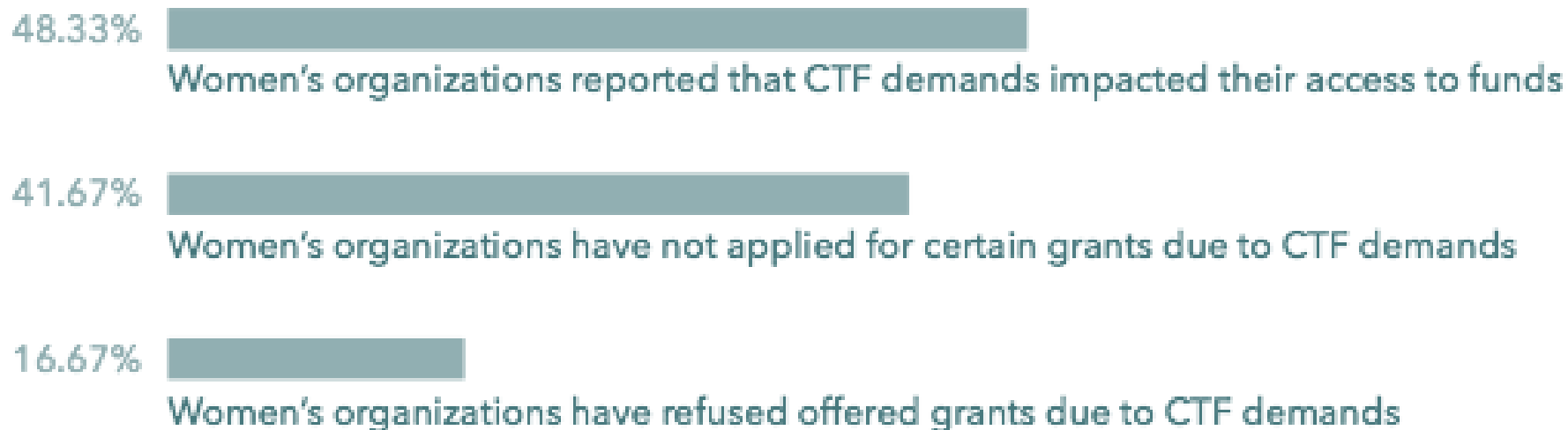
Results Financial Inclusion

“Civil society has faced “onerous obligations” requiring detailed knowledge of donors and beneficiaries. Indeed,[i]n response to regulatory and legal concerns, banks are increasingly seeking reassurances from charities on a number of fronts.”

- U.N. Special Rapporteur on the protection of fundamental freedoms while countering terrorism

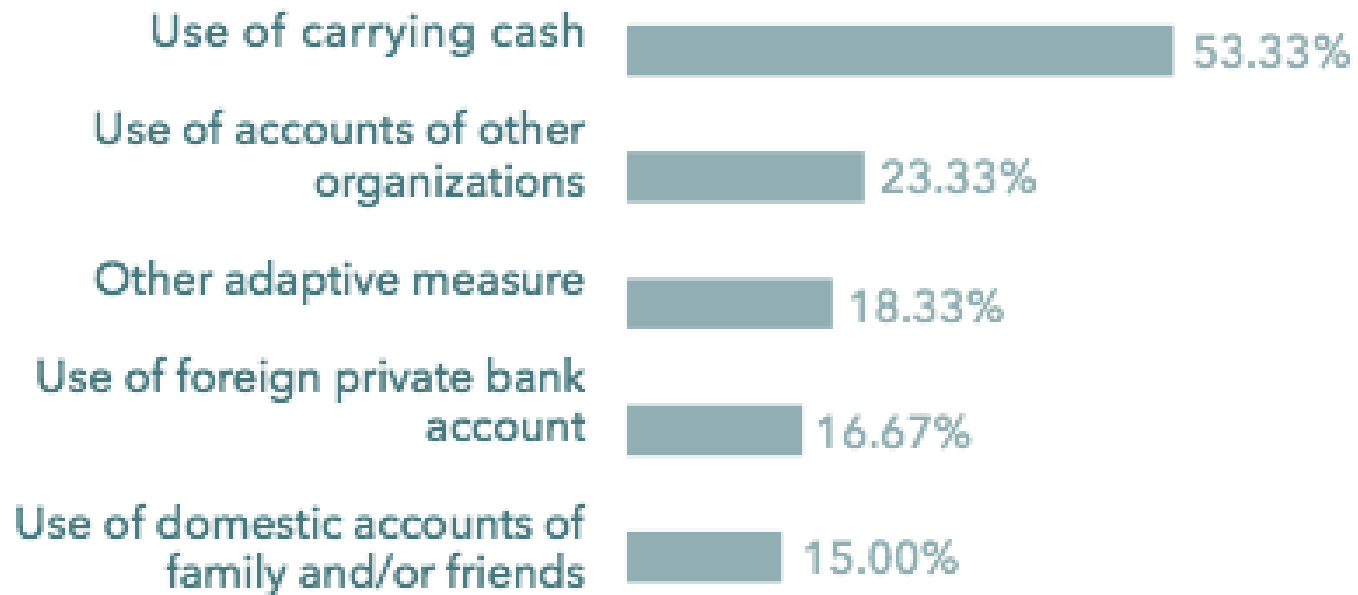
Results Financial Inclusion

IMPACTS ON ACCESS TO RESOURCES



Results Financial Inclusion

ADAPTIVE MEASURES



Adaptive Measures - Examples

Carrying Cash:

“We have now decided to transfer money by cash to Iraq by flying personnel to Iraq, each can carry 50,000 Euros, for a project of 5 million Euros. (This is the only way for us to get money to our partners)”

- European NGO working in Iraq

Use of Accounts of other organisations:

“Many donors that used to be supportive have become less. INGOs don’t have problem with the banks. Because of the money that they have in the bank they can often come to more advantageous agreements with them. INGOs come to our country and they become our spokespersons.”

- Women’s Org, El Salvador

Source: WPP/Duke (2017)

Adaptive Measures - Examples

“Our mission is to create mechanisms to channel resources to capacitate (threatened) grassroots civil society. We have had many complications to open accounts for grantees and spend more time having to explain the nature of grantees. This has led us (and others in Latin America) to have to spread our risk among banks”

- Fundo Brasil

“Banks need to differentiate transparent organisations from those that are not –

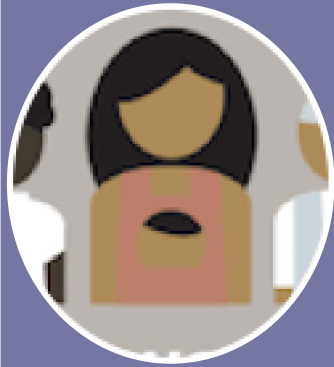
More financial capacity building on regulations is necessary for us and for grantees (in order to do our work)”

– Fundo Brasil

Consequences for Financial Resilience



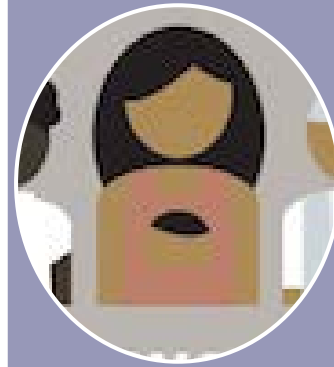
Drive organizations out of the formal financial sector;



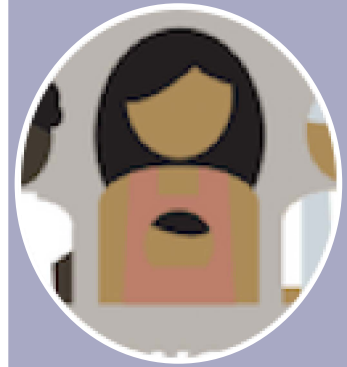
Compromise ability to pursue new banking arrangements;



Create reputation and efficacy risks;



Cause delays in delivery of aid & services & affect other operations;



Place women's rights organizations in further debt.



Agenda points (?)

Gaps in Financial Inclusion Dialogue

- **Recognition** of key role of civil society for implementation of financial education and inclusion efforts is necessary: Financial inclusion policies for individuals (natural entity) not for organisations (legal entities):
- Financial inclusion mechanisms and actors yet to take a **position** on de-risking.
- No focus on increasingly complex financial capability skills needed by civil society
- Stakeholders not yet talk public law remedies or **mechanisms for redress** for breaches of non-discrimination

Recommendations: Regulatory Authorities & Financial Institutions

- Track patterns de-risking effects on civil society with gender lens
- Establish clear and accessible complaints mechanisms for NGOs
- Assume a leadership role in creating space for stakeholder discussions and include women's organisations
- Invest resources compliance departments: Training for bank staff
 - Barclays has NGO department
- Organize Financial literacy programs for NGO's on regulatory complexities
 - Standard Chartered example



Somalis upset with Wells Fargo Bank for its refusal to handle some of the community's money transfers to Somalia demonstrated and closed personal accounts in downtown Minneapolis, United States (May 11, 2012).

Credit: Marlin Levison, Copyright 2012, Star Tribune

For more information: Floor@dimesconsultancy.com

<https://www.womenpeacemakersprogram.org>

<https://law.duke.edu/humanrightsclinic/>

<http://www.hscollective.org>

REPORT:

law.duke.edu/sites/default/files/humanrights/tighteningpursestrings.pdf