



Panel Outline, C20 Summit

Title: Financial inclusion as a lifeline for NPOs – how the current financial integrity/financial exclusion conundrum can be resolved

Date: 7th October 2020

Time: 1630 to 1800 Saudi Arabian Standard Time (UTC+3.00)

Human Security Collective (HSC) and Islamic Relief Worldwide (IRW) will co-convene a facilitated conversation on the financial exclusion ('bank de-risking') being witnessed by nonprofit organizations (NPOs) around the world, and ways of moving forward to solve some of the intractable issues that cause it.

Relevance:

The topic is of critical importance to civil society writ large, as it has a direct bearing on their operational environment and hence their ability to carry out their mandate.

Within the C20, it is of specific relevance to the Development Working Group, the International Finance Architecture Working Group and the Local to Global Working Group.

And last, but not least, it is relevant for the financial inclusion agenda of the G20.

Financial exclusion is no longer a technical issue for finance staff within NPOs, but the inability to access financial services is having the effect of closing civil society spaces even further. This has been particularly acute in relation to humanitarian emergencies including the Covid-19 pandemic.

Session description:

Scope

The interpretation and application of anti-money laundering (AML) and countering the financing of terrorism (CFT) rules and regulations as well as of counterterrorism sanctions by governments, financial institutions and others, are having unintended consequences and are negatively impacting the ability of NPOs across the world to deliver their mandate. A growing number of NPOs are experiencing difficulties accessing banking or financial platform services and transferring money to their partners and beneficiaries. Banks – sending, correspondent and receiving – have become risk averse on servicing NPOs due to tighter and costlier due diligence procedures put in place to screen customers. The obstacles NPOs face in accessing financial resources and the formal financial system is termed 'de-risking'.

Financial regulators and supervisors are disproportionately restrictive in their guidance to banks on screening NPOs for their involvement in the financing of terrorism or other forms of financial crime. Private companies that build and sell risk compliance software to banks and other sectors that carry out due diligence on their customers have developed NPO risk profiles based on open source data, on perceptions, and on alleged accusations of NPO complicity in supporting terrorists.



Nonprofit organizations across the world have varied mandates and missions, invaluable for humanitarian relief, peacebuilding, the achievement of the Sustainable Development Goals, the assertion of human rights and dignity and for the oversight of a transparent, accountable and incorruptible government and private sector. Governments, international organizations and the private sector recognize NPOs as partners and stakeholders on a whole range of humanitarian and development activities. Yet, the fact that financial exclusion of NPOs is harming their work and, therefore, the lives and livelihoods of communities and people, has not yet featured in the policy agenda of the G20 and the Global Partnership for Financial Inclusion (GPFI). The GPFI, G20 and the UN Secretary General's Special Advocate (UNSGSA) for Inclusive Finance for Development are very clear on the need for the inclusion of youth, women and micro, small and medium enterprises (MSMEs) and other vulnerable groups in official banking channels for the advancement of the quality of their lives, and that of their families and communities. NPO are mentioned but occasionally, e.g., by Queen Máxima, the UNSGSA, [in a speech in 2019](#), or by the Financial Action Task Force [in their report to the G20](#) summit in Argentina in 2018. In their recent [Inclusive Financial Integrity toolkit](#), the Alliance for Financial Inclusion, have spoken about how NPOs have been on the end of 'unjustified de-risking' and how NPOs are 'vital for the organizational capacity, capacity building and empowerment of FDPs [forcibly displaced persons], MSMEs and other vulnerable groups'.

Bigger NPOs have found workarounds to dealing with de-risking and, because of their mandate and position, are better able to leverage their needs and asks with bankers and governments. Smaller NPOs, faith-based NPOs, those run by/for diaspora groups, or those actively pursuing human rights or peacebuilding, are disproportionately affected by financial exclusion and have less leverage to spotlight their challenges or bring them forward to relevant policymakers and/or representatives of financial institutions.

In summary, there is a direct correlation between the financial exclusion of NPOs and the inability of those same NPOs being able to carry out their vital life-saving and life changing mandate. The result is either for those NPOs to remove themselves or limit their humanitarian activity or operate outside of the formal banking systems. Financial exclusion is having exactly the opposite effect it was intended to.

Focus: solutions that need support from the G20 and the GPFI

Several NPOs, in close collaboration with governments and banks, have been working on developing solutions for de-risking – often seen as a particularly wicked problem to solve. The problem and these solutions have been presented at virtual meetings of the International Finance Architecture Working Group and the Development Working Group by HSC and IRW, with support from the C20 Co-Sherpas, whereby we have built further on the discourse during previous engagements with NPO partners like I/ECNL and the Japanese and Argentinian Sherpas and NPOs at the C20 and G20 convenings in Buenos Aires and Tokyo.

Objective: the state of play in the development of de-risking solutions

At the upcoming C20 summit, a number of initiatives that promote the financial inclusion of NPOs and help solve de-risking will be sought to be showcased by various stakeholders, including civil



society operating on the frontlines, banks, the Alliance for Financial Inclusion and the King Khaled Foundation. Based on their presentations, a facilitated discussion will be held with the objective of appealing to the G20 and, specifically, the G20 Finance Group and the GPFI to include NPOs in their financial inclusion agenda and policies.

Expected outcome

GPFI co-chair and other members of the GPFI provide a reaction to the panel along the lines of the panel's and C20 recommendations on how they can integrate our asks about financial inclusion for NPOs in their policy agenda.

Session format

Panellists:

Chair:	Emile Van Der Does De Willebois, World Bank
Introduction:	Princess Nouf bint Muhammad, C20 Chair
Setting the Scene:	Lia van Broekhoven, Human Security Collective
Down-streaming of risk:	Khaleel Desai, Islamic Relief Worldwide Ibrahim Modi, United Peace Organization, Sudan
Bankers need to understand NPOs:	Ruben Zandvliet, ABN AMRO bank Will present findings from 'A Guide for Bankers to Understanding NPOs and Preventing De-risking: A Business and HR Perspective', Study by NYU Law School and Denton's law firm, with ABN AMRO and HSC
Technical solutions:	Martha Lackritz-Peltier, TechSoup (repository/third-party certification – and whether this helps risk-sharing)
NPOs and Inclusive Financial Integrity:	Mariam Zahari, Alliance for Financial Inclusion
Discussants/Reactions:	
GPFI:	Haitham Al Ghulaiga, Saudi GPFI co-chair
FATF:	David Lewis, Executive Secretary, Financial Action Task Force

Q&A with participants



Session organizers:

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