



A woman trader in Hargeisa market serves a cup of fresh camel's milk. Small-scale business women often rely on remittances as start-up money for their stalls. Photo: Petterik Weggers/Oxfam

HANGING BY A THREAD

The ongoing threat to Somalia's remittance lifeline

Every year, Somalia receives approximately \$1.3bn in remittances – money sent from the Somali diaspora to loved ones back home. Remittances account for between 25 and 45 percent of Somalia's economy and exceed the amount it receives in humanitarian aid, development aid and foreign direct investment combined. As Somali money transfer operators lose their bank accounts, Somali families are losing their only formal or transparent channel through which to send money. Somalia needs long-term support to build sustainable financial institutions as well as urgent help to maintain its current remittance flows.



1 INTRODUCTION

As Somali families visit their local money transfer office to pick up money from relatives in Minneapolis, Toronto, London, Melbourne, Nairobi, Copenhagen or elsewhere, they are hoping that *this* is not the month that their funds fail to arrive.

Money transfer operators (MTOs) estimate that over 80 percent of the start-up capital for small businesses in Somalia is sent by the diaspora.³ Money received from abroad is also used to meet basic needs, including food, water, shelter, and education. Additionally, most remittance recipients provide support to poorer relatives.⁴

THE PROBLEM

Somalia is not only one of the most remittance-dependent countries in the world, it also faces a unique set of challenges in its effort to maintain remittance inflows. Unlike the remittance industry in many countries, Somalia's money transfer system is relatively affordable and accessible to customers.⁵ Somalia does not have a functioning commercial banking system: Central Bank of Somalia currently has very limited correspondent relationships with foreign banks, little to no commercial banking services, and inadequate supervisory capacity to oversee the sector. Foreign banks and MTOs are basically absent.⁶



Kadija Hasan Mohamed with her son and daughter in Badhan, Somalia. Photo: Adeso

That leaves Somali MTOs – a group of companies that grew out of informal *hawala*⁷ networks – as the only formal, practical, and regulated set of institutions through which to send money to Somalia. To operate, MTOs require bank accounts in countries from which money is sent.⁸ Unfortunately, in recent years, Somali MTOs have found it increasingly difficult to access banking services in the USA, the UK, Australia and elsewhere. Banks are exiting sectors viewed as high-risk, including the money transfer sector, and they have branded Somalia as a particularly risky destination for money transfers because of its weak financial regulation and the presence of groups listed as terrorists. Despite the significant efforts that Somali MTOs have made to comply with Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regulations, most international banks view Somali MTOs as high-risk customers. The decreasing access to banking services and the increasing cost of compliance has reduced MTOs' profits and limited their ability to further expand their service and coverage.

Every year, Somalia¹ receives approximately \$1.3bn in remittances, accounting for between 25 and 45 percent of its economy and exceeding the amount it receives in humanitarian aid, development aid and foreign direct investment combined.²

'We take care of each other. If someone is sick, we help him or her, and if they are trying to get married, we help them as well. It gives us freedom to help others: it has a large impact on the quality of our lives.'

Kadija Hassan Mohamoud,
Badhan, Somalia

The risk of legal money flows being significantly curtailed and in some contexts, potentially cut off completely, remains a terrifying, and all-too-real prospect. As Somali MTOs lose their banking arrangements, remittances to Somalia could decrease in volume and go underground. This would defeat the object of upholding AML/CFT regulations, and would create a system that regulators and law enforcement officials cannot penetrate, increasing the potential for abuse. Informal business networks, supported by couriers carrying hundreds of thousands of dollars, would likely replace the current formal systems that are accountable to regulators and the communities they serve. Families that depend on remittances would suffer, while the criminal networks that seek to exploit the system would benefit.

Since July 2013, governments, MTOs, and banks in the UK and the US especially have made some strides toward solutions. US and UK policy makers have increasingly prioritized the flow of remittances to Somalia. Somali authorities have taken important steps toward effectively regulating money transfers, and the use of mobile money transfer technology continues to expand in Somalia. Much of this progress has come in response to political pressure and public campaigning.

This briefing reviews international efforts to facilitate remittances to Somalia since July 2013, identifying successes but also some significant gaps in the response. It focuses on the US and the UK as the two countries with the highest populations of Somali diaspora and where the threat to the remittance system is most acute. It also covers recent events in Australia, where the future viability of the Somali remittance industry now seems uncertain, and where the Australian government has begun working with MTOs and banks to address these challenges.

Oxfam's recommendations have a worldwide application, particularly as they relate to the role of G20 countries in fulfilling their commitments to financial inclusion.

Box 1: The humanitarian situation in Somalia

Rising food prices, poor rains, displacement, conflict, trade disruption, and reduced levels of humanitarian aid have combined to create a poor food security situation which some have compared to the situation in 2011 that resulted in famine. More than 730,000 people in Somalia are dependent on aid for survival. At the time of writing, an estimated 202,600 children under the age of five are acutely malnourished, including almost 38,200 severely malnourished children considered to be at death's door.⁹ This is in a context of long-term chronic poverty and lack of services, with one in every five children in Somalia dying before their fifth birthday. Only 30 percent of the population has access to clean drinking water, and there are more than 1.1 million internally displaced people in Somalia and 1 million refugees.¹⁰

KEEPING THE SOMALI LIFELINE OPEN

What would happen if family and friends living overseas were no longer able to send money to loved ones in Somalia?

\$1.3 BILLION

Is the approximate amount Somalis living overseas send approximately each year to family and friends living in Somalia to help them meet their basic household needs, open and sustain small businesses, send children to school, and invest in their communities.

Today, this lifeline is under threat due to banking rules in the US, UK, and elsewhere, and millions of lives hang in the balance.

Money received from family and friends overseas provides a lifeline for many Somalis, allowing them to meet immediate needs, including:



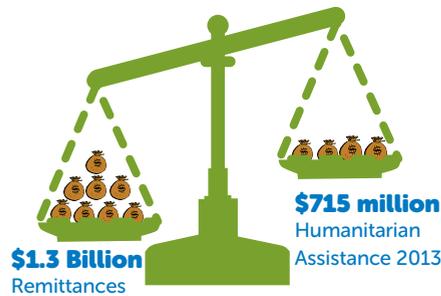
MONEY SENT TO WOMEN, IN PARTICULAR, RESULTS IN INVESTMENTS IN



OVER 40%

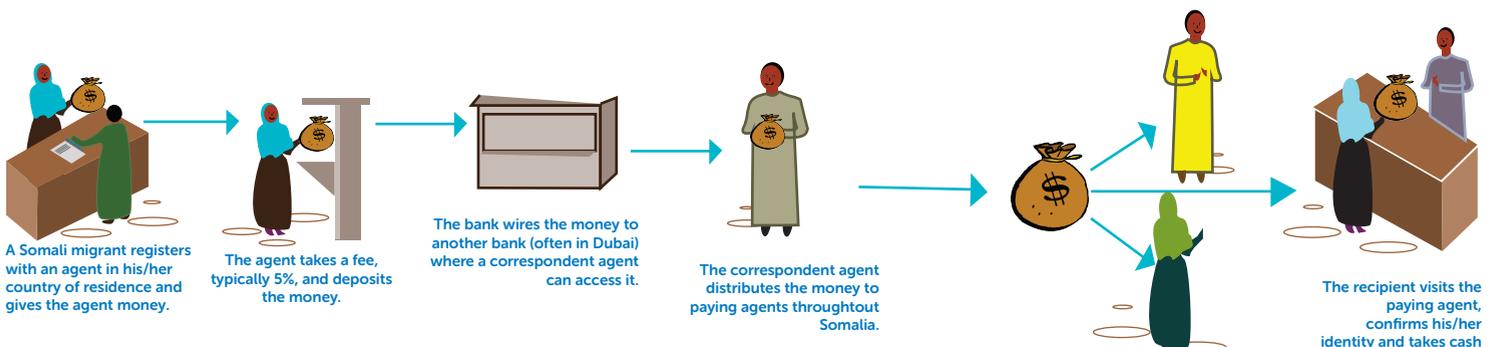
of Somalis rely on money sent from relatives & friends abroad to meet their basic needs

Money sent from family and relatives overseas represents a large share of the country's annual income



REMITTANCES REPRESENT 25-45% OF SOMALIA'S GDP

HOW MONEY MOVES FROM OVERSEAS TO SOMALIA



Sources :

Keeping The Lifeline Open: Remittances and Markets in Somalia 2013
 Family Ties: Remittances and Livelihoods Support in Puntland and Somaliland 2013
 The Wall Street Journal 2014

With one out of every three Somalis saying that without these remittance flows they would not be able to pay for food, school or basic healthcare,¹¹ further strain on this vital lifeline would throw many more families into crisis and undermine efforts to foster a stable and peaceful Somalia. The fact that this money is immediately available for recipients to spend on their most immediate needs, or to invest in the most promising opportunities, makes it all the more important to Somalia's recovery.



Hawa Abdullahi Warsame with her daughter at their home in Badhan, Somalia. Photo: Adeso

The economic obstacles facing the Somali people, including their need for a sustainable financial system, require long-term solutions. That should not, however, dilute the urgency with which the current Somali remittance system must be strengthened. The Somali government must lead, but the US, UK and Australian governments, the G20 and its member governments, the Financial Action Task Force, and the World Bank must all act swiftly to maintain the financial lifeline between Somalia and its diaspora population.

The impact on women in Somalia as the main caregivers in their families is particularly great. Although statistics are scarce, it appears that more than half of Somali women receive remittances.¹² Remittances are often the only funds that female caregivers are able to access and control, making them a vital tool for women's economic empowerment, which in turn boosts the ability of women to claim their social and political rights.¹³ Studies have found that when women receive and control remittances, they are more likely to invest the funds in overall household well-being through increased expenditures on health, education, and nutrition.¹⁴ However, control over remittances is not a given for women recipients. This is critical, in particular for women who are relying solely on remittances for family survival.

Since the start of the civil war, women have taken on greater roles in terms of being providers for their families, starting small businesses (for which investment from the diaspora is crucial), and at the same time providing primary care for their children. Some women who receive remittances choose to go beyond the

'This money is used to cover all our basic needs such as food, water, and school fees for my children. We are fully dependent on the money. Without it we would not survive. You need money for everything; even if I had a skill I would need money to help me [capitalize on it].'

Suhair Farah Ismail, mother of five living in Badhan, Somalia

'People's entire lives are dependent on these remittances, and until the day that Somalia can take care of its own people, we remain dependent on them.'

'This is not just extra money: this is money that I need to survive on a daily basis. Not only am I dependent on it, but more than ten relatives – my entire extended family – are as well. I have sick relatives who need medication, and children that I am trying to provide an education for. This money is vital for that. If I did not receive this money we would not be able to survive and I am scared to even think about what could happen.'

Hawa Abdullahi Warsame, Badhan, Somalia

simple day-to-day management of the money and invest part of the resources in income-generating activities in order to mitigate the irregularity and precariousness of this source of income. If remittances were to be curtailed, women and their families would bear much of the shock.

Box 2: Women and financial inclusion in Somalia

'Poverty, insecurity, the lack of information, lack of service in rural areas, and the underdevelopment of financial institutions are the primary obstacles to financial inclusion for both women and men in Somalia. However, Somali women face additional difficulties in participating in the financial system. Many women lack savings and do not have accounts with MTOs. Somali MTOs and banks have generally avoided providing loans to women entrepreneurs, who, without collateral or savings of their own, are viewed as riskier loanees than men. Also, insecurity has taken a disproportionate toll on women and their business activities and mobility.

The flow of remittances has helped to address some of these barriers. Remittances have multiplier effects for the recipients and their extended families and communities, and are already contributing to women's financial empowerment in Somalia. It is critical that the flow of remittances continue to contribute to this trend, and that any new technology or delivery systems for remittances take into account the particular needs and perspectives of women.'

Dr. Shukria Dini, Founder, Somali Women's Study Centre

2 REMITTANCES TO SOMALIA FROM THE UNITED STATES AND THE US GOVERNMENT RESPONSE

Following the 11 September 2001 terrorist attacks, several large US banks responded to tougher money laundering regulation and enforcement by closing the accounts of MTOs. Somali remittance company executives had warned throughout the early 2000s that the US–Somalia money transfer corridor was under threat. However, it was not until the height of the 2010–2011 Horn of Africa drought, when Sunrise Community Bank announced it would close Somali MTO accounts, that Somali communities and humanitarian agencies mobilized at scale. Thankfully, MTOs were able to survive, relying on a number of small- and medium-sized banks around the US to process their business. However, this episode exposed an alarming lack of foresight on the part of the US government, in stark contrast with its public recognition that a closure of formal mechanisms to transfer money to Somalia would be disastrous for US and Somali interests.¹⁵

'Wouldn't it be painful if your child and their child had no food and you were eating food?'

It's very heavy when you have food and your child does not. We would like to tell the government it's a big problem. I would like to ask the American government to continue helping by allowing the money wiring to continue.'

Qabil Said, Minneapolis, MN USA

Box 3: US government bank regulators: Singing from the same songsheet?

The public commitments to support MTOs made by Treasury Department policy makers in 2014 are encouraging, but a great many governmental actors need to buy into Treasury's message if the banking environment is going to change. The Financial Crimes Enforcement Network (FinCEN) and the Office of Foreign Assets Control (OFAC) are two bodies within Treasury which establish their own regulations. FinCEN additionally supplies data in criminal investigations and OFAC conducts enforcement actions for violations of its rules. The agencies that supervise and insure banks – the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC), the Federal Reserve Board – as well as the National Credit Union Administration, maintain their independence from Treasury Department policy makers (including the OCC, which is housed within Treasury). They each have direct contact with financial institutions and, through their examinations and enforcement actions which aim to guarantee the soundness of the financial system, regulate the risk of money laundering.

Finally, criminal prosecutors have become increasingly important players in recent years. The US Department of Justice, through an effort called Operation Choke Point, has aggressively targeted banks that maintain relationships with customers it views as high-risk.¹⁶ US attorneys prosecuting federal crimes frequently work hand-in-hand with state prosecutors, who are independently responsible for upholding state law and whose influence is significant in certain jurisdictions where international banks conduct high volumes of business, such as New York.

These government actors have different objectives in their engagement with banks. While some of them coordinate with Treasury Department policy makers, none of them are responsible or accountable for US foreign policy, despite wielding great influence in that realm. The distance between diplomatic channels and the regulation of banks has greatly complicated efforts by the Somali government, and to a lesser extent the UK government, which have made a powerful case that the discontinuance of Somali MTO bank accounts undercuts the countries' shared policy goals.

Over the past three years, the US government has taken some modest but important steps to help put Somalia on a stronger financial footing. The formation of a National Security Council-led interagency working group on remittances to Somalia demonstrates that the government has come to appreciate the consequences of a disruption in remittance flows. The US Treasury Department and USAID have collaborated with the Central Bank of Somalia to help improve its public financial management system and to pave the way for the country to develop a banking system and become financially self-sufficient. The Treasury Department is helping the Central Bank build its supervision unit, a much needed capacity for any country that aims to connect to international financial networks. President Obama also signed into law the Money Remittances Improvement Act, a common sense measure that streamlines oversight of the money transfer industry and may yield a marginal increase in access to banking services for MTOs. Perhaps most promising is the Treasury Department's September 2014 promise to clarify expectations for banks dealing with high-risk MTOs; a promise which reflects real political commitment to addressing the systemic challenges facing the most difficult-to-serve money transfer corridors.¹⁷ Treasury's Financial Crimes Enforcement Network November 2014 statement on banking for money service businesses, including MTOs, helpfully emphasized that banks are not expected to regulate the money services industry or know each individual remitter.¹⁸



US Rep. Keith Ellison (D-MN), Treasury Department Representative Kristin Toretta, Kaah Express Chief Compliance Officer Aden Hassan, and actor Barkhad Abdi discuss the challenges of remitting to Somalia at an Adeso/Oxfam roundtable in Minneapolis, MN. Photo: Adeso

Still, the system facilitating remittances from the US to Somalia remains in critical condition and the US government remains startlingly unprepared to manage the potential fallout. Most Somali MTOs have no bank accounts in the major population centres they serve. Until recently, this forced them to keep large amounts of cash on hand and to truck it across state lines in armoured vehicles. MTO executives say this has kept them from expanding services to smaller Somali communities and made it difficult to maintain their existing presence and rates. And the situation has now become even worse: Merchants Bank of California, the principal bank facilitating remittances to Somalia, announced that it would close all Somali MTO accounts on February 6 2015. At the time of writing, Somali MTOs are closing most of their branch locations, leaving many Somali migrants without a legal way to support their loved ones. Without US government intervention or a new bank's involvement, Somalia and the greater Horn of Africa may be poised to suffer a sharp economic decline and an acute humanitarian crisis. To date, the US government has offered no assurance that it is prepared to take the necessary steps to keep money flowing legally and transparently to people who need it.

'It's kind of scary to the community here and abroad. People are wondering why, if it's legitimate, would the US government make it difficult for them to send money to their loved ones. This part of East Africa has been in conflict and they don't need their life to be more difficult. People are already dying of hunger. Sometimes even in normal years lives are fragile because the infrastructure is limited. So people depend on each other greatly. If the government and [MTOs] work together, they can fix it.'

Sadiq Yusuf Mohamud,
Minneapolis, MN, USA

Box 4: Merchants Bank's approach to risk management: an alternative to across-the-board de-risking

According to Somali MTOs, Merchants Bank of California has transferred 60–80 percent of the total volume of remittances from the US to Somalia over the past few years.¹⁹ In May 2014, the bank announced that, in an effort to reduce its risk profile, it would be closing the accounts of most Somali MTOs.

In deciding to close MTO accounts, banks routinely issue form letters notifying the MTO that they will be unable to maintain a business relationship. The letters generally do not offer reasons for the decision, and banks generally refuse to engage in dialogue on steps the MTO might take to make itself a more attractive customer.

In stark contrast to these examples, Merchants Bank held extensive consultations with Somali MTOs, civil society and US Representative Keith Ellison to determine whether it might be possible to maintain their accounts. After postponing the account closures, Merchants CEO Daniel Roberts visited the United Arab Emirates

and Djibouti to interview Somali MTO compliance officers and learn more about their customer due diligence mechanisms. After offering specific feedback on how to improve each Somali MTO's systems, Merchants reversed course and attempted to maintain their accounts for some time.

Though Merchants announced in January 2015 that it would close all Somali-American MTO accounts, it is clear that the bank had gone above and beyond its obligations under the law in order to improve its own controls and support a lifeline to the Somali people.

3 REMITTANCES TO SOMALIA FROM THE UNITED KINGDOM AND THE UK GOVERNMENT RESPONSE



Somali campaigners in the UK protest Barclays' decision to close bank accounts of Somali MTOs. Photo: Oxfam

Oxfam's briefing *Keeping the Lifeline Open* was published on 31 July 2013 in anticipation of a possible disruption to remittance flows from the US to Somalia.²⁰ However, shortly before publication, the four Somali MTOs in the UK that had bank accounts were informed by Barclays, the last bank in the market, that their accounts, along with those of 254 other MTOs, would be closed. Though Somalia is a UK foreign policy priority, the UK government was initially slow to respond.²¹

Box 5: The thinnest thread: Somali MTOs in the UK

Under UK regulation, MTOs are generally classified as Authorized Payment Institutions, sending unlimited amounts of money through their bank accounts. MTOs without bank accounts, classified as Small Payment Institutions (SPIs), can transfer up to €3m per month, typically through 'wholesale' MTOs that do have bank accounts. Thus, Somali MTOs have still been able to transfer money without direct access to banking. However, these arrangements are extremely vulnerable: should banks either exit their relationships with the wholesale MTOs or pressure these wholesale MTOs to end their relationships with Somali MTOs, there would no longer be a formal system for remittances to Somalia. Members of the Somali diaspora could find themselves without a way to support their loved ones through the formal system.

A vigorous campaign from diaspora, civil society groups and politicians led Barclays to postpone the account closures four times²² and the UK government to make a concerted effort to strengthen the remittance system in the UK. The government established an action group on Cross Border Remittances that includes representatives from the money transfer sector, government, banks, and civil society. The action group looks across the whole sector 'to ensure that the UK remittance system is robust, effective and safe, so that remittances can be sent to developing countries and those remittances are used for funding legitimate activities that promote stability and growth in those countries.' The group aims to ensure that that remittance services are 'cost effective and make maximum use of formal payment channels where it is possible to do so, taking into account regulatory expectations.'²³ On 28 August 2014, the UK Treasury and Her Majesty's Revenue and Customs (HMRC) issued joint guidance that creates a 'safe harbour,' for banks dealing with MTOs. This means that banks threatened with prosecution will be cleared of wrongdoing if they can show that they have undertaken due diligence and complied with the guidance.²⁴ The effectiveness of this reform will ultimately be determined by the willingness of banks to re-open accounts for MTOs, which, despite the best efforts of the UK, also depends heavily on the US, as all international transfers made in US dollars are subject to US law and regulation.

The UK initiative also includes a specific focus on Somalia because of its lack of a banking system and the critical threat to Somali MTOs. A public-private UK-Somalia 'Safer Corridor' Pilot has been established that aims to build banks' confidence in Somali MTOs by strengthening MTO due diligence in line with Know Your Customer (KYC) regulations. Establishing this pilot has required a complex process of consultations with the MTO sector, banks, the Somali government, and Somalis in the UK and Somalia. The UK government's efforts to include communities in the process have been commendable. The UK has also taken a proactive role in influencing other G20 countries to prioritize and take action to facilitate the flow of remittances. Its bilateral work together with the US government is notable, in view of the influence of US regulation in the UK and other jurisdictions.

The UK's Safer Corridor initiative, while a worthy effort, remains fragile. As the Safer Corridor strategy aims to convince banks to offer services to MTOs, the government's outreach effort to the banking sector will be pivotal. Given the small scale of the pilot phase, an extension of the project will also be needed to ensure that new systems become fully integrated into ongoing projects. Moreover, the Safer Corridor approach does not address the immediate need for MTOs to find bank accounts, leaving them vulnerable to disruptions in the near-term. While the UK government is aware of this gap, there is, to date, no viable plan to mitigate it. Commitment and flexibility from all parties involved in the Safer Corridor will be required to ensure its success.

4 REMITTANCES TO SOMALIA FROM AUSTRALIA AND THE AUSTRALIAN GOVERNMENT RESPONSE

The signals sent by the US and UK banking sectors have already begun to have ripple effects on global markets. For example in Australia, banks have become increasingly concerned about exposure to criminal prosecution, sanctions and regulatory enforcement, and bad publicity associated with providing banking services to the remittance sector. Additionally, Australian banks have faced a lack of appetite from correspondent banks, particularly in the USA, to facilitate remittances from Australia in foreign currencies. These factors have contributed to a gradual closure of remittance companies' bank accounts over several years. By mid-2014, only one major Australian bank, Westpac Bank, continued to provide banking facilities to the registered remittance industry.

In August 2014, Westpac's announcement that it would be closing the bank accounts of remittance providers by the end of October placed in jeopardy the future of not only Somali MTOs, but the registered Australian remittance industry as a whole. There are currently more than 5,500 registered remittance entities in Australia, facilitating transactions for over A\$30bn into and out of Australia. This includes 25 Somali MTOs which reportedly send over A\$33.5m in remittances to Somalia each year on behalf of approximately 7,500 Somali remitters.²⁵

Following the announcement, the Somali Money Remitters Association (SMRA), originally formed in March 2013 to facilitate improved collective self-regulation and compliance measures by Somali MTOs, quickly established an action group alongside Somali community representatives in order to raise the issue with the Australian government, members of Parliament, and in the media.

The Somali community was also able to find allies within the broader remittance sector, following the incorporation of the Australian Remitters and Currency Providers Association (ARCPA) in October 2014, established as an industry association to provide a single, unified voice for the remittance industry in Australia.

The Australian government has actively responded to industry and community concerns around the impending closures, forming an inter-agency taskforce bringing together legal, foreign affairs, regulatory, and law enforcement functions to engage with both affected stakeholders and the banking sector. In addition to meeting with Somali and other remittance industry representatives, the Australian government has reached out to the UK's Department for International Development (DFID) to learn more about efforts in the UK and the Safer Corridor Pilot, and how this might inform Australia's approach.

The task-force has also played an important role as an intermediary to facilitate further discussion between the remittance industry and the banks. In early December 2014, the Australian government hosted a multi-stakeholder meeting between the Australian Banking Association, representatives of the four major Australian banks, remittance industry and community representatives, and relevant government departments. Focused on reaching solutions that would build bank confidence in the remittance sector, both ARCPA and the Somali Remittance Ad-Hoc Group put forward proposals to enhance industry due

diligence and self-regulation measures in order more effectively to manage AML/CFT and sanctions compliance.



Members of the Somali Remittances Ad Hoc Group, Australia, meet with Shadow Minister for Finance Tony Burke in Canberra, November 2014. Photo: Hussein Haraco/Somali Australian Council of Victoria

These proposals include an ARCPA proposal to develop a Remittance Code of Practice and Compliance Best Practice guidelines, in consultation with the Australian government, industry and the banks, which could be used by the banks more confidently to assess the suitability of remittance companies for bank accounts. The Somali community similarly proposed practical steps to address restrictions put in place by correspondent banks overseas, as well as enhanced due diligence and verification procedures for the beneficiary, also known as the delivery phase or 'last mile' of the remittance corridor.

While these discussions have not yet produced a long-term outcome, there has been agreement to form a multi-stakeholder working group involving MTOs, banks and government, to gain a better understanding of the industry and to explore practical measures that remitters could undertake to make their businesses fit within the acceptable risk tolerance of banks. Focused particularly on the issues facing smaller- to medium-sized remittance principals the group will meet on an ongoing basis in order to work towards a sustainable, long-term solution that addresses the banks' risk concerns while ensuring the continued viability of the remittance sector. ARCPA has also reached out to the Australian Department of Foreign Affairs and Trade (DFAT) to develop some guidelines appropriate for remitters around sanctions compliance.

Despite these significant positive developments, prospects for the Somali remittance sector, and the registered remittance industry in Australia overall, still remain uncertain in the immediate term. Thanks to the concerted efforts of Somali and other remittance organizations, supported by Oxfam, Westpac agreed to a one-month extension for their account closures until the end of November 2014, but would not at the time commit to further postponements.

In November 2014 an open class action by a number of remittance firms, but not involving the SMRA or ARCPA, was filed against Westpac on the grounds of alleged unconscionable conduct.²⁶ On 24 December 2014, the final 24 registered applicants of the class action reached a court-approved settlement with Westpac, which agreed to grant those remitters with an extension of banking facilities to 31 March 2015.²⁷ While this settlement only explicitly provides an extension for accounts mentioned in the class action, as of late

January 2015, it appears that the extension has also been provided to at least some other Westpac remittance accounts not yet closed at the end of 2014, including those of Somali MTOs.²⁸

The most recent developments undoubtedly offer some relief, albeit temporary, to Somali-Australians sending much-needed funds to vulnerable loved ones in Somalia and elsewhere. The question remains whether the most recent postponement of account closures will provide enough time for ongoing multi-stakeholder discussions between MTOs, banks and government to reach a more permanent solution, or whether further contingency measures need to be explored, including for remitters whose accounts were closed in late 2014 and have not re-opened.

5 MTO INITIATIVES

Since the collapse of the Siad Barre government in 1991, Somali MTOs have built their legitimacy on social capital and trust in the absence of state regulation. As nascent companies, these MTOs handled risk 'not through capital reserves, detailed Know Your Customer (KYC) due diligence arrangements, or insurance or hedging arrangements, but through reliance on pre-existing trusted networks and a careful system of mutual surveillance that enforces standards within that network.'²⁹ In recent years, as banking services have become more difficult to obtain, Somali MTOs have aimed to document and translate their methods into terms that are understandable to foreign policy makers, regulators, and bankers.³⁰ Today, they are licensed in all of the jurisdictions in which they operate (and which have licensing capability) and have committed to fulfilling all of their legal obligations in each of these jurisdictions. They have also publicly declared their intention to maintain above-industry standard AML/CFT compliance mechanisms. Taking these steps has resulted in deep cuts to Somali MTO take-home profits and service to Somali communities.



The government of Somaliland has solicited assistance from international partners and civil society. His Excellency Abdirahman Abdallahi Ismail 'Saylici,' Vice President of Somaliland, delivers the keynote address at a conference on remittances and financial crime hosted by his government. Photo: Adeso

There have, been some positive examples of well coordinated, community driven outreach, advocacy and communications by groups such as the Somali Remittances Ad Hoc Group in Australia, and SOMSA in the UK.

However, despite all of these positive steps, MTOs are still viewed with suspicion by many Western banks. Moreover, MTOs have largely failed to work together to educate and reach out to Somali populations and to make their case powerfully to governments. Despite the formation of Somali MTO associations in the US, UK, Australia, United Arab Emirates, and Somaliland, these associations struggle to unite as a sector and meaningfully invest in public outreach, communications, or government relations. That has deprived decision makers of timely and accurate information on the state of remittance flows to Somalia. It has also undercut the effectiveness of the advocacy efforts of community leaders, humanitarian agencies, and individual MTOs.

6 GLOBAL INITIATIVES AND REMITTANCES

The G20 recognizes that remittances can reduce dependency on aid and allow individuals and communities to lead their own development.³¹ Remittances provide a valuable stream of income for countries to develop, strengthen social cohesion, and provide access to funds for some people who live in the world's worst poverty. When formal remittance channels are unavailable or impracticable, informal systems flourish – potentially leading to increased risk of money laundering and financial crime and possibly to reduced flows to legitimate recipients.

Ensuring the continued viability of legal remittance flows came into sharp focus for the G20 in the second half of the 2014 – with the G20's Global Partnership for Financial Inclusion (GPII) updating its Financial Inclusion Action Plan to include commitments to 'raise awareness of, and identify causes and solutions as appropriate, related to the closure of money transfer operator accounts'.³²

The 2014 G20 Summit in Brisbane, Australia also produced a new G20 Plan to Facilitate Remittance Flows, highlighting 'the G20's readiness to address emerging issues that could impede remittance flows and financial inclusion'.³³

The Financial Action Task Force (FATF³⁴) has also rightly taken up the exclusion of poor people from the formal financial system as well as the issue of bank de-risking. It defines de-risking as 'the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients to avoid, rather than manage, risk in line with the FATF's risk-based approach'.³⁵ These two topics are inextricably linked: the withdrawal of banking services from Somali MTOs is just one of many manifestations of de-risking that disproportionately impacts vulnerable communities. The FATF has promised to work together with the G20's Global Partnership for Financial Inclusion (GPII) and other institutions to take stock of the impacts of de-risking and, if necessary, to take action at its February 2015 Plenary. It is vital that the AML/CFT agenda – which the FATF correctly identifies as only one of the many causes of de-risking and financial exclusion – does not unduly inhibit legitimate individuals and communities, especially poor and marginalized ones, from participating in the formal financial system.

The World Bank also plays an important role in facilitating remittances. Globally, the Bank has supported invaluable research and convenes the Global

Remittances Working Group, an important public–private partnership that aims to reduce the cost, and increase transparency, of remittances. In the context of Somalia, the World Bank has taken on the additional roles of leading the implementation of the UK’s Safer Corridor project and advising Somali authorities on establishing sound financial governance systems. In this last capacity, it is critical that the Bank supports an approach that aims to build a credible system over the long term while taking immediate steps that can reduce the risk of money laundering. It must demonstrate reduced risk to banks and money transmitters interested in doing business in or sending money to Somalia.

7 LOOKING FORWARD

Over the past decade, efforts to support the Somali money transfer and financial systems have alternated between periods of frenzied crisis management and long stretches of unfortunate complacency. When important bank account closures are announced, the Somali authorities, civil society, and Western governments mobilize with great urgency to stop what they fear will be a life-threatening cut-off. In the absence of an immediate threat of account closures, government officials turn their attention to other issues on the false assumption that the system is secure.

In order to increase the financial stability of Somalia, its government and partners must maintain their focus and commitment, even when there is no threat of account closures. The international community’s agenda must include the development of plans to deal with critical account closures – something no government to date has adequately done – as well as the strengthening of sustainable financial institutions in Somalia. It should also address the worrying de-risking trend and its impact more broadly in developing countries.

Some propositions to address long-term issues are clear and uncontroversial, such as building supervision capacity within Somali financial institutions and creating the conditions for a commercially viable banking sector in Somalia. On the other hand, some issues that are equally critical to the sustainability of the Somali and global financial systems are poorly understood and require further analysis. For example, at the global level, the phenomenon of bank de-risking is now widely accepted, but its causes remain contested and its impacts (aside from threatening remittances to Somalia) have not been comprehensively documented. In Somalia, it would be useful to study the impacts of increasing reliance on mobile money for day-to-day payments and international remittances, with particular regard to women, socially marginalized communities and elderly populations. Additionally, many innovative proposals to increase transparency in complex Somali remittance, retail, and trade finance networks merit further attention, for example, the creation of a shared clearing house for all Somali MTOs and clearing companies.

8 RECOMMENDATIONS

The Somali Federal Government and other Somali authorities should:

Improve financial management and transparency: Large international banks decide whether to send money to, or open branches in, various countries on the basis of risk assessments. These assessments take into consideration a number of factors, including the prevalence of financial crime and terrorism, the effectiveness of financial regulation and bank supervision in a receiving jurisdiction, and in the case of public financial institutions, the degree of transparency and corruption. Somali authorities cannot control all of these factors, but can improve transparency by:

- establishing an international advisory board overseeing the Central Bank's financial dealings;
- rooting out corruption in public institutions;
- passing and implementing a conventional banking act and anti-money laundering regulations;
- conducting outreach to MTOs and engaging in a joint sectoral risk assessment to determine high-risk Money Laundering/Terror Financing (ML/TF) areas and formulate action plans for mitigation; and
- establishing a registration and oversight system for international money transfers.

Integrate banking into the New Deal for Somalia: The New Deal charts a course for Somalia to strengthen public financial management through developing a Standard Chart of Accounts and a Treasury Single Account in the Central Bank of Somalia.³⁶ Achieving this objective would improve the Bank's ability to expand its correspondent relationships with foreign banks, increase transparency, and reduce the perceived risk of remitting money to Somalia.

Somali Money Transfer Operators should:

- **Improve collaboration within the money transfer industry in key markets by investing in improved compliance and mechanisms:** This should include strengthening agreed operational standards across the industry; bolstering systems to identify and report suspicious activities; training and monitoring agents; improving reporting, record-keeping, and documentation; and strengthening oversight.
- **Engage in a sectoral risk assessment to determine high-risk ML/TF areas and formulate action plans for mitigation;**
- **Fully fund a global trade association, with above-industry standard KYC requirements for membership and full-time, expert, professional staff in Somalia, the UAE, the US, and the UK at a minimum.** Somali MTOs have organized trade associations in a number of countries, but they are weak, under-resourced, and frequently undercut by their member companies. To preserve their role as a lifeline to the Somali people, Somali MTOs must work together more constructively to present a unified voice and increase the impact of their advocacy.

The US government should:

- **Take emergency measures to ensure that Somali migrants in the US can continue to send money freely and legally to their loved ones in Somalia.** We have called for the US government to prepare for the possibility that Somali MTOs will be forced to close branch locations and reduce the flow of remittances because of a lack of banking options. That moment has now arrived. There are a number of different ways the US government can maintain the continued flow of remittances to Somalia through formal channels, such as:
 - preparing a special regulatory regime, including safe harbours for banks doing business with licensed and regulated Somali-American MTOs; or
 - preparing an agreement with a public financial institution, such as the New York Federal Reserve, to facilitate remittances to Somalia.
- **Develop an outreach programme to educate and clarify policy for bank examiners to emphasize the importance of banking for MTOs.** Bank examiners face negative repercussions if money laundering takes place in the banks they monitor. They do not benefit from maintaining accounts for companies they view as risky, even if they are compliant with US regulation. The examiners have no incentive to protect access to banking for companies or organizations that promote financial inclusion. The OCC, the FDIC, and the Federal Reserve strategies to remedy this problem should include modifications to the examiners' handbook and examiner training.
- **Clarify expectations for banks dealing with MTOs.** In his 8 October 2014 blog post, Assistant Secretary of the US Treasury, Daniel Glazer, pledged that the Treasury Department will work with federal banking agencies to update the guidance for banks dealing with MTOs and that that this guidance would emphasize that, 'with sufficient controls, banks can effectively manage high-risk money transmitters.' To make a difference, this guidance should be specific enough on what constitutes 'sufficient controls' to give banks confidence that they can comply with the law and avoid enforcement and prosecution.
- **Clearly communicate the US government's objectives in extraterritorial application of US AML/CFT laws.** The US government's aggressive approach to the prevention of money laundering has included imposing hefty fines on foreign banks conducting business in US dollars. This has convinced many banks that maintaining accounts for money service businesses, particularly smaller companies serving higher-risk destinations, is not worth the risk. In order to reassure responsible banks that it is safe to do business with money transmitters, the US government should announce its intention to only enforce against the worst conduct by foreign banks – which is generally what it has done thus far.

The UK government should:

- **Continue its efforts to create a robust 'Safer Corridor' to Somalia in a timely manner and share lessons learned with other states and institutions.** The UK government's efforts demonstrate real commitment and are laudable, but there remains a distinct possibility that bank accounts will close before the Safer Corridor is operational. The UK should do its utmost to get the Safer Corridor functioning and integrated into other assistance programmes. It should continue to work closely with all stakeholders and maintain the confidence of the financial sector in the process.
- **Agree on contingency measures to address any disruptions in the flow of remittances,** such as those options recommended above for the US government.
- **Work with the US government and other G20 governments to ensure that the issue of remittances to Somalia is addressed as a matter of great urgency.**

The Australian government should:

- **Continue to facilitate ongoing multi-stakeholder discussion between banks, remittance businesses, government and affected communities,** with the objective of quickly reaching viable, long-term solutions which allow Australian banks to continue working with MTOs.
- **Urgently agree on contingency measures to address any disruptions in the flow of remittances,** such as those options recommended above for the US and UK governments, given the closure of some remittance accounts in late 2014 and the impending closures of remaining accounts on 31 March 2015.
- **Continue outreach with the UK, US and other relevant governments to deepen exchange of lessons learned from other states and institutions.** This should include continued monitoring of the UK's 'Safer Corridor' initiative and its applicability to the Australian context.
- **Work with Somali MTOs and the Australian remittance industry to support its efforts to strengthen self-regulation** and develop best practice guidelines for the money transfer industry in Australia.
- **Continue to push for urgent G20 action along with other countries to address issues impeding remittance flows and financial inclusion.**

Banks should:

- **Formulate internal risk assessment policies and procedures.** Large international banks decide whether to send money to, or open branches in, various countries on the basis of risk assessments. These assessments take into consideration a number of factors, among them the prevalence of financial crime and terrorism, the effectiveness of financial regulation and bank supervision in a receiving jurisdiction, the potential for revenue, and the degree of transparency and corruption in public financial institutions.

In the case of customers perceived as high risk, such as Somali financial institutions, international commercial banks should:

- **Assure adequate resources are internally allocated** to sufficiently and effectively assess and mitigate risk;
 - **Develop a common understanding of what a risk-based approach means** and how it is applied;
 - **Issue internal guidance and offer specialized trainings for skilled and trusted bank personnel** handling potentially high-risk clients, underscoring the importance of adopting and applying a risk-based approach; and
 - **Review and incorporate the additional, specific guidance provided by the FATF on handling high risk accounts.**
- **Issue context-based risk approach guidelines:**
 - **Consider reviewing special cases, such as Somalia**, and differentiating between sub-jurisdictions that may offer more safeguards; and
 - **Endeavour to maintain accounts of companies that facilitate remittance transfers to Somalia.** At a minimum, banks should not close Somali MTO accounts indiscriminately or on the basis of casual impressions of conditions in Somalia. When possible, banks should make extraordinary efforts to collaborate with Somali MTOs and understand their customer due diligence processes in order to offer services to them.
 - **Formulate action plans for risk mitigation:**
 - **Create internal committees to better understand and evaluate actual versus perceived risk;**
 - **Issue amendments to internal compliance guidance** to mitigate risk while continuing to provide services to clients; and
 - **Frequently review updates to national risk assessments** to continuously monitor potential sources of risk and vulnerability and identify cases where threat levels have changed.

Governments with significant Somali diaspora populations should:

- **Support development of a stronger banking sector in the Somali territories** through technical assistance and capacity-building and as part of a broader financial inclusion strategy;
- **Coordinate efforts across jurisdictions to ease the compliance burden for small companies with multiple branches;**
- **Work with the UK to build on their experiences of creating safer corridors for remittances to Somalia;**
- **Provide incentives to banks that maintain accounts for MTOs.** This could be accomplished in the US, for example, by extending the Community Reinvestment Act credit to banks that offer banking services to MTOs. According to industry experts, it is already available to banks that themselves provide low-cost remittance services.

- **Conduct outreach and solicit input from diaspora communities, MTOs and banks.** Policy solutions that do not take into account their views, interests, and operating environments will be unlikely to succeed.
- **Through innovation grants and technical assistance to the Somali authorities, support the expansion of international mobile money transfer platforms and community education on their use.** Mobile money is already widespread in some areas of Somalia, but is rarely used for international remittances by people in rural areas or the elderly. While it is not suitable as an immediate alternative to traditional remittance systems, mobile money and technologically-based platforms can be a part of the long-term solution for remittances and financial inclusion in Somalia. However, donors should carefully study the impact of increasing reliance on mobile money and other technology-based approaches on access to financial services for women, socially marginalized communities, and the elderly.
- **Assess the feasibility and impact of a shared clearing mechanism for all Somali MTOs.** This could improve transparency for regulators and banks by collecting and aggregating transactions at the 'clearing' stage in the UAE, where debts are settled between MTOs, their agents around the world, and traders who replenish the funds of MTO agents in Somalia.

The G20 and the Financial Action Task Force should:

- **Demonstrate the necessary political will to maintain fragile remittance systems in the follow-up to the Brisbane Summit.** This includes issuing clear guidance on the development of 'safer corridors' when destination countries are perceived to involve a high risk of terrorism and money laundering, as well as extraordinary short-term governmental action, such as safe harbours or public interest banking, to ensure that at-risk corridors remain open. Follow-up actions should specifically target Somalia as a country where remittances are under threat and whose people depend on remittances to meet their most basic needs.
- **Affirm the mutually reinforcing priorities of preventing money laundering and terrorist financing on the one hand and strengthening financial inclusion and access to banking for MTOs on the other.** This should be understood to translate into clear guidelines for banks at the national level that discourage de-banking of entire sectors.
- **Support the development of an inclusive banking system that works for all Somalis and complies with international banking regulations** by investing, along with international financial institutions, in the provision of clear and practical guidance, technically tailored expertise and support; and ensuring that women have access to the banking sector.

The World Bank should:

- **Work more closely in collaboration with partners.** Given its expertise in building financial management capacity, the Bank is well-positioned to coordinate a collaborative effort supported by governments, NGOs, banks, MTOs, and Somali communities in Somalia and around the world. However, for the initiative to be effective, the Bank needs to actively share information and solicit feedback from stakeholders and partners on its plans and activities.

- **Recognize the immediacy of the threat to remittance flows and support transparent processes that support the creation of AML/CFT regimes capable of making rapid, incremental improvements.** To date, the World Bank has aimed to support a long-term approach to financial governance. It has discouraged reforms that aim to foster immediate, if incomplete, progress on AML/CFT in the Somali territories. The Bank must ensure that the long-term imperative of establishing a strong foundation for financial governance does not override the short-term imperative of improving AML/CFT immediately so as to encourage the engagement of international banks.
- **Address reform of the remittance industry in the United Arab Emirates (UAE) in cooperation with the Central Bank.** The World Bank is already working with UAE authorities on reforming the financial sector to increase compliance with AML/CFT regulations. This is a key weakness in the current system of money transfers into Somalia, as the vast majority of transactions go through Dubai. The World Bank as a central stakeholder along with the Central Bank can play a key role in reassuring international banks and governments that the system in Dubai is transparent and effective.

NOTES

- 1 Adeso, Oxfam and the Global Center do not have a position on the political status of Somaliland. For the purposes of this paper, figures for Somalia are inclusive of Somaliland.
- 2 M. Orozco and J. Yansura. Keeping the Lifeline Open: Remittances and Markets in Somalia. 2013. Available at <http://www.oxfam.org/en/research/keeping-lifeline-open> Accessed December 18, 2014.
- 3 Somali Money Transfer Association. The Somali Money Remittance Business. Cited in M. Hassan and C. Chalmers. UK Somali Remittances Survey. 2008. Available at http://www.diaspora-centre.org/DOCS/UK_Somali_Remittan.pdf Accessed December 18, 2014.
- 4 L. Hammond. Family Ties: Remittances and Support in Puntland and Somaliland. FAO, 2013. Available at <http://www.rsc.ox.ac.uk/news/family-ties-remittances-and-support-in-puntland-and-somaliland-laura-hammond> Accessed December 18, 2014.
- 5 Due largely to an insistence by international money transfer companies on exclusive agent agreements, most Africans must pay 12 percent to send \$200, almost double the global average. See K. Watkins and M. Quattri. Lost in Intermediation: How Excessive Charges Undermine the Benefits of Remittances for Africa. Overseas Development Institute, 2014. Somali-Americans must pay a 5 percent commission for similar transactions. See M. Orozco and J. Yansura, 14 [note 2]. The charges are the same for other Somali diaspora communities.
- 6 At the time of writing, the only such MTO office is the Western Union office in Hargeisa.
- 7 The term *hawala* comes from the Arabic word for 'transfer'. Historically, it developed as an informal system to facilitate trade between distant regions where conventional banking institutions were not available, were weak, or were unsafe. Originally wholly reliant on trust networks, the *hawala* system in Somalia has professionalized and pledged to abide by international standards since it began in the early 1970s.
- 8 Somali MTOs wire money to Dubai, where, through contracts with regional traders, they are able to replenish the cash reserves of local MTO agents in Somalia.
- 9 FSNAU-FEWSNET Technical Release, January 2015
- 10 Adeso, Oxfam et al. Risk of Relapse: Somalia Crisis Alert. Available at <http://www.oxfam.org/en/research/risk-relapse> Accessed December 18, 2014.
- 11 Family Ties: Remittances and Livelihoods Support in Puntland and Somaliland. FAO, 2013, Available at <http://www.fsnau.org/downloads/Remittances-and-Livelihoods-Support-in-Puntland-and-Somaliland.pdf> Accessed December 18, 2014.
- 12 Sending Money Home to Africa. IFAD. 2009. Available at www.ifad.org/remittances/pub/money_africa.pdf Accessed January 5, 2015. T
- 13 Meaningful Action: Effective Approaches to Women's Economic Empowerment in Agriculture. Oxfam, October 2014. Available at <http://policy-practice.oxfam.org.uk/publications/meaningful-action-effective-approaches-to-womens-economic-empowerment-in-agricu-334788> Accessed January 5, 2015.
- 14 S. Lopez-Ekra, C. Aghazarm, H. Kotter, and B. Mollard. 'The Impact of Remittances on Gender Roles and Opportunities for Children in Recipient Families: Research from the International Organization for Migration.' Gender & Development. 19:1. 2011. Available at <http://www.tandfonline.com/doi/abs/10.1080/13552074.2011.554025#.VKsDBSvF-So> Accessed January 5, 2015.
- 15 D. Glaser. Treasury's Work to Support Money Transmitters. Available at <http://www.treasury.gov/connect/blog/Pages/Treasury%E2%80%99s-Work-to-Support-Money-Transmitters.aspx> Accessed November 5, 2014.
- 16 For more information on Operation Choke Point and financial inclusion, see How Operation Choke Point Hurts the Unbanked. American Banker, November 4, 2014. Available at <http://www.americanbanker.com/bankthink/how-operation-choke-point-hurts-the-unbanked-1071015-1.html> Accessed December 18, 2014.
- 17 Somalia Fears as US Sunrise Banks Stop Money Transfers. BBC News. Available at <http://www.bbc.com/news/world-africa-16365619> Accessed December 18, 2014.
- 18 FinCEN Statement on Providing Banking Services to Money Service Businesses. November 10, 2014. Available at http://www.fincen.gov/news_room/nr/pdf/20141110.pdf Accessed December 18, 2014.
- 19 Presentation by Aden Hassan, Chief Compliance Officer, Kaah Express and Spokesperson, Somali-American Money Services Association. May 12, 2014. Minneapolis, MN.
- 20 M. Orozco and J. Yansura [note 2].
- 21 At present, two companies whose access to banking services do not appear threatened are Western Union, which operates a single branch in Hargeisa, and World Remit, a mobile money transmitter which is available only to users of Telesom's ZAAD service in Somaliland.
- 22 At the time of its decision, Barclays facilitated an estimated 70 percent of all remittances from the UK. It made the decision to close money service business accounts ostensibly to reduce its exposure to prosecution and enforcement under US and UK anti-money laundering

regulations, but it should be noted that it continued to bank some money service businesses that generate at least £100,000 annually to Barclays. It appears that Barclays, like other US and UK banks that have exited Somali MTOs and other small MTOs before, may have balanced regulatory and reputational risk on one hand against revenue on the other. See Dahabshiil Transfer Services Limited v. Barclays Bank PLC [2013] EWHC 3379 (Ch) (05 November 2013).

- 23 Terms of Reference for the Action Group on Cross Border Remittances. Available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/295344/TOR-OVERVIEW.pdf Accessed December 18, 2014.
- 24 See Statement of The Rt. Hon. Economic Secretary to the Treasury Andrea Leadsom, UK Parliamentary Debate, September 9, 2014. Available at <http://www.publications.parliament.uk/pa/cm201415/cmhansrd/cm140909/halltext/140909h0002.htm> Accessed January 5, 2015.
- 25 Figures provided by the Somali Money Remitters Association (SMRA) on 29 December 2014.
- 26 Federal Court of Australia. Order No: NSD 1222/2014 - Sydney Forex Pty Ltd vs Westpac Banking Corporation, 4 December 2014, <http://www.arcpa.org.au/wp-content/uploads/2014/12/Orders-4-December-2014.pdf> Accessed December 18, 2014
- 27 Federal Court of Australia. Notice of Proposed Settlement with Westpac, Sydney Forex Pty Ltd vs Westpac Banking Corporation, 22 December 2014, available at <http://www.arcpa.org.au/wp-content/uploads/2014/12/20141222-SYD-FOREX-s-33V-Notice.docx>, accessed 5 January 2015.
- 28 The Somali Money Remitters Association received official correspondence from Westpac Banking Corporation in January 2015 advising that their MTO accounts would be closed on 31 March 2015. However, ARCPA have advised that at least some MTO accounts closed by Westpac prior to the court ordered settlement in December 2014 have not been re-opened.
- 29 J. Cockayne with L. Shetret. Capitalizing on Trust. Center on Global Counterterrorism Cooperation, 2012. Available at <http://www.globalcenter.org/wp-content/uploads/2012/07/CapitalizingOnTrust.pdf> Accessed January 5, 2015.
- 30 See, e.g. Somali Money Services Association (SOMSA) Code of Ethics and Conduct. October 12, 2013. On file with author.
- 31 See, e.g. Report on the Remittance Agenda of the G-20. Available at http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/282884-1400093105293/GPFI_Remittances_Report_Final072014.pdf Accessed November 10, 2014.
- 32 G20 Global Partnership for Financial Inclusion, 2014 Financial Inclusion Action Plan, 2 September 2014, available at https://www.g20.org.tr/wp-content/uploads/2014/12/2014_g20_financial_inclusion_action_plan.pdf, accessed 20 November 2014
- 33 G20 Plan to Facilitate Remittance Flows, available at https://www.g20.org.tr/wp-content/uploads/2014/12/g20_plan_facilitate_remittance_flows.pdf, accessed 20 November 2014
- 34 See <http://www.fatf-gafi.org>
- 35 FATF clarifies risk-based approach: case-by-case, not wholesale de-risking. Available at <http://www.fatf-gafi.org/topics/fatfrecommendations/documents/rba-and-de-risking.html> Accessed November 5, 2014.
- 36 New Deal for Somalia, 'Somali Compact,' Goal 5, Priority 3. Available at <http://www.pbsbdialogue.org/The%20Somali%20Compact.pdf> Accessed January 5, 2015.

© Adeso, Global Center for Cooperative Security, and Oxfam International
February 2015

This paper was written by Scott Paul (Oxfam) and Anne-Marie Schryer-Roy (Adeso) with Ben Murphy and Ed Pomfret (Oxfam).

Adeso, The Global Center for Cooperative Security, and Oxfam gratefully acknowledge the assistance of Marc Cohen, Shukria Dini, Emma Fanning, Caroline Green, Nimo Jirdeh, Mariam Kemple Hardy, Steve Price-Thomas, Liat Shetret, and Suzanne Zweben in its production. It is part of a series of papers written to inform public debate on development and humanitarian policy issues.

For further information on the issues raised in this paper please e-mail advocacy@oxfaminternational.org

This publication is copyright but the text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged. E-mail policyandpractice@oxfam.org.uk.

The information in this publication is correct at the time of going to press.

Published by Oxfam GB for Oxfam International under ISBN 978-1-78077-806-8 in February 2013.

Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

Adeso

Adeso is an African founded and led humanitarian and development organization based in Nairobi, Kenya and with operations in Kenya, South Sudan and Somalia. We work to prevent, manage, and overcome situations that threaten the environmental, social, and financial well-being of African communities. For more information visit www.adesoafrica.org

GLOBAL CENTER ON COOPERATIVE SECURITY

The Global Center on Cooperative Security works with governments, international organizations, and civil society to develop and implement comprehensive and sustainable responses to complex international security challenges through collaborative policy research, context-sensitive programming, and capacity development.

OXFAM

Oxfam is an international confederation of 17 organizations networked together in more than 90 countries, as part of a global movement for change, to build a future free from the injustice of poverty. Please write to any of the agencies for further information, or visit www.oxfam.org.

