

Editorial: Frameworks to address other issues could help us better tackle financial crime

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COP26 and recent increases in incidences of environment disasters have brought environmental concerns high up on governments', businesses', civil society groups' and the media's agendas. Despite uneven progress in achieving set targets and goals, organisations have made progress and adopted frameworks to measure and reduce their environmental footprint. Similarly, gender considerations have shot to the forefront of development work in countries like the UK, where recent statements of the focus of the country's Overseas Development Assistance stresses supporting women and girls as a strategic focus [1].

This article argues for shopping around in other disciplines' aisles and adapting existing frameworks to counter environmental damage or ensure gender equality and social inclusion (GESI) to fight financial crime. Some frameworks, such as the GESI framework discussed below, could help not only minimise the risks of financial crime within organisations' own operations but also provide a useful approach to identifying and reducing financial crime risks within the broader environment the organisations operate in.

Mainstreaming financial crime beyond compliance

We should consider sharing responsibility within organisations for mitigating against financial crime similarly to how we mainstream support for disabilities and gender-equity-related responsibilities. Practically, this means that someone in human resources, or in this case, compliance, might have overall official responsibility, but in practice, it is all employees' responsibility to make sure that the business operates with integrity. This also means that employees, beyond those in compliance-focused roles and those working in regulated industries, need to be involved in identifying risks and empowered to act upon cases of potential economic crime.

This follows from the fact that a majority of professions have an element of preventing financial crime – whether it is a lawyer or a banker who is required to understand their clients' source of wealth and funds; a businessman who files taxes and oversees the integrity of the businesses' and associates' operations; a teacher that works to instil values or a shopkeeper or programme manager who processes payments.

Frameworks for ensuring mainstream thinking on a particular topic can help organise our approach to tackling an issue. For example, in international development, some donors have required programme business cases to consider the environmental as well as GESI effects of the considered programme – both intended and unintended. Mainstreaming of such frameworks would be beneficial in broader contexts, with the addition of financial crime risk considerations. They can help ask the key questions to identify red flags as early as possible in project, procurement and other processes.

Gender and social inclusion framework

An interesting framework to consider is the FCDO Prosperity Fund's Gender and Social Inclusion Framework [2]. The framework requires a programme to ensure it, at the minimum, does not worsen entrenched inequalities and, where possible, that it supports and empowers socially excluded groups. It requires an understanding and a risk assessment of



the potential – intended and unintended – effects of interventions, continuous tracking of results and revalidation of assumptions made.

The framework differentiates three levels of GESI inclusion that a programme could aspire to (Figure 1).

At the minimum, programmes are required to “Do no harm”, i.e. to make sure that they do not worsen the situation and address the basic needs and vulnerabilities of women and marginalised groups. Accordingly, programmes need to consider specific risks that their work might bring about, for example increasing gender-based violence; reinforcing and or worsening existing stereotypes and women’s unpaid household/care burden; or undermining the existing social safeguards for child protection, sexual harassment and exploitation or modern forms of slavery.

Questions that might be considered by a programme or initiative might include:

- What groups/communities will be affected by the initiative and how?
- How will the initiative ensure that inequality is not worsened?
- How will any risks and unintended negative consequences be identified, monitored and mitigated against?

At the *empowerment* level, the initiative strives to build assets, capabilities and opportunities for women and marginalised groups.

- Do interventions support women’s and underprivileged groups’ opportunities and increased access to assets, resources, knowledge and skills?
- Are there positive outcomes for women and any underprivileged groups from the interventions?

Transformational change is achieved when the systems, structures and power differentials that systematically disadvantage some groups are changed. Such institutional or societal change is very challenging to achieve and would require an initiative answering “yes” to the below questions:

- Does the initiative address the underlying, systematic barriers that contribute to the persistent gaps that women, girls or any other groups have to accessing opportunities?
- Will the initiative make a difference to marginalised groups’ and women’s decision-making and leadership opportunities?
- Will it address discrimination and systematic disadvantages that women or other groups face?

Adapting the framework to countering financial crime

Adapting the framework to financial crime could provide a basis for mainstreaming financial crime risk management across organisations. Each initiative, project or product would be assigned a level of ambition in relation to countering financial crime risks as below.

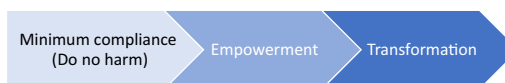


Figure 1.

At *minimum compliance* level, an understanding of the potential unintended consequences and broader risks posed by an initiative, new business product or approach would be required. Unintended consequences could include, for example, those identified by recent social norms and corruption research, such as Corbacho *et al.*, 2016 [3] and Peiffer 2018 [4], who find that highlighting high levels of corruption could make people more likely to engage in corruption themselves.

Similarly to the GESI questions, at a minimum compliance level, considerations could include:

- What aspects of economic crime are relevant to the project/intervention?
- How will the project ensure that economic crime is not further entrenched? E.g. that it will not discourage potential whistleblowers?
- How will any risks and unintended negative consequences be identified, monitored and avoided or mitigated against?

At *empowerment* level, considerations could include:

- Will the intervention empower people to better identify signs of economic crime and empower those fighting economic crime to be more effective in their work? E.g. could it increase (potential) whistleblowers' access to resources, knowledge and protection?
- Will the intervention make it more difficult to hide the proceeds of crime?
- Will it enable cross-agency and cross-sectoral collaboration to fight economic crime?

Finally, at *transformational* level, the initiative would want to answer positively to questions such as:

- Does the intervention address the systemic barriers that whistleblowers and others that seek to tackle financial crime face?
- Will it change social norms around people's expectations of whether others are likely to engage in corruption, tax evasion and other types of economic crime?
- Will it establish new ways of working to address financial crime?

Conclusion

Better understanding financial crime risks and the broader potential to improve the environment to fight financial crime would be a significant step towards moving from countering financial crime being confined to the responsibility of compliance and risk teams to countering the issue at various levels throughout organisations.

While there are many frameworks used by various organisations to mitigate against a range of risks, having a cross-thematic approach could help us identify useful frameworks and perhaps adapt these to multiple risks (i.e. environmental, GESI and financial crime) at the same time.

More research would be beneficial to understand the effect that is mainstreaming frameworks to address financial crime risks alongside other risks, such as GESI, environmental, social and governance risks within organisations.

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Notes

1. For example, see the recent UK government's strategy for international development - <https://www.gov.uk/government/publications/uk-governments-strategy-for-international-development/the-uk-governments-strategy-for-international-development>
2. See details for example here: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/998809/Prosperity_Fund_Gender_and_Inclusion_framework.odt; and an example of programme implementation of the framework here: <https://f.hubspotusercontent10.net/hubfs/7376512/cp/general/UK%20PACT%20GESI%20Guidance.pdf>
3. <https://onlinelibrary.wiley.com/doi/abs/10.1111/ajps.12244>
4. https://research-information.bris.ac.uk/ws/portalfiles/portal/156477844/Pre_Published_Peiffer_BJPS_2018.pdf