

LIECHTENSTEIN  
INITIATIVE

FINANCE  
AGAINST  
SLAVERY &  
TRAFFICKING

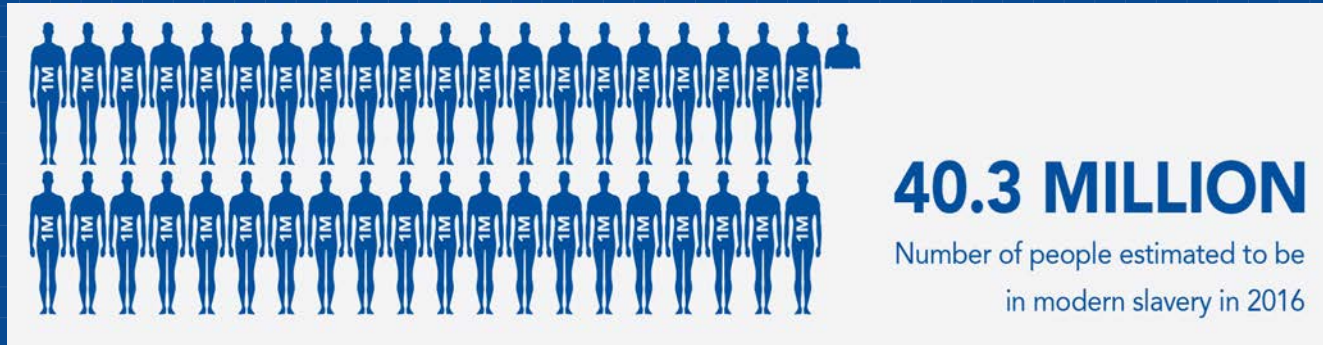
# UNLOCKING POTENTIAL:

## A Blueprint for Mobilizing Finance Against Slavery & Trafficking



TAROM FOUNDATION  
VADUZ

# Modern Slavery by the Numbers



- Ranks as 1 of the top 3 international crimes

# Modern Slavery by the Numbers

**USD 150 billion**

Annual earnings  
from enslavement



**89-149%**

Estimated return on  
investment from public  
provision of survivor care.



1 in 4 – victims are children.

**10,000**

Approximate number of people that  
must be removed daily from the  
global victim population in order to  
eradicate modern slavery by 2030.



**GBP 328,720**

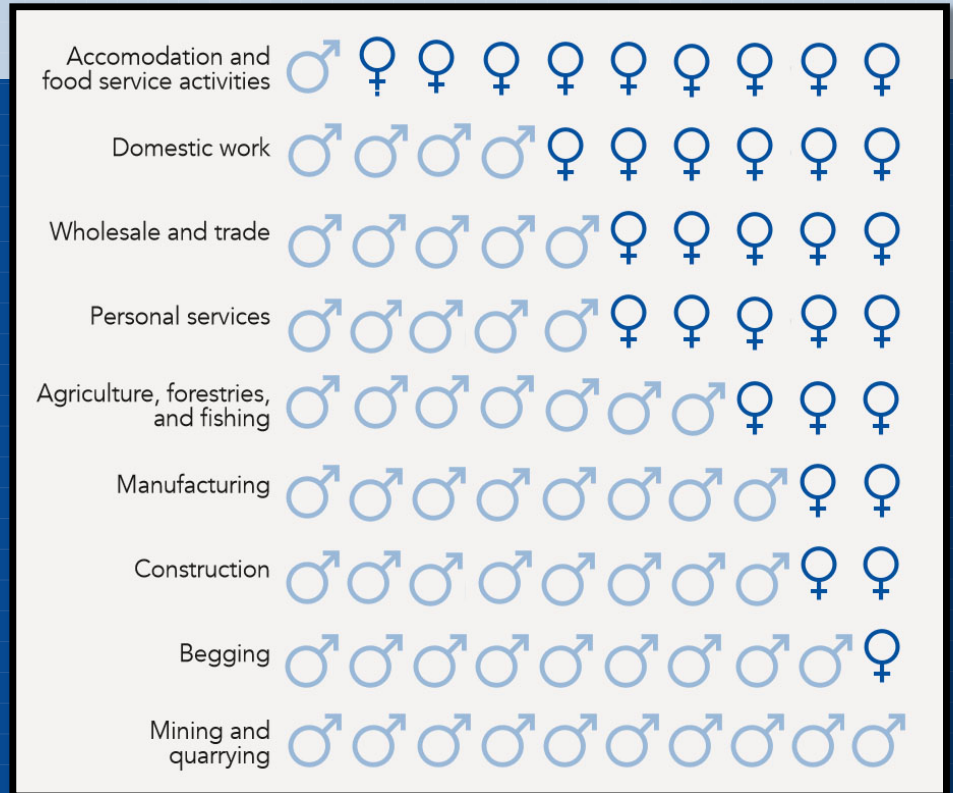
Estimated cost to the UK  
economy from each modern  
slavery case in the UK.

**5.4:1,000 or 1:185**

Portion of global population  
estimated to be in modern  
slavery in 2016.

# Disproportionate impact on women

Women and girls make up 71% of the estimated global modern slavery population (including 63% of those in forced labour).



# Market failure

- Modern slavery represents a tragic market failure that leaves us all worse off. We all miss out on the lost potential of victims.
- It also creates significant costs for society at large, including law enforcement costs and healthcare cost.
  - In the UK, these costs are estimated at nearly **GBP 330,000 per case**.

# How is the financial sector connected?

1. **Upstream providers of non-financial goods and services** (e.g. forced labour in manufacturing of equipment, or debt bondage in janitorial services);
2. **Upstream providers of financial goods and services** (e.g. trading commodities generated by modern slavery); or
3. **Downstream clients and value chains** (e.g. loans to or investments in businesses with modern slavery in their supply chains).

# Creation of the Financial Sector Commission

The Liechtenstein Initiative is a public-private partnership between the Governments of Liechtenstein, Australia and the Netherlands, United Nations University Centre for Policy Research – acting as its Secretariat – and Liechtenstein private sector and foundations.

Launched in September 2018 at the United Nations General Assembly in New York with a one-year mandate.



# Convenors



H.E. Adrian Hasler

*Prime Minister of  
Liechtenstein*



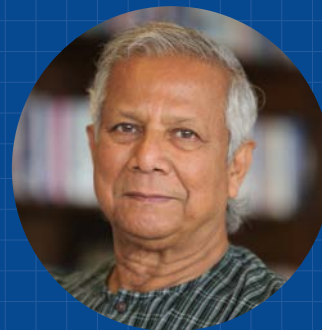
Senator the  
Hon. Marise  
Payne

*Foreign Minister of  
Australia*



H.E. Mr. Stef  
Block

*Foreign Minister of  
the Netherlands*



Professor  
Muhammad  
Yunus

*Nobel Laureate  
and Founder of  
Grameen Bank*



# The Commission

Chaired by Fiona Reynolds, CEO of UN-backed Principles for Responsible Investment

Secretariat: United Nations University Centre for Policy Research

25 Commissioners from across the **breadth** of the global financial sector, anti-slavery leaders and survivors of modern slavery.



# Four Global Consultations



September 2018, New York:

The sector's approach to anti-slavery and anti-trafficking compliance

January 2019, Liechtenstein:

Responsible lending and investment practices;

April 2019, Australia:

Financial technology, financial inclusion and regulatory models

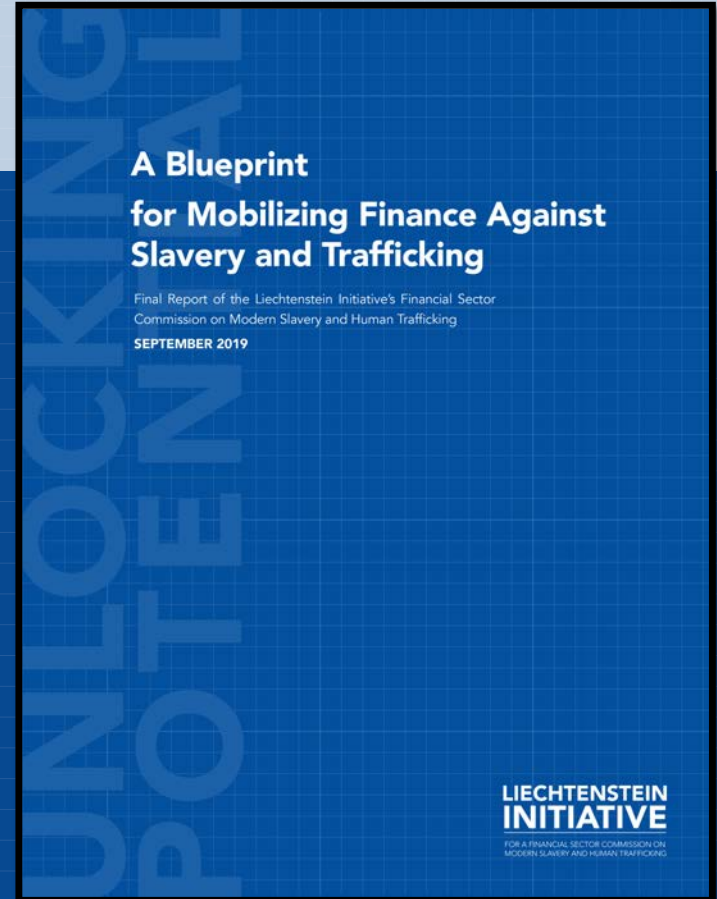
June 2019, the Netherlands:

Responsible business conduct agreements and sanctions regimes

# Commission Blueprint

Final report released during the UN General Assembly High-Level Week on 27 September 2019, as a framework to help financial sector actors mobilize to address modern slavery and human trafficking.

While the work of the Commission ended, it is now taken up by Finance Against Slavery and Trafficking (FAST).



# FAST Goals

## GOALS

1

Compliance with laws against modern slavery and human trafficking.

2

Knowing and showing modern slavery and human trafficking risks.

3

Using leverage creatively to mitigate and address modern slavery and human trafficking risks.

4

Providing and enabling effective remedy for modern slavery and human trafficking harms.

5

Investment in innovation for prevention.

# Goal 1: Compliance with laws

Enforce the ban on modern slavery and human trafficking by strengthening compliance with existing laws, in five different areas.

- Anti-money laundering and countering terrorism financing
- Sanctions
- Insurance coverage
- The power of the public purse
- Corporations and competition law

# Goal 1: Act Now and Initiate



Compliance with laws against modern slavery and human trafficking

## ACT NOW

## INITIATE

Strengthen financial investigations

Develop transactions analysis tools

Involve and learn from survivors

Mobilize the insurance sector

Strengthen use of the AML/CFT and sanctions regimes

Use public financial regulatory levers – procurement, investment + lending, fiscal policy, and competition law

# Goal 2: Knowing and showing risks

- Modern slavery risks can also be obscured by layers of outsourcing, subsidiaries and opaque ownership structures.
- Need for improved market information and transparency.
  - Enterprise level: identifying and understanding connections to these risks.
  - Market level: governments and sector leaders could consider steps to harmonize disclosure frameworks.

# Goal 2: Knowing and showing risks

**GOAL**  
**2**

Knowing and showing modern slavery and human trafficking risks

**ACT NOW**

**INITIATE**

Collaborative learning on due diligence

Taxonomy and harmonized disclosure regimes

Foster digital and data innovation

Corporate ESG ratings

Public, intergovernmental reporting and exclusions database (mutual debarment model)

Collaborative value-chain mapping and shadow pricing modelling



# Goal 3: Using leverage creatively

- Leverage: influence in relationships to change outcomes.
- Finance is a lever which that can influence global business practice, due to its extensive and influential relationships across other business sectors.
- Greater transparency on how leverage gets used and with what impact to inform financial market.

# Six types of leverage



## 1. Traditional commercial leverage

### Bilateral leverage

#### 1. Traditional commercial leverage:

This sits within the activities the company routinely undertakes in commercial relationships, such as contract audits, bidding criteria, loan conditions, commercial incentives, questionnaires and financial incentives.

#### 2. Broader business leverage:

through non-routine activities such as capacity-building, awareness-raising and bilateral advocacy.



## 2. Broader business leverage



## 3. Work with one or more business partners

### Collaborative leverage

#### 3. Work with one or more

**business partners:** Leverage created through collective action with other companies in or beyond the same industry, for example through driving shared requirements of suppliers.

**4. Work with one or more non-commercial partners:** for example involve engaging government, an international organization, a trade union, or civil-society organizations with key information.



## 4. Work with one or more non-commercial partners



## 5. Multi-stakeholder cooperation

### System-level leverage

#### 5. Multi-stakeholder cooperation:

involving both commercial and non-commercial partners to create change across the 'ecosystem'.

**6. Platform leverage:** using a common system platform or operating system, such as a utility, to change the parameters within which other businesses can act.



## 6. Platform leverage

# Goal 3: Act Now and Initiate



Using leverage creatively to mitigate and address modern slavery and human trafficking risks

## ACT NOW

## INITIATE

Differentiated leverage guidance

Explore platform leverage

Collaborative leverage in high-risk sectors such as construction

Develop benchmarks and ratings on leverage

Promote leverage reporting and transparency

Embed leverage in enterprise tech

# Goal 4: Effective remedy

- All victims of modern slavery and human trafficking are entitled under international law to an effective remedy, including to compensation.
- But access to an effective remedy is the exception, not the rule.
- Greater cooperation between the financial sector with courts and judicial remedies, state-based non-judicial remedies, and non-state grievance mechanisms.

# Goal 4: Act Now and Initiate

**GOAL**  
**4**

Providing and enabling effective remedy for modern slavery and human trafficking harms

**ACT NOW**

**INITIATE**

Participate in the FAST Financial Access Project's Survivor Inclusion Initiative

Use leverage to enable effective remedy ecosystems

Provide and contribute to effective remedies

Develop new insurance lines

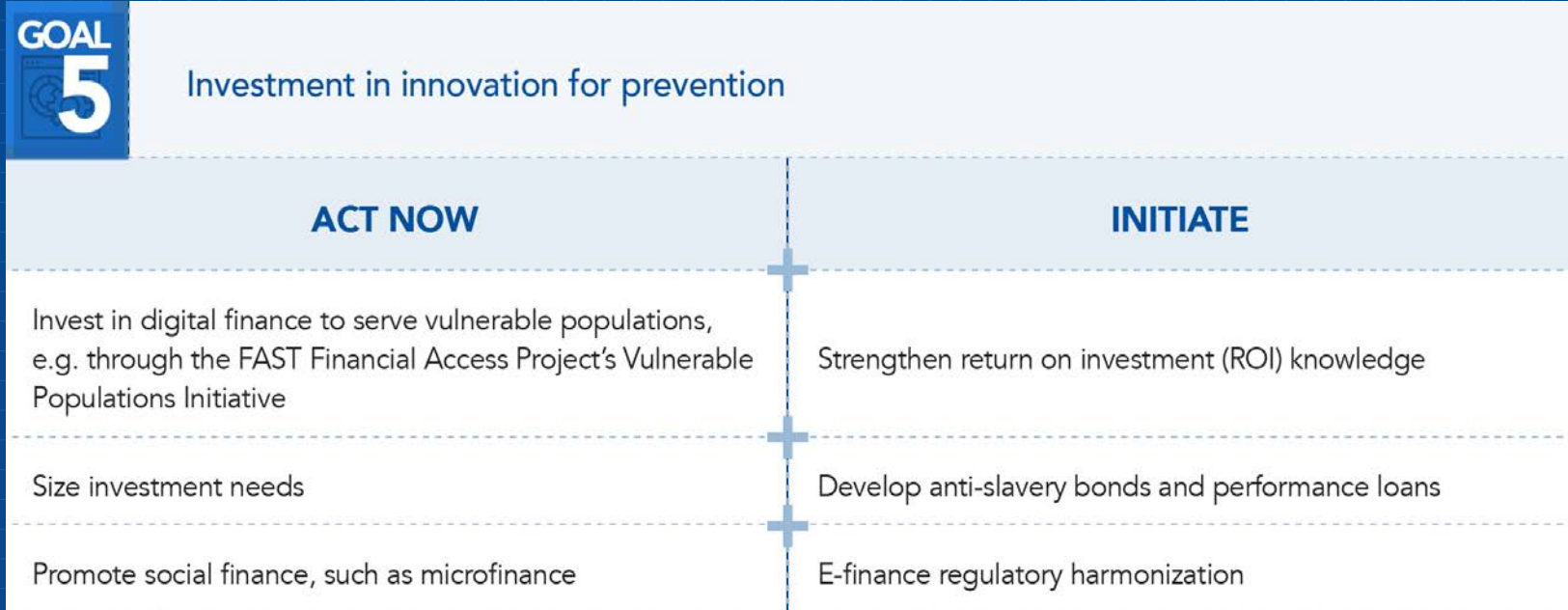
Cooperate with financial investigations and judicial processes

Investigate other novel modalities for capital-raising

# Goal 5: Innovation for Prevention

- Access to regular and safe finance can help prevent modern slavery and human trafficking.
- 1.7 billion people and 200 million micro, small and medium enterprises still lack adequate access to such financing.
- Social finance, such as microfinance and cooperative insurance models, can help fill this gap. We must also invest in digital finance for prevention, including with the use novel, non-traditional data streams to inform social risk analytics.

# Goal 5: Act Now and Initiate

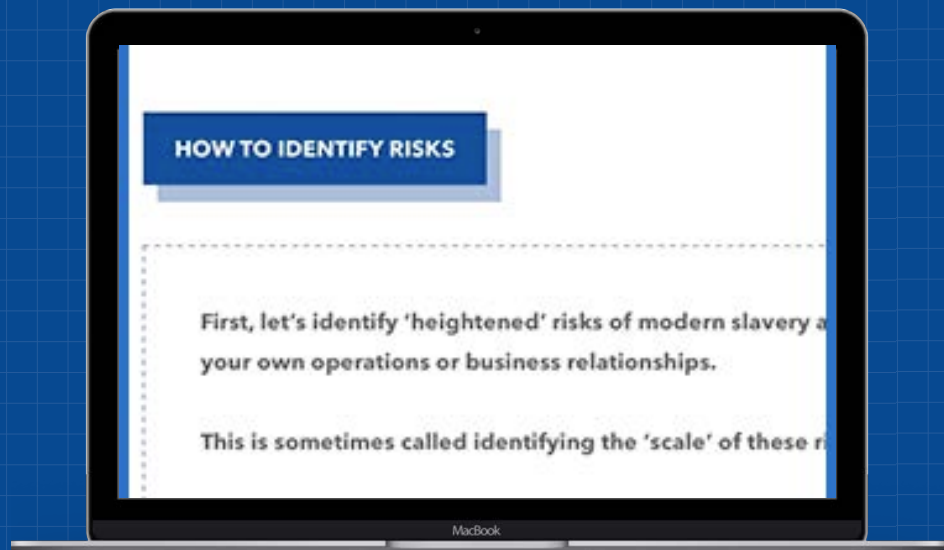


# Implementation Toolkit

- Risk Mapping Starter Workflow
- Connection Diagnostic Tool
- Financial Investigations Tool
- Leverage Typology Matrix
- Survivor Inclusion Initiative
- Vulnerable Populations Initiative



# Connection Diagnostic Tool



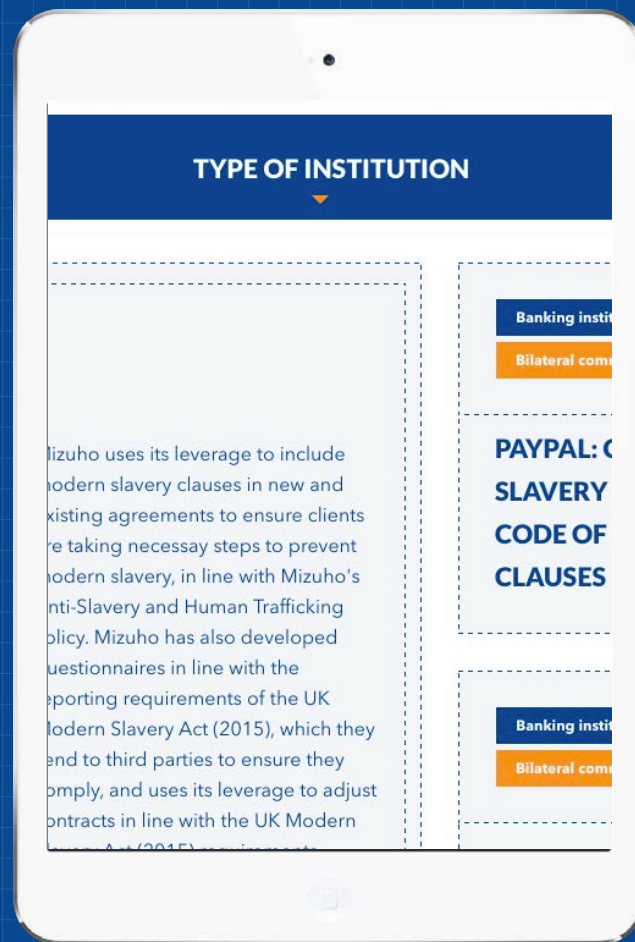
Risk Mapping Starter Workflow and connection Diagnostic Tool are available in interactive form on our website.

<https://www.fastinitiative.org>

# Leverage Typology

The Leverage Practice Matrix is also available in interactive form on our website.

<https://www.fastinitiative.org>



# Survivor Inclusion Initiative



Financial Access Project –  
Survivor Inclusion Initiative

- Financial identity or banking products can be hijacked by traffickers for criminal purposes, spoiling credit records and complicating financial reintegration.
- This initiative addresses aims to address this issue for survivors, connecting financial sector and survivor service organizations to provide basic financial services and products.
- Rolled out in Austria, Canada, UK and the US in September 2019 with leading institutions in those countries.
  - 12 leading banks
  - 6 leading survivor service organizations

# Vulnerable Populations Initiative



Financial Access Project –  
Vulnerable Populations Initiative

- People who don't have access to finance are more vulnerable to modern slavery and human trafficking because they are less financially resilient to financial shocks.
- Working with governments, financial institutions and fintech leaders to identify and promote new financial products and services, such as payment systems for displaced populations, micro-insurance and digital banking.
- This work will roll out through late 2019 and into 2020, starting with a bootcamp for African fintech entrepreneurs.

# Finance Against Slavery and Trafficking



External speaking  
engagements



Identifying  
Lessons Learned



Partnerships with  
stakeholders

# Conclusion

Collective action is needed to address modern slavery and human trafficking.

While the sector cannot do it alone, only through its mobilization will we be able to end modern slavery and human trafficking.

Financial sector institutions have different roles and responsibilities to play in this effort.

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