MISSING MILLIONS

Where do the dollars go?

April 2026

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PREFACE

Money now crosses oceans in seconds.

For charities and humanitarian organisations, the movement of financial aid remains far slower. Between a donor's intention and a beneficiary's receipt stands a chain of intermediary banks, foreign-exchange (FX) conversions, and compliance processes that often delay the flow of humanitarian funds across the Asia-Pacific. As a result, humanitarian funds often arrive attenuated, their value gradually eroded by structural and operational frictions embedded throughout the payment chain. For front-line organisations, these frictions constrain programme implementation and reduce the assistance ultimately reaching vulnerable communities.

This publication builds upon the work established by Nana Yaa Boakye-Adjei's *Missing Millions* report in 2009. Boakye-Adjei's (2009) report examined humanitarian aid transfers in the United Kingdom following the global financial crisis in 2008. Fifteen years later, the issue has acquired renewed urgency, particularly in the Asia-Pacific, a region central to humanitarian activity and cross-border financial flows.

The Global Research and Consulting Group at the National University of Singapore has undertaken this publication with the support of our partner, StoneX Group Inc, to examine the inefficiencies embedded in humanitarian finance across the Asia-Pacific region. Over the past academic year, our work has involved engagement with charities and donors in the region, complemented by an extensive review of academic scholarship, institutional reports and market reports. Together, these perspectives have informed the findings of the research.

This research explores how the humanitarian finance ecosystem in the Asia-Pacific can strengthen the resilience of cross-border aid transfers. In doing so, it aims to contribute to a more informed dialogue on reforms required to ensure humanitarian funding reaches communities efficiently.

KANG YUE TONG
President, Global Research & Consulting Group (NUS)

GLOSSARY

APAC Asia-Pacific. In this report, APAC refers to the Asia-Pacific region, which generally includes East Asia, Southeast Asia, South Asia, and Oceania (including the Pacific Islands).

AML/CFT Anti-Money Laundering and Countering the Financing of Terrorism. Rules, controls, and procedures that are designed to prevent the financial system from being used for illicit activity.

BIS Bank for International Settlements. An international financial institution that supports central banks and promotes global monetary and financial stability.

CBR Correspondent banking relationship. An arrangement in which one bank provides services, such as cross-border payments and settlement, to another bank.

Domestic clearing The process by which payments are exchanged, reconciled, and settled within a country's domestic payment system.

FX Foreign Exchange. The conversion of one currency into another, or the market in which currencies are traded.

G20 Group of Twenty. An intergovernmental forum of major advanced and emerging economies that cooperates on global economic and financial issues.

GPI Global Payments Innovation. A SWIFT initiative designed to improve the speed, transparency, and traceability of cross-border payments.

KYC checks Know Your Customer checks. Due diligence procedures used by financial institutions to verify the identity of clients and assess potential compliance or financial crime risks.

MAS Monetary Authority of Singapore. Singapore's central bank and integrated financial regulator.

NGO Non-governmental organisation. Legally registered, professional organisations that operate independently of governments and funding agencies to serve target groups and fulfil social mandates.

NPO Non-Profit Organisation. Legal persons or arrangements that raise and disburse funds for charitable, social, or public benefit purposes.

RSP Remittance service provider. A financial or payments intermediary that facilitates cross-border money transfers.

GLOSSARY

RTGS Real-Time Gross Settlement. A payment system in which transfers are processed individually, in real time, and settled on a gross basis.

SWIFT Society for Worldwide Interbank Financial Telecommunication. A global messaging network used by financial institutions to securely transmit payment instructions and other financial messages.

SEPA Single Euro Payments Area. A European payments framework that enables euro transfers across participating countries under common standards.

TARGET2 Trans-European Automated Real-time Gross Settlement Express Transfer System. The euro area's real-time gross settlement system for large-value euro payments.

EXECUTIVE SUMMARY

Between 2019 and 2023, approximately US$44.4 billion in cross-border humanitarian transfers were channelled through the Asia-Pacific (APAC) region (UN Refugee Agency, 2024).

Despite this scale, organisations continue to rely on wholesale cross-border payment processes that remain inefficient in cost, speed, and transparency. Globally, such frictions generate an estimated US$120 billion in transaction costs, alongside additional losses from unfavourable FX conversions, trapped liquidity, and delayed settlements (JPMorgan, n.d.).

These inefficiencies carry significant human consequences. Estimates suggest that only 50-60% of gross aid reaches final beneficiaries, with the remaining value absorbed by administrative costs (The World Bank, 2024).

US$44.4 Bn
worth of development aid channelled through APAC

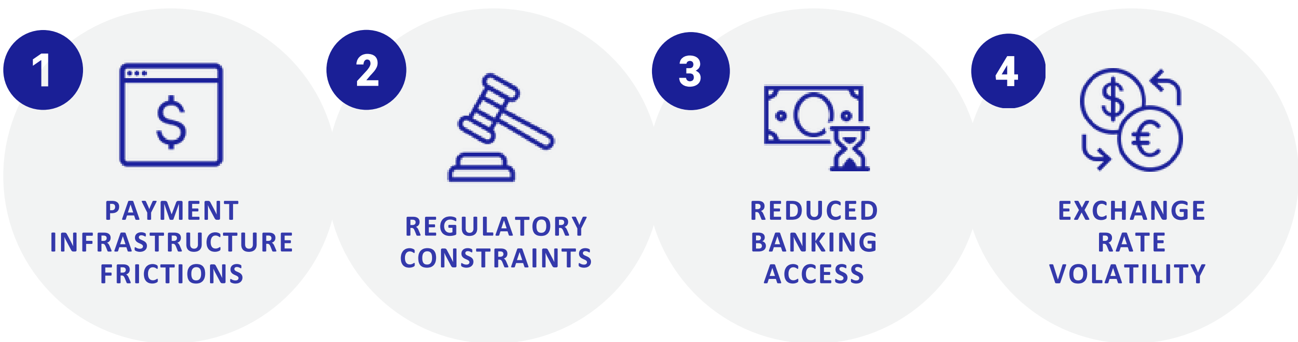
US$120 Bn
lost in annual transactions costs globally

Only 50-60%
of gross development aid reaches intended beneficiaries

CROSS BORDER INEFFICIENCIES

To examine why nearly half of development assistance fails to reach its destination, this report deconstructs the payment journey into its two primary phases: (1) the in-flight leg of international settlement, where funds are transmitted and settled across jurisdictions, and (2) the beneficiary leg of local delivery, where funds are cleared and delivered within the recipient country (BIS, 2022).

Across these phases, four critical themes emerge as the primary drivers of inefficiency:



1 THEME 1: PAYMENT INFRASTRUCTURE FRICTIONS

The reliance on a fragmented correspondent banking model introduces significant technical and operational hurdles for NGOs moving capital across APAC. Unlike integrated regional systems, these legacy frameworks require payments to navigate a labyrinth of bilateral account relationships, often resulting in "cost amplification" through sequential intermediary fees and opaque FX markups. These inefficiencies are most pronounced during the "in-flight" and "beneficiary" legs of the journey, where a lack of direct access to domestic settlement systems forces a dependence on indirect partner banks. This structural complexity not only erodes the net value of aid but also diminishes price transparency and market competition across the region.

2 THEME 2: REGULATORY CONSTRAINTS

Due to the fragmented nature of the APAC region, regulations differ drastically across borders. Conflicting interests, legal systems, and economic priorities have created a highly varied compliance landscape. This section explores the operational barriers and process frictions unique to specific APAC countries, illustrating how stringent regulatory restrictions hinder NGO operations and diminish their impact on beneficiaries.

3 THEME 3: REDUCED BANKING ACCESS

Global bank “de-risking” has severely restricted NGO access to cross-border payment channels by shrinking correspondent banking networks. As international banks respond to tightening AML/CFT standards and rising compliance costs, they are increasingly exiting Correspondent Banking Relationships (CBRs) in perceived high-risk APAC corridors.

When a CBR is terminated, it does not merely raise costs; it can eliminate an entire payment corridor if that bank was the sole clearing provider. This reduces available pathways and forces transactions through longer, more expensive intermediary chains.

4 THEME 4: EXCHANGE RATE VOLATILITY

Macroeconomic and Foreign Exchange (FX) volatility erodes the real value of aid and renders transactions unpredictable. These fluctuations — driven by sudden policy shifts, fragile market conditions, or economic shocks — force NGOs to adapt rapidly to shifting operational requirements, often resulting in the acceptance of unfavorable exchange rates to ensure timely delivery. By analysing currency instability and liquidity constraints, this section evaluates the impact of market unpredictability on aid delivery.

THEMATIC SYNTHESIS

While these four themes arise at different stages of the payment journey, their effects converge in practice. NGOs experience these structural frictions in three recurring ways:

1. **Temporal Uncertainty**: Inconsistency regarding when funds become usable.

2. **Budget Erosion**: The depletion of program budgets through wide FX spreads and intermediary fees.

3. **Administrative Burden**: Increasing treasury management and compliance costs.

Collectively, these frictions limit the ability of NGOs to plan with certainty, deploy resources at full value, and focus organisational capacity on front-line delivery.

INTRODUCTION

APAC'S VULNERABILITY: THE HUMAN AND ENVIRONMENTAL TOLL

The APAC region is defined by extensive coastlines and major river systems, including the Mekong and Red Rivers, which sustain dense populations and critical livelihoods. Despite its cultural diversity and economic dynamism, the region faces persistent civil unrest and human rights challenges that often attract global attention.

Statistically, APAC is the most disaster-prone region, accounting for over three-quarters of the global population affected by natural hazards. Residents regularly contend with earthquakes, floods, typhoons, volcanic eruptions, and extreme temperatures. Both the frequency and intensity of these events have increased in recent years (Humanitarian Action, 2025). In 2024 alone, Cyclone Remal, monsoon flooding in Bangladesh, and Typhoon Yagi in Vietnam affected roughly 9.5 million people (Humanitarian Action, 2025). These environmental shocks are frequently compounded by protracted conflicts, such as in Myanmar, where over 3.5 million displaced people strain already vulnerable infrastructure (Diamond et al., 2025). Despite such high exposure, disaster response varies widely across the region. These regions are faced with fiscal constraints and developmental limitations that restrict domestic resources available for disaster risk management. Consequently, governments must rely on international aid, multilateral financing, and charitable fundraising for emergency relief and reconstruction.

While APAC is a focal point for global aid, empirical evidence suggests that humanitarian and development assistance here is often less effective than in other parts of the developing world, primarily due to high volatility and fragmentation (UN World Food Programme (WFP), 2025; Wood et al., 2020).

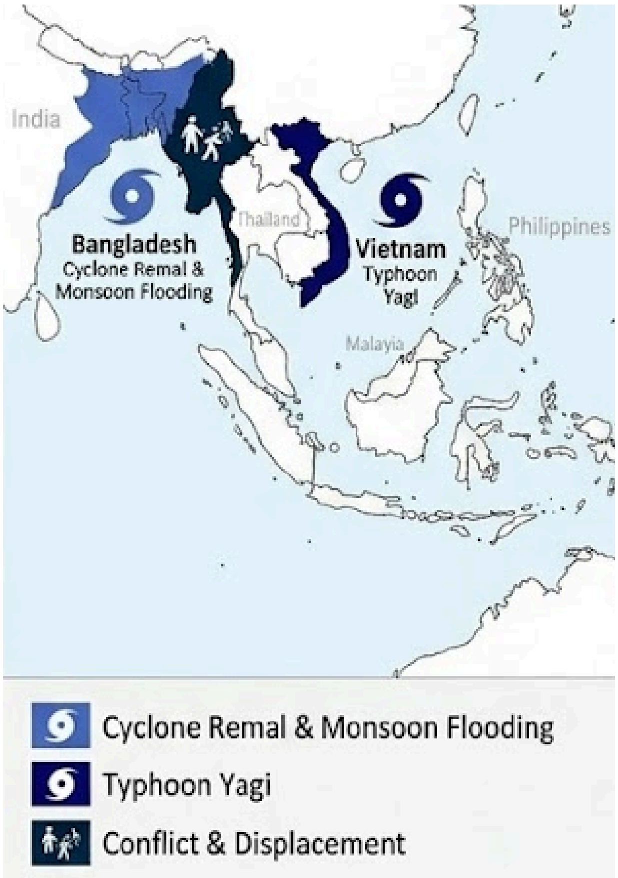


Figure 1: Map depicting natural disasters in 2024

THE AID GAP: VOLATILITY AND INEFFICIENCY IN REGIONAL FLOWS

Given that organisations are constant purchasers of foreign currency, one would expect that securing optimal rates would be a fundamental priority for donors and NGOs. However, while the broader issue of FX has gained some traction, the specific subject of currency procurement and maximising value for money has not received the scrutiny it deserves. This paper aims to address this policy gap, examining how both donors and recipients can better navigate these financial complexities.

METHODOLOGY

The report adopts a diagnostic approach to analyse the structural and operational dynamics affecting NGO FX activities across APAC. The analysis draws on a synthesis of secondary sources, including policy documents, market reports, and institutional publications from multilateral institutions.

To augment these findings, we conducted semi-structured interviews with NGOs operating within selected APAC corridors. These discussions explored the end-to-end realities of the payment journey, including provider selection, pricing transparency, settlement timelines, and regulatory bottlenecks. The qualitative insights were triangulated with secondary data to highlight recurring patterns and operational constraints.

Following this, we analysed the roles, objectives, and risk exposure of four key groups: donors, governments, beneficiaries, and payment providers. This allowed us to observe how outcomes are shaped across the payment chain.

Each stakeholder group was then evaluated in terms of its purpose, decision drivers, and sensitivity to FX fluctuations. This approach revealed how the differences in incentives and currency risk exposure influence payment efficiency, costs and risk allocation across the payment chain.

	Donor	Government	Beneficiary	Payment Provider
Description	The benefactor **providing the funds**, either in their local or foreign currency	The authority **regulating** FX flows and **overseeing** compliance	The **recipient** of funds, often in their local currency	The intermediary that **executes FX conversions** and fund transfers
Purpose	**Philanthropy**, drive positive change and give back to society	Maintain **financial stability**, **prevent financial crimes** and support **local development**	**Utilise funds** to meet basic and/or essential needs	Provide effective and efficient **FX transfer services**
Decision Drivers	**Country**, **impact** on beneficiaries, **regulations**, trust and **transparency**	Market volatility, physical **threats**, **geopolitical** and **economic** concerns	**Cause of predicament** and basic **needs**	**Profitability**, market size, regulations and country
FX Rate Sensitivity	**Medium to high** – prefers favourable and less volatile rates, hedges against FX risks	**Medium to high** – prefers stable currency, and may impose FX rate controls	**High** – value of funds received can be affected, often unaware of the FX processes	**Varies** – may manage FX volatility by passing cost to other stakeholders

Figure 2: Stakeholder Analysis

SETTING THE CONTEXT: CURRENT APAC PAYMENT INFRASTRUCTURE

This section provides an overview of the stages, infrastructure, and fund flow processes involved in cross-border NGO payments, establishing a foundation for the subsequent analysis of pain points that drive higher remittance costs. Examining this infrastructure is critical, as it determines how funds are routed and settled, which directly shapes the cost outcomes observed across different execution pathways.

Cross-border payments initiated by NGOs are generally structured around three sequential stages, as illustrated in Figure 3.

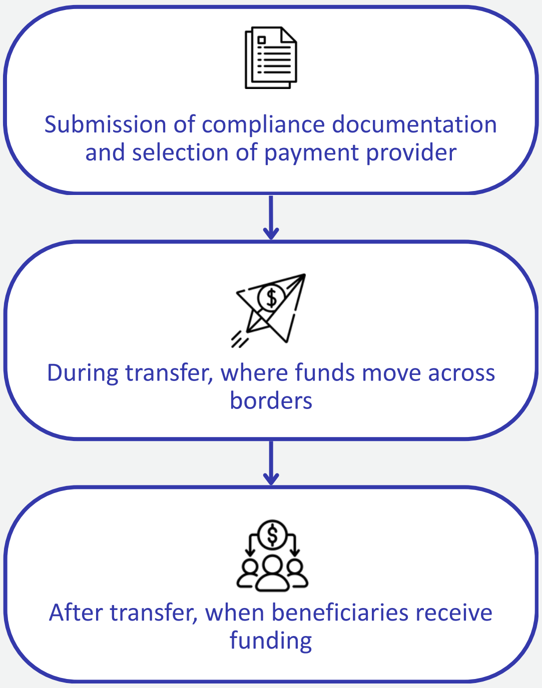


Figure 3: Simplified flow of a cross-border payment

The following sections explore the existing payment flow across these three stages.

STAGE 1: THE COMPLIANCE HURDLE AND PROVIDER SELECTION

In current payment processes, NGOs must navigate a range of compliance requirements that interviewees described as "remarkably extensive and highly exhaustive." Before funds can be transferred overseas, organisations are required to meet both internal and external compliance mandates, including Anti-Money Laundering (AML) and Know-Your-Customer (KYC) checks, alongside the submission of comprehensive supporting documentation. While demanding, this process plays a critical role in shaping the selection of an appropriate payment provider based on the outcomes of these assessments.

This process is far more than a mere administrative hurdle — it determines the routing of funds, the location of liquidity, and the number of intermediaries involved. Ultimately, provider selection dictates whether funds move through bank-based or fintech-mediated cross-border payment arrangements, leading directly into the second stage of the process.

STAGE 2: THE CHOICE OF TRANSFERS

These two models: bank-based and fintech-mediated, rely on distinct execution architectures, each with significant implications for cost, speed, and transparency. The two execution arrangements are outlined below.

(1) Payment Routes for Bank-based Cross-Border Transfers

When NGOs transfer funds through traditional banks, payments are typically executed through the correspondent banking system. In this arrangement, the NGO instructs its bank in the sending country (the "respondent bank") to initiate the transfer. A bank in the receiving country (the "correspondent bank") then routes the payment to the final beneficiaries.

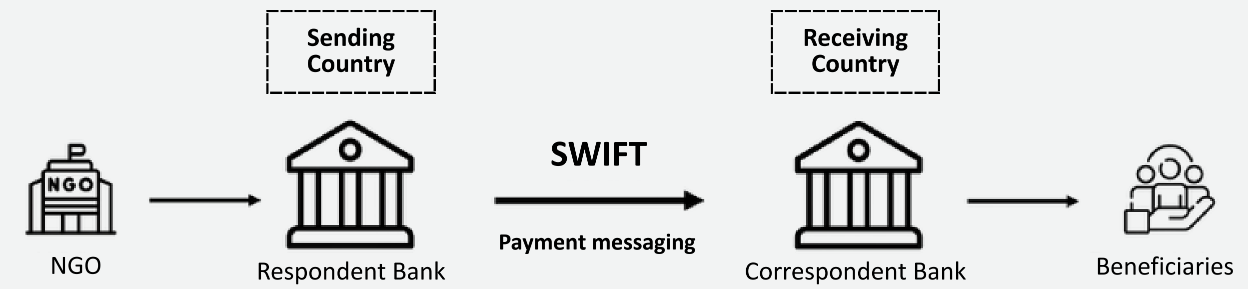
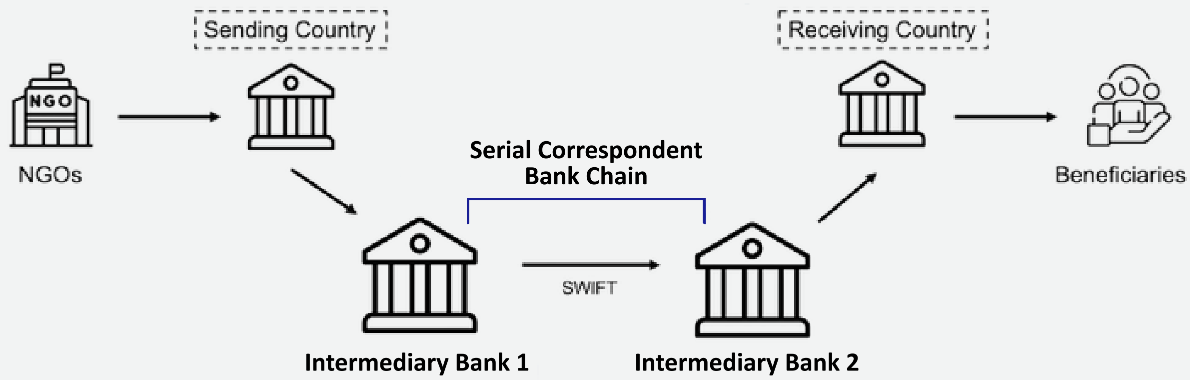


Figure 4: Direct bilateral correspondent banking arrangement

Payment instructions between respondent and correspondent banks are transmitted via the SWIFT network, which provides a secure, standardised channel for interbank messaging. If the respondent bank maintains a direct account relationship with the correspondent bank, the transfer can be executed efficiently through a single interbank link (Figure 4).

However, direct bilateral relationships are not always available, particularly in less liquid corridors. In these instances, payments must be routed through one or more intermediary correspondent banks, creating a "serial correspondent chain" (Figure 5). Each intermediary maintains a bilateral relationship with the next bank in the chain, allowing funds to be transmitted sequentially until they reach the final receiving bank. These chains can involve multiple intermediaries (typically two to three) across several jurisdictions, which increases processing time, operational complexity, and the number of points at which fees and FX spreads may be applied.



Source: Bank for International Settlements (BIS)

Figure 5: A serial correspondent banking chain with intermediary banks

(2) Payment Routes for FinTech Mediated Transfers

Against this backdrop, fintech-mediated payment models have emerged to reduce reliance on extended correspondent banking chains. Many fintech providers, such as Airwallex and Wise maintain prefunded payout balances within recipient jurisdictions. Under this approach, funds are held locally in the destination country in advance, allowing beneficiaries to be paid directly without requiring each individual transaction to traverse the full cross-border correspondent network. Consequently, the payment is executed as a domestic transfer within the recipient country rather than a traditional cross-border transaction.

This model reduces the number of intermediary banks and limits the reliance on repeated SWIFT messaging, thereby simplifying execution and lowering exposure to the additional fees common in traditional correspondent banking. By bypassing intermediary banks, fintech-mediated execution can shorten settlement times and reduce uncertainty regarding deductions applied along the payment path.

In the fintech model, FX conversion is typically applied transparently at the point of initiation rather than at multiple stages of the transaction, which improves cost visibility. Additionally, many fintech providers utilise digital-first business models without physical branch networks, focusing on a narrow suite of services centred on FX execution and cross-border payments. This specialisation supports greater pricing transparency and often results in tighter FX spreads (TheFintechTimes, 2025).

However, in payment corridors where local pre-funding is unavailable, fintech-mediated transactions must still rely on traditional correspondent banking models. Thus, while fintech companies aim to reduce dependence on traditional banks, they cannot yet entirely bypass the underlying infrastructure that mediates these payments.

In the case of StoneX, cross-border payments are executed through an established network of correspondent banking relationships rather than local prefunding models commonly adopted by some fintech providers. This approach reflects continued reliance on traditional correspondent banking infrastructure, particularly in corridors where

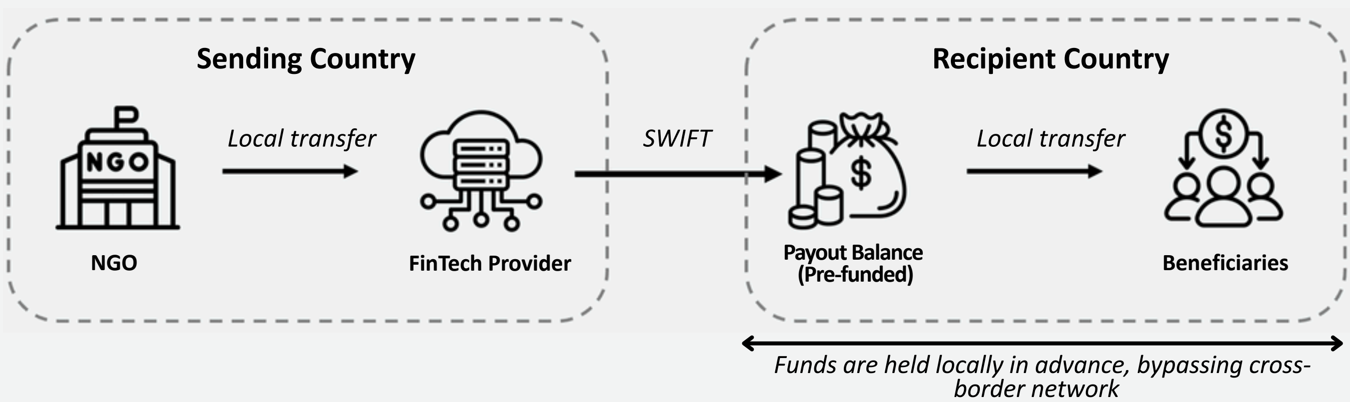


Figure 6: Example of FinTech-Mediated 'Pre-funded' Payment Arrangement

prefunding or local clearing mechanisms are unavailable. By accessing multiple correspondent banking counterparties, FX conversion is sourced from prevailing market liquidity and applied within the transaction exchange rate, without the addition of separate FX conversion fees. Settlement is therefore conducted through conventional correspondent banking channels, consistent with legacy cross-border payment structures.

CONCLUSION

Understanding these existing payment flows provides the necessary context for analysing cost outcomes in cross-border payments. The following sections focus on how the structural features of bank-based systems contribute to higher costs and operational inefficiencies across APAC corridors.

THEME 1: PAYMENT INFRASTRUCTURE FRICTIONS

Traditionally, NGOs have relied on commercial banks to execute cross-border payments (InPay, 2025). A key insight from primary interviews is that NGOs have long preferred transfers via established banks, as they are widely perceived by both organisations and the public as more secure due to their stringent Anti-Money Laundering (AML) checks. Beyond reliability, many transactions continue to be routed through correspondent banking networks because they still constitute the backbone of cross-border payments. Consequently, NGOs are continuously exposed to the inherent inefficiencies of the correspondent banking model.

These inefficiencies emerge at two distinct stages of the payment journey. The first is the in-flight leg (see Figure 7) where funds are transmitted and settled across jurisdictions via correspondent banking networks (BIS, 2022). The second is the beneficiary leg, where funds are cleared and delivered within the recipient country.

The following sections examine each stage in detail, highlighting the underlying root causes, fund-flow mechanisms, and cost implications.

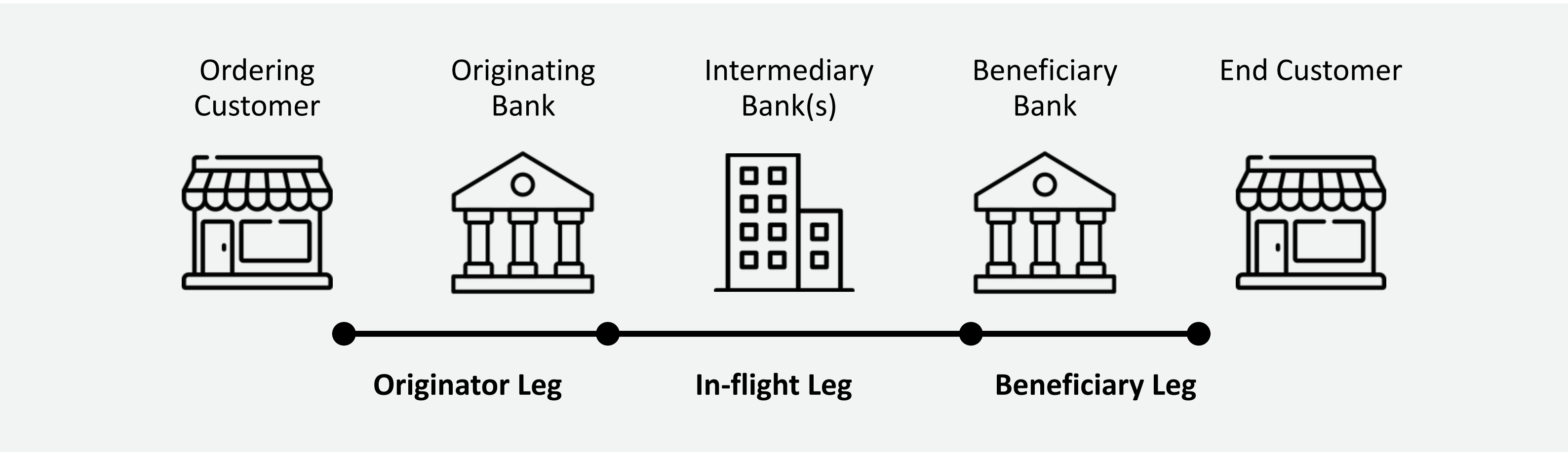
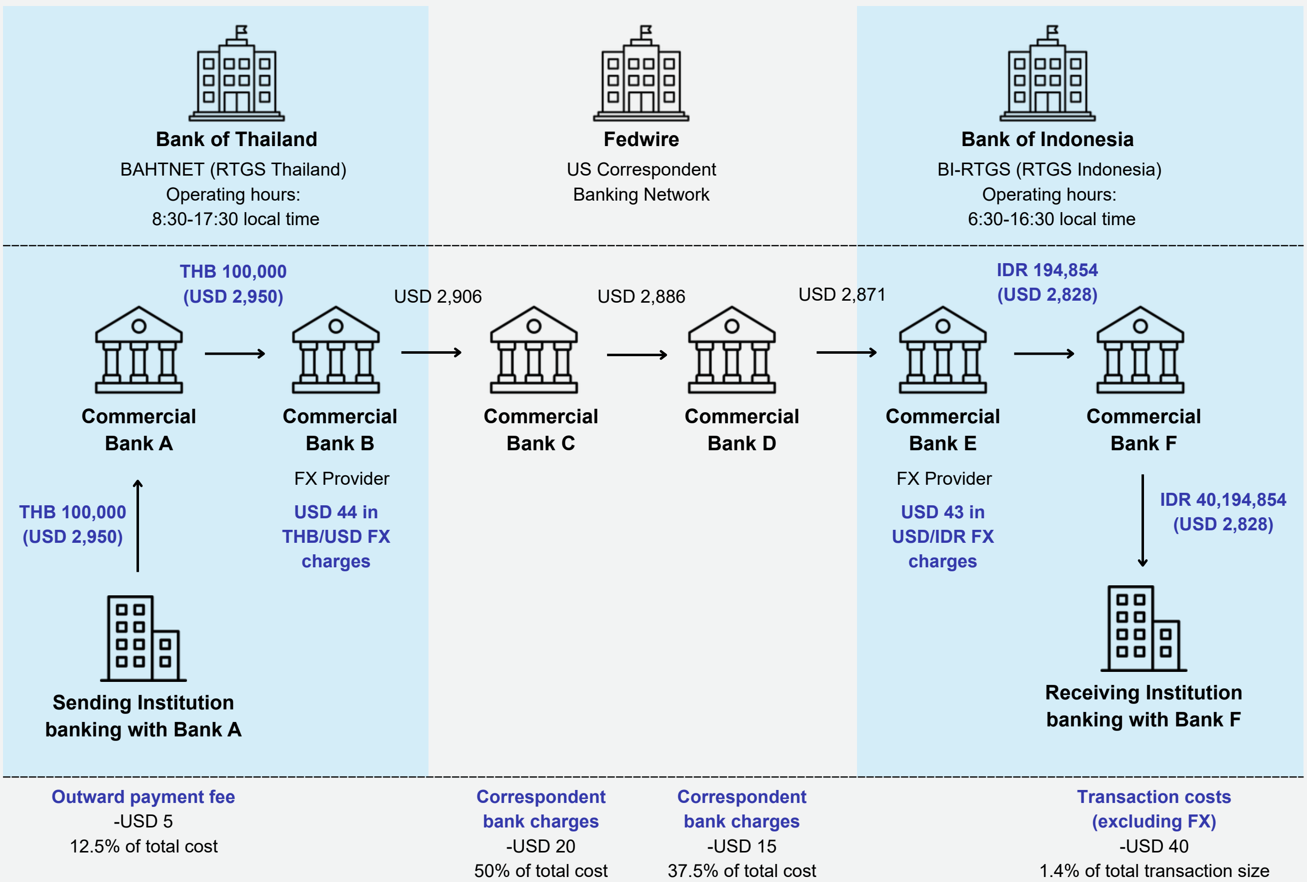


Figure 7: Example of end-to-end payment flow

THE INTEROPERABILITY GAP & WHY FRAGMENTATION MANDATES A RELIANCE ON INTERMEDIARIES

During the in-flight leg, funds are transmitted and settled across jurisdictions through correspondent banking networks. National payment systems are designed primarily for domestic settlement and often lack seamless cross-border interoperability. In the APAC region, each jurisdiction operates its own Real-Time Gross Settlement (RTGS) system, licensing framework, and settlement rules, with limited regional integration. Unlike the European Union's (EU) TARGET2 system, which enables direct domestic-to-cross-border settlement within a unified framework, APAC lacks a comparable regional settlement infrastructure.

As a result, cross-border payments cannot typically be settled in a single step. Banks and payment providers must instead rely on correspondent banking arrangements to move funds across jurisdictions. Under this model, payments are routed through networks of bilateral account relationships between banks rather than through direct system-to-system settlement[1]. The specific path a payment takes is not always determined by the originating institution, but is instead shaped by factors such as currency requirements, liquidity availability, and existing bilateral relationships between correspondent banks (MAS, 2018). Consequently, payment routes may involve multiple intermediary institutions and can vary across individual transactions. The implications of this reliance on correspondent banking for pricing and transparency are examined below.



Source: J.P. Morgan

Figure 8: An illustrative cross-border payment flow via correspondent banking

(1) A payment arrangement where two domestic payment systems (typically RTGS systems) are directly linked, enabling funds to be settled across jurisdictions within central bank infrastructures, rather than via correspondent banking account chains.

IN-FLIGHT FRICTIONS: COMPOUNDING COSTS AND THE OPAQUE FEE CHAIN

(1) Cost amplification through intermediary fees and FX markups

In bank-based cross-border payments, reliance on correspondent banking introduces multiple layers of cost along the transaction chain. Each intermediary bank may impose transaction fees, liquidity management charges, and compliance-related costs, which are often deducted sequentially from the transferred amount rather than disclosed transparently or charged upfront. In addition, FX conversion can occur at more than one point in the payment flow, exposing the transaction to multiple FX spreads. This effect is particularly significant for currencies with relatively illiquid FX markets, where spreads charged by intermediaries tend to be wider (IMF, 2022).

A single cross-border transfer may pass through multiple correspondent banks across jurisdictions, with fees and FX charges accruing incrementally at each stage (see Figure 8). For NGOs operating on tight program budgets, these layered deductions ultimately reduce the net funds received on the ground, limiting NGOs' ability to deploy resources as planned. This challenge is supported by primary interviews conducted for this study, where NGO representatives reported frequent delays, blocked transfers, and opaque fund routing across several corridors. Interviewees highlighted cases where transfers were delayed for prolonged periods due to regulatory restrictions, forced to pass through third countries, or became untraceable even after successful initiation.

In Myanmar, the government tends to hold money, especially for organization-to-organization transfers.

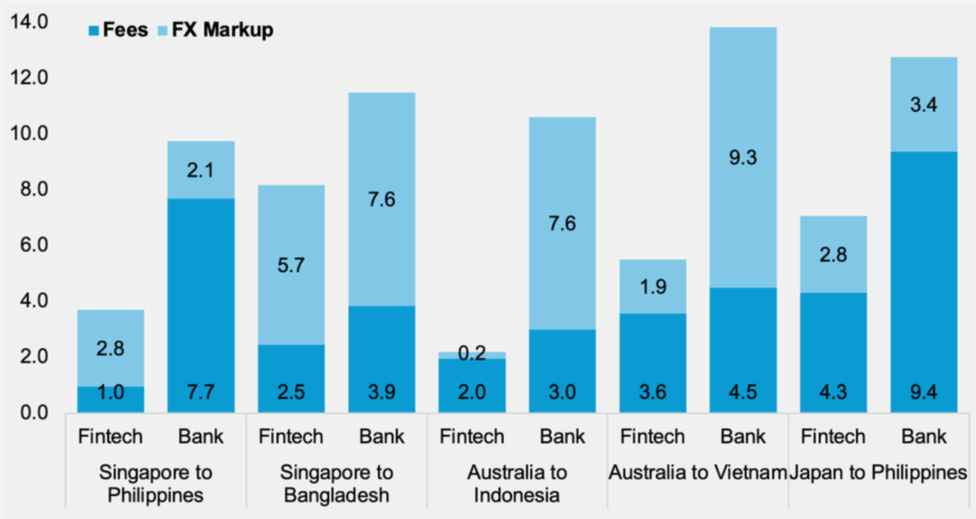
Only around 20% of funds pass through as they must make it through Israel first.

Excerpts extracted from interviewees

Overall, the interviews indicated that approximately 70% of cross-border transfers encountered operational issues during FY2024-2025, illustrating how intermediary chains and jurisdictional frictions materially disrupt aid delivery.

Secondary research was conducted to investigate the cost breakdown of sending USD 200, including transaction fees and implied FX markups, for both bank-based and fintech-mediated providers across selected APAC corridors (see Figure 9). Across all corridors examined, bank-based transfers exhibited materially higher total remittance costs than fintech-mediated alternatives. These differences are driven by a combination of higher explicit fees and substantially larger implied FX markups. In contrast, fintech-mediated transfers displayed lower and more stable FX markups, consistent with greater pricing transparency and execution models that rely less heavily on correspondent banking, such as pre-funded local payout accounts.

Decomposition of average remittance costs of sending USD 200 by provider type across selected APAC corridors 1Q2025 (USD)



For each corridor and provider type, the figure reports the average cost of sending USD 200, based on the three lowest-cost providers available in the World Bank Remittance Prices Worldwide (RPW) database for the first quarter of 2025. Where fewer than three bank-based providers were available in the RPW database (Singapore-Bangladesh and Australia-Vietnam corridors), averages for the bank category are computed using the two lowest-cost banks observed. Total remittance cost is decomposed into (i) explicit transaction fees charged to the sender and (ii) implied FX markups, calculated by multiplying the RPW-reported exchange-rate margin (per cent) and the transaction amount. All values are expressed in USD.

Source: The World Bank Remittance Prices Worldwide

Figure 9: Decomposition of average remittance costs of sending USD 200 by provider type across selected APAC corridors

(2) Limited visibility over fees and FX spreads reduces price transparency

In serial correspondent payment chains, routing decisions are often made by downstream correspondent banks. Consequently, neither the sender nor the end-user can observe the charges applied or the full cost structure upfront (MAS, 2018). This opacity limits meaningful price comparison and weakens competitive pressure among providers. While initiatives like SWIFT Global Payments Innovation (GPI) have improved tracking, they do not fully resolve transparency limitations in practice. Gains depend on consistent participation across the entire chain, yet in many APAC corridors, not all intermediary banks have adopted GPI (Thunes, 2025). Furthermore, while SWIFT GPI improves visibility until funds reach the beneficiary institution, the final leg of the payment remains governed by domestic clearing practices and local regulatory processes (SWIFT, 2025). These non-standardised processes mean that total transaction costs and the final amount credited may only become clear after settlement.

In most jurisdictions, providers are only required to disclose the applied FX rate, without providing reference benchmarks or a comprehensive breakdown of transaction costs.

Source: Wise G20 Roadmap

Figure 10: Price Transparency Ratings, based on the Wise G20 Roadmap Report

FEATURE	CHINA	INDIA	EU (SEPA)
Marketing Practice	Often "fee-free" (costs hidden in spread)	Varies - often lacks upfront rate clarity	Mandated parity between domestic & cross-border fees
Rate Disclosure	Applied rate only, no benchmark	Retail rates often not disclosed prior to execution	Upfront disclosure of markup vs. ECB reference rate
Cost Transparency	*Low* - costs embedded in bid-offer spread	*Low* - lack of visibility vs. mid-market rates	*High* - benchmark-based transparency limits hidden costs
Impact to NGO	**High budget uncertainty**	**High forecasting difficulty**	**Improved budgeting donor reporting accuracy**

Table 1: Comparison of FX Disclosure Requirements by Jurisdiction

In China, for example, it remains common for remittance products to be marketed as "fee-free," while the actual costs are embedded within the bid-offer FX spread (Wise, 2024). Similarly, in India, banks are not mandated to disclose current retail FX rates before execution. As a result, customers often initiate cross-border transactions without visibility into the applied FX rate or how it compares to the prevailing mid-market rate. In practice, FX markups typically range from 0.5% to 2%, even when transfers are marketed as "low-cost" or "fee-free," contributing to inconsistent pricing and limited transparency into the true cost of transactions (Wise, 2024).

In contrast, the European Union’s Single Euro Payments Area (SEPA) framework mandates parity between domestic and cross-border fees and requires the upfront disclosure of FX markups relative to the European Central Bank reference rate (SEPA, 2019). This regulatory approach significantly improves price comparability and limits the accumulation of hidden costs. Consistent with this, Wise’s Transparency Rating, which benchmarks countries against G20 standards for fee disclosure, FX margin transparency, and regulatory enforcement, shows that APAC jurisdictions generally score lower than their European counterparts on these measures (see Figure 10). For NGOs, this limited transparency in fees and FX spreads complicates budgeting, forecasting, and donor reporting since transaction costs cannot be accurately anticipated or attributed in advance.

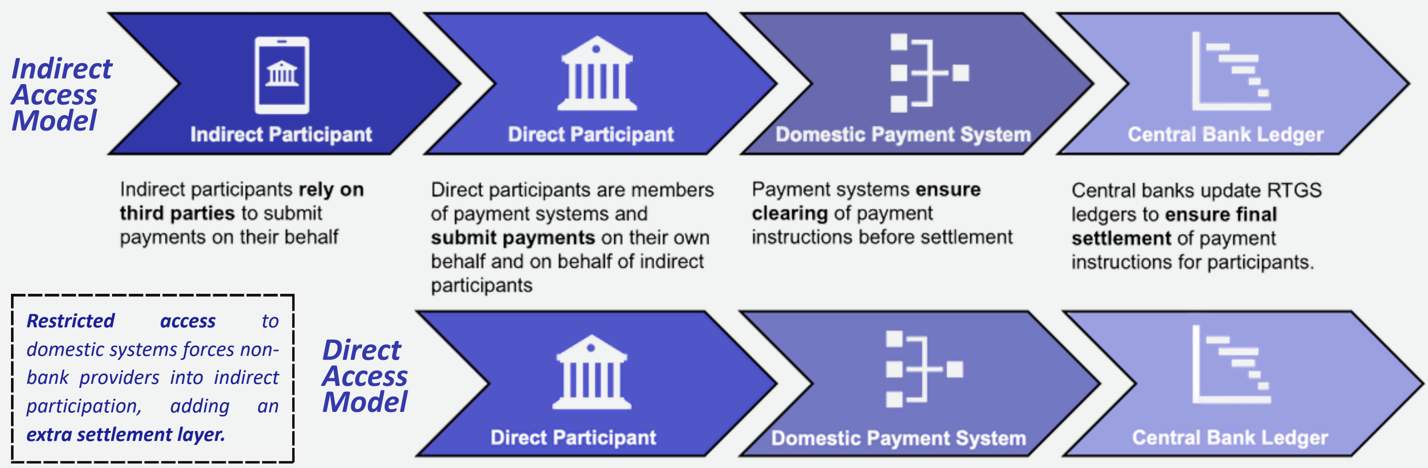
THE BENEFICIARY LEG

Once funds enter the destination country, they must be transferred from the payment provider to the end beneficiary through domestic clearing and settlement systems. In many APAC jurisdictions, this final stage of execution introduces additional frictions, particularly for non-bank remittance service providers (RSPs). The following sections illustrate how restricted access to domestic payment systems shapes the execution of payments in the beneficiary leg.

BENEFICIARY LEG FRICTIONS: REGULATORY CONSTRAINTS AND MARKET DOMINANCE

(1) Restricted access to domestic payment systems forces indirect participation by non-bank RSPs

Across much of APAC, direct access to domestic clearing and RTGS systems is typically restricted to licensed banks. Non-bank RSPs, including fintech platforms, are generally excluded from direct participation due to regulatory and risk management considerations. Consequently, these providers must rely on partner banks to access domestic infrastructure. This reliance introduces an additional settlement layer: funds move from the non-bank provider to a partner bank, which then initiates clearing before crediting the beneficiary. This "indirect participation" structure adds operational complexity and intermediaries to the beneficiary leg (see Figure 11).



Source: BIS, CPMI

Figure 11: Transaction Chain of Indirect vs Direct Participants

(2) Dependence on banks with direct access leads to higher fees and market concentration

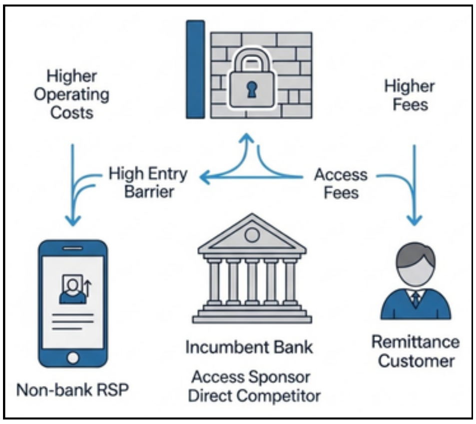


Figure 12: Access barriers faced by non-bank remittance service providers

Indirect participation increases operating costs and raises entry barriers for non-bank RSPs, limiting their ability to compete with incumbent banks (BIS, 2022). This environment reinforces bank dominance and weakens competitive pressure to reduce fees, as incumbent banks, acting as both competitors and access sponsors, may have limited incentive to facilitate access for potential rivals (BIS, 2022). This is corroborated by research from the UN Economic and Social Commission for Asia and the Pacific that corridors with fewer RSPs tend to exhibit higher average remittance costs.

CONCLUSION

The reliance on a correspondent banking backbone exposes NGOs to deep-seated inefficiencies that directly erode the value of humanitarian aid. As funds traverse the "in-flight leg," they are subjected to an opaque gauntlet of intermediary fees and FX markups that are rarely disclosed upfront. Even upon reaching the "beneficiary leg," restricted access to domestic payment systems and the necessity of indirect participation amplify costs and extend settlement timelines.

For NGOs, this lack of transparency is not merely a financial burden. It is an operational barrier that complicates budgeting and weakens donor accountability. While fintech-mediated models offer a more transparent and cost-effective alternative through local pre-funding, they cannot yet entirely bypass the traditional infrastructure in many APAC corridors. Ultimately, these technical and market-driven frictions are reinforced by a lack of regional interoperability, leaving aid delivery vulnerable to the high costs of a fragmented financial landscape.

RECOMMENDATIONS

Recommendations for NGOs

A structured approach to FX management may help NGOs reduce inefficiencies arising from fragmented execution, limited cost visibility, and reliance on single providers. This can be framed across five key steps: planning execution, improving pricing transparency, strengthening internal tracking, introducing provider comparison, and pooling demand where possible.

(1) Apply Selective Timing to FX Conversion

First, in planning FX execution, where operationally feasible, NGOs may benefit from monitoring exchange rate movements before conversion. Avoiding conversion during periods of acute volatility may help reduce adverse rate execution in certain corridors, even though timing the market is difficult and often constrained by program timelines or regulatory mandates. While this approach is not always practicable, for instance, where immediate disbursement is required, it may be relevant for scheduled or recurring transfers.

(2) Seek Full Breakdown of Transfer Fees and FX Rates

Second, in improving pricing transparency, clearer communication with payment providers can enhance cost predictability. NGOs may request a detailed upfront breakdown of all expected charges before initiating a transfer, including (i) sending fees, (ii) any intermediary bank fees that may be deducted along the chain, and (iii) the exchange rate applied relative to the prevailing market rate. Where possible, NGOs may also clarify whether intermediary fees will be deducted from the transferred amount or borne by the sender. While full transparency is not guaranteed in all corridors, seeking clarity in advance can reduce unexpected shortfalls at the beneficiary stage and improve budgeting accuracy. Some providers disclose cost components and FX rates prior to execution, indicating the expected amount to be received by the beneficiary, which improves overall visibility of transaction outcomes.

(3) Track Gross vs Net Receipts to Identify FX Losses

Third, in strengthening internal tracking, internal monitoring mechanisms can help NGOs move from ad hoc execution towards a more systematic understanding of costs. Maintaining a simple internal log that records gross amounts sent, net amounts received, FX rates applied, and fees deducted enables NGOs to identify recurring cost patterns across corridors and providers. Over time, this information can support more cost-efficient provider selection and improve the accuracy of financial projections. Budgeting practices may likewise be adjusted to reflect expected net amounts received rather than the nominal value transferred. In short, incorporating historical average FX spreads and fee deductions into project budgets can reduce the risk that programme teams receive less funding than anticipated once transfers are completed.

(4) Benchmark Providers to Identify Cost-Efficient FX Execution

Fourth, in introducing provider comparison, NGOs may benefit from approaching FX procurement as a competitive and provider-specific process rather than relying on a single banking partner. Different banks and fintech providers often offer varying fee structures, FX spreads, and corridor-specific capabilities, which may not be immediately comparable without active evaluation. By periodically obtaining quotes from multiple providers and assessing both explicit fees and implied exchange rate margins, NGOs may identify more cost-efficient execution options for specific transfer routes. In practice, some NGOs follow a benchmarking cycle where, after an initial comparison phase, they remain with a selected provider for a period (often around 6 to 12 months) before reassessing market options.

However, depending on transfer frequency and corridor volatility, more frequent benchmarking may further strengthen cost control. While this approach may introduce additional administrative effort and may not be practical for time-sensitive disbursements, it can be particularly relevant for planned or recurring transfers. Over time, adopting a more deliberate provider selection process may support improved cost control, greater pricing transparency, and more efficient allocation of funds across programmes.

(5) Explore Aggregation to Improve FX Pricing and Fees

Fifth, in leveraging scale, collaboration among NGOs operating within the same corridor may strengthen negotiating leverage by combining transfers into larger, bulk payments. Larger transaction sizes can, in some cases, enable access to more favourable FX rates or reduced per-transfer fees from providers. While primary interview findings indicate that cross-organisational pooling can be complicated by factors such as governance structures, differing compliance requirements, and coordination challenges, preliminary discussions to assess potential collaboration may still be worthwhile where operational objectives align.

Even without fully combining funds, NGOs could maintain a shared database of recent FX rates and fees quoted by providers to improve price comparison.

Recommendations for policymakers

While NGOs can optimise execution at the operational level, many infrastructure-related frictions are structural and require coordinated action by policymakers and payment system operators. Addressing these constraints at the system level may reduce inefficiencies across entire payment corridors rather than at the level of individual transactions.

Infrastructure reform can be viewed across two layers: standardising the rules that govern cross-border payments, and improving interoperability between payment systems. Together, these measures can reduce fragmentation, improve transparency, and enhance efficiency for NGOs operating across multiple corridors.

(1) Standardise Rules on Pricing, Messaging, and Disclosure

Policymakers may consider introducing consistent rules governing how cross-border payments are formatted, priced, and disclosed. This includes mandating standardised messaging formats (such as ISO 20022), requiring upfront disclosure of FX rates and all fees, and aligning pricing between domestic and cross-border transactions.

A key reference point is the Single Euro Payments Area (SEPA) (European Central Bank, 2025). Under SEPA and related EU regulations:

- Cross-border euro payments are charged the same fees as domestic euro payments
- Payments follow standardised formats and data fields based on ISO 20022
- Providers must disclose all charges upfront, with FX conversions benchmarked against reference rates such as the ECB rate
- The full payment amount is transferred under shared charging rules, reducing arbitrary deductions along the chain

These rules reduce variation in how payments are executed and priced across countries. For NGOs, this improves cost predictability, reduces hidden deductions, and enables more reliable budgeting of the amount ultimately received.

(2) Improve Interoperability Between Domestic Payment Systems

In parallel, policymakers may focus on improving interoperability between domestic payment systems, allowing funds to move directly between countries without passing through multiple intermediary banks. This approach is often more feasible in the near term, as it can be implemented through targeted linkages between specific systems without requiring full regulatory harmonisation across regions.

The PayNow-PromptPay linkage illustrates this approach (MAS, 2021). It connects Singapore's FAST PayNow system with Thailand's PromptPay system, enabling near real-time transfers using mobile identifiers. Transactions are routed directly between the two domestic systems, reducing reliance on correspondent banks and shortening the payment chain. For NGOs, this can improve speed and reduce uncertainty for smaller or recurring transfers within active corridors.

A more scalable model is being developed under Project Nexus, led by the BIS Innovation Hub (BIS, 2025). Nexus is not yet widely implemented, but has completed its blueprint phase and is moving toward initial deployments with participating countries including Singapore, Malaysia, the Philippines, Thailand, and India. It connects domestic instant payment systems through a central switching layer that standardises how payment messages are translated, validated, and routed between systems. Instead of requiring separate bilateral links for each corridor, each country connects once to the Nexus platform, which then enables payments to flow across all connected systems.

Taken together, improving interoperability can reduce reliance on multi-layered correspondent banking chains, shorten transaction pathways, and improve consistency in how payments are executed across corridors. For NGOs operating across multiple jurisdictions, this may translate into fewer routing uncertainties, faster settlement, and more predictable transfer outcomes.

THEME 2: REGULATORY & COMPLIANCE CONSTRAINTS

The APAC region features a diverse array of legal systems and governance structures that collectively create a fragmented and increasingly restrictive regulatory environment for NGOs attempting to transfer funds into and within the region. Because national interests and compliance requirements vary, there is no single standard governing how foreign funds operate or move across the region. Instead, NGOs must navigate a complex web of country-specific requirements.

Over the past two decades, regulatory scrutiny has increased significantly. This shift is driven by political concerns regarding national sovereignty, a heightened focus on preventing financial crime, and pressure on governments to meet international regulatory standards. These factors have resulted in more restrictive operating environments, raising both entry barriers and ongoing compliance costs. The following limitations will be analysed:

(1) Institutional Barriers: Securing the Legal Right to Operate
(2) Systemic Oversight: Global FATF Standards and "De-risking"
(3) Operational Execution: Financial Friction and Process Bottlenecks

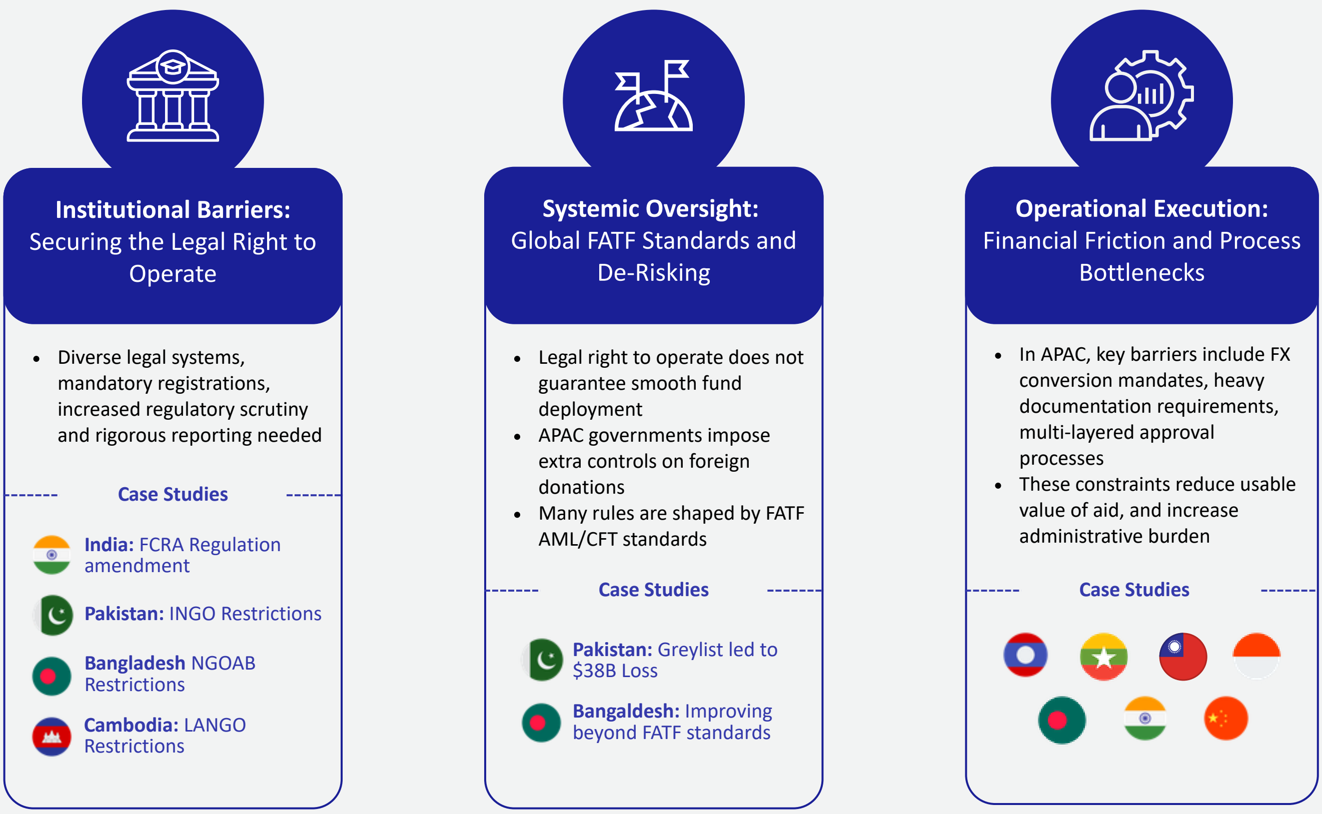


Figure 13: Summary of key regulatory and operational barriers affecting NGO fund transfers in the APAC region

(1) INSTITUTIONAL BARRIERS: SECURING THE LEGAL RIGHT TO OPERATE

Operational barriers are the regulatory conditions that determine whether an NGO can legally operate and receive foreign funding. These barriers often arise before a transfer is even initiated. Governments, particularly in low-to-middle-income APAC countries where foreign aid is vital for development and advocacy, increasingly view foreign-funded NGOs as potential conduits for external political or ideological influence (Dupy et al., 2016). During periods of political uncertainty, such as elections or social unrest, governments tend to exert greater control over civil society actors. For NGOs, this translates to mandatory registrations, requirements for prior government approval of foreign grants, and caps or prohibitions on specific types of foreign donations (ANGOC, 2022). Furthermore, they face rigorous financial reporting and auditing obligations, along with expanded state powers to monitor, suspend, or revoke operating licenses for non-compliance (CIVICUS, 2025).

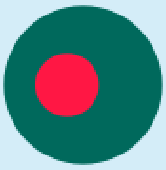
REGIONAL CASE STUDIES

In India, the Foreign Contribution Regulation Act (FCRA), which regulates all foreign contributions to Indian civil society, was enacted in 1976 and significantly amended in 2010 and 2020 (SATTVA Consulting, 2020). The 2020 amendments granted the government increased powers to suspend registrations, reduced the cap on foreign funding for administrative expenses, and intensified renewal requirements (Agarwal, 2022). These changes were justified by claims that foreign-funded NGOs were obstructing development projects and hindering economic growth (Ranjan, 2014).

Consequently, over 20,000 NGOs lost their eligibility to receive foreign funds, which drastically reduced their operational capacity (Scroll Staff, 2016). The International Commission of Jurists described these amendments as a tool to "silence [the] Indian civil society," noting that the FCRA is frequently used to halt the operations of prominent organisations, particularly those focused on human rights reporting and advocacy.

Similarly, authorities in Pakistan have imposed tighter controls on international NGOs, citing national security concerns and allegations of foreign interference. In several instances, international NGOs were forced to scale back or cease operations following increased scrutiny from security agencies (BBC, 2015).

REGIONAL CASE STUDIES *continued*



In Bangladesh, the Foreign Donations (Voluntary Activities) Regulation Act requires all organisations receiving foreign donations to register with the NGO Affairs Bureau (NGOAB) and obtain project-by-project approval before accessing funds. This approval process is cumbersome, requiring clearance from the NGOAB, the Ministry of Finance, and other relevant ministries.

In Cambodia, the Law on Associations and Non-Governmental Organisations (LANGO) requires both domestic and international NGOs to register with the Ministry of Interior and enter into formal agreements that the government may suspend unilaterally. Following registration, NGOs must notify authorities of all bank accounts within 30 days and comply with annual reporting and amendment notification requirements to maintain legal operation (Acclime, 2015).

Cumulatively, this creates a regulatory landscape where the right to operate as a foreign-funded NGO is contingent on satisfying registration requirements that vary by jurisdiction and can be withdrawn with limited recourse. Organisations operating across multiple APAC countries must maintain separate compliance frameworks for each, with no guarantee of regional operational stability. These regulatory burdens disproportionately affect smaller and local NGOs, which often lack the resources to manage complex compliance functions. As administrative demands rise, organisations are forced to divert time and funding away from project implementation and service delivery, leading to delays and, in some cases, the total suspension of activities (Redvers, 2022).

(2) SYSTEMIC OVERSIGHT: GLOBAL FATF STANDARDS AND "DE-RISKING"

Even so, the legal right to operate and receive funds does not guarantee an NGO can successfully deploy them. Several APAC governments impose additional controls on how foreign donations are spent, where they may be subgranted, and the specific channels through which funds must flow. These requirements largely stem from standards set by the Financial Action Task Force (FATF), the intergovernmental body responsible for global anti-money laundering (AML) and counter-terrorism financing (CFT) standards.

The FATF standards were first established in 2002 to address specific Terrorist Financing (TF) vulnerabilities following the September 11 attacks. As the threat environment and self-regulatory mechanisms have evolved, APAC governments have introduced enhanced due diligence requirements for NGO transactions (FATF, 2015).

Definitions of NGOs and NPOs in FATF

According to the FATF and the World Bank, Non-Profit Organisations (NPOs) are legal persons or arrangements that raise and disburse funds for charitable, social, or public benefit purposes. By contrast, Non-Governmental Organisations (NGOs) are legally registered, professional organisations that operate independently of governments and funding agencies to serve target groups and fulfill social mandates. Because NGOs typically raise and disburse funds via grants and subcontracts, they fall under the FATF's definition of NPOs. Consequently, these terms are used interchangeably in this section.

Standards under FATF Recommendation 8, regarding best practices for combating the abuse of NPOs, include identifying and assessing risks, ensuring appropriate oversight, and strengthening financial accountability through record-keeping, internal controls, and information sharing (APG, 2019). NPOs are assessed on a four-level scale rating in Table 2 below. Countries failing to meet these standards risk being "blacklisted" or "greylisted," which can lead to reduced foreign investment, higher transaction costs, and restricted access to international financial systems (Maslen, 2023).

Impact of FATF Standards on NPO Operations

To avoid the severe consequences of international "blacklisting" or "greylisting," many APAC governments have significantly tightened financial regulations. These measures include enhanced reporting requirements, strict limitations on cross-border fund transfers, and intensive monitoring of foreign donations.

Rating		Description
C	Compliant	There are no shortcomings
L	Largely Compliant	There are only minor shortcomings
PC	Partially Compliant	There are moderate shortcomings
NC	Non-compliant	There are major shortcomings
NA	Not Applicable	A requirement does not apply, due to the structural, legal or institutional features of a company

Table 2: FATF Compliance Rating

REGIONAL CASE STUDIES

PAKISTAN: THE ECONOMIC COST OF COMPLIANCE GAPS

Pakistan was placed on the FATF Grey List in 2018 following an evaluation that identified critical deficiencies in its Anti-Money Laundering (AML) and Counter-Terrorism Financing (CFT) frameworks. Under Recommendation 8, which specifically governs NPOs, Pakistan was rated as "**Partially Compliant**."

Key Deficiencies

The 2019 Mutual Evaluation Report (APG, 2019) noted that Pakistan failed to identify high-risk NPOs or implement a risk-based approach to supervision.

Economic Impact

The period of grey listing between 2008 and 2019 resulted in an estimated **$38 billion USD cumulative loss in GDP**. This was driven by increased risk aversion, reduced credibility with international financial institutions, and significantly longer processing times for cross-border transfers.

Regulatory Reforms

To exit the grey list, Pakistan implemented a national NPO survey, introduced new provincial charity laws, established Charity Commissions for oversight, and amended the Anti-Money Laundering Act to include professional bodies (such as the Institute of Chartered Accountants of Pakistan) as regulators.

By 2022, Recommendation 8 was re-rated to "**Largely Compliant,**" and Pakistan was officially removed from the grey list in October 2022.

BANGLADESH: BEYOND THE FATF STANDARD

In 2009, a Mutual Evaluation Report found Bangladesh to be only "Partially Compliant" with Recommendation 8. The report cited a lack of risk-identification strategies, limited outreach regarding terrorist financing (TF) risks, and inadequate sector oversight.

Financial Friction

During its listing period (2009–2014), foreign banks charged up to 1% on organisational transactions, directly impacting NGOs reliant on foreign funding (The Daily Star, 2016).

Legislative Response

Bangladesh enacted the Foreign Donations (Voluntary Activities) Regulation Act in 2016. This requires all foreign-funded NGOs to register with the NGOAB, obtain prior approval for all activities, and utilise government-designated bank accounts accessible only with NGOAB authorisation.

While Recommendation 8 was re-rated as "Largely Compliant" in 2016, the Asia/Pacific Group on Money Laundering noted that Bangladesh's regime has actually exceeded FATF standards. However, by applying uniform obligations to all NPOs regardless of their risk level, the government risks disrupting legitimate humanitarian activities (APG, 2019).

Unfortunately, such *"one-size-fits-all"* regulatory infrastructure still remains in effect today, forcing foreign-funded NPOs to navigate an exceptionally scrutinised and high-cost operational environment. Essentially, the solution to regulatory risk has become a permanent administrative burden for the organisations themselves.

For NPOs operating within or transferring funds to jurisdictions with sensitive listing statuses, the consequences manifest as systemic financial friction. These barriers are often driven by "de-risking", where financial institutions avoid risk entirely rather than managing it.

According to FATF (2016), this results in:

- Significant delays in transaction processing times
- Heightened and repetitive documentation requirements for even routine transfers
- Outright refusal of service by risk-averse correspondent banks in certain cases

(3) OPERATIONAL EXECUTION: FINANCIAL FRICTION AND PROCESS BOTTLENECKS

This section examines the operational controls and process frictions that directly impact NGOs' ability to access funding and disburse aid to beneficiaries. Within this context, operational controls are defined as the legal and regulatory requirements governing NGOs and their operations (JP Morgan, 2021). Meanwhile, process frictions refer to the barriers that hinder the seamless execution of operational activities and the transfer of funds. The following processes are discussed in detail:

(a) FX conversion mandates, resulting in monetary losses.
(b) Documentation requirements, which create significant regulatory burdens.
(c) Multi-agency approvals, which lead to procedural delays.

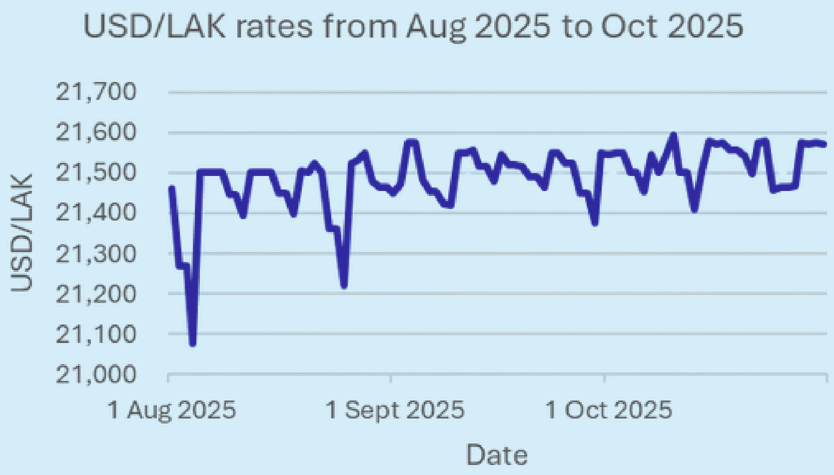
(a) Losses from Forex Mandates

FX conversion mandates are legal requirements imposed by certain governments that necessitate the conversion of foreign currencies into local tender. Governments typically implement these mandates to mitigate exchange rate fluctuations and ensure that domestic transactions are conducted in the local currency. However, funds in transit during approval periods remain exposed to FX movements, inflation, and banking fees, which often reduce their real value by the time they are released.

In time-sensitive environments, NGOs may also incur extra costs through emergency bridging arrangements, short-term borrowing, or expedited procurement once funds finally clear (Stoddard, 2017). Even after funding is approved, persistent delays and uncertainty increase operational costs and diminish the usable value of aid.

REGIONAL CASE STUDIES

In **Laos**, for example, receiving NGOs must convert at least 20% of their foreign currency within three working days of a transfer. This requirement creates inflexibility and can lead to significant losses in donor fund value because the Laotian kip is highly volatile, experiencing daily fluctuations between -0.9% and 2% (Figure 13).



Source: Yahoo Finance, ASEAN+3 Macroeconomic Research Office

Figure 14: Chart Showing the USD/LAK Rates from Aug 2025 - Oct 2025

Similarly, NGOs in Myanmar are required to convert foreign currencies at market trading rates, which are often significantly lower than black-market rates. The black market in Myanmar has existed for decades, providing buyers and sellers with higher FX rates, lower fees, and smaller bid-ask spreads compared to official market rates (Kubo, 2015).

As shown in Figure 14, the 8% to 21% gap between market trading rates and black-market buy rates means NGOs must effectively absorb this cost difference during transactions (Myanmar Market Price, n.d.; Central Bank of Myanmar, 2026). These substantial losses frequently drive NGOs toward more favourable black-market rates. However, relying on these channels exposes organisations to heightened legal and operational risks, which could jeopardise aid delivery if enforcement intensifies (The Diplomat, 2024).

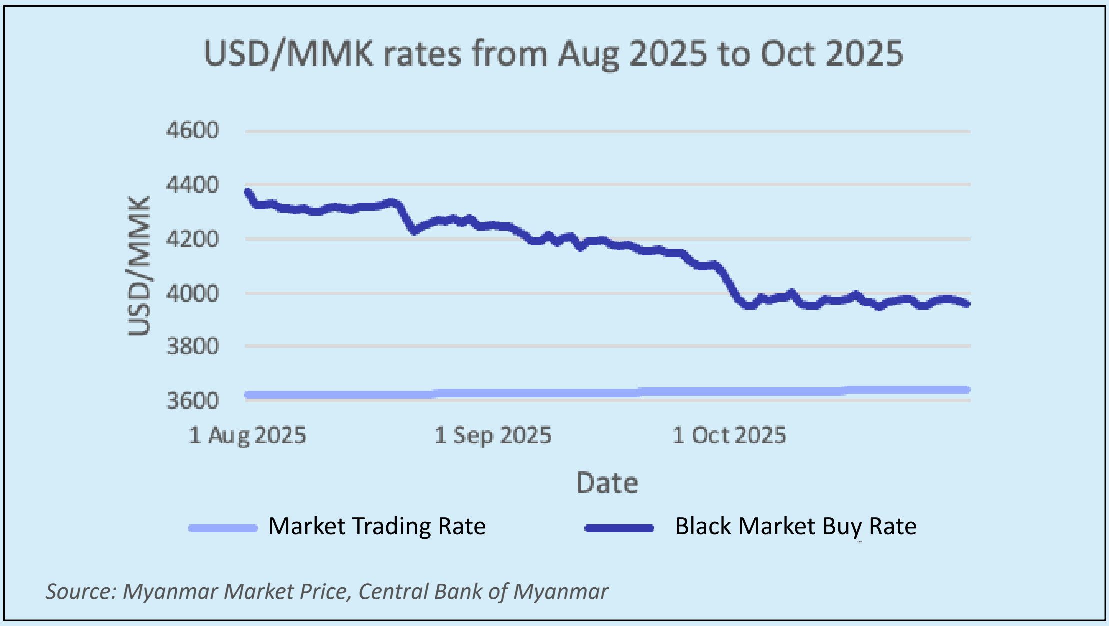


Figure 15: Chart Showing the Spread Between the Myanmar Market Trading and Black-Market Rates

The implications of converting currency at unfavourable rates extend beyond an immediate reduction in donor fund value; it eventually results in less aid reaching those in need. In Myanmar, due to low market rates imposed by the military-controlled Central Bank, NGOs and individuals must convert foreign currency through authorised banks. The Central Bank then mandates that these banks transfer the received foreign currency to the Central Bank in exchange for local currency. Consequently, the disparity between the market trading rate and the actual rate represents FX losses for NGOs that are effectively captured by the military to fund its operations (Swift & Turnell, 2025; Bissinger, 2024)

Interviews with a Singapore-based I-NGO highlighted the immense challenges of transferring funds into Myanmar, noting that the release of funds often rests on the discretion of the Myanmar government.

A representative from the organization questioned the long-term viability of these efforts, pointing out that funds frequently become stuck in the system, which drives up operational costs.

Over time, NGOs may reassess the cost-effectiveness and ethical implications of operating in such environments and may eventually withdraw, further reducing the aid available to beneficiaries in these APAC countries.

(b) Hefty Documentation Exacerbates Regulatory Burdens

In addition to FX mandates, NGOs in the APAC region face extensive and recurring reporting obligations that require voluminous documentation and multi-agency approvals. These requirements limit operational flexibility by consuming significant time and manpower. When resources are diverted toward regulatory compliance rather than core functions, an NGO's efficiency is undermined.

While some oversight is necessary to prevent financial crime and ensure security, excessive regulation can cause severe delays in getting funds to beneficiaries.

In many APAC regions, organisations must submit detailed financial statements, activity reports, beneficiary data, and compliance declarations at regular intervals. In Taiwan, for instance, NGOs receiving foreign funding must provide risk assessments and transaction-level disclosures to both financial institutions and regulatory authorities (Give2Asia, 2022). Managing this documentation requires substantial administrative capacity, especially when reporting standards vary across different agencies or borders.

In **Indonesia**, transactions from donors to NGOs and from NGOs to beneficiaries require documentation of the underlying purpose and compliance with "rupiah-use" obligations. The use of rupiah must be justified by specific economic activities, and failure to comply can result in administrative sanctions (ARMA Law, 2022).

Furthermore, transactions between residents and non-residents must be reported monthly to the Central Bank of Indonesia (DBS SME Banking, n.d.), creating a heavy administrative burden for NGOs. Many activists have expressed frustration over the exhaustive financial reports and work plans required by regulators (Universitas Gadjah Mada, 2025).

These requirements are particularly taxing for smaller organisations with limited staffing and financial resources. NGOs that rely on volunteers or small teams often struggle to meet complex compliance demands without diverting resources away from their primary programs (NYU Paris EU Public Interest Clinic, 2021). This reduces operational efficiency and constrains the organisation's ability to respond quickly to urgent needs. For NGOs involved in emergency relief or disaster response, these delays can be critical. Such obstacles may force recipients to resort to unsustainable practices, such as high-interest borrowing or liquidating household assets, to meet basic needs (OneWorld SouthAsia, 2024).

(c) Multi-Layered Verification Process

Several APAC countries employ multi-layered verification processes involving various stakeholders, including banks and government bodies. This often creates bottlenecks that stall the approval process.

In Bangladesh, for example, the registration, fund release, and renewal processes require oversight from the NGO Affairs Bureau (NGOAB), the Ministry of Finance, and other agencies. As a result, NGOs can face delays of up to 75 days just for a fund release (Rohingya Response, 2023).

Similarly, in India, NGOs must seek approval from both the Ministry of Home Affairs and the State Bank of India (SBI), which necessitates the dual submission of information and slows down approvals (Ghosh, 2021). Consequently, NGOs must allocate more staff and time to follow-ups, document resubmissions, and inter-agency coordination.

In China, the multi-agency verification process involving the State Administration of FX (SAFE), the Ministry of Public Security (MPS), and various banks often results in 5 to 10 days of processing delays and inconsistent approvals. Data from 2023 shows that China SAFE funding rejection rates sit between 5% and 7% due to incomplete filings or missing authenticity documents. This indicates that a significant amount of aid, which could have helped beneficiaries, is instead lost to documentation hurdles (State Administration of FX, 2023).

To summarise, operational controls and process frictions across the APAC region, specifically FX conversion mandates, heavy documentation, and multi-agency approvals, serve as significant barriers to the timely and effective delivery of aid. Beyond the immediate financial losses and administrative burdens, these constraints challenge the operational capacity of NGOs and threaten the long-term sustainability of humanitarian support in these countries.

CONCLUSION

The regulatory and compliance landscape for NGOs in the APAC region is characterised by a fragmented and increasingly restrictive environment. Driven by concerns over national sovereignty and global financial standards, institutional barriers, such as India's FCRA and Cambodia's LANGO, make the right to operate contingent on complex, often unilateral registration requirements. This systemic scrutiny is further intensified by FATF-driven "de-risking" and stringent oversight, which, while intended to combat financial crime, often results in permanent administrative burdens and significant economic friction for organisations. When combined with operational hurdles like volatile FX mandates in Laos and Myanmar, exhaustive documentation in Indonesia, and multi-agency bottlenecks in China and Bangladesh, these frictions directly diminish the value and speed of aid. Ultimately, these cumulative constraints do more than just increase overhead; they undermine the operational capacity of NGOs and threaten the very sustainability of humanitarian support across the region.

RECOMMENDATIONS

The regulatory and compliance issues described are unlikely to be resolved by any single organisation. NGOs operating across APAC face a fragmented and increasingly restrictive environment that constrains their ability to receive and deploy funds effectively. To reduce exposure to these barriers, NGOs may benefit from adopting more structured internal practices while selectively engaging with external stakeholders where feasible.

Recommendations for NGOs

(1) Embed FX and Compliance Cost Allocation in Donor Agreements

NGOs may manage the financial burden of operating in regulated environments by negotiating clauses on FX and compliance-related costs into donor grant agreements from the outset. Where consistent with organisational policy and agreed by donors, such clauses could allocate gains and losses back to the donor rather than requiring the NGO to absorb them.

This may help protect NGOs from currency volatility, particularly in countries where regulatory processes result in delays to fund transfers and receipts. Defining upfront how FX movements and related costs are treated can help ensure that compliance-driven delays do not materially reduce the local currency value of funds ultimately received.

(2) Leverage Collective Advocacy for Regulatory Engagement

Sustained engagement with regulatory bodies may support more proportionate implementation of AML and CFT standards across the region. As individual NGOs are often limited in their ability to influence policy, joining or forming sector coalitions may enable a stronger collective voice. Through such platforms, NGOs may raise shared concerns, highlight unintended operational constraints, and advocate for compliance frameworks that better reflect the practical realities of humanitarian and development work.

(3) Prioritise Relationship Management in Provider Selection

NGOs may benefit from placing greater emphasis on relationship management and in-country expertise when selecting providers, particularly in more complex or highly regulated corridors. Insights from primary interviews suggest that, where pricing is comparable, NGOs often prioritise providers with more responsive and experienced relationship managers.

This is because regulatory requirements, documentation standards, and approval processes can vary significantly across jurisdictions and are not always transparent upfront. In such contexts, experienced relationship managers can help anticipate compliance requirements, guide NGOs on how to structure transactions, and intervene when payments are delayed or challenged. This may reduce execution risk, avoid repeated resubmissions, and mitigate delays arising from regulatory frictions.

(4) Institutionalise Corridor Playbooks and Regulatory Cost Tracking

NGOs may benefit from adopting a more structured internal approach to managing regulatory complexity and its financial implications. Developing simple corridor playbooks that capture key regulatory requirements, documentation expectations, and known points of friction for each country may help reduce uncertainty and improve execution consistency. This may include clarifying acceptable payment purposes, identifying jurisdiction-specific approval processes, and documenting how similar transactions have been treated historically.

At the same time, NGOs may track post-transaction outcomes to better understand the cost impact of regulatory constraints. Comparing amounts sent and received against benchmark exchange rates can help approximate the effective costs incurred due to factors such as mandatory conversions, intermediary deductions, or compliance-related rerouting. Over time, maintaining a log of these outcomes by provider and corridor may help identify patterns of value leakage and support more informed decision-making. While such analysis may not isolate each cost component precisely, it provides a practical basis for improving both execution efficiency and cost awareness in regulated environments. While NGOs can take steps to better navigate regulatory constraints, many of the underlying challenges are structural and require coordinated action across regulators and financial institutions. Addressing these frictions may improve not only operational efficiency for NGOs, but also the overall effectiveness of fund flows to end beneficiaries.

Recommendations for policymakers: Strengthen collaboration between government and financial institutions

A more coordinated approach between governments and financial institutions may help reduce redundant compliance processes and improve the efficiency of cross-border fund flows. Establishing structured partnerships can align regulatory oversight with operational realities while maintaining necessary safeguards.

The following are potential areas for collaboration:

- Conduct annual comprehensive audit checks on NGOs
- Where permitted and feasible, reduce reliance on beneficiary-bank FX conversion by comparing upstream FX options and sending in local currency and/or converting in stages
- Allow NGOs extended timeframes to convert foreign currencies into local currencies

Conducting annual audit checks may allow NGOs to demonstrate compliance upfront, reducing the need for repeated documentation in subsequent transactions and accelerating approvals. Comparing upstream FX options and converting in stages could improve transparency and timing control, while extended conversion timelines may provide NGOs with greater flexibility to manage FX risks in volatile environments.

More broadly, such coordination may create shared benefits across stakeholders. Governments may reduce the administrative burden of monitoring compliance and approving transactions. Financial institutions may benefit from more predictable transaction flows and potential revenue opportunities. NGOs may experience reduced delays, lower compliance friction, and improved FX outcomes, strengthening their ability to deploy funds effectively. Ultimately, these improvements may support more timely and efficient delivery of aid to beneficiaries.

THEME 3: REDUCED BANKING ACCESS & DE-RISKING PRESSURES

Theme 3 examines how global bank de-risking — characterised by the contraction of correspondent banking networks and the concentration of FX clearing among a small number of institutions — has reduced NGOs' access to and optionality in cross-border payment channels.

The FATF defines de-risking as the practice whereby financial institutions terminate or restrict business relationships with clients, or categories of clients, in order to avoid risk rather than manage it in accordance with the FATF's risk-based approach (Council of Europe Portal, 2023).

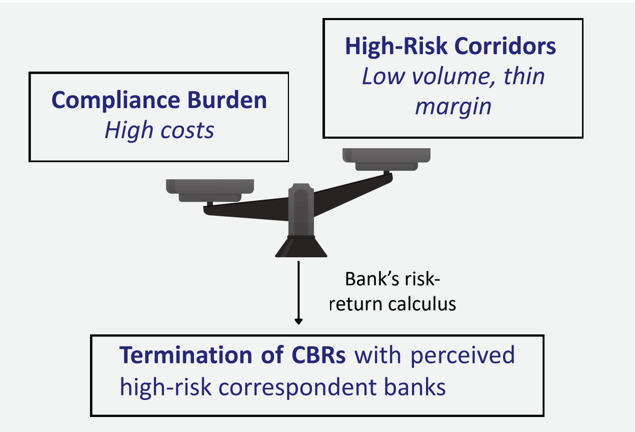


Figure 16: Visualisation of Bank's Risk-Return Calculus

Since 2011, global Correspondent Banking Relationships (CBRs) have declined by approximately 20-25%, with sharper contractions in small and high-risk jurisdictions (Boar et al., 2020; World Bank, 2023). As international banks respond to tighter AML/CFT standards and rising compliance costs, they increasingly exit Correspondent Banking Relationships (CBRs) in perceived high-risk APAC corridors.

When a CBR is terminated, the impact extends beyond higher transaction costs - it can eliminate an entire payment corridor if the departing bank is the sole clearing provider (World Bank, 2017). Even if domestic regulations and payment infrastructure formally permit cross-border transfers, de-risking reduces the number of available payment pathways, forcing transactions through longer intermediary chains and increasing reliance on a narrower set of remaining clearing banks (Committee on Payments and Market Infrastructures, 2020).

REGIONAL IMPACTS: THE PACIFIC AND SOUTHEAST ASIA

De-risking has been most severe in Pacific Island economies. Active CBRs have declined by an estimated 60-80% since 2011, following exits by major global banks such as ANZ, Westpac, and Bank of New York Mellon from smaller Pacific corridors (World Bank, 2018).

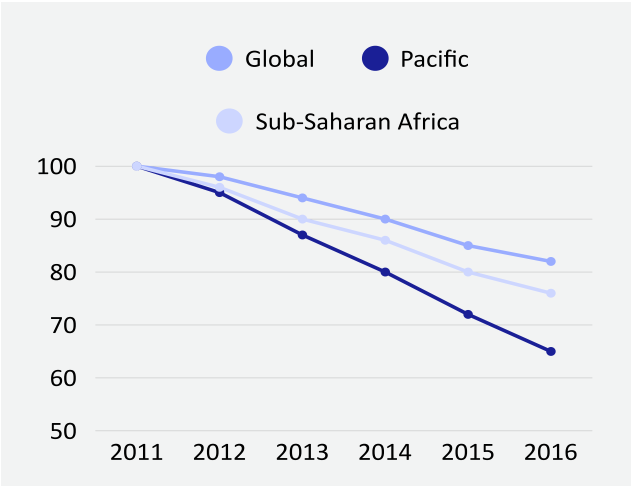


Figure 17: Number of Active CBRs, Indexed to 2011

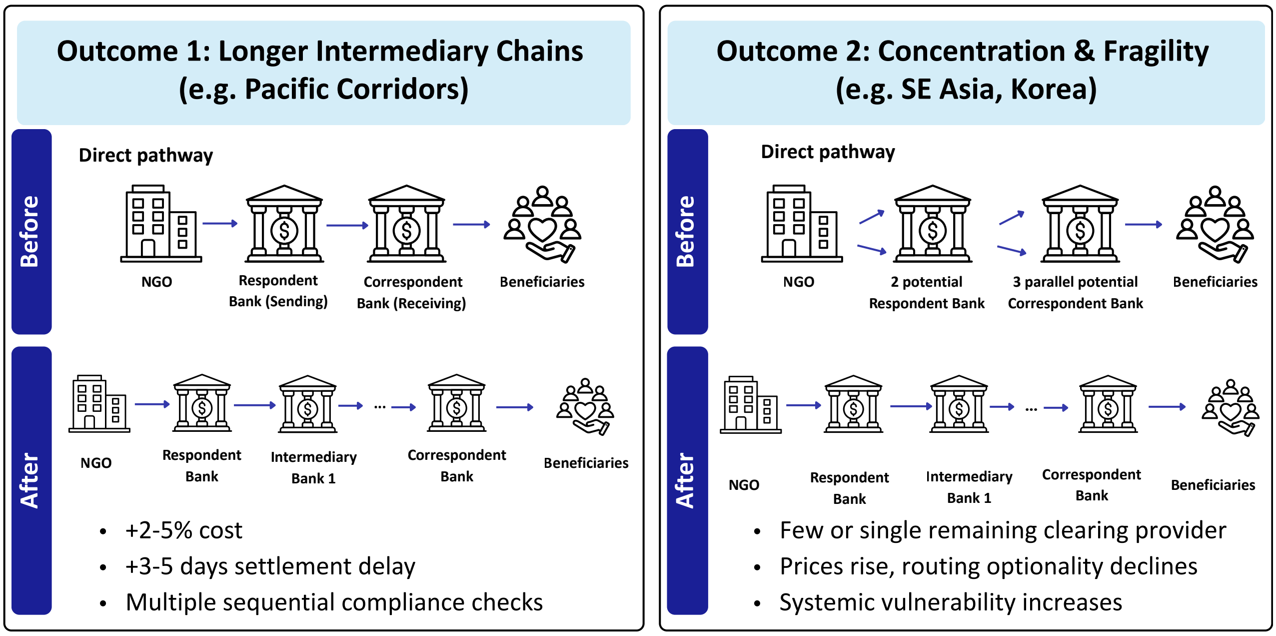


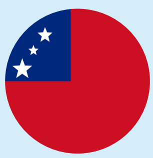
Figure 18: Downstream Infrastructure Outcomes Before and After De-risking

As a result, NGOs and local banks are forced to rely heavily on intermediary routing through Australia and New Zealand. This often involves 2-3 additional FX conversions, increasing transaction costs by approximately 2-5 percentage points and delaying settlement by 3-5 business days (Boar et al., 2020; World Bank Remittance Prices Worldwide, n.d.).

These delays directly constrain NGO's liquidity and the timely deployment of donor funds. For organisations operating within tight liquidity cycles, such delays disrupt payroll, the procurement of medical supplies, and the rapid disbursement of emergency funds.

In extreme cases, the loss of a single CBR can temporarily eliminate an entire payment corridor, effectively cutting off inbound funding flows (World Bank, 2018).

In Southeast Asia, de-risking rarely results in a complete loss of payment access. Instead, payments continue to be processed but become more expensive, slower, and increasingly dependent on a smaller number of clearing banks (World Bank 2015; Committee on Payments and Market Infrastructures, 2022). This results in a more fragile system, as fewer banks handle a greater share of cross-border flows.



In Samoa, following Westpac's withdrawal from Pacific Island operations in 2015, the country experienced a sharp consolidation of CBRs. As major international banks exited, remittance corridors to Samoa became subject to acute concentration risk, with a single bank providing CBRs to multiple money transfer operators simultaneously - leaving the payment system highly exposed to any further withdrawal (IMF, 2025).

The Pacific region overall lost 60% of its CBRs over the last decade (double the global average), and the World Bank has warned that remaining CBRs in several Pacific Island Countries have dropped to unsustainably low levels, triggering a US$77 million emergency stabilisation initiative in 2024 (World Bank, 2024).

Following the introduction and enforcement of tighter anti-money laundering (AML) standards by the Monetary Authority of **Singapore** (MAS) between 2022 and 2024, Singapore-based banks such as DBS, OCBC, and UOB reduced or terminated relationships with higher-risk respondent banks in Cambodia, Laos, and Myanmar.

According to the BIS Committee on Payments and Market Infrastructures (Committee on Payments and Market Infrastructures, 2020), these longer chains increase transaction costs, reduce transparency, and introduce settlement delays due to sequential compliance checks performed by each intermediary.

This shift is clearly reflected in corridor-level cost data. Remittance corridors like Singapore-Bangladesh and Singapore-Philippines now average approximately 6-8% per transaction, placing them among the most expensive global corridors (World Bank, n.d.). By comparison, lower-risk corridors typically average around 3-5%, indicating a clear cost premium associated with higher-risk payment routes. Global data from the World Bank further shows that the average cost of sending remittances worldwide remains above 6% of the transfer amount.

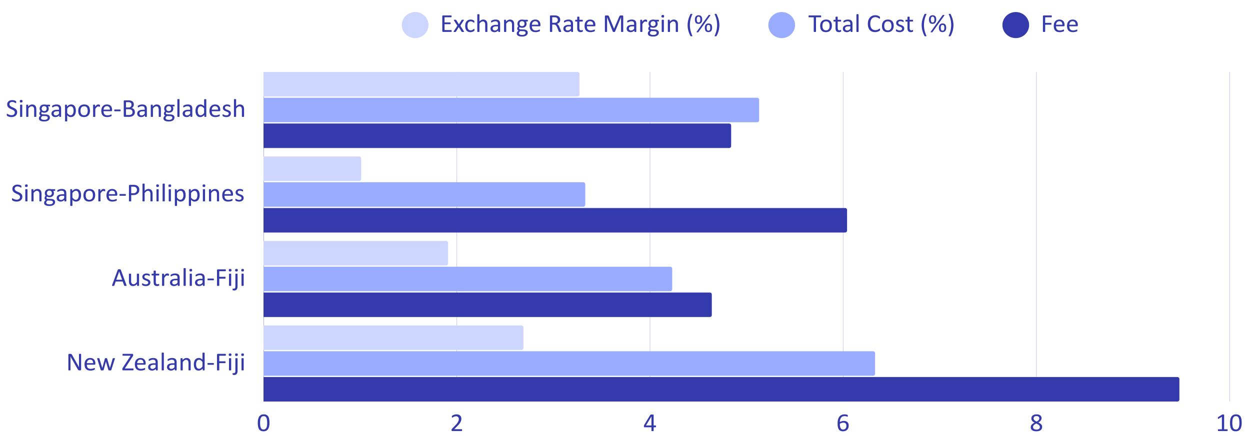


Figure 19: Fee breakdown of sending USD 200 in different corridors in APAC.

OPERATIONAL FRICTION AND MARKET CONCENTRATION

While these transfers remain legally permissible, de-risking increases transaction costs, lengthens processing times, and heightens FX rate uncertainty, which reduces the predictability of funding inflows for NGOs. In operational terms, this results in delayed vendor payments, greater administrative overhead for compliance documentation, and the need to pre-fund local accounts in advance, hence drawing down scarce working capital.

In Southeast Asia, de-risking primarily adds extra middlemen, making payments slower and costlier. However, in markets like Korea, it mainly manifests as fewer banks handling the majority of transactions despite the system remaining stable. In advanced markets such as Korea, pressures in cross-border payments are more likely to manifest through market concentration than outright exclusion (BIS, 2019). While "exclusion" refers to the complete loss of access to correspondent banking services, "concentration" arises when a smaller number of institutions intermediate a larger share of FX and cross-border payment flows. In Korea, this consolidation has increased pricing power and reduced competitive pressure in FX clearing markets (BIS Annual Economic Report, 2023; IMF, 2023).

This concentration reduces competition and can heighten systemic vulnerability, as a growing share of cross-border transactions is processed by a limited set of clearing institutions (Adrian et al., 2023). Research on cross-border payments similarly notes that a greater concentration of correspondent flows can exacerbate financial fragilities when access becomes dependent on a small number of intermediaries. While NGOs and other users retain formal access to payments, they face higher prices and fewer alternative routing options if a dominant clearing partner exits or experiences operational stress. This form of de-risking is subtler but still consequential: although market access remains formally intact, prices rise, routing optionality declines, and systemic vulnerability increases.

CONCLUSION

In summary, NGO payment corridors typically involve low transaction volumes and thin margins, yet they require disproportionately more intensive compliance reviews (World Bank, 2015; BIS CPMI, 2020). Faced with this imbalance, banks rationalise their business by exiting or consolidating rather than investing in corridor-specific risk mitigation.

This upstream exclusion can persist even when NGOs meet all regulatory requirements, which clearly distinguishes Theme 3 from regulatory barriers (Theme 2) and infrastructure inefficiencies (Theme 1). Consequently, NGOs experience funding uncertainty, higher effective transfer costs, and operational fragility driven by the banks' risk-return calculus.

RECOMMENDATIONS

Measures to mitigate the effects of reduced banking access and de-risking pressures should have a focus on restoring corridor resilience, lowering concentration risk, and reducing the structural incentives for banks to exit NGO-linked relationships. These interventions are not meant to dilute compliance standards, but to recalibrate the risk-return balance so that NGOs can continue to move funds across borders reliably and cost-effectively within the formal financial system.

Recommendations for NGOs: Mitigate De-Risking Through Corridor and Provider Diversification

Firstly, to ensure corridor diversification, NGOs operating in small and vulnerable markets can proactively maintain multiple correspondent relationships where feasible. Maintaining multiple transfer channels reduces reliance on any single institution and lowers the risk of abrupt payment disruption to field operations, particularly where banks may restrict or exit higher-risk corridors.

In practice, this may involve combining relationships with well-recognised commercial banks and specialist FX providers. Established commercial banks can offer greater credibility with donors and regulators, while specialist providers may offer more competitive exchange rates and faster transfer processing times. Used together, these arrangements can strengthen operational resilience while helping NGOs preserve more of the value of funds transferred to beneficiaries. This also helps to reduce their vulnerability to changes in banking and funding structures, since over-reliance on a single bank or provider exposes NGOs to significant disruption.

Recommendations for Policymakers

At the policy and regulatory level, the following systemic interventions are needed to create an enabling environment for humanitarian payment flows:

(1) Centralised Compliance Infrastructure for NGOs

Governments and regulators can establish a shared AML/KYC verification platform where certified NGOs undergo standardised due diligence that can be accessed by multiple banks. The result is reduced repetitive compliance checks, lower monitoring costs, and improved transparency across correspondent relationships. NGOs, in turn, can proactively engage with such platforms once established, ensuring their documentation and compliance records are kept current and accessible to streamline onboarding across multiple banking relationships.

(2) Risk-Sharing and Guarantee Facilities

Multilateral institutions and development banks can provide partial risk guarantees for high-risk but humanitarian corridors. By absorbing a portion of regulatory or reputational exposure, these mechanisms make marginal corridors commercially sustainable for correspondent banks, directly protecting NGOs' ability to move funds into difficult operating environments. NGOs can support this by collectively documenting and presenting evidence of payment disruptions, corridor closures, and humanitarian impact, building the case for multilateral intervention in corridors where they operate. A relevant regional example is the World Bank's Pacific Finance for Growth Project, which addresses the vulnerability of Pacific Island countries to the loss of correspondent banking relationships. The project includes regional facilities and guarantee-type mechanisms to sustain access to cross-border payment channels in small and vulnerable markets. Although not designed specifically for NGOs, it demonstrates that guarantee-backed or risk-sharing approaches have already been considered in APAC to preserve corridor access where normal market incentives are weak. This provides a useful precedent for exploring similar mechanisms in other fragile corridors where humanitarian flows are at risk of disruption.

(3) Corridor Diversification and Clearing Redundancy

Regulators and multilateral institutions can encourage small and vulnerable markets to maintain multiple correspondent relationships or access regional clearing systems, reducing dependence on a single institution and lowering the probability of abrupt payment disruption. At the same time, NGOs should proactively maintain diversified banking and payment relationships and conduct regular benchmarking of FX providers to put them in an advantageous position regardless of the pace of policy change.

(4) Structured Exit and Transition Protocols

Where correspondent banks choose to withdraw, governments and regulators can consider formal notice periods and coordinated transition mechanisms to prevent sudden liquidity shocks in small economies. NGOs should complement this by developing internal contingency plans in advance -- pre-vetting alternative providers, mapping backup payment routes, and establishing escalation procedures, so that operational disruption is minimised when a provider exits.

Expected Outcomes

For financial institutions, these measures reduce duplicative compliance processes, distribute risk more efficiently, and help stabilise revenue streams from cross-border flows. For regulators, they preserve AML integrity while limiting systemic fragility caused by excessive concentration. For NGOs, the gains are operationally significant: more reliable payment access, lower transfer cost volatility, and stronger liquidity planning. In summary, stabilising access to correspondent banking channels ensures that donor funds move predictably and efficiently to beneficiaries.

THEME 4: MACROECONOMIC & FX VOLATILITY

This section examines how macroeconomic and volatility can erode the real value of aid disbursed by NGOs and introduce significant unpredictability into cross-border transactions. Such volatility may arise from sudden policy shifts, structurally fragile financial markets, or external economic shocks, all of which can rapidly alter a country's market conditions. In these environments, NGOs are often required to adjust operational processes at short notice and absorb unfavourable exchange-rate movements to ensure that funds reach beneficiaries on time. The consequences of the following unpredictable market dynamics will be analysed:

(1) Currency Volatility and Its Impact on Aid
(2) Liquidity Constraints in Local Markets
(3) Natural Disasters and External Shocks

(1) CURRENCY VOLATILITY AND ITS IMPACT ON AID VALUE

The first macroeconomic and FX risk examined is currency volatility, which refers to the degree and frequency with which a currency's value fluctuates relative to others, reflecting uncertainty in exchange-rate movements over time (Kantox, 2026).

While Theme 2 addressed FX losses caused by policy mandates, such as required currency conversions, this section focuses on losses driven by the volatility and uncertainty of the exchange rates themselves. Specifically, two sources of unpredictability are considered:

(a) Inherent Volatility: Arising from fragile macroeconomic conditions in certain economies.

(b) Policy Shifts: Stemming from sudden, unanticipated changes in FX-related mandates that affect currency markets.

In both instances, value erosion occurs not through a specific rule, but because unpredictable market and policy conditions make the timing and value of aid transfers uncertain. NGOs typically receive donations in hard currencies but must convert them into local currencies for distribution (Association for Financial Professionals, 2026).

Consequently, rapid fluctuations make the local-currency value of aid unpredictable, creating a mismatch between the funds received and the value ultimately disbursed. This erodes the real purchasing power of aid and disrupts planned budget allocations for program delivery.

(A) FX VOLATILITY FROM WEAK ECONOMIC FUNDAMENTALS

Many NGOs receive humanitarian funding in hard currencies from international donors, which must then be transferred to beneficiary countries for implementation. However, many recipient economies suffer from weak macroeconomic fundamentals, characterised by high public debt and persistent external imbalances. When these governments face significant external debt obligations, they may sell domestic currency to obtain the foreign reserves needed for debt servicing. This increases the supply of local currency in FX markets while straining already limited foreign reserves.

External imbalances further amplify these pressures; when a country's imports exceed its exports, it runs a current account deficit that requires financing through foreign capital. Persistent deficits can weaken confidence in the domestic currency, placing downward pressure on exchange rates as the demand for foreign currency exceeds the supply (Adrian et al., 2023). In these circumstances, currencies become highly vulnerable to depreciation.

Several Asia-Pacific economies, including Myanmar, Laos, Cambodia, and various Pacific Island countries, exhibit structural vulnerabilities that expose them to such instability.

REGIONAL CASE STUDY

For instance, Laos experienced significant currency depreciation during 2022–2023 as macroeconomic pressures weakened the Lao Kip and strained foreign reserves (World Bank, 2023). In 2022 alone, the Kip depreciated sharply against the USD by 68%. This was driven partly by rising global commodity prices following the Russia-Ukraine war, which increased import costs and worsened external imbalances. With limited reserves and substantial debt, the Kip faced intense pressure as demand for FX outstripped supply (IMF, 2023; Bertelsmann Stiftung, 2024)

This volatility is evidenced by the divergence between the Reference Rate, Parallel Market Rate, and Commercial Bank Rate from March 2022 through November 2023, where rates climbed from approximately 10,000.00 toward 25,000.00 (see Figure 20). Depreciation pressures persisted into 2023, as high import demand and debt service obligations continued to strain liquidity (World Bank, 2023). Collectively, the prolonged depreciation of the Kip illustrates how macroeconomic vulnerabilities can generate substantial instability over short periods.

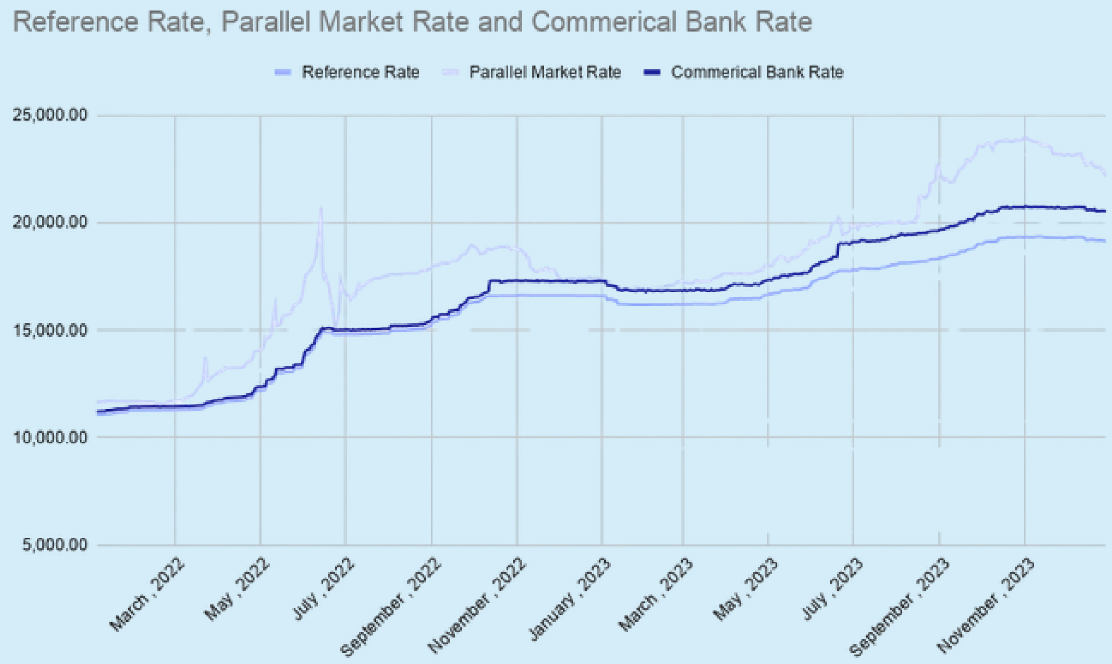


Figure 20: Laos Reference Rate, Parallel Market Rate and Commercial Bank Rate

Source: Data obtained from Bank of Lao P.D.R., complied by Associate

For NGOs operating in such economies, currency depreciation directly reduces the real value of transferred funds. Rapid and unpredictable exchange-rate movements can force NGOs, often operating under tight budget constraints, to convert funds at prevailing spot rates even when these rates are unfavourable (fundsforNGO, n.d.). Moreover, many NGOs lack dedicated FX risk management capacity or formalised hedging policies to mitigate FX-related losses (Charitytransfers.org, 2021).

As a result, the exchange rate assumed during programme budgeting may differ materially from the rate at which funds are ultimately converted. This mismatch erodes purchasing power and can reduce both the real value and effectiveness of aid delivered on the ground.

(B) POLICY-DRIVEN EXCHANGE RATE VOLATILITY

Another source of currency volatility arises from unpredictable policy interventions. Policy uncertainty occurs when governments or central banks introduce sudden measures that affect the flow, conversion, or use of foreign currency within an economy. These measures are often implemented with little advance notice and can significantly distort FX markets, triggering abrupt exchange-rate adjustments.

REGIONAL CASE STUDY

Myanmar provides a clear example of such policy-driven volatility. As discussed in Theme 2, strict FX regulations created operational barriers for NGOs. In this section, the focus shifts to the sudden timing and unpredictability of these policy announcements.

In April 2022, the Central Bank of Myanmar (CBM) issued a directive requiring all foreign currency held in domestic banks to be converted into Myanmar kyat within one working day at the official exchange rate (Thean-ngarm & Oo, 2022). The directive was subsequently revised several times, including exemptions and modified conversion requirements for certain cross-border transactions along the Thai and Chinese borders. These rapid and unexpected regulatory changes created significant uncertainty for NGOs operating in Myanmar.

The effects of this policy intervention were reflected in exchange-rate movements. In August 2022, the official reference exchange rate shifted from approximately MMK 1,850 per USD to MMK 2,100 per USD (Lee & Oh, 2022), signalling a substantial depreciation of the Myanmar kyat. In such volatile environments, NGOs transferring funds into local currency markets may be forced to convert funds at unfavourable rates or absorb losses due to the sudden exchange-rate adjustments. As a result, unpredictable policy interventions can significantly erode the real value of humanitarian funding.

Furthermore, in highly uncertain environments, NGOs face additional difficulties when transferring funds into certain countries. We interviewed an NGO to understand how they overcame challenges imposed by Myanmar's volatile FX landscape. They noted that although foreign currency must be converted into local currency when it enters the country. As such, they have increasingly begun collecting donations in US dollars, which are considered more stable. Holding funds in USD helps preserve the value of donations before they are converted and transferred into Myanmar. Similar behaviour has also been observed among businesses operating in the country, many of which seek to hold US dollars due to the volatility of the Myanmar kyat (Thean-Ngarm & Oo, 2022).

Hence, with the significant exchange-rate instability and macroeconomic disruption that Myanmar has faced in recent years, there is a strong demand for more stable foreign currency and growing difficulty in accessing FX liquidity.

Overall, these developments create a complex and unpredictable FX environment, which complicates financial planning for NGOs, particularly for long-term programmes and projects.

(2) LIQUIDITY CONSTRAINTS IN LOCAL FX MARKETS

The second source of macroeconomic and FX volatility examined in this section is liquidity constraints in local FX markets.

Such constraints are common in thin FX markets, where trading volumes are low, bid-ask spreads are wide, and access to hedging instruments is limited. In these environments, FX markets become fragmented, and market participants may struggle to convert currencies quickly or at predictable rates. One manifestation of liquidity constraints is the increased dollarisation of an economy, where households and firms prefer to transact and store value in US dollars rather than in domestic currency (Association for Financial Professionals, 2026).

REGIONAL CASE STUDY

Weak public confidence in the Cambodian riel has resulted in widespread reliance on the US dollar for transactions and savings (National Bank of Cambodia, n.d.). As a result, activity in the local currency market remains limited, leaving the FX market relatively shallow and exchange rates more volatile.

Limited market depth increases conversion costs and constrains the availability of Cambodian riels, making the process of obtaining local currency more expensive and operationally less efficient for NGOs transferring funds into the country. These market conditions can also create currency mismatches. In Cambodia, firms have been reported to face mismatches amounting to approximately 20% of revenue when foreign-currency earnings are converted into local currency (National Bank of Cambodia, 2023).

This suggests that the quoted exchange rate may not fully reflect the effective economic value of the currency once market frictions and liquidity constraints are taken into account.

For NGOs, such inefficiencies can erode the real value of transferred funds, reducing the purchasing power of aid once it is converted into local currency for programme implementation. Liquidity constraints may also arise when a country's FX reserves decline, reducing the central bank's ability to stabilise the domestic currency.

REGIONAL CASE STUDY

This dynamic was observed in Mongolia, where the tugrik depreciated by 21% in 2022 following a balance-of-payments deficit (Bertelsmann Stiftung, 2024). A balance-of-payments deficit occurs when capital outflows exceed inflows, placing pressure on FX reserves. To manage this imbalance, the Bank of Mongolia drew down its international reserves to support the exchange rate.

However, as reserves declined, the central bank's capacity to intervene in currency markets weakened, contributing to the depreciation of the Mongolian tugrik. This case illustrates how declining FX reserves can intensify liquidity pressures in domestic FX markets, limiting market participants' ability to obtain foreign currency at stable and predictable rates.

For NGOs operating in such environments, these conditions directly affect the rates at which foreign currency can be converted into local currency, increasing the risk of value erosion during conversion. More broadly, thin FX markets characterised by low transaction volumes can result in unpredictable exchange rates and delays in currency conversion.

> **[I] often do not know the exact amount [I am] paying for FX transactions, as spreads and intermediary charges are not disclosed.**
>
> *Excerpt taken from NGO Interviewed*

In such contexts, the real value of transferred funds may erode during conversion, ultimately constraining the scale and effectiveness of programme delivery.

(3) NATURAL DISASTERS AND EXTERNAL SHOCKS

Natural disasters represent major exogenous shocks that can significantly disrupt economic stability. Such events destroy productive capital, damage infrastructure, and interrupt economic activity, leading to declines in output. Post-disaster recovery also typically requires substantial public spending, which can widen fiscal deficits and weaken government debt positions.

Beyond fiscal impacts, natural disasters can place immediate pressure on FX markets. Following a major disaster, investors often reallocate capital away from affected regions, particularly from emerging or vulnerable economies toward safer markets. This behaviour, commonly described as a “flight to safety,” reflects heightened risk perceptions and concerns about long-term economic disruption caused by climate-related shocks (Mahalingam et al., 2018), The resulting capital outflows reduce demand for the domestic currency, exerting downward pressure on exchange rates.

Natural disasters can also weaken a country’s FX reserves. Damage to infrastructure and productive assets reduces firms’ production capacity and export earnings, limiting the inflow of foreign currency. At the same time, governments may need to draw down existing reserves to stabilise financial markets and finance emergency relief and reconstruction efforts (Khan & Anwar, 2022). Together, these factors increase exchange-rate volatility and raise the likelihood of currency depreciation following major disasters (Mahalingam et al., 2018).

In the Asia-Pacific region, **Pacific Island Countries (PICs)** are particularly vulnerable due to their geographic exposure to climate-related disasters. For example, in Fiji, tropical cyclones and floods are estimated to generate average annual economic losses of approximately **5%** of GDP (Nguyen & Nguyen, 2024). Across PICs more broadly, empirical evidence suggests that major natural disasters are often followed by an immediate depreciation of nominal exchange rates of around **10%** within eight months (World Trade Organisation, 2019).

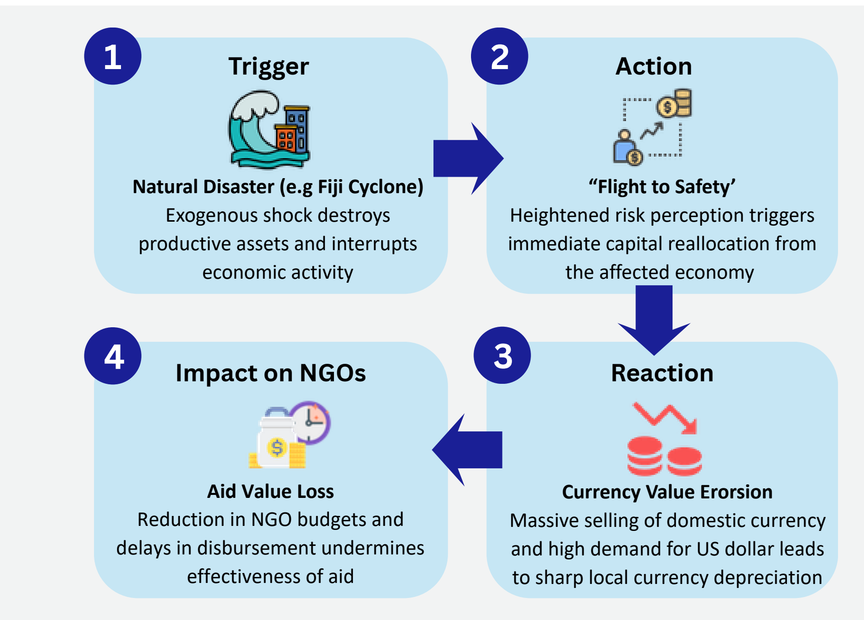


Figure 21: Impact of external shocks on NGOs

For NGOs operating in such environments, disaster-induced exchange-rate volatility can materially erode the real value of transferred funds at the point of conversion. Because NGO budgets are typically tightly constrained, sudden currency depreciation reduces the purchasing power of expected aid flows. In some cases, NGOs may be forced to delay disbursements or reallocate resources in response to these losses, undermining the scale, timing, and effectiveness of humanitarian assistance.

CONCLUSION

Macroeconomic and FX volatility significantly erodes the real value of aid and introduces unpredictability into cross-border transactions. Whether driven by weak economic fundamentals, sudden policy shifts, or liquidity constraints in local markets, these dynamics create a consistent mismatch between the funds received and the value ultimately disbursed. This volatility directly reduces the real purchasing power of aid and disrupts planned budget allocations for program delivery.

Furthermore, external shocks such as natural disasters can trigger a "flight to safety," exerting downward pressure on exchange rates and materially eroding the value of transferred funds at the point of conversion. Ultimately, these complex and unpredictable environments complicate financial planning and create operational fragility, undermining the scale, timing, and overall effectiveness of humanitarian assistance.

RECOMMENDATIONS

To manage macroeconomic and FX volatility, NGOs may consider using multi-currency accounts as a practical risk-management tool. Multi-currency accounts allow an organisation to send, receive and hold various currencies under a single account. There are two main benefits. Firstly, these accounts enable NGOs to hold funds in the original currency that they receive. This reduces the need to convert currencies when NGOs receive funds, reducing the exposure to FX risks. Secondly, NGOs can monitor the FX markets and time their conversions on favourable market rates, which reduces the impact of currency volatility. This would allow them to hold funds in specific currencies required for their projects, gaining greater control over the timing of these conversions. A range of banks and payment services, including StoneX, Standard Chartered and DBS Singapore, offer multi-currency account services. For example, Wise Business supports receiving payments in currencies such as Australian Dollar, US Dollar and more, while it can hold and convert money to more than 40 currencies (Wise, 2026).

Recommendations for NGOS: Build FX Buffers for Disaster Response Readiness

For NGOs operating in disaster-prone regions such as the Pacific Island Countries, reserve funds could also be established to buffer against disaster-related FX shocks. These reserves can serve as a financial cushion during periods of acute disruption. For example, NGOs could pre-convert a portion of their grant funding into the local currency, enabling faster disbursement when needs arise, and reducing the need to convert funds at unfavourable rates during periods of market stress.

Recommendations for Policymakers: Protect Aid Value Through FX Policy Flexibility

For governments, one significant policy intervention they can implement is to create and enforce NGO FX exemptions. This may involve establishing special FX conversion rules or preferential rates for registered NGOs. For example, such rules could allow NGOs to access more favourable conversion terms during natural disasters or exempt them from sudden policy changes that would otherwise disrupt humanitarian transfers. A relevant precedent is found in the United Nations framework, where humanitarian aid activities may be exempted under certain sanctions regimes (United Nations, 2022). Similarly, governments can consider exempting registered NGOs from abrupt FX conversion mandates or restrictive administrative measures, particularly during emergencies. This may help to protect the value of humanitarian funding, reduce operational uncertainty, and ensure that aid reaches affected communities promptly when they need it the most.

SYNTHESIS

Throughout the APAC region, factors such as payment market structures, regulatory controls, banking access, and macroeconomic volatility directly influence how NGOs receive, manage, and deploy their funds. While these barriers arise at various stages of the payment journey, their impact is felt by both sending and receiving NGOs in 3 recurring ways:

1. Uncertainty regarding fund availability
2. Value loss before programs commence
3. Heightened operational complexity

This section seeks to synthesise these themes to demonstrate how systemic constraints manifest as practical, on-the-ground challenges for NGOs.

IMPACT 1: FUNDING UNCERTAINTY DELAYS PROGRAMME TIMELINES

Funding uncertainty refers to NGOs' inability to predict the timing and amount or availability of donated funds. When donations are sent, NGOs often lack clarity on when funds will be disbursed, how much will ultimately be accessible, or whether the transfer will be completed at all. Several themes mentioned in the report contribute to this uncertainty. Regulatory and compliance requirements (Theme 2), reduced banking access (Theme 3), and macroeconomic and FX volatility (Theme 4) collectively constrain the predictability of funding flows. Under Theme 2, the uncertainty is driven by multi-agency approvals, designated account requirements and extensive documentation, which delays funding disbursement. These regulatory pressures also strain CBRs, particularly in high-risk corridors, as discussed in Theme 3. In parallel, macroeconomic instability in several emerging APAC economies further complicates financial planning as NGOs face heightened uncertainty in both the timing and value of currency conversion, as outlined in Theme 4.

The resulting funding uncertainty undermines the efficiency of cross-border financial transfers for humanitarian projects across APAC. When money cannot cross borders efficiently, critical humanitarian aid, such as medical supplies or food, cannot be purchased or transported, often resulting in "preventable deaths and suffering" in crisis zones. It also constrains the operational capacity of NGOs working on-site, as staff deployed in affected regions may face delayed or unpaid salaries.

Over the years, persistent funding uncertainty has led to the suspension and downsizing of critical humanitarian programmes across the region, particularly those focused on emergency response.

In summary, although humanitarian funding flows into APAC, NGOs cannot reliably determine when these donations or resources will be available.

IMPACT 2: COST INEFFICIENCY REDUCES THE EFFECTIVE SCALE AND IMPACT OF PROJECTS

Cost inefficiency refers to the erosion of the real value of aid through FX spreads, intermediary fees, and regulatory constraints. Cost inefficiency means funding is reduced even before delivery begins, thereby reducing the project's full potential impact. For example, a USD 10 million programme that experiences a 40% erosion effectively loses USD 4 million in usable resources before implementation.

Our report identified three key mechanisms through which the value of aid is eroded. First, reliance on correspondent banking chains increases transfer costs through cumulative intermediary fees, processing charges, and FX mark-ups (Theme 1). Second, regulatory controls, such as mandatory FX conversion requirements, reduce NGOs' ability to choose the timing, channel, or counterparty for currency conversion, thereby limiting their capacity to minimise losses (Theme 2). Third, the withdrawal of correspondent banking relationships in higher-risk corridors forces payments through longer and less efficient intermediary chains, further increasing transaction costs (Theme 3). Finally, macroeconomic instability and currency volatility can erode value when currency depreciation occurs after funds are credited but before programme expenditure begins (Theme 4).

For receiving NGOs, these inefficiencies translate directly into operational constraints. Even when transfers are completed successfully, a portion of donor funding may already have been absorbed by fees, unfavourable FX conversions, or currency depreciation before programme implementation begins. As a result, NGOs must deliver planned activities with fewer usable resources than intended, often leading to reductions in geographic coverage, beneficiary reach, or the quality of services delivered. Over time, this diminishes the real impact of aid by weakening the capacity of organisations to deliver programmes at the scale originally funded.

IMPACT 3: OPERATIONAL COMPLEXITY DIVERTS ORGANISATIONAL CAPACITY AWAY FROM PROGRAMME DELIVERY

Operational complexity refers to the level of organisational resources NGOs must devote to compliance, treasury management, and risk mitigation. Several themes contribute to this burden. Regulatory and reporting obligations necessitate routine administrative procedures, including sequential verification, the monitoring of designated accounts, and submissions to multiple agencies (Theme 2). NGOs may also need to coordinate across various financial institutions when additional reconciliation layers are added to the payment infrastructure (Theme 1).

Meanwhile, reduced banking access and de-risking pressures force NGOs to manage multiple banking relationships, each with its own KYC, AML, and reporting framework (Theme 3). Furthermore, macroeconomic volatility and FX risk require NGOs to monitor exchange rates constantly, sequence conversions strategically, and pre-fund local accounts to hedge against delays. Due to the increased administrative demands of financial due diligence, NGOs must allocate significant time and manpower to negotiating with banks or restructuring transfer mechanisms before aid reaches the field.

This leads to organisational strain and staff fatigue, causing employees to divert time from programme delivery to administrative tasks, contributing to increased workloads and burnout. As the scope of work grows more complex, NGOs may be forced to hire specialised compliance teams or engage professional services, significantly raising operational costs.

For example, a case study of one humanitarian NGO revealed that meeting donor-mandated sanctions screening required an annual expenditure of up to €300,000. These administrative burdens also disproportionately affect smaller organisations, which often lack the financial capacity for extensive due diligence systems and must choose between compliance and delivery.

CONCLUSION

Taken together, these impacts explain why NGOs may be unable to distribute monetary aid effectively even when funds are available and NGOs fully comply with payment regulations. When NGOs take on more risk and face increased costs due to structural frictions across regulation, banking access, market design, and macroeconomic conditions, their ability to plan, deploy, and account for resources effectively is compromised.

Looking ahead, the more credible path to improvement lies at the intersection of traditional banking and fintech, where transparency, predictability, and operational control can be restored to NGOs.

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