



Sanctions on Syria and the impact on humanitarian aid and early recovery programming

Three sessions

March 2024

Summary report

Introduction

With the conflict going into its 14th year, Syria continues to be one of the world's worst humanitarian crises. Humanitarian needs in the country continue to rise inexorably. The latest estimates indicate that a staggering 16.7 million people now require humanitarian assistance, approximately three-quarters of the population and the highest number of people in need since the start of the crisis. Humanitarian operators continue to face multiple challenges and the future humanitarian outlook of the country is not hopeful with dwindling funding due to donors' fatigue and shifting priorities, which are coupled with Syria's diminished prominence in public discourse as a priority issue.

Sanctions and donors' redlines on humanitarian aid and early recovery programmes are among the challenges facing a principled humanitarian response in Syria and have had a persisting negative impact on humanitarian operations in the country. These regulations and redlines cause complex challenges for humanitarian actors and have undermined the ability of humanitarian organisations to deliver aid to people in need. Ambiguity, lack of clarity, overreach and incoherence between the various regimes that are imposed on the country, including members of its rulers have led, among others, to overcompliance, and de-risking by the private sector and international NGOs working in Syria. While these challenges pose considerable obstacles to humanitarian work, their most profound repercussions are felt by the Syrian people on the ground.

In 2023 – 2024, KUNO, the Platform for Humanitarian Knowledge Exchange in the Netherlands, brought together humanitarian practitioners and policymakers in three sessions to discuss sanctions and their impact on humanitarian aid and early recovery programming in Syria. Hosted and facilitated by KUNO and Mohammad Kanfash of the Centre for Conflict Studies at Utrecht University, these sessions provided a space for humanitarian practitioners to exchange insights, explore bottlenecks, and crucially, brainstorm potential avenues to enhance the humanitarian landscape and alleviate the plight of the Syrian people.

- 1) **Session 1** (31 October 2023) on the impact on humanitarian aid and early recovery programming
- 2) **Session 2** (22 February 2024) on redlines on early recovery and lack of funding (political dimension).
- 3) **Session 3** (28 February 2024) on the impact and how to mitigate negative consequences (the financial aspects)

Participants

In all three meetings, KUNO brought together diverse stakeholders including donors, practitioners and researchers. All three sessions were held in person at the Hague and online to accommodate the needs of colleagues working in the Syrian region. The list of attendees to the on-invitation-only events included, among others, representatives of the several EU directorates (ECHO; FISMA), the banking sector, the Dutch Ministry of Foreign Affairs, UN Syria, EU Syria, local and international NGOs active in Syria, members of the KUNO networks, as well as representatives of European humanitarian think tanks. All three sessions further benefited from the participation of subject and country experts, who kindly shared their knowledge and insights on the topic under discussion.

The experts [in chronological order] present were:

- **Dr. Joseph Daher**, acclaimed author on Syria and professor at Lausanne University and the European University Institute. Based on his recent publication on the topics of humanitarian aid and the political economy thereof, Dr. Joseph Daher provided an overall picture of the humanitarian response in Syria contextualising recent calls for a shift in the humanitarian response to accommodate more early recovery programming.
- **Fulco van Deventer**, deputy director of Human Security Collective and Associate Fellow at the International Centre for Counterterrorism (ICCT). Based on ongoing work on sanctions and long experience with CTF and AML regulations, Fulco van Deventer elucidated the risk management approach of private sectors, banking sector in particular, in highly sanctioned contexts, such as Syria, and how this drives overcompliance and de-risking.
- **Dr. Erica Moret**, a visiting professor at Sciences-Po Paris and senior researcher at the Graduate Institute's Global Governance Centre and Centre for Humanitarian Studies; co-founder and coordinator of the Geneva International Sanctions Network; and Associate Editor of the Journal of Global Security Studies. Based on her extensive research encompassing several countries across the globe, including Syria, Dr. Erica Moret elaborated on the problems related to financial sanctions, including over-compliance. She also shared her insights on potential solutions around bottlenecks in the financial system.
- **Lia van Broekhoven**, executive director of Human Security Collective. Based on ongoing research on the impact of sanctions as well as long experience on CTF and AML, Lia van Broekhoven elaborated on financial access challenges for humanitarian organisations, in particular smaller NGOs that carry disproportionate amounts of counter-terrorism financing and sanctions-related regulatory risk. She also touched upon recent developments in relation to humanitarian carve-outs such as UNSC 2664.

Mohammad Kanfash, co-organizer of the sessions, moderated all three sessions. Mohammad is an academic and humanitarian practitioner with long experience in Syria and the MENA region. He is the Founder of Damaan Humanitarian Organisation, and a trainer on Humanitarian Negotiations at the Clingendael Academy. To allow for a free and open exchange of ideas, all sessions were held under the Chatham House rule, hence this report only contains a general summary.

! With their focus on humanitarian operations exclusively, the meetings neither took a position on the legitimacy of sanctions nor on their necessity. Furthermore, organisers and participants acknowledged the risk of and concerns over aid diversion and aid misappropriation.

Sanctions, donors' conditionality on early recovery, and humanitarian aid: an overview of challenges

Sanctions

As of 2011, the US and the EU, among others, have imposed (financial) sanctions against Syrian state institutions, vital economic sectors and members of the ruling regime and political elites. These sanctions were tightened at different junctures of the conflict with their scope and scale gradually increasing, making Syria one of the world's most sanctioned countries in the world and creating a very tough compliance environment, including for legitimate actors. Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) regulations, which are applicable in the country due to the presence of internationally designated terrorists or terrorist groups, have added an extra layer of complexity impacting financial transactions in the country.

Humanitarian organisations consistently report that these sanctions, along with donor red lines, form a challenge and restrict humanitarian operations within Syria, which arise largely, but not exclusively, from over-compliance, lack of clarity of some of these regulations, varying interpretations and risk appetite policies among the various stakeholders. In combination, these challenges have resulted in Syria being almost de-risked, creating problems for legitimate businesses, including humanitarian operators with the transfer of funds/money. Subsequently, dependence on Hawala transfer has increasingly become customary (a method of money transferring, outside the traditional banking system). In the Netherlands, the use of Hawala (when it concerns unlicensed money transfers) is illegal and thus its use is problematic for Dutch Organisations that operate on funding from the Dutch government. Another significant challenge is related to dual-use items and trade blockade on technology and spare parts necessary for maintenance work in the country.

Recent developments, such as the UN Security Council resolution 2664 of December 2022, which introduced a humanitarian exemption to asset freeze measures imposed under UN sanction regimes, have contributed to modest progress. While practice and research showed that this exemption has led to some improvement, its efficacy remains limited. Another example is the temporary (six-month, in the case of the US) suspension of select sanctions in the wake of the February 2023 earthquake, which was enacted to speed up humanitarian work. While some improvements were reported, the temporary nature of these measures did not provide the opportunity for sustained impact. It was reported that the allocated period was not sufficient to get licences and build relationships which are needed to provide effective aid.

Donors' conditionality and redlines

Donors' conditionality and redlines on the types of humanitarian projects -such as early recovery- that can be implemented, and on the interaction with national authorities, such as technical staff of line ministries, have been a constant theme throughout the conflict in Syria, which has shaped how humanitarian response operations have unfolded in the country. For years, and despite mounting needs and repeated calls by humanitarian actors on donors to reassess their approach to offering humanitarian assistance to adequately address needs, prevent further harm and meaningfully build resilient communities, donors remained reluctant to support early recovery programs as they tied such projects to a political settlement and political transition. Arguably, a main challenge with early recovery programmes is that they are considered to be sanction-prone. Throughout the years, the early recovery cluster of the humanitarian response plan was the least funded.

Recent developments such as the UNSC resolutions 2585/2021, 2642/2022 and 2672/2023 to expand assistance in Syria to include early recovery, have yielded little improvement and so was the case with the 2021 US Treasury Department Office of Foreign Assets Control (OFAC)'s announcement to expand authorizations for NGOs to engage in additional activities and transactions in Syria.

According to key speakers and experts, a reorientation of the current humanitarian response towards early recovery can help solve problems of efficiency in humanitarian aid and it could also revitalise the economy by boosting production. Strategically, for Western States investing in early recovery may be of interest because it can lower the number of asylum seekers from Syria to the West.

Challenges and potential solutions

The discussions in the three sessions are summarised in the following text.

NGOs and banks

The challenges of working with banks were prominently reported by NGOs. Banks are often overly compliant when it comes to laws and regulations, and the complexity of the Syrian case and the chilling effect of sanctions means that banks and financial service providers take de-risking measures and refrain from engaging with humanitarian organisations or terminating relationships because of fear of violating laws and regulations. As a result, some of the participants reported that their bank accounts were closed, while others addressed the shortages of exemptions in this regard.

These problems usually stem from the fact that banks tend to have a zero-tolerance policy and a very low-risk appetite for fear of technical violations. Banks define their risk appetite to onboard NGOs on the basis of their internal cost-benefit analysis. NGOs are often on the negative side of the risk balance of banks due to high compliance costs. The screening of NGOs and their planned transactions is complicated due to the multiplicity of laws and sanctions regimes that can apply to one transaction. In high-risk countries, banks require extensive levels of transaction details. In the process, banks resort to the use of several lists including commercial terrorist and Public Exposed Persons (PEP) lists that are based on open data and are provided by commercial providers. These lists are not always widely known and only accessible to subscribers; however, banks utilise them to do their due diligence on humanitarian organisations. In the Netherlands, legal entities like NGOs also do not have an automatic legal right to a bank account, which is challenging. Smaller NGOs active in high-risk countries have even less access to a bank account because the stringent customer compliance requirements by banks to avoid terrorism financing, money laundering and sanctions breaches create higher barriers compared to bigger NGOs with specialized staff and expertise.

The banking sector is making little steps though and some banks are starting to show willingness to cooperate. Representatives of the banking sectors explained that NGOs should step up their efforts too, mainly by providing an as complete as possible risk and legal assessment for their transactions. For a bank to execute such an assessment is very time-consuming and costly. NGOs are not always aware that a risk assessment for each and every payment is not *persé* the responsibility of the bank. A possible 'solution' to this problem was proposed by an actor of a bank: an agency that helps the NGO to provide this. Moreover, the ABN AMRO has an information [portal](#) for foundations and associations to refer to.

Importantly, in the sessions, it was also underscored how **smaller and local NGOs carry the weight** of these problems. Smaller NGOs often do not have the resources to comply with the sanctions and

anti-money laundering and countering the financing of terrorism requirements of banks. Banks, being profit-driven entities, are often hesitant to provide services to smaller NGOs, as they perceive them as less profitable, less professionalised and higher risk. Furthermore, local NGOs in Syria and other high-risk or sanctioned countries carry most of the regulatory risks as they are subcontracted by intermediate NGOs to carry out community-based activities. Therefore concerns were expressed on how to alleviate the burden of liability and improve risk-sharing between all stakeholders: the back donor, the intermediate donor, the local organisations and the banks. One bank has incorporated the de-risking of NGOs as a salient human rights and business issue as part of their corporate social responsibility commitments. Such a decision provides a lever to discuss risk-sharing with the bank. Another stakeholder that can step up efforts to help solve de-risking is the banks' supervisor, the Central Bank who can provide guidance to banks about the importance of a proportionate risk-based approach for customer due diligence screening of humanitarian organisations.

Harmonising sanctions and exemptions

Although exemptions were meant to eradicate the 'unintended effect' of sanctions on humanitarian aid, participants in the sessions have addressed the concern of unclarity in sanctions and exemptions, and existing substantial discrepancies between sanction regimes across the EU member states. One example was given when the Minister of Education of the Syrian Government was directly sanctioned; this caused unclarity about the matter if the Ministry of Education was sanctioned as a whole. As a result, NGOs and banks over-complied with this sanction. This meant a lot of extra unnecessary time and money as well as extra caution until, after a substantial amount of time, this distinction was made clear. In the sessions, a strong need for '**harmonising' and socialising exemptions** by different countries in the European Union was mentioned.

The present EU Commission officials indicated that a review of the usefulness of exemptions is needed and will be the focus in the coming years. They would appreciate receiving (concrete) examples of what did and what did not go well and how that was caused by sanctions and exemptions.

Other Challenges

The consequences of sanctions are not the only challenge in financial transactions in Syria. In any case, transactions through banks go through **a web of complex regulations** and criminal laws, which are costly, time-consuming, and not to forget, raise reputational concerns.

As mentioned earlier, there is an issue related to dual-use items and trade blockades on technology and spare parts necessary for maintenance work in the country. When components possess dual-use capabilities, meaning they can be utilised for both civilian and humanitarian purposes as well as for potentially detrimental ends such as bolstering electrical networks that may benefit the regime or facilitating military weaponry, companies and their respective governments often refrain from supplying these parts to Syria. There exists a prevailing "fear" that involvement in Syria may attract sanctions, even in cases where the likelihood of such sanctions is minimal or non-existent.

In the sessions, different alternatives to the customary mechanisms have been suggested, including digital payments or ad hoc payments. However, these are difficult to execute due to low internet

access in Syria- which again illustrates why context matters in this case-. These considerations are in a too early stage to say there is proof that these would work.

Ways forward

The three sessions have shown a commitment by the various stakeholders to continue to engage in finding solutions. However, given the inherent complexity of this subject, participants agreed that further action is needed, hoping the KUNO session will represent the start of a more focused follow-up on this topic.

Among others, participants stressed the need to continue the dialogue between the different stakeholders and the need to engage private sectors, such as the banking sectors, and the Central Banks. These dialogues must ideally include more stakeholders and should take place at different levels: sectoral, national and at the EU level. Furthermore, participants also stressed the need to engage in difficult conversations around early recovery as the way forward in the humanitarian response in Syria.

Participants were also encouraged to think outside the box with innovative solutions such as digital payments and using the services of legal experts to facilitate financial transactions.

Concerning exemptions, participants stressed the need to harmonise, streamline and socialise these exemptions across all sanctions regimes, counterterrorism measures, and other regulations, which would be a process of coordination and negotiation for the EU and member states.

Recommended resources:

- a) [*Turn on the Light: Why tackling energy-related challenges in the nexus of water and food in Syria cannot wait* by Anna Cervi, 2024.](#)
- b) [*Recovery of Services and Infrastructure in Syria. 'Not If, But How?,'* by UN Habitat, 2024.](#)
- c) [*Unblocking aid: the EU's 2023 shift in sanctions policy to safeguard humanitarian efforts* by Sophie Huvé, Guillemette Moulin and Tristan Ferraro, 2024.](#)
- d) [*Structured Chaos: how nonprofits in conflict settings became an economic sector: a macro perspective on international aid industry in Syria and its economic and political impacts* by Dr. Joseph Daher, 2023.](#)
- e) [*Structured Chaos: how nonprofits in conflict settings became an economic sector: the role and dynamics of non-profits sector in Syria* by Zaki Mehchi and Mouayad Albonni, 2023.](#)
- f) [*Structured Chaos: how nonprofits in conflict settings became an economic sector: long-term impact and economic imprint of non-profit sector* by Dr. Joseph Daher, 2023.](#)
- g) [*The Carter Centre, Effectiveness of Humanitarian Exceptions to Sanctions: Lessons from the Syria Earthquake* by Dr. Erica Moret, 2023.](#)