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Economic and Social Commission for Western Asia

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Syrian household remittances in light of sanctions, financial sector de-risking, COVID-19, and regional developments

A study commissioned by the National Agenda for the Future of Syria (NAFS) Programme II at the Economic and Social Commission for Western Asia (ESCWA) as part of the wider project "Syrian Remittances: Dynamics, Volume and the Future".

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Key recommendations

1 **Global and regional collaboration:** Policy engagement by the likes of the United Nations, the United States, the European Union, and important sender countries (in the Syrian case, Germany, Gulf countries, Jordan, Lebanon, and Türkiye) to explore and secure ways to simplify and safeguard existing Syrian remittance channels, including in relation to financial sector de-risking.

2 **Bilateral engagement in safeguarding remittance channels:** Exploration of options for a bilateral "Safer Corridor Initiative" with the Syrian Government (along the lines of the 2014 UK-Somalia initiative) and key sender countries (with support from main stakeholders, including the United Nations and the European Union), which could be envisaged as part of a sanctions relief package should political progress be made elsewhere.

3 **Increased dialogue and sharing of best practice:** Launching of a new multi-stakeholder dialogue on safeguarding household remittances to the Syrian Arab Republic, including regional meetings with technical experts and practitioners. This would draw on lessons and best practice developed in the humanitarian community and among international non-governmental organizations, as well as from countries that are leaders in the remittances field regarding innovative policy change (such as in sub-Saharan Africa).

4 **Technology-based innovations:** In-depth consultations with technology sectors to scrutinize whether greater uptake of existing digital payment innovations could be applicable in the Syrian context and/or whether new tools could be developed to help streamline and safeguard remittance payments to the country, including in the post-conflict setting.

5 **Reduced sending costs:** Intensification of efforts to reduce remittance sending costs and simplify processes in the Syrian context, in line with Sustainable Development Goal (SDG) 10 on reduced inequality, including engagement with stakeholders and the United Nations.

6 **Research:** Prioritization of further research into Syrian household remittances as a matter of urgency in light of the current parity of available information and their vital importance to Syrian families, including in relation to volume and nature, and in connection with questions such as gender and refugee groups.

Executive summary

Remittances[1] have acted as a vital lifeline for Syrian households, alongside humanitarian aid, amidst the exacerbating levels of poverty, soaring food prices and the severe devaluation of the Syrian pound that has resulted from the country's protracted decade-long conflict, sanctions and other mitigating factors. In spite of this, remittance transfers to the country have been hindered through changes related to political, economic, legislative, and security challenges in recent years.[2]

This report – one of five interrelated studies commissioned by the National Agenda for the Future of Syria (NAFS) Phase II at the Economic and Social Commission for Western Asia (ESCWA) as part of the project "Syrian Remittances: Dynamics, Volume and the Future" – explores transformations in the political economy of remittance flows into the Syrian Arab Republic resulting from several recent developments. These include the global COVID-19 pandemic, tightened international sanctions and related regulations, and the 2019 Lebanese financial crisis. It also explores changes to domestic legislation on remittances in the sender countries of Germany, Jordan and Türkiye, as well as recent shifts in governmental approaches to remittances within the Syrian Arab Republic. The study draws on a detailed literature review and anonymized open-ended interviews with a range of individuals, held between January 2019 and March 2021, including with members of the Syrian diaspora community,[3] donor Governments and regulators, humanitarian actors, banking staff (based in Europe, North America and the Middle East), sanctions and remittance specialists, legal scholars, and digital payment providers.

It finds that certain informal value transfer systems (IVTS)[4] such as *hewala* (also known colloquially as *al-hawāla* and often written as *hawala*),[5] continue to represent a favoured means for transferring funds into the country,[6] while the use of the formal banking sector, post offices and registered money transfer operators (MTOs),[7] such as Western Union, have continued to decline in many parts of the country. This varies according to specific governance, security and banking infrastructure considerations on the ground, with most of the remaining banking facilities now limited to areas controlled by the Government of Syria (GoS). Dependence on household (or personal) remittances by Syrian families has been further compounded by private and not-for-profit overcompliance with the multiple, overlapping, sanctions regimes in place (also known as "de-risking"[8] and the "chilling effect") against Syrian targets, alongside wider terrorism listings, export controls and combatting the financing of terrorism (CFT) and anti-money-laundering (AML) regulations.[9] This has led to a diminishing willingness across sectors around the world in dealing with so-called "high-risk" countries, with the Syrian Arab Republic representing one of the most grave and complex examples of how the phenomenon can exert an impact on a variety of levels.

The report concludes in summarizing potential solutions that could help safeguard Syrian remittance channels at this critical time. These could include policy engagement on opportunities for bilateral coordination on protected remittance corridors (particularly relevant for the post-conflict period); the launch of a new global dialogue to identify viable improvements to the Syrian remittance market and streamline sharing of best practice; efforts to reduce costs in remittance sending; integration of wider efforts to tackle financial sector de-risking that should include a keener focus on impacts on the remittance market; and further research into potential use of digital payment technologies.

3RP	Refugee Response and Resilience Plan

Contents

Abbreviations and acronyms

ABBS	Al Baraka Bank in Syria
ACF	Action contre la famine (Action against Hunger)
AML	anti money laundering
BBSF	Banque Bemo Saudi Fransi
BDL	Banque du Liban (Lebanese Central Bank)
CBR	correspondent banking relationship
CBS	Central Bank of Syria
CT	counter-terrorism
CFT	countering the financing of terrorism
CTP	cash transfer programming
DESA	Department of Economic and Social Affairs
DFID	Department for International Development
DLT	distributed ledger technology
FATF	Financial Action Task Force
FDI	foreign direct investment
FSB	Financial Stability Board
G20	Group of Twenty
G7	Group of Seven
GCC	Gulf Cooperation Council
GDP	gross domestic product
GoS	Government of Syria
GPFI	Global Partnership for Financial Inclusion
GTZ	Gesellschaft für Technische Zusammenarbeit
HTS	Hay'et Tahrir al Sham
IDP	internally displaced person
IMF	International Monetary Fund
INGO	international non-governmental organization

IOM	International Organization for Migration
ISIL	Islamic State of Iraq and the Levant
IVTS	informal value transfer system
KYC	know your customer
MASAK	Financial Crimes Investigation Board (Turkish)
MENA	Middle East and North Africa
MSB	money services business
MTO	money transfer operator
NAFS	National Agenda for the Future of Syria
NGO	non-governmental organization
NRC	Norwegian Refugee Council
NSAG	non-State armed group
OCHA	Office for the Coordination of Humanitarian Affairs
OFAC	Office of Foreign Assets Control
P2P	peer to peer
SDF	Syrian Democratic Forces
SDG	Sustainable Development Goal
SIIB	Syrian International Islamic Bank
SWIFT	Society for Worldwide Interbank Financial Telecommunication
SYP	Syrian pound
TCMB	Turkish Central Bank
TL	Turkish lira
UNHCR	United Nations High Commissioner for Refugees
UNRWA	United Nations Relief and Works Agency for Palestine Refugees in the Near East
VAT	value added tax

Introduction

The protracted conflict in the Syrian Arab Republic is considered one of the largest humanitarian disasters in recent years, given the ensuing collapse of human development outcomes, depression of livelihoods, extensive destruction of physical capital, and its heavy toll on output losses, turning the Syrian Arab Republic into an ailing economy.[10] The decade-long conflict has engendered some 5.7 million registered refugees[11] and 6.2 million internally displaced persons (IDPs), now representing one of the world's largest refugee crises.[12] With inflation reaching unprecedented levels and the Syrian pound depreciating sharply in value, standards of living have fallen dramatically, leading to a severe contraction of the economy since 2011.[13]

The Syrian people face a daily struggle in accessing food, clean water, medicines, and essential services.[14] An estimated 13.1 million plus people within the Syrian Arab Republic currently depend on some form of humanitarian assistance, with almost half of these considered in acute need.[15] The delivery of humanitarian aid and assistance nevertheless represents an enormous challenge, not least in light of complex security and access considerations and multiple bureaucratic challenges at play. In addition, a major humanitarian funding gap currently exists. According to the United Nations Office for the Coordination of Humanitarian Affairs (OCHA) Financial Task Force portal, the Syria Refugee Response and Resilience Plan (3RP) for 2020 received only 39 per cent of its total funding requirement.[16] The 2021 Plan, estimated at $10 billion, had only received 11 per cent of its total requirement at the time of writing.[17] Against the backdrop of this humanitarian crisis, the structural socioeconomic fragility, and the colossal influx of migrants,[18] including refugees, to the European Union and to neighbouring Arab States, remittances have gained an unprecedented and surging importance.[19]

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A. Global remittance characteristics

Remittances can take many forms[20] and can include the use of banking cheques; foreign transfers via the global financial messaging service, Society for Worldwide Interbank Financial Telecommunication (SWIFT); cash transactions; vouchers; foreign wire transfer orders, and in-kind goods. More recently, they can also include digital payments, including those using cryptocurrencies and distributed ledger technology (DLT), such as blockchain. An earlier seminal work on remittances listed 16 types of remittances which may be used in different parts of the world, though not uniformly.[21] Although there is a degree of crossover between formal and informal forms of remittances, the former tend to refer to those passed through official channels (banks, MTOs, post offices, and others) and the latter to *hewala* and the carrying of cash across borders in an individual capacity. Earlier studies from around the world have shown that informal forms of remittances may be preferred by both the sender and receiver, even when other value transfer systems are available. Reasons for this vary but can include problems encountered in transferring value via traditional banking channels (poor access, lack of confidence, costly, bureaucratic, inefficient, slow); for cultural reasons (low levels of banking use, low levels of digitization); in order to ensure confidentiality or secrecy regarding the sender and/or receiver; or for criminal motives.[22]

Governments have consistently endeavoured to regulate and monitor remittance transfers and to collect data about their volume, nature and direction of money flows.[23] Doing so remains a major challenge, however (including for the academic and policy community),[24] not least in light of the clandestine, opaque and unregistered nature of most informal remittance payments. An added hurdle in understanding dynamics underlying remittance flows (as well as their accurate tracking) is their complex nature, fast-changing exchange rate adjustments and shifting costs involved, particularly in informal remittance transactions, signifying that the data can fast become out-of-date and difficult to interpret.[25]

Acknowledging that high remittance sending costs are detrimental to global stability and economic recovery, the United Nations Sustainable Development Goal (SDG) 10, aims "by 2030, [to] reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent".[26]

Progress has so far been judged to be "mixed" by the United Nations, however.[27] A discussion in the United Kingdom's House of Lords on February 4, 2021, for example, noted that the fact that remittances to sub-Saharan Africa remained at 9 per cent, representing the highest costs in the world, was "morally repugnant".[28] The European Union, for its part, is working on reducing these costs, while efforts in the Middle East and North Africa (MENA) region appear to be more mixed.[29] In the Syrian case, transaction costs vary depending on where funds originate, but in general they exceed 3 per cent.[30] Costs of transfers within the country generally sit between 1 and 2 per cent for quantities under SYP 1 million (corresponding to $795) or 0.5 per cent for higher amounts.[31] The World Bank has noted that the Syrian Arab Republic was among the five most expensive remittance corridors in the MENA region in 2020.[32]

Throughout different parts of the world, remittances are considered to play a highly significant role in economic and security terms. They tend to run in a countercyclical manner to a receiver country's economy, meaning that when the economy slumps, remittances increase – and vice versa.[33] At times when other economic channels suffer – such as imports and exports – remittances tend to be the one area that remains stable.[34] As such, they are understood to serve as a lifeline to vast swathes of vulnerable populations around the world.[35] For many countries, they can be the largest source of foreign exchange,[36] and tend to represent 5-45 per cent of gross domestic product (GDP) in official channels alone.[37] They sometimes surpass foreign direct investment (FDI)[38] and development or humanitarian assistance, often many times over.[39] In the MENA region, excluding high-income Gulf Cooperation Council (GCC) countries, remittance inflows reached an average of 5.4 per cent of GDP in 2019.[40] In the Syrian context, remittances have been estimated to have accounted for some 30 per cent of real GDP in 2017.[41]

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Remittances bring about benefits for development and poverty alleviation, in that they are a form of money which goes directly to the people in need of help, with less risk of diversion through Government misappropriation[42] or corruption. Remittances can also yield advantages to wealthier Governments in sender countries by reducing migration pressures, through contributing to a more stable economy in the recipient country.[43] In a recent United Kingdom parliamentary debate, for example, the House of Lords noted that "remittances are a significant source of funds for developing economies... Remittance payments typically flow to households and increase income and resilience to economic shocks."[44] Household remittances are typically tax free (person to person) though a number of wealthy Governments have been considering taxing remittance outflows as a way of raising revenues and/or discouraging future undocumented migrants. Examples have included the United States and a number of Gulf countries, including Saudi Arabia and the United Arab Emirates.

Remittances can also bring benefits to Governments in poorer recipient countries by bringing in much-needed foreign currency, which in turn helps avoid devaluation. Even when formal remittance inflows are not taxed, Governments still benefit through associated tax revenues. Remitted funds are often used to make purchases in the healthcare and education sectors or to start a business; bringing economic benefits through poverty alleviation and increased consumption.[45] The result is that the Government's tax base increases through consumption-based taxes, such as value added tax (VAT), import tax and sales tax, rather than taxing remittances directly. On the other side of the coin, when consumption declines in a country because of a drop in remittances, so do governmental tax revenues.[46] The Syrian Arab Republic represents something of an anomaly globally on this front in that remittances coming into the country are currently subject to taxation (described in more depth on page 36.[47] Very few countries elsewhere in the world have employed such a policy, but those that have typically went on to cancel the tax in response to adverse impacts (as was the case with the Philippines in the early 1990s, Vietnam in 1997 and Tajikistan in 2003).[48] This included the driving of remittance payments to informal channels, which was shown to disproportionately affect poorer households.

Remittances can also benefit the banking sector as they represent cheap, reliable and stable sources of funding, which are altruistically motivated rather than profit driven. This, in turn, can allow banks to lend more money.[49] In addition, certain types of remittance systems (such as *hewala*) can bring benefits to humanitarian organizations that might otherwise be unable to provide assistance or aid to vulnerable groups living in dangerous or hard-to-reach areas, or where formal banking networks are lacking.[50] This is particularly the case in the Syrian Arab Republic, where informal remittances have become the principal mode for transferring funds into the country in recent years, particularly in those areas outside of governmental control (described in more depth below, page 14 and 15).

On the other side of the coin, remittances – specifically those of an informal nature – have also played a significant role in financing illegal activities, criminal networks and terrorist groups.[51] As such, a complex raft of international legislation has proliferated over the past two decades that seeks to curtail the ability of illicit groups from transferring funds or other forms of value across borders. This includes at the level of the United Nations and among Governments and regional organizations, such as the United States and the European Union (explored in more depth on page pages 18 through 22).

B. Syrian household remittances

The Syrian Arab Republic is a country with more limited options for sending remittances as compared to other countries that depend heavily on such transfers,[52] including Afghanistan and parts of sub-Saharan Africa.[53] This is due, in part, to the limited use and availability of formal banking structures. Since the start of the fighting, for example, banks and, to a certain extent, MTOs, such as Western Union, have been decimated throughout the country, particularly outside areas of Government control. A detailed study on Syrian remittances, carried out in 2015 by Roger Dean of the Norwegian Refugee Council (NRC), found that the overwhelming majority of remittances to the country were sent informally (through the *hewala* system) to the "almost complete exclusion of the formal banking system". The author concluded that this preference seemed less linked to speed or even expense of using formal channels, but rather in relation to convenience, privacy considerations and regulatory requirements in different parts of the country.[54] Other detailed studies have also shown that informal remittance channels are proving to be the main, and sometimes only, means for Syrian migrants in Europe and the MENA region to send funds to their families in the country.[55]

As a ratio of the country's GDP, remittance inflows to the Syrian Arab Republic are estimated by the World Bank to have more than doubled since the start of the conflict, rising from $800 million in 2006 to $1.6 billion in 2010 (a figure which was not updated again until 2020 due to a lack of available information).[56] Some 93 per cent coming from the MENA region, with Germany, Kuwait, Lebanon, Saudi Arabia, and Türkiye, ranked among the top remittances-sending countries.[57] Remittances paid into the Syrian Arab Republic in 2017 were greater than the total level of registered wages and salaries paid in the country in the same year.[58] Other studies suggest that Syrian remittance rates may be far higher than the World Bank estimates,[59] when informal transfers are also taken into account.[60]

The Syrian Arab Republic is currently divided into three territories controlled by different (and shifting) political and military forces of both domestic and foreign origin:[61] the Government-controlled areas of southern and central parts of the Syrian Arab Republic; the north-east, controlled by the Syrian Democratic Forces (SDF); and the north-west, controlled by Turkish authorities and Hay'et Tahrir al Sham (HTS).[62] As a consequence, the remittance situation varies greatly from area to area, not only in relation to humanitarian access and needs, demographics and security, but also in connection with the availability of banking facilities and access to formal and informal remittance channels. Banks are scarce outside areas of Government control, and instead, unregistered *hewala* is the norm, alongside the carrying of cash across borders by other parties. In January 2021, the number of informal *hewala* companies operating in the north-west of the country was recorded at more than 450 and at more than 150 in the north-west.[63]

The source of remittances also varies greatly in these different territories. Funds arriving to GoS-held areas originate largely from Europe, the Gulf countries and Lebanon (and in small part from Latin America, Jordan, Iraq, Armenia, the United States, Türkiye, and Kurdistan Iraq). Those in the north-east come from Europe (especially Germany), Türkiye and (to a lesser degree) from Kurdistan Iraq. In the north-east, main remittance sources are Germany, Sweden and Norway, with smaller amounts originating from Türkiye, the Gulf and Lebanon.[64]

1. Aims and scope

This report aims to provide a detailed account on the evolving political economy of remittance flows into the Syrian Arab Republic. It outlines a range of challenges and constraints on remittance flows into the country, including tightened international sanctions, the COVID-19 pandemic, the 2019 Lebanese financial crisis and changes to domestic legislation in the sender countries of Germany, Jordan and Türkiye, as well as within the country itself. It also seeks to highlight potential policy and technology-based solutions to challenges found in transferring household remittances to the Syrian Arab Republic.

This report focuses on the following channels commonly used for the transfer of household remittances in the Syrian Arab Republic: (1) banks (formal); (2) MTOs (formal), such as Western Union or Moneygram; (3) hewala (informal) transferred by businesspeople or "merchants" through their wider commercial activities;[65] and (4) the carrying of cash across borders (informal) by individuals in a professional or personal capacity. It notes that these types of remittances can include a degree of crossover (for example, Western Union will make use of hewala networks in order to access liquidity or those passing cash directly between individuals may include cash withdrawals from and deposits into banks).

The report forms part of a wider study on Syrian household remittances, run the National Agenda for the Future of Syria (NAFS) at ESCWA. The larger proje seeks to assess remittance flows to the Syrian Arab Republic according to a number of variables, including size, processes, mechanisms, legal underpinnings, and differences between formal and informal channels.

More specifically, the wider project seeks to address the current absence of reliable estimates on the dynamics and volume of remittances sent by the Syrian diaspora, through fieldwork and data collection in major refugee host countries. It also probes transfer channels for formal and informal forms of remittances flowing into the Syrian economy, as well as the potential role of remittances in the future local recovery of the Syrian Arab Republic post-conflict. It also seeks to fill current gaps in the literature, such as gender considerations[66] and implications for refugees or displaced persons.[67]

2. Methods and research constraints

The report employs qualitative methods and draws on an extensive literature review on Syrian (household and humanitarian) remittances, which includes academic studies; policy documents published by Governments and international organizations; international non-governmental organizations (INGOs); media articles and those detailing technology developments; and documents outlining legal frameworks. It also includes trade, economic and financial data relating to remittances, where available. This was supplemented by a small, anonymized semi-structured interview campaign involving 41 persons held between January 2019 and March 2021, by phone, videoconference and email (and in person prior to the onset of the pandemic) with members of the Syrian migrant community, representatives of Governments, the United Nations, the European Union, banks (including those still operating in the country and those providing correspondent banking services), MTOs, technology firms running digital transfer apps, and INGOs. Interviewees were contacted through the author's existing network and through introductions or recommendations that these contacts were able to provide. Some were also identified through the literature research as well as through other projects led by the author. Consultations were also carried out with experts on remittances, Syrian political economy, de-risking, wider technology innovations, and the wider humanitarian situation operating in the country.

A key challenge encountered was the limited nature of available data regarding Syrian remittance practices and dynamics (particularly those of an informal nature) and widespread reluctance encountered across sectors (but particularly among Syrian users of remittances) to discuss the matter. Similar constraints are described in other studies on Syrian remittances, including "due to the extreme sensitivity of the subject matter and the operating environment, where people's lives are at risk".[68]

In an attempt to address this major research limitation, triangulation of data sources was used wherever possible in light of the restricted nature of the available data, and limitations on the reliability and representativeness of the wider sample. This was done through consultations of existing literature and news sources, as well as supplementary meetings with a number of experts and practitioners, held through online meetings between December 2020 and March 2021. An earlier draft of this report was also shared with approximately 100 participants involved in an online workshop held on 18-19 February 2021, organized by ESCWA.[69] During the meeting, detailed feedback was provided enabling detailed revisions. A series of workshops was also held over the same time frame between the authors of the other associated reports and experts at ESCWA, which enabled the authors to triangulate findings while researching and writing the reports. A draft of the paper was also presented at two academic conferences,[70] with additional feedback resulting in additional revisions and updates.

3. Impacts of sanctions and wider regulations on Syrian remittance flows

Remittances have long been subject to regulatory scrutiny in light of their potential role in passing funds to support armed conflict expenditures,[71] or help finance non-State armed groups (NSAGs), including designated terrorist groups and criminal organizations. By way of example, fines have been imposed on financial institutions by the United States Government in relation to the use of remittance channels to launder money. In 2012, for example, the international bank HSBC was fined $1.9 billion "after signing a deferred prosecution agreement with the [US Department of Justice] for failing to halt money laundering in its US and Mexican branches".[72] Following the agreement, HSBC and other large banks, such as JP Morgan Chase and Citigroup, terminated accounts along the border between the United States and Mexico and ended relations with Mexican banks carrying out dollar-clearing transactions or remittances.[73] Sanctions imposed directly on the ability to send remittances are more rare, however. One such example is that of comprehensive sanctions by the United States against Cuba that were tightened in 2005 to include the sending of remittances from the United States (eased under the Obama Administration, but tightened again under the Trump Administration, which ultimately led to the closure of MTOs across the island).[74] In general terms, however, most other sanctions regimes make allowances for the sending of remittances, at least on paper. The current near-comprehensive United States financial sanctions on Venezuela, for example, allow for the sending of household remittances into the country.[75]

The proceeding section outlines the sanctions and wider regulations in place against Syrian targets, followed by a discussion of the ways in which they could be impacting on Syrian remittances, be it directly or otherwise.

A. Charting sanctions and other regulations against Syrian targets

1. Counter-terrorism sanctions by the United Nations

The United Nations Security Council has discussed various resolutions to impose sanctions on targets in the Syrian Arab Republic to tackle the protracted conflict and various breaches of international norms, including the use of chemical weapons against civilians, including children.[76] However, such efforts have faced repeated vetoes by permanent members, namely, China and Russia. As such, the United Nations has not adopted its own country-based sanctions regime on Syrian targets, but it does impose a counter-terrorism (CT) sanctions regime on NSAGs operating in the country, including the so-called Islamic State of Iraq and the Levant (ISIL) and HTS, through United Nations Security Council Resolution 1267 (1999), and subsequent resolutions.[77]

2. Measures by the United States

Faced with escalating violence and repression by Syrian Government forces against opposition groups, the United States was the first to impose targeted sanctions on the country in April 2011 (US Executive Order 13572).[78] The United States Government went on to renew a raft of broader measures against Syrian targets in various rounds in the proceeding years and particularly under the Trump Administration, as part of the so-called "Maximum Pressure" campaign,[79] including those covered under the Caesar Act (explored in more detail on page 19). Sanctions have also been imposed against Syrian targets under the United States' recent chemical weapons regimes, alongside similar measures adopted by the European Union.[80]

The United States provides certain exemptions and exceptions, which allow certain types of trade and other commercial activities to take place, including those on humanitarian grounds. One such licence includes the sending of non-commercial, personal remittances to the Syrian Arab Republic, though such payment flows are not permitted if they involve a connection to a sanctioned individual or entity, such as the Syrian Government, the Central Bank of Syria (CBS) or other sanctioned banks, even when the activity should be usually be permitted under the licence (described in more depth on pages 20 and 21).[81]

Individuals and other entities must also comply with United States export controls. In light of the United States' designation of the Syrian Government as a State sponsor of terrorism, this can translate to a ban on almost all goods of United States origin, wherever they may be located, including foreign-produced goods containing United States-derived content in 10 per cent or more of the total value of the final product. Furthermore, companies providing remittance services must also comply with United States' Bank Secrecy Act requirements. As described by Beechwood International:

> **"Within the US, any individual or group of people engaged in conducting, controlling, directing or owning an IVTS is operating as a 'financial institution'. Therefore, IVTS operators must comply with all Bank Secrecy Act (BSA) requirements, which include the establishment of an AML programme, registration with the Financial Crimes Enforcement Network (FinCEN) as an MSB [money services business],[82] and compliance with the record keeping and reporting requirements, which include filing suspicious activity reports (SARs)."**[83]

In addition to the measures outlined above, the USA PATRIOT Act provides oversight to United States regulators regarding all dollar transfers in obliging them to pass through United States correspondent banks. The result is that the use of United States dollars can be subject to prosecution if it is found to be in breach of United States anti-money-laundering (AML) or countering the financing of terrorism (CTF) regulations.[84] In April 2013, the United States Department of the Treasury used Section 311 of the PATRIOT Act to name two Lebanese MSBs (Rmeiti Exchange and Halawi Exchange) as "foreign financial institutions of primary money laundering concern", marking the start of a number of other similar designations. [85] In 2019, the United States Treasury's Office of Foreign Assets Control (OFAC) also listed Al-Haram Exchange in relation to terrorist financing concerns (further details on pages 19, 30 and 33).

In July 2020, the United States and six Gulf countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates) imposed joint sanctions on targets with reported links to ISIL through their membership of the Terrorist Financing Targeting Center created in 2017. This included three MSBs (the aforementioned Al-Haram Exchange, Tawasul Company[86] and Al-Khalidi Exchange) [87] and one individual that the United States Treasury claims provided "a critical financial and logistical lifeline" in the form of hundreds of thousands of dollars to ISIL as well as its global facilitation networks.[88] By way of background, there are two Al-Haram companies, namely, Al-Haram Exchange and Al-Haram Transfer. The former does not have any branches in the Syrian Arab Republic but operates instead by "making connections between Al-Haram Transfer [in the Syrian Arab Republic] and overseas financial entities", such that Al-Haram Exchange receives a sum through customer-facing transactions from abroad and passes the transaction on to Al-Haram Transfer in the Syrian Arab Republic.[89] It operates in several countries, including Jordan, Lebanon and Türkiye. MTOs in Jordan work with Al-Haram Exchange to facilitate transfers to Al-Haram Transfer. These include Musharbash Company,[90] Saudi Company, Damana Company, Al Alawneh Company, Khalil Rahman Company, Sadat and Hendi Company, and Kamal Company.[91] Al-Haram Transfer is understood to work in partnership with Al Baraka Bank in the Syrian Arab Republic(ABBS)[92] and also has ties to the Syrian International Islamic Bank (SIIB). OFAC also blacklisted Al-Hebo Jewelry Company in 2019, a Raqqa-based MSB, which allegedly facilitated the conversion of gold into cash to fund ISIL sleeper cells in Iraq and the Syrian Arab Republic.[93]

The Caesar Civilian Protection Act (or Caesar Act) was incorporated into the National Defense Authorization Act, an annual United States defence bill, for the fiscal year 2020 and signed into law by the United States Congress on 21 December 2019.[94] It serves to significantly expand United States extraterritorial (or secondary) sanctions – largely taking the form of asset freezes, travel bans or other penalties – which prohibit a range of third-country transactions carried out by individuals, companies and entities engaging in certain areas of business with the Syrian Arab Republic, the Syrian Government, as well as persons and companies under United States sanctions. Of specific relevance to remittance flows into the country, the new legislation requires the United States Treasury to ascertain whether the CBS should be classified as a "jurisdiction of primary money laundering concern" under Section 311 of the USA PATRIOT Act.

While the new legislation generated considerable concern among humanitarian actors and the wider policy community,[95] the impact is not thought to have been as notable as originally feared, due in part to the fact that stringent sanctions were already in place against the CBS.[96] The Act, which is set to expire in December 2024, contains several waiver provisions that the Executive Branch could utilize to suspend provisions of the Act (in part, or in full), particularly if the Syrian Arab Republic meets certain criteria.[97] Nevertheless, the Caesar Act is likely to have caused a rise in de-risking among financial institutions in important sender countries, including Germany, Jordan, Lebanon, Türkiye, and Gulf countries, regarding remittances to the Syrian Arab Republic.[98] The extraterritorial nature of the new measures also places pressure on existing trade partners, including in the European Union, the MENA region, Russia, and those located further afield in Asia.[99] In the view of Syrian economist Samir Aita "[t]he Caesar Act has detrimental effects because of its timing; it disrupts any chance of real recovery for the Syrian economy and adds a major psychological dimension on the already severe consequences of the Lebanese financial crisis and COVID-19 emergency in the Syrian Arab republic".[100]

3. Measures by the European Union

The European Union's "comprehensive restrictive measures", in place against Syrian targets since May 2011, are significant in light of the former weight of shared trade between the European Union and the Syrian Arab Republic. They are also among the broadest of sanction packages ever imposed by the bloc.[101] First adopted by Brussels on the request of the League of Arab States, European Union restrictive measures target the following key areas: the energy/oil sector (including bans on the import, transport and insurance of Syrian oil products); the banking, financial and trade sectors; a group of individuals and entities linked to regime-led repression (in the form of travel bans and asset freezes); and materials and equipment employed in repression and monitoring of civilians. The European Union's banking restrictions against the CBS and a range of the country's largest Government-owned banks are arguably those that have the most notable impact on the formal remittance sector of the Syrian Arab Republic in light of the various ways in which they prevent or hinder international payments from entering the country.[102] In addition to exemptions on the export of humanitarian-related goods in international sanctions legislation, the European Union, like other sanctioning powers, has intensified its efforts to provide humanitarian assistance to the Syrian Arab Republic in recent years. However, to date, no explicit European Union policies exist to safeguard remittances into the country.

4. Other autonomous sanctions

A number of other countries and regional groupings have also imposed autonomous or unilateral sanctions on a range of Syrian targets in light of the lack of policy options available in the United Nations framework. These include Australia, Canada, Japan, Norway, Switzerland, Türkiye, and the League of Arab States. Since departing from the European Union, the United Kingdom also now imposes its own sanctions regime against Syrian targets.

B. Implications for remittances and humanitarian impacts

Targeted sanctions and wider regulations imposed by a range of actors on targets in the Syrian Arab Republic over the past decade represent a complex maze of overlapping restrictions.

Targeted sanctions and wider regulations imposed by a range of actors on targets in the Syrian Arab Republic over the past decade represent a complex maze of overlapping restrictions. Evaluating their impacts (direct or otherwise), including on the remittances sphere, is further complicated by the fact that it remains extremely difficult, if not impossible, to demonstrate how they work in isolation from other factors at play; they do not operate in a vacuum and are always closely combined with a range of other policy tools.[103] The situation is further exacerbated in countries such as the Syrian Arab Republic, suffering from protracted conflicts and humanitarian crises, where data can be particularly hard to access, or deliberately withheld by Government bodies.

While a number of high-profile autonomous sanctions regimes, including those against Syrian targets, are planned and coordinated through informal coalitions between the United States, the European Union and other allied actors, no formal structures currently exist to assess their collective impacts, nor evaluate their unintended consequences. Furthermore, with the exception of some United Nations sanctions regimes, which sometimes include humanitarian panel experts, countries and other organizations imposing sanctions do not currently have any tried and tested way to assess their humanitarian impacts. This includes those that might be caused through restrictions on the sending of remittances. In spite of the best interests of sanctioning powers, the provision of exemptions and exceptions on humanitarian grounds, including those that allow for the sending of household remittances, or the provision of supplementary aid, is thus not generally sufficient to ensure that innocent bystanders can still access basic health-care provisions and essential goods or receive household remittances in an accessible manner. Earlier studies on hard-hitting sanctions regimes have suggested that impacts of comprehensive sanctions, therefore, can have far-reaching and long-term consequences across a range of economic, health and social indicators and can be either direct or indirect in nature.[104]

Cuts to remittances – whether deliberate or inadvertent – have long been recognized as having deleterious impacts on vulnerable populations.[105] A 2012 study conducted on behalf of the Danish Institute for International Studies, for example, suggested that sanctions that imposed restrictions on the receipt of remittances had contributed to the general decline of socioeconomic well-being and public health in the Syrian Arab Republic.[106] Particularly problematic on a humanitarian front is when sanctions and related regulations limit the ability of migrant groups to send remittances, when also teemed with restrictions to household incomes in the recipient country through inflation in prices of food and other goods,[107] which can occur when countries targeted by sanctions experience a sharp economic contraction.[108] This is often triggered by a high level of uncertainty, as well as decreased demand for exports and curtailed access to foreign capital and/or other funds or goods needed for production. In turn, this can hinder private investment, reduce business activities and lead to a decreased demand for labour, exerting downward pressure on real wages and contributing to mounting unemployment. A notable knock-on effect can be cuts to essential spending, which can impact most on vulnerable groups, such as women, children, the chronically ill, the elderly, those of fixed incomes, and refugee communities.[109]

Cuts to remittances – whether deliberate or inadvertent – have long been recognized as having deleterious impacts on vulnerable populations.

C. Overcompliance (de-risking) in the remittances sector

The increasingly complex regulatory environment creates a raft of bureaucratic challenges, reputational considerations and risks of penalties to banks and other private and not-for-profit sector organizations. This has led to a worldwide phenomenon of overcompliance with sanctions and wider regulations, also referred to as "de-risking" and the "chilling effect".[110] Even when certain activities, trade or financial transactions with a country such as the Syrian Arab Republic are permitted through sanctions' licences that provide exemptions and exceptions, many will simply withdraw from a given jurisdiction, as the risks are simply deemed too great. On this front, the Syrian Arab Republic represents one the most complex and discernible examples of this widespread

– and worsening – problem. Other serious cases include those of Cuba, the Democratic People's Republic of North Korea, Gaza, Iran, Lebanon, the Sudan, Venezuela, and Yemen.[111]

The problem extends beyond the financial sector and includes the private food, medicine and vaccine sectors,[112] as well as companies engaged in logistics, courier delivery services and transport (including shipping), insurance, re-insurance, and technology producers.[113] De-risking has also been documented inside the remittance sector, including among MTOs and MSBs.[114] By way of example, the Berlin-based NGO, Impact, saw its account deactivated in April 2020 by the United Kingdom MTO, TransferWise, with the explanation that this was because it had activities relating to the Syrian Arab Republic.[115] Interviews suggest that the problem is widespread. Marking a landmark legal case, the worldwide Somali MTO, Dahabshiil (described in more detail on pages 42 and 43), won an injunction in 2013 that prevented the United Kingdom bank, Barclays, concerned about money laundering and terrorist financing, from cutting its services to the company.[116]

Studies have shown that overcompliance and de-risking across sectors present obstacles to financial inclusion[117] and integration, poverty reduction and economic growth.[118] De-risking has been described as a global crisis by a range of organizations that include the International Monetary Fund (IMF), World Bank, FATF, the Financial Stability Board (FSB), and the Group of Twenty (G20), and is increasingly the focus of multi-stakeholder initiatives that include those actors imposing some of the world's strictest sanctions regimes.[119] In spite of a spate of recent projects and initiatives seeking to address challenges linked to de-risking, the full range of solutions often falls short of receiving adequate political support and also suffers from a degree of replication and compartmentalization.[120] The urgency of the problem has risen to the fore since the onset of the COVID-19 pandemic, in light of some of the unique challenges faced by countries under the world's strictest sanctions and CT regulations. These can include obstacles to scientific collaboration, fragile or crippled health-care systems, and political barriers preventing effective cooperation across borders.[121]

Across numerous jurisdictions, banks have withdrawn from servicing such organizations over money laundering and terrorist financing considerations, as well as costs required to manage regulatory and legal risks.[122] De-risking is thought to be one of the key reasons why the use of informal remittances is thought to have increased in many parts of the world over recent years (even while remittance channels themselves have also become subject to de-risking by financial institutions).[123] When banks and other financial institutions withdraw from so-called high-risk jurisdictions, or impose increasingly onerous and time-consuming due diligence checks, other options, such as *hewala*, can be more appealing. As argued by one study from the year 2020, de-risking has led "private sector companies the world over to avoid formal banking services and opt, instead, for alternative payment systems (often less transparent) that include cash, barter, hawala or publicly traded digital currencies, such as Bitcoin".[124]

In September 2014, the G20 Global Partnership for Financial Inclusion (GPFI)[125] asked the World Bank Group to undertake a survey on the question of banking sector de-risking in relation to non-bank international remittance service providers.[126] The objective of the survey was to assess the status of the de-risking phenomenon in G20 countries and to collect evidence from which conclusions on the main drivers and the impact for the MTO market could be drawn. One of the GPFI's four working groups focused on "Markets and Payment Systems advancing utilization of payment systems, including remittances, in the pursuit of increased, responsible and sustainable financial inclusion". In addition to researching digital payment options and other potential emerging technology solutions, the group set out to assess reasons for MTO closures in light of de-risking and worked to build a more supportive policy and regulatory environment for the global remittance market. The report, based on 82 surveyed MTOs, found that 28 per cent "reported having lost access to traditional financial services", and 45 per cent "reported that their agents had lost access to banking services". Of these, around 25 per cent reported that they had been unsuccessful in finding alternative solutions. The World Bank went on to warn of diminished financial access for remittance recipients in particular and highlighted the need to reduce the global costs involved in sending remittances.[127]

D. Reduction in correspondent banking relationships

De-risking has also resulted in the rapid decline in the remaining number of active correspondent banking relationships (CBRs) around the world. This refers to the following:

> The provision of banking services by one bank (the "correspondent bank") to another bank (the "respondent bank"). Large international banks typically act as correspondents for thousands of other banks around the world. Respondent banks may be provided with a wide range of services, including cash management (such as interest-bearing accounts in a variety of currencies), international wire transfers, cheque clearing, payable-through accounts, and foreign exchange services.[128]

Impacts on the reduced availability of CBRs in the remittances market remain a relatively unknown domain, however, warranting more research. Aforementioned reports by the World Bank and FSB, including data analysed from SWIFT, found a rapid decline in active CBRs worldwide since 2011, which occurred as a consequence of the more stringent compliance environment that developed following the September 11, 2001 attacks. This has been shown to impact on almost all parts of the world and all major international currencies.[129] A 2015 survey on the decline in global CBRs highlighted that, in some regions, concerns were greatest around the impact of AML/CFT regulations on remittance transfers.[130] Similarly, the Centre for Global Development Working Group on the Unintended Consequences of AML and CFT Policies found in 2015 that a decline in CBRs "can make it harder for export-oriented businesses to secure trade finance, for migrants to send remittances back home, and for nonprofit organizations (NPOs) to provide humanitarian aid abroad".[131]

The 2015 FSB report to the G20 on the decline in CBRs states that the ability to make and receive international payments via correspondent banking is vital for business and individuals.[132] In a 2015 briefing, the FATF stated that it was "developing guidance to clarify how to properly identify and manage risk in the context of correspondent banking and remittances".[133] It also committed to develop guidance to assist money remitters in identifying and managing risks; to help banks evaluate and manage the risks of providing financial services to money remitters; and, ultimately, to assist Governments on how to best supervise these activities.[134] In spite of these efforts, interviews suggest that the problems have not yet been resolved, and, instead, have been worsening in recent years.

In the cases of Somalia and Zimbabwe, CBRs were rendered almost non-existent over recent years. In the case of the Democratic People's Republic of North Korea, there are now no remaining CBRs in operation, meaning that there is no current way to transfer funds into the country from the rest of the world through the formal banking system, leaving the carrying of cash across borders as the sole remaining option in the majority of cases.[135] A similar risk is faced by the Syrian Arab Republic today, whereby the few CBRs that remain in place declined by more than

80 per cent in the period between 2018 and 2020. A humanitarian actor based in Damascus interviewed for this paper said that, at last count in late 2020, there were five remaining CBRs into the country. Similarly, a banking representative based in the Syrian Arab Republic, interviewed in late February 2021, said that there are now four remaining channels, suggesting an ongoing decline. However, an NGO representative familiar with humanitarian payment channels said that there appears to have been a recent shift in Syrian banks showing increased willingness to do closer vetting of customers, which appears to be serving as reassurance to some correspondent and source banks in terms of meeting compliance requirements.

4. Impacts of legal frameworks on remittances in sender countries

The regulatory and legal frameworks present in countries from where Syrian migrants send remittances is an important consideration in how funds enter the country. Remittance policies in sender countries are subject to change and can often be difficult to navigate by diaspora communities, but they nevertheless remain critical in enabling an environment through which such funds can flow in a stable and safe manner.[136] In recent years, the most straightforward jurisdictions from which to transfer informal remittances into the Syrian Arab Republic have been Lebanon, Türkiye and the Kurdistan Region of Iraq, according to one 2019 study.[137] Yet, legal restrictions make the informal remittance market more restrictive in Europe, and even more so in Gulf States.[138] Since the Lebanese financial crisis of 2019/2020, Jordan has assumed a more important role, with remittances from Lebanon facing a sharp decline (explored further on pages 37 and 38 .[139] The following section provides an outline of some of the main constraints in sending remittances to the Syrian Arab Republic, particularly in the cases of Germany, Jordan and Türkiye, detailed in more depth in the other reports in this series.

A. Germany

Germany, as a major sending country of remittances to the Syrian Arab Republic and home to some 820,000 Syrians in 2020,[140] adheres to the European Union's Payment Services Directive (PSD2, 2015/2366), which updates and complements European Union rules set out in the earlier Payment Services Directive (PSD1, 2007/64/EC). Its aims include to "contribute to a more integrated and efficient European payments market; improve the level playing field for payment service providers (including new players); make payments safer and more secure, and protect consumers".[141] It is also intended to add an extra layer of protection to migrants sending remittances outside the European Union and/or paying in non-European Union currencies. The European Commission states that "[i]n practice, this means that these financial services providers shall provide information and transparency on the costs and conditions of these international payments, at least in respect of their part of the transaction. They can also be held liable for their part of the payment transaction if something goes wrong that is attributable to them."[142]

Each country in the European Union has its own register of licensed MTOs[143] and the European Union also publishes online the full list of those licensed across the bloc.[144] In spite of this, studies suggest that migrants would rarely seek to ascertain whether an institution is registered or not, nor know how to go about doing so.[145] Regulatory approaches towards remittance markets vary a great deal across the European Union and the rest of Europe. Some countries, such as the United Kingdom, have been more proactive and successful in bringing informal remittance operators under formal financial regulation.[146] One author attributed this to "successes of outreach and lowering the bar for inclusion", while a significant portion of transactions continues to operate in the informal sphere, unrecorded.[147] In 2018, for example, there were approximately 1,000 non-bank money remitters registered in the United Kingdom – more than four times the number registered in France, Germany, Italy, the Netherlands, and Spain combined.[148]

Elsewhere in Europe, Germany has long been an important country of origin for remittances in light of its longstanding tradition of accepting new waves of immigrants and refugees to the country. According to the Bundesamt für Migration und Flüchtlinge, the total number of Syrian asylum applications during 2010-2020 reached 663,196. Formal remittances have traditionally been transferred via foreign financial transfers through "cooperative banks, public law institutions (savings banks, Landesbanken) and commercial banks", alongside MTOs. According to payment statistics of the Deutsche Bundesbank, categories of remittances have historically included "workers' remittances, compensation of employees and migrant transfers", but do not include informal transfers.[149]

Since the early 2000s, studies have reported serious hurdles faced by migrants in Germany seeking to send remittances overseas, especially through traditional banking channels.[150] These have included the need to show identity documents, high transfer costs, unclear exchange rates, and the need to have a bank account.[151] In more recent years, Syrian migrants to Europe, including Germany, who are dependent on welfare have cited concerns over being able to send money home while receiving Government assistance,[152] which has, in turn, pushed people towards informal or black-market solutions.[153] Others, however, have sought to assuage some of these fears, suggesting instead that "data privacy regulations in Europe mean there should be no danger that the information will be passed on to immigration authorities".[154]

In Germany, written approval to operate an MTO is required from the German Financial Supervisory Authority or, alternatively, it is possible to operate a commercial payments transaction business with a banking licence.[155] One website detailing German MTOs suggests that there are three remittance options for sending funds to the Syrian Arab Republic, namely, Western Union, Sparkasse Kolnbonne and Comdirect.[156] While little is known about *hewala* companies operating throughout Germany, the matter rose to the fore in recent years when German police raided a suspected *hewala* network in November 2019, allegedly transferring millions of euros to Türkiye. The raids took place in various parts of the country, as well as in neighbouring parts of the Netherlands.[157] The cost of sending funds through *hewala* dealers from Germany to the Syrian Arab Republic was estimated at 4 per cent in 2019, lower than many European countries in light of the large number of Syrian migrants residing in the country.[158]

B. Jordan

Jordan, home to some 665,000 registered Syrian refugees,[159] has a comparatively advanced and stable financial sector,[160] as well as a robust regulatory and monitoring system governing the regulation of MTOs and MSBs.[161] Jordan's Anti-Money Laundering Law No. 46 (2007) lists a range of prohibited activities and stipulates that those dealing in the exchange of money are required to undertake customer due diligence for clients carrying out transactions exceeding approximately $988 in Jordanian dinars or any foreign currency.[162] It also requires that those dealing in remittances should keep detailed accounts of transfers and data on clients and beneficiaries.[163] Other key pieces of legislation are the 2006 Terrorism Prevention Law and the 1992 Money Exchange Business Law that states that all MSBs in Jordan require a licence from the Central Bank of Jordan, which in turn publishes a register of approved remittance businesses.[164]

According to these laws, there are no limits on how much money can be transferred out of the country via *hewala* dealers, but they are nevertheless subject to AML/CTF measures relating to Money Exchange Companies No. (2/2010) issued in accordance to the provisions of article 14 of Law No. 46.[165] According to the related Jordan case study by Talaiwi,[166] the 2018 amendments to anti-money laundering and terrorism financing regulations for licensed banks also regulate remittances and replaced regulations previously issued in 2010. The new regulations pertain to the responsibility of banks during the conducting of transactions whether sending, receiving or mediating in transferring money. In his 2020 report for The Carter Center, Aita highlights the importance of remittance flows from Jordan into NGOs in the southern Syrian Arab Republic, while noting that the use of Jordanian remittances for Syrian trade more generally was more limited.[167] An earlier report stated that household remittances paid from Jordan into the Syrian Arab Republic are mainly destined for non-GoS-controlled areas.[168]

C. Türkiye

Türkiye, home to 3.6 million Syrian refugees registered by the United Nations High Commissioner for Refugees (UNHCR),[169] is one of the main remittance-sending countries to the Syrian Arab Republic.[170] Commercial banks in Türkiye can remit cross-border funds in their own right, though all transactions must pass through the Turkish Central Bank (TCMB).[171] Law No. 6493, passed in 2013, regulates the work of MSBs and MTOs in Türkiye, in addition to supplementary AML and CTF measures, and requires that "any person or organisation carrying out payment services must obtain a licence from the TCMB".[172] Western Union began a collaboration with the Turkish Post and Telegraph Company in the mid-2000s, which transformed all post offices into Western Union outlets. Writing in 2015, Beechwood International noted that "[i]n order to become licensed, a number of stipulations must be met, including appropriate risk management procedures, at least Turkish Lira (TL) 5 million of paid-in-capital in cash, free of any collusions, and a transparent governance structure. Any persons and institutions engaging in payment services without a licence, or failing to cooperate with the TCMB's oversight requests, is subject to sanctions under the law."[173]

The transferral of cash out of Türkiye is regulated through two pieces of legislation, namely, Law No. 1567 Regarding the Protection of the Value of Turkish Currency, published in Official Gazette No:1433

(1930); and Law No. 5549 on the Prevention of Laundering Proceeds of Crime (2006).[174] The latter includes penalties for money laundering offences and requires enhanced customer due diligence and know-your-customer (KYC) obligations for banks and other financial institutions, including MTOs and MSBs.[175] The carriage of large amounts of money is allowed to proceed if criminality is not suspected by Turkish customs officials, representing a change to Decree No. 32 on the Protection of the Value of Turkish Currency.[176] Earlier studies have also reported difficulties faced by Syrian migrants in Türkiye who have been asked by Turkish banks to open expensive commercial, rather than personal, accounts, through which to remit funds to the Syrian Arab Republic.[177]

Türkiye's MANTAS AML system is used to monitor the financial activities of banks and registered MTOs, and any suspicious activities are reported to Türkiye's Financial Crimes Investigation Board (MASAK). The financing of terrorism was also made a criminal offence in 2013, under Law No. 6415, giving powers to MASAK to freeze any assets suspected of having terrorism links.[178] Türkiye went on to announce new measurers to tackle financial crimes based on FATF recommendations in April 2020. Among other things, this led to MASAK introducing new conditions in reporting individuals' non-commercial payments.[179] Amounts exceeding TL100,000 Turkish liras (TL) (approximately $12,085) or equivalent in foreign exchange, which are paid to offshore entities, must be uploaded to MASAK's data system on a day-to-day basis. Payments exceeding TL 1 million or equivalent (approximately $120,490) to offshore entities must be shared with MASAK one day in advance. Given that most household remittances to the Syrian Arab Republic are of a much smaller quantity,[180] these latest conditions do not appear to impact most transactions between Türkiye and the Syrian Arab Republic in any major way.

A large number of unregistered *hewala* dealers operate illegally across Türkiye and are responsible for significant remittance payments into the Syrian Arab Republic.[181] Some *hewala* companies in Türkiye, such as like Al-Alamiya, Al-Suksouk, Al-Barakat, and Al-Wifaq, have expanded at a rapid pace, and some also use digital applications to manage transactions.[182] At the same time, restrictions over migration to Türkiye by refugees, imposed since 2015, appeared to have negative impacts on the ability of *hewala* dealers to maintain their physical cash courier activities.[183]

5. Potential for sending remittances using regional bank branches

The Syrian banking system has been decimated since the onset of the country's conflict and has been further weakened through sanctions, which target the majority of the country's financial institutions, including the CBS, all State-owned banks and some private banks. The only part of the Syrian territory that still counts on the regular presence of banks and cash points is that under GoS control. Nevertheless, even banks in this area have been subject to a number of severe challenges, including armed robberies, inability of staff to travel to work due to security risks, damage to telecommunications networks, hindered access to updates for both hardware and software, and unreliable electrical supplies.[184] The conflict also marked a halving of the growth of the private banking sector, which had been expanding since Bashar al-Assad's coming to power at the turn of the millennium.[185]

In 2020, the formal banking system of the Syrian Arab Republic was composed of 20 commercial banks, made up of six State-owned banks (all under sanctions by the United States and the European Union), with the rest made up of subsidiaries of private regional banks (two of which were under sanctions by the United States, namely, SIIB, since 2012, and Cham Bank, since 2018). The 12 private banks (all of which counted on foreign strategic partners, including in Jordan, Lebanon and the Gulf)[186] that were not under sanctions as of February 2020 only had functioning branches in GoS-controlled areas. While branches in the north-east and north-west of the country were still registered in some cases, few, if any, were found to be still operating by early 2020.[187] The Syrian pound continued to devalue at the onset of the COVID-19 pandemic, and private Syrian banks saw their assets decrease steeply to $4.3 billion in real value;[188] they also froze the provision of loans for part of the year.[189] According to Daher, three out of the four private banks in the Syrian Arab Republic that counted on assets exceeding $300 million at the end of 2020 were Islamic banks, namely, SIIB, ABBS and Cham Bank, in addition to the non-Islamic bank Banque Bemo Saudi Fransi (BBSF).[190]

Private Syrian banks linked to Lebanese and Jordanian banks went on to lose their access to CBRs associated with European and North American financial institutions due to de-risking, at a time when the Gulf (classical and Islamic) banks increased their foothold in the sector.[191] The share of Islamic private banks, such as Saudi-backed ABBS, rose from 18 per cent in 2011 (at a point when Lebanese and Jordanian banks made up some 75 per cent of the private banking market) to 42 per cent in 2018.[192] This was in spite of these banks having joined the Syrian market at a later date and some being at risk of sanctions by the United States, either directly or in relation to their shareholders or other associates.[193] According to Aita, "[t]hese Gulf banks were mostly able to maintain some relations with corresponding banks for foreign trade operations and to deal with public foreign procurement as well as INGOs".[194] Nevertheless, even these banks have curtailed their presence in the Syrian Arab Republic considerably since then, reportedly in light of sanctions by the United States and the European Union.[195]

As such, the potential for sending remittances using the traditional banking sector, be it international or regional, has been extremely limited and the aforementioned rapid decline in CBRs appears to be having a particularly marked impact, according to interviews with bank representatives working in the region. Another problem is that many of the private banks operating in the country which have not been placed under sanctions are typically established as joint ventures with varying levels of Syrian investment, which has hindered euro-or United States dollar-denominated transactions passing through what remains of the country's devastated banking system.[196]

In a more positive move, the CBS introduced new measures on April 24, 2021, allowing certain approved industrialists and traders involved in the export of goods to receive incoming funds destined for businesses in United States dollars.[197] This was possible through the collaboration with the aforementioned Syrian-registered MSB, the United Exchange Company,[198] which reportedly offered the service in all Syrian governorates.[199] According to one INGO representative working in the Syrian Arab Republic interviewed in March 2021, the process, which also benefitted INGOs working in GoS, "involves cash being withdrawn in $ in Iraq, then converted directly into SYP into bank accounts in Damascus". This development is significant in that it represents a reversal of the earlier policies that made it illegal to handle United States dollars and could be helpful in allowing for greater access of liquidity within the Syrian Arab Republic, one of the biggest challenges faced in the country today.

Furthermore, under the new regulations, ordinary Syrians were permitted to receive remitted funds at the new rate of SYP 2,825 per $1, which is closer to the trade exchange rate on the black market.[200] The policy change marks a reversal of the earlier legislative decree issued by Syrian President Al-Assad on January 18, 2020, involving a prison sentence of up to seven years and a fine equivalent to double the value of the payment for dealings in any foreign currency, including United States dollars.[201] The reported aim is to ensure closer parity between variations in the exchange rate between Syrian pounds and United States dollars and alleviate the country's liquidity crisis.[202] The CBS also suggested in mid-April 2021 that decreasing exchange rate variations might also encourage more Syrians overseas to make use of official Government channels when transferring remittances into the country.[203]

Another development from the year 2021 allowing funds to be remitted through banking channels has been Syrian Cabinet decision No. 35, which, according to one media source, "allowed the establishment of a private Islamic bank in the form of a public anonymous joint-stock company called the Islamic National Bank, to be based in the Syrian capital of Damascus". The Lebanese New Generation Holding Company reportedly contributes to the bank's capital at a 49 per cent share rate, and the Syrian limited liability company of Investment for Transportation and Logistics Solutions at a share rate of 1 per cent. Described as a "façade" company, the mechanism appears to allow funds to be withdrawn as if from within Lebanon while actually taking place in the Syrian Arab Republic, allowing for United States sanctions to be circumvented.[204]

6. Role of formal money transfer operators in remitting funds

MTOs began to increase their presence in the Syrian Arab Republic since 2006, which allowed for money transfers in and out of the country on a legal basis for the first time in the history of the Syrian Arab Republic.[205] Since the start of the Syrian conflict, the number of official MTOs in the country declined significantly and is now limited to GoS-controlled areas.[206] Even those MTOs located in the southern part of the Syrian Arab Republic (under GoS control) have suffered major closures in recent years.[207] Beechwood International noted that there were less than 20 registered MTOs operating in the Syrian Arab Republic before the onset of the conflict, with only four to five registered companies formally operating in the country in 2015.[208] In contrast, there were hundreds of unregistered *hewala* agents of various sizes that continued their operations at this time, or established new ventures in response to novel opportunities that arose in connection with the conflict.[209] Western Union, as the main MTO remaining in the Syrian Arab Republic today, was reportedly slow to begin online transfers into the country (not having done so by 2016), which meant that the majority of Syrians ended up turning to other, more informal, remittance options.[210]

A number of the largest registered MTOs and MSBs have been shut down by the Syrian Government since the start of the conflict due to cited concerns over money laundering, terrorist financing or currency speculation, according to the CBS and Anti-money Laundering and Anti-terrorism Financing Commission.[211] In October 2013, for example, the authorities closed down or targeted MSBs in the Syrian Arab Republic, including Al-Alamiah Exchange, Hanifa Exchange, Haram Exchange, Al-Fuad Exchange, and Jazairi and Partners, some of which went on to be sanctioned in 2019/2020 by the United States Treasury, as described on page 19.[212] The reported aim was to curtail trade on the black market and encourage currency exchanges at the State-owned Commercial Bank of Syria, the country's largest bank with the largest number of branches and customers, at official currency rates.[213] Beechwood International cited claims from some of the companies that "they were closed for actively opposing the government by not capitulating to their demands", suggesting that the moves granted more oversight to the CBS of any remaining registered MSBs and MTOs.[214] The same report adds that "[s]everal wholesale money transfer companies continue to dominate the commercial money flows, but those who were not in support of the Syrian government have had their licences revoked and are thus not technically allowed to work in government-controlled areas".[215] MTOs' activities were once again curtailed towards the latter part of December 2019 for several weeks in GoS-controlled areas following further restrictions imposed by the CBS.[216]

In Türkiye, only banks and two MTOs, namely, Western Union, in conjunction with the national post and telegraph directorate of Türkiye PTT) and Moneygram, have had licences to carry out international transfers since 2015.[217] In 2018, the Turkish Government opened PTT branches across Turkish-controlled areas of the north-eastern Syrian Arab Republic. According to the related report by Bolakbasi, there were ten PTT bank branches throughout Turkish-controlled Syrian territories in early 2021. Transactions between PTT branches in Türkiye and the Syrian Arab Republic are executed in Turkish lira, which currently represents a de-facto legal tender in this part of the country.[218] Furthermore, the Turkish Government made it obligatory for all NGOs and IOs licensed in Türkiye, but working in the Syrian Arab Republic, to use PTT services while remitting funds into the country.[219] INGOs not based in Türkiye were unable to make use of the service, according to interviews with humanitarian actors operating in the country. Aita raised concerns that "[t]he injection by the Turkish authorities of small bank notes and coins to AOG [armed opposition group] and SDF control areas could accelerate" a "de facto separation of the economies of the different areas of control" further exacerbated by sanctions and the Lebanese economic crisis, and resultant depreciation of the Syrian pound.

7. Role of informal hewalas in remitting funds

Hewala is increasingly considered the least expensive and easiest way for Syrians to receive remittances,[220] and overwhelmingly represents the most common payment mechanism outside GoS-controlled areas. The *hewala* market in the Syrian Arab Republic is thought to have been in operation at least since the 1960s,[221] and was already well established in the 1990s, when it "became one of the most important mediums for brokering business deals, due to the weak structure of the Syrian banking system and its financial institutions, and the lack of trust in them".[222] In the early 2000s, private banks began to open and Law No. 24 of 2006 was issued by the Syrian Government in an attempt to regulate foreign exchange dealers,[223] banks and *hewala* offices.[224] Reliance on *hewala* continued in spite of these steps taken to control differences in the official and black market exchange rates[225] and has continued to grow until the present day. The role of *hewalas* stemming from sending countries such as Germany, Jordan and Türkiye varies considerably and also depends on which part of the Syrian Arab Republic the remittance is being sent to.[226] *Hewala* offices in Türkiye, for example, often have links to the places of origin of their Syrian owners.[227]

In GoS-controlled areas, *hewala* is strictly prohibited outside officially licensed companies, as already noted, but nevertheless continues to operate discretely.[228] The sector is characterized by a complicated network of official and semi-official offices, as well as individuals operating in a private capacity.[229] The manner in which it operates is reportedly more formalized than in non-Government-controlled areas,[230] in terms of legal and commercial status. Registered *hewala* dealers are not common outside GoS,[231] but merchants, operating informal *hewala* systems are able to carry out their activities openly in the north-west and north-east of the country, often in parallel to other businesses such as mobile phone shops.[232] In the wider regions of Idlib and Rural Hama, for example, the *hewala* market is described as completely informal in nature.[233] The same author notes that "transferring money into and out of Aleppo has proven extremely difficult, due to the absence of wire transfers and crossing the border with cash being considered too risky.[234] In the north-east of the country, there have been some attempts by the Self-administration to license and regulate the *hewala* market, but these efforts are understood to have been limited in reach in light of the lack of appropriate financial institutions or legal authorities that would be required to enable such remitters to integrate officially with financial institutions outside the country.[235]

Disadvantages to using *hewala* in the Syrian Arab Republic persist in spite of its growing popularity. *Hewala* costs tend to increase in volatile periods and in certain parts of the country.

Disadvantages to using *hewala* in the Syrian Arab Republic persist in spite of its growing popularity. *Hewala* costs tend to increase in volatile periods and in certain parts of the country. In besieged areas, service fees have been recorded to reach more than 20-30 per cent for each operation.[236] Syrian *hewala* systems can involve other challenges,[237] including the need to access cash reserves, a major problem since the start of the conflict and one that has been exacerbated during the pandemic in light of border closures and reduced freedom of movement (explored further on pages 37 and 38). Hurdles to the ability to distribute funds, including foreign currencies, have also represented a long-standing challenge; again, accentuated during the pandemic due to border closures and wage losses among Syrian migrants. While cash entering the Syrian Arab Republic tended to generally pass through two main transfer points, namely, "al-Hasakah, northeast of the Syrian Arab Republic (controlled by the Self-Administration), and rural Hama, in the northwest of the Syrian Arab Republic (controlled by the opposition)",[238] the reality today is understood to be marked by heavily reduced flows.[239]

Use of *hewala* by humanitarian organizations operating in the Syrian Arab Republic

Hewala has become the main mode for transferring funds for humanitarian actors operating in the country, often having to restrict their operations to locations where these informal remittance networks operate.[240] This is due, in large part, to the impacts that de-risking and the aforementioned decline in CBRs are reportedly having on the ability of humanitarian workers to transfer funds into "high-risk" countries using the formal banking system. According to an interview with an NGO representative operating in the Syrian Arab Republic of March 2021.

> The year 2020 saw 18 per cent of existing NGOs operating in the country having their bank accounts closed, 20 per cent of CBRs carrying out transfers related to the Syrian Arab Republic ceasing, and 80 per cent of existing correspondent channels now depending on Lebanese regional banks. This represents a worrying situation in light of the unstable and fragile nature of Lebanese banks in the current climate because of sanctions, the financial crisis and bank closures associated with the sanitary situation. It is also worrying for humanitarian organizations as this is where the bulk of cash supplies still originates.

The same interviewee outlined ongoing pressures on the Syrian banking sector relating to GoS-controlled areas, as follows:

> Only four banks were still functional in 2020 in terms of servicing INGO bank accounts in Damascus, namely, ABBS, BBSF, Al Sharq, and Bank of Syria and Overseas. More than half of the remaining CBRs to these four banks experienced serious difficulties in 2020. This is of concern in light of the services currently delivered to more than four million beneficiaries. Since autumn 2020, even those INGOs that previously operated with minimal challenges in the country now report problems associated, in particular, with stepped up scrutiny from European banks.

In a similar vein, the Danish Refugee Council was reportedly forced to reduce its activities in the Syrian Arab Republic in 2021, including through more than one hundred job losses, in light of reported difficulties encountered by its principal bank, DanskeBank, in finding a functioning CBR.[241] In the Syrian context, *hewala* has thus started to play an important role in the aid modality of CTP, used to provide humanitarian assistance to populations living in hard-to-reach areas that would otherwise be too dangerous or complicated to work in directly.[242] It is also being used to cover the operational costs of humanitarian organizations and pay their suppliers when banking facilities have been rendered unavailable.[243]

Humanitarian organizations in GoS-controlled areas make use of registered *hewalas* for CTP, albeit not in great volumes.[244] The NRC report notes that "data about transactions, including personally identifying information, is likely to be available to regulatory structures in Damascus".[245] In contrast, in non-GoS-controlled areas, *hewalas* "represent[ed] the only potentially (and partially) scalable cash-out facility" for NGOs delivering humanitarian aid, according to the same NRC report.[246] In the north-west of the country, humanitarian payments both to and within the region must take place through *hewala* systems, via the PTT or in the form of cash across borders, according to interviews with donor Government officials and humanitarian actors operating in the country.[247] In the north-west of the country, humanitarian payments both to and within the region have been taking place in recent years through *hewala* systems, via the PTT or in the form of cash across borders, according to interviews with donor Government officials and humanitarian actors operating in the country.[248] In contrast, humanitarian organizations in GoS-controlled areas make use of registered *hewala* for CTP, though not in great volumes, according to the the NRC's 2015 report. Elsewhere in the world, humanitarian organizations have also made use of *hewala* networks successfully. According to a recent report on the Muslim humanitarian sector.

> Action Against Hunger (ACF), a French NGO specialized in relieving food and nutrition insecurity, also depended on hawala for its operations in the Afghan provinces of Samangan and Daykundi, both with volatile histories of Taliban and warlord control. Despite the challenges, ACF's report notes that the hawala system "proved to be efficient, effective and transparent. It reached those that have been selected without causing any conflict in the communities. The programme also helped reduce security risks as ACF staff did not directly handle cash. Also, using the community's traditional system provided transparency and strengthened the local trust in ACF."[249]

In spite of this, little documentation exists on how NGOs make use of *hewala*.[250] An early exception, according to the NRC report, was when the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) documented how it supported Palestinian refugees in GoS-controlled areas through cash assistance.[251] At the time of the evaluation, NGOs were making use of a variety of payment systems to distribute cash to households, "through their own facilities and offices, through Al-Baraka and BBSF banks' counter service and ATM cards, and through a network of registered money transfer outlets called Al-Haram".

One report argues that, "[w]hile there is significant room and need for improvement to optimize the humanitarian reliance upon *hewala*, experts agree that enhanced engagement with the system may lead the way to an effective and sustainable transition from aid to long-term development and economic recovery".[252] Some humanitarian actors interviewed for this study during 2019-2021 expressed concerns over difficulties using *hewala* systems in the region, however, in light of a limited understanding about the sector at an organizational level. Earlier reports also support the idea that *hewala* is not widely understood by INGOs,[253] and that major capacity gaps exist in relation to the ability to conduct required levels of enhanced due diligence.[254] For the humanitarian community, due diligence processes on *hewala* networks have been described as long, arduous and time-consuming, with no guarantees that they will be considered sufficient to reassure donors and banks regarding effectiveness and legal grounding.[255] Others, however, have highlighted a growing understanding of *hewala* among certain members of national staff and local partner NGOs.[256]

Interviews with donor Governments and regulators in Europe held during 2019-2021 also revealed ongoing unease at the risks posed by engagement with informal *hewala* dealers by aid organizations (even when they also recognize that NGOs/INGOs are increasingly left with no other choice). Some of the cited concerns raised in interviews included fears that HTS could set up its own *hewala* system; money laundering risks; *hewala*-ownership changing frequently; the possibility that *hewala*-providers could go on strike or get closed down, and risks of fuelling the black-market. In spite of this, much, and in some cases all, of the Syrian humanitarian aid spending of certain donor Governments now passes through *hewala* networks.[257]

Beechwood International argued that working towards more streamlined demand draft processes through stepped-up support for humanitarian actors was vital.[258] In their 2015 report, the authors noted that humanitarian organizations, including INGOs and United Nations agencies, have been "making decisions based on limited due diligence, and some are paying inflated commission rates to hawaladars. This inevitably means money that could be used to aid beneficiaries is being lost to the intermediaries."[259] The same report recommended the development of a common mechanism through which humanitarian organizations could better navigate the compliance environment with regard to remittances, as follows: "[d]onors might consider pooling funds to create a central KYS [know your supplier]/KYC processor for its partners, which can check remitter and recipient data against the various sanction lists, and deeper sources available from the law enforcement communities in the donor countries".[260] It also suggested that humanitarian organizations would benefit from closer coordination in order to ascertain suitability of specific *hewala* dealers, as well as suitable commission rates, as follows: "[b]uilding relationships will help to create a better mutual understanding of the needs and constraints in the environment. More creative monitoring systems could also be developed this way, along with ways to achieve more geographic coverage than what is assumed as feasible by INGOs,"[261] something that may also have benefits for a more efficient monitoring of household remittances.

An example of a former cross-sectoral collaboration in this wider field of humanitarian remittances is that of the Cash-based Responses Technical Working Group in Türkiye, established in March 2014 by Save the Children. Its aims included the assessment of "the conflict's impacts on [remittance] markets in northern Syrian Arab Republic", the development of common standards and harmonization of best practices.[262] The Northeast Syria Market Monitoring Exercise, as it was later known, was coordinated by REACH in 2015; in 2017, the initiative officially became a multi-hub data collection exercise spanning three hubs of the Syrian response.[263] While focused on the use of remittance channels by humanitarian actors, future research could explore whether beneficial lessons could be extrapolated from this and similar initiatives for the field of household remittances.

Another suggestion commonly raised through interviews was the need for Governments and United Nations agencies to provide regular updates on any regulatory changes that impact the use of *hewala* networks for humanitarian funding, as well as being appropriately supported for advocacy in these areas. Others, still, argued that training and awareness-raising on remittances, and digital innovations, would also help humanitarian actors be better equipped in the safer and more effective use of new technologies in this field. In the past few years, this field has been revolutionized through the aforementioned work of Amanacard and SecureAid, which allows humanitarian organizations to remit funds into and within the Syrian Arab Republic in a manner deemed compliant with sanctions and other regulations.[264] The independent platform, operational throughout the Syrian Arab Republic, as well as in Afghanistan and Iraq, has also recently begun a regulatory sandbox from the United Kingdom's Financial Conduct Authority for the trial use of the existing platform for household remittances through peer-to-peer (P2P) donations.

8. Impact of the regulations

The Syrian Arab Republic has seen its exports decline rapidly over the past decade through combined impacts of the protracted conflict and sanctions, leading to a drop in productivity levels. Not only has this resulted in a reliance on imports from neighbouring countries, alongside China, Iran and Russia, but the trade imbalance has also resulted in foreign currency reserve shortages.[265] One of the responses of the Syrian Government has been to impose a series of restrictions on the remittance market.

In 2013, a law was passed requiring exchange companies operating within the country to deliver all cash orders coming from outside the country in Syrian pounds, even if transferred from overseas in a foreign currency. This was understood to have led to the springing up of new informal networks, offering money transfers on the black market that allowed for foreign currency remittances.[266] A reported disadvantage of this phenomenon is that in forcing new *hewala* networks to spring up, they may "often lack structure, systems, bookkeeping and money exchange backgrounds, therefore [presenting] high risk with larger transaction sizes" because of their novelty.[267] The use of multiple exchange rates also allowed Western Union to employ a slightly more generous exchange rate than the official rate, in a reported attempt to discourage the use of *hewala*.[268] Other Central Bank policies have included the raising of interest rates, restrictions on personal foreign currency banking deposits and tightening of controls over the carrying of cash across borders into the country.[269] In 2015, the NRC stated the following:

> It was also reported by refugees, and corroborated by sources in the humanitarian community, that in several places where the government has relinquished control of an area, they have first confiscated peoples' ID cards. This will hamper collection of remittances from any money transfer facility that requires such ID – typically the case with registered hawala and variably required for unregistered hawala.[270]

In 2019, the GoS also imposed new requirements that all exporters in the country must sell their United States dollar profits to the CBS, designed to increase the Government's access to foreign exchange reserves.[271] In the same year, the Syrian Government's AML and Financing Terrorism Unit of the Criminal Security Department reported an arrest carried out on charges of "practicing money transfer without a licence, working with hidden partners with funds originating from countries hostile to the state, in addition to stealing public funds through hawalas, foreign currency trading on the black market, and weakening the national economy".[272]

In January 2020, legislation was passed making it illegal to use United States dollars as well as "micromanaging the flow of imports, concentrating rights with select individuals and ratcheting up various fees".[273] While the *hewala* market in the Syrian Arab Republic has long been subject to a number of restrictions from the Syrian authorities,[274] the new crackdown on informal *hewala* dealers reportedly represented an attempt to stabilize the Syrian pound and, once again, gain greater access to foreign currencies entering the country.[275] Over the course of 2020, unregistered *hewala* traders were shut down in GoS-controlled areas, and some faced arrest. In some cases, detentions and fines were even levied against ordinary civilians found in possession of foreign currencies.[276]

In parallel to the aforementioned legislative changes in April 2021, permitting a return to the withdrawal of United States dollars and other foreign currencies in certain contexts, the Syrian Government also introduced a new levy of SYP 2,650 ($2.11) in May 2021 on all incoming personal remittance transfers of any amount. According to one media source, the so-called "reconstruction tax" is seen by some as an attempt to fill the Syrian Treasury's financial deficit and cover costs of the 2021 presidential elections.[277] In April 2021, the CBS also doubled the official exchange rate and remittance rate from SYP 1,256 to SYP 2,512 per one United States dollar.[278] These policies largely apply in GoS-controlled areas and are unlikely to impact the workings of *hewala*.[279]

In sum, the cumulative impact of recent CBS policies and other local regulations is that the remittance market, for both personal and humanitarian payments, has been subject to challenges such as difficulties and prohibitions on withdrawing cash in foreign currencies, hurdles bringing cash into the country across borders, and major currency exchange rate fluctuations.[280] The worsened security situation has also presented major challenges and intensified risks for merchants involved in *hewala*.[281] As noted in a report issued in 2020, while "the Syrian and Lebanese [governments] are eager to funnel dollars through channels they control, to replenish their own hard currency reserves and rein in devaluation…such policies [can] have the opposite effects, by reducing the amount of liquidity in the market and creating a vicious cycle".[282] In addition, the greater costs imposed on transactions by Syrian banks, especially since the Lebanese banking crisis, has reportedly resulted in a steep increase in the cost of doing business in the Syrian Arab Republic and the wider region over the past 12-24 months.[283] At the same time, restrictions placed on formal remittance channels appear to have placed a heightened importance on *hewala* in the country.

9. Impacts of the Lebanese financial crisis

In October 2019, the Lebanese Government introduced a number of new taxes in response to a significant lack of United States dollars in the country,[284] to which the Lebanese pound had been pegged. Lebanese banks responded by blocking deposits, and Banque du Liban (BDL), the Central Bank of Lebanon, imposed capital controls on foreign transactions.[285] A parallel black market emerged, and the value of the Lebanese pound depreciated. Severe shortages of essential goods, including medicines and food,[286] ensued and resulted in demonstrations, violence and political unrest. The situation was exacerbated by the tightening of United States sanctions, as part of the United States' Maximum Pressure campaign against Iranian targets under the Trump Administration, including on the military and political wings of Hezbollah and the Lebanese banking sector. The sanctions are understood to have had profound impacts on the Lebanese economy,[287] further compounded by measures introduced in mid-April 2020 by BDL, requiring MTOs to issue cash in the local currency at a "market rate".[288]

In turn, the resultant Lebanese financial crisis is understood to have had a significant impact on the Syrian Arab Republic,[289] particularly as the two economies have traditionally been tightly entwined, with the Syrian economy having become especially dependant on that of Lebanon in the years running up to 2019.[290] The crisis is also understood to have dealt a major blow to remittance flows from Lebanon – home to some 866,000 registered Syrian refugees – into the Syrian Arab Republic. This was not only in relation to bank-to-bank transfers, but also regarding various other channels used to bring funds into the country, such as the carrying of cash across borders by informal *hewala* dealers or merchants with bank accounts in Lebanon.[291] Indeed, **before the financial crisis, Lebanon was rated as the second largest source of remittances to the Syrian Arab Republic, after Saudi Arabia, with estimated annual bilateral remittance inflows representing almost 20 per cent of total received remittances.**[292] In turn, Lebanon also relies heavily on remittances (12 per cent of its GDP in 2018) but has experienced its own sharp drop in inflows since the crisis.[293] These rates have suffered further during the COVID-19 pandemic, with Lebanon posting "a double-digit decline" in 2020.[294] This added strain to an already complicated situation for some Syrians in Lebanon who also reported discrimination towards Syrians customers by Lebanese banks.[295]

Following the onset of the Lebanese financial crisis, several Lebanese banks based in the Syrian Arab Republic "zeroed their capital holdings in their Syrian subsidiaries and announced the end of their operations in the Syrian Arab Republic".[296] This resulted in the blocking of banking deposits of middle-class Syrians and businesses that had been held in these Lebanese banks, as well as further disruption to one of the few remaining import routes, including for essential goods.[297] Alongside the floating of the Lebanese pound, the Syrian pound devalued sharply and hyperinflation grew, while access to hard currencies was disrupted.[298] The 2020 Beirut port explosion further exacerbated the problem, in part as Lebanon's capital city had represented the main cross-border entry point for humanitarian aid.[299]

Consequently, remittance transfers from Lebanon into the Syrian Arab Republic are thought to have diminished considerably since 2019.[300] The severity of the Lebanese crisis is such that it has seriously impacted the work of humanitarian actors working on the Syrian Arab Republic.[301] Previously, several United Nations agencies and INGOs remitted funding from Lebanese banks, by means of Lebanese MSBs and *hewala*, into Syrian MSBs, before depositing funds in private Syrian banks.[302]

10. Impacts of the COVID-19 pandemic

While remittances typically follow a countercyclical pattern in relation to a receiving country's economic health, the pandemic represents the first time in recent history when a recession is occurring in all parts of the globe, marking serious likely humanitarian impacts.[303] At the start of the pandemic, the World Bank Migration Team expected a 20 per cent decline in global remittances,[304] but now estimates that they fell by 7 per cent in 2020, surpassing the 5 per cent decline seen during the global financial crisis in 2009.[305] A further 7 per cent drop in remittances is expected in 2021, owing to the effects of the pandemic lingering on the global economy.[306] The global decline in remittance flows has been estimated to have hit the world in a heterogenous way, reaching -27.5 per cent in flows from Europe since the pandemic began, among the highest declines in the world.[307] Also in 2020, OCHA cited a drop in daily Syrian remittances from Gulf States since the start of the pandemic to an estimated $2 million, down from a daily rate of at least $7 million in 2010 and $4.4 million in 2017.[308] In a 2021 report, KNOMAD outlined that the flow of remittances to MENA countries "is projected to grow at a slow pace of 2.6 per cent due to moderate growth in the euro area and weak GCC outflows. As the number of foreign workers is unlikely to recover in the short run, remittances outflows are expected to contract despite the renewed economic activity."[309]

Remittances have shown a surprising pattern of remaining steady, or even increasing in some parts of the world, since the start of the pandemic.

However, remittances have shown a surprising pattern of remaining steady, or even increasing in some parts of the world, since the start of the pandemic. This could be down to a number of factors, including strong economic growth before the pandemic in some key sender countries, such as the United States and the Gulf States; qualified migrant workers often being involved in front-line essential jobs that have not been cut during the pandemic; previously unregistered health workers from remittance-receiving countries, such as doctors and nurses, being allowed to start earning due to exceptional needs of public health systems; and the rise in digital remittance solutions via smart or feature phones.[310] Furthermore, Government stimuli have benefited migrants in those countries where undocumented workers have been able to receive governmental financial support since the onset of the pandemic. Countries are continuing to tighten migration policies such as visas and residency permits, which will have a longer-term impact on the stability of remittance flows.[311] Advanced economies around the world have also started to cut their aid budgets.

At the time of writing, studies suggested that livelihoods of the Syrian diaspora had been negatively impacted by the spread of COVID-19 and the subsequent global recession,[312] with a sharp decline in the value of remittances since the start of the pandemic.[313] Pandemic-related border closures, instigated by the Syrian Government starting March 2020, and similar controls imposed by the country's neighbours, have made it harder to carry cash across borders and have curtailed *hewala* activities, further hindering some of the few remaining options for remitting money into the country.[314] Lebanon's quarantine measures, or "lockdown", and subsequent wage losses among the Syrian migrant community in the country, is also thought to have contributed to a further decline of remittances into the Syrian Arab Republic.[315] Corroborating these early findings, a study conducted by The Economist Intelligence Unit in 2021 suggests that remittances to smaller economies with limited international trade have been particularly vulnerable to the impacts of the pandemic,[316] suggesting that the Syrian Arab Republic could fare worse than others. Edwina Thompson, founder of Amanacard, interviewed in March 2021, relayed the following:

The most notable challenges to Syrian hewala networks were encountered at the start of the pandemic. Physical restrictions on movement, including curfews (often imposed with little warning) and roadblocks, had serious implications for liquidity. This was particularly challenging for Syrians in light of the reliance of cross-border travel in order to access new cash reserves. The situation has eased somewhat in recent months, due in large part to the innovative and flexible nature of hewala networks and their ability to quickly regenerate and adapt to changing situations on the ground.

Further research is urgently warranted to provide a clearer understanding of the more nuanced impacts of the pandemic on Syrian household remittances in light of some of these early findings.

11. Charting policy and innovation-based solutions

Remittances represent an increasingly critical lifeline to the Syrian people, yet constraints surrounding their use continue to mount and do not look set to improve in any significant way in the foreseeable future. The need to find solutions is marked by a strong degree of urgency in light of the dire humanitarian crisis, which has been compounded through various layers of additional pressures (including those relating to economic, legislative and COVID-19 concerns) that have intensified over recent years. As such, this final section draws on consultations with technology and remittance experts and the wider literature to highlight some potential ways forward in order to ameliorate the current challenges facing the formal and informal remittance markets in the Syrian Arab Republic. It also notes that, while many options are limited at present, more could be done as part of eventual post-conflict reconstruction efforts.

A. Greater global and regional collaboration to improve remittance mechanisms

Closer global and regional collaboration on improved household remittance mechanisms and reducing de-risking among banks and MTOs will be fundamental in the Syrian case. Work in this area is not new but remains scarce. For example, an Action Group on Cross Border Remittances (linked to the United Kingdom-Somali Initiative) was established in the mid-2010s to further transsectoral and public-private dialogue on ways to reconcile policy goals connected to international remittances and fund transfers.[317] In the recent debate on remittances in the House of Lords, the commitment of the United Kingdom to work with the Group of 7 (G7) and G20 was noted in order to "ensure that remittances are sent as cheaply, accessibly and securely as possible", strengthen work with the World Bank and others and promote a joint initiative launched with Switzerland in 2020.[318]

Discussions addressing the safe movement of funds into a number of fragile jurisdictions[319] have characterized a number of other multi-stakeholder dialogues of recent years,[320] including in relation to the Democratic People's Republic of North Korea, Gaza, Iran, Somalia, the Sudan, the Syrian Arab Republic, and Yemen, though these have typically focused more on the use of *hewala* and similar mechanisms by humanitarian organizations rather than on household remittances. Moving forward, a consolidated international dialogue on safeguarding household remittances to the Syrian Arab Republic would be invaluable, which could include regional meetings with technical experts and practitioners.

Closer dialogue could also be sought with those countries and companies that are leaders in the field of policy and technology innovations regarding remittances, in order to derive lessons applicable to the Syrian context. In receiving countries, this includes Ghana, Kenya and Somalia; and in sending countries, it includes Canada, Singapore and the United Kingdom (with notable Central Bank efforts in this field and close engagement with the country's technology sectors).[321] Other notable efforts are currently underway in the European Union in seeking to improve its role in remittances in line with the Sustainable Development Goals (SDGs) and the Compact for Migration.[322] Important initiatives are also ongoing in Australia in relation to remittances sent to neighbouring island States.[323] Also vital is the close engagement of these policy dialogues with the various technology communities (including fintech, regtech, suptech, govtech, and wider tech-for-good initiatives)[324] that might play an important role in finding solutions to some of the sector's most pressing challenges.

B. Simplified processes and reduced sending costs

Reducing the costs involved in the sending of household remittances is already included in an SDG, though progress has been slow. In some parts of the world, increasing competition has helped bring down costs,[325] but this remains challenging in the Syrian case in light of the unique range of pressures that constrain expansion of the formal remittance market. This has led some to call for "key players within the money transfer industry [to] formulate a strategy that will reopen and facilitate money transfer to vulnerable and displaced civilians in the Syrian Arab Republic".[326] A useful development in this field has been the World Bank's Smart Remitter Target, a portal that compares money transfers worldwide, including average costs, speed, geographic coverage, and accessibility.[327] Data for the Syrian Arab Republic is not yet readily available, however, highlighting the need to forge a better understanding of volumes and nature of remittance inflows to the country through closer cooperation with banks, MTOs, MSBs, and merchants engaged in *hewala*.

Reducing the costs involved in the sending of household remittances is already included in an SDG, though progress has been slow.

C. Bilateral support of remittance channels

Government-to-Government collaboration is often needed to safeguard remittance channels and help diminish the dangers involved in de-risking. As such, bilateral cooperation on remittances can play a vital role but is not a common occurrence, particularly if the two Governments in question do not share good diplomatic relations. By way of example, the United Kingdom-Somalia Safer Corridor Initiative was an innovative multi-stakeholder platform that sought to "address underlying deficiencies in the UK-Somalia remittance corridor; provide assurance to banks that the risks can be managed effectively [and] support the Somali authorities to build a regulated financial sector in Somalia". The initiative came about in 2014 after recognizing that the remittance corridor could collapse due to de-risking and other pressures. The Government of the United Kingdom began looking into contingency measures should the worst happen. One of these measures was a Safer Corridor Pilot, which could be mobilized in the event of a significant disruption to the flow of remittances.

The Government of the United Kingdom noted that while it "does not intervene in the decisions of banks to offer services to a particular customer or group of customers[…,] the Safer Corridor Initiative aim[s] to strengthen existing channels and to address the concerns of banks which have led to the closure of accounts in the MSB sector".[328] Devised by the former Department for International Development (DFID) of the United Kingdom, FSD Africa (a DFID-funded not-for profit organization), the World Bank, and Consult Hyperion (a consultancy specializing in payments technology), the plan was never used as the need was not deemed great enough.[329] Such an approach would not likely represent a viable option in the Syrian context in light of the current political climate and extensive sanctions on Syrian Government entities that would hinder this type of engagement.[330] Further thinking might be done as to whether the United Nations, or another international organization, could potentially fulfil this role, or whether such a bilateral collaboration, such as between the European Union and the Syrian Arab Republic, may be envisaged as part of future political negotiations.

D. Role of emerging technologies

In light of the considerable hurdles currently facing the international remittances, and the substantial costs typically incurred, the last decade has seen a concentrated effort to identify emerging technologies that can help to streamline and bring down costs of remittance sending in spite of factors such as sanctions, AML/CTF regulations, associated de-risking and broader political and economic pressures. These innovations have grown out of private, public and not-for-profit sectors, but their geographical applicability depends on a range of local and regional considerations. At the same time, it is important to note that technology is not a cure-all solution for all situations,[331] and privacy considerations, such as protection of personal and financial data,[332] remain major challenges, particularly in light of the fact that remittances may often be sent to countries where security considerations are paramount.[333] Some of the earlier emerging technology payment solutions have also fallen foul to financial sector de-risking directly,[334] representing an added constraint in this area.

Elsewhere in the world, some of the main digital payment solutions introduced to the household remittance sector have included prepaid card systems, phone banking (mobile money platforms) and cryptocurrencies.[335] The role that could be played by DLT, including blockchain, KYC utilities,[336] big data, machine learning, legal entity identifiers (LEIs), and biometrics in seeking to help alleviate de-risking trends in the financial sector has also been highlighted.[337] The question has also been raised by some whether remittances could be tracked for humanitarian activities using digital tools.[338]

One of the most successful digital remittance services in the world is considered to be the Somali transfer company Dahabshiil.[339] The enterprise was launched in 1970 and now works across more than 140 countries, with 24,000 branches worldwide, according to its website.[340] It does not count the Syrian Arab Republic on its list of operating countries, however. The app, which can be used on a smart or Android phone, enables secure end-to-end payments which adhere to AML processes and employs a number of security mechanisms such as digital certificates, secure sockets layer (a protocol for servers and web browsers using encryption that ensures the privacy of data passed between the two) and second-factor authentication.[341] It can be used to send and receive money in real time, pay bills, purchase goods in retailer outlets, and purchase Internet bundles. It may also be utilized to send funds to M-Pesa, a mobile phone money transfer service that can be used for payments and microfinancing service,[342] and eDahab, an e-money transfer service allowing for payments between individuals or businesses in Somalia.[343]

Other innovations have sprung up elsewhere in Africa in recent years. In 2021, for example, NALA was launched, allowing fast-time payments to be made from the United Kingdom to Kenya, Tanzania and Uganda. As Africa's first offline payment processing platform, it reportedly allows users to send funds in an offline or Internet-free mode, intended to facilitate remittance payments without incurring costly phone data charges.[344] Instead of charging a fee to those sending remittances, it adds a small percentage of the exchange rate each time a payment is made. Its Tanzanian founder, Benjamin Fernandes, stated that he "built and studied nine different payment platform prototypes" including peer-to-peer and merchant payments, before settling on the current model.[345] A similar type of study on the Syrian household remittance sector would be highly desirable.

Some remittance and technology experts consulted for this paper concur that the Syrian Arab Republic currently lacks a sufficiently robust domestic payment infrastructure to support digital merchant services such as mobile banking or payment card systems once funds enter the country.[346] The challenge, therefore, is not the international side of the equation, but how the funds would enter the country and how they could be distributed around it.[347] This requires basic provisions that are largely lacking in the Syrian context, such as functioning and widely available Internet, telecommunications networks and banking systems. Nevertheless, further research is urgently needed to ascertain whether any of these existing technologies could be replicated in the Syrian case.

Alongside its potential role in AML/CFT compliance, some experts have argued that distributed ledger technology can be useful in addressing de-risking and in making cross-border payments quicker, less expensive and more transparent. In turn, advocates argue that it could help foster economic development and bring down costs for both migrants and export-oriented small and medium-sized enterprises in sending and receiving remittance payments.[348] According to a seminal report on how emerging technology can mitigate some of de-risking's worst problems, blockchain technology can be used in a number of ways to improve the payment of cross-border remittances, including ways that bypass the correspondent banking system.[349] The authors conclude that "when paired with digital identities, these approaches have the potential not only to lower transaction costs and accelerate settlement times, but also to introduce greater transparency and traceability to cross-border payments".

In June 2018, the world's first "blockchain-based e-wallet cross-border remittance service" was launched in Hong Kong, whereby users of the platform, called AlipayHK, could begin sending remittances to GCash users in the Philippines, with subsequent rollout to other countries, with Standard Chartered Bank responsible for the foreign exchange and fund liquidation parts of the transaction. Payments are made in real time, and the process is argued to allow for "more transparent supervision and more efficient risk control for cross-border remittances".[350] In Kenya, slum users have been able to use Sarafu (meaning "coins"), a blockchain-based community currency, since 2019; Sarafu was created by the Kenya Red Cross Society together with other groups, including United States-based Block Science, an engineering company, the Danish Red Cross, and Innovation Norway, and funded by international Government donors.[351] The cryptoasset has allowed its users to pay for food, water, educational products, and sanitary items during the pandemic. Families are issued virtual vouchers of a set amount, which can be used to purchase essential goods.[352] Vendors then send the vouchers to Grassroots Economics, the project's co-developer and a Nairobi-based social enterprise.

The initiative reportedly had various benefits. First, it has helped thousands of Kenyans, who are mostly casual workers unable to access formal bank account loans and who have suffered major wage losses since the pandemic, to have continuous access to essential items.[353] Second, it renders them less vulnerable to loan sharks and other forms of exploitation or destitution, which can also serve to bolster trust among community members. Third, it enables tracking of transactions in a secure and transparent manner.[354] The system works similarly to Kenya's widely used M-Pesa mobile moneytransfer system,[355] but with the difference that users do not need to hold Kenyan currency.[356] The model is also similar to that of Amanacard, which is already operating in the Syrian Arab Republic, albeit using different underlying technologies.

In sum, while payment mechanisms based on distributed ledger technology can be useful in terms of record-keeping and allowing for enhanced due diligence in certain contexts, they cannot provide a solution as to how to get cash into a hard-to-reach country such as the Syrian Arab Republic.[357] As in all "unbanked" crisis zones, the key challenge is therefore how to access new forms of liquidity rather than simply circulating existing cash reserves.[358]

Digital remittance developments, particularly those using cryptocurrencies, are also underway in Latin America, where banking remittances typically carry high transaction fees. MTOs have faced closures throughout the continent in light of the de-risking phenomenon associated with some of the jurisdictions perceived to be of higher risk, such as Venezuela. In order to remit funds into the country from Europe or elsewhere in Latin America, the P2P platform LocalBitcoins describes itself as offering a quicker and less expensive service than traditional financial equivalents.[359] Other platforms used in Venezuela include Binance P2P and LocalCryptos.[360] So-called crypto-remittances can also be organized via messaging platforms such as WhatsApp and Telegram, which allow members to set their own exchange rates.[361] Although the popularity of these approaches seems to be on the rise, their use remains complicated and technical in nature, rendering them less accessible to less technology-savvy users.[362] Other payment platforms used elsewhere in Latin America include Bitso in Mexico, which "uses the Ripple network and its XRP token to send remittances between Mexico and the United States".[363] A remittance service using informal operators for sending funds to Cuba also exists, mainly working with P2P exchanges that seek to avoid direct links to the Cuban or United States Governments in light of sanctions in place.[364] Some of these latter innovations are promising in that they "highlight cryptocurrency's potential to transfer value between countries with geopolitical conflicts, or from countries that restrict the movement of capital across borders".[365]

Yet, Governments and banks around the world remain wary about the use of cryptocurrencies and frequently impose measures to curb their use. Nigeria, for example, formerly represented the world's third-largest cryptomarket, and many Nigerians used cryptocurrencies as a means to transfer funds. The Nigerian Central Bank imposed restrictions on their use as an attempt to control the large parallel market.[366] Furthermore, a number of sanctions regimes directly target the use of cryptocurrencies in certain countries. The United States Government, for instance, imposes sanctions on any type of Venezuelan cryptocurrency, including any that may be developed in the future.[367] The sector, like many others, is also subject to de-risking. In 2017, for example, Hong Kong-based private digital exchange firm Bitfinex announced that it would not list or transact Venezuela's new digital token, the "petro", stating that, while United States sanctions only prohibited United States citizens from purchasing Venezuelan cryptocurrencies, the company was opting to broaden its restrictions to all of the platform's customers, regardless of their location.[368] Many central banks around the world are now developing their own digital currencies, something which could hold promise for the wider remittances realm. At the time of writing, China was in the testing phase of its own digital currency, and more than 40 other countries and the European Union are developing their own versions.[369]

With these recent developments and caveats in mind, further thinking is urgently needed on how some of these existing innovations can be adapted for use in the Syrian context, or whether new digital payment solutions can be found.[370] At the present stage, barriers appear to be largely centred around the following factors:

- Insufficient infrastructure within the Syrian Arab Republic in the fields of banking, telecommunications, Internet, and transport systems, and constraints caused by the general security situation.
- Barriers to collaboration with the Syrian authorities in relevant bilateral initiatives to protect remittance channels.
- Restrictions caused by sanctions and wider regulations on Syrian banks, telecommunications systems, ministries, and some MSBs.
- Cultural preferences.
- Low levels of digitization among Syrians that remain in the country as compared to areas of Africa and Latin America where such solutions have had more success.
- Restrictive policies used by the Syrian Government and CBS on the country's remittance market.

As such, technology-based options may be severely limited by the local and broader geopolitical constraints at the current time but may become more feasible in the post-conflict stage as part of reconstruction efforts. They might also serve as a useful incentive as part of a sanctions relief package in the post-conflict era.[371] As such, research into the viability of different options should be prioritized in order to contribute to an eventual swift adoption, if deemed worthwhile.[372]

12. Conclusion

Household remittances have served as a vital lifeline for Syrian households since the onset of the conflict a decade ago and look set to continue rising in importance due to a diverse range of factors. This includes a growing shortfall in humanitarian funding, the economic fallout of the global pandemic and barriers to economic recovery caused by the ongoing political impasse at multilateral and bilateral levels. In spite of this, in recent years, remittance flows to the country have been frustrated through a number of changes related to legislative and security issues and COVID-19. Informal remittance systems, such as *hewala*, have grown in importance at a time when access to formal remittance mechanisms, including banks and MTOs, have faced serious challenges. This has included tightened international sanctions, the Lebanese financial crisis and a more restrictive regulatory environment in some key sender countries, as well as in the Syrian Arab Republic itself. Dependence on household remittances by Syrian families, and reliance on *hewala*, has been further compounded by private and not-for-profit overcompliance with the multiple, overlapping, sanctions regimes in place against Syrian targets, also known as “de-risking” and the “chilling effect”, including far-reaching United States sanctions of an extraterritorial nature. Combined with wider regulations designed to tackle terrorism, terrorist financing and money laundering, this has led to a diminishing appetite across sectors in dealing with a so-called “high-risk” country such as the Syrian Arab Republic.[373] Particularly problematic has been the rapid decline in CBRs, which otherwise play a vital role in the transfer of funds across borders.

Potential policy solutions should be sought as a matter of urgency in light of the heavy dependence on household remittances by ordinary Syrians as well as the growing importance of *hewala* to humanitarian action in the country.

Potential policy solutions should be sought as a matter of urgency in light of the heavy dependence on household remittances by ordinary Syrians as well as the growing importance of *hewala* to humanitarian action in the country. These could include a new global, and regional, dialogue to identify improvements to the Syrian remittance market; exploration of opportunities for bilateral coordination on protected remittance corridors, particularly relevant for the post-conflict period; efforts to reduce costs in remittance sending; integration of wider efforts to tackle de-risking that should include a keener focus on impacts on the remittance market; and further research into the potential use of digital payment technologies. According to Ralph Chami, IMF remittance expert, the pandemic could “represent a chance for the world to recognise the vital importance of remittances” and how they serve as a vital lifeline to so many in the world. “This time we’re all in a rushing river together and we’re all tied together: we either all sink together or will all drown together”, he noted.[374] A fundamental question is whether improvements can be made to the Syrian remittance market in response to the pandemic and wider pressures that will help alleviate pressures on Syrian families in their greatest hour of need.

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Endnotes

1. Remittances are defined here as "the sum of personal transfers and compensation of employees". See World Bank, n.d. The World Bank also specifies that "[p]ersonal transfers…represents a broader definition of worker remittances [including] all current transfers in cash or in kind between resident and nonresident individuals, independent of the source of income of the sender (and regardless of whether the sender receives income from labor, entrepreneurial or property income, social benefits, and any other types of transfers; or disposes assets) and the relationship between the households (regardless of whether they are related or unrelated individuals). Compensation of employees refers to the income of border, seasonal, and other short-term workers who are employed in an economy where they are not resident and of residents employed by nonresident entities. Compensation of employees represents remuneration in return for the labor input to the production process contributed by an individual in an employer-employee relationship with the enterprise [and] has three main components: wages and salaries in cash, wages and salaries in kind, and employers' social contributions. Compensation of employees is recorded gross and includes amounts paid by the employee as taxes or for other purposes in the economy where the work is performed.
2. Remittance transfers are defined here as a "cross-border, person-to-person payment of relatively low value". In practice, the "transfers are typically recurrent payments made by migrant workers". See World Bank, 2006.
3. Diaspora is defined by the International Organization for Migration (IOM) as "[m]igrants or descendants of migrants whose identity and sense of belonging, either real or symbolic, have been shaped by their migration experience and background. They maintain links with their homelands and to each other, based on a shared sense of history, identity, or mutual experiences in the destination country." See IOM, 2019.
4. IVTS is defined by the United States Department of the Treasury Financial Crimes Enforcement Network (US FinCEN) as "[a]ny system, mechanism, or network of people that receives money for the purpose of making the funds or an equivalent value payable to a third party in another geographic location, whether or not in the same form. The transfers generally take place outside of the conventional banking system through non-bank financial institutions or other business entities whose primary business activity may not be the transmission of money." See US FinCEN, 2003.
5. *Hewala* is defined here as "[a]n informal remittance system that does not require transferors' identity verification or detecting and reporting [of] suspicious transactions. The transfer of money is carried out through unregulated networks with no physical or electronic movement of money. The settlement takes place between two hawaladars [hawala dealers], one is the sender and the other is the receiver of the money" (see Middle East and North Africa Financial Action Task Force (MENA FAFT), 2005). In the Syrian case, as well as in neighbouring countries, the word hewala is also often used to refer to money transfer operators (MTOs), in light of the similar mechanisms involved. However, this report differentiates between the two types of remittance systems in line with more traditional understandings of the terms. Hewala typically operates

under the radar of the authorities and is often based on family and other personal ties. Networks can easily regenerate, in general, if some parts are shut down.

6. Humanitarian organizations, including international and local non-governmental organizations (INGOs/NGOs) and United Nations agencies, also make common use of hewala as part of cash transfer programming (CTP), alongside the carrying of cash across borders. This is particularly (though not exclusively) the case for those operating in the Syrian Arab Republic's autonomous north-east and north-west regions.
7. An MTO is defined here as "[a] non-deposit-taking PSP [payment service provider] where the service involves payment per transfer (or possibly payment for a set or series of transfers) by the sender to the PSP (for example, by cash or bank transfer)." See World Bank Group, Committee on Payments and Market Infrastructure, 2016.
8. De-risking is defined by the Financial Action Task Force (FATF) as "the phenomenon of financial institutions terminating or restricting business relationships with clients or categories of clients in order to avoid rather than manage risk in line with the FATF's risk-based approach". See FATF, 2014.
9. According to the International Monetary Fund, "Money laundering is the process of concealing the illicit origin of the monetary proceeds of crimes. Terrorist financing is the collection or the provision of funds for terrorist purposes." See IMF, 2021.
10. World Bank, 2017a.
11. A refugee is defined here as "[s]omeone who is unable or unwilling to return to their country of origin owing to a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion, and require international protection". See United Nations High Commissioner for Refugees (UNHCR), 1967.
12. This figure includes some 2 million Syrians registered by UNHCR in Egypt, Iraq, Jordan, and Lebanon; 3.5 million Syrians registered by the Government of Turkey, as well as more than 33,000 Syrian refugees registered in North Africa. See UNHCR, n.d.
13. ESCWA, 2020.
14. Moret, 2015.
15. International Rescue Committee, 2021. Syria: Shattered lives. Available at https://www.rescue.org/country/syria.
16. OCHA, 2021a.
17. OCHA, UNDP and UNHCR, 2021; OCHA, 2021b.
18. A migrant is defined by United Nations Department of Economic and Social Affairs (DESA) as "[a]ny person who changes his or her country of usual residence". See United Nations Department of Economic and Social Affairs (DESA), 1998.
19. World Bank, 2017b.
20. Holmes, Menzel and Schlink, 2007.
21. Passas, 2005.
22. Passas, 1999.
23. Bryant, 2019.
24. Some studies have highlighted that methodologies commonly used to estimate remittances and their transfer costs can introduce a variety of biases and other limitations. See for example, Alvarez and others, 2015.
25. Bryant, 2019.

26. SDGs are a set of 17 global goals and 169 targets. Spearheaded by the United Nations through a deliberative process involving its 193 member States, as well as global civil society, the SDGs are contained in paragraph 54 of United Nations Resolution A/RES/70/1 of 25 September 2015. See United Nations, n.d.
27. Bryant, 2019.
28. House of Lords, 2021.
29. World Bank, 2021a.
30. Daher, 2021.
31. Ibid.
32. KNOMAD and World Bank Group, 2021.
33. Chami, 2020.
34. Ibid.
35. World Bank, 2020a.
36. Ratha, De and Schuettler, 2017.
37. IMF, 2020.
38. FDI is "[t]he category of international investment associated with a resident entity in one economy (and/or a direct investor) having control of, or significant influence on the management of an enterprise resident in another economy". See IMF, n.d.
39. IMF, 2020.
40. World Bank, 2021a.
41. The country's real GDP in 2017 reached $27.7 billion, inferring those remittances may have accounted for 30.6 per cent of real GDP. See ESCWA, 2020.
42. Arab America, 2016.
43. Schuler-McCoin, 2020.
44. House of Lords, 2021.
45. IMF, 2020.
46. Ibid.
47. Al-Issa, 2021.
48. Ratha and Schuettler, 2017.
49. IMF, 2020.
50. This is the case in various countries around the world in addition to the Syrian Arab Republic, such as in Afghanistan. See Moret, 2022.
51. Bryant, 2019.
52. According to Leon Isaacs, expert on the global money transfer industry, consulted in early 2021.
53. MacGregor, 2019.
54. Roger, D., 2015.
55. Barzegar and el Karhili, 2017.
56. World Bank, 2021b.
57. World Bank, 2021b.
58. Aita, S., 2020.
59. Jalaby, 2019.
60. Aron, 2021.
61. Said, 2019.

62. HTS, also known as the Assembly for the Liberation of Syria and formerly known as Jabhat al-Nusra (Al-Nusra) and Jabhat Fatah al-Sham, is a designated terrorist Sunni opposition group that seeks to overthrow the Assad Government and establish an Islamic Emirate in the Syrian Arab Republic. See Stanford University, 2017.
63. According to the forthcoming report by Daher, J.
64. Ibid.
65. According to Edwina Thompson, *hewala* expert and founder of Amanacard, the term "merchant" can be a more accurate way to refer to those businesspeople who operate *hewala* in places like the Syrian Arab Republic, in light of the broader professional business activities in which they engage. These other forms of commerce provide them with access to hard-to-reach cash, which in turn allows them to play a key role in remitting funds (personal communication, March 2021).
66. For some coverage of this area, see Jalaby, 2019; UNHCR Syria Regional Refugee Response, n.d.
67. For research into this area, see Aron, 2021; Vargas-Silva, 2016.
68. Beechwood International, 2015. For discussions on similar methodological constraints encountered in other studies, see also Jalaby, 2019 and Said, 2019.
69. The National Agenda for the Future of Syria (NAFS) Programme II at ESCWA Coordination Meeting to discuss the first output of the project "Syrian Remittances: Dynamics, Volume and the Future".
70. Middle East Studies Association conference and International Humanitarian Studies Association conference in 2021.
71. Although domestic and foreign State budgets have long been the main providers of armed conflict expenditures, other major sources of funding have in the past included diaspora remittances, alongside criminal proceeds from kidnappings or protection rackets, diversion of relief aid, and revenues from trading in commodities such as drugs, timber or minerals. See Jean and Rufin, 1996; Le Billon, 2000.
72. United States Court of Appeals, Second Circuit, 2017.
73. Breen, E., 2021.
74. The Associated Press, 2020.
75. US Department of the Treasury, 2019.
76. Portela and Moret, 2020.
77. United Nations, 2018.
78. https://obamawhitehouse.archives.gov/the-press-office/2011/04/29/executive-order-13572-blocking-property-certain-persons-respect-human-ri.
79. The United States' Maximum Pressure campaign has its roots in a «more pain for more gain" logic, based on the idea that devastating a target country's economy, with consequent damage to its civilian population, will lead to concessions on the part of the target. For a discussion on impacts of the Trump Administration's use of this approach, see Moret, 2021a.
80. Portela and Moret, 2020.
81. United States Government, 2021.
82. An MSB is defined here as "[a]n undertaking which by way of business operates a currency exchange office, transmits money (or any representation of monetary value) by any means" See Joint Money Laundering Steering Group (JMLSG), n.d.
83. Beechwood International, 2015.
84. Ibid.
85. Ibid.
86. U.S. Department of the Treasury, 2020.

87. According to the OFAC website, "[t]hese money services businesses have played a vital role in transferring funds to support Syria-based ISIS fighters and have provided hundreds of thousands of dollars of liquidity to ISIS leadership". See U.S. Department of the Treasury, 2020.
88. Ibid.
89. Dean, 2015.
90. According to Beechwood International, 2015, p.13, Musharbash Exchange "is the only registered company with a direct relationship to Al-Haram Exchange," such that "the funds deposited for transfer in Jordan to Syria with all other [MSBs] route through Musharbash".
91. Formerly available at https://www.haramexchange.com/en/page/international-transactions. [Division: This site could not be reached.
92. SIIB was sanctioned by the European Union in 2011 for a short period of time for its role in facilitating the transfer of $150 million on behalf of the commercial banks of the Syrian Arab Republic, and for providing financial support to the Syrian Government. SIIB was also listed by OFAC in April 2012. See Aita, 2020, p. 56.
93. U.S. Department of the Treasury, 2019.
94. For more details on the Caesar Act, see the United States State Department Fact Sheet, available at https://2017-2021.state.gov/caesar-syria-civilian-protection-act/index.html and for details on the initial round of designations, see https://2017-2021.state.gov/syria-caesar-act-designations/index.html. The law is being implemented under Executive Order 13894. See https://www.federalregister.gov/documents/2019/10/17/2019-22849/blocking-property-and-suspending-entry-of-certain-persons-contributing-to-the-situation-in-syria for further details.
95. Anonymous interviews and consultations with humanitarian actors and Government officials working in or on the Syrian Arab Republic, 2019-2021.
96. The Carter Center, 2020.
97. Ibid.
98. Anonymous interviews with banking representatives from these countries, 2020-2021.
99. Aita, 2020.
100. Ibid.
101. Moret, 2015.
102. Daher, J. and Moret, 2020.
103. Moret, 2015.
104. Moret, 2021a; Debarre, 2019. Safeguarding Humanitarian Action in Sanctions Regimes. New York: International Peace Institute (IPI); Gillard, 2017.
105. Garfield, Devin and Fausey, 1995.
106. Friberg Lyme, 2012.
107. Batmanghelidj, E. and Moret, 2022.
108. For more on this subject, see the related forthcoming report by Daher.
109. Pelter, C. Teixeira and Moret, 2022.
110. According to FATF, "[t]he drivers of de-risking are complex and include profitability; reputational risk; lower risk appetites of banks; and regulatory burdens related to the implementation of anti-money laundering and counter-terrorist financing (AML/CFT) requirements, the increasing number of sanctions regimes, and regulatory requirements in financial sector". Financial Action Task Force (FATF), 2015a.
111. Anonymous interviews with humanitarian actors, 2019-2021.
112. Blanchet and others, 2021; Mallard, J. Sun and Moret, 2021.

113. According to consultations with representatives of these sectors during 2019-2020. For other examples, see Woodsome, and. Ramachandran, 2018.
114. World Bank, 2015.
115. Daher and Moret, 2020.
116. Arab America, 2016.
117. Financial inclusion is defined here as “[t]he effective access to basic financial services, such as payments, savings (including current accounts), credit and insurance provided by regulated financial institutions to all working-age adults”. Effective access is defined as a “convenient and responsible service delivery, at a cost affordable to the customer and sustainable for the provider, enabling previously financially-excluded customers to use financial services rather than existing alternative, unregulated options”. See Consultative Group to Assist the Poor (CGAP), 2011.
118. Woodsome and Ramachandran, 2018.
119. Moret, 2021b.
120. Ibid.
121. Moret, 2021a.
122. Government of the United Kingdom, 2015.
123. Ramachandran, 2016.
124. Mallard, Sabat and Sun, 2020.
125. The GPFI describes itself as “an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders” working with implementing partners (Alliance for Financial Inclusion, the Better Than Cash Alliance, the Consultative Group to Assist the Poor, the International Finance Corporation, the International Fund for Agricultural Development, the Organisation for Economic Co-operation and Development [OECD], the SME Finance Forum, and The World Bank.
126. World Bank, 2015.
127. Ibid.
128. FATF, n.d.
129. See, for example, Van der Does de Willebois, 2010; Financial Stability Board (FSB), 2015.
130. Hopper, 2015.
131. Woodsome and Ramachandran, 2018.
132. FSB, 2015.
133. FATF, 2015a.
134. This work builds on the FATF, 2015b. .
135. Interviews with a range of United Nations and Government officials working in or on the Democratic People’s Republic of North Korea, late 2020 and early 2021.
136. Dean, 2015.
137. Al-Jssem, M. and O. al-Obaid, 2019. The Hawala Market in Syria: Mechanisms and Impacts on the Economy. In Salam, S. (ed.). *Local Economies in Syria: Divisions and Dependencies*. Friedrich-Ebert-Stiftung, September.
138. Al-Jssem and Al-Obaid, 2019.
139. Anonymous interview with an economist from the MENA region, January 2021.
140. Federal Statistical Office, 2021.
141. European Central Bank (ECB), 2018.
142. European Commission, 2018.
143. Italy, for example, was reported “trying to implement a 1.5 per cent tax on all remittances going outside the EU”. See MacGregor, 2019.

144. European Banking Authority (EBA), 2021.
145. MacGregor, 2019.
146. Wang, 2010.
147. Ibid.
148. Kraft, 2018.
149. Holmes, Menzel and Schlink, 2007.
150. Explored further in the forthcoming report by Schraven.
151. Holmes, Menzel and Schlink, 2007.
152. Anonymous interviews with members of the Syrian diaspora community in Europe, late 2020. While Syrian asylum seekers with a legal status are able to receive welfare benefits, the amount is significantly less than the German federal minimum wage of €1,584 (January 2020) that could be received from "unemployment benefits" or Arbeitslosengeld I. Therefore, Syrians with unemployment assistance (which amounts to some 30 per cent of Syrians in Germany according to Schraven's forthcoming report) are receiving a net income of approximately 60 per cent less than that of the federal minimum wage, and an amount that would be considered below the poverty rate. See Bierbach, 2017; Katz, Noring and Garrelts, 2016.
153. Schuler-McCoin, 2020.
154. MacGregor, 2019.
155. Holmes, Menzel and Schlink, 2007.
156. Details available at https://www.geldtransfair.de/en/compare/SYR/150/show.
157. Martyr and Knight, 2019.
158. Al-Jssem and Al-Obaid, 2019. Also see Schraven, forthcoming, for further details.
159. UNHCR, 2021.
160. Dean, 2015.
161. Beechwood International, 2015.
162. For more details, see the forthcoming report by El Taliawi.
163. Dean, 2015.
164. Beechwood International, 2015.
165. Jordan Anti-Money Laundering Law No. 46 (2007) quoted in Beechwood International, 2015.
166. Talaiwi, forthcoming.
167. Aita, 2020.
168. Beechwood International, 2015.
169. UNHCR, 2021.
170. For more details, see the forthcoming report by Bolukbasi.
171. FATF, 2007.
172. Dean, 2015.
173. Turkish Central Bank (TCMB), 2013.
174. Beechwood International, 2015.
175. Ibid.
176. Ibid.
177. Schuler-McCoin, 2020.
178. See International Financial Law Review (IFLR), 2011.
179. Ergocun, 2020.
180. Bolukbasi, forthcoming.
181. Dean, 2015.

182. Al-Jssem and Al-Obaid, 2019.
183. Beechwood International, 2015.
184. Geneva Graduate Institute, 2020.
185. Daher, 2021.
186. Ibid.
187. Geneva Graduate Institute, 2020.
188. Daher, 2021.
189. Ibid.
190. Ibid.
191. Aita, 2020.
192. Ibid.
193. Ibid.
194. Ibid.
195. Anonymous interviews with experts on the banking sector in the Syrian Arab Republic, 2020-2021.
196. Geneva Graduate Institute, 2020.
197. Muhammad, 2021.
198. The company's details are contained in https://www.facebook.com/uecsy.
199. Saleem, 2021.
200. Al-Issa, 2021.
201. Saleem, 2021.
202. Al-Issa, 2021.
203. Ibid.
204. Al-Issa, 2021.
205. Al-Jazmaty and Sharrack, 2017.
206. Ibid.
207. Anonymous interviews with members of the Syrian diaspora community in Europe, 2021.
208. Beechwood International, 2015.
209. Ibid.
210. Arab America, 2016.
211. Daher and Moret, 2020.
212. The Syria Report, 2013.
213. Aita, 2020.
214. Beechwood International, 2015.
215. Ibid.
216. Daher and Moret, 2020.
217. Dean, 2015.
218. Sanliurfa Governorate of the Republic of Turkey, 2021.
219. Al-Jssem and Al-Obaid, 2019.
220. Aron, 2021.
221. Aita, 2020.
222. Al-Jssem and Al-Obaid, 2019.
223. Aita, 2020.
224. Al-Jssem and Al-Obaid, 2019.

225. Ibid.
226. Explored in more depth in the other reports forming part of this project, including that by Daher, forthcoming.
227. Ibid.
228. Jalaby, 2019, p. 26.
229. Ibid.
230. Said, 2019.
231. Dean, 2015, mentions that there was at least one recorded case of registered *hewala* in the north-eastern Syrian Arab Republic while the NRC study was being carried out.
232. Beechwood International, 2015.
233. Aron, 2021.
234. Ibid.
235. Al-Jssem and Al-Obaid, 2019.
236. Daher and Moret, 2020.
237. Ibid.
238. Al-Jssem and Al-Obaid, 2019.
239. Interview with Edwina Thompson, February 2021.
240. Daher and Moret, 2020.
241. Gassauer, 2021.
242. Bryant, 2019.
243. Beechwood International, 2015.
244. Dean, 2015.
245. Ibid.
246. Barzegar and El Karhili, 2017.
247. Conducted on an anonymous basis in mid-2020.
248. Ibid.
249. Barzegar and El Karhili, 2017.
250. Dean, 2015.
251. For more information, see https://www.unrwa.org/interactive-map-categories/cash-assistance.
252. Barzegar and El Karhili, 2017.
253. Bryant, 2019.
254. Dean, 2015.
255. 257 Care International, 2019. Using Hawala to Conduct Cash Programming in Syria. January, pp.2-3. Available at https://www.alnap.org/system/files/content/resource/files/main/1548767300.Using%20Hawala%20to%20Conduct%20Cash%20Programming%20in%20Syria.pdf.
256. Dean, 2015.
257. Anonymous interviews with donor Governments working on the humanitarian situation in the Syrian Arab Republic, early 2021.
258. Beechwood International, 2015.
259. Ibid.
260. Ibid.
261. Ibid.
262. REACH, 2019.

263. Ibid.
264. This is being carried out by Amanacard and SecureAid, which currently facilitate the safe tracking and delivery of official aid to end recipients in hospitals, schools, internally displaced people camps, NGO offices, and small businesses, through recognized hewala dealers (for more details, see www.amanacard.com). Payments are done in a way that provides confidence to banks that donors' aid money is in compliance with sanctions and AML and CFT regulations.
265. Aita, 2020.
266. Daher and Moret, 2020.
267. Beechwood International, 2015.
268. Anonymous interview with a United Nations official working on the Syrian crisis, early 2021.
269. Geneva Graduate Institute, 2020.
270. Dean, 2015
271. Synaps Syria, 2019.
272. Economy2Day, 2019.
273. Synaps Syria, 2019.
274. For many years, tight restrictions have been imposed by the Syrian Government's Foreign Exchange Office on the buying and selling of foreign currencies by the general public, which has been one of the reasons why ordinary Syrians have long preferred informal remittance options. *Hewala* dealers were largely free to operate without regulations before the introduction of Law No. 24 in 2006 regulating private companies, institutions and offices for money exchange and transfers. See Beechwood International, 2015.
275. Schuler-McCoin, 2020.
276. Ibid.
277. Muhammad, 2021.
278. Ibid.
279. Anonymous interview with a Syrian economist, May 2021.
280. Geneva Graduate Institute, 2020.
281. Al Shimale, 2016.
282. Schuler-McCoin, 2020.
283. Anonymous interview with a MENA remittance expert, early 2021.
284. TRT World, 2020.
285. Aita, 2020.
286. Amlôt, Holtmeier, 2019.
287. Grogan, 2020.
288. Al Jazeera, 2020.
289. Barthelmess, and Carson, 2020.
290. Aita, 2020.
291. Anonymous interviews with representatives of Governments, humanitarian organizations and banks operating in Lebanon and the Syrian Arab Republic, since mid-2019.
292. World Bank, 2021b.
293. Karam, 2020.
294. KNOMAD and World Bank Group, 2021.
295. Schuler-McCoin, 2020.
296. Aita, 2020.
297. Ibid.

298. Ibid.
299. Ibid.
300. Daher and Moret, 2020.
301. Interviews with members of the humanitarian community, since late 2019.
302. Aita, 2020.
303. World Bank, 2020a.
304. World Bank, 2020b.
305. The Economist Intelligence Unit (EIU), 2021.
306. Ibid.
307. World Bank, 2020a.
308. OCHA, 2020.
309. KNOMAD and World Bank Group, 2021.
310. Hirsch, P. and S. Vanek Smith, 2020. The Great Remittance Mystery. NPR News, October 23. Available at https://www.npr.org/2020/10/23/927249563/the-great-remittance-mystery?t=1612435016768.
311. Ibid.
312. KNOMAD and World Bank Group, 2020.
313. Daher, 2018.
314. Schuler-McCoin, 2020.
315. Karam, 2020.
316. EIU, 2021.
317. Government of the United Kingdom, n.d.
318. House of Lords, 2021.
319. A fragile State can be characterized as "a state with weak capacity to carry out the basic functions needed for poverty reduction, development, safeguarding the security and human rights of its population and territory, and that lacks the ability or political will to develop mutually constructive and reinforcing relations with society. Post-conflict countries are often referred to as a special case of fragile states." See OECD, 2011.
320. Moret, 2021b.
321. Interview with remittance expert Leon Issacs, February 2021.
322. Ibid.
323. Ibid.
324. Fintech refers to "technology-enabled innovation in financial services". See Bank for International Settlements (BIS), n.d. Innovation and Fintech. Suptech refers to supervisory technology or the "use of innovative technology by supervisory agencies to support supervision. See Broeders and Prenio, 2018.
325. Holmes, Menzel and Schlink, 2007.
326. Aron, 2021.
327. Nicoli, 2016.
328. Government of the United Kingdom, 2015.
329. Erbenová and others, 2016.
330. Discussed further in Aron, 2021.
331. Interviews with "tech-for-good" developers based at INGOs focusing on the de-risking problem in humanitarian crises, early 2021.
332. Bryant, 2019.

333. Similar considerations are also pertinent to the humanitarian sector's use of technology in making fund transfers using of hewala systems, as in the Syrian case. Guidelines put out by the International Committee of the Red Cross help highlight some of the knowledge gaps in the humanitarian sector about data security and the need to mitigate associated risks implicit in the use of some new technologies in humanitarian work more widely. See Pirlot de Corbion and others, 2018.
334. Bryant, 2019.
335. Coppi and Fast, 2019. A recent Graduate Institute study also explored the viability of launching a blockchain-based digital coin that could be administered by a multilateral licensing authority such as OFAC, capable of efficiently administering a global sanctions exemption programme. See Mallard, Sabat and Sun, 2020.
336. Bank Negara Malaysia, Malaysia's Central Bank, has lain the regulatory groundwork for e-KYC, specifically with a view towards improving the KYC process for remittance recipients. Aruna 2017.
337. Woodsome and Ramachandran, 2018.
338. Bryant, 2019.
339. Anonymous interview with a digital payment and fintech expert, early 2021.
340. For details, see https://www.dahabshiil.com.
341. Ibid.
342. M-Pesa was launched in 2007 by Vodafone Group and the Kenyan mobile operator Safaricom. It has since expanded to countries that include Afghanistan, the Democratic Republic of Congo, Egypt, Ghana, Lesotho, Mozambique, South Africa, and Tanzania. Services had also been present in Albania, India, and Romania, but were ceased due to low market adoption. M-Pesa can be used to deposit, withdraw and transfer money, pay for goods and services, and access credit.
343. According to the European Central Bank, "[e]lectronic money (e-money) is broadly defined as an electronic store of monetary value on a technical device that may be widely used for making payments to entities other than the e-money issuer. The device acts as a prepaid bearer instrument which does not necessarily involve bank accounts in transactions. E-money products can be hardware-based or software-based, depending on the technology used to store the monetary value." See European Central Bank, n.d. Electronic Money.
344. West, 2020.
345. Ibid.
346. Pre-paid cards are currently a favoured approach among the humanitarian community, which includes the aforementioned Kenyan scheme and approaches used for Syrian refugees in Jordanian camps, according to remittance expert Leon Issacs (interview in February 2021). Another option could include the use of a smart phone to swipe a QR code.
347. Interview with Leon Isaacs, February 2021.
348. Woodsome and Ramachandran, 2018.
349. Ibid.
350. Alibaba Cloud, 2018.
351. Niagi, 2021.
352. Ibid.
353. Ibid.
354. Ibid.

355. A mobile money service includes the transferral of money and the making and receiving of payments using a mobile phone. In contrast to services such as Apple Pay, mobile money must be available to the unbanked, meaning people who do not have access to a formal account at a financial institution. As such, the service must offer a network of physical transactional points which can include agents outside of bank branches and cash points that make the service widely accessible to all. See GSMA, 2019.
356. Goering, 2019.
357. Interview with Leon Isaacs, February 2021.
358. Interview with Edwina Thompson, March 2021.
359. Peña Gholam, 2020.
360. Ibid.
361. Ibid.
362. Ibid.
363. Ibid.
364. Ibid.
365. Ibid.
366. Interview with Leon Isaacs, February 2021.
367. Ribando Seelke, 2020.
368. Partz, 2017.
369. Interview with Leon Isaacs, February 2021.
370. In parallel, ongoing initiatives should also be supported and bolstered where possible, such as the work of Amanacard, which is currently seeking to expand into the personal remittance field in the Syrian Arab Republic.
371. For research on the role of easing of sanctions in conflict resolution, see Hudáková, Biersteker and Moret, 2021.
372. This could include "tech sprint" exercises such as those organized by the Cambridge Centre for Alternative Finance at the University of Cambridge's Judge Business school. For further details, see https://www.jbs.cam.ac.uk/wp-content/uploads/2020/08/2018-06-ccaf-whitepaper-guide-to-promoting-financial-regulation-innovation.pdf.
373. Humanitarian organizations, including NGOs and United Nations agencies, also make common use of informal remittance channels, such as *hewala*, as part of CTP, alongside the carrying of cash across borders. This is particularly, though not exclusively, the case for those operating in the Syrian Arab Republic's autonomous north-eastern and north-western regions.
374. IMF, 2020.

Remittances have acted as a vital lifeline for Syrian households amidst exacerbating levels of poverty, soaring food prices and the severe devaluation of the Syrian pound, resulting from the country's protracted conflict, sanctions and other factors. In recent years, remittances transferred into the Syrian Arab Republic have far exceeded total levels of registered domestic wages and salaried. Yet, remittance transfers to the country have been hindered through changes related to political, economic, legislative, and security matters in recent years.

This report is part of the project "Syrian Remittances: Dynamics, Volume and the Future" executed by the Economic and Social Commission for Western Asia (ESCWA) and explores transformations in the political economy of remittance flows into the country resulting from the COVID-19 pandemic, international sanctions and regulations, and the Lebanese financial crisis. It also explores changes to domestic legislation on remittances in selected sender countries and recent shifts in the approach to remittances by the Syrian Government. Drawing on a detailed literature review and interviews, the study identifies hewala as favoured means for transferring funds into the country, while the use of the formal banking sector, post offices and registered money transfer operators has declined. The report also summarizes potential solutions to safeguard Syrian remittance channels, which could form part of post-conflict planning, but are currently hindered by a multitude of barriers due to the decade-long conflict and its consequences.

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