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U.S. sanctions web slows NGO relief activities



A Syrian refugee boy sits on the ground at a temporary refugee camp, in the eastern Lebanese Town of Al-Faour, Bekaa valley near the border with Syria, Lebanon. (AP Photo/Hussein Malla, File)

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BEIRUT: Compliance inquiries and due diligence are standard precautions adopted by financial institutions prior to granting access to banking services, but NGOs operating in Lebanon say increasing restrictions due to security and terrorism concerns are jeopardizing their ability to deliver aid. While large, well-established organizations can better navigate mounting sanctions, smaller NGOs find themselves paralyzed by the bureaucracy.

Relief & Reconciliation for Syria, a Belgium-based NGO with activities in Akkar, faced difficulties accessing grants coming from the U.K. and Italy and was prevented from opening a Lebanese bank account.

"In four years of operation in war-torn areas, banks have been the biggest jeopardy to our work," Friedrich Bokern, founder of R&R Syria, told The Daily Star.

According to Bokern, an automatic alert was triggered by the word "Syria" in the NGO's name, which led their funds to be temporarily blocked. Other NGOs also talked of burdensome requests to provide documentation on employees, as well as detailed information on the final destination and use of the funds, before the completion of transfers. One NGO told The Daily Star it had changed its name to exclude the word "Syria," in the attempt to avoid some of these hurdles.

The international framework against terrorism financing is undergirded by the intergovernmental Financial Action Task Force, created in 1989 and expanded following the Sept. 11, 2001, attacks on New York. NGOs are singled out as being particularly attractive to terrorists and therefore vulnerable to misuse. While the FATF recommends that countries not discourage the activities of charitable institutions, the fact that NGOs are labeled as a high-risk sector impacts their ability to attract funds.

A report published in April by Chatham House confirmed soaring compliance requests received by U.K.-based NGOs operating in Syria and neighboring countries.

"The increase in bureaucracy related to banking compliance requirements was described by NGOs as 'occasional' as recently as three years ago; now, it is 'constant,'" the report stated.

The study also found that these restrictions have led to the use of more expensive – and sometimes less transparent – financial channels, as well as significant transfer costs and greater legal expenses.

According to Tom Keatinge, co-author of the Chatham House report and director of the London-based Center for Financial Crime and Security Studies, countries have to

strike a difficult balance. "Financial sanctions should be applied to non-state armed groups and those that support them," Keatinge told The Daily Star by email. "But it is imperative that in designing sanctions, policymakers provide the necessary exemptions and safeguards for ensuring NGOs can continue to operate."

What further complicates matters is the multiplicity of actors involved in monitoring financial exchanges. Dollar-denominated transactions – including those with both sender and recipient located outside the U.S. – face the additional screening of the Office of Foreign Assets Control, the U.S. sanctions enforcement body.

R&R Syria said that the transfer of a grant sent to the organization in dollars from the U.K. was delayed due to OFAC's intervention. The deadline for the transaction had expired by the time the transfer could be completed, meaning the organization was not able to benefit from the full grant. "This shows how little coordination is present even among close partners like the U.K. and the U.S.," Bokern said.

Last year R&R Syria was forced to suspend some of its programs, including educational activities and vocational training. "It is ridiculous that we [Western nations] speak about deradicalization and then we stop these activities," Bokern added.

The U.S. Treasury told The Daily Star by email that "OFAC has issued a general license to allow non-governmental organizations to engage in not-for-profit activities in Syria in support of humanitarian projects."

But the Chatham House report detailed how different sanctions regimes in each country make licensing hard to procure and its functioning extremely complex.

Jonathan Schanzer, vice president of research at the Foundation for the Defense of Democracies in Washington, said sanctions are "an imperfect system."

"Sanctions are designed to punish but they are also designed to protect," Schanzer told The Daily Star. "If there is a concern that funds could be finding their way toward terrorist organizations, it is upon the U.S. government and other competent authorities to ensure that this doesn't happen."

According to Schanzer, sanctions are an attempt by the U.S. to protect the integrity of the U.S. dollar as well as American citizens. "The last thing one wants to do is to provide money to what one thinks is a legitimate charity and ... ends up being a terrorist organization," Schanzer said.

Citizens and organizations found to be financing terror face dire legal consequences. This, as Schanzer put it, has the flip side of having "a chilling effect on NGO funding."

Similarly, Lebanese banks have become increasingly cautious about which clients they take on board – especially with a new sanctions bill pending in the U.S. Congress on all Hezbollah-affiliated bank accounts.

The Association of Banks in Lebanon told The Daily Star that there is no common framework for how to handle accounts connected to Syria and that the matter is left to the discretion of each bank.

R&R Syria – alongside other NGOs that did not wish to be named in this article – was not allowed to open a bank account in Lebanon. Some of these organizations said the situation had forced them to operate via cash payments and personal bank accounts.

Joe A. Sarrouh, a financial expert and former executive adviser to Fransabank, summed up the general feeling of banking institutions and the motivations behind this refusal. "In the case of [less-known] NGOs ... [the banks] have to do due diligence. It is very burdensome and you cannot be certain to an acceptable extent [about their legitimacy]," Sarrouh said. "When they are in doubt – whether this doubt is reasonable or not – then they say why? Why do I have to take the risk?"