

REMITTANCES TO SYRIA

What Works, Where and How

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Executive Summary

This study sought to understand remittance flows into Syria, and established that various Informal Value Transfer Systems (IVTS) are used, to the exclusion of the formal banking sector. Registered and unregistered *hawala*, courier services and family connections are used. Remittances have played an increasingly important role in Syrians' household income in the last ten years, although the data available is likely significantly to under-estimate the real volume.

In government-controlled areas there are both registered and regulated *hawala* transfer companies and unregistered *hawala* agents operating outside of the regulatory structures. Registered *hawala* are not generally operating outside government-controlled areas – they either close in those areas or lose their Damascus-issued license.

Customer usage patterns vary primarily according to the services conveniently and safely available in the various areas of control, but all services used are reported to provide a reliable, affordable and accessible service, given the context. Considerable safety risks are reported when customers have to cross checkpoints to access the services, and travel generally is a major concern for people.

In areas of government control, registered *hawalas* are being effectively used for Cash Transfer Programming (CTP), however the regulatory environment means that confidentiality requirements have to be carefully considered.

In the large parts of Syria outside of government control, where major humanitarian needs persist, unregistered *hawalas* are being used to cover pay NGOs' operational costs and pay their suppliers, and represent the only potentially (and partially) scalable cash-out facility.

The complexity of, and therefore the full range of risks and opportunities associated with, the *hawala* system remains only partly understood by many INGOs at an organisational level, although considerable familiarity may exist among key members of national staff and local partner NGOs.

Agencies exploring options for cash-based programming in areas outside government control need to develop extended agent assessment, due diligence and monitoring routines to mitigate against the considerable risks of using an unregulated financial service in a conflict environment.

The required guidance and systems can be created more quickly and effectively if there is the will to collaborate between agencies, and donors will need to play a key guiding role in this process.

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Acknowledgements

This study was carried out with guidance from NRC's Access Adviser and Cash and Voucher Adviser. NRC staff in Jordan undertook on-the-ground data collection in Irbid Governorate, while The Big Dream Organisation and Tamkine Consulting Group surveyed on NRC's behalf in southern Syria.

It took place immediately prior to and overlapped with a study into Informal Value Transfer Systems (IVTS) in Syria by a team from Beechwood International. NRC and Beechwood International recognised the value of harmonising and sharing surveying structures and data, and their positive and open approach has been a great asset.

The REACH Initiative offered and carried out focus group discussions in Zaatari Camp in Jordan, and plan to deliver their own remittances report based on their Area of Origin work in Syria in August.

Study design advice was provided at a round-table meeting by representatives of UNOCHA, USAID and ECHO, and further contributions were made by UNICEF, REACH and Mercy Corps.

The study was carried out under NRC's Access stream funding from NMFA and DfID, however the comments and conclusions are those of the author and do not reflect any donor position.

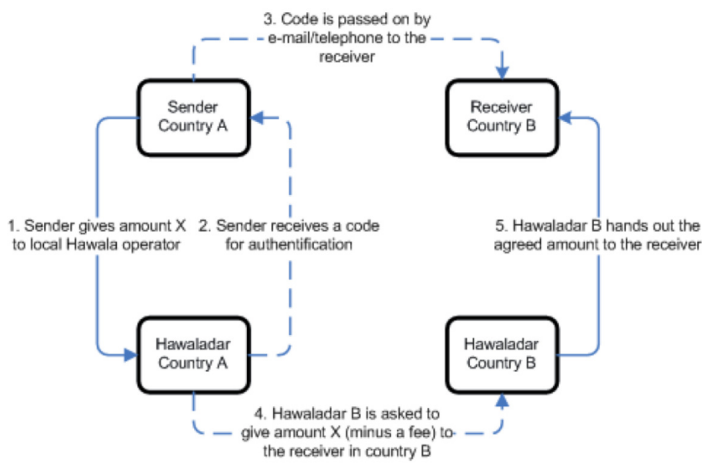
Introduction and terminology

This study was designed to provide NRC programme staff with improved understanding of various cash transfer modalities to inform the design of humanitarian projects in Syria. Remittances, payments from family members outside Syria to support people inside Syria, were identified as a class of cash transfer with a likely high number of transactions to be studied, and with relatively low data sensitivity compared to transfers to organisations and businesses.

In addition to formal transfer mechanisms (bank transfers), various IVTS are available including the use of couriers to physically carry money to the recipient, transfers using family connections and social capital, and the *hawala* system.

Hawala is an IVTS, common in the Middle East and beyond, based on the performance and credibility of local money brokers. It operates outside of, or in parallel to, formal financial channels.

The *hawala* system, like the formal banking system, does not require the physical movement of cash for a transaction to take place. Where it is unique is that it does not involve a 'promissory note' of any sort. There is no written contract to guarantee a payment, rather it is based on the bond of trust and agents' need to maintain their position in the network.



Mechanism of the hawala remittance system (Wang, 2010)

Country B can now receive the money (minus a small transaction fee to the operators) from the *hawala* operator in Country B by showing the code. Now, the *hawala* operator in Country A is indebted to the one in Country B, since the operator in Country A collected the money and the operator in Country B handed them out. The *hawala* operators will have their own cash pools to collect/make payments, and keep track of how much they owe each other at any point of time. The operator in Country B might be compensated by a *hawala* transfer going in the opposite direction. The majority of flows, however, go *from* developed *to* developing countries. There are therefore numerous ways to settle the accounts, for instance by under/over-invoicing other goods or simply by a regular bank transfer (El-Qorchi, Maimbo, & Wilson, 2003).

The word *hawala* just means 'transfer' in Arabic, however local understanding of the term varies according to the balance of formal and informal. In Jordan for example where there is a relatively well-regulated financial sector, *hawala* principally means the registered money transfer companies with high-street shop fronts. In Afghanistan however the informal brokers are much more prevalent and the meaning understood will be different.

In this document the word '*hawala*' will be used when a point applies to both registered and unregistered agents, otherwise the terms 'registered *hawala*' and 'unregistered *hawala*' will be used for clarity. For the surveys 'money transfer company' was also used to denote a registered *hawala*, and 'businessman network' or 'transfer between businessmen' were used for unregistered *hawala*.

Context

As the conflict is into its fifth year, the humanitarian situation in Syria continues to deteriorate. The widespread destruction of infrastructure and disruption to basic service delivery has a negative impact upon the lives of local populations. Furthermore, recurrent and often multiple displacements add a layer of complexity to understanding and addressing the needs of affected populations. Only very limited information is available on the specific needs and capacities of women, girls, boys and men, and the potential negative effects and risks that each of these groups is exposed to as a result of the crisis. Protective institutions, services and community structures range from being partially functioning to completely destroyed and non-existent in some areas, as are financial institutions including banks and high-street money transfer businesses – particularly outside government areas of control.

Access to people in need of humanitarian assistance and protection remains one of the most serious challenges for humanitarian actors. Providing programmes and partners with the requisite financial resources is challenging against the backdrop of a war-ravaged country. Agencies are seeking to diversify their responses away from in-kind material support, and it is hoped that cash-based remote programming may be able to increase access to humanitarian needs and allow agencies to prepare for post-emergency programming.

Objectives

This study seeks to explore the potential of cash transfer programming as a key programmatic modality for humanitarian actors to meet the needs of vulnerable populations inside Syria. NRC recognises the need for humanitarian actors to increase their operational reach and diversify programme options to better meet emergency and post-emergency needs in Syria. The opportunities for cash transfers to enable such projects in contexts is of paramount importance where access is severely curtailed. This study outlines current stakeholder practice in sending money (in this case remittances) into Syria.

It is not within the scope of this study to look at peoples' needs, assistance preferences, spending patterns or suitability for assistance under any potential project. Such information will be highly specific to the type of project under consideration and also very time-sensitive, so further project-based assessments would have to consider this separately. For this reason, and for reasons of privacy and protection, no personally identifying information was to be collected at any stage of the study.

The study seeks to establish –

- What institutions, companies and mechanisms are being used to transfer remittances into Syria, with data at a sub-district level for the receivers
- How reliable they are, in terms of successful delivery and consistency of operations
- What their pricing, delivery and documentation structures are
- What access issues there may be for various demographic sub-groups
- Which cash transfer modality may be suited to resourcing differing programmatic options

Design

Due to the range of people able to contribute knowledge to the study (including the Syrian community¹ globally, and the significant concentrations of Syrian refugees in neighbouring countries, who are likely to be sending remittances) and NRC's lack of access to a representative sample of receivers inside Syria, a range of traditional and remote data collection methodologies was required.

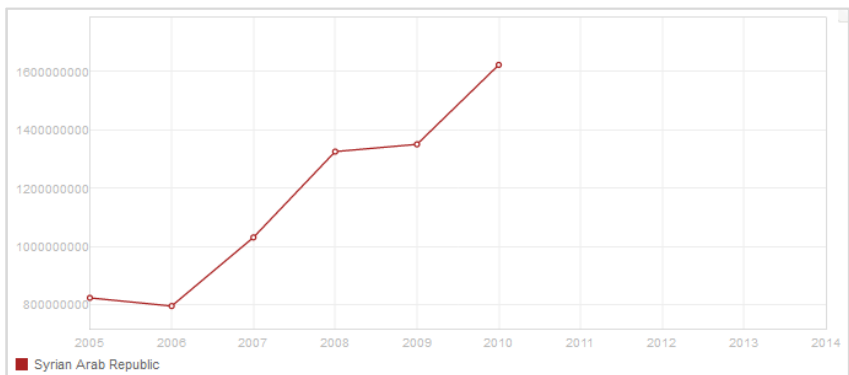
¹ Syrians living outside Syria prefer the word 'community' rather than 'diaspora', as the latter is used by them to refer to the Israeli diaspora specifically

Triangulation of data sources is a key principle for remote programming generally, and is especially important to this study as confidence in the reliability and completeness of some of the data is necessarily limited. Where there are substantial differences in answers given between the sources this is noted in the text.

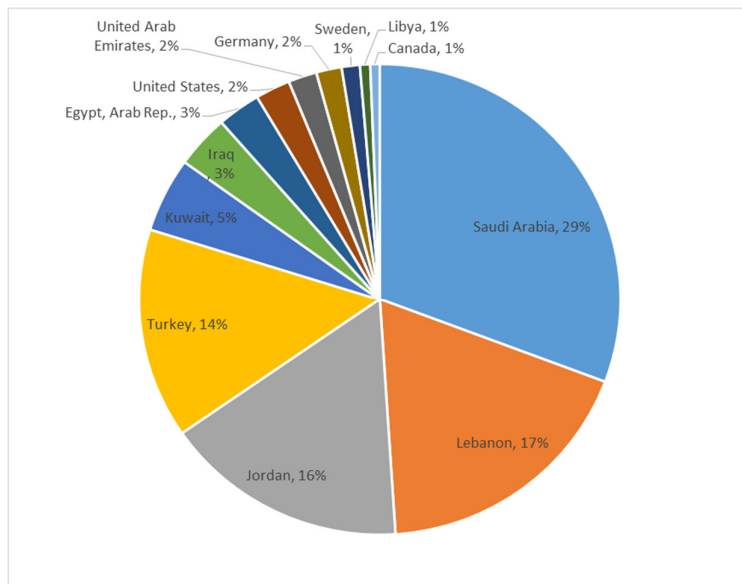
Secondary Data Review

Academic and policy sources

The value of remittances to developing countries is undisputed, providing the second largest source of foreign capital (after foreign direct investment), and with an overall global value doubling in 7 years to nearly \$500 billion by 2012. Figures for Syria doubled in 4 years from \$800 million in 2006 to \$1.6 billion (2.4% of GDP) in 2010 (The World Bank, 2015). 93% of remittances to Syria come from the MENA region (The World Bank, 2015).



Remittances to Syria in US\$. Source: World Bank, 2015



Sources of remittances to Syria. Source: World Bank 2015

The academic and policy literature surrounding remittances systems, especially since 2001, focuses mostly on IVTS in general and *hawala* in particular. Although it is beyond the scope of this report to reassess the place for IVTS in the international financial system, there follows a brief digest of a selection of key texts:

Writing in 1999 (and acknowledging the very limited information available at the time), the influential Nikos Passas defined IVTS as “any system or network of people facilitating, on a full-time or part-time basis, the transfer of value domestically and internationally outside the conventional, regulated financial institutional systems” (Passas, *Informal Value Transfer Systems and Criminal Organizations*, 1999). He places the emergence of *hawala* several centuries ago in Arabia or India not as a response to a need to avoid regulations but rather to allow settling of debts and maintain the safety of assets from robbers. Passas notes that the

transfer of funds may not be the sole or even main business of *hawaladars*, but is often “a tangential activity ... done to provide fuller services to the customers who need it”.

The central element of trust is addressed. Payments are guaranteed based on trust between the sending and receiving *hawaladars*, and any intermediaries. “Violation of this trust brings about shame, ostracism and dishonor within the family and the wider community (it also brings about economic ruin as a secondary effect)” (Passas, Informal Value Transfer Systems and Criminal Organizations, 1999). In cases where a client group is particularly low status, however, there have been recorded cases (such as that of Filipino immigrant workers in Dubai) of supposed IVTS agents absconding with the funds. Passas contrasts the role of trust with the role violence plays in certain other informal financial systems, stating that the violence which is observed is usually attributable to the business of the IVTS customers (e.g. narcotics) rather than the service they are using.

Passas lists the reasons given for continuing to use IVTS even when alternatives are available –

- Lack of confidence in the conventional banks
- Lack of access to the conventional banking system
- Local bank does not have the means to send the money overseas
- Inefficient, costly, bureaucratic, unfriendly banking system
- Lack of legitimacy of the tax system
- Real or perceived need to bypass government regulations (perception of over-regulation or costly compliance)
- Cultural reasons - following tradition
- Lower costs
- Faster service
- In order to avoid reporting and ensure secrecy
- In order to protect assets from nationalization
- In order to make payments to intelligence operatives overseas (as in the case of Vietnam; Cassidy, 1994).
- In order to bypass currency controls
- Criminal purposes

Writing for the US DoJ in 2005, Passas lists *hawala* as just one of 16 modes of IVTS (the others included specifically east-Asian networks, courier services, internet vouchers and even bank guarantees) (Passas, Informal Value Transfer Systems, Terrorism and Money Laundering, 2005). He draws a distinction however between modalities for transferring funds, the users of which he believes to be overwhelmingly legitimate, and those which transfer value (such as in-kind transfers, gift cards etc.) which are almost always criminal. The latter, he says, tend to involve seemingly legitimate payments, a very limited number of people in the system, and larger amounts of value than are usual with funds transfers.

Shima Keene (Keene, 2007) focused on debunking what she says are four ‘myths’ around *hawala*:

- That there is no paper for an audit trail. Keene says that, despite lack of regulatory enforcement, *hawaladars* keep good paper or computerised records consistent with the need to operate on trust. The remaining issue seems to be more about standardised access to these records by enforcement agencies.

- *Hawala* is unique in that cash is not physically transferred. Keene points out that this is also the case with global banking systems. The difference is that with *hawala* a formal transaction to balance the books may or may not take place, depending on need.
- That money never enters the formal banking system. Referencing Passas, Keene explains that formal bank accounts are often used to rebalance accounts between *hawaladars*.
- That Know Your Customer (KYC) rules do not apply. While such rules are not enforced, the role of trust (and therefore the relationship) complements the formal recording of customers' personal information to give a system that, Keene argues, allows greater knowledge of the customer than formal banking requires.

Acknowledging the concern that terrorists use *hawala* to launder money, Keene draws a line between terrorism and organised crime:

"It is generally accepted within the counter-terrorism community that terrorists do not on the whole launder money. In fact, the process has been described as being the reverse of money laundering. Money laundering is a process by which the proceeds of crime are processed through legal channels in order to conceal their criminal origins. In other words, it is about making dirty money clean, hence the term "laundering". Terrorists, on the other hand, are in the business of taking clean money and making it dirty (Keene, 2007).

Nonetheless, even if money laundering itself is not the issue, receiving *hawaladars* still need liquidity to cover any gap between funds paid out and funds received, and the arrangements made to provide this may not be accessible for outside scrutiny.

Johan Rusten Wang (Wang, 2010) considered the varied experiences of European regulators and concluded that some countries (notably the UK) have had considerably more success than others in bringing IVTS agents under formal financial regulation. He ascribes this to successes of outreach and lowering the bar for inclusion, however he notes that a 'medium' proportion of transactions from the UK still go unrecorded by the authorities.

Humanitarian sources

Although NGOs, and especially local NGOs, engaged in the Syria response are believed to have been making use of formal and informal money transfer systems, very little documentation is available. This is probably because such systems have been used for operational rather than Cash Transfer Programming needs, and agencies' operational modalities are much less reported than project modalities and achievements. There is also considerable instinctive caution about sharing information on activities in Syria.

Apparently unique in its publication of informative documents on the internet, UNRWA evaluated its Syria Cash Assistance Programme through which Palestinian refugees in government-controlled parts of Syria have been receiving cash assistance (UNRWA Evaluation Division, 2014).

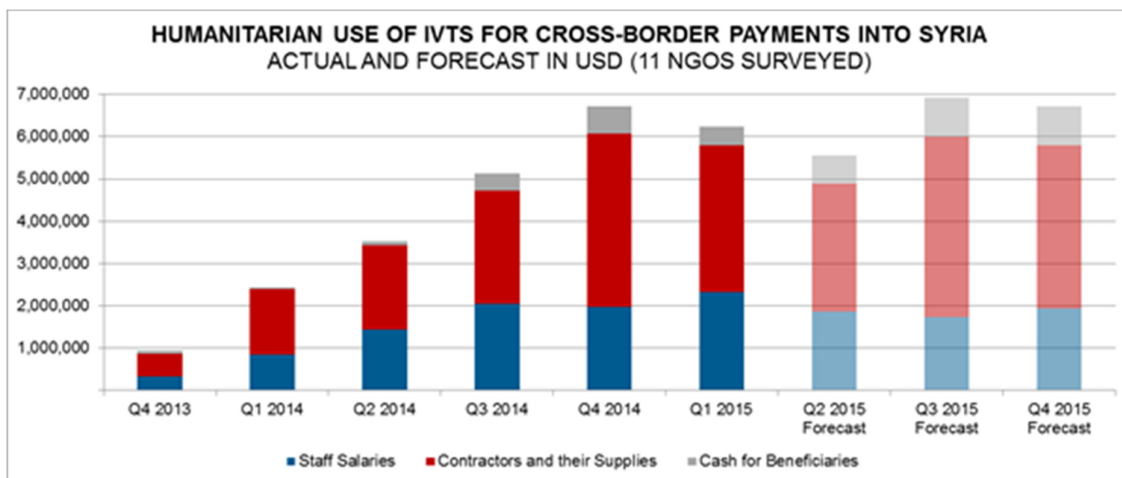
UNRWA distributed cash to households in four ways: through their own facilities and offices, through Al-Baraka and BBSF banks' counter service and ATM cards, and through a network of registered money transfer outlets called Al-Haram. The evaluators found that –

- Cash is preferred to vouchers and in-kind deliveries
- Al-Haram was the cheapest modality at \$1.61 per transaction, compared to \$1.73 for bank ATM cards, \$2.16 at BBSF, \$2.98 at Al-Baraka, and \$3.20 and \$6.67 at the UNRWA facilities

- All three systems were effective, with 97.7% delivery in Damascus (lower and unspecified in other areas)
- The cash is perceived by the recipients to be useful and is generally used well
- ATMs are reported as being the recipients' preferred mechanism
- Better assessment of outlets' daily capacity is required
- Cash distributions should continue at Al-Haram and at the banks, but cease at UNRWA offices
- In cases of non-collection, geographical analysis must take place to look for patterns
- The single biggest impediment to smooth distribution is a disorganised beneficiary database
- There was scope for improvements in the soft components: market monitoring, outreach etc.

The evaluators reported that cash assistance in general is an appropriate assistance modality for their caseload, as food, shelter and health needs could be met in the marketplace. However some caution was expressed for large-scale cash distributions in Dar'a city where there had not been sufficient food in the market at the time, and where the Al-Haram facilities were unprepared for the volume of transactions required of them.

NRC and some other NGOs in Iraq report using registered *hawalas* for Cash Transfer Programming (CTP), but none in remote programming contexts. Any use by NGOs of unregistered *hawalas* there is kept low profile.



Use of hawala by NGOs in Syria: (Beechwood International, 2015)

Beechwood International's study finds that several organisations report using registered *hawala* to cover operational costs and to reimburse vendors for vouchers redeemed (primarily from Turkey to northern Syria). There is a limited amount of CTP delivering to beneficiaries, and that is not projected to grow substantially in the remainder of 2015 (Beechwood International, 2015).

Jordan has a relatively stable, advanced and diverse financial sector, regulated by robust institutions. Registered *hawalas* operate under the 1992 Money Exchange Business Law, and are also subject to the 2007 Anti-Money Laundering law and the 2006 Terrorism Prevention Law. No person shall carry on money exchange business in the kingdom except by a license issued by the board of Directors of the Central Bank of Jordan in accordance with the provisions of the MEB law.

The AML law cites a list of prohibited activities, and convictions have been made. Registered *hawala* are required by law to keep a list of transactions, including details of senders and receivers, and to submit this to the Anti-Money Laundering Unit for review.

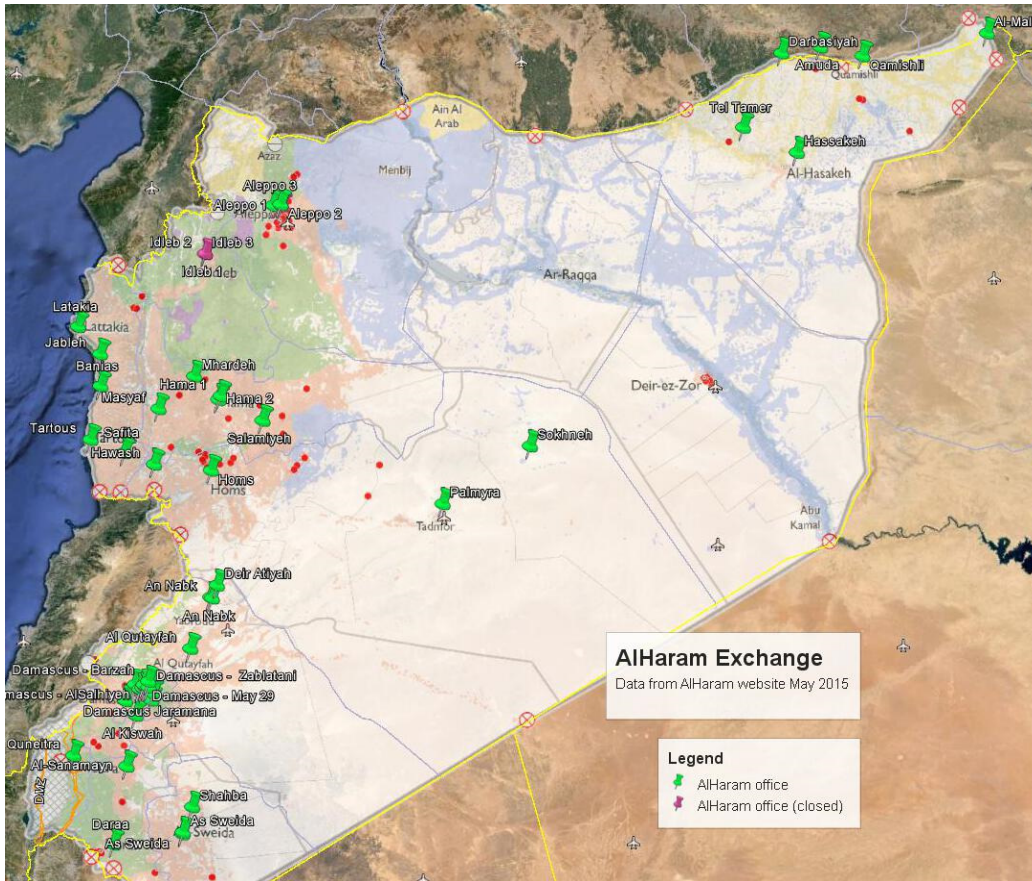
In Turkey, payment service providers are regulated under Law No. 6493 and augmented by additional anti-money laundering and anti-terror financing instruments. Enforcement gaps remain, as they do with related precious metals and other smuggling issues. Only banks, Western Union and Moneygram are licensed for international transfers. Nonetheless large numbers of unregistered *hawaladars* operate across the country and handle substantial flows into Syria.

Money exchange offices in Lebanon are required to be registered and keep information on transactions and personal information for five years. Iraq's regulatory framework is similarly extensive but implementation remains limited (Beechwood International, 2015).

Key Informant Interviews

A selection of registered *hawala* transfer companies were interviewed in Jordan: Abu Sheikha Exchange; Alawneh Exchange, Musharbash Exchange, Swiss Exchange and Al Karak Exchange. All confirmed working with AlHaram Exchange as the delivery partner in Syria, although some expressed willingness to work with informal *hawalas* as well. Most said they have fixed fees averaging around \$4 per transaction, all said a valid ID was required to receive money. Alawneh and Swiss said they could provide proof of receipt paperwork (Alawneh at an additional cost).

The AlHaram Exchange website (AlHaram Exchange, 2015) lists 48 operational and 4 'paused' offices (three in Idleb and one in Aleppo). Overlay on an areas of control map (Strategic Needs Analysis Project (SNAP), 2015) shows them to be exclusively in Syrian Government and YPG Kurdish-controlled areas (although telephone checks indicated that only the Al-Malikiyyeh branch is actually operational in YPG areas). This tallies with information on community websites for Raqqa and Deir-ez-Zor which stated that AlHaram offices in those location had closed, and that informal transfers are now being used. Since the AlHaram site was consulted it is fair to assume that the Palmyra and Sokhneh branches have also closed as the government lost control of those areas to IS.



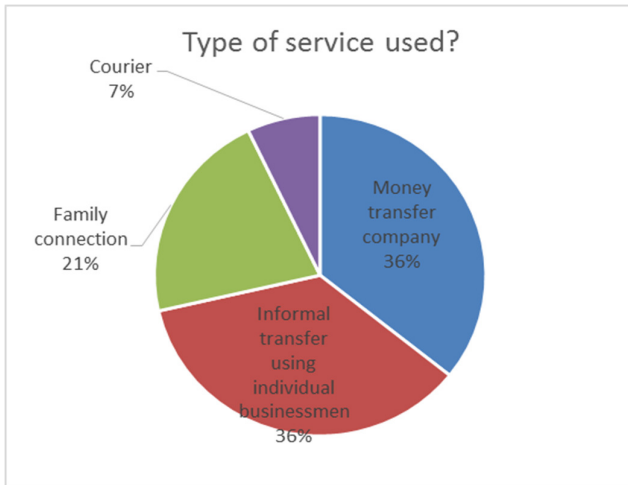
AlHaram offices operational in government and Kurdish-controlled areas only. Pink shading = SAF, green = Opposition, blue = IS, yellow = YPG, purple = JAN. Red dots denote contested locations and not related to AlHaram. Shading is approximate, dated March 2015

In a telephone interview with AlHaram staff it was explained that there are two legally distinct companies with different roles in the process, owned by the same family. AlHaram Transfer has the network of branches and does the customer-facing transactions. AlHaram Exchange does not have a branch network in Syria but makes the connections between AlHaram Transfer and overseas financial entities. It is also the Western Union franchise holder and has offices in several other countries in the region. Money transfer companies in Jordan and elsewhere have their relationship with AlHaram Exchange which then passes the transactions on to AlHaram Transfer to make the payments.

In conversations with key informants from the refugee community living in Irbid it was reported that in many Dar'a villages under opposition control, the administering committees (referred to as the National Coalition of Syrian Revolution and Opposition Forces) act as a *hawala* delivery address for funds remitted, which are then distributed as the senders instruct. This may provide a level of anonymity as the receiver information is not known by either the sending or the receiving *hawaladars*. It is not known if there is a fee for this service.

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*.

Sender Study - Face-to-face Surveying in Irbid

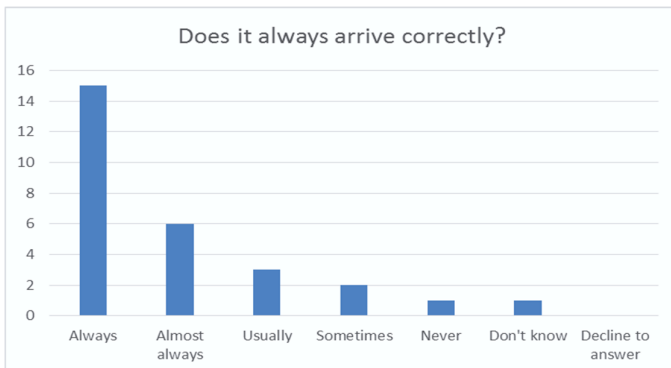


Modalities cited by refugees living in Irbid

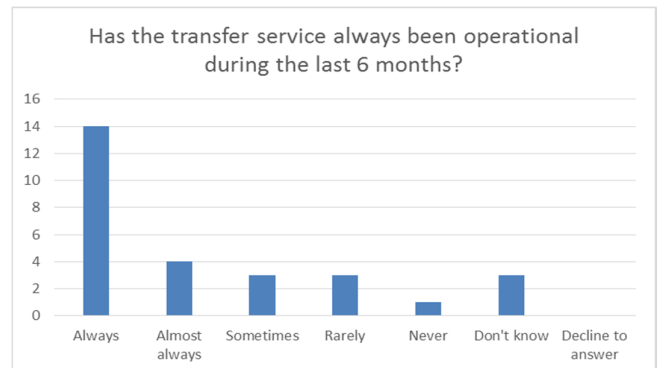
NRC Jordan's team in Irbid was in a position to support the study by adding a small number of questions related to money transfers to their general monitoring and support routines. NRC's client group in Irbid may not seem likely to be able to send money, but a useful 28 positive responses were gathered between April 23rd and May 13th 2015. In order that respondents be reassured that their answers would not affect the assistance they receive, the 'do you send money' question was rephrased as 'do you know how to send money'.

28 responses is obviously insufficient for quantitative analysis. However 28 testimonies are still valuable as informant interviews, giving solid evidence that certain means of money transfer are functioning and in use, and giving key information of the terms and conditions that may be involved.

Reflecting the areas of origin of refugees living in Irbid, 89% of responses related to money transfers to Dar'a Governorate.



Transfer reliability, cited by refugees resident in Irbid



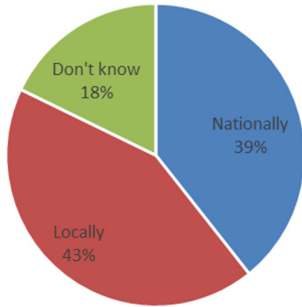
Operational reliability, cited by refugees resident in Irbid

Nobody reported using a bank. Just over one third used formal money transfer companies, the same proportion used informal *hawalas*, 21% had family connections and a few had couriers delivering money on their behalf. 85% of deposits were made in cash, with 2 respondents claiming they could make bank transfers.

The reliability of the services used was reported very positively, with 75% of respondents saying the money always or almost always arrived correctly. The reports of the service being unavailable during the last six months were also low.

The most frequently-reported information required about the recipient in order to transfer money was their name, national ID and then telephone number. The ID number was more frequently required by formal money transfer companies than by informal systems, which tended to require only the name and phone number of the beneficiary.

How widely available is this service?



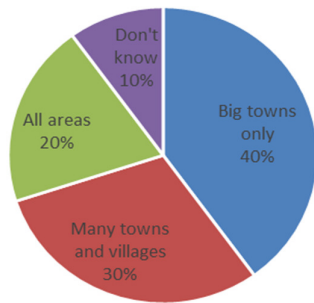
National and local availability, all modalities

As expected, formal transfer companies tended to require collection of money from their offices, while the collection points for informal mechanisms were more varied – one third of deliveries were to peoples’ homes and in other cases another location was used.

People generally reported that there are no minimum and maximum values for transfers and, when there were, they did not form a pattern. The fees charged averaged at 3JD (\$4.5) or 3%. The sender always pays, the receiver usually does not, and the average reported delivery time was just under three days. This was not, as might have been expected, due to couriers being much slower than the other modalities – couriers averaged 3.5 days.

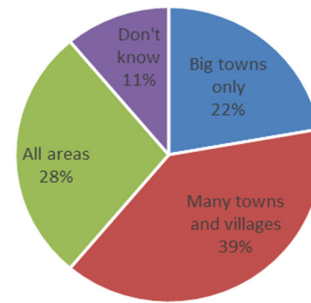
Refugees’ assessment of the national versus local availability of the services seemed not to be correlated with the service type. However they said that informal modalities are somewhat more widespread than formal ones, which may be more confined to urban centres.

Where is this service available?



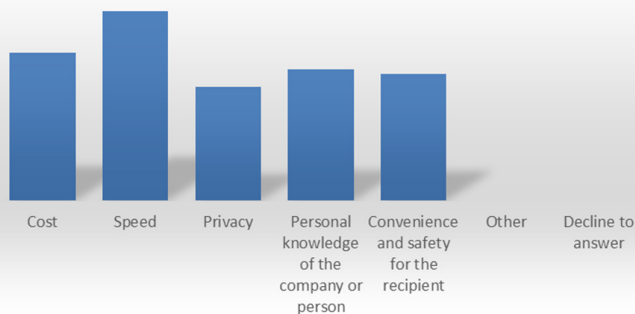
Formal service availability

Where is this service available?



Informal service availability

Most important feature of service



Valued characteristics of a money transfer service for refugees in Irbid.

A broad range of service features were rated as important, without a single dominant response for any of the mechanisms. Speed of transfer was rated fairly highly, followed by cost.

Sender Study - Focus Group Discussions in Zaatari Camp

At NRC’s request REACH conducted two focus group discussions (respectively five and three participants) and two interviews with unregistered *hawaladars* in Zaatari Camp in April (REACH, 2015).

Participants gave information relating to transfers to Dar’a, Damascus and Rural Damascus, identifying formal transfer shops in Mafraq town, informal transfer agents in Zaatari Camp Market Street, and couriers (in this case returning refugees) as the main channels available to them.

The registered shop cited, Alaouneh in Mafraq, was said to be able to transfer sums between \$50 and \$200 to similarly registered companies in government-controlled Damascus and Sahnaya in Rural Damascus (El Sham and Al Khoadmous companies). The service costs the sender 4%, with collectors in Rural Damascus paying an additional 2% on collection, and takes up to 2 days. The sender is given a code number to communicate to the receiver, who must also provide their ID on collection. Confirmation is by telephone.

Concerns were expressed that the formal transfer companies’ record-keeping might put senders and receivers at risk, and some people said they use informal transfer systems for this reason. Apart from people with limited mobility, no particular access barriers were identified.

A number of unregistered informal transfer shops were identified by respondents in Zaatari Market Street. They are run by refugees with relatives or close friends operating similar shops in Syria, in these cases in Dar’a Governorate.

Senders bring Jordanian Dinars which are exchanged at a somewhat unfavourable rate. They then pay between 3% and 10%, depending on the amount to be transferred – this is usually equal to 2JD. Refugees reported being able to transfer between \$50 and \$400 this way, although the shop owners said as little as \$20 could be sent. Only the receiver’s name and ID are required, and confirmation is by phone.

As the large majority of Zaatari’s population is from Dar’a, most of these informal connections channel to there. For senders to other unserved areas, or areas to which access is particularly difficult at the time, the only modality available is sending money with returning refugees. This is not preferred as it is seen as less secure than formal or informal transfer services.

Sender Study – Online Survey

NRC set up a SurveyMonkey survey to try to capture transfer modality information both from senders across the world and from receivers inside Syria. The survey was open from April 28th to May 16th.

34 useful responses were submitted by senders. As with the sample from Irbid, these are useful as individual testimonies but not sufficient for any quantitative analysis. That is to say, the information might be used to infer which systems probably *do* work and how they work, but not how much money they handle nor which modalities *do not* work.

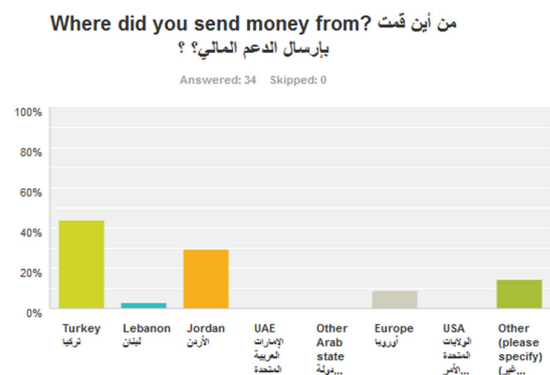
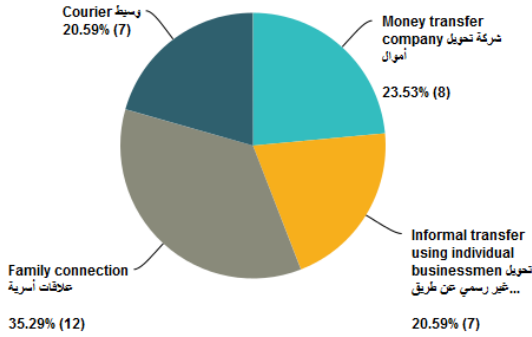


Figure 1 - Transfer originating countries

ما نوع الخدمة التي تستخدمها؟
What type of service do you use?

Answered: 34 Skipped: 0



Modality usage, all areas

All but 3 responses were from the region, with 44% coming from Turkey and 29% from Jordan. Compared to the World Bank’s data on bilateral remittance flows discussed earlier this sample significantly over-represents the flow from these two countries and under-represents those from Saudi Arabia and Lebanon. The distribution of data points received from the survey is therefore representative of NRC staff’s networking abilities rather than volumes of remittances.

The destinations reported were dominated by Damascus and Aleppo, with transfers to urban rather than rural areas representing 82% of responses. However two thirds of all Syria’s governorates were represented, even if by very few data points.

The three main informal channels and the formal money transfer companies all featured once again, with the role played by family connections and couriers more prominent than in the Irbid sample.

Digging into the modality responses, and recalling caveats about the low number of data points, the following generalisations can cautiously be made:

People sending to government-controlled governorates (Damascus, Homs, Hama) use the full range of modalities except banks (formal transfer company 33%, informal *hawala* 27%, family connection 27%, courier 13%)

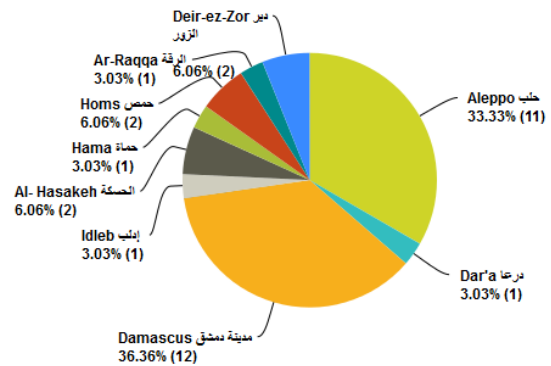
People sending to areas where IS is dominant or strong (Ar-Raqqa, Deir-ez-Zor and Al-Hasakeh Governorates) reported only use of couriers (40%) and family connections (60%). Surprisingly, no use of informal *hawala* was mentioned, and this is understood to be a weakness in the data. The only currently-IS-controlled area where informal *hawala* was reported was Aghtrin sub-district of Aleppo. It may be that informal *hawala* senders to IS areas were more cautious about the using the online survey than others.

Very little data was submitted for transfers to areas likely to have been controlled by opposition forces, YPG or JAN – the 4 data points from Aleppo and Idlib are all for informal modalities.

Information on transfers to urban Aleppo indicates that family connections and couriers are most-used – there is again no mention of formal companies or informal *hawalas*. This last finding must be considered suspect, as it does not correlate with key informant interviews which indicated informal *hawalas* operating in these areas.

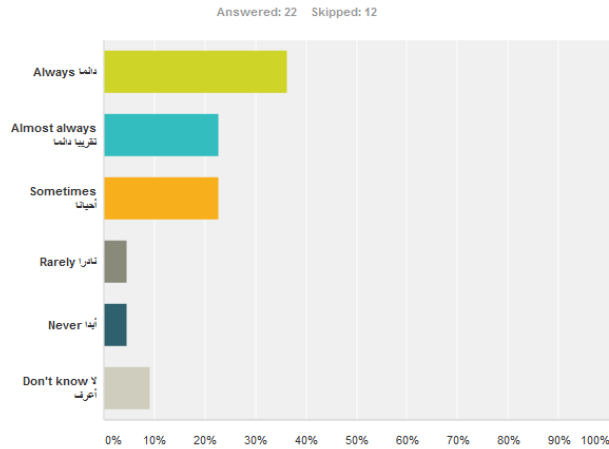
أي محافظة قمت بإرسال الدعم المالي؟
Which Governorate did you send money to?

Answered: 33 Skipped: 1



Transfer destination governorates, all modalities

Has the transfer service always been operational during the last 6 months? هل كانت خدمة التحويل فعالة بالشكل الصحيح دائما خلال الـ 6 اشهر الماضية؟



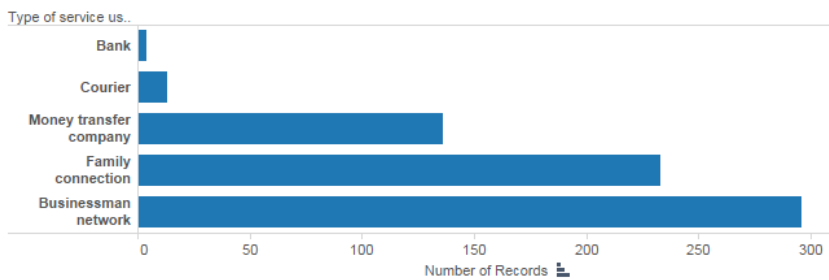
Service availability, all modalities

of the agent, and privacy and safety for the receiver. The reliability of operations in the last six months was also rated fairly well, with informal *hawalas* and services in urban Damascus having performed somewhat better than the others.

For all modalities cash is the overwhelming favourite for deposits, with only 12.5% of respondents thinking a bank transfer could be accepted. 54% of all responses said their transfers were paid out in Syrian Pound, 35% reported US\$. The US\$-paying modalities were the informal *hawalas*, couriers and family connections in equal numbers - formal transfer companies were not reported as providing US\$. Minimum transfer amounts of between \$10 and \$500 were cited, with the maximums ranging from \$360 to \$2500. A few respondents said there were no restrictions. Reported transfer fees ranged from \$3 to \$45 and from 1% to 10% - the sender always pays, the receiver occasionally pays as well.

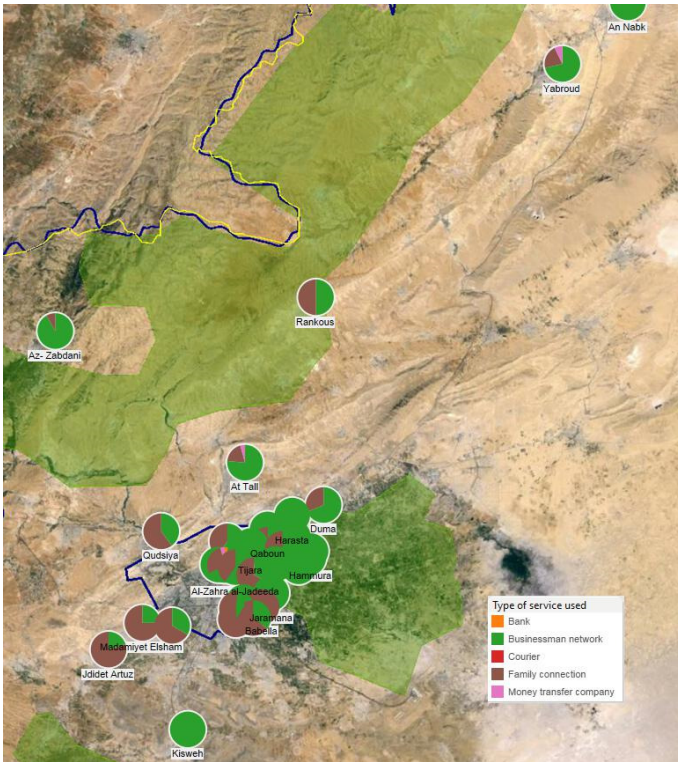
Two thirds of responses stated that money was collected from the company's office, with most of the rest happening at an agreed location elsewhere. Almost identical scores were recorded for the most important features of a money transfer service: speed, cost, privacy, personal knowledge

Receiver Study – Face-to-face in southern Syria

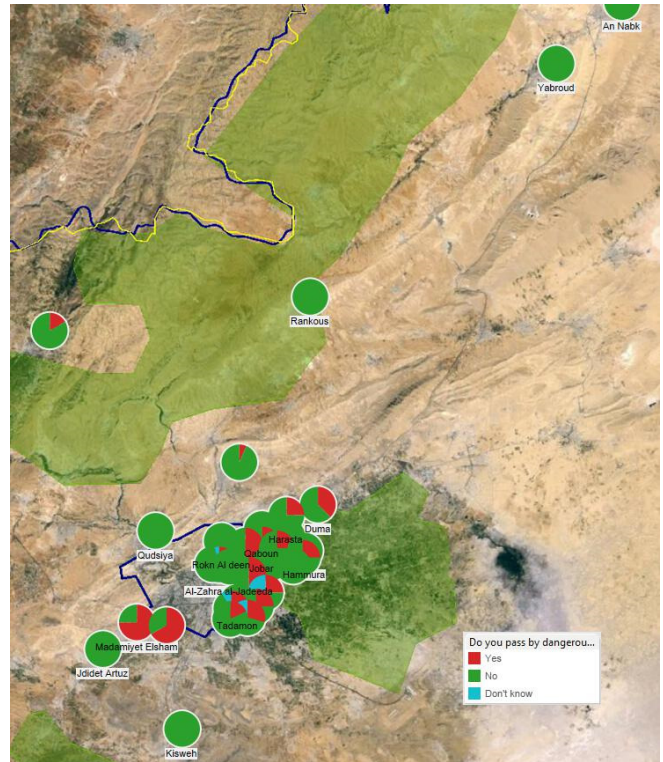


Two organisations with access inside Syria, The Big Dream Organisation and Tamkine consultancy, carried out on NRC's behalf a total of 708 face-to-face interviews with receivers of remittances in Dar'a (410 interviews), Damascus (118) and Rural Damascus (180) governorates in May 2015.

The sampling method was snowball, whereby surveyors were directed by respondents to their acquaintances who had also received remittances. This is appropriate for hard-to-reach target groups.



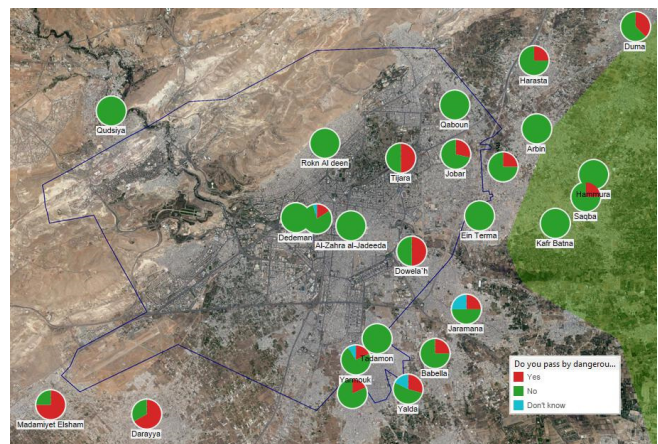
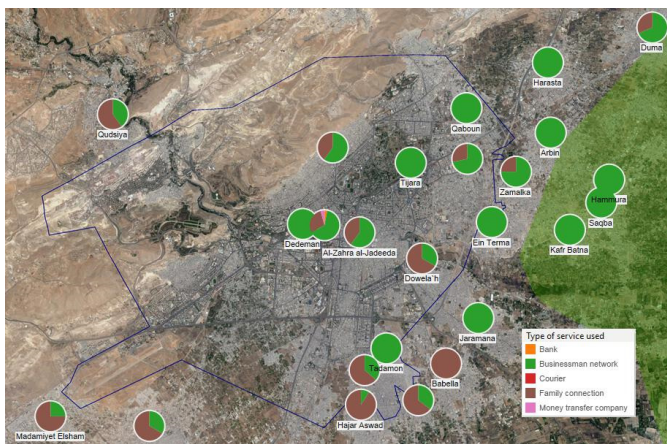
Rural Damascus - type of service used location



Rural Damascus - perceived risk of travelling to service location

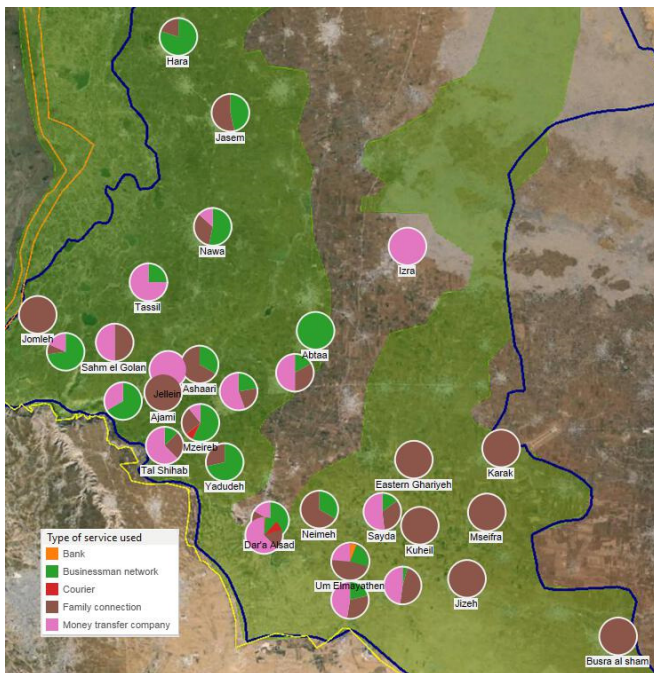
Informal *hawala* transfers were the most used, followed by family connections and registered money transfer companies. It is notable that in Damascus and Rural Damascus the reported use of formal transfer companies is much lower than in Dar'a – this is a surprising finding and may indicate a shortcoming in the data.

Plotting the responses onto a map of Rural Damascus, with green shading representing opposition control, shows informal *hawalas* and family connections being used, with family connections dominating to the south west of the city where there were significant clashes ongoing prior to the survey, and also around Yarmuk Palestinian camp. Zooming in on Damascus city gives greater clarity for parts of Rural Damascus adjacent to opposition-controlled villages (while the

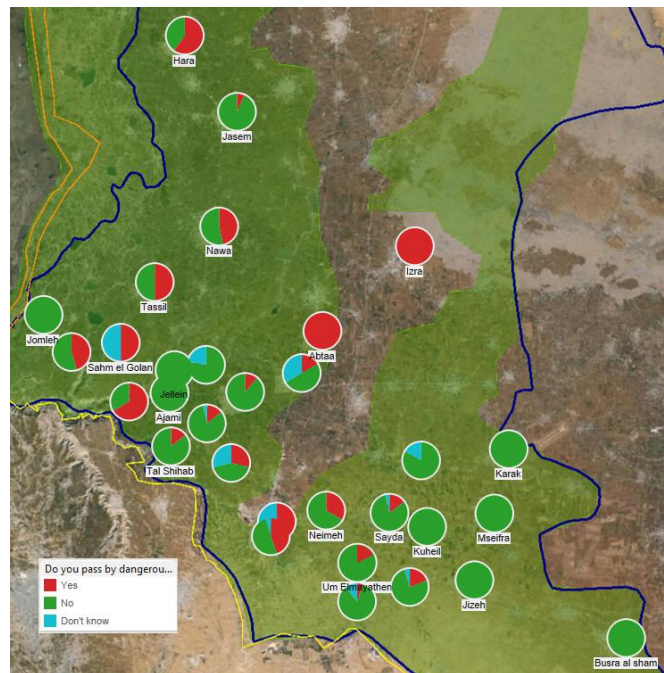


green shading, derived from SNAP and OCHA maps, indicates that some responses came from opposition-controlled villages, this is uncertain). Mapping peoples’ answer to the question “do you have to pass dangerous places to collect the money?” shows greater concerns along the southern and eastern city limits and relatively little reported risk in the city centre.

In Dar’a it is clear that significant numbers of people living within 30km of Dar’a city are accessing formal transfer offices. Indications are that these no longer exist in opposition-controlled areas, and so people must be crossing checkpoints to collect remittances in the Government-controlled northern half of the city. In parts of south east Dar’a, only family connections seem to be used.



Dar'a - type of service used

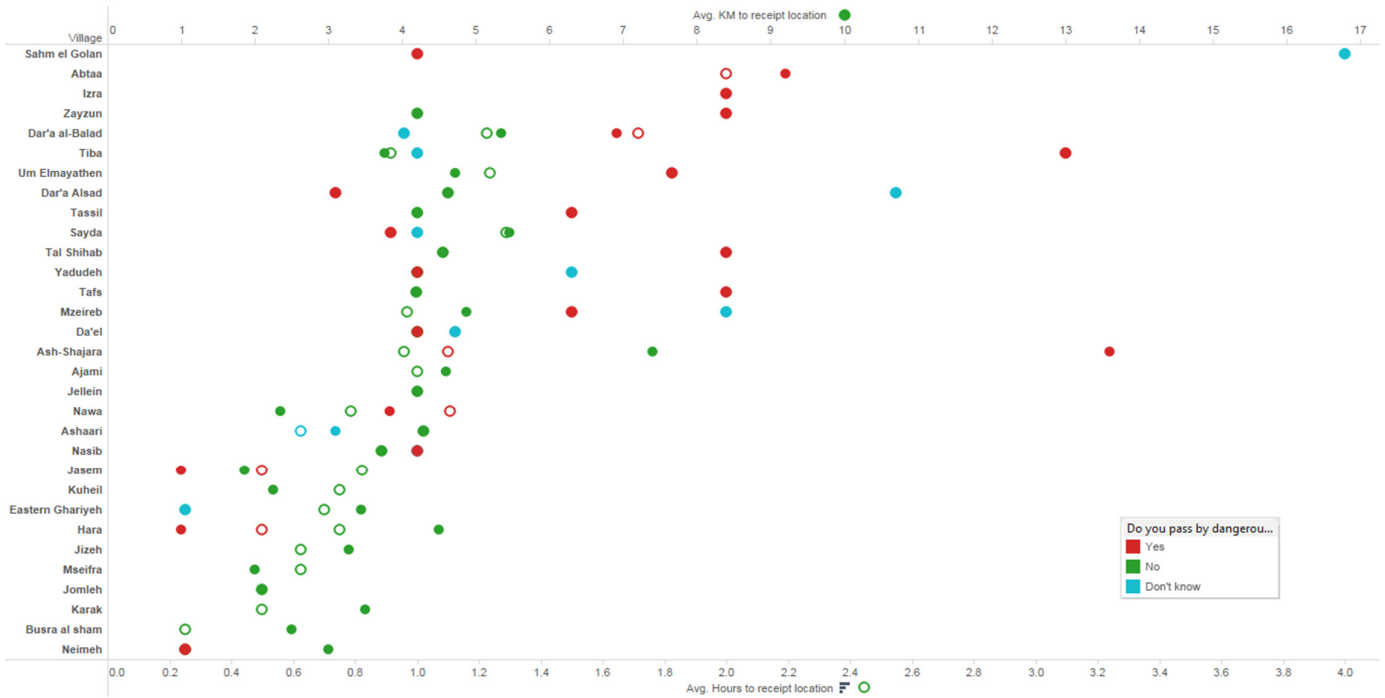


Dar'a - perceived risk of travelling to service location

There is a substantial perception of risk during travel for people living in Dar’a city, in villages along the Government-controlled corridor towards Damascus, but also in an area to the west. It could be that the last point is somehow related to the high concentration of IDPs in the area.

Unsurprisingly perhaps, those in the east who receive their money through family connections do not perceive themselves to be at risk during the collection process.

There is a strong correlation in Dar’a between the distance people travel, the time they take to travel, and their perception of risk. The chart below shows that most people feel safe travelling to areas close to their home, but that beyond 6km or 1hr 20mins people feel very unsafe.

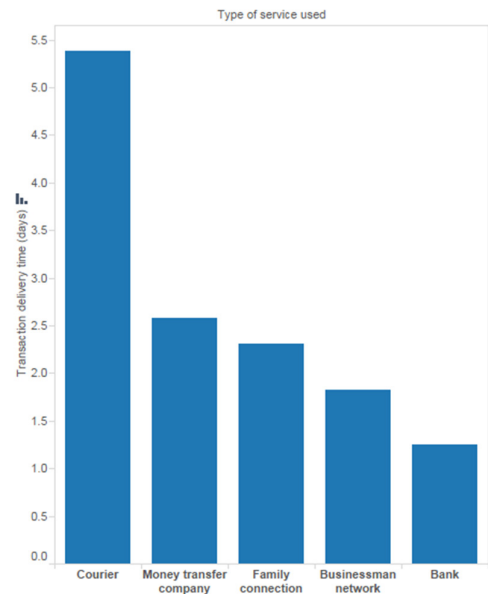


It follows that humanitarian projects should always seek to deliver money to locations within this range, in Dar'a at least. The link between distances and times also indicates that Dar'a people are used to calculating travelling times based on walking speed.

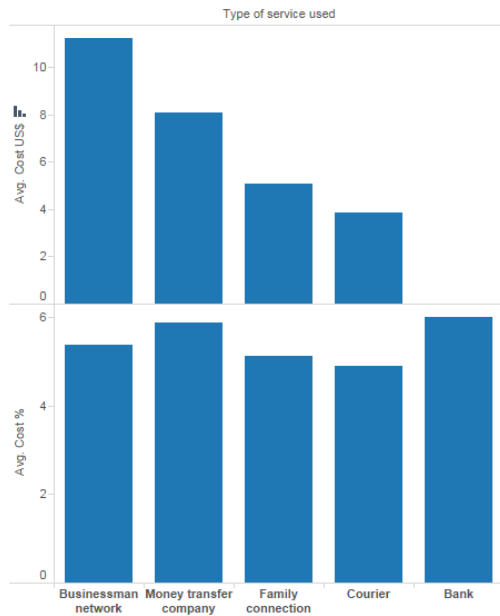
The average reported journey was 4.9km and took 1hr 10mins. Among the modalities, accessing formal money transfers and couriers required 50% more travelling than the others (6km versus approximately 4km). There were few differences between the governorates except that, surprisingly, distances and times to the formal money transfer offices were lower in Dar'a than in Damascus and Rural Damascus.

The correlation between travelling time and risk does not exist clearly for responses from Damascus and Rural Damascus, probably because a large proportion of those responses were from within the city centre where risks are perceived to be lower.

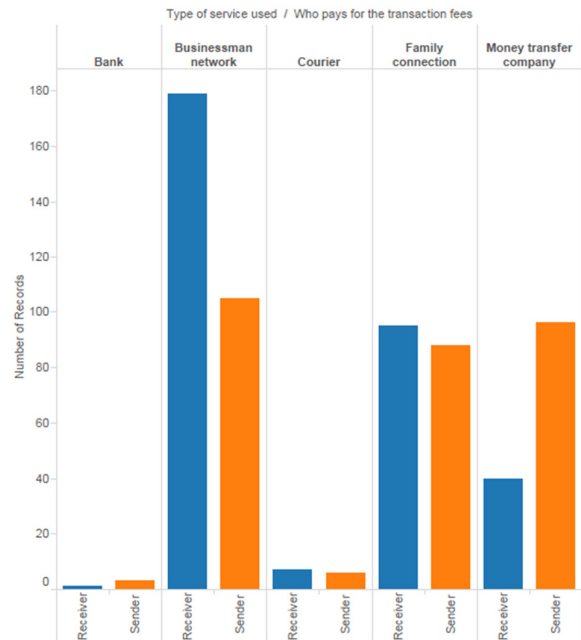
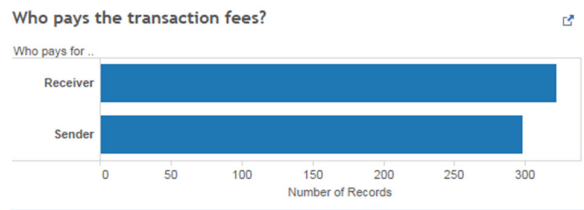
The reported time to receive remittances was within a couple of days, with the exception, understandably, of money brought by courier. There were no significant differences in the times reported between the surveyed governorates.



Services used, all areas



US\$ and % transfer costs

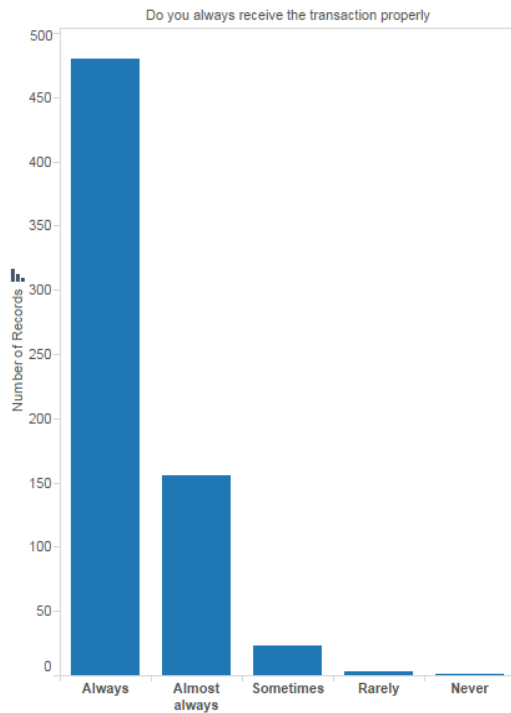


Who pays the transaction fees?

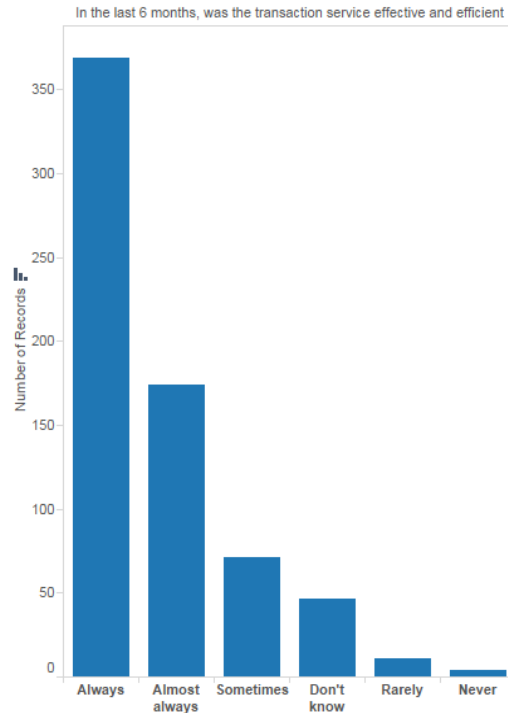
The reported cost of transfers was very similar across the modalities, at around 5.5%. However when expressed in cash terms there was wide variation between the unregistered *hawalas* averaging \$11.20 and couriers charging an average of \$3.80. This might be interpreted to show that people are generally transferring larger sums with the unregistered *hawalas* than with other modalities.

Remittance receivers generally report that they, in addition to the sender, are required to pay fees. This is most pronounced in the case of unregistered *hawala* services.

All modalities were reported to be reliable and to have been operational relatively uninterrupted in the preceding six months. Asked how often their transactions were received correctly, and how often the service had been operational, unregistered *hawalas* scored around 50% more 'almost always' and 'sometimes' responses than average (and a correspondingly lower number of 'always' responses) for both the questions.

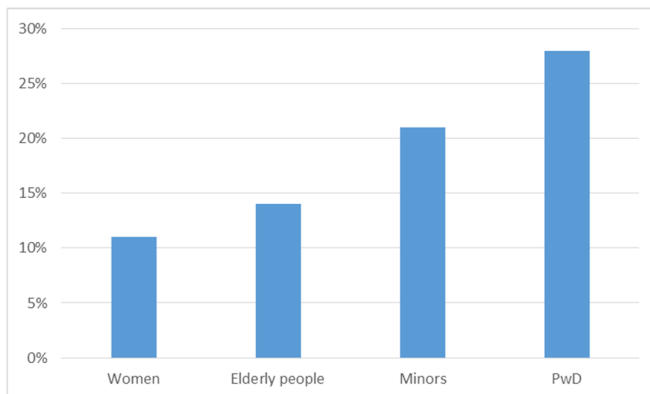


Service reliability, all areas



Operational record, all areas

Various levels of access problems were reported for women, elderly people, minors (under the age of 16) and people with disabilities.



Reported access problems for women, elderly people, minors and people with disabilities

The most frequent comments for all groups related to safety of travel, transport difficulties, checkpoints and bombing. Additional comments for women related to crowded offices and the general unsuitability of this task for a woman. Elderly people were reported to encounter medical issues and general exhaustion when collecting money. Minors are principally restricted by the lack of adult ID – this was even reported by those who were describing transfers by family connections and unregistered *hawala*. People with disabilities, the perceived most access-challenged group, had more frequent references to the common issues of transport, safety and fear of bombing.

Receiver Study – Survey

The section of the SurveyMonkey survey for receivers of transfers inside Syria was very little used. In a number of entries contradictory information was given for the governorate, district and sub-district fields. One can speculate that NRC's limited network and social media reach inside Syria will have been significant here, but possibly also that those who did see the survey may have been reluctant to enter this data online. Whatever the combination of factors, only three coherent responses were received.

One response from urban Damascus reported receipt of money at a registered money transfer company, the sender paying a 10% fee for money to arrive reliably in one day. The person reported that the system was not suitable for PwD due to lack of facilities or for women due to overcrowding and the time taken to be served.

A person in opposition-held (or frontline) Mahila in Rural Damascus received money through a family connection at a 15% cost to the sender. As the money was received at home there was no need to pass dangerous areas.

Finally, money was reported received through a formal transfer company in urban Lattakia. Unspecified fees were paid by both sender and receiver, the transfer took 3 days and the receiver travelled 3km to get to the agent's office. The service was reported as having been operating 'almost always' in the last 6 months.

Project Design Recommendations

Various forms of IVTS are used to deliver remittances inside Syria, to the almost complete exclusion of the formal banking system. This seems to be based not on perception of cost or slow service, but may be related to privacy concerns and convenience of service. Regulatory issues related to the various groups' areas of control determine which options are available to people in the first place.

Family connections may be used when receivers have the social capital to enable a transfer, and are more often used in some isolated or contested locations (such as the south-east corner of Dar'a and Yarmouk Palestinian camp in Damascus). Couriers are used when other options are limited.

Humanitarian agencies may be interested in the use of *hawala*, registered, unregistered or a combination of the two. These 'channels' require different considerations

From registered *hawala* outside Syria to registered *hawala* inside Syria

- Registered *hawala* seem to operate in the main government-controlled towns, and in at least one case in YPG controlled areas. NGOs are using them, although not much for CTP
- Data about transactions, including personally identifying information, is likely to be available to regulatory structures in Damascus
- Agencies will have to consider the profile of their beneficiaries to decide if this is likely to place them at increased risk
- Agencies can decide if a data privacy clause in a contract is a sufficient and meaningful measure – a conversation with the donor may be wise
- Documentation on receipt of transfers is available from some operators

From registered *hawala* outside Syria to unregistered *hawala* inside Syria

- Unregistered *hawala* may offer the only scalable cash-out facility in areas outside government control. This channel is not known to have been used yet for CTP in Syria.
- Documentary evidence of receipt of transactions is unlikely to be possible. Confirmation comes by phone or Whatsapp
- Finance SOPs would have to be revised to accommodate alternative confirmation
- Consultation with the donor is highly recommended

From unregistered *hawala* outside Syria to either type of *hawala* inside Syria

- This is not advised. If the perceived advantage is to obscure transactions from a host government, then the project may need to be reconsidered.

For all *hawala* channels

- Due diligence checks will be required according to donor requirements and legal advice
- List checks will need to be made on both the sending and the receiving *hawala*. These checks should be on both the documented owners and the beneficial owners – the individuals who are locally known to be behind a *hawala* business
- Agencies should document checking that prospective *hawala* partners, both senders and receivers, have appropriate internal processes
- An operating manual for staff
- Regular training for staff on the manual contents
- Record-keeping to support the equivalent of Know Your Customer requirements
- Agencies should consider from where *hawaladars* in Syria get their cash-out liquidity. This information will probably not be available. A conversation with the donor is recommended
- There is no evidence of significant access differences between the modalities for various groups
- Women may face difficulties collecting money from a public place. Alternatively, women may be better able than men to cross checkpoints and other dangerous places
- Minors may face administrative issues collecting payments - they may not have the required ID or status
- Elderly and disabled people may need alternate collector schemes if they cannot access payment points. Alternatively, some *hawaladars* may offer home delivery
- Anyone who is particularly low status may be at increased risk of having their payment withheld, as their loss may not imply loss of trust in a *hawaladars* by their peers. This point is largely theoretical, based on the nature of *hawala* guarantees, and not backed by much data

For all possible delivery modalities, CTP using IVTS must sit within the full standard project design process (needs assessment, risk assessment, equality and access considerations, donor compliance etc.). The risk of diversion, among other risks, may be mitigated substantially by rigorous application of standard and extended internal processes. The environment dictates however that there is likely always to be a significant residual risk requiring full consideration, consultation and signoff.

A process of review and adaptation of agencies' existing processes is likely to be required for CTP into Syria. The time and buy-in required for this process should not be under-estimated, and there are considerable compliance risks if it is attempted retroactively.

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