



A primer on FSPs and *hawalas*

Whole of Syria
5 May 2021

Discussion points

1. Hawala characteristics
2. Whole of Syria context: Overview
3. GCA cash delivery through FSPs: Why? How?
4. Non-GCA cash delivery through hawalas: Why? How?
5. Key challenges and risk management strategies
6. CWG-donor engagement on hawalas

Q&A

1. Hawala characteristics

- informal value transfer system; doesn't involve moving cash
- based on honour system across a network of money brokers.
- operates outside of, or parallel to, traditional banking, financial channels, and remittance systems
- often based on membership in the same family, village, clan, or ethnic group, and cheating is punished by effective excommunication and "loss of honour"—leading to severe economic hardship
- Often engaged in other business, e.g. trading, shipping

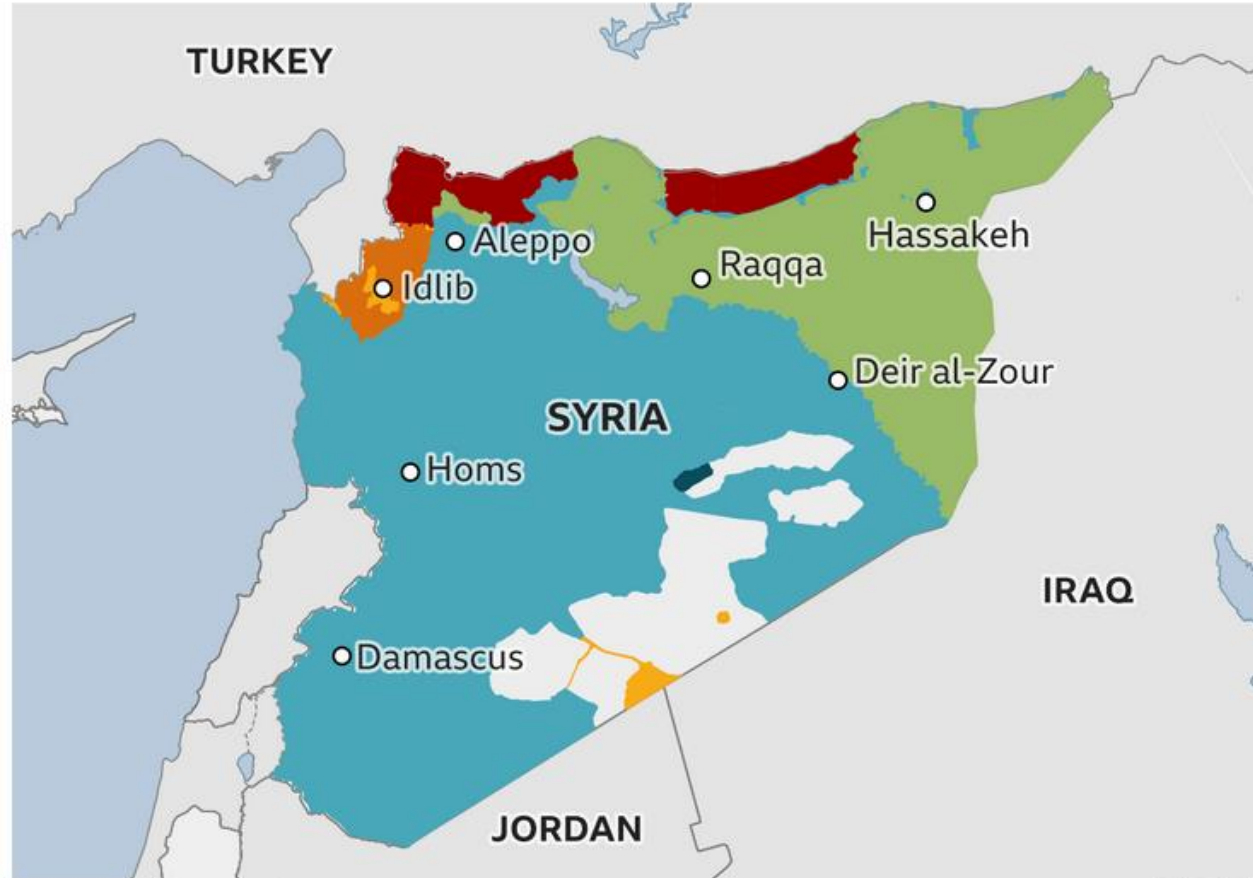
2. Whole of Syria context: Overview

Who controls what in Syria

Feb 2021



-  Syrian government
-  Jihadist forces
-  Syrian rebels
-  Islamic State group
-  Kurdish forces
-  Turkish-backed Syrian rebels and Turkish military



Source: Janes Conflict Monitor

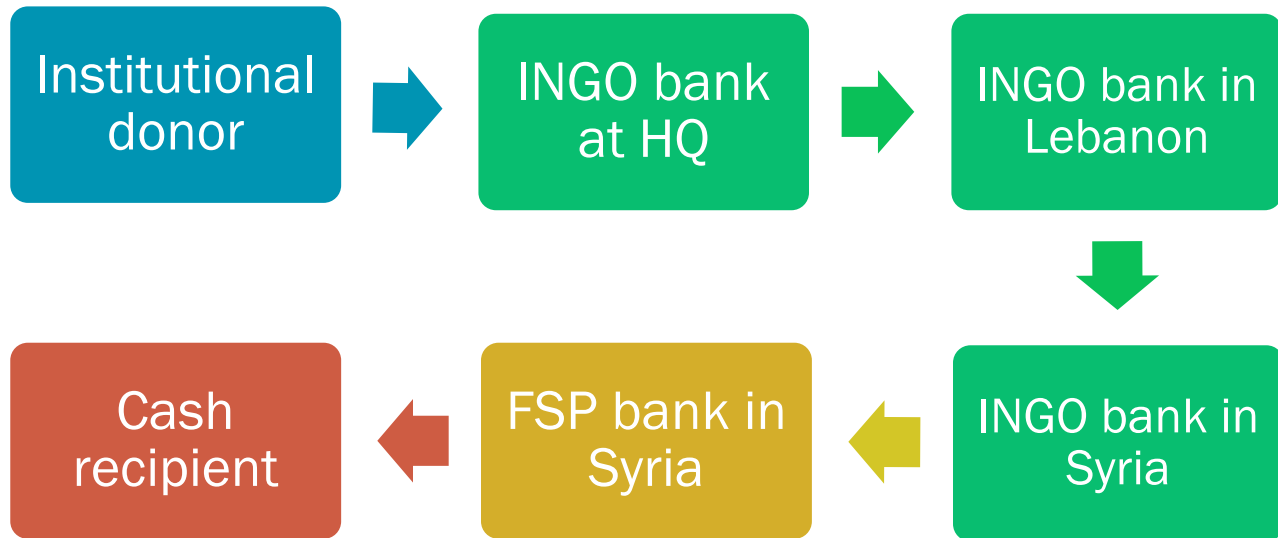
3. GCA cash delivery through FSP: Why?

- only official and legal financial system
- Wide scope coverage
- professional payment systems and auditable controls
- starting point for financial inclusion
- integral part of local market system/private sector

3. GCA cash delivery through FSP: How?

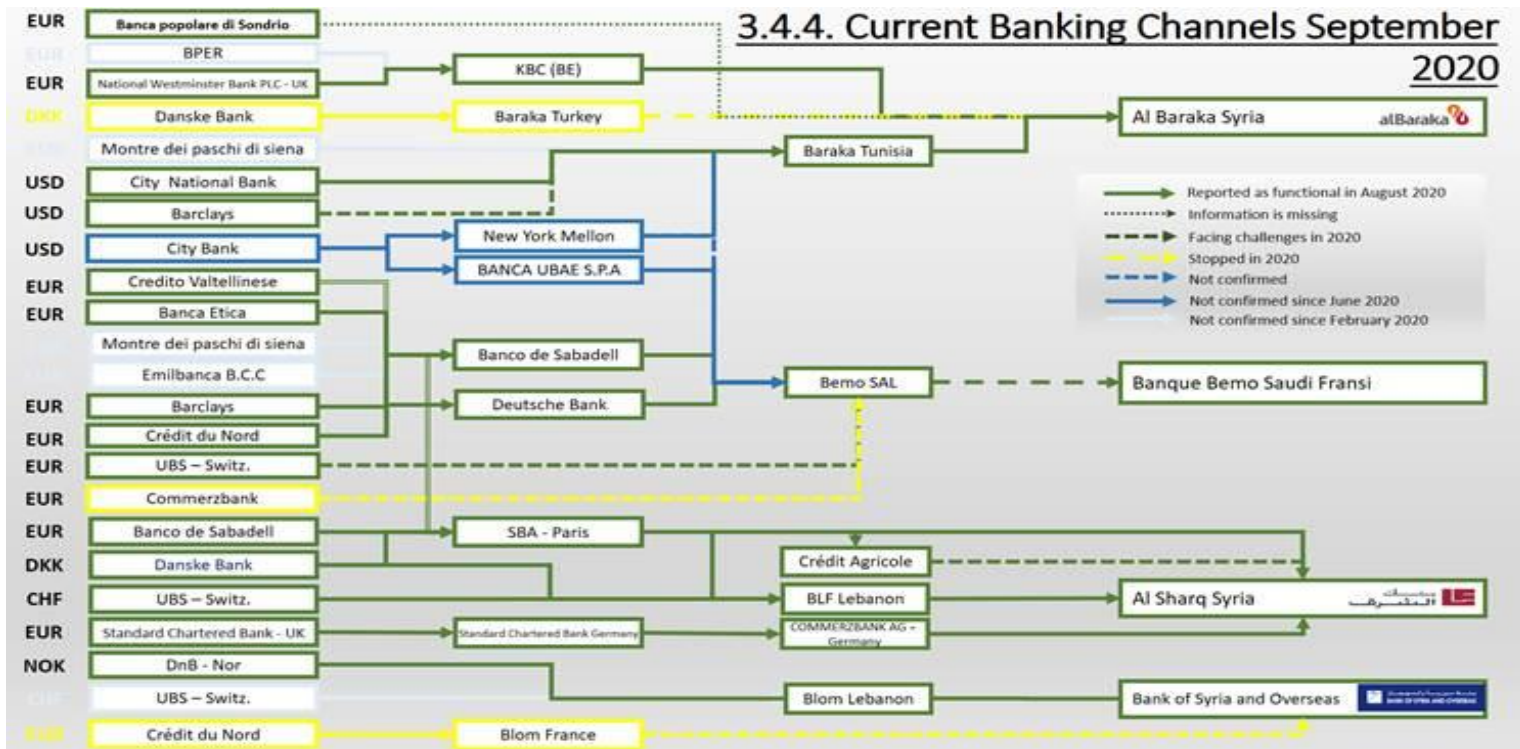
Government
Controlled Area
(GCA) direct CVA
implementation

FLOW OF FUNDS
From HQ to GCA



3. GCA cash delivery through FSP: How?

GCV
banking
channels



4. Non-GCA cash delivery through hawalas: Why?

- only functional FSP with wide coverage
- flexibility > paid after distribution > speed
- flexibility > extra service, e.g. door-to-door > more anonymity, safety during pandemic
- lower transaction costs than formal systems
- ubiquitous cultural practice; wide acceptance
- integral part of local market system/private sector

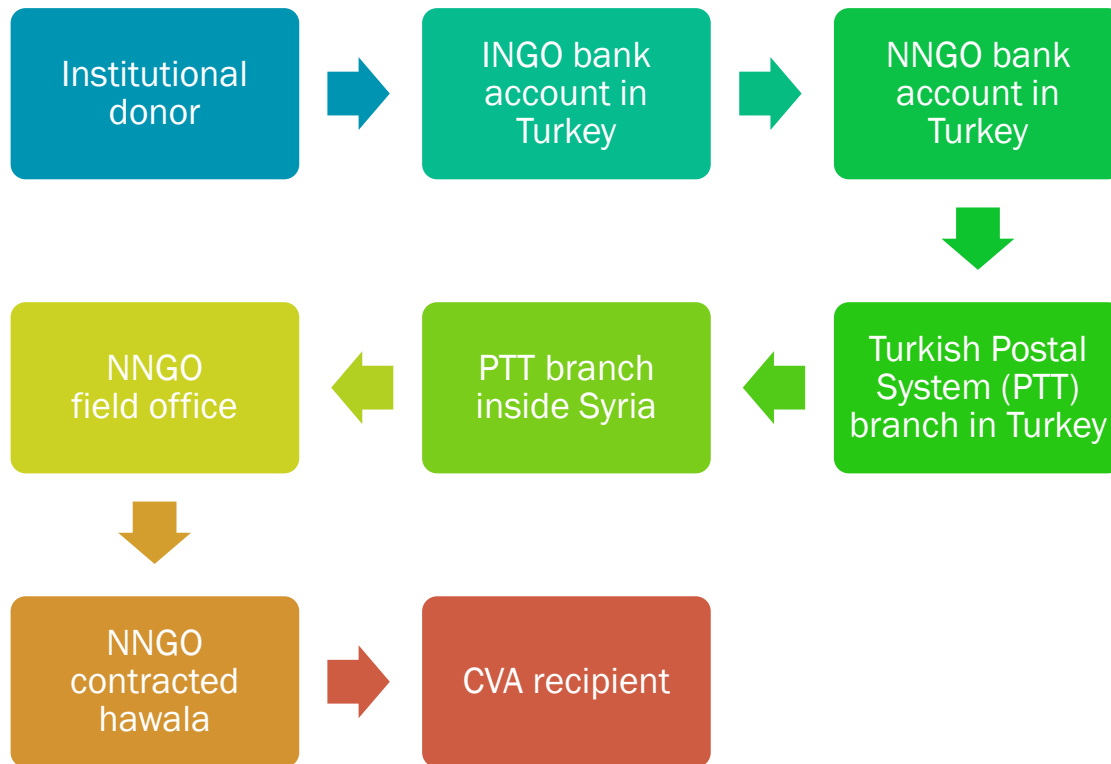
4. Non-GCA cash delivery through hawalas: How?

Northwest Syria
(NWS) remote
management
context

FLOW OF FUNDS

Model 1:

From Turkey to
NWS



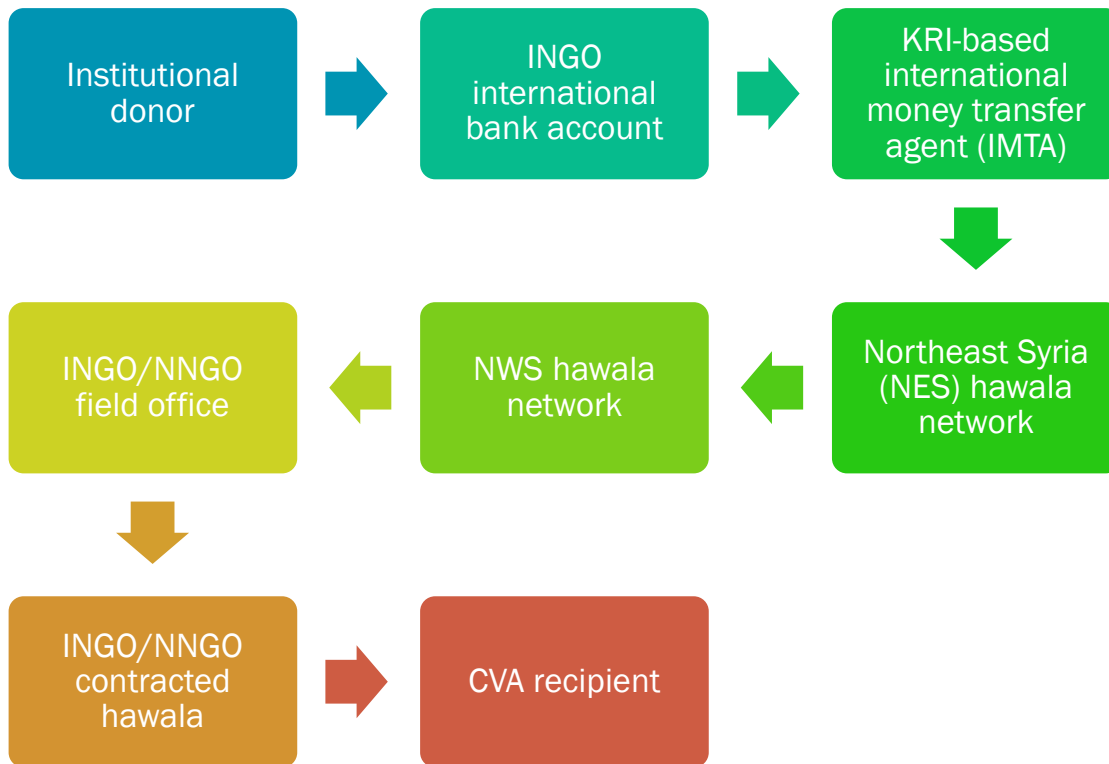
4. Non-GCA cash delivery through hawalas: How?

NWS remote management context

FLOW OF FUNDS

Model 2:

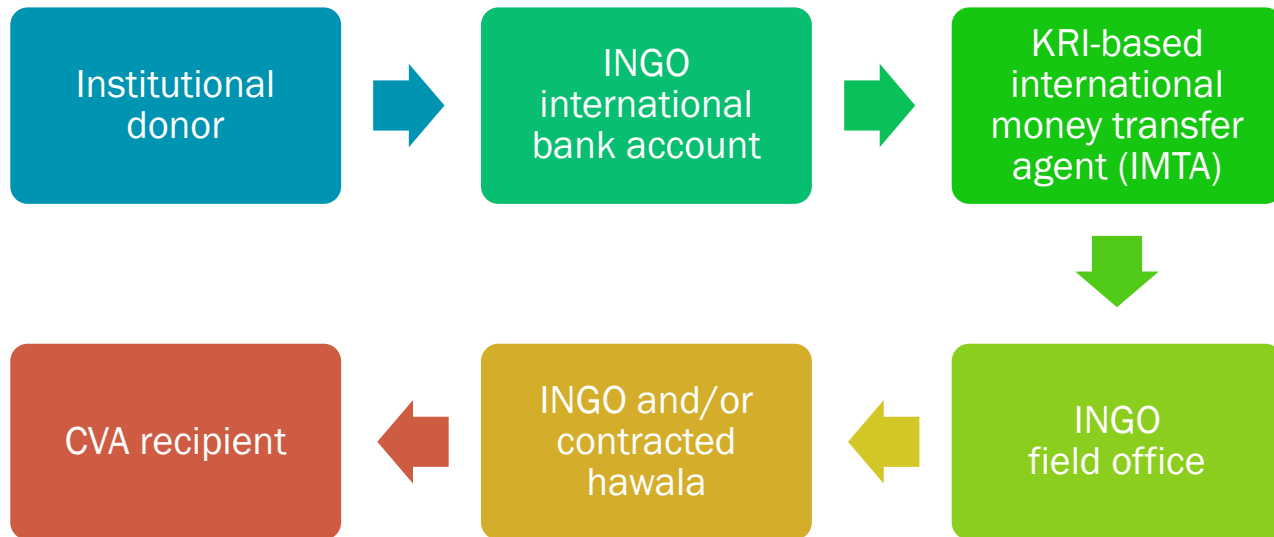
From Iraq to NWS



4. Non-GCA cash delivery through hawalas: How?

Northeast Syria
(NES) direct CVA
implementation

FLOW OF FUNDS
From Iraq to NES



5. Key challenges and risk management strategies

Key challenges

- Lack of paper trail and “auditability” may not meet donor compliance requirements
- Misperceptions/generalization of hawalas as “shady” characters

Risk management strategies

- Risk transfer
- Local and international vetting
- Community/social participation
- Contract provisions
- Donor zero tolerance policy for aid diversion
- [NWS-CWG CVA Risk and Mitigation Matrix | April 2021](#)

6. CWG-donor engagement on hawalas

- Hawala 101: CWG workshop with donors
- Standardized/coordinated vetting of hawalas
- FSP mapping (multi-country challenge)
- Regular update and sharing of blacklisted FSPs
- Support to newly vetted hawalas – build capacity or introduce accreditation system aligned with international due diligence and fiduciary standards

Questions?

Thank you!