

A woman wearing a red headscarf and a patterned dress is seen from the side, carrying a woven basket. She is standing in front of a severely damaged wall. The wall is covered in numerous bullet holes and has a mural painted on it. The mural depicts various food items, including cans of 'COAST', 'VINTO', and 'HILWA', a 'TOP 5' sticker, and two large jars labeled 'SOMAR' and 'BUR'. Above the mural, the word 'MILAN' is partially visible in large, colorful letters. The wall is crumbling and has a corrugated metal roof section at the top. The overall scene suggests a conflict-affected area.

PRINCIPLES UNDER PRESSURE

THE IMPACT OF COUNTERTERRORISM MEASURES
AND PREVENTING/COUNTERING VIOLENT
EXTREMISM ON PRINCIPLED HUMANITARIAN ACTION

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The Norwegian Refugee Council is an independent humanitarian organisation helping people forced to flee. For further information, please contact nrcgeneva.policy@nrc.no

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ACRONYMS AND ABBREVIATIONS

AUB	American University in Beirut
BIS	Bureau of Industry and Security
CVE	Countering Violent Extremism
DTGs	Designated Terrorist Groups
EU	European Union
FATF	Financial Action Task Force on Money Laundering
IASC	Inter-Agency Standing Committee
INGOs	International Non-Governmental Organisations
UNSC	United Nations Security Council
NGO	Non-Governmental Organisations
NPO	Non-Profit Organisation
NPO Coalition on FATF	Non-profit Organisations Coalition on Financial Action Task Force
NRC	Norwegian Refugee Council
NSAG	Non-State Armed Group
OCHA	UN Office for the Coordination of Humanitarian Affairs
OFAC	US Office of Foreign Assets Control
P/CVE	Preventing/Countering Violent Extremism
PVE	Prevent Violent Extremism
UN	United Nations
UNOCT	United Nations Office of Counter-Terrorism
UNSC	United Nations Security Council
US	United States
USAID	United States Agency for International Development
WB	World Bank

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FOREWORD

As humanitarians we often witness how terrorists ruthlessly attack civilians. We all need to prevent any and all forms of terrorism. But too often we also see that the “war on terror” with all its legislation aimed at countering terrorism, has had the unintended consequence of making it more difficult and dangerous to aid and protect victims of terror.

The four principles of neutrality, independence, impartiality and humanity are the foundation of humanitarian action. Guided by these principles, we work to ensure that aid goes to people most in need, rather than for reasons linked to preventing terrorism. This gives us a strong foundation to negotiate for access to communities with all conflict parties. Our sole agenda must be to respond to needs where they are found.

This study shows that counterterrorism measures put the humanitarian principles under pressure. Research in Nigeria and Somalia revealed that counterterrorism measures limit the ability of organisations to implement programmes according to needs alone. In contexts like Iraq, the concept of preventing and countering violent extremism potentially impacts independence, where it could be used to support a negative political narrative about certain groups. Elsewhere, the issue of financial de-risking has become a major hurdle for aid operations. This is where banks refuse to complete transfers for relief agencies because of concerns about counterterrorist financing regulations.

We live in an era in which protracted and complex conflicts have become standard operating environments for aid organisations. In such contexts, it is more vital than ever that we champion the humanitarian principles in order to protect humanitarian space. While efforts to combat terrorism are important, political strategies must stand apart from humanitarian action.

Open and transparent dialogue is needed to ensure that humanitarian action does not blur with political and security objectives. This report, funded by the Swiss Agency for Development and Cooperation, recommends that governments, donors and relief organisations work together to strike the delicate balance between counterterrorism efforts and humanitarian operations.



Jan Egeland
Secretary General
Norwegian Refugee Council



EXECUTIVE SUMMARY

As states continue to adopt measures aimed at combating terrorist activity, humanitarian organisations remain concerned about the impact these measures have on their ability to deliver aid to populations in areas under the control of designated terrorist groups (DTGs). Counterterrorism measures apply to humanitarian organisations through legislation at various levels, and through relevant clauses in donor agreements.

The legal landscape regarding counterterrorism is complex; organisations may be bound to comply with laws in their areas of operation, as well as states where they have registered, donor states, and other states whose laws have extraterritorial reach. Donor agreements are also a complex area, with the wording and scope of agreements varying widely. There is clear tension between the counterterrorism measures set out in legislation and donor requirements, which may restrict engagement with DTGs, and principled

humanitarian action, which requires engagement with all parties to a conflict in order to reach those in need.

This report has two objectives. Firstly, it aims to update the evidence base for the impact of counterterrorism measures on principled humanitarian action, last examined comprehensively in a 2013 study commissioned by Norwegian Refugee Council (NRC) and the Office for the Coordination of Humanitarian Affairs (OCHA). Secondly, it aims to examine what impact, if any, the emerging area of Preventing/Countering Violent Extremism (P/CVE) has on principled humanitarian action. Field research was carried out in Nigeria, Somalia and Iraq. Impact is examined at three different levels: structural (affecting the adherence to the humanitarian principles), operational (affecting programmatic decisions) and internal (affecting administrative procedures and interagency coordination).



KEY FINDINGS

Counterterrorism measures limit organisations' ability to implement programmes according to needs alone, and oblige them to avoid certain groups and areas. Some communities may not get the assistance they need as a result. In several contexts, including north east Nigeria, it was clear that needs in some areas were unmet because humanitarian organisations limited their programmes to government-held areas. This clearly impacts the ability of some communities to access the assistance they need. It also means non-state armed groups may perceive humanitarian organisations as partisan, negatively impacting access negotiations and the security of humanitarian staff.

The spread of P/CVE can damage humanitarian action by linking it with political agendas. The concept of P/CVE is poorly understood, both by humanitarian organisations and by donors, making operational and internal

impacts difficult to identify. The structural impact, however, was relatively clear. In a climate where competition for humanitarian funding is tightening and donors funding for P/CVE programmes is increasing, organisations sometimes reframe activities or alter their programming to fit with this agenda. Decisions are being made without considering the political objectives of some P/CVE programmes and the implications this has for principled humanitarian action. The increasing use of the P/CVE approach can also cause problems of perception, particularly in contexts where non-state armed groups and communities do not understand the distinction between humanitarian and political or security actors.

Lack of clarity regarding counterterrorism requirements continues to cripple humanitarian organisations. Self-censorship, identified as an operational impact in the 2013 study, remains a key issue today. In Somalia, some organisations

felt no better placed to work in Al Shabaab-held areas than they were in 2010. Organisations lack clarity and guidance both from donors and from their own headquarters, causing organisations to limit their engagement with DTGs. Staff are discouraged from seeking clarity by the existence of a 'don't ask, don't tell' attitude, which limits transparency and information sharing, supporting continued stalemate on these issues.

The issue of financial de-risking, where banks refuse to provide services for organisations owing to concerns about counterterrorist financing regulations, has become a major hurdle. Organisations reported being unable to transfer money into certain areas, forcing them to use unregulated methods which fall outside formal banking systems, such as hawala or cash-carrying. Significant delays to programming as a result of de-risking were reported. This issue particularly affects smaller organisations who lack strong compliance capabilities, and Muslim faith-based organisations who banks perceive to be 'higher risk'. Unless a solution to this issue is found, banks will dictate where humanitarian organisations can work.

MITIGATION MEASURES AND COPING MECHANISMS

Practices employed by humanitarian organisations to mitigate and cope with the impact of counterterrorism measures on their operations have seen some developments since the publication of the 2013 report. These are discussed fully in Section 4 of this report, but some are highlighted below.

Risk management: The growing focus on compliance among humanitarian organisations reflects the increasing complexity of the regulatory environment. In 2015 NRC completed the *Risk Management Toolkit in Relation to Counterterrorism Measures* collating various anti-diversion policies into one risk management framework. The toolkit has proved useful, but organizations lack context specific guidance on dealing with, for example, humanitarian exemptions and licensing.

Remote management: Remote management, the practice of withdrawing staff from insecure areas and transferring programming responsibilities to local staff or partner organisations, has increased in recent years as organisations seek to minimise exposure to risks. While more guidance and better technologies now exist to support this practice, it could see organisations transferring risk to others, who are less well-equipped to deal with it.

Use of informal transfer methods: As de-risking spreads, humanitarian organisations are pushed outside of formal financial transfer systems, and the use of informal transfer mechanisms is increasing. *Hawala*, a traditional, largely unregulated transfer system, is now commonly used by humanitarian organisations. It provides a reliable, attractive alternative to those struggling to transport cash, but it is costly, and the lack of regulation in some contexts means it could potentially increase terrorist financing risks.

CONCLUSION AND RECOMMENDATIONS

The findings of this research suggest that little has changed for the better since the publication of the 2013 study. Lack of joint advocacy efforts on the part of humanitarian organisations, and lack of will to implement policy change on the part of governments, means the impacts identified five years ago have become more entrenched. Humanitarian organisations must leverage their collective voice to advocate on this issue, while states and donors have a responsibility to enable the delivery of aid to those most in need, on the basis of needs alone.

RECOMMENDATIONS

TO DONORS AND THE HUMANITARIAN COMMUNITY

Engage in open dialogue about the impacts of counterterrorism measures and P/CVE on principled humanitarian action: To counteract the lack of information sharing that prevents progress on these issues, dedicated dialogues should be established to encourage transparency.

Include the impacts of counterterrorism measures and P/CVE in ongoing humanitarian reform discussions: Given the impacts of counterterrorism measures and P/CVE on key areas of humanitarian reform, they should be included in discussions about the Grand Bargain, the New Way of Working and the Humanitarian Development Nexus.

TO GOVERNMENTS

Ensure that the UN Office for Counter-Terrorism includes humanitarian organisations in discussions: Humanitarian organisations must be included in dialogue in order to ensure that the impact on humanitarian action is considered when revising the UN's Global Counter-Terrorism Strategy.

Include exemptions in sanctions regimes and counterterrorism legislation to reduce their impact on principled humanitarian action: The United Nations Security Council (UNSC), the European Union (EU) and others that impose sanctions and enact counterterrorism legislation should include exemptions for humanitarian actors to limit negative impacts on their operations.

Facilitate regular dialogue between humanitarian organisations, banks, financial regulators and other government departments to limit the impacts of de-risking: Multilateral dialogue is needed to address concerns, clarify compliance requirements and guard against unintentionally conflicting outcomes in the development of counterterrorist financing policy.

TO DONORS

Give humanitarian organisations greater clarity on the application of counterterrorism clauses: Donors should encourage greater transparency, and make it clear that organisations will not be penalised for seeking clarification.

Explore innovative ways of minimising the impact of counterterrorism measures on humanitarian organisations: Donors could explore the use of risk sharing or alternative approaches to address the asymmetry in contracts under which grantees shoulder the bulk of the associated risks.

Maintain a clear separation between P/CVE and humanitarian funding to protect principled humanitarian action: Donors should be transparent about P/CVE aims and ensure that any increase in P/CVE funding does not entail a reduction in support for humanitarian responses.

TO THE HUMANITARIAN COMMUNITY

Develop common advocacy positions on the impact of counterterrorism measures: Evidence to support the development of strong advocacy positions should be gathered at field level and consolidated at the global level by IASC subsidiary bodies.

Explore solutions to current financial access restrictions: Continued evidence gathering and joint advocacy, as well as the exploration of alternative safe transfer methods, are needed to minimize the impact of de-risking on humanitarian operations.

Develop practical, context-specific guidance to ensure field staff have the information they need to carry out their work: Humanitarian organisations' head offices should provide staff with guidance to enable them to make informed decisions on counterterrorism and P/CVE issues.

1

INTRODUCTION

The main objective of humanitarian assistance is to provide life-saving aid to civilians in need, guided by international humanitarian law (IHL) and the four humanitarian principles of humanity, impartiality, independence and neutrality. These frameworks seek to ensure that assistance is provided, without discrimination, to those most vulnerable and in need, and in a neutral and autonomous way with regard to the parties to a conflict. Both the principles and IHL require humanitarian organisations to treat all parties to a conflict, whether state or non-state, equally and to provide assistance on the basis of needs alone, without consideration for political or other factors.

People in need, however, are sometimes located in areas under the control of non-state armed groups (NSAGs), which may be designated as terrorist organisations. In accordance with the principles, humanitarian actors should engage with all parties to a conflict to ensure that aid is delivered to those most in need. The need to comply with measures to combat terrorism, including legislation and donor requirements, may limit organisations' ability to operate in areas under the control of NSAGs, and pose significant challenges to principled humanitarian action.

A number of studies have indicated the tension between counterterrorism measures and the principles of humanity, impartiality, neutrality and independence. As these measures develop and expand, so too does their impact on principled humanitarian action. The landmark 2011 Stay and Deliver report commissioned by the UN Office for Coordination of Humanitarian Affairs (OCHA) highlights the issue, and in 2013 the Norwegian Refugee Council (NRC) and OCHA published a study that focused specifically on this area.¹

Based on the latter report's recommendations, and in its capacity as co-chair for the Inter-Agency Standing Committee (IASC) reference group on principled humanitarian action, NRC published a Risk Management Toolkit in Relation to Counterterrorism Measures in 2015.² Several bodies of research and guidance followed, including by the Charity and Security Network, Harvard Law School's PILAC Programme and Chatham House.³ These studies demonstrated that counterterrorism measures have the potential

to delay or prevent humanitarian assistance from reaching the most vulnerable communities.

Despite lobbying to prevent this from happening and increased positive engagement on this issue from some donors, specific policy changes have not been made. Some donors have continued to call for more up-to-date evidence of impacts. Meanwhile, the reach of the counterterrorism agenda is extending with the growing prominence of the Preventing/Countering Violent Extremism (P/CVE) approach.

P/CVE uses non-coercive measures in an attempt to address issues that may cause communities or individuals to support or engage in what is deemed violent extremism.⁴ These measures may include humanitarian or development activities. The intersection between more traditional coercive measures, and P/CVE, with humanitarian action is different, but both pose a potential threat to the application of the humanitarian principles.

Building on the existing bodies of research, this report analyses recent developments with the aim of updating the evidence base on the impact of counterterrorism measures on principled humanitarian action to inform ongoing inter-agency policy and advocacy work on the issue. It also aims to fill a gap in existing research by looking at the intersection and potential impact of P/CVE approaches.

This report is not exhaustive, and several areas for further study were identified in the course of the research. The impact of counterterrorism measures



on local NGOs, who are often at the frontlines of aid delivery, is a key area for further exploration. The phenomenon of de-risking is also an area for further study; much of the research to date has focussed on the impact on UK and US based organisations, and could be expanded beyond this. Finally, further exploration of the links between counterterrorism and P/CVE, and humanitarian reforms would be useful.

METHODOLOGY

The research for this study was carried out between January 2018 and April 2018. Field research was carried out in Iraq, Nigeria, and Somalia. These locations were chosen as contexts where designated terrorist organisations are present, and where the P/CVE agenda is gaining prominence. The locations also reflect a combination of protracted and more recent emergency responses, and to ensure geographical balance. Given the complexities of the issues studied and the unique nature of each situation, a selection of case studies cannot necessarily reflect the full range of challenges faced.

The research findings are drawn primarily from 40 interviews with humanitarian stakeholders, including senior UN representatives, staff of national and international non-governmental organisations (NGOs), donor representatives and government officials. The interviews were conducted during field research in Erbil in Iraq, Abuja in Nigeria, Mogadishu in Somalia and Nairobi in Kenya from February to March

2018. In locations where face-to-face meetings were not possible, interviews were carried out via telephone, WhatsApp or Skype. Remote interviews were carried out with key informants in or working on Syria and Afghanistan. Given the sensitivity of the subject matter, all interviews were non-attributable. No identifying information is disclosed.

The findings also draw on the results of 169 responses to an online survey, which NRC distributed to UN agencies, NGOs and NGO networks both at headquarters and field level in February and March 2018. The survey had 32 multiple choice and open-ended questions, covering various aspects of the impact of counterterrorism measures on humanitarian action, risk management, the application of the humanitarian principles and the intersection of P/CVE with the work of humanitarian organisations.

The background section contains updated desk research on counterterrorism legislation and other associated measures, and a synopsis of recent studies on their impact on humanitarian action. The impact section analyses the findings from field research undertaken to refresh the evidence base on counterterrorism measures and develop a new evidence base on the impact of P/CVE agendas at the field level in Iraq, Nigeria and Somalia. The mitigation section looks at the coping mechanisms organisations use to minimise these impacts on their operations, and the study concludes with a summary of findings and recommendations for stakeholders.

2

BACKGROUND

2.1 COUNTERTERRORISM AND ITS RELEVANCE TO HUMANITARIAN ACTION

The growth in the number and scope of counterterrorism regulations has significant consequences for humanitarian organisations, which tend to work in complex and unstable situations where a number of armed groups operate, some of them linked to or part of DTGs. Measures are applied both through legislation at the domestic and international level, and through donor agreements.

Counterterrorism legislation applies to humanitarian organisations through binding UNSC resolutions and other international instruments, and through states' domestic laws. "The organisations and their staff may face liability under the laws of a number of states: state parties to the armed conflict; states of registration of the organisation or of nationality of its staff; donor states; and other states whose laws have an extensive extraterritorial reach."⁵ The penalty for not fulfilling donor agreement obligations may be termination of the contract or restitution, while "penalties for not fulfilling the obligations of counterterrorism-related criminal, civil, and administrative laws can range from fines to imprisonment".⁶

Available research demonstrates that counterterrorism measures have constrained humanitarian action. Negative impacts range "from halts and decreases in funding to blocking of projects, suspension of programmes, planning and programme design not according to needs, as well as the slowing of project implementation".⁷ Concerns about compliance mean humanitarian organisations often make "decisions not to undertake relief activities in areas where terrorist groups control territory and decisions not to seek funds from certain donors".⁸ In some cases, counterterrorism measures have "severely undermined opportunities for humanitarian actors to negotiate access for aid to civilians".⁹

Harvard Law School conducted a pilot empirical study on the issue in 2017, in which more than two-thirds of respondents indicated that "counterterrorism measures had chilled or curtailed their work".¹⁰ The detrimental impact was further demonstrated by NRC and OCHA's 2017 study, *Presence and Proximity*, which noted that "political factors, including counterterrorism legislation, continue to pose dilemmas for principled humanitarian action" and that "counterterror and sanction-related measures remain problematic in a growing number of contexts, including Afghanistan, Iraq, Somalia, Yemen, and elsewhere, for their direct and inadvertent potential effects".¹¹

2.2 LEGAL INSTRUMENTS TO COMBAT TERRORISM

The first legal instruments to combat terrorism were established before the 9/11 attacks, with more extensive measures emerging in the early 2000s. Resolutions such as UN Security Council (UNSC) resolution 1267 of 1999 and 1390 of 2002 were aimed at al-Qaeda and the Taliban, and were the first to introduce sanctions against designated terrorist groups (DTGs), individuals and entities, and to oblige UN member states to freeze the funds and assets of such groups.¹²

Subsequent UNSC resolutions required UN member states to adopt laws and measures to prevent and suppress the financing of terrorist acts; and to prevent and suppress the recruitment, organisation, transport, equipment and financing of foreign terrorist fighters.¹³ The resolutions are binding on all UN member states, which adopted or adapted their national laws accordingly. They have also led to more specific institutional requirements, such as banking sector regulations.

The prevention of terrorist financing is a key element of international counterterrorism measures. The main instruments are the International Convention for the Suppression of Terrorist Financing (1999) and UNSC resolution 1373 (2001). They require states to criminalise the provision of material support - funds or other assets - to designated people or entities. The convention makes it a criminal offence to provide funds with the knowledge or intent that they will be used to carry out a terrorist act. Resolution 1373 criminalises the provision of funds, financial assets or economic resources to those who commit terrorist acts. Unlike the convention, specific intent to support terrorist acts is not required to violate resolution 1373.¹⁴

States must reflect these instruments in their national laws, but they do so in different ways. They may broaden their scope or designate different people or entities as terrorist.¹⁵ Many did so before the potential for adverse impact on humanitarian organisations was identified and could be taken into account.¹⁶

UN resolutions often specify the need for counterterrorism measures to be in line with states' international legal obligations, including IHL. However, in the absence of a universally accepted definition of terrorism there is a growing tendency by states to consider any act of violence carried out by a DTG in an armed conflict as terrorist and therefore illegal, even when such acts are not prohibited under IHL.¹⁷

There have since been some attempts to limit the impact of counterterrorism measures on principled humanitarian action through the use of exemptions.¹⁸ UNSC resolution 1916 (2010) regarding sanctions on Somalia stipulates that "the obligations imposed on Member States ... shall not apply to the payment of funds, other financial assets or economic resources necessary to ensure the timely delivery of urgently needed humanitarian assistance".¹⁹ This exemption was introduced after it became clear that sanctions had limited the humanitarian response to famine owing to concerns that organisations could violate the UNSC prohibition on providing material support to al-Shabaab by delivering aid. The exemption is limited to UN agencies, their partners and organisations with UN-observer status, and it is not mandatory for states to include it in domestic law.²⁰ The 2017 EU directive on combating terrorism contains an

exemption for activities by 'impartial humanitarian organisations'.²¹ Exemptions can also be included in domestic law, as has been the case, to a limited extent, in Australia and New Zealand.²²

UN COUNTERTERRORISM ARCHITECTURE

In the immediate aftermath of the September 11 attacks, the UNSC dominated the UN's response. It adopted Resolution 1373, which imposed counterterrorism obligations on all member states and established the Counter-Terrorism Committee (CTC) to monitor implementation. The CTC is assisted by the Counter-Terrorism Committee Executive Directorate (CTED), which carries out policy decisions and conducts expert assessments of member states.

UNSC resolutions and sanctions are not the only way the UN influences counterterrorism policy, however. While the General Assembly initially did not take an active part in counterterrorism efforts, in 2006 it adopted the Global Counter-Terrorism Strategy 'a global instrument to enhance national, regional and international efforts to counter terrorism'.²³ 2017 saw the establishment of the UN Office of Counter-Terrorism (UNOCT) 'to help member states implement the organisation's global counter-terrorism strategy', along with the appointment of the first Under-Secretary-General for Counter-Terrorism.²⁴ The UNOCT has been criticised for failing to include civil society organisations as key stakeholders in discussions around counterterrorism and P/CVE.²⁵

Counterterrorism measures have also affected banks, which are increasingly risk averse in their dealings with humanitarian organisations as they seek to comply with regulations. Two-thirds of US-based non-profit organisations working internationally experience banking problems, including delays to wire transfers, unusual documentation requests and increased fees.²⁶



2.3 DONOR REQUIREMENTS RELATED TO COUNTERTERRORISM

In line with the increase in counterterrorism legislation, donors also increasingly include counterterrorism clauses in grant contracts. Their wording varies from more general requirements that organisations use “reasonable efforts” to prevent the diversion of aid to entities designated as terrorist, to explicit requirements that organisations vet staff and partners for links to such organisations. Some contracts include “flow-down” requirements, which require the grant recipient to ensure that any contracts entered into with other entities to implement the grant include the same obligations.²⁷

Some donors go considerably further. The United States Agency for International Development (USAID) requires a signed anti-terrorism certification (ATC) from grantees stating that “the Recipient, to the best of its current knowledge, did not provide, within the previous ten years, and will take all reasonable steps to ensure that it does not and will not knowingly provide, material support or resources to any individual or entity that commits, attempts to commit, advocates, facilitates, or participates in terrorist acts, or has committed, attempted to commit, facilitated, or participated in terrorist acts”.²⁸

Not all donors include specific counterterrorism clauses in contracts, but those that do not still expect compliance with relevant legislation and may expect grantees’ existing risk management procedures to mitigate the risk of contravening counterterrorism legislation, as well as other risks such as corruption and bribery.

There is clear tension between the counterterrorism measures set out in legislation and donor agreements, and principled humanitarian action. The humanitarian principles require humanitarians to treat state and non-state parties to an armed conflict on an equal basis and to respond to needs, on the basis of needs alone, but counterterrorism obligations may impose penalties on organisations that engage with groups designated as terrorist.²⁹ Concerns about negative consequences cause organisations to limit their engagement, and communities living in areas under the control of such groups may be deprived of the assistance they need as a result.

This conflicts strongly with the humanity-driven, impartial approach that should be central to any humanitarian response. Non-state armed groups can pose a direct security threat to humanitarian organisations, which can limit their presence, but the blanket nature of counterterrorism legislation and measures also presents significant challenges.



2.4 LEGAL CASES INVOLVING NGOS

Cases in which NGOs have been accused of providing support to terrorist entities are unusual, but that have occurred have caused alarm among the humanitarian community, raising concerns about reputational risks and contributing to a broader climate of fear and risk aversion. Details of some key cases, a mix of criminal and civil, are outlined below.

- A 2010 US Supreme Court judgement in the case of *Holder v Humanitarian Law Project* highlighted that the definition of material support is broad, covering training even in benign topics such as international humanitarian law. The decision underscored the fact that the provision of any kind of material support or resources to DTGs would violate US counterterrorism laws, which have a broad extraterritorial reach, regardless of whether it would actually assist in a terrorist attack. This was a quasi-advisory ruling; no individuals were prosecuted.
- In 2016, the Israeli government accused World Vision's operations manager in Gaza of diverting funds to Hamas.³⁰ Australia, the largest donor to World Vision's Gaza programme, suspended funding for the organisation in Palestine.³¹ A subsequent investigation led by the Australian government concluded that there was no evidence to suggest any diversion of government funds.³² A forensic audit was commissioned by World Vision, and according to most recent reports, it did not uncover any evidence of aid diversion.³³
- In 2017, the American University in Beirut (AUB) reached a settlement of \$700,000 with the US government after it was accused of providing training and expert advice to representatives of three entities from the DTG list in a civil suit. The lawsuit charged that AUB provided media training to representatives of two media outlets under US sanctions. It was also accused of listing a third organisation, also under US sanctions, in its NGO database. This was found to be in violation of the False Claims Act, because, as a USAID grantee, AUB had signed sworn certifications that it had not provided material support or resources to DTGs in the previous 10 years, and that it would take all reasonable steps to ensure that it did not do so.³⁴
- In a similar civil case brought by a private citizen in 2018, Norwegian People's Aid (NPA) reached agreement on a settlement with the U.S. authorities and will pay \$2 million under the False Claims Act for providing material

support to DTGs through its work with a democracy-building project for young people in Gaza between 2012 and 2016, and a demining project in Iran that ended in 2008.³⁵ NPA had also signed the USAID certification mentioned above. The organisation had not accepted USAID funding in either country, and disputed the fairness of the claim on the basis that it had believed the certification applied only to countries in which it had accepted such funding.³⁶ The outcome indicates that USAID's anti-terrorist certification on providing material support to designated people and entities (outlined above) applies not only to countries where US funding is accepted, but to all work USAID grantees carry out.

2.5 PREVENTING/COUNTERING VIOLENT EXTREMISM AND ITS RELEVANCE TO HUMANITARIAN ACTION

P/CVE forms part of the broader counterterrorism agenda. The legislation and other measures outlined above are broadly speaking coercive, but P/CVE involves the use of non-coercive means to discourage individuals and communities from supporting or taking an active part in what is deemed violent extremism.³⁷ Means used may include humanitarian or development activities. The approach has become increasingly popular with states in recent years as part of efforts to combat the spread of "extremist" groups.³⁸

Humanitarian organisations, however, have raised concerns about the P/CVE agenda's potential impact on their work.³⁹ While some humanitarian programs, such as those focussed on education or youth work, could overlap with P/CVE activities, the motivations and objectives are different. Humanitarian activities are guided by the principles, while P/CVE activities have a political agenda. There is a risk that P/CVE could co-opt humanitarian programmes for political and security objectives, and encourage humanitarian organisations to take funding to carry out programmes not on the basis of needs, but on the assumption that certain communities are particularly vulnerable to supporting or engaging in violent extremism based on criteria such as race and religion.

PREVENTING AND COUNTERING VIOLENT EXTREMISM: KEY DIFFERENCES

Just as there is no universally accepted definition of violent extremism, there are also no universal definitions of preventing violent extremism (PVE) and countering violent extremism (CVE). The terms are often used interchangeably, but they can also be seen as distinct. PVE strategies can be seen as those that seek to address the perceived social and economic drivers of the phenomenon, such as poverty, inequality and marginalisation.⁴⁰ For example, Switzerland's Foreign Policy Action Plan on Preventing Violent Extremism says that PVE 'involves depriving violent extremism of its breeding ground by enhancing the capacity of individuals and communities to resist it'.⁴¹ CVE strategies can be seen as seeking to address the more direct drivers of violent extremism, and can include methods such as disarmament, demobilisation and reintegration; and education for the purpose of "de-radicalisation". Some definitions of CVE include domestic surveillance, policing and counter-extremism messaging.⁴²

The UN has played a key role in advancing the P/CVE agenda and its popularity among member states. The UN's Plan of Action to Prevent Violent Extremism, introduced in 2016, focuses on "preventive steps to address the underlying conditions that drive individuals to radicalize and join violent extremist groups".⁴³ The plan calls for an "all of UN" approach to PVE. When the secretary general presented the action plan to the General Assembly, he stated, "We must break down the silos between the peace and security, sustainable development, human rights and humanitarian actors at the national, regional and global levels – including at the United Nations".⁴⁴ While it identifies the need to respect humanitarian principles and humanitarian space, the plan does not recognise that the 'silos' between humanitarian and other actors play a key role in protecting the independent nature of humanitarian action.



In this context, ongoing efforts to bridge the humanitarian and development divide risk drawing humanitarian actors into a security-driven political agenda. Attempts to develop comprehensive strategies that incorporate political, development, security and emergency responses - such as the UN's action plan or the EU's comprehensive approach in external conflicts and crisis - could encourage the politicisation and securitisation of humanitarian action.⁴⁵ Donors also increasingly mainstream P/CVE into their policies and funding opportunities. Some donors have emphasised the need to "ensure humanitarian activities (aid and protection) are not undermined by counter-terrorism measures" in P/CVE strategies.⁴⁶ Others, however, have not made this distinction, and risk blurring the lines between humanitarian action and political and security objectives, "making it difficult for the civilian population to differentiate between them".⁴⁷

Although P/CVE agendas are distinct from counterterrorism measures such as the legislation and donor requirements outlined above, some of their impacts on principled humanitarian action are the same. Both potentially threaten the application of the humanitarian principles if they influence the selection of communities that will receive assistance. Both essentially obstruct a needs-based approach, under which humanitarian aid should be delivered to the most vulnerable and needy. Recognising and addressing these challenges is particularly urgent, given current efforts to 'break the silos' and bridge the humanitarian-development divide through the UN's New Way of Working and the Humanitarian Development (and Peace) Nexus.⁴⁸

3

IMPACT OF COUNTERTERRORISM MEASURES AND P/CVE

The 2013 NRC and OCHA report identified three levels at which counterterrorism measures can affect humanitarian action - structural, operational and internal.⁴⁹ This report uses the same three levels to examine the impacts that these measures are having today.

- Structural impacts affect the framework of humanitarian action itself, including organisations' ability to adhere to the humanitarian principles and engage with non-state armed groups.
- Operational impacts affect programme decisions, including self-censorship and restrictions imposed because of perceived risks.
- Internal impacts refer to the increased administrative burden on humanitarian organisations, and how coordination between them is affected.⁵⁰

3.1 STRUCTURAL IMPACT

Counterterrorism measures are not the only constraints organisations face when operating in areas affected by conflict, but research for this study shows that they complicate already difficult operating environments and make the application of the humanitarian principles more challenging. The main structural impact interviewees highlighted was that these measures limit organisations' ability to implement programmes according to need alone, and oblige them to give equal weight to avoiding certain groups and areas in which they might have a presence or the potential to access aid. Some communities may not get the assistance they need as a result, solely because of their geographical location.

"Counterterrorism concerns are an ongoing worry for organisations funded by major donors and continue to affect the decisions of where organisations will operate and where they will not," said one interviewee based in Somalia. Research shows a tendency to crowd programming into areas under government control, partly based on the belief that operations in these areas are less likely to fall foul of counterterrorism measures.

In countries such as Afghanistan, where the government maintains control or influence over just 65 percent of the population, this has a significant impact.⁵¹ "Needs are high in some of these hard-to-reach areas, but they are unmet. When you look at the coverage of where organisations are, a huge percentage are only operating in government-held areas," said one interviewee.

This further complicates existing access issues. If the humanitarian response is confined to government-controlled areas, non-state armed groups may perceive humanitarian organisations as partisan. This, in turn, makes access negotiations with these groups even more difficult and could increase security risks to staff.

Structural impacts are not caused solely by donor-country legislation and measures. Domestic approaches to counterterrorism in host-countries can have a significant impact on organisations' ability to run a principled response, as seen in Nigeria.

RESTRICTIONS ON PRINCIPLED HUMANITARIAN ACTION IN NIGERIA

As hostilities between security forces and Boko Haram in the north-east of Nigeria enter their ninth year, 4.3 million people are in need of humanitarian assistance in Borno state alone.¹ Humanitarian organisations attempting to meet these needs find that the Nigerian government is using a counterterrorism agenda to severely limit and suppress their work.

The government has prevented humanitarians from engaging with Boko Haram, and restricted humanitarian access to areas under the group's control. As a result, the humanitarian response in the north-east is focused on the Borno state capital of Maiduguri. Organisations are unable to move beyond the city without permission, and the government will often insist on a military escort. The government uses a counterterrorism agenda to justify these restrictions by maintaining that it is unable to guarantee the safety of staff who travel to Boko Haram areas.

The government has also accused organisations which have attempted to access areas under the group's control of diverting aid and supporting terrorism. Reflecting its suspicion of humanitarian organisations, it has introduced a burdensome registration process for NGOs, requiring background checks on all staff. It has also dismissed humanitarian organisations' estimates of the number of people in inaccessible areas, arguing that many of the areas in question are unpopulated.

These restrictions have had a deeply damaging effect on principled humanitarian action in Nigeria. Few organisations have engaged with Boko Haram to seek access to areas it controls. As a result, they are forced to exclude large groups of people from their programming solely because of their geographical location. "The key problem here is that we are only engaging with one party to the conflict and that fundamentally compromises our ability to act in accordance with humanitarian principles. Who and how we help is dictated by one party. It's frequently done here under guise of counterterrorism and protecting safety of humanitarian staff," said one interviewee.

It is difficult to say with any certainty whether organisations would seek to establish a presence in Boko Haram areas in the absence of counterterrorism restrictions, or whether they would be successful in doing so; concerns such as security risks and logistics also play a role in limiting access. However, interviewees suggested that the humanitarian community had not pushed back enough against the government's access restrictions. "It's difficult to say that we cannot access areas under Boko Haram control because it simply has not been requested," said one. Impacts from donor counterterrorism requirements were not reported, but this is likely to be because international humanitarian organisations are not trying to operate in Boko Haram areas.

¹ OCHA, *Nigeria Humanitarian Needs Overview*, 2018, p.12.

Structural impact of P/CVE

The concept of P/CVE, which forms part of the broader counterterrorism agenda, is generally poorly understood, both by humanitarian organisations, and by donors, making operational and internal impacts difficult to identify. However, the structural impact on humanitarian action is clear. P/CVE is an approach that uses non-coercive means to address factors believed to encourage individuals or communities to engage in, or to support 'violent extremism'.⁵² These means may include humanitarian or development activities. At a time when states' aid budgets are under increasing public scrutiny, P/CVE provides

an avenue for governments to strategically link aid with political priorities, such as counterterrorism and anti-migration policies. As noted above, some donors have stressed the need to ensure P/CVE does not undermine humanitarian activities, but others have not.

P/CVE language appears increasingly in partnership agreements with humanitarian organisations, for whom it may provide additional funding opportunities at a time when the gap between humanitarian needs and available resources is generally increasing.⁵³ As this type of funding becomes more common, however, there

also is a growing risk of tension between P/CVE and principled humanitarian action.

Interviewees said donors were increasingly interested in P/CVE programming, and that the availability of funds for P/CVE activities was growing. Research also indicates, however, that in a climate where competition for funding is increasing, this has led some organisations to label all kinds of programming as P/CVE. This tends to happen most in the education and youth sectors, but also elsewhere. One interviewee said a programme focused on women's role in the local culture had been framed as a P/CVE project in order to secure funding. As outlined above, some humanitarian activities can overlap with P/CVE, but ultimately the objectives remain different.

The situation is not helped by the fact that there is no clear definition of P/CVE. As one interviewee put it, the concept is “fluffy”, and evidence that P/CVE programmes actually reduce extremism is extremely limited. Many existing programmes are “based on conventional wisdom or anecdotal information on what are perceived to be the drivers of violence”.⁵⁴

This lack of clarity and the competitive funding environment can lead organisations to disregard the implications of the political motives that often lie behind the P/CVE agenda. This is concerning because the objectives of P/CVE programmes are inherently political, and as such they present clear challenges to principled humanitarian action. Programmes developed on the assumption that certain communities are more likely to support violent extremism based on their religion, geographical location or other factors clearly contradict the principle of impartiality.⁵⁵

Interviewees in both Iraq and Nigeria highlighted this issue. When humanitarian organisations in Iraq target Sunni communities with P/CVE programmes they may be perceived to be supporting a government narrative that the community is vulnerable to supporting violent extremism. Similarly, tensions between Muslim and Christian communities in Nigeria mean that directing P/CVE programming toward one group could support a politically-driven negative narrative. The fact that organisations may be encouraged to significantly alter programme locations and content to reflect a P/CVE focus, not because of shifting needs but because of the availability of funding, is equally concerning.

Even when organisations make a conscious decision to avoid P/CVE funding, they may still face perception problems if others accept it. This arises particularly in situations where both humanitarian and development organisations are present. Interviewees in Somalia said development and dual-mandate organisations had been taking P/CVE funding, and that this presented a challenge for humanitarians because non-state armed groups and communities did not necessarily understand the distinction between the two. “You can't say that you will provide humanitarian support on one hand, but then support the political infrastructure on the other,” said one interviewee.

Interviewees also pointed out that although donor priorities in some situations are shifting from humanitarian to recovery and stabilisation, P/CVE has not been a part of broader discussions on the reform of the humanitarian system and the humanitarian-development nexus. There were concerns that given P/CVE's links with broader political agendas in many donor countries, it would be driven forward without examining the potential impact on humanitarian action and independence.

This may already be having an impact in Nigeria, where according to one interviewee “donor priorities at the moment are recovery and stabilisation. That is what donors are most interested in and so we are trying to tailor our responses”. This clearly shows the risk of aid being diverted from humanitarian needs toward programmes with overtly political aims.

3.2 OPERATIONAL IMPACT

The 2013 NRC and OCHA study identified many examples where the lack of information on counterterrorism measures had resulted in “misinformation, self-regulation and self-censorship on the part of humanitarian actors often going beyond the original donor requirements”.⁵⁶ The research for this study suggests little has changed in this sense. Almost half of survey respondents (46 per cent) said that counterterrorism regulations do not provide clear directions to them or their organisations on their obligations. Thirty two per cent of respondents stated that they needed increased guidance from donors while 28 per cent felt they needed increased guidance from their own organisations.

SELF-CENSORSHIP IN SOMALIA

The 2013 NRC and OCHA report discussed the impact that the US designation of Al-Shabaab as a terrorist organisation in 2008 had on humanitarian operations in country. After the designation, USAID stopped processing new grants for Somalia while negotiating the terms of funding with its partners, and many organisations shifted operations away from areas the group controlled because of funding shortages and concerns about the security environment and potential counterterrorism liability. UNSC established a humanitarian exemption in 2010 to facilitate the delivery of aid, but the lack of funding and access severely hampered the humanitarian community's response to the 2011 famine.

The humanitarian situation in Somalia in 2018 remains extremely challenging. The threat of famine persists and food insecurity is severe, with an estimated 2,444,000 people in phase three, or crisis, on the Integrated Phase Classification, which classifies the severity of food insecurity.^I Al-Shabaab remains in control of many rural southern and central areas of the country.^{II} Some interviewees said in terms of access the humanitarian community was no better placed to respond to humanitarian needs in Al-Shabaab strongholds today than it was in 2011, and that lessons from that time had not been incorporated into the current response.

Self-censorship as a result of counterterrorism measures is a key constraint. Widespread awareness, and fear, of reputational risks leads organisations to limit their engagement with Al-Shabaab and their activities in areas it controls. The group has a well-established system of checkpoints and taxation, and there is concern

that even an isolated incident in which aid is diverted could create a major scandal.

The UNSC 1916's humanitarian exemption is limited to UN agencies, partners and those with observer status, and it is not mandatory for states to include the exemption in domestic law; the US, for example, has not done so.^{III} Even those organisations covered by the exemption have concerns about using it. "The carveout as is has also been underutilized and could be used more creatively, but currently it is a missed opportunity," said one interviewee. In these circumstances "working in the government-held areas is simply easier", according to another.

Interviewees also pointed to the uneven distribution of funding as a significant impediment. The majority of UN funding is spent in government-controlled areas, with little available for territories held by Al-Shabaab.

As in north-east Nigeria, counterterrorism measures were not the only constraining factor interviewees reported. They also said the security situation reduced organisations' appetite for operating in Al-Shabaab areas significantly. Given the lack of humanitarian presence in these areas, however, they also expressed concerns about risk aversion, questioning whether their perception of security risks was an accurate reflection of the situation on the ground.

^I OCHA, *Humanitarian Needs Overview Somalia*, 2018, p.8.

^{II} Council on Foreign Relations, *Global Conflict Tracker, Al-Shabaab in Somalia*, 2018.

^{III} ODI, *Counter-Terrorism and Humanitarian Action Tensions, Impact and Ways Forward*, October 2011, p.9.

This uncertainty contributes to a culture of self-censorship, illustrated by the fact that even in Somalia, where a humanitarian exemption to sanctions is in place for some organisations, they are still not operating in areas under the control of DTGs.

Research and debate on the impact of counterterrorism measures on humanitarian operations to date has focused on donor requirements and legislation passed by donor

countries. During the research for this study, however, interviewees also expressed concern around the impact of domestic laws in areas of operation and their ramifications, particularly for national staff who engage with non-state armed groups in course of negotiating access.

"We don't understand the domestic legal landscape. We can say up and down that you are protected under international law, but if you get nabbed by national security on your way back

from a Taliban held area, we don't know if you just broke a domestic law," said one interviewee in Afghanistan. Similar concerns also arose in Iraq, where domestic counterterrorism law allows broad powers of arrest.

The general lack of clarity is complicated by donors' mixed messages and humanitarian organisations' reluctance to raise the challenges presented by counterterrorism measures with them. It was clear that organizations were reticent about having open conversations with donors, even those who provide financial and rhetorical support for efforts to negotiate with armed groups for access to hard-to-reach areas. According to one interviewee based in Afghanistan: "Donors push programming in hard-to-reach areas publicly, but it is not possible to get to some of these areas without making difficult choices. I think if we confronted them with a real dilemma, they would be very uncomfortable. It's a don't ask, don't tell relationship."

The same issue was reported in Somalia, where interviewees said that some donors encouraged organisations to increase programming in hard-to-reach areas, but did not give assurances that they would not suffer negative consequences because of their engagement with Al-Shabaab, and the "difficult choices" this would clearly entail. Donors' reluctance to engage fully in these complex issues reflects the challenges they themselves face in getting guidance. "Asking for clarification from headquarters is not helpful. We get no answers or a very conservative one," said one interviewee.⁵⁷

Fear of getting a "conservative answer" also affects humanitarian organisations' ability to have constructive conversations with donors about counterterrorism measures. This was clearly seen in Somalia, where organisations approached donors to discuss expanding the humanitarian exemption, beyond the limitation to UN agencies, their partners and organisations with UN-observer status. Some organisations wanted to push for the exemption to cover activities rather than organisations, but the donors responded that there was no humanitarian exemption at all in Syria and other countries in conflict, and that the organisations should not push their luck.

This effectively stifled further discussion of the issue because the organisations were concerned that "if we push to expand the carveout, it could be eliminated altogether." There was a sense that the

donors, many of whom are Nairobi-based, did not want to engage in discussions about challenges and were more worried about reputational risks associated with diversion and corruption. One interviewee said that some donors willingly engaged in discussions about the challenges of principled humanitarian action in Somalia, but that they had not developed concrete ways to help them to reach areas controlled by Al-Shabaab.

Some interviewees from humanitarian organisations expressed dissatisfaction with the level of support they received from their own headquarters on counterterrorism measures. When field-based staff sought guidance on issues such as negotiating with non-state armed groups or dealing with sanctions requirements, headquarters sometimes gave unhelpful or inhibiting responses, and at times no response at all. The interviewees put this down to a lack of understanding of the issues and concerns about legal liability, which may encourage field staff to adopt a "don't ask, don't tell" approach.

3.3 INTERNAL IMPACT

Seventy-eight per cent of surveyed respondents stated that counter-terrorism regulations directly affect their work and/or the work of their organisation. Of these respondents, 71 per cent reported increased compliance and administrative burden. It would not be accurate to portray this increased focus on compliance as solely the result of counterterrorism measures, but the trend does reflect the growing complexity of requirements that donors impose on humanitarian organisations.

Many organisations have several staff members dedicated to ensuring compliance with donor requirements. The use of privately-run online databases to screen potential partner organisations and service providers has also become common, with 40 per cent of survey respondents saying their organisation uses an external database to vet suppliers, staff, or beneficiaries. Some organisations purposely over-apply donor compliance requirements and screen all potential contractors and partners rather than just those who pass a certain spending threshold in an effort to ensure they do not omit an entity from the process inadvertently.

Some interviewees responsible for the screening process indicated that it did not increase their

IMPACT OF COUNTERTERRORISM MEASURES ON ACCESS TO FINANCIAL SERVICES

Counterterrorism measures place increasing pressure on NGO's ability to access financial services. Banks have ever less appetite for risk as they seek to comply with sanctions and counterterrorism and money laundering regulations in a tougher regulatory environment.ⁱ The phenomenon of "de-risking", in which banks refuse to offer services such as accounts or transfers in order to minimise their own exposure to accusations of facilitating terrorist financing, is becoming a significant restraint.

Banks' reluctance to give humanitarian organisations access to financial services is driven by a belief that they are high-risk customers. The basis for this dates back to 2001, when the Financial Action Task Force (FATF), the international body responsible for setting global counterterrorism financing standards, issued Special Recommendation VIII (later becoming known as Recommendation 8), which identified non-profit organisations (NPOs) as particularly vulnerable to being exploited for terrorist financing purposes.ⁱⁱ Governments translated the recommendation into domestic banking regulations, and banks became increasingly cautious in their dealings with NPOs as a result.

FATF revised the recommendation in 2016, directing countries to undertake a more nuanced risk management-based approach when developing counterterrorism financing measures to avoid the disruption of "legitimate non-profit activities".ⁱⁱⁱ Governments, however, have not issued new regulatory guidance and humanitarian organisations' access to financial services has not improved. Humanitarian organisations are not sufficiently included when governments and FATF carry out reviews of domestic counter terrorist financing regulations. Banks continue to take a risk avoidance rather than a risk management approach.

Nor are FATF recommendations banks' only concern. The extraterritorial reach of the US Office of Foreign Assets Control (OFAC), which enforces economic and trade sanctions, has a major influence on both US and international financial institutions. Given that most dollar transactions pass through the US, "even if both sender and recipient are located outside the US,

these transactions are within OFAC's jurisdiction".

^{iv} Failure to comply with OFAC regulations could have major reputational and operational consequences for banks, including the withdrawal of US banking licenses.^v

With enforcement actions against banks for counterterrorism financing and sanctions violations growing, the de-risking of humanitarian organisations is becoming increasingly common. As a result, they find it difficult to transfer money, particularly to countries where DTGs have a presence. Transfers may be subjected to lengthy delays because of the burdensome due diligence requirements the banks impose. Banks commonly request large volumes of information, including beneficiary lists or the details of small private donations. Banks also use background check software to research connections with DTGs. False positives are common when using this software, and even completely unfounded accusations against organisations made on personal blogs can have lasting effects on their access to financial services.

These requirements are often the result of banks' lack of clarity about what regulators legally require of them to demonstrate that they have taken adequate steps to guard against financing terrorism. They are also sometimes driven by a lack of understanding of humanitarian organisations' operations and risk management procedures. Banks are under no legal obligation to give organisations advance notice before de-risking them or to inform them about why they have done so.

De-risking disproportionately affects organisations with certain profiles, such as smaller organisations who may not have the compliance capabilities of larger organisations. Impacts are particularly concentrated among Muslim faith-based organisations, some of which find it virtually impossible to transfer funds to the countries where they operate. A representative from one such organisation said: "Our bank will not allow us to transfer funds to several of our key areas of operations, including Syria, Iraq and Jordan. In some countries we have to use other INGOs as implementing partners as a result. Banks place a huge burden of due diligence on us. We are asked to provide the details of all of our donors, even those that give five dollars or less."

De-risking's impact on humanitarian operations is clear; it leads to significant programming delays. "We have faced constant challenges in transferring money into Syria", said a representative from one international NGO. "We have to use a correspondent bank to transfer funds from the country where our headquarters is based in to Syria. In December 2017 our correspondent bank stopped transferring money into Syria with no explanation or warning. It was year-end, we had a lot of payments to make, but we could not get money into the country. This caused delays of around six weeks to our programming. We found another correspondent bank, but a few months later the same thing happened again. We are now on our third correspondent bank, and we have no idea if or when they will stop facilitating transfers to Syria with no advance warning."

De-risking is ultimately counterproductive to efforts to reduce terrorist financing, as it forces organisations to use informal, unregulated methods, such as cash carrying and *hawala* to transport cash. "The troubles we have as organisations that work in areas with terrorist activity make our banks push us out of the formal system, but we then become more high risk," one

interviewee said. "We have to do large irregular transactions, holding money in warehouses, increasing risks of looting, and therefore increasing the actual risk of terrorist financing."

There is an inherent contradiction in organisations being granted money by donor governments on the one hand, and on the other, not being allowed to transfer that money to where it is needed owing to regulatory restrictions and banks' risk avoidance. As donors increasingly encourage the use of cash-based programming, de-risking is likely to become an even greater barrier to humanitarian operations. Should this trend continue, banks will effectively dictate where humanitarian organisations can operate.

^I Tom Keatinge and Florence Keen, *Humanitarian Action and Non-state Armed Groups: The Impact of Banking Restrictions on UK NGOs*, April 2017, p.7.

^{II} FATF, *IX Special Recommendations*, October 2001.

^{III} FATF, *Outcomes of the plenary meeting of the FATF*, June 2016.

^{IV} Tom Keatinge and Florence Keen, *Humanitarian Action and Non-state Armed Groups: The Impact of Banking Restrictions on UK NGOs*, April 2017, p.10.

^V *Ibid.*

workload significantly, but most said that vetting and due diligence requirements caused delays in implementation and an increase in support costs.⁵⁸ Some also said it made it more difficult for NGOs to achieve their efficiency targets.

The growing focus on compliance also adds to the complexities faced by organisations operating in Syria, Iran, Gaza and other contexts in which states or armed groups are subjected to sanctions, or where sanctioned individuals are in power. In Syria, the US has imposed commodity-based sanctions against the Syrian government, meaning that any item more than 10 per cent of which is produced in the US needs clearance from the Bureau of Industry and Security (BIS) to enter the country. Getting this clearance is a time-consuming and burdensome process, but the laptops, phones and software staff need depend on it.

Even simply understanding how the process works is extremely time-consuming. "It took us two years to gain an understanding of our obligations to US licensing control," one interviewee said. Private entities, including banks, must also comply with sanctions and other counterterrorism measures. The restrictions they apply as a result have a significant impact on humanitarian organisations' access to financial services, as discussed in the box above.

The impact of vetting and due diligence requirements on programmes varies from one organisation to another, but is particularly felt by smaller local organisations which tend not to have the financial resources required to comply. Interviewees in both Somalia and Nigeria highlighted the fact that small local NGOs have access to areas that UN agencies and international NGOs are unable to get to, but that their risk management capacity is low and as a result they are excluded from funding opportunities.



Larger organisations can enter into partnerships with these NGOs, but donors often require counterterrorism compliance requirements to be passed on to them in “flow down” clauses, which are often poorly understood by the sub-grantees and difficult to operationalise. These requirements are a significant barrier to the realisation of the commitment to channel 25 per cent of humanitarian funding to local and national responders by 2020.⁵⁹ This commitment forms part of the Grand Bargain, an agreement between donors and aid agencies to improve the effectiveness and efficiency of humanitarian aid.

Uncertainty about legal liability and compliance challenges also results in poor coordination, because organisations are unwilling to share their concerns or experiences on counterterrorism measures. As they come under increasing scrutiny and competition for funding increases, reputational risks are a significant consideration. Even within the safe space of NGO-only consortia and fora, information sharing on challenges related to counterterrorism measures is rare.

This means that organisations struggle to develop strong common advocacy positions on counterterrorism issues, and that opportunities to learn from one another’s experiences are limited. The exemption to the Somalia sanctions was adopted after a concerted advocacy campaign by humanitarian organisations. Despite the clear benefits that similar exemptions could have elsewhere, there have been no similar efforts to persuade UNSC to adopt them.⁶⁰

4

MITIGATION MEASURES AND COPING MECHANISMS

This section outlines some of the mitigating measures and coping mechanisms, both positive and negative, that organisations use in an effort to minimise or avoid the negative consequences of counterterrorism measures, and to reduce their impact on principled humanitarian action.

4.1 RISK MANAGEMENT APPROACHES

One of the seven recommendations of the 2013 OCHA and NRC report was for humanitarians to “work together to more effectively demonstrate and strengthen the implementation of the different policies, procedures and systems used to minimise aid diversion to armed actors, including those designated as terrorist, and better communicate how they weigh such efforts against programme criticality and humanitarian need”.⁶¹

In the five years since the report was published, the development of policies, procedures and systems to minimise aid diversion and similar risks has received considerable attention, and this is reflected in the survey results for this study. Fifty-three per cent of respondents said their organisations had established written policies and procedures to ensure compliance with counterterrorism measures, including due diligence procedures, codes of conduct and human resources policies.

That said, however, respondents said there was a lack of clarity within their organisations about how, when and why the procedures should be used, which suggests that work remains to be done on the communication element of the 2013 recommendation. Several interviewees stressed the importance of increasing operational staff’s understanding of counterterrorism measures, and related issues such as sanctions and licensing.

Based on the recommendation from the 2013 report mentioned above, NRC developed its Risk Management Toolkit for Counterterrorism

Measures in 2015. It sets out practical steps that humanitarian organisations can take to improve their risk management, supported by the humanitarian principles. It includes guidance on partnership agreement language, and ensuring that codes of conduct and human resources and anti-diversion policies are established and implemented.

It was rolled out in 2016 with inter-agency workshops in Nairobi, Gaziantep and Kabul. Research for this report, however, suggests that awareness of the toolkit is not high, partly because of its limited rollout and high staff turnover. Those interviewees who were familiar with it said it was a useful resource, but that more work needed to be done to ensure broader awareness and use.

4.2 REMOTE MANAGEMENT

Remote management is the practice of withdrawing international or other staff deemed to be at risk while transferring programming responsibilities to local staff or partner organisations.⁶² It is often referred to as a temporary measure of last resort in the face of extreme insecurity, but it has become increasingly common in recent years.

This cannot be attributed to counterterrorism measures alone, though they do play a role as discussed above. It is also a response to an array of other developments in the sector, including the perception that humanitarian work has

become more dangerous, a resulting increase in risk aversion and the need to comply with organisational security rules while also responding to needs.⁶³

When combined, these factors create an emphasis on avoiding exposure to risk in areas under the control or influence of non-state armed groups, rather than on mitigating risk and engaging in negotiations to secure access and acceptance.⁶⁴ This leads to the outsourcing of risk to national staff or local partners. The growing use of remote management has led to a greater focus on the development of organisational policies and guidance, and the use of new technologies to ensure better communication and monitoring systems.⁶⁵

In practice, however, the approach does little to reduce the risk of falling foul of counterterrorism measures. Donors often include 'flow down' clauses in grant agreements, stating that any subgrantees must adhere to the same counterterrorism-related obligations. Flow down clauses are often poorly understood, and difficult to operationalise; local NGOs do not have the same compliance and due diligence capacities that large international organizations do. International organisations are unlikely to have detailed oversight of whether and how local partners engage with armed groups. Local organisations in turn may be reluctant to inform their international partners about the challenges they face for fear of their funding being withdrawn.⁶⁶

4.3 EXEMPTIONS

UNSC sanctions regimes are among the main counterterrorism measures that affect principled humanitarian action. They are legally binding on member states, thereby becoming binding on humanitarian organisations. Many states' domestic laws also criminalise material support for DTGs. This includes the payment of taxes or fees at checkpoints and other incidental payments that organisations may have to make when operating in areas under their control. The 2010 *Holder v Humanitarian Law Project* case in the US reflected the broad nature of the definition of material support, which includes training in constructive topics such as international humanitarian law.⁶⁷

Despite the clear tension between these measures and principled humanitarian action, few counterterrorism regulations exclude humanitarian operations from the reach of their proscriptions. If written and used effectively, exemptions could prove to be one of the most efficient methods of protecting humanitarian organisations and staff from sanctions regimes and counterterrorism measures, allowing them to carry out their work without the risk of breaking the law.

This is acknowledged in the 2015 High Level Review of UN Sanctions, which recommends that "standing exemptions for humanitarian actors should be adopted".⁶⁸ The only UNSC sanctions regime that exempts humanitarian action, however, was adopted for Somalia in 2010, after focused advocacy efforts by humanitarian organisations.⁶⁹ Since then, there has not been a similar concerted effort to persuade the UNSC to adopt an exemption in other contexts. This is largely owing to a lack of consensus among humanitarian organisations, which has stifled the development of common advocacy positions. Some fear that exemptions will ultimately limit their operations, either by encouraging UNSC to exempt specific activities and thereby seemingly prohibiting others, or by implying that exemptions are always necessary.⁷⁰

4.4 INFORMAL TRANSFER METHODS

As banks increasingly engage in de-risking, humanitarian organisations are pushed to seek informal transfer mechanisms to get money into countries or areas in which DTGs have a presence. As a result, the use of hawala, a traditional transfer system that operates outside of formal financial channels, has become increasingly common among NGOs.⁷¹

For organisations operating in areas where bank transfers are restricted, the hawala system offers an attractive alternative because it allows money to be moved quickly and widely with less of a due diligence burden. Transfers are based on trust, family connections and agents' need to maintain their position in local networks, and are often safe and reliable.⁷² However, the use of an unregulated financial service in a conflict environment does present risks.⁷³ Use of a less traceable form of money transfer in such contexts may make it harder to combat issues such as terrorist financing.



The use of *hawala* can also be costly. According to an interviewee working in Syria “In opposition-held areas, we have to use *hawalas* to make transfers,” said one interviewee working in Syria, referring to a traditional system used in Arab and South Asian countries. “Donors are aware we use this system and are mostly OK with it, though we have experienced some additional screening by OFAC as the payments are in US dollars. *Hawalas* charge three to four per cent on the dollar. Donors will cover this cost, but they have not increased grants to compensate for the increased cost of the transfers.”

The use of cash-carrying has also increased in response to de-risking. This method sees staff of humanitarian organizations transporting large amounts of cash on their person, often at significant personal risk. One interviewee described entering Syria carrying €500,000 (\$591,000) hidden in their clothes: “after doing that trip twice, I refused to do it a third time.”

4.5 ADVOCACY

Advocacy on the impact of counterterrorism measures and P/CVE on principled humanitarian action is hampered by difficulties in establishing joint positions. Organisations have differing views on the latter, fed in part by a poor understanding of the concept, and on the former they are reticent

about sharing information for fear of negative consequences. There is concern about stepping outside a “don’t ask, don’t tell” approach on the basis that raising issues with donors may lead to further constraints on operations.

De-risking has proved a relatively straightforward area for joint advocacy, perhaps because its impact is relatively easy to demonstrate, and it is somewhat removed from ‘don’t ask, don’t tell’ issues, such as negotiations with DTGs. Advocacy in this area is supported by an increasing body of research focused on the impact of de-risking on NGOs. The Global NPO Coalition on FATF has been successful in ensuring that non-profit organisations are engaged in debate and policy development regarding counterterrorism financing and its impact on access to financial services and de-risking. The four core members of the coalition have been granted seats on FATF’s private sector consultative forum, allowing NPOs’ concerns to be raised directly. The 2016 revision of FATF’s Recommendation 8 represents a success, despite the limited progress in implementing the revision to date. The coalition also engages with a variety of key stakeholders, including the World Bank (WB), which developed four workstreams on de-risking in 2017. The workstreams focus on increasing understanding between banks and NPOs; exploring technological solutions to facilitate transfers; and clarifying due diligence and regulatory requirements.⁷⁴

5

CONCLUSION AND FINDINGS

This study has endeavored to update the evidence base on the impact of counterterrorism measures on principled humanitarian action contained in the 2013 report commissioned by OCHA and NRC. Its findings broadly suggest that little has changed for the better in the last five years. If anything, the impacts identified in 2013 have become more entrenched. The “don’t ask, don’t tell” approach remains in place, and the lack of open discussion between donors and humanitarian organisations means the latter continue to self-censor. This sometimes results in aid not being delivered to those in need purely on the basis of their geographical location in areas under the control of DTGs.

Chief among developments during the last five years is the phenomenon of de-risking, whereby banks refuse to provide services, including transfers, for humanitarian organisations to minimise their own exposure to the risk of facilitating terrorist financing. Impact on access to financial services is included in the 2013 report, but de-risking has become a widespread issue in the intervening period. This has prevented some organisations from making transfers to areas of operation, and led to significant delays in programming. It has also increased the use of informal transfer methods such as hawalas and cash carrying, the latter often at considerable risk to the personal safety of the carrier.

Research on P/CVE also revealed its structural impact on principled humanitarian action. Funding for P/CVE is increasing, but the concept remains “fluffy” and poorly defined. This lack of clarity, combined with a competitive funding environment may lead humanitarian organisations to disregard the implications of the political motives that often lie behind the P/CVE agenda. Developing programmes based on the belief that certain communities are more likely to support violent extremism based on their religion or other factors may support a politically driven negative narrative about them and clearly contradicts the principle of impartiality. Even organisations that make a conscious decision to avoid P/CVE funding may face perception problems if others accept it.

In light of ongoing humanitarian reform and the impetus to increase collaboration between the humanitarian, development and in some cases the peace-building sectors, the need to address the impacts of counterterrorism measures and the P/CVE agenda is becoming ever more urgent. The landscape is becoming increasingly complex for humanitarian organisations, with the risk of humanitarian efforts being linked to political, security or development agendas. These issues have not been given adequate attention in discussions on the UN’s New Way of Working, Humanitarian Development (and Peace) Nexus, or the Grand Bargain.

The research for this study, however, confirmed the finding of the 2013 report that open dialogue is difficult to engender. Donors are not always clear enough about what they expect from the recipients of their funding or what is acceptable in terms of activities in areas where DTGs are active or present. Humanitarian organisations are reluctant to share their concerns openly, not only with donors but also among themselves. The fear of getting a “conservative answer” prevents constructive conversations with donors about counterterrorism measures, and the lack of a collective approach among the organisations themselves adds to the confusion and stalemate.



The structural impacts of counterterrorism measures complicate efforts to meet donors' requests for concrete examples of operational impacts of these measures. As evidenced in Nigeria, counterterrorism measures restrict humanitarian organisations' work in areas under the control of DTGs. Organisations without activities in these areas will find it difficult to provide clear examples of operational impacts of counterterrorism measures on their programmes.

Five years after the publication of the 2013 report, humanitarian organisations continue to struggle with the impacts of counterterrorism measures on their work, and the growing P/CVE agenda represents a further threat to principled humanitarian action. Unless a balance is found, it risks being undermined by political, security and development objectives. Humanitarians do not object to attempts to combat terrorism, but they are not mandated to join the fight. Humanitarian organisations must leverage their collective voice to advocate on this issue, while states and donors have a responsibility to enable the delivery of aid to those most in need, on the basis of needs alone.

TO DONORS AND THE HUMANITARIAN COMMUNITY

Engage in open dialogue about the impacts of counterterrorism measures and P/CVE on principled humanitarian action

Rather than openly discussing the challenges and dilemmas inherent in counterterrorism measures, both donors and the humanitarian community tend to adopt a counterproductive “don’t ask, don’t tell” policy. As a result, existing coordination mechanisms have not been successful in gathering concrete information on the issues faced. Field-level discussions organised during the rollout of NRC’s Risk Management Toolkit for Counterterrorism Measures showed, however, that when concerted efforts are made to encourage transparency and inclusivity, with external facilitation, donors and humanitarian organisations do share information willingly and openly.

Greater use of this kind of dedicated forum should be explored to allow for focused dialogue between donors and the humanitarian community about concerns and challenges at the country level. The outcomes should feed into global-level policy discussions, including IASC working groups, which could develop policy suggestions accordingly.

Include the impacts of counterterrorism measures and P/CVE in ongoing humanitarian reform discussions

Given the potentially significant impacts of counterterrorism measures and P/CVE on key areas of humanitarian reform, they should be given more prominence in discussions about the Grand Bargain, the New Way of Working and the Humanitarian Development (and Peace) Nexus. More specifically, counterterrorism measures should be included for discussion within the Grand Bargain’s localisation workstream, given their significant impact on support for local and national responders. Organisations engaged in discussions on the New Way of Working should ensure that both counterterrorism and P/CVE issues are addressed at field stakeholders gatherings.

Ongoing discussions about collaboration between the humanitarian, development and peace-building sectors should examine the impact of P/CVE funding on humanitarian operations at the field level. IASC’s task team on the humanitarian-development nexus should encourage dialogue on the issue within the community of practice network.

TO DONORS

Give humanitarian organisations greater clarity on the application of counterterrorism clauses

While in some contexts ‘constructive ambiguity’ is preferred by humanitarian organisations, who do not want to run the risk of getting a conservative answer from donors, ultimately clarity and transparency regarding expectations and requirements is needed in order to enable organisations to make informed decisions and give their field staff clear guidance. Donors should encourage grantees to approach them with requests for clarification on these issues, and be ready to provide clear, enabling answers.

Explore innovative ways of minimising the impact of counterterrorism measures on humanitarian organisations

Government donors often take a zero-tolerance approach when it comes to counterterrorism and other associated risks such as corruption and the diversion of aid. They should, however, try to combine this with a “good humanitarian donorship” approach on a case-by-case basis that acknowledges the complex situations in which humanitarian organisations operate.

Research for this report suggests that the possibility of donors sharing risks with grantees has begun to receive some attention, albeit limited. Donors and grantees should explore a risk-sharing framework to address the asymmetry in contracts under which humanitarian organisations shoulder the bulk of the associated risks. Under such a framework, donors could consider sharing costs that arise from the diversion of aid and other risks.

This would not reduce humanitarian organisations' legal obligations to comply with counterterrorism measures, nor would it mitigate their reputational and other non-financial risks, but it would go some way toward ensuring they were distributed more equitably. Such an approach could be addressed as one of the core elements of the quid pro quo principle of the Grand Bargain.

Maintain a clear separation between P/CVE and humanitarian funding to protect principled humanitarian action

As donors dedicate more funding to P/CVE programmes, they should be transparent about their aims and conscious of the consequences for principled humanitarian action. They should also ensure that any increase in P/CVE funding does not entail a reduction in their support for humanitarian responses, and that organisations are not encouraged to engage in P/CVE programming on the basis of the availability of funding, to the detriment of responses to humanitarian needs.

In humanitarian and development situations and those that involve integrated missions, donors should engage in open dialogue with grant recipients about the challenges that P/CVE programming poses for principled humanitarian action, particularly related to issues of perception.

TO GOVERNMENTS

Ensure that the UN Office for Counter-Terrorism includes humanitarian organisations in discussions

More dialogue is needed between the UNOCT and humanitarian organisations in order to ensure that the impact on humanitarian action is taken into account when developing and revising the UN's Global Counter-Terrorism Strategy. To date, efforts to establish dialogue have had limited success. Member states must push the office to ensure discussions are not confined to governments alone.

Include exemptions in sanctions regimes and counterterrorism legislation to reduce their impact on principled humanitarian action

If worded and applied correctly, exemptions can be an effective way to limit the negative impact of counterterrorism measures. Future exemptions would need to be broader in scope

than that enacted for Somalia, which is limited to UN agencies, their partners and organisations with UN observer status, and which states do not have to include in domestic law. To ensure exemptions are effective and that they do not limit principled humanitarian action, UNSC, the EU and states that impose sanctions and enact counterterrorism legislation should engage with humanitarian organisations to assess their possible impact before they are adopted. Once sanctions have been imposed, their impact on humanitarian organisations should be assessed regularly.

Facilitate regular dialogue between humanitarian organisations, banks, financial regulators and other government departments to limit the impacts of de-risking

Significant efforts must be made to strike a balance between countering terrorist financing, and its unintended consequences on humanitarian operations. All stakeholders should engage in dialogue to address concerns, clarify compliance requirements and guard against unintentionally conflicting outcomes in the development and implementation of counterterrorist financing policy. The outcomes of such national level dialogues could include a checklist of information required by banks from humanitarian organisations to facilitate transfers, and agreement on steps to be taken to implement FATF's revised Recommendation 8, which removed the claim that aid organisations are 'particularly vulnerable' to terrorist abuse and urged a proportional, risk-based approach to dealing with them.

It should also be acknowledged that quick solutions to de-risking do not necessarily lie at the state level. Given the international nature of banking and OFAC's pivotal role in US dollar transfers in particular, banks are likely to remain conservative in their dealings with humanitarian organisations. Multilateral dialogue at international level is also required, between governments, financial institutions, the World Bank, and humanitarian organisations. Governments should also raise the issue with the G-20 and G-7, who have significant power to influence this issue.

Finally, donor states with influence in the banking sector should liaise with humanitarian organisations to push jointly for the coordinated development of innovative safe transfer solutions. Such solutions would need to address the underlying causes of derisking, including banks' risk avoidance.

TO THE HUMANITARIAN COMMUNITY

Develop common advocacy positions on minimising the impact of counterterrorism measures

To break the current stalemate, up-to-date evidence to support the development of strong advocacy positions should be gathered in multilateral dialogues like those outlined above, INGO forums and access working groups. Evidence should be consolidated and developed at the global level by IASC subsidiary bodies, such as the reference group for principled humanitarian action. The issue also requires engagement at a higher level, including the IASC working group and emergency directors group. The establishment of humanitarian exemptions in particular requires strong joint advocacy on the issue by humanitarian organisations, of the kind not seen since 2010, when it led to the Somalia exemption.

Explore solutions to current financial access restrictions

Humanitarian organisations should continue to engage with one another and with other stakeholders, including government representatives, financial regulators, banks, FATF and the World Bank on the issue of de-risking. The Global NPO Coalition on FATF remains a key forum for information sharing on financial access, but wider engagement from humanitarian organisations is needed.

Continued dialogue within the humanitarian community should focus on gathering evidence and sharing information about the impact of de-risking and the costs of complying with banks' due diligence requirements to support joint advocacy on the issue. Humanitarian organisations should also explore alternative safe transfer methods in coordination with supportive donor states.

Develop practical, context-specific guidance to ensure field staff have the information they need to carry out their work

Humanitarian organisations' head offices should do more to provide staff with necessary guidance. NRC's Risk Management Toolkit for Counterterrorism Measures has proven useful in giving direction when dealing with compliance and due diligence measures. This should be built on to

develop further guidance for field staff and adapt it to specific situations to help prevent risk aversion caused by confusion and the "don't ask, don't tell" approach. Future versions could be adapted to different situations, reflecting best practice on sanctions and humanitarian licensing where relevant. Given the growing phenomenon of bank de-risking, advice on how to approach banking in areas considered risky in terms of terrorist financing could also be included. By building on and expanding the use of the toolkit, organisations could proactively allay legitimate donor concerns while minimising the impact of counterterrorism measures on principled humanitarian action

Different organisations may have different positions on accepting P/CVE funding and these may also vary from one context to the next, but clarity in so far as it is possible would help to ensure that humanitarian organisations do not adjust their programming to support political or security agendas rather than responding exclusively to needs, whether inadvertently or deliberately.

Guidance and practical tools should be developed and rolled out in close consultation with field offices, and should focus on the following:

- Compliance with counterterrorism measures at all levels, including local legislation and donor requirements. A specific section on counterterrorism requirements could be included in training courses on issues such as anti-bribery and corruption measures, which are already mandatory in many organisations.
- Engagement with non-state armed groups, whether designated or not
- The use of humanitarian exemptions and licenses, with a focus on clarifying legal parameters and application processes
- Evidence-based risk analysis to ensure informed decision making rather than risk aversion at the field level
- Acceptance of P/CVE funding

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