**Explanatory Note on the Supervision Mechanism for the Risk of Financial Sanctions Violations in Financing NGO Projects**

1. **Screening of Stakeholders**

AFD requires CSOs to screen the Stakeholders financed in the context of the grant allocated (suppliers/service providers, staff and implementing partners, including beneficiaries of reallocations).

To this end, AFD continues to offer support to CSOs on how to use the single assets-freeze list available free of charge on the DG Treasury website (public URL connection: https://gelsavoirs.dgtresor.gouv.fr/) which compiles the various lists of applicable sanctions.[[1]](#footnote-1) The CSO can also purchase an automatic screening tool solution from specialized publishers.

The beneficiaries of AFD funds are responsible for the depth and frequency of the due diligence and the means employed to comply with any prohibition on making funds available.

1. **Specific provisions on screening aid recipients**

*N.B.*: It is only when the financing allocated by AFD comprises cash transfers (cash for work, per diems for people to attend a workshop, training, scholarships, etc.), or when goods with marketable value are provided (livestock,[[2]](#footnote-2) equipment,[[3]](#footnote-3) inputs, etc.), that the ban on providing funds or economic resources to a person subject to sanctions applies and requires AFD’s counterparties to deploy means to comply with it.

In other cases: food support,[[4]](#footnote-4) medical kits,[[5]](#footnote-5) access to a medical or school service, etc., these provisions do not apply.

Compliance with this prohibition is subject to specific provisions in three cases:

1. *Humanitarian exemption and derogation obtained from the competent authorities*

* If the project qualifies for a humanitarian exemption:[[6]](#footnote-6) if the country where the financing is deployed is covered by a Humanitarian Response Plan (HRP) or a UN Flash Appeal (OCHA or UNHCR) and the project is implemented in one of the fields covered by this HRP or Flash Appeal
* If the CSO has a derogation obtained from the Competent National Authority (CNA) with regard to sanctions and is able to submit the corresponding authorization to AFD Group.

1. Exceptions for projects targeting certain population groups

If the projects target certain population groups, without being eligible for the humanitarian exemption related to the purpose of the action financed, *i.e.*:

* Minors;
* People whose identity must be protected due to the persecution they suffer “for reasons of race, religion, nationality, membership of a particular social group or political opinion”, as defined by the Geneva Convention of 28 July 1951, or people persecuted for their actions in favor of liberty, within the meaning of paragraph 4 of the Preamble to the French Constitution of 1946;
* People who have no official identity documents.

For these categories of people, an analysis is conducted on a case-by-case basis, depending on the specific constraints making screening impossible (when there are no identity documents), or inapplicable (due to the age or the imperative need to protect the identity of individuals: *e.g.*, people living with HIV or threatened due to their gender identity), in order to adjust the procedures or decide whether or not to exempt all or some of the final beneficiaries from screening. These cases of exemptions must be specifically justified by the CSO requesting this during the appraisal: they are subject to an opinion from the Compliance Department, and the Board of Directors or its specialized Committees (including the NGO Committee) are systematically referred to for a decision.

1. The use of alternative screening methods

In principle, if the two cases mentioned above do not apply, AFD requests CSOs to screen the beneficiaries of cash transfers or economic resources with an exploitable value, or ensure this by using a payment method whereby the funds go through a bank or an official payment service provider that respects the French, EU and UN sanctions lists.

By way of exemption, AFD may accept that the CSO use alternative means of screening if the procedural framework of the CSO is considered robust with regard to the “Compliance questionnaire: analysis of the system of CSO counterparties”. This questionnaire is completed for each project: *“Compliance* *questionnaire: analysis of the project”*. An analysis of the robustness of the CSO’s procedural framework is systematically conducted. The objective is to enable AFD Group to assess compliance with the principle of proportionality, quality and completeness, as well as the level of maturity of the mechanism to control the risk of non-compliance of CSO counterparties, in particular with regard to risks of money laundering, terrorist financing and prohibited practices (including fraud, corruption and the misappropriation of aid). This analysis is complemented by the additional information required in the *“Compliance* *questionnaire: analysis of the project”*. This additional information is used to determine the quality and robustness of the means put in place by the CSO in the case of cash transfers or the provision of economically exploitable resources to aid recipients:

* For this type of component, if the CSO indicates that it will screen the final beneficiaries and stakeholders, no additional measure is requested from the CSO on this matter
* If the responses to this questionnaire show that the CSO does not screen the aid recipients and that the project includes cash transfers (apart from cases where it benefits from the humanitarian exemption or a derogation granted by the CNA), or the provision of economically exploitable resources, the analysis of the procedural framework of the CSO serves to assess the robustness of the procedures applied by the CSO:
* If the procedural framework is considered robust, and if the responses to the *“Compliance* *questionnaire: analysis of the project”* are considered satisfactory, AFD may accept an alternative means of screening the aid recipients through a detailed proposal submitted by the CSO;
* If the procedural framework is not considered satisfactory, AFD will provide support, through a service provider it will finance, to help CSOs who are willing to do so develop their procedural framework. In the meantime, the CSOs must screen the aid recipients (AFD may finance the purchase of screening software). Otherwise, AFD Group will not be able to finance the component for cash transfers or economically exploitable resources. *N.B.*: The procedural framework of the CSO will necessarily have to be reassessed when the support provided by AFD is completed

1. It also makes Application Programming Interfaces (API) available to users enabling the lists to be interfaced with the CSO’s information systems.  [↑](#footnote-ref-1)
2. Financing livestock with AFD funding (goats, poultry, buffalos, pigs, etc.). [↑](#footnote-ref-2)
3. This may cover various goods depending on the project, such as agricultural tools, sewing machines, seeds, chemical inputs, etc. [↑](#footnote-ref-3)
4. Financing with funding for food products. [↑](#footnote-ref-4)
5. Kits containing medicines, small medical equipment, etc. [↑](#footnote-ref-5)
6. Exemption provided for in the applicable texts due to the humanitarian purpose of the project, including the resolution adopted by the United Nations Security Council n° 2664 on 9 December 2022.  [↑](#footnote-ref-6)