



CFATF Monthly Article

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What are Non-Profit Organisations (NPOs) and how can they be misused for Terrorism Financing (TF)



Key Definitions

The Risk

The Threat

The Vulnerabilities

The Consequences

Methods of Abuse

**The Requirements of
Recommendation 8**

In this article



Key Definitions – Terrorism Financing

The direct or indirect, wilful provision, collection of funds, and any attempt to do so with the unlawful intention or knowledge that such funds are to be used in whole or in part:

- In order to carry out a terrorist act;
 - By a terrorist; or
 - By a terrorist organisation
- Source: UNSCR 1373



Key Definitions – Terrorism Financing (2)

Terrorism Financing includes:

Financing the travel of individuals to a State other than their States of residence for the purpose of the:

- Perpetration,
- Planning, or
- Preparation of, or
- Participation in terrorist acts or
- The Providing or Receiving of terrorist training
- The list (facilitated and guided by the Secretariat).

Source: UNSCR 2178



Key Definitions – NPO (1)

A legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”.





Key Definitions – NPO (2)

This is a functional definition of NPO. This definition is based on those activities and characteristics of an organisation which put it at risk of terrorist abuse, rather than on the simple fact that it is operating on a non-profit basis.

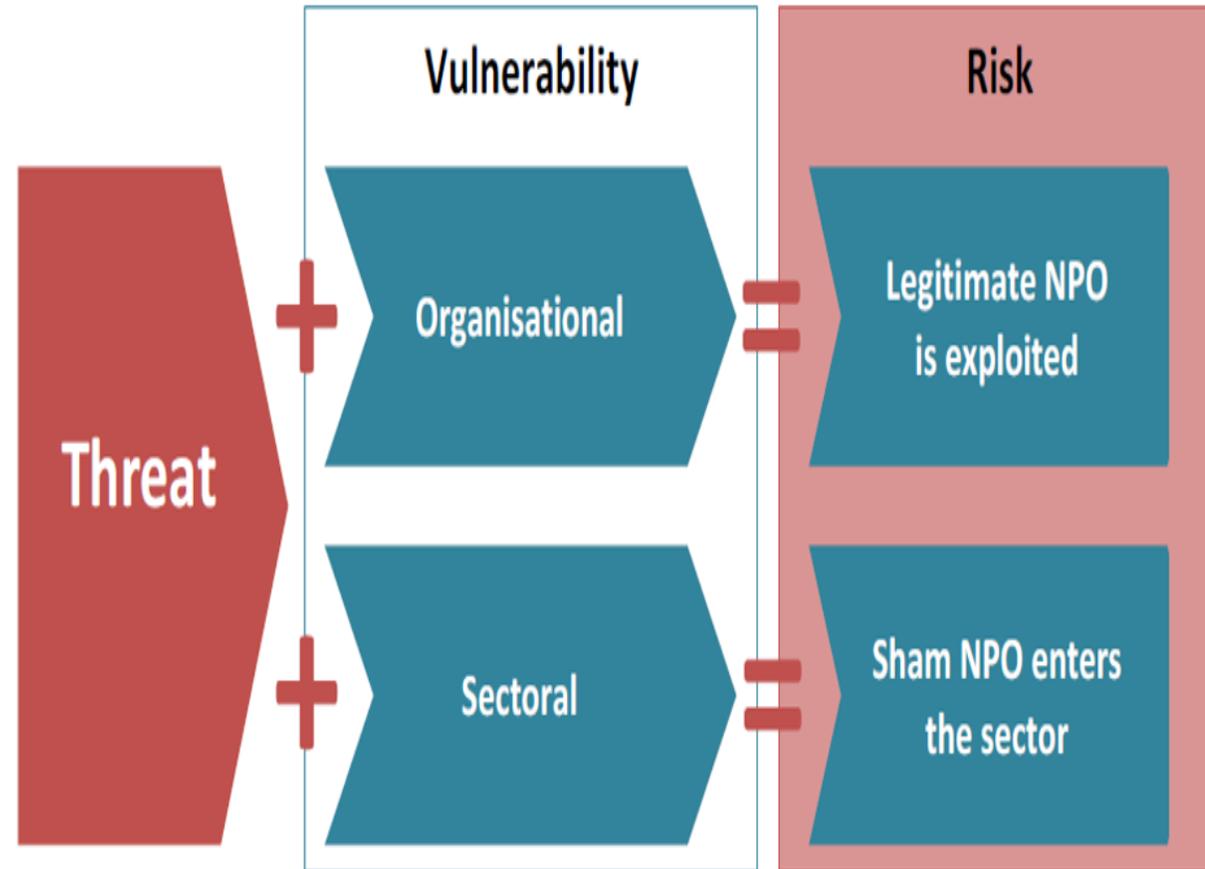


NPOs are of vital importance in providing charitable services around the world and some bridge the gap of the difficulty of providing assistance to those in need, often in remote regions.



Threat+Vulnerability=Risk

The Risk



Risk can be defined as the ability of a threat to exploit a vulnerability. For there to be a risk, both a threat and a vulnerability must be present

The Threat – Terrorists, their organizations and supporters (1)



Terrorist actors will often employ deception to mask their activities; Well-planned deceptions by terrorists abusing the NPO sector.

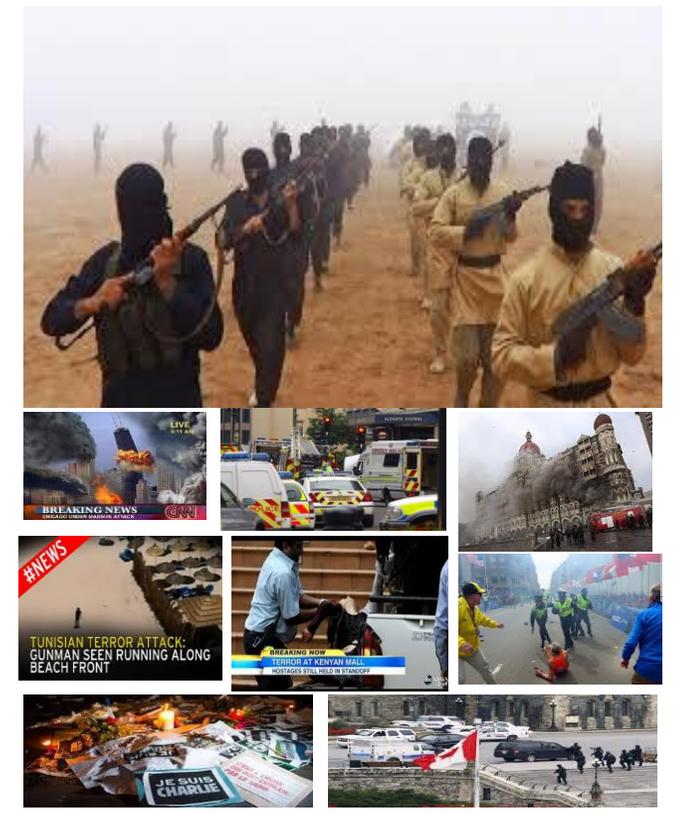
The Threat – Terrorists, their organizations and supporters (2)



Raising,
Collecting
Funds

Moving
Funds

Terrorists and terrorist organisations may exploit some NPOs in the sector to raise and move funds, provide logistical support, encourage terrorist recruitment, or otherwise support terrorist organisations and operations.



Use of Funds



According to the INTERPRETIVE NOTE TO RECOMMENDATION 8, on NPOs:



How are NPOs vulnerable? (1)

NPOs may be vulnerable to abuse by terrorists for a variety of reasons. NPOs enjoy the public trust, have access to considerable sources of funds, and are often cash-intensive. Furthermore, some NPOs have a global presence that provides a framework for national and international operations and financial transactions, often within or near those areas that are most exposed to terrorist activity.



According to the INTERPRETIVE NOTE TO RECOMMENDATION 8, on NPOs:

Depending on the legal form of the NPO and the country, NPOs may often be subject to little or no governmental oversight (for example, registration, record keeping, reporting and monitoring), or few formalities may be required for their creation (for example, there may be no skills or starting capital required, no background checks necessary for employees)



How are NPOs vulnerable? (2)

- Terrorist organisations have taken advantage of these characteristics of NPOs to infiltrate the sector and misuse NPO funds and operations to cover for, or support, terrorist activity.



The Vulnerability of NPOs (1)

Organisational & Sectoral:

- Size
- Type / Structure
- Type of activities/ services provided
- Location of activities
- Donor Base
- Cross-Border activity and financing
- Movement of funds and means of payments
- There is a stronger risk of abuse for NPOs providing service activities “in close proximity to an active terrorist threat”.





The Vulnerability of NPOs (2)

- This may refer to an NPO operating
 - i) in an area of conflict where there is an active terrorist threat; or
 - ii) domestically in a country where there is no conflict, but within a population that is actively targeted by a terrorist movement for support and cover.



In both cases the key variable of risk is not geographic, but the proximity to an active terrorist threat.

Importantly, this does not always correspond to geographic areas of conflict or low-governance.

The Consequences

Legitimate
NPO exploited

Sham NPOs
enter the
sector

- ❑ Terrorist Activity Facilitated.
- ❑ Donor confidence undermined.
- ❑ Integrity of NPOs jeopardised.
- ❑ Disruption of legitimate charitable activities.

This misuse not only facilitates terrorist activity, but also undermines donor confidence and jeopardises the very integrity of NPOs.



Methods of Abuse (1)



Diversion of Funds: (by actors internal & external) partners/individuals acting on behalf of an NPO, diverts funds to a known or suspected terrorist entity.

Affiliation with a Terrorist Entity: An NPO, or an individual acting on behalf of NPO, maintains an operational affiliation with a terrorist organisation or supporter of terrorism.

Abuse of Programming: NPO-funded programmes meant to support legitimate humanitarian purposes are manipulated at the point of delivery to support terrorism

Example of a method of abuse



An NPO was carrying out religious and educational activities domestically, with no foreign activities received over USD 13,000.00 from a foreign organisation known to provide support to a foreign terrorist group.

Subsequent open source research indicated that the NPO's education programs espoused an ideology that was shared by several foreign terrorist groups.

Concerns arose that this shared ideology was being exploited for recruitment purposes for a terrorist organisation.

Methods of Abuse (2)



- Support for Recruitment: NPO-funded programmes or facilities are used to create an environment which supports and/or promotes terrorism recruitment-related activities.
- False Representation and Sham NPOs: Under the guise of charitable activity, an organisation or individual raises funds and/or carries out other activities in support of terrorism; (Two individuals were raising funds domestically for a family member who was fighting alongside a listed terrorist organisation abroad. The individuals, claiming to be representatives of a well-known domestic humanitarian aid NPO, were raising the funds by way of public street collections).

An effective approach to protecting the NPO sector involves the following 4 elements of Rec 8

