

## **TERRORIST FINANCING RISKS AND THE NON-PROFIT ORGANISATION SECTOR**

Non-profit organisations (NPOs) are integral to assisting in providing relief and support to vulnerable groups and in addressing social needs in communities, but at the same time, they can be a target to garner terrorist financing.

The abuse of NPOs erodes public trust and confidence in the sector, which could result in limiting their ability to raise funds to continue to provide social and other support services.

The sector faces a high risk of being abused for terrorist financing based on the nature of their structure, their ability to generate income, beneficiary payment methods used and the large volumes of cash or cross-border transfers donations they can facilitate.

Some NPOs, especially those focused on humanitarian initiatives, may operate in high-risk or conflict zones where there is limited oversight of their activities or operations.

Terrorist groups abuse NPOs as vehicles to channel or disguise the origin or destination of funds.

Certain NPOs that support terrorist activities intentionally overstate expenses and fabricate projects to move money to terrorist organisations. Terrorist groups could create fake NPOs or charities under the guise of collecting funds for “humanitarian aid”.

It is crucial therefore for NPOs to understand how terrorist financing works and the vulnerability of this sector to exploitation.

The Financial Action Task Force (FATF), which is the global money laundering and terrorist financing watchdog, requires the effective implementation of effective risk-based measures to counter potential terrorist financing abuse.

It calls for greater transparency when it comes to the operations of NPOs and financial accountability in their dealings. FATF also encourages information sharing between government, financial institutions and the NPO sector.

A 2024 [terrorist financing risk assessment of the NPO](#) sector in South Africa identified five main threats and seven main vulnerabilities with varying levels of significance and prevalence. The overall inherent risk of terrorist financing abuse of NPOs in South Africa was rated as medium.

The [National Terrorism Financing Risk Assessment](#) published in June 2024, however, indicated a high-risk rating for terrorist financing in South Africa and the abuse of the NPO sector was highlighted as a contributing factor.

**NPOs can protect themselves against exploitation by adopting the following steps:**

- Clearly document the control structures in place indicating all founders, employees and members in the NPO's organogram, policies and procedures.
- Review major donor information to understand whether the donations are lawful
- Review beneficiary information to determine if they are legitimate. NPOs may not provide services or funding to illegitimate beneficiaries.
- Keep records of donors and beneficiaries, as well as transaction records. These records should be made available to NPO regulators.
- Keep a record of operational processes including fundraising and beneficiary distribution processes.
- Inspect beneficiaries where reasonable to determine if funding or services have been used for the intended purposes.
- Opt for using formal banking channels and maintain proper financial records.
- Train staff and volunteers on anti-money laundering and counter-terrorist financing measures.
- Stay abreast of current money laundering and terrorist financing trends and typologies to avoid creating opportunities for the NPO to be abused.
- Maintain transparency in governance and reporting and further collaborate with authorities to report suspicious activities.

NPOs are encouraged to use the free targeted financial sanctions screening tool on the Financial Intelligence Centre website to ensure they are not dealing with persons linked to terrorist activities.

For more information and guidance, refer to the FIC website ([www.fic.gov.za](http://www.fic.gov.za).) The FIC's compliance contact centre can be reached on +27 12 641 6000 or log an online compliance query by clicking on: <https://www.fic.gov.za/compliance-queries/>

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