

**UNITED NATIONS**  
**COUNTER-TERRORISM COMMITTEE EXECUTIVE DIRECTORATE**  
**And the**  
**CENTER ON GLOBAL COUNTERTERRORISM COOPERATION**  
**On behalf of the**  
**UNITED NATIONS COUNTER-TERRORISM IMPLEMENTATION TASK FORCE**  
**WORKING GROUP ON TACKLING THE FINANCING OF TERRORISM**

**Regional working group meeting on preventing  
terrorist financing abuse of the non-profit sector**

*Doha, Qatar*  
*15-17 January 2013*

**KEY OBSERVATIONS OF THE ORGANIZERS**

1. The following summarizes and elaborates some of the key findings and recommendations from the “Regional working group meeting on preventing terrorist financing abuse of the non-profit sector,” held in Doha from 15-17 January 2013. The Center on Global Counterterrorism Cooperation (CGCC) prepared this summary. It is not an official or complete record of the proceedings and does not necessarily reflect all the views of the meeting sponsors or participants.
2. The meeting was the sixth in a process to discuss the risk of terrorist abuse of the non-profit sector and to share good practices and foster cooperation in responding to that risk. In light of the diversity of the sector, it is widely accepted that there can be no “one-size-fits-all” approach to regulating non-profit organizations (NPOs). As such, this initiative has been conceived as a dialogue among key international, regional, and national actors, including representatives from the non-profit sector, to share perspectives, and to gather tools and good practices to protect the sector from abuse. This dialogue, in its global component, was initiated with an expert group meeting in London from 18-20 January 2011. The key observations of the organizers from that workshop are attached. The dialogue continued with regional working group meetings in Bangkok (March 2011), Auckland (November 2011), Nairobi (March 2012), and Buenos Aires (November 2012).<sup>1</sup> Against this background, the Doha meeting provided the opportunity for experts from the Middle East and North Africa (MENA) region to advance the goals of protecting the non-profit sector from terrorist abuse while preserving its ability to provide public goods.
3. The meeting was hosted by the government of Qatar and convened by the United Nations Counter-Terrorism Committee Executive Directorate (CTED) and CGCC on behalf of the UN Counter-Terrorism Implementation Task Force Working Group on Tackling the Financing of Terrorism. It was supported by the governments of Canada, Australia, Sweden, and Switzerland. The Charity Commission of England and Wales collaborated with the organizers and sponsors. Participants included national-level officials with a role in counter-terrorist financing or charities regulation from several governments in the MENA region, as

---

<sup>1</sup> Documents from the previous meetings – including discussion papers and observations of the organizers – are available at: [http://www.globalct.org/ourWork\\_projects\\_preventing\\_abuse.php](http://www.globalct.org/ourWork_projects_preventing_abuse.php)

well as officials from international and regional organizations active in this field. Representatives from the non-profit sector – from both international and domestic non-government organizations – also gathered to provide their perspective on the vulnerability of the sector to terrorist abuse and to reflect on the responses of states and the sector to the challenges that arise.

### *The regional context*

4. Participants noted that there is significant variation regarding the NPO sector and its regulation within the MENA region. Some countries have a very large and diverse NPO sector, while in other countries the sector is much smaller. In several countries in the region, there is tension in some state-civil society relations. Participants were frank in acknowledging the perception that NPO issues are often politicized across the region. That is, governments may tend to be wary of NPO activity that has direct or indirect political implications. (In this regard, some participants suggested that it is important to define “charitable activity” more precisely). In turn, civil society organizations (CSOs) may view government efforts to regulate NPOs as an attempt to constrain or control the sector. In some cases, these perceptions are particularly delicate in the wake of the Arab Spring.
5. In response, participants noted the unprecedented nature of the working group meeting, which set out to generate a dialogue between governments and the sector. There is a demand in the region for such a dialogue. Participants reflected that building trust among all stakeholders is a necessary first step in reducing perceptions of politicization and advancing the goal of proportional regulation of the NPO sector in the MENA region. While noting the many practical barriers that exist in improving state-civil society relations in the region, participants acknowledged the importance of seeking to improve them, including the view that all stakeholders share common interests in this field.

### *Preventing NPO abuse in the MENA region: Practice and prospects*

6. Only a few governments in the region have significant experience in detecting, investigating, and prosecuting cases of terrorist financing through NPOs. However, most have undertaken significant efforts to comply with the prevailing international standard in this area – Recommendation 8 of the Financial Action Task Force (FATF).<sup>2</sup> This has included reviewing the sector, passing new AML/CFT legislation, establishing or enhancing the capabilities of financial intelligence units (FIUs), and creating cross-government mechanisms to coordinate AML/CFT issues. In several cases, charities regulators are represented on committees of this kind. In other cases, intra-governmental cooperation is maintained by regularized contacts and information sharing among regulators, FIUs, and law enforcement.
7. Some states have taken steps to improve their capacity to prevent terrorist abuse of NPOs. For example, they have created specially-tasked units within relevant ministries (such as

---

<sup>2</sup> Prior to February 2012, Recommendation 8 was known as “Special Recommendation VIII.” See [www.fatf-gafi.org/recommendations](http://www.fatf-gafi.org/recommendations). Note also: FATF, *Combating the Abuse of Non-Profit Organizations: International Best Practices*, October 2002 and; FATF, *Interpretative Note to Special Recommendation VIII: Non-Profit Organizations*, February 2006.

ministries for social affairs, which serve as the registrar and regulator for NPOs in many countries). These states have often added and trained staff members to build up expertise regarding the sector. With that said, several government participants underscored the need for capacity building assistance. Particular needs include the construction of registry databases to better manage information about NPOs, and technical assistance regarding the collection and analysis of financial intelligence for FIU officers.

8. Participants noted the importance of registration and/or licensing as a means to gather information on, and develop knowledge of, the NPO sector. Counterterrorism is an intelligence-driven field and the registration process provides an opportunity to gather basic data. Some participants expressed concern that onerous registration requirements may have the unintended consequence that NPOs will elect to register as for-profit companies, or will decline to register at all, preferring to operate informally. Some states, it was noted, impose different requirements (i.e. registration and/or licensing) in different circumstances, including for example whether NPOs derive funding from external sources. Indeed, participants noted that external funding remains a politically sensitive issue in many states in the region.
9. Other measures to improve transparency include the publication of relevant regulatory information in official journals and on the internet. To encourage transparency in the sector, some states require that NPOs open bank accounts and utilize bank transfers to move funds. Similarly, some states impose audit requirements on NPOs along with the submission of annual financial statements.
10. In some states, NPOs are classified as “reporting entities” for the purposes of suspicious activity reporting (SAR) regimes. It was noted, however, that this practice may be duplicative where NPOs are already required to operate through the formal banking sector and their transactions are thus already subject to monitoring by financial institutions. It was also pointed out that NPOs are already regulated by other government agencies in most instances and that they may not be well equipped to respond to reporting requirements designed for financial institutions. Regarding the use of SARs by banks and other financial institutions, several participants noted that these bodies may lack expertise in making decisions about whether and how to file reports about pertaining to NPOs. More specific guidance from governments – or relevant regional and international bodies – may improve the utility of this tool in monitoring and investigating cases of alleged NPO abuse.
11. Participants shared experiences regarding the challenges of effective information sharing, particularly across the law enforcement/civil ministries divide. It was noted that law enforcement officials are often able and eager to share information with colleagues but that information is not always shared with regulators because of protective marking and restrictions for onward dissemination outside of law enforcement. These sorts of barriers, it was noted, can be significant obstacles to effective, collaborative approaches to preventing terrorist abuse of the NPO sector.
12. Regarding international cooperation, several participants expressed concern about reciprocity in requesting information or assistance from other states within and outside of the region. Mechanisms for cooperation on NPO-related issues specifically are not yet sufficiently

evolved and governments have sought to use other established fora (such as the Egmont Group of FIUs) to facilitate cooperation where appropriate. However, some states have developed memoranda of understanding as a means of facilitating international cooperation. Some participants noted that there is no equivalent of the Egmont Group or FATF for NPO regulators beyond terrorist financing alone. Such a body may enhance international cooperation.

### *NPO perspectives*

13. In their contributions to the working group meeting, participants from the NPO sector underscored several points, including the principle of proportionality and the importance of transparency, consultation, self-regulation, and networking. Importantly, participants suggested that NPOs seek clarity regarding NPO laws and regulations, which ought to be straightforward and accessible. In addition, NPOs would benefit from clear guidance to minimize the risk of terrorist abuse. Given that knowledge about counter-terrorist financing measures is not well advanced within the sector, it is critical to disseminate advice through outreach activities. NPO perspectives should be sought on legal and regulatory matters to the greatest possible extent. Participants also raised the related matter of providing guidance to banks, upon whom the sector relies in order to carry out their good works. In this regard, it would be useful if relevant international bodies updated and refined existing guidance and typologies reports.
14. As this suggests, NPO participants emphasized the importance of establishing and maintaining good relationships with relevant government agencies. This entails acting in good faith to demonstrate openness and transparency regarding sources and disbursements of funds, as well as in pursuing organizational objectives. Where appropriate, NPOs might themselves reach out to government officials to attend relevant events.
15. NPO participants noted significant efforts within the sector to improve governance and operate transparently. For example, nascent self-regulatory mechanisms are emerging within the region, e.g. in the form of published guidance regarding transparency and other governance issues. Some NPOs have developed a rigorous process for risk assessment, to ensure that intended beneficiaries receive charitable assistance. Internal governance procedures involve quality control mechanisms and external auditors may be used to affirm the integrity of financial and programmatic activities. NPOs themselves ought to see a benefit for engaging in such self-regulatory actions, which establish their bona fides to donors, regulators, and beneficiaries alike.
16. NPO participants reflected that networking opportunities and umbrella groups within the region are underdeveloped at present but that it would be useful to advance them. Such bodies can play several important roles, including as a focal point in interacting with governments, and as advocates and standard-setters (i.e. for the purpose of establishing principles for self-regulation). Umbrella bodies at the global level, too, may help fill what some participants described as an advocacy gap regarding the sector.

17. NPO participants also noted concern that cumbersome registration procedures have the effect of leading NPOs to register as for-profit companies or to operate informally and not register at all. This outcome should be avoided as it is likely that the risk of abuse is higher for informal NPOs. Also, burdensome registration requirements may actually have a radicalizing effect on vulnerable individuals, whereas a robust civil society can be a force against radicalization.
18. Given the variation in capacity among NPOs in the region, participants identified capacity building as a key priority for the sector. Beyond raising awareness and sharing information about the impact of counter-terrorist financing measures, participants suggested that opportunities for NPO staff to receive technical assistance on governance matters should be considered. Further, participants discussed capacity building as an issue on which governments and NPOs might form partnerships, informing each other's efforts.

*Future steps*

19. This meeting was part of a process that aims to develop a common understanding of sound regulatory approaches to counter the risk of terrorist financing through the non-profit sector. The meeting highlighted many of the challenges that stakeholders in the MENA region face in advancing this objective. At the same time, participants welcomed the opportunity for dialogue, to share experiences, and to reflect on current practices among states and within the sector. The findings elaborated here will be reflected in the final report of the process, which will be discussed in a global-level meeting – which will bring the current phase of the process to its conclusion – in New York in March 2013.

**Expert working group meeting on preventing abuse of the  
non-profit sector for the purposes of terrorist financing**

*Lancaster House, London  
18-20 January 2011*

*Key observations of the Organizers: Summary*

- Terrorists raise and move funds in diverse ways. Across different sectors of the economy, terrorists seek to abuse legitimate organizations for operations and support. Non-profit organizations (NPOs) are vulnerable to such abuse by terrorists. The primary **policy objective** in this area should be to strengthen and secure the sector, to build its capacity, and protect it from abuse, with minimum disruption to its many positive contributions.
- In many cases NPOs already take strenuous efforts to ensure that they are not open to abuse through their own systems and procedures. Governments can learn from this experience when developing new frameworks for regulating the sector and should involve NPOs in developing new laws and regulations that affect the sector.
- Best practice approaches to NPO regulation emphasize **proportionality**. That is, they seek to preserve and encourage the dynamism of the sector while mitigating the vulnerability of the sector to terrorist abuse. This may entail the utilization of **risk assessment** tools, which also enable regulators to deploy limited resources most effectively.
- **Knowledge of the sector** is critical in regulating NPOs. The sector is remarkably diverse. NPOs have strong incentives to abide by norms of good governance. Within the sector, several initiatives have emerged to improve transparency and accountability, and to reduce fraud and corruption. These are often compatible with the recent emphasis on counter-terrorist financing.
- Different frameworks for regulating the NPO sector can be found in different regions and difference jurisdictions. There can be no one-size-fits-all approach in preventing the abuse of NPOs. Some governments utilize multiple **regulatory tools** including registration and reporting requirements which provide opportunities to gather information and perform risk assessments. **Outreach** to the sector is critical to both raise awareness and underscore that NPOs are partners in this process.
- Within governments, several bodies are involved in preventing the abuse of NPOs. **Law enforcement** agencies have an important role in detecting, investigating, and disrupting abuse. Information sharing among regulators, financial intelligence units (FIUs), law enforcement, and prosecutors is vital as cases move from detection to investigation and prosecution. Different governments have evolved different mechanisms for **interagency cooperation**.
- At present, levels of compliance with **international standards** (especially the Financial Action Task Force's (FATF) Special Recommendation VIII) are low. Many states have yet to review their non-profit sector. Relatedly, while there are impediments to **international cooperation** at present, there may be opportunities to consider new mechanisms in the future.