

# Guidance on preventing the misuse of NPOs for Terrorism Financing

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### Overview

Non-Profit Organizations (NPOs) support and complement the government and business sectors' work in the provision of essential services, comfort and hope to those in need. However, some NPOs may be at higher risk of being misused by individuals or terrorist organizations to finance or support terrorist activity. Such abuses not only facilitate terrorist activities but also undermine donor confidence and jeopardizes the credibility and integrity of NPOs, which negatively impacts society at large.

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### What is the purpose of this Guidance?

This Guidance is intended to help NPOs to:

- Build awareness of the risk of being misused for the purpose of terrorism financing (TF).
- Provide principles for Best Practices which NPOs can adopt to help mitigate this risk.
- Understand and comply with requirements in relation to fighting terrorism financing.
- Safeguard their important work.



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## What is Terrorism Financing?

The TF offence as per Article 316 bis. of the Lebanese Penal Code covers the following:

*“Whoever undertakes or attempts to undertake or directs or participates, intentionally and by any means, directly or indirectly, in financing totally or partially, or contributes to the financing of terrorism or terrorist acts, or the financing of an individual terrorist or terrorist organizations or any related acts, including offering or providing or collecting movable or immovable funds, from legitimate or illegitimate sources, in Lebanon or abroad, whether the funds were used or not used, and whether the terrorist act took place or not in Lebanon or abroad.*

*The TF offence includes the travel, attempt to travel, recruitment, planning, preparation, organizing, facilitation, participation, providing or receiving training, and any other related act with the intention of committing terrorist acts, without being linked to a specific terrorist act”.*

In brief:

- TF may be from legitimate or illegitimate sources.
- The amounts of funds involved in TF are not always large (often in small amounts)
- The transactions may not necessarily be complex
- TF may involve funds, assets, donations in kind etc.



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## The Three Main Principles

- NPOs should make all reasonable efforts to ensure that funds are not being directed to terrorist activities.
- NPOs should understand the level of risk that their organization may be exposed to in relation to terrorism financing, and where risk is evident, take necessary precautions.
- NPOs should ensure that management, staff and volunteers are aware of the level of risk that their organization may be exposed to in relation to terrorism financing and, where risk is evident, ensure that precautions are in place.



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## How can NPOs be misused for TF?

Terrorist activity requires financial support. One way of acquiring this financial support is to redirect funding intended for charitable purposes. There are several ways that this can occur, including:

- **Diversion of funds:** An NPO, or an individual acting on behalf of an NPO, diverts funds from their intended cause to a known or suspected terrorist entity or individual
- **Affiliation with a Terrorist Entity (not knowingly):** An NPO, or an individual or a volunteer acting on behalf of NPO, maintains an operational affiliation with a terrorist organization or with a supporter of terrorism
- **Abuse of programs:** Programs are abused at the point of delivery, despite legitimate flow of resources.
- **Support for recruitment:** NPOs are misused to provide support to the recruitment efforts by terrorists or terrorist organizations.
- **False Representation:** Under the guise of charitable activity, an organization or individual raises funds and/or carries out other activities in support of terrorism.



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## Why can NPOs be misused for TF?

NPOs could be vulnerable to misuse by terrorists for a variety of reasons, including:

- NPOs enjoy the trust of the public
- NPOs have access to considerable sources of funds
- NPOs may be cash intensive
- NPOs may have a global presence, providing a framework for national & international operations and financial transactions
- Several NPOs work within or near conflict zone areas or areas that are most exposed to terrorist activity

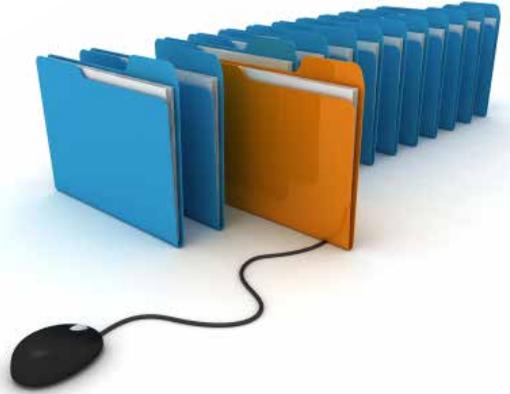
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## What are the consequences for NPOs if misused for TF?

Consequences of becoming involved in terrorism financing may include:

- Loss of reputation and status
- Loss of donor confidence
- Administrative penalties
- Criminal penalties





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### Understanding Risk

The NPO sector is diverse and therefore the degree of risk of misuse across the sector will vary considerably. NPOs should identify the specific risks to their organization, and on that basis, form an opinion on the level of their own risk (ex. high, medium or low).

Types of NPOs which by virtue of their activities and characteristics, may be at a higher risk of being misused for TF purposes include:

- NPOs newly established, with no clear programs or funding sources
- NPOs concerned with refugees and displaced persons
- NPOs using names implying religious affiliations, but are not so
- NPOs operating in border areas adjacent to a conflict zone

It is important that NPOs regularly review their risks, particularly when there are significant changes to their focus or scope of activities.

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### What to do? Due Diligence Measures

- NPOs should know their beneficiaries.
- NPOs should know the third parties they work with.
- NPOs should regularly check that beneficiaries and third parties are not listed individuals or organizations on national and international terrorism / TF lists.

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## Transparency, Accountability & Integrity

Many NPOs already have sufficient internal controls in place to ensure transparency, accountability and integrity. Some common controls NPOs should strive to have include:

- Developing and keeping records of program budgets that account for all program expenses. These budgets should indicate the identity of the beneficiaries and recipients and how the money will be used.
- Ensuring that all funds are fully accounted for, and are spent in a manner that is consistent with the purpose and objectives of the NPO.
- Producing annual financial statements that provide breakdowns of incomes and expenditures.
- Keeping funds in bank accounts and the use of formal financial channels to transfer funding. The use of 'cash' or alternative remittance services to transfer funding is used as a last resort.
- Documenting and maintaining information on:
  - \* The purpose and objectives of the NPO's stated activities
  - \* The identity of all employees and their current and previous involvements in other NPOs and commercial entities
  - \* The identity of the person(s) who own, control or direct the NPO's activities, including senior officers, board members and trustees.
- Maintaining, for a period of at least 5 years, records of domestic and international transactions that are sufficiently detailed to verify that funds have been received and spent in a manner consistent with the purpose and objectives of the organization.

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## Checklist

This checklist is intended to assist NPOs to mitigate TF risks:

- Do you know where your donations and other support really come from?
- Do you know the beneficiaries and the third parties you work with?
- Do you know your partners in delivering the work you are doing, and their affiliations with other organizations?
- Do you have a good understanding of the background and affiliations of your board members, employees, fundraisers, and volunteers?
- Do you conduct background checks of management, staff and volunteers when possible?
- Do you have a special register that shows names of board member? Is this register updated periodically?

- Do you conduct awareness workshops dedicated to management, staff and volunteers when possible?
- Do you have appropriate policies in place to promote accountability, integrity and public confidence in your administration and management?
- Do you have appropriate, sound, internal financial and other oversight and verification controls (for example: appropriate delegations and separations of authority over the collection, handling, and depositing of cash and the issuing of receipts)?
- Do you transfer money using normal banking channels, whenever possible? Do you make sure that almost every donation is made via checks to the first beneficiary or is done through a wire transfer? When it is not, do you use reputable alternative systems, and have strong additional controls and audit trails to protect your organization's funds and show how and when they were used?
- Do you have a special register that shows all incoming and outgoing funds, sources of funds and amounts?
- Do you know who has ultimate control over the project that your money and resources are benefiting, and what the money and resources are used for, including after the particular project is finished?
- Do you know about the individuals and entities associated with terrorism and terrorism financing, which are designated in Lebanon on its national list established pursuant to UNSCR 1373/2001 noting that this list is published on the the Internal Security Forces website?  
([www.isf.gov.lb](http://www.isf.gov.lb))
- Do you know about the individuals and entities associated with terrorism and terrorism financing, which are according to UNSCR 1267/2253 and related successor resolutions, noting that this list is published on the UN website?  
([www.un.org/securitycouncil/sanctions/1267/aq\\_sanctions\\_list](http://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list))



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