



# PREVENTING TERRORIST FINANCING IN THE NPO SECTOR

Measures to mitigate the risk of terrorist financing  
in the NPO sector in Germany



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# FOREWORD

Violent acts, intimidation and hate speech by terrorists and terrorist organisations pose a major threat to peace and security to communities around the world. Terrorists, through their acts, seek to spread fear and hate, directly or indirectly challenging and obstructing the work of non-profit organisations. Preventing the financing of terrorism is an important task for governmental and non-governmental actors alike.

Over the past two decades, the work of the Financial Action Task Force (FATF) has arguably been the most powerful international force behind driving and monitoring regulatory change to improve safeguards against terrorist financing, money laundering and the financing of weapons of mass destruction. In particular, the FATF's regular country peer-reviews are critical points for regulatory change. These reviews are meant to assess whether countries understand the risks facing them as well as the effectiveness of their mitigation measures.

However, studies have shown that several governments, from Argentina to Zimbabwe, have intentionally or unintentionally introduced anti-terror legislation that significantly contributes to the shrinking of civic space. Overregulation, intrusive monitoring of NPO activities, cumbersome registration requirements, financial exclusion and the discrediting of politically inconvenient organisations has negatively affected a growing number of organisations around the world.

Germany will be evaluated by the FATF in 2020/2021. Its last evaluation was in 2011. In preparation, the German government is completing its national risk assessment, which considers the overall threat and risk environment from both money laundering and terrorist financing to Germany's economy. In addition, the Ministry of the Interior is conducting a NPO sector risk assessment.

In April 2018, VENRO hosted an event for civil society organisations on the FATF and its impact on and significance for civil society led by Ben Evans, a UK-based expert on FATF and the NPO sector. A meeting was then held with officials from the Ministry of Finance and the Ministry of the Interior about Germany's upcoming FATF evaluation and the role of civil society in the evaluation.

Following this event, VENRO conducted an extensive online survey in 2019 to gather data on the perception and mitigation measures of NPOs and commissioned this report to examine the terrorist financing risk that the NPO sector faces, and to consider the measures taken by both government and NPOs to address those risks.

VENRO developed the survey in cooperation with members and experts of the Bündnis für Gemeinnützigkeit, specifically the Bundesverband Deutscher Stiftungen, like VENRO a member organisation of the Bündnis, as well as the Maecenata Institute and the Deutsches Zentralinstitut für soziale Fragen (DZI), both part of the advisory board. We would like to thank all our colleagues for the excellent collaboration.

We would also like to thank the Ministry of Finance and Ministry of the Interior for fruitful and constructive discussions and collaboration on the subject.

We hope that this report will help increase awareness of the issues, concerns, mitigation measures and potential improvements for both civil society and government and serve as a catalyst for further engagement among all stakeholders.

*Dr. Bernd Bornhorst*  
Chair



# EXECUTIVE SUMMARY AND RECOMMENDATIONS

Civil society organisations' purpose is to provide public benefit and to respect the dignity and human rights of all people. Terrorism and violent extremism are the antithesis of this aim and are entirely incompatible with such organisations' principles and ethos. Civil society organisations in Germany and across the world contribute significantly to combatting terrorism and to efforts to prevent the financing of terrorism. However, civil society has also increasingly become concerned about the effect antiterrorism measures can have on civic engagement and civil society organisations' work.

Over the past two decades, the Financial Action Task Force (FATF) has led global efforts to combat terrorist financing. Its 40 recommendations, 11 immediate outcomes and regular peer reviews, also known as mutual evaluations, have introduced and assessed common standards to combat money laundering and terrorist financing across the globe.

Germany's next FATF evaluation is scheduled for 2020/2021<sup>1</sup>. German civil society supports the Federal Government in its aim to demonstrate its compliance with the FATF requirements during this evaluation.

German civil society also wishes to ensure that any measures taken to combat terrorist financing are effective in that aim, but do not additionally or unwittingly restrict civil society's operational independence or effectiveness. This would be contrary to the requirements of FATF, and ultimately counterproductive.

We offer this report as one part of civil society's contribution to our shared goals of combatting terrorism, demonstrating Germany's compliance with

FATF requirements, and ensuring that civil society continues to enjoy a supportive operating environment for its vital work.

The findings in this report are built upon an internet-based survey of non-profit organizations (NPOs) designed and implemented by VENRO and the report author in 2019; a desk assessment of Germany's current compliance with the requirements of Recommendation 8 and Immediate Outcome 10; and a series of interviews with selected stakeholders.

### Summary of report findings

This report found that most NPOs do not consider terrorist financing to be a major issue for their organisations or for the sector as whole. Survey results pointed to a strong perception that the risk of terrorist financing is lower than the risk of fraud, corruption or money laundering.

Most NPOs were not aware of any specific government regulations designed to mitigate potential risks of terrorist financing, nor were they aware of any government outreach on the topic. There was greater awareness of measures by financial institutions, particularly amongst NPOs with foreign links, and concerns that these measures may be causing problems for certain types of NPOs.

Nevertheless, the basic legal and regulatory regime for NPOs is sufficient to meet the requirements of FATF in almost all respects. Furthermore, many examples of best practice measures were identified in terms of self-regulatory regimes, which can significantly reduce the risk of terrorist financing for NPOs which operate in high-risk environments. Many of these measures have been supported by government.

### Recommendations

German NPOs are highly trusted across society. This is part of a broader environment characterised

<sup>1</sup> At the time of writing, the on-site visits were scheduled for October/November 2020. These have been postponed due to the global outbreak of the COVID-19 pandemic in 2020 and are now scheduled for March 2021.

by de-centralisation and strong constitutional protections for privacy and against arbitrary discrimination or exercise of power by government. Whilst this environment may appear to limit or complicate government's counterterrorist financing measures, this theoretical deficiency is more than counterbalanced by the strong culture of responsibility, transparency, professionalism and best practice it fosters in the NPO sector.

A culture of professionalism, integrity and best practices in NPOs are invaluable and irreplaceable in combating all forms of potential abuse, including terrorist financing. VENRO urges the government to recognise the primary importance of this environment in meeting its obligations under FATF.

Specifically, we recommend that the German Federal Government:

- Explicitly recognises this high-trust environment as fundamental to its counterterrorist financing strategy;
- Robustly champions and defends this approach in its submissions to FATF during the mutual evaluation; and
- Carefully assesses the impact on this environment of any new policy, regulatory or legal measures, particularly as they will necessarily target a very small part of the NPO sector, but may have a much broader impact.

Furthermore, VENRO encourages

- government to open a dialogue with the broader sector on how it can best raise awareness amongst donors and the public, and support NPOs facing greater risks in understanding and protecting themselves against potential vulnerabilities;
- a dialogue with government on risks faced by NPOs working in specific high-risk environments, understanding and observing sanctions, dealing with blacklisting and coping with challenges in accessing financial services;
- further government support for the development and exchange of good practice within the NPO sector;
- a multi-stakeholder dialogue with other relevant entities such as banks, financial regulators and other financial service providers;
- government to take action to alleviate restrictions on cross-border transactions for NPOs pursuing international development cooperation and humanitarian aid; as well as
- government to continue and expand support for self-regulatory regimes for NPOs, which tend to enjoy a high degree of ownership.



# 1. METHODOLOGY

The report uses three main sources: An internet-based survey of NPOs designed and implemented by VENRO and the report author; a desk assessment of Germany's current compliance with the requirements of Recommendation 8 and Immediate Outcome 10; and a series of interviews with selected stakeholders.

The online survey posed questions to NPOs about their perception of the risk of terrorist financing; motivation for and effectiveness of measures taken to mitigate those risks, both by government and NPOs; and details on the respondent organisation<sup>2</sup>. It was circulated to the following umbrella organisations and networks:

- Bundesarbeitsgemeinschaft der Immigrantenverbände in Deutschland e.V. (BAGIV)
- Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege
- Bundesarbeitsgemeinschaft der Freiwilligenagenturen e.V.
- Bundesarbeitsgemeinschaft der Senioren-Organisationen (BAGSO) e.V.
- Bundesnetzwerk Bürgerschaftliches Engagement (BBE)
- Bundesverband Deutscher Stiftungen e.V.
- Bundesverband der Migrantinnen in Deutschland
- Bundesverband Deutsch-Arabischer Vereine e.V.
- Deutscher Bundesjugendring

- Deutscher Frauenrat
- Deutscher Fundraisingverband
- Deutscher Kulturrat
- Deutscher Naturschutzring
- Deutscher Olympischer Sportbund
- Deutscher Spendenrat e.V.
- Forum Menschenrechte
- Stifterverband für die Deutsche Wissenschaft
- VENRO – Verband Entwicklungspolitik und Humanitäre Hilfe
- Zentralrat der afrikanischen Gemeinde in Deutschland e.V.
- Zentralrat der Muslime in Deutschland (ZMd).

A link to the questionnaire was then distributed further mostly via the newsletters of the respective networks and umbrella organisations, through which we estimate around 25,000 recipients received notice of the survey.

The survey was completed between 25 January and 26 February 2019. As respondents were self-selecting, selection was non-random, and the results of the survey must be considered in this context. A list of the survey questions can be found in Annex 3.

There were 445 responses. Amongst the responding organisations were small, medium and large organisations of different legal forms with over two-thirds of responding organisations being associations (Vereine). The responding organisations represent a variety of different fields. The most frequently noted activities were in services for underprivileged youth and the elderly, education and international development cooperation/foreign aid.

<sup>2</sup> Whilst the survey was anonymous, the survey requested respondents to provide details on their organisation to allow analysis, both now and in the light of a future government risk assessment, of any significant difference in responses between different parts of the sector.



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The desk assessment was based on open source data and interviews with selected officials. The desk assessment also largely used open source information, which is often comprised of documents on formal legal processes and regulations. Analysis of documents in German was completed by local experts, with the overall assessment completed in English by the author.

In the interviews, selected stakeholders were asked for comments and reflections on the survey and desk assessment and were given the opportunity to share their thoughts on the impact and effectiveness of working practices not easily captured by the desk assessment.

### **Disclaimer: issues outside the scope of this report**

This report is not designed to replace the NPO sector terrorist financing risk assessment required by FATF, which is the responsibility of government to complete. Further, the authors did not have access to confidential information which may contribute to the risk assessment. However, it is hoped that this report can positively contribute to the risk assessment by highlighting the sector's perception of the risk and the effectiveness of mitigation measures, and by providing a critical outside analysis of the German government's current measures.

Throughout this report reference is made to the requirements in Recommendation 8 and Immediate Outcome 10. It offers a view on Germany's current compliance with aspects of the requirements relating to risk assessments, outreach, oversight, and best practices and self-regulation within the civil society sector. The report is silent on areas where the authors did not have access to information, specifically regarding the requirements set out in sections 8.6 and 8.7 of the FATF methodology, which cover access to information, investigatory capacity, sanctions, and inter-agency and international information sharing.



## 2. BACKGROUND AND CONTEXT

## The Financial Action Task Force

The Financial Action Task Force (FATF) was established in 1989 as a spin-off from the G7 meetings (part of the OECD), initially to strengthen international cooperation in the War on Drugs. In its first report in 1990, it made 40 recommendations on combating money laundering and developing the organisation's basic architecture.

Following the fateful events of September 2001, FATF's remit was extended to cover terrorist financing. Within six weeks, eight new special recommendations on terrorist financing were produced – including Special Recommendation 8 on Non-Profits (FATF uses the term non-profit organisations, or NPOs, to refer to associations, charities or other public benefit-focused civil society organisations).

Between 2012 and 2018, FATF introduced a number of significant reforms. There was a new focus on a 'risk-based approach'; an 'effectiveness' test was introduced, measured through 11 new standards called 'immediate outcomes'; and the 49 recommendations and special recommendations were re-organised into 40 recommendations.

## The FATF process

Currently, 37 countries and two organisations are members of FATF. Germany is a founding member. FATF has eight regional bodies (known as FATF-style regional bodies, FSRBs), through which its membership is extended to 205 jurisdictions worldwide.

FATF is the policy-making body and the assessor of compliance with the recommendations on money laundering and terrorist financing. FATF policy and recommendations are made at plenary meetings of the 38 full FATF members. Each of the member jurisdictions is committed at the ministerial level to implementing the FATF recommendations.

The recommendations on money laundering cover issues such as proper implementation of international conventions, criminalising certain activities, due diligence and verification (KYC), establishing a Financial Intelligence Unit (FIU) and the collection, retention and sharing of data. The recommendations on terrorist financing follow a similar model, but add recommendations relating to DNFBPs (designated non-financial businesses and professions), alternative remittances, wire transfers and NPOs.

Compliance is assessed through a mutual evaluations process. Self-assessment questionnaires are sent to the state being evaluated and then followed up by inspection teams. These teams consist of peers (other government officials), FATF or FSRBs' staff, and intergovernmental bodies such as the World Bank, IMF or UN (see Annex 2 for a map of the evaluation process).

Evaluations occur on a rolling schedule. The Fourth Round of Mutual Evaluations<sup>3</sup> started in 2015 and is scheduled to continue until 2022<sup>4</sup>. Because of the time needed for countries to collate information and for evaluators to review it, any reforms intended to improve compliance need to be completed many months ahead of the scheduled mutual evaluation date. Every country receives an evaluation report, which grades technical compliance and effectiveness on a four-point scale.<sup>5</sup>

Evaluation reports are presented to and adopted by FATF or FSRBs at closed plenary sessions. Countries showing significant weaknesses may be referred to the FATF's International Cooperation and

<sup>3</sup> Note, not all countries have participated in all rounds, so a country may only be undergoing its second or third evaluation in the Fourth Round.

<sup>4</sup> Due to the global COVID-19 pandemic this might be subject to change.

<sup>5</sup> The ratings for the recommendations are 'Compliant, Largely Compliant, Partially Compliant and Not Compliant'; and for the immediate outcomes are 'High, Substantial, Moderate and Low'.

Review Group (ICRG). The ICRG analyses high-risk jurisdictions and recommends specific actions to address the ML/FT risks emanating from them. This provides a framework for ongoing action, review, reporting and assistance to countries to address areas of weakness. Countries that fail to address weaknesses may be subjected to diplomatic pressure; may find access to international financial markets to be more expensive or restricted<sup>6</sup>; or, in the worst cases, may face sanctions<sup>7</sup>.

### FATF and NPOs

There are two FATF recommendations which relate directly to NPOs. These are Recommendation 8 and Immediate Outcome 10. A number of other recommendations apply indirectly to NPOs.

Recommendation 8 (R8) is exclusively concerned with the terrorist financing (TF) risk to NPOs. Immediate Outcome 10 (IO.10) is broader in scope. In addition to the TF risk to NPOs, it covers targeted financial sanctions and asset freezing measures.

Relevant excerpts can be found in full in Annex 1.

Since 2001, NPOs have been designated by FATF as ‘particularly vulnerable’ to financing terrorism. In 2014, FATF published the Typologies Report which marked the most serious attempt to examine that assertion. The report was followed by wide ranging consultation with the sector, resulting in the new Best Practices Paper in 2015, followed in 2016 by a new version of R8 and a new interpretive note providing binding guidance on the implementation of R8.

<sup>6</sup> Poor compliance with FATF recommendations may lead to countries or financial institutions categorising that country as being higher risk, with a consequent increase in their risk premium and/or withdrawal of certain financial services.

<sup>7</sup> Both Iran and North Korea have been subjected to sanctions for non-compliance with FATF and the ICRG process.

Although the number of changes were small compared to other FATF reforms, the changes were significant. The new approach reflected FATF’s switch towards a ‘risk-based’ approach to oversight (as reflected in Recommendation 1), and a focus on effectiveness (which was to be assessed against 11 immediate outcomes).

The result is a more coherent approach to the issue. There is no longer an assumption that NPOs are ‘particularly vulnerable’. Countries must now demonstrate that they understand what the risk of terrorist financing is to their NPO sector: specifically, whether certain activities or characteristics put particular NPOs at risk; and what the nature of that risk is.

A second significant change was the scope of the review. Having established the nature of the risk, countries must review how effective their mitigation measures are in addressing the identified risk. The FATF Methodology states that evaluators will be looking for the review of ‘measures, including laws and regulations.’ A close reading of the FATF documentation and discussions with FATF and FSRBs suggest that the term ‘measures’ covers any measures which may help reduce the TF threat, which might include self-regulation, policy approaches and outreach. Indeed, the supporting documents to R8 (chiefly the INR8, the BPP and the Typologies) all comment on the importance of self-regulation and of other policy measures.

### Key documents

Four documents provide guidance, advice and assistance in the application of Recommendation 8 and Immediate Outcome 10. These are the following:

1. Interpretive Note to Recommendation 8 (see International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations 2012, updated 2016). Technically this

forms part of R8 and is binding. This is usually referred to as the Interpretive Note to R8, or INR8.

2. Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013)<sup>8</sup>. This provides guidance to assessors on evaluating compliance with R8. This is usually referred to as the FATF Methodology.
3. International Best Practices: Combating the Abuse of Non-Profit Organisations (FATF, 2015). This is a supplementary advisory document on best practices in the application of R8. This is usually referred to as the Best Practices Paper or BPP.
4. Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014). This provides background and guidance on observed cases of abuse of NPOs for terrorist financing purposes. This is usually referred to as the Typologies Report or Typologies.

The INR8 includes a glossary on key terms and how they are used.

<b>Appropriate authorities</b>	refers to competent authorities, including regulators, tax authorities, FIUs, law enforcement, intelligence authorities, accrediting institutions, and potentially self-regulatory organisations in some jurisdictions.
<b>Associate NPOs</b>	includes foreign branches of international NPOs, and NPOs with which partnerships have been arranged.
<b>Beneficiaries</b>	refers to those natural persons, or groups of natural persons who receive charitable, humanitarian or other types of assistance through the services of the NPO.
<b>Non-profit organisation or NPO</b>	refers to 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.'
<b>Terrorist financing abuse</b>	refers to the exploitation by terrorists and terrorist organisations of NPOs to raise or move funds, provide logistical support, encourage or facilitate terrorist recruitment, or otherwise support terrorists or terrorist organisations and operations.

<sup>8</sup> The document was adopted by FATF in 2013 and is regularly updated. Information on updates can be found here: <http://www.fatf-gafi.org/publications/mutualevaluations/documents/fatf-methodology.html>

*Excerpt from the Interpretive Note to Recommendation 8 (FATF, 2012).*



# 3. ASSESSING THE TERRORIST FINANCING RISK TO NPOS

## FATF requirements for risk assessment

Recommendation 8 states the following:

Countries should review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse.

The FATF Methodology for the assessment of FATF Recommendation 8 provides details on what evaluators will be looking for when completing mutual evaluations of a country. The FATF Methodology states that:

8.1 Countries should:

- (a) Without prejudice to the requirements of Recommendation 1, since not all NPOs are inherently high risk (and some may represent little or no risk at all), identify which subset of organizations fall within the FATF definition of NPO, and use all relevant sources of information, in order to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse;
- (b) identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs;
- (c) review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified; and
- (d) periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures.

Immediate Outcome 10 states the following:

Core Issues to be considered in determining if the Outcome is being achieved.

...10.2. To what extent, without disrupting legitimate NPO activities, has the country implemented a targeted approach, conducted outreach, and exercised oversight in dealing with NPOs that are at risk from the threat of terrorist abuse? ...

## Analysing the risk assessment requirement

Recent years have seen a significant shift in FATF's policy approach, which at its core is two-fold—greater emphasis on the 'risk-based approach' (as reflected in the revised Recommendation 1) and the introduction of an assessment of effectiveness through 11 new immediate outcomes. The fourth round of FATF evaluations, which began in 2015, has adopted this new approach.

Following the reforms, the first requirement was to identify which categories of NPOs (if any) are 'at risk' of terrorist financing. Then a country is required to undertake a review of mitigation measures which apply to NPOs that have been identified as 'being vulnerable to terrorist financing'.

In other words, countries must demonstrate that there are effective measures targeted at those NPOs that have been identified as being 'at risk' of terrorist financing. The identification of high-risk NPOs is seen as a fundamental and necessary pre-condition of a good rating regarding R8. It is no longer sufficient to apply countering financing of terrorism measures to all NPOs, and those measures which are applied must not hamper legitimate NPO activity. Further, FATF is clear that implementation of R8 must be 'consistent with countries' obligations to respect freedom of association, assembly, expression, religion or belief, and international humanitarian

law.<sup>9</sup> Excessive or restrictive measures may result in a lower rating, and any measure may result in a lower rating if it cannot be demonstrated that they are targeted at mitigating a TF risk. However, it is still possible that the risk-based approach can lead to discrimination against vulnerable NPOs.<sup>10</sup>

This policy approach is supported in real-world practice. At the Public Sector Consultative Forum in 2017<sup>11</sup>, FATF re-affirmed the importance of the risk assessment to a good outcome in the mutual evaluation. Analysis of mutual evaluations published under the Fourth-Round show a clear correlation between the completion of a risk assessment and review and a good R8 evaluation.

### Need for periodic re-assessment

The FATF Methodology makes it clear that countries may be expected to undertake further assessments.

Countries should... (d) periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures.

*Paragraph 8.1 (d), FATF Methodology*

This is echoed in other documents, which reiterate the need for re-assessment in order to account for new information, newly identified vulnerabilities, and for how the threat has evolved or changed over time (see paragraph 4(b) INR8 and paragraph 19 of the BPP).

<sup>9</sup> 6, Best Practices Paper. See also *ibid* 22, and Typologies 28.

<sup>10</sup> For example, a Muslim organisation in a country where Muslims are a minority and where the threat of Islamic terrorism exists.

<sup>11</sup> Vienna, March 22<sup>nd</sup>, 2017. The event was under Chatham House Rules, and this statement is a summary from the author's notes on contributions at the event from FATF officials and others.

### Germany's compliance with the FATF risk assessment requirements

At the time of writing in 2019, Germany has not completed its National Risk Assessment (NRA) and is subsequently currently not compliant with the requirements on understanding the risk. However, there are clear plans in place to ensure compliance will be achieved by the time of the mutual evaluation in 2020/2021, using a tested methodology provided by the World Bank.

It should be noted that the NRA requirements under Recommendation 1 are separate from the NPO Sector Risk Assessment requirement under R8. The NRA will often provide analysis which will be used in R8 NPO sector risk assessments. It is also possible to undertake an R8-compliant NPO sector risk assessment as part of the broader NRA.

Initially, the German government intended to include an R8-compliant NPO Sector Risk Assessment as part of its NRA, but in 2019 decided to do it separately. The Ministry of the Interior was tasked with leading the assessment.

### German government's perception of the terrorist financing risk to NPOs

Federal government officials are rightly cautious not to prematurely judge the outcome of the NPO Sector Risk Assessment. The general impression is that they view the sector as probably at low risk of terrorist financing. Generally, the concerns about terrorist financing are usually highest amongst those officials who have direct responsibility for security issues. However, even amongst officials from the Ministries of the Interior, the Ministry of Finance and the Federal Foreign Office, it was recognised that only a very small part of the sector is at risk.

Officials with oversight of civil society but no specific security brief consider the risk of terrorist financing to be very low. The head of the regulato-



**It is no longer sufficient to apply countering financing of terrorism measures to all NPOs, and those measures which are applied must not hamper legitimate NPO activity.**



ry agency tasked with monitoring foundations in Berlin (Stiftungsaufsichtsbehörde) spoke of a total of only three potentially criminal cases referred to the police in 15 years. According to the information we received, none of the cases were related to security issues. He was not aware of any concerns raised in that time which linked foundations to terrorism or terrorist financing.

We are aware of the following reported cases of civil society organisations in Germany being linked to terrorist financing in recent years.

- **Internationale Humanitäre Hilfsorganisation e.V. (IHH e.V.)** was a registered association based in Frankfurt. In July 2010 it was outlawed on the grounds that it provided donations to projects in Gaza that were used to support Hamas, an EU-designated terrorist organisation.
- **Waisenkinder-Projekt Libanon** was a project based in Lower Saxony that was banned by the Federal Minister of the Interior in April 2014 for links to the fundraising network of Hezbollah, an EU-designated terrorist organisation. A court upheld the decision in 2015, noting its 'goal of financing the survivors of the deceased Hezbollah fighters'<sup>12</sup>.
- **Islamisches Bildungs- und Kulturzentrum Mesdschid Sahabe e.V.** was a registered as-

sociation based in Stuttgart banned by the Baden-Württemberg Minister of the Interior in 2015 for recruiting foreign fighters for the conflict in Syria.

NPOs connected to Islamic extremism and terrorism, of which some may have contributed to terrorist financing, but were banned for other offences, can be found on the website of the Federal Office for the Protection of the Constitution,<sup>13</sup> in addition to NPOs that were banned for right-wing extremism such as Weisse Wölfe Terrorcrew (WWT) in 2016.<sup>14</sup>

We are also aware of two ongoing investigations.

- **Ansaar International e.V.** offices and flats linked to the organisation were raided in April 2019. The organisation is accused of having supported Hamas.
- **WorldWide Resistance (WWR)-Help e.V.** is thought to be linked to Ansaar International e.V. The offices and flats linked to the organisation were also raided in April 2019. The organisation is accused of having supported Hamas.

<sup>13</sup> ↘ <https://www.verfassungsschutz.de/de/arbeitsfelder/af-islamismus-und-islamistischer-terrorismus/verbotene-organisationen-islamismus> (in German).

<sup>14</sup> ↘ <https://www.verfassungsschutz.de/de/arbeitsfelder/af-rechtsextremismus/verbotene-organisationen-rechtsextremismus> (in German).

<sup>12</sup> ↘ <https://www.bverwg.de/161115U1A4.15.0> (in German).

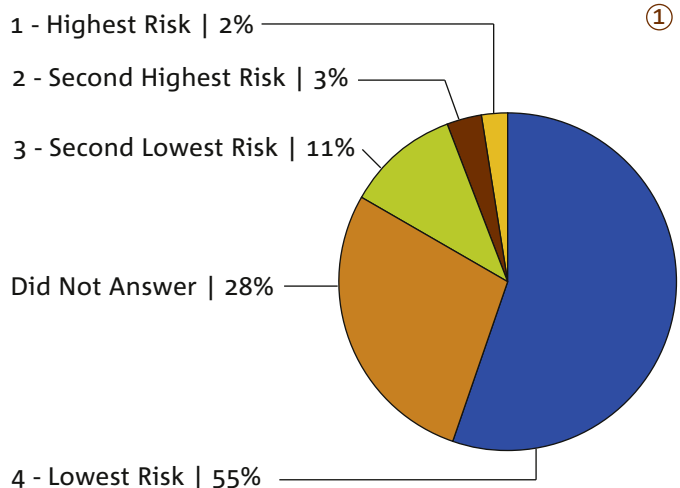
### Perceptions of terrorist financing risk amongst civil society organisations

NPOs clearly perceive the terrorist financing risk as very low, both in general and specific terms.

#### Terrorist financing risk as rated against other risks (fig. 1)

Our survey asked respondents to rank four risks to their organisation in order of significance: fraud, bribery, money laundering and terrorist financing.

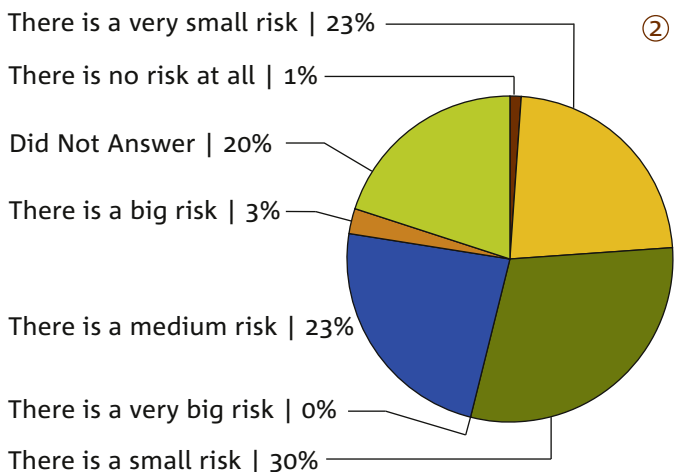
The survey results show that German NPOs clearly rated terrorist financing as the least significant of the four.



#### How would you estimate the risk that NPOs in Germany will be abused to finance terrorism? (fig. 2)

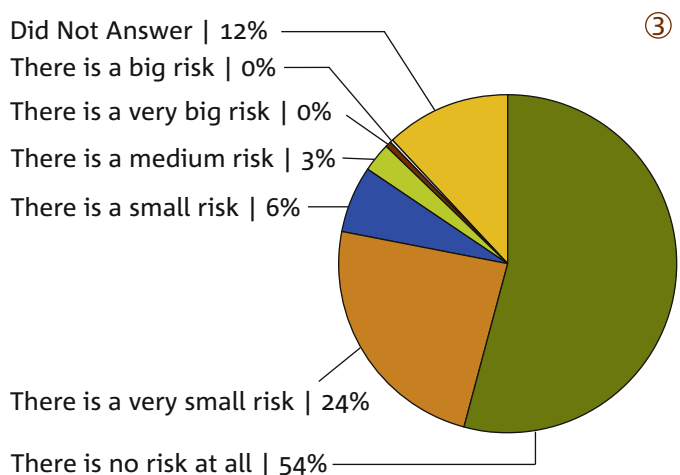
The survey asked respondents for their perception of the risk of terrorist financing to the German NPO sector in general, as well as to their own organisation.

A clear majority felt the overall risk to the NPO sector was small or very small. Just under a quarter viewed the risk as medium.



#### How would you estimate the risk that your NPO's funds could be misused to finance terrorism? (fig. 3)

When asked about their own NPO, results were even more emphatic. A clear majority felt that there was no risk of their NPO being misused to finance terrorism. Just 3% felt the risk was medium, and overall just three respondents out of 392 felt it was higher.



Deeper analysis reveals little variation amongst different parts of the sector. It was noted that NPOs receiving foreign funding or employing foreign citizens felt their risk of terrorist financing was slightly higher than the mean, although in both cases nearly 80% of respondents reported their own risk as no risk or very small<sup>15</sup>. These results may also be attributed to correlation rather than causation, as these organisations are likely to be more complex, and more directly exposed to security issues. We should also be cautious given the very low number of respondents in these classes (30 answered ‘small risk’, 12 ‘medium risk’, 2 ‘big risk’ and 1 ‘very big risk’).

## Conclusions

Both the sectors of government consulted and NPOs perceive terrorist financing as an insignificant risk to the NPO sector as a whole. Insofar as there is such a risk, both government and NPOs consider it relevant to only a very small part of the sector.

The risk assessment is an important part of Germany’s framework of preventing terrorist financing in the NPO sector. It defines which NPOs the government believes to be at greatest risk of terrorist financing and is likely to inform the federal government’s strategy on this issue for years to come. It is therefore crucial to the interests of both the state and civil society that it is accurate, effective and supported by all stakeholders.

At the time of writing in 2019, the assessment’s methodology had not yet been finally determined. Moreover, any assessment of inherent risk within the sector will be complicated by the following three factors.

First, there are very few confirmed cases of terrorist financing in the NPO sector upon which to base an assessment.

Secondly, some of the information that may inform an assessment is likely to be confidential. This may hamper efforts to gain support for the conclusions of the assessment from stakeholders who have not been privy to the confidential information on which it was based.

Third, the process asks government to discriminate between different groups of NPOs. It is crucial that this process is undertaken in a way that is consistent with the requirements of Germany’s constitution (Grundgesetz, Art. 3 and Art. 9 ) and other relevant laws.

## Recommendations

VENRO urges the government to consult closely with civil society throughout the risk assessment process, including on the development of their proposed assessment methodology.

<sup>15</sup> For foreign-funded NPOs, 41% responded no risk, 37% very low risk and 4% medium risk. The numbers for NPOs with foreign employees were 37%, 38% and 8%.



## 4. OUTREACH

## FATF requirements in outreach

Outreach is a core element of FATF's recommendations for combatting the risk of terrorist financing in the NPO sector<sup>16</sup>, and a priority focus of mutual evaluations.

- The FATF Methodology for mutual evaluations states that countries will be assessed on how well they demonstrate 'Sustained Outreach concerning Terrorist Financing Issues'.<sup>17</sup>
- The Interpretive Note to Recommendation 8 lists 'Sustained Outreach concerning Terrorist Financing Issues' as the first of four 'Measures' countries should take.<sup>18</sup>
- The extent to which a country has 'conducted outreach' is a 'core issue' in assessing effectiveness under Immediate Outcome 10.<sup>19</sup>
- The Best Practices Paper has two sections on outreach. The first provides general guidance, and the second specific best practice examples.<sup>20</sup>

16 'The Interpretive Note to Recommendation 8 indicates that any effective approach to identifying, preventing and combatting the misuse of NPOs for terrorist financing purposes needs to include an element of outreach to the sector. As demonstrated by the case studies, these types of measures can prevent or disrupt high-risk activities before they escalate to instances of abuse.' 148, Typologies. See also *ibid*, paragraphs 11, 146 and 185 and Best Practices Paper paragraph 27(b).  
17 8.2., Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT systems. See Annex 2.

18 C.6.(a), Interpretive Note to Recommendation 8.

19 'To what extent, without disrupting legitimate NPO activities, has the country implemented a targeted approach, conducted outreach, and exercised oversight in dealing with NPOs that are at risk from the threat of terrorist abuse.' IO.10.2, Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT systems. See Annex 1.

20 Paragraphs 25–27 and annex 1, boxes 8–11 of the Best Practices Paper on Combating the Abuse of Non-Profit Organisations

## Analysing the outreach requirement

The range of topics covered in the outreach section of the Interpretive Note to R8 is broader than the range of activities which might normally be understood to comprise 'outreach'. This is mirrored in the FATF Methodology, which assesses practice in four areas under the 'outreach' heading (paragraph 8.2). The four areas are as follows:

- (a) have clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs;
- (b) encourage and undertake outreach and educational programmes to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse;
- (c) work with NPOs to develop and refine best practices to address terrorist financing risk and vulnerabilities and thus protect them from terrorist financing abuse;
- (d) encourage NPOs to conduct transactions via regulated financial channels, wherever feasible.

Section 8.2, Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems FATF (2016)

## Germany's compliance with the FATF outreach requirements

Germany's compliance with the four areas of 'outreach' varies. On the positive side, there are numerous initiatives to support **public confidence in the accountability and integrity of NPOs**, in compliance with 8.2(a) of the Methodology. There

are many examples from all levels of government, comprising compulsory regulations, donor requirements and voluntary initiatives. Significant examples include the following.

- Government entities which are also donors (such as the Federal Ministry for Economic Cooperation and Development, BMZ; the Federal Foreign Office, AA; the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, BMFSFJ) have funding regulations and contractual obligations for NPOs receiving government funding in place that include relevant due diligence requirements, and that remind NPOs that they have to adhere to relevant legislation on counterterrorism and sanctions.
- Many state governments (Bundesländer) support volunteer agencies, several of which offer training and good-practice exchanges on good governance and good financial management.
- Various ministries partially fund the work of the German Central Institute for Social Issues (DZI) and  $\sphericalangle$  DZI's Donor Advisory Service. The DZI collects, documents and evaluates information on donation-soliciting charities and provides independent information to donors. The archive covers approximately 2,000 NPOs. NPOs can also apply for the DZI Seal of Approval, which, if awarded, demonstrates commitment to the compliance and transparency standards of the programme.
- The Federal Ministry for Family Affairs, Senior Citizens, Women and Youth has provided funding for the Transparenz-leicht-gemacht project of the Deutscher Spendenrat (German Donor Council), which has supported the development of good financial management and transparency in small NPOs and has produced a free e-book on transparency, financial management and governance.

There are also strong practical drivers which **encourage NPOs in the use of formal financial channels** in line with paragraph 8.2(d) of the Methodology, even if there is no legal obligation for NPOs to have a bank account. Having a bank account is a de facto requirement for any NPO wishing to receive funding from government or similar institutional sources, and for obtaining tax breaks on donations.

Good governance, transparency and financial management help reduce many types of risk, including the risk of terrorist financing, and measures such as those mentioned above are therefore 'terrorist financing relevant'. Furthermore, continued discussions of terrorist financing related issues by the German Humanitarian Aid Coordination Committee (KOA)<sup>21</sup> over the past years have increased awareness of risks in the sector. However, aside from the Foreign Office, there are few examples of 'terrorist financing-specific' measures in Germany, particularly **government outreach to NPOs** in line with paragraph 8.2(b) of the FATF Methodology, or of **government working with NPOs to develop and refine best practices on terrorist financing risk and vulnerabilities**, in line with 8.2(c).

A notable exception is the federal government's support of VENRO, which covers projects to improve due diligence and risk management amongst its member organisations, a number of whom work in high TF risk environments.

This report is also an example of civil society-led best practices. One aim of this report is to raise civil society's awareness of the potential risk, vulnerabilities and mitigation measures for terrorist financing abuse. This project has also been the catalyst for meetings on the issue between civil society and relevant parts of government.

21  $\sphericalangle$  <https://www.auswaertiges-amt.de/en/aussenpolitik/themen/humanitaerehilfe/coordinating-committee/281818>.

We are unaware of any initiatives in Germany that engage with NPOs and financial institutions on best practices relating to terrorist financing in the NPO sector.

**Perceptions of ‘TF-specific’ outreach amongst civil society organisations**

**Awareness and opinion of government awareness raising measures.**

We asked our respondents about measures to raise awareness of the risk of terrorist financing and vulnerabilities in the NPO sector.

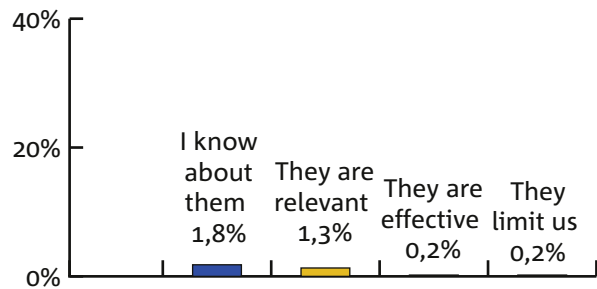
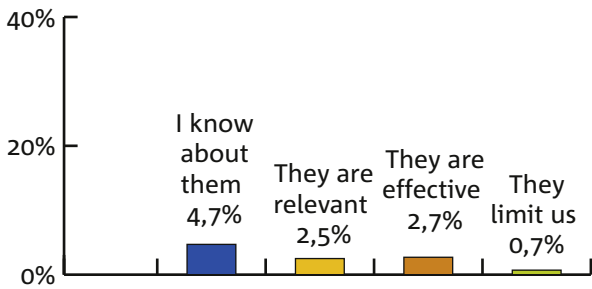
Less than 5% of respondents were aware of such initiatives.

government’, it may be that it does not fully reflect outreach activities implemented by NPOs receiving government funding, such as DZI, Spendenrat or VENRO.

**Awareness and opinion of government advice and guidance on TF risks and vulnerabilities.**

We followed up by asking our respondents about guidance or advice from government or others about reducing the risk of terrorist financing or vulnerabilities in the NPO sector.

Less than 2% gave an affirmative response, negligible for practical purposes.



It should be noted, however, that not all government outreach may be directly visible as such by NPOs. Whilst the question specified that measures could be by ‘other agencies operating on behalf of

**VENRO calls for a multi-stakeholder dialogue with other relevant entities such as financial regulators as well as banks and other financial service providers.**



## Conclusions

Germany has a well-established and deep-rooted culture of promoting accountability and transparency within the NPO sector. This has a significant impact in the improvement of a wide range of ‘TF-relevant’ best practices.

By contrast, there is an almost total absence of awareness raising or guidance on the specific issue of terrorist financing and measures targeted at organisations likely to be at greater risk of terrorist financing abuse. VENRO has initiated some measures targeting its members, who given their activities in international development and humanitarian aid, are likely to face a greater risk of terrorist financing abuse.

## Recommendations

VENRO encourages government to open a dialogue with the broader sector on how it can best raise awareness amongst donors and the public, and support those NPOs facing higher risks in understanding and protecting themselves against potential vulnerabilities.

VENRO encourages a dialogue with government on risks faced by NPOs working in specific high-risk environments on better understanding and following sanctions, dealing with blacklisting and coping with challenges in accessing financial services.

VENRO calls for further government support for the development and exchange of good practices within the NPO sector.

VENRO calls for a multi-stakeholder dialogue with other relevant entities such as financial regulators as well as banks and other financial service providers.





5.

## REGULATION AND OVERSIGHT

## FATF requirements

Three of the six assessment categories in the R8 Assessment Methodology relate to regulatory measures.<sup>22</sup> Immediate Outcome 10 also focusses on the need for effective oversight.<sup>23</sup> The Interpretive Note to R8 sets out the following suggestions for oversight.

*6(b)(i): NPOs could be required to license or register. This information should be available to competent authorities and encouraged to be available to the public.*

*6(b)(ii): NPOs could be required to maintain information on: (1) the purpose and objectives of their stated activities; and (2) the identity of the person(s) who own, control or direct their activities, including senior officers, board members and trustees. This information could be publicly available either directly from the NPO or through appropriate authorities.*

*6(b)(iii): NPOs could be required to issue annual financial statements that provide detailed breakdowns of incomes and expenditures*

*6(b)(iv): NPOs could be required to have appropriate controls in place to ensure that all funds are fully accounted for, and are spent in a manner that is consistent with the purpose and objectives of the NPO's stated activities.*

*6(b)(v): NPOs could be required to take reasonable measures to confirm the identity, credentials and good standing of beneficiaries and associate*

*NPOs and that they are not involved with and/or using the charitable funds to support terrorists or terrorist organisations. However, NPOs should not be required to conduct customer due diligence. NPOs could be required to take reasonable measures to document the identity of their significant donors and to respect donor confidentiality. The ultimate objective of this requirement is to prevent charitable funds from being used to finance and support terrorists and terrorist organisations.*

*6(b)(vi): NPOs could be required to maintain, for a period of at least five 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 organisation, and could be required to make these available to competent authorities upon appropriate authority. This also applies to information mentioned in paragraphs (ii) and (iii) above. Where appropriate, records of charitable activities and financial operations by NPOs could also be made available to the public.*

## Analysing the oversight requirements

The reform of FATF R8 and the introduction of Immediate Outcome 10 have led to a significant change to how a country's counterterrorist financing measures in the NPO sector are assessed. However, laws and regulations remain central to FATF's assessment. FATF states that 'state-based oversight and its capabilities [are] a necessary element to detecting the most sophisticated terrorist threats to the NPO sector.'<sup>24</sup> Indeed, regulatory measures

<sup>22</sup> See 8.3, 8.4a, 8.4b, 8.5b, 8.5c and 8.5d of the Methodology (Annex 2).

<sup>23</sup> "10.2: Core Issues to be considered in determining if the Outcome is being achieved. To what extent, without disrupting legitimate NPO activities, has the country implemented a targeted approach, conducted outreach, and exercised oversight in dealing with NPOs that are at risk from the threat of terrorist abuse?" Immediate Outcome 10, see Annex 1.

<sup>24</sup> "Well-planned deceptions by terrorists abusing the NPO sector are difficult to penetrate with the resources available to non-governmental actors, making state-based oversight and its capabilities [are] necessary element to detecting the most sophisticated terrorist threats to the NPO sector... Government authorities should have the ability to take action when TF threats are identified." 5, Best Practices Paper. See also 67, Typologies.

to enhance the transparency and integrity of the NPO sector play an important role, even when they are not specifically focused on mitigating the risk of terrorist financing.<sup>25</sup>

However, this emphasis needs to be understood in the context of the risk-based, targeted approach that Immediate Outcome 10 mandates. In practice, this means that the requirements for oversight only apply insofar as they help to effectively mitigate an identified risk of terrorist financing.

Significantly, the detailed requirements in the Interpretive Note to R8 mentioned above start with the phrase ‘NPOs **could** be required to...’ not ‘NPOs **should** be required to’ (emphasis added).

### Germany’s compliance with FATF oversight requirements

Notwithstanding the above, Germany has a well-established and effective regulatory system in place for NPOs which meets almost all of the requirements for oversight set out in the Interpretive Note to R8. In the following, the main aspects are highlighted:

There are four general types of NPOs in Germany: associations (Vereine), foundations (Stiftungen), co-operatives (Genossenschaften) and non-profit companies (gGmbH). All NPOs are registered with and monitored by the federal states’ tax authorities, with a focus on ensuring that activities are consis-



**Germany has a well-established and effective regulatory system in place for NPOs which meets almost all of the requirements for oversight set out in the Interpretive Note to R8.**

What is clear is that FATF would expect to see much of the regulatory oversight elaborated in the Interpretive Note to R8 as part of a general, non-TF specific regulatory system for NPOs, a system which, if effective, will meet all the regulatory requirements that are needed for mitigating a TF risk.

tent with rules on tax breaks (as support for terrorism or violent extremism would not be). The general public supervision of associations is the task of the highest state authority (oberste Landesbehörde) or the Ministry of the Interior according to respective federal law (Section 3 VereinsG).

<sup>25</sup> Although many of the measures noted above may primarily be aimed at combating fraud, tax evasion, embezzlement, money laundering, and other financial crimes in the NPO sector, they can also help mitigate terrorist abuse by enhancing the transparency and integrity of the NPO sector in its operations and flow of funds. The same can be said of government initiatives to enhance transparency and integrity of the NPO sector, even if they are not primarily aimed at combating terrorist abuse of the NPOs.’ 63, Best Practices Paper.

Additionally, foundations are monitored by the Stiftungsaufsichtsbehörden, which register foundations, and receive and scrutinise financial and activity reports. They have some powers to impose administrative penalties in the case of a breach of the rules, including the power to remove individuals from an organisation and to dissolve a foundation, as internal oversight structures are not compulsory compared to other types of NPOs. The recent German Anti-Money Laundering Act (Geldwäschegesetz, or GwG nF) has, since June 2017, required individuals that control foundations to provide their details on the publicly available electronic transparency register.

Significant additional information on NPOs is provided by the DZI (see above for details).

Tax authorities and other federal and state authorities can issue various administrative penalties if there is a breach of the rules. Section 51(3) of the Abgabenordnung (Fiscal Code) states that entities listed as extremist organisations in the annual report of the federal or state Offices for the Protection of the Constitution can (subject to appeal) be considered to be non-compliant with the requirements for non-profit status (as stipulated in the Fiscal Code), and subject to administrative actions including dissolution and freezing of assets.

The Criminal Code (Strafgesetzbuch), the Foreign Trade and Payments Act (Außenwirtschaftsgesetz) and the Foreign Trade and Payments Ordinance (Außenwirtschaftsverordnung) have provisions outlawing terrorist financing activities and contain due diligence requirements for NPOs. Due diligence requirements are not imposed on all NPOs by statute, which is consistent with the requirements set out in paragraph (6(b)(v)) of the Interpretive Note to R8.

EU regulations, such as 881/2002, which are enforced by federal ministries, impose due diligence requirements on international cooperation and

certain cross-border financial transfers, items and goods. Consequently, some government donors, such as AA and BMZ, require grant recipients to provide assessments of their partners and beneficiaries.

NPOs whose activities contravene criminal laws (including terrorist financing bans) or whose aims contravene the concept of international understanding ‘shall be prohibited’ (Art. 9, Sec. 2 of the German Constitution).

Notably, a 2018 ruling by Germany’s Constitutional Court (Bundesverfassungsgericht) states that when taking into account international humanitarian law and international obligations intended to prevent the direct or indirect financing of terrorism, ‘even financial donations to areas controlled by terrorists are thus not directed against the concept of international understanding where these must be granted “free passage” as means of humanitarian aid within the meaning of Art. 23(1) and Art. 59(3) GC IV, Art. 70(2) AP I. When an association makes donations with the intention to alleviate suffering, and when it observes the general principles of humanity, neutrality and impartiality, it does not meet the prohibition requirement under Art. 9(2) GG.’<sup>26</sup>

### Civil society organisations’ assessment of government TF measures

Whilst the detailed requirements of the Interpretive Note to R8 often command attention, it is important that due emphasis is placed on the ‘effectiveness’ assessment of Immediate Outcome 10. FATF consider this to be the more important part of the evaluation. Relevant here is the requirement of IO.10.2 that oversight is targeted and does not

<sup>26</sup> ↘ [https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/EN/2018/07/rs20180713\\_1bvr147412en.html;jsessionid=4D8A477F8F62FD91685D1AD87A7AA6F1.2\\_cid370](https://www.bundesverfassungsgericht.de/SharedDocs/Entscheidungen/EN/2018/07/rs20180713_1bvr147412en.html;jsessionid=4D8A477F8F62FD91685D1AD87A7AA6F1.2_cid370).

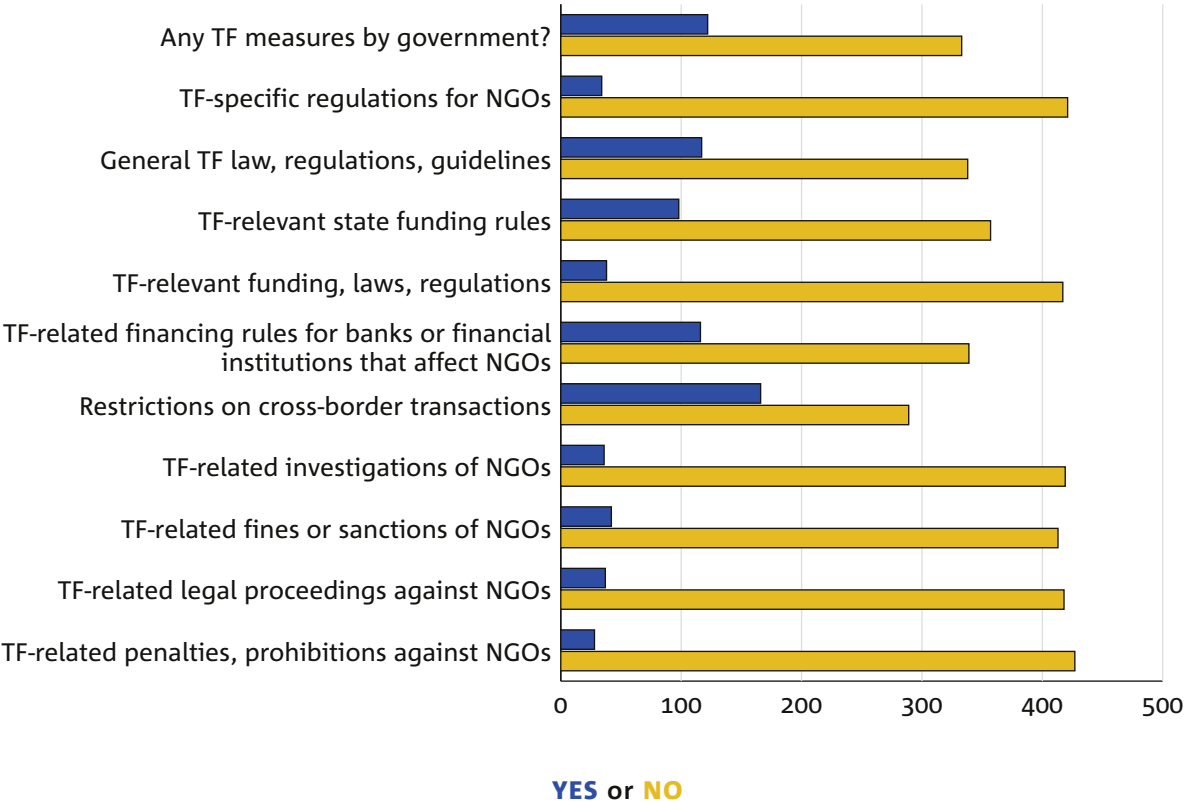
disrupt legitimate NPO activities. The following section provides some insight into how civil society organisations perceive these issues.

First, we asked the respondents if they were aware of various general or specific laws, regulations or guidance designed to mitigate the risk of terrorist financing to their NPO. Some measures were general, some were specific to NPOs, but they had to have the intent, at least in part, to address the risk

of terrorist financing.

As the graph shows, overall awareness was low. The measures which the respondents were most aware of related to cross-border transfers. Given the small number of publically known TF cases, it is perhaps not surprising that awareness was lowest in relation to investigations, legal proceedings and sanctions.

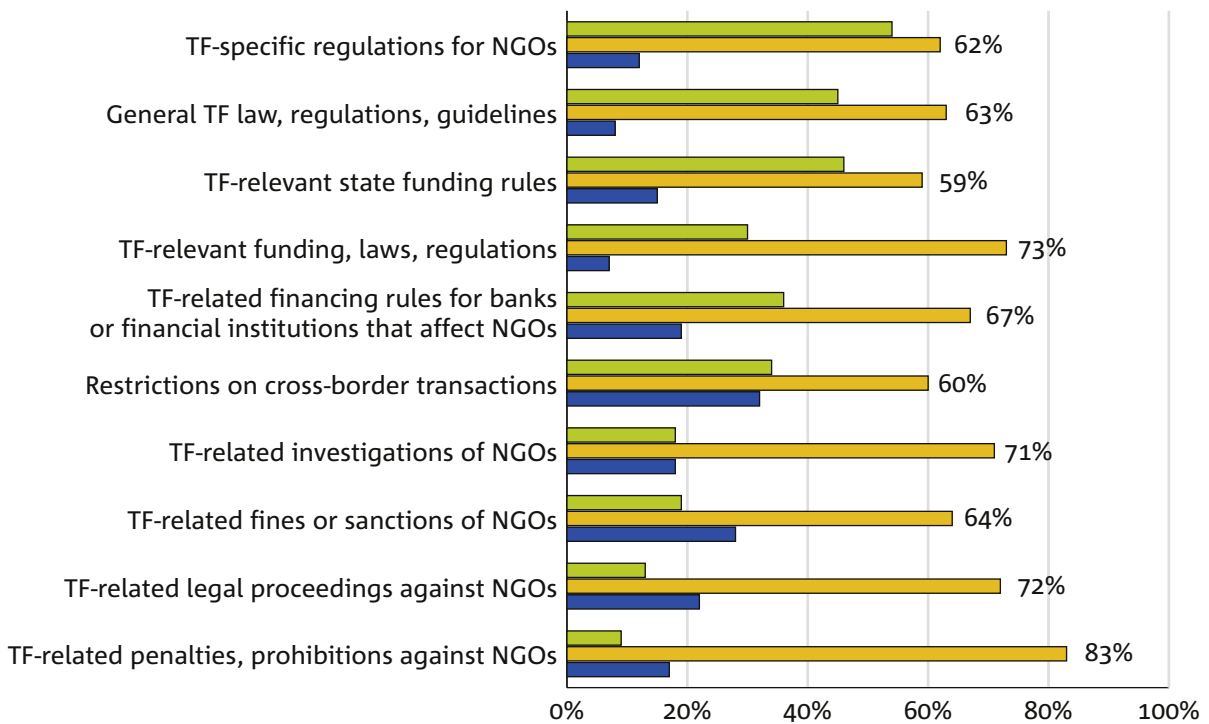
**Awareness of government measures to reduce the risk of terrorist financing**



We then asked our respondents to rate the relevance, effectiveness or limitations of the measures. Responses were requested only for those measures which they had stated they were aware of in the previous question, which means that the sample size is quite small.

Positively, most measures were found to be effective by most respondents. More concerning was, particularly in relation to the effectiveness assessment of IO.10.2, the number of respondents who found certain measures to be limiting.

**Assessment of government measures to reduce the risk of terrorist financing**



Measures are **RELEVANT**, **EFFECTIVE**, **LIMITING**

**Conclusions**

Germany’s mutual evaluation in 2011 found a broadly effective regulatory regime in place for NPOs which, whilst not designed to specifically deal with TF threats, nevertheless did all that was required by FATF. None of the changes made to either R8 or to Germany’s regulatory regime since then seem likely to change the fundamental assessment that the regulatory regime is effective and compliant.

Furthermore, the current regulatory regime is understood and supported by civil society and the public. When it comes to regulation, there is a strong correlation between understanding, support, compliance and effectiveness in what may be termed ‘consensual oversight’. Government should be cautious of reforms which may at best produce marginal gains in relation to very rare risks if they carry the risk of undermining the ‘consensual oversight’ which currently exists.



This supports a note of caution, highlighted in the survey responses on government measures: whilst we need to be cautious in drawing conclusions from a small sample size, we should not ignore the responses suggesting that few respondents found TF-related measures relevant, and some found them limiting.

A final note: to reiterate, it is not FATF's expectation, and this report absolutely does not advocate, that blanket due diligence requirements should be imposed on all NPOs. However, it might be expected that the government offers some further guidance to 'at-risk' NPOs regarding their responsibilities and best practices in relation to due diligence of partners, funders and beneficiaries.

## Recommendations

VENRO encourages the government to take action to alleviate restrictions on cross-border transactions for NPOs active in international development cooperation and humanitarian aid.



6.

## NPO MITIGATION MEASURES



## FATF policy on NPO mitigation measures

FATF's requirements do not relate directly to NPOs, but to governments. Nevertheless, it is widely recognised, including by FATF, that many of the most important protection and mitigation measures against the risk of terrorist financing are measures taken by NPOs themselves. These measures may be taken by individual NPOs or may be the product of broader self-regulatory initiatives within and across the sector. Few of the measures are terrorist financing specific but, as noted above, general best practice measures often also have a significant impact upon reducing terrorist financing risks and vulnerabilities.

In particular, there are multiple examples of the FATF's implicit or explicit acknowledgement that the primary purpose of self-regulation is transparency: 'Ultimately, the NPO sector's efforts to increase donor confidence through transparency are complimentary to efforts to protect the sector from terrorist abuse.'<sup>27</sup> In particular, the contribution of NPO transparency to investigations is confirmed by the Typologies Report, which states that 96% of the cases examined involved open-source information provided voluntarily by the NPO.<sup>28</sup>

One example of self-regulation within the German non-profit sector is the Transparent Civil Society Initiative (Initiative Transparente Zivilgesellschaft, ITZ), a civil society-led effort to promote transparency in German civil society organisations, started in 2010. NPOs support the initiative by publishing relevant information about their organisational

<sup>27</sup> 184, Typologies.

<sup>28</sup> 'NPOs, not unlike most for-profit organisations, increasingly rely on an online presence to achieve organisational visibility and transparency, and to raise funds. Consequently, information about NPOs, and related internal and external actors, can often be accessed with relative ease. In 96% of the case studies, open source information was identified as contributing to the detection of abuse and risk. Equally, open source information can be valuable in discounting the presence of risk.' 131, Typologies.

structure, activities and finances on their website. More than 1100 NPOs have joined the initiative.

Furthermore, many non-profit umbrella organisations have sector-specific binding codes of conduct, which stipulate binding standards of good practice. Many include targeted measures to mitigate sector-specific risks. In our survey 58% of NPOs reported taking part in at least one self-regulatory initiative as a standard practice. Prominent examples of such self-regulation include the Diakonie Corporate Governance Kodex, AWO Governance-Kodex and the VENRO Verhaltenskodex Transparenz, Organisationsführung und Kontrolle.<sup>29</sup> Although TF is not typically addressed in these codes of conduct, they set out requirements for good governance, transparency and financial management that are specifically designed for the activities of their member organisations in order to prevent mismanagement and protect public trust in the NPO's work. Umbrella organisations also offer support for the implementation of specific standards.

## Best practice measures observed in German NPOs

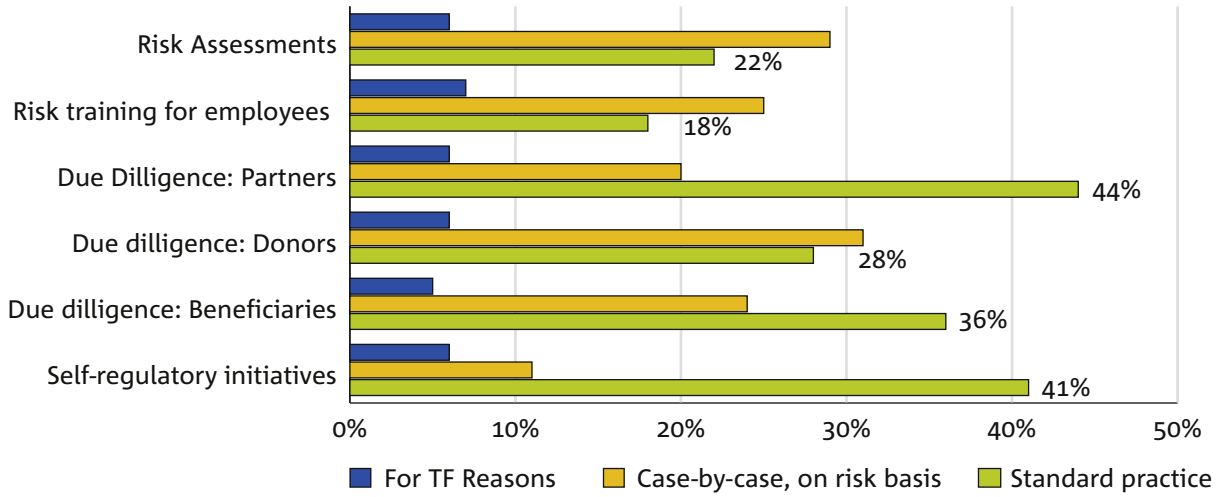
330 NPOs responded to questions on internal measures taken which may, amongst other things, help mitigate potential risks of terrorist financing.

### NPOs' TF-relevant best practices

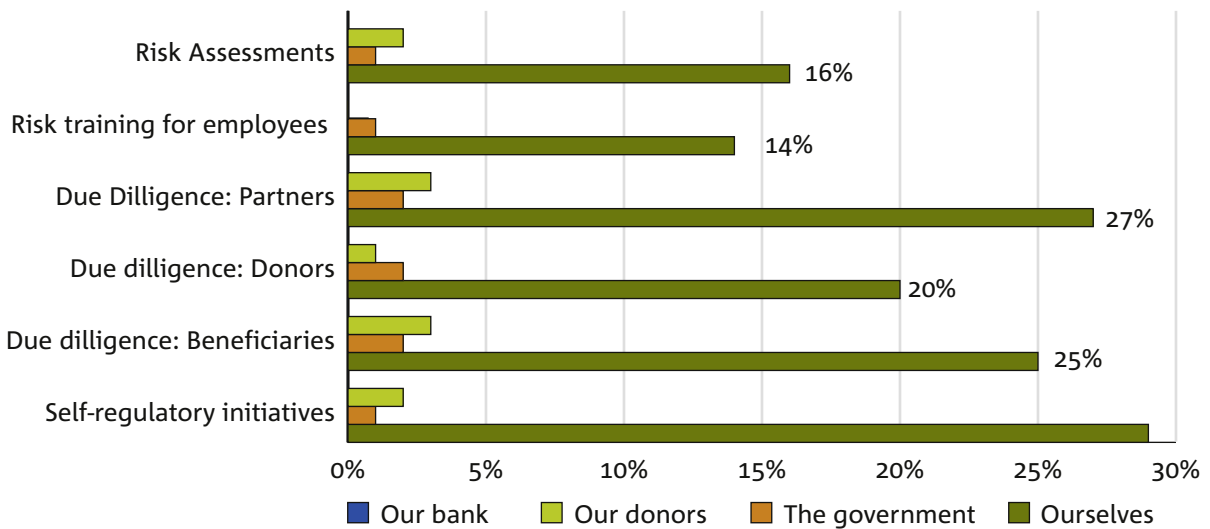
We asked respondents to name their practices in relation to three key areas: membership of self-regulatory initiatives (such as code of conducts, ISO standards or similar); whether they did due diligence on beneficiaries, donors or partners; and whether they did risk assessments or risk assessment training for employees. These questions are published here as they discuss discrete, easily verifiable activities, and because they are considered more relevant to risks of terrorist financing.

<sup>29</sup> A brief overview of selected self-regulatory sector initiatives and codes of conducts can be found in Annex 4.

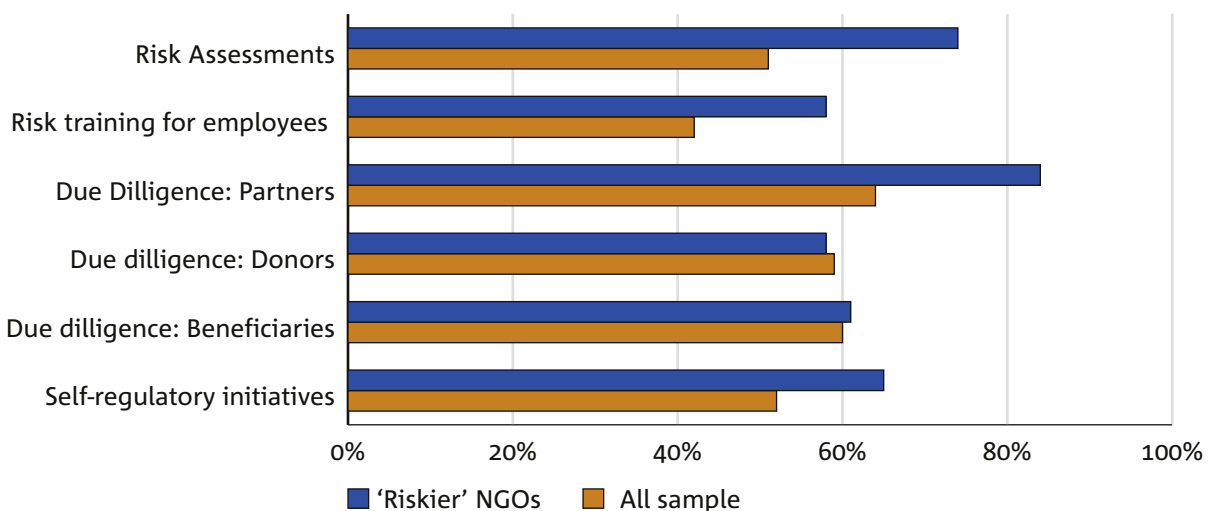
**Self reported implementation of selected best practices**



**The main influence on decision to adopt a specific practice**



**Self reported implementation of selected best practices**



Respondents were first asked an either/or question on whether their activity was standard practice or done on a case-by-case basis and then asked separately if terrorist financing concerns were a factor in their decision to perform the activity. The results suggest quite high levels of best practices, with a majority undertaking five out of the six surveyed best practices. Universally, terrorist financing was not a significant factor in NPOs' decisions to implement a certain best practice.

### Reasons for adopting best practices

We then asked the same respondents to report why they implemented those particular activities. We attempted to gauge what (if any) outside factors may have significant positive influence on the NPOs' implementation of best practices relevant to risks of terrorist financing. The results give a very clear picture. Overwhelmingly, TF-relevant best practices in German NPOs are implemented because NPOs themselves think it is 'the right thing to do', and not because of an external factor.

### Divergence in responses from self-identified higher-risk NPOs

Finally, we interrogated the data to see if we could identify different practices amongst those NPOs that self-identified as being at comparatively higher risk of terrorist financing. The sample is small – only 45 NPOs self-identified as anything other than 'no risk' or 'very small risk', of which 31 answered questions on their best practices. Nevertheless, the data suggest that NPOs that perceive themselves to be at relatively higher risk are as or more likely to implement selected TF-relevant best practices.

### Conclusion

The data show that many good practices are being implemented by German NPOs which will reduce their vulnerabilities to terrorist financing, even if the risk of terrorist financing is not specifically a significant factor in prompting NPOs to adopt these practices. There is evidence to suggest that best practices are more likely to be observed in those NPOs that self-identify as being at relatively greater risk of terrorist financing.

The single clearest message from the data in this section is that outside agents – donors, governments and banks – have had little influence in prompting NPOs to adopt TF-relevant best practices.

### Recommendations

Whilst there is much good practice, there is still some room for improvement. We recommend that all stakeholders – NPOs, government, donors and financial institutions – consider if and how they can assist in spreading good practices, while minimising administrative burdens and obstacles for NPOs operating in contexts with higher risks.

VENRO encourages the government to continue and extend support for self-regulatory regimes, which tend to enjoy a high degree of ownership. Supporting measures such as providing funding for training, manuals and spread of good-practices can assist in the speed and scope of implementation and encourage change where necessary.

# GLOSSARY

<b>AA</b>	Federal Foreign Office (Auswärtiges Amt)
<b>AML</b>	Anti-money laundering
<b>APG</b>	Asia/Pacific Group on Money Laundering
<b>AWO</b>	Arbeiterwohlfahrt
<b>BAGIV</b>	Bundesarbeitsgemeinschaft der Immigrantenverbände in Deutschland e.V.
<b>BAGSO</b>	Bundesarbeitsgemeinschaft der Senioren-Organisationen e.V.
<b>BBE</b>	Bundesnetzwerk Bürgerschaftliches Engagement
<b>BMFSFJ</b>	Federal Ministry for Family Affairs, Senior Citizens, Women and Youth
<b>BMZ</b>	Federal Ministry for Economic Cooperation and Development
<b>BPP</b>	International Best Practices: Combating the Abuse of Non-Profit Organisations (FATF, 2015); also referred to as the Best Practices Paper
<b>BVDS</b>	Bundesverband Deutscher Stiftungen e.V.
<b>CFT</b>	Combating the financing of terrorism
<b>DGK</b>	Diakonischer Corporate Governance Kodex
<b>DNFBPs</b>	Designated non-financial businesses and professions
<b>DOSB</b>	Deutscher Olympischer Sportbund
<b>DRK</b>	Deutsches Rotes Kreuz e.V.
<b>DZI</b>	German Central Institute for Social Issues (Deutsches Zentralinstitut für soziale Fragen)
<b>FATF</b>	Financial Action Task Force
<b>FIU</b>	Financial Intelligence Unit
<b>FSRBs</b>	FATF-style regional bodies
<b>GG</b>	German Constitution (Grundgesetz)
<b>GwG nF</b>	German Anti-Money Laundering Act (Geldwäschegesetz)
<b>ICRG</b>	FATF's International Cooperation and Review Group
<b>IHH e.V.</b>	Internationale Humanitäre Hilfsorganisation e.V.
<b>IMF</b>	International Monetary Fund
<b>INR8</b>	Interpretive Note to Recommendation 8
<b>IO.10</b>	Immediate Outcome 10
<b>ISO</b>	International Organization for Standardization
<b>ITZ</b>	Transparent Civil Society Initiative (German: Initiative Transparente Zivilgesellschaft)
<b>KOA</b>	German Humanitarian Aid Coordination Committee
<b>KYC</b>	Know your customer



<b>ML</b>	Money Laundering
<b>NGO</b>	Non-governmental organisation
<b>NPO</b>	Non-profit organisation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>R8</b>	FATF Recommendation 8
<b>TF</b>	Terrorist Financing
<b>UN</b>	United Nations
<b>WWR</b>	WorldWide Resistance-Help e.V.
<b>WWT</b>	Weisse Wölfe Terrorcrew
<b>ZMD</b>	Zentralrat der Muslime in Deutschland

# ANNEX 1: FATF RECOMMENDATIONS RELEVANT TO NPOS

## Recommendation 8 on Non-Profit Organisations

### 8. Non-profit organisations

Countries should review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them from terrorist financing abuse, including:

- (a) by terrorist organisations posing as legitimate entities;
- (b) by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and
- (c) by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.

*Excerpt from the FATF Recommendations: International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (FATF, June 2016).*

The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013) provides guidance to assessors on assessing compliance with R8. It sets out the questions evaluators will look to answer in the mutual evaluation process. The methodology for Recommendation 8 is as follows:

## Taking a risk-based approach

### 8.1 Countries should:

- (a) without prejudice to the requirements of Recommendation 1, since not all NPOs are inherently high risk (and some may represent little or no risk at all), identify which subset of organizations fall within the FATF definition of NPO, and use all relevant sources of information, in order to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse;
- (b) identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs;
- (c) review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified; and
- (d) periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures.

## Sustained outreach concerning terrorist financing issues

### 8.2 Countries should:

- (a) have clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs;
- (b) encourage and undertake outreach and educational programmes to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse;
- (c) work with NPOs to develop and refine best practices to address terrorist financing risk and vulnerabilities and thus protect them from terrorist financing abuse; and



(d) encourage NPOs to conduct transactions via regulated financial channels, wherever feasible, keeping in mind the varying capacities of financial sectors in different countries and in different areas of urgent charitable and humanitarian concerns.

### Targeted risk-based supervision or monitoring of NPOs

8.3 Countries should take steps to promote effective supervision or monitoring such that they are able to demonstrate that risk based measures apply to NPOs at risk of terrorist financing abuse.

8.4. Appropriate authorities should:

(a) monitor the compliance of NPOs with the requirements of this Recommendation, including the risk-based measures being applied to them under criterion 8.3; and

(b) be able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs.

### Effective information gathering and investigation

8.5 Countries should:

(a) ensure effective co-operation, co-ordination and information-sharing to the extent possible among all levels of appropriate authorities or organisations that hold relevant information on NPOs;

(b) have investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations;

(c) ensure that full access to information on the administration and management of particular NPOs (including financial and programmatic information) may be obtained during the course of an investigation; and





(d) establish appropriate mechanisms to ensure that, when there is suspicion or reasonable grounds to suspect that a particular NPO: (1) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; (2) is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or (3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations, that this information is promptly shared with competent authorities, in order to take preventive or investigative action.

### **Effective capacity to respond to international requests for information about an NPO of concern**

8.6 Countries should identify appropriate points of contact and procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support.

*Excerpt from Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems, updated February 2019, FATF, Paris, France.*

## Immediate Outcome 10

**Immediate Outcome 10:** Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.

**Characteristics of an effective system:** Terrorists, terrorist organisations and terrorist support networks are identified and deprived of the resources and means to finance or support terrorist activities and organisations. This includes proper implementation of targeted financial sanctions against persons and entities designated by the United Nations Security Council and under applicable national or regional sanctions regimes. The country also has a good understanding of the terrorist financing risks and takes appropriate and proportionate actions to mitigate those risks, including measures that prevent the raising and moving of funds through entities or methods which are at greatest risk of being misused by terrorists. Ultimately, this reduces terrorist financing flows, which would prevent terrorist acts. This outcome relates primarily to Recommendations 1, 4, 6 and 8, and also elements of Recommendations 14, 16, 30 to 32, 37, 38 and 40.

IO.10 provides examples of information that could support the Evaluators' conclusions.

### a) Examples of Information that could support the conclusions on Core Issues

1. Experiences of law enforcement, FIU and counter terrorism authorities (e.g., trends indicating that terrorist financiers are researching alternative methods for raising / transmitting funds; intelligence/source reporting indicating that terrorist organisations are having difficulty raising funds in the country).

2. Examples of interventions and confiscation (e.g. ... investigations and interventions in NPOs misused by terrorists).

...

4. Information on NPO supervision and monitoring (e.g. frequency of review and monitoring of the NPO sector (including risk assessments); frequency of engagement and outreach (including guidance) to NPO sector regarding CFT measures and trends; remedial measures and sanctions taken against NPOs).

It further provides examples of specific factors that could support the Evaluators' conclusions.

**b) Examples of Specific Factors that could support the conclusions on Core Issues**

...

10. What is the level of licensing or registration for NPOs? To what extent is a risk-sensitive approach taken to supervise or monitor NPOs at risk from terrorist abuse and appropriate preventive, investigative, criminal, civil or administrative actions and co-operation mechanisms adopted?

11. How well do NPOs understand their vulnerabilities and comply with the measures to protect themselves from the threat of terrorist abuse?

Perhaps most importantly, the Methodology for Assessing Technical Compliance provides 'Notes to Assessors' on how to assess IO.10. The notes relevant to NPOs are as follows.

**Note to Assessors:** Assessors should also consider the relevant findings on the level of international co-operation which competent authorities are participating in when assessing this Immediate Outcome.

**Core Issues to be considered in determining if the Outcome is being achieved.**

...

10.2. To what extent, without disrupting legitimate NPO activities, has the country implemented a targeted approach, conducted outreach, and exercised oversight in dealing with NPOs that are at risk from the threat of terrorist abuse?...

...

10.4. To what extent are the above measures consistent with the overall TF risk profile?

*Excerpts from the Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013)*

# ANNEX 2: THE MUTUAL EVALUATION PROCESS





# ANNEX 3: NGO SURVEY QUESTIONS

## **FATF survey – self-assessment of the risk of financing terrorists**

The survey is anonymous and is intended mainly for officials from non-profit organisations in Germany, both full-time and voluntary. It consists of 25 questions and should take you about ten minutes to complete.

Please complete the entire survey, even if you do not have all of the information for every question.

The information will be evaluated by VENRO with the aim of compiling a report on individual self-assessments of the risk that funds in the non-profit sector may go toward financing terrorism. This will allow us to compile a set of evidence-based data as part of the preparation for Germany's evaluation by the FATF. The data will not be used for commercial purposes. If you have any questions about this online questionnaire, please feel free to contact us. You will find our contact details and answers to frequently asked questions [↘ here](#).

Before you start, here is a brief explanatory note: in this survey, we use the acronym 'NGO' (non-governmental organisation) for non-profit organisations.

**Section 1: Your understanding of terrorist financing in the NGO sector**

**Q1: How well informed are you about regulations, laws and policies affecting the NGO sector in Germany?**

- I am poorly informed: I do not have the time to follow and/or take no particular interest in this issue.
- I am somewhat informed: I have an interest in the issue and read articles on the topic when they come to my attention.
- I am well informed: I take a personal interest and actively seek information on this issue through the media.
- I am very well informed: I professionally focus on this issue. I obtain specialist information and attend events on it.

**Q2: How would you assess your knowledge of the risk of terrorist financing?**

Pick the answer that best describes you.

- I am poorly informed: I do not have the time to follow and/or take no particular interest in this issue.
- I am somewhat informed: I have an interest in the issue and read articles on the topic when they come to my attention.
- I am well informed: I take a personal interest and actively seek information on this issue through the media.
- I am very well informed: I professionally focus on this issue. I obtain specialist information and attend events on it.

**Q3: Are you aware of cases of suspected terrorist financing and/or investigations into terrorist financing by German NGOs in the last five years?**

Pick one answer

- No
- Yes

(If yes, please provide details in the box below, e.g. name(s) of the organisation(s) involved).

.....

## Section 2: Risks of terrorist financing

Risks require a threat (that someone intends to fund terrorism) and a vulnerability (that NGOs can be used for this purpose). With that definition in mind, please answer the following questions.

**Q4: What is your assessment of the risk that NGOs in Germany may be misused for terrorist financing?**

Pick one answer

- No risk at all
- A very small risk
- A small risk
- A medium risk
- A big risk
- A very big risk
- I don't have the knowledge to answer this question

**Q5: What is your assessment of the risk that funds from *your* NGO may be misappropriated for terrorist financing?**

Pick one answer

- No risk at all
- A very small risk
- A small risk
- A medium risk
- A big risk
- A very big risk
- I don't have the knowledge to answer this question

**Q6: Please rank the following risks to your NGO in order, with 1 being the highest risk and 4 the lowest risk.**

- Money laundering
- Terrorist financing
- Bribery
- Fraud

### Section 3: Government measures to reduce risks of terrorist financing

This section asks you to consider government measures to reduce the risk of terrorist financing. The scope of the questions is as follows.

- **Government** should be understood to include the government of the German states (Bundesländer), or the Federal or European government.
- **Measures** taken should be understood to include laws, regulations, policies, sanctions or any other formal government requirements and actions.
- **Measures for the reduction of the risk of terrorist financing** should be understood to include all government measures that might be used for that purpose. These might include measures a) taken specifically for the prevention of terrorist financing as well as those b) which apply to more general aims which might likewise have a preventive effect.

**Q7: Are you aware of any *specific* or *general* governmental measures for NGO which are designed to reduce the risk of terrorist financing?**

Pick one answer

- No
- Yes
- Do not know.

**Q8: Which of the following governmental measures intended to minimise the risk of terrorist financing are you aware of?**

Select all answers that apply

- Specific regulations, policies or laws on the prevention of NGOs financing terrorism
- General regulations, policies or laws seeking to reduce the risk of terrorist financing which also apply to my NGO
- Rules on government subsidies or other support for my NGO which include provisions to reduce the risk of terrorist financing
- Laws or regulations on funding or fundraising by my NGO which address the risk of terrorist financing



- Rules on the prevention of terrorist financing for banks or financial institutions which affect my NGO
- Restrictions on money transfers, cash or other asset transfers to destinations abroad
- Investigations of NGOs or NGO officials on suspicion of terrorist financing offences
- Fines, loss of tax privileges or other sanctions against NGOs in the wake of investigation on suspicion of terrorist financing
- Legal proceedings against NGOs or NGO officials on suspicion of terrorist financing offences
- Penalties or bans imposed on NGOs for terrorist financing offences
- Government bodies, or organisations commissioned by them, have made us aware of the potential risk of terrorist financing to our NGO.
- Government bodies, or organisations commissioned by them, have provided us with advice or guidance on how best to reduce the potential risk of terrorist financing in our NGO.
- Other (please specify below)

.....

**Q9: In this section, you can chose only between the government measures of which you aware. Which of the following statements apply?**

Tick box for each statement that is true for the selected measures  
(Use possible answers to Q8)

The measures are relevant to us and the risks that we face

The measures are effective in reducing the potential risk of terrorist financing

The measures limit our ability to do our work effectively

**Section 4: NGO measures to reduce the risk of terrorist financing**

**Q10: Which of the following does your NGO do to reduce its risk of terrorist financing?**

Select all answers that apply

	We do it consistently	We do it in accordance with the risk, i.e. in specific individual cases	It covers a possible risk of terrorist financing
Risk assessments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Due diligence concerning the capacity and suitability of partners (in the case of financial support, including contractors and sub-grantees)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Due diligence concerning donors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Due diligence concerning beneficiaries	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Due diligence and monitoring mechanisms at the organisational management level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Due diligence and monitoring mechanisms at the financial management level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Due diligence and monitoring mechanisms at the project management level	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Adherence to voluntary standards or self-imposed obligations (e.g. codes of conduct; ISO standards)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Risk training for staff (e.g. awareness, identification, mitigation and prevention of risk).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Other (please specify below)

.....



**Q11: In this section you can choose between measures which relate to your NGO that are intended to cover possible risks of terrorist financing. Which of the following statements apply in the first instance?**

Tick box for each statement that is true for the selected measures  
(Use possible answers to Q10)

We do it because the government requires it

We do it because donors require it

We do it because our bank requires it

We do it for internal reasons

## Section 5: About Your Organisation

### About Your Organisation

**Q12: Income group (up to XX Euros) in the 2017 financial year (select one)**

- 10,000
- 30,000
- 200,000
- 3 million
- 10 million
- 30 million
- Above 30 million
- not relevant

**Q13: Legal form (select one)**

- Association
- Foundation
- Limited company for charitable purposes under German law
- Cooperative
- Other (please specify)

**Q14: Are you registered?**

- Yes
- No

**Q15: Do you have charitable status?**

- Yes
- No

**Q16: Area of operations (select all that apply)**

- International
- Germany-wide
- Baden-Württemberg
- Bavaria
- Berlin

- Bremen
- Brandenburg
- Hamburg
- Hesse
- Lower Saxony
- Mecklenburg-Vorpommern
- North Rhine-Westphalia
- Rhineland-Palatinate
- Saarland
- Saxony
- Saxony-Anhalt
- Schleswig-Holstein
- Thuringia

**Q17: Headquarters (select one)**

- Baden-Württemberg
- Bavaria
- Berlin
- Bremen
- Brandenburg
- Hamburg
- Hesse
- Lower Saxony
- Mecklenburg-Vorpommern
- North Rhine-Westphalia
- Rhineland-Palatinate
- Saarland
- Saxony
- Saxony-Anhalt
- Schleswig-Holstein
- Thuringia
- International

**Q18: Activities in the last twelve months (select all that apply)**

- the promotion of science and scientific research;
- the promotion of religion;
- the promotion of the public health system and public healthcare; particularly the prevention and fight against contagious diseases, also by running hospitals in terms of S. 67 of the Fiscal Code (Abgabenordnung), or against animal diseases;
- the promotion of services to underprivileged youth and elderly;

- the promotion of art and culture;
- the promotion of protection and preservation of monuments according to German state laws;
- the promotion of education; education of the general public and vocational training including help for students;
- the promotion of protection of the environment and landscape conservation according to German federal and state laws regarding the protection of the environment, of the protection of the coast and the floodwater protection;
- the promotion of the public welfare, particularly of the purposes of the officially recognised groups of the voluntary welfare associations, of its subgroups and its connected equipment and institutions;
- the promotion of support for persons persecuted for political, racial or religious reasons, refugees, expellees, repatriates, post-war repatriated persons from Eastern Europe, war victims, surviving dependants, war invalids and prisoners of war, civilian war disabled and people with disabilities as well as support for victims of crime; promotion of the memory of persecuted persons, war victims and disaster victims; promotion of the tracing service for missed people;
- the promotion of lifesaving;
- the promotion of fire, labour and disaster protection and civil defence as well as accident prevention;
- the promotion of internationalism, tolerance in all fields of culture and the idea of international understanding;
- the promotion of the protection of animals;
- the promotion of foreign aid;
- the promotion of consumer advice and protection;
- the promotion of care for prisoners and former prisoners;
- the promotion of equal rights for women and men;
- the promotion of the protection of marriage and family;
- the promotion of crime prevention;
- the promotion of sport (chess is considered as a sport);
- the promotion of cultural heritage and tradition;
- the promotion of livestock breeding, plant breeding, garden plots, traditions and customs including Carnival, the care for soldiers on active duty and on the reserve list, amateur radio, model aircraft building, and dog sport;
- the general promotion of the democratic political system in Germany; this does not include efforts exclusively pursuing individual interests of a civic nature or which are limited to the municipal-political area;
- active citizenship for the public benefit, or charitable or religious purposes.

**Q19: Do you provide humanitarian assistance abroad?**

- Yes
- No

**Q20: Which of the following statements best describes your work (select one)?**

- Charitable services (such as accommodation or emergency health care).
- Expressive activities (such as sport and recreation, arts and culture, interest, representation, or advocacy)
- Significant amounts of both

**Q21: Foreign links (select all that apply)**

- Our NGO has received funds, goods or services from other countries
- Our NGO has sent money or goods directly to people in need in other countries.
- Our NGO has provided social services or run projects in other countries
- Our NGO has worked in partnership with civil society organisations in other countries to help them fund their work or to support them in the running of their projects or the provision of their services
- Our NGO was (in part) established and has been/is overseen and/ or managed (in part) by third country citizens
- Our NGO employs or has obtained work permits for third country citizens

**Q22: Do the following financial resources make up more than 5% of your annual income?**

- |                           |                              |                             |   |
|---------------------------|------------------------------|-----------------------------|---|
| Membership fees           | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> No information |
| Investments               | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> No information |
| Sale of goods or services | <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> No information |

**Q23: Sources of funding: Please select all sources of funding that accounted for more than 5% of the income of your non-profit organisation in the last financial year.**

- From states offices of the German federal government
- From state offices of the federal states (Länder)
- From domestic, private individuals
- From domestic NGOs/foundations
- From domestic companies
- From foreign state institutions
- From foreign private individuals
- From foreign NGOs/foundations
- From foreign companies
- European Union
- Origin unknown

**Q24: In this section, you can only choose the sources of funding that you have previously selected.**

Please select the type of financial support on the part of these actors.

- Grants
- Donations made via bank transfer
- Cash donations
- Non-financial support (goods, property or services)
- Donations through informal channels (hawala, cryptocurrencies)
- Other





**About you**

**Q25: Your position (select all that apply)**

- Founder
- Board Chair
- Board Member
- Executive Director
- Other senior staff position
- Other member of staff
- Other (please specify)

When it comes to evaluating your answers, we may contact you for clarification. You may wish to give us your contact information for this purpose, although this is not obligatory. We will not pass your contact information on to third parties and will delete it from our records once the report is complete.

**Q26: If you are happy for us to contact you for clarification, we would appreciate it if you could give us your information:**

Name:.....

Organisation:.....

Email:.....

Thank you very much for taking part

**Q27: Is there anything else you would like to share with us?**

.....

## ANNEX 4: SELECTED SELF-REGULATORY SECTOR INITIATIVES AND CODES OF CONDUCTS<sup>30</sup>

**Name of the standard:** DZI donation seal of approval

**Responsible organisation/legal status:** German Central Institute for Social Issues (DZI), Civil Law Foundation

**Status/last change:** n.a

**Requirements:** Information on performance, transparency, economical use of resources, efficiency, informing objectively and truthfully and having effective control and supervisory structures

**Obligation:** Voluntary commitment of its own kind

**Review:** Extensive review on request, applies to organisations with a donation volume of over €25,000

**Number of signatories (organisations):** 227

**Name of the standard:** Principles of the German Donation Council and donation certificate

**Responsible organisation/legal status:** The German Donation Council (Deutscher Spendenrat e.V.)

**Status/last change:** n.a.

**Requirements:** No unethical advertising; transparency about supervisory and control structures, activities and projects within the framework of an annual report. Meaningful financial report audited by an auditor, so that the economical use of funds can be verified (obligation to publish a multi-sector account). Release declaration from tax secrecy according to § 30 para. 4 no. 3 of the AO

**Obligation:** All members commit themselves to adhere to the principles and the verification procedure for the donation certificate as well as related documentation and publication obligations

<sup>30</sup> For further information on self-regulation in the NPO sector, see the study [Bündnis für Gemeinnützigkeit \(editor\) 'Transparenz im Dritten Sektor. Eine wissenschaftliche Bestandsaufnahme'](#) by Dr. Holger Krimmer, Prof. Dr. Birgit Weitemeyer et al. (in German)

**Review:** Formal annual internal association audit of compliance with the principles, if necessary with additional report criticism by the audit committee (accounting) and arbitration committee (disputes). In addition, quality control through successive audits of all members by external independent auditing companies for the donation certificate. First award in 2017, valid for three years.

**Number of signatories (organisations):** 66 members (31 members carry the donation certificate so far, others are currently under examination)

**Name of the standard:** VENRO Code of Conduct on transparency, organisational management and control

**Responsible organisation/legal status:** Association of German Development and Humanitarian Aid NGOs (VENRO)

**Status/last change:** 2018

**Requirements:** Respect for human dignity, tolerance, transparent and responsible use of funds, efficient fundraising, effective control and governance structures

**Obligation:** Members commit themselves to comply with the code of conduct

**Review:** Compliance is supported by the association via training and peer exchange of members, regularly compliance surveys

**Number of signatories (organisations):** 136 member organisations

**Name of the standard:** Principles of good foundation practice

**Responsible organisation/legal status:** Association of German Foundations (Bundesverband Deutscher Stiftungen e.V.)

**Status/last change:** 2006

**Requirements:** Fourteen principles for transparent, impartial and effective foundation practice

**Obligation:** Voluntary commitment of its own kind

**Review:** Verification does not take place, surveys are conducted among the members

**Number of signatories (organisations):** Approx. 60% of BVDS members are committed to the principles of good foundation practice

**Name of the standard:** Transparent Civil Society Initiative

**Responsible organisation/legal status:** Initiative Transparente Zivilgesellschaft e.V.

**Status/last change:** n.a.

**Requirements:** Transparency in the achievement of objectives, efficiency in the use of funds, avoidance of conflicts of interest

**Obligation:** Voluntary commitment of its own kind

**Review:** Spot checks by volunteer members of the ITZ

**Number of signatories (organisations):** 1065 signatories, the initiative is supported by Transparency International Germany, BVDS, DZI, the German Donation Council, VENRO

**Name of the standard:** Manual 182 of the catholic church

**Responsible organisation/legal status:** Association of German Dioceses; Commission XIII of the German Bishops' Conference

**Status/last change:** n.a.

**Requirements:** Principles of good and responsible corporate management and control

**Obligation:** Compliance with the voluntary commitment is recommended to all Catholic service providers and services, especially associations, foundations, corporations and limited liability companies

**Review:** Verification by service providers

**Number of signatories (organisations):** Unknown, some Catholic organisations have established their own codes

**Name of the standard:** Diakonischer Corporate Governance Kodex (DGK)

**Responsible organisation/legal status:** Decided at the Diaconal Conference for the Diakonie

**Status/last change:** n.a.

**Requirements:** Regulations of performance and control bodies, their tasks, staffing, remuneration and conflicts of interest

**Obligation:** Voluntary commitment of its own kind

**Review:** The codex recommends appointing an auditor to report to the supervisory body

**Number of signatories (organisations):** The DGK addresses all organisations of the Diakonie. The actual distribution of the DGK is not known.

**Name of the standard: Standards of transparency for Caritas and Diakonie**

**Responsible organisation/legal status:** Deutscher Caritasverband e.V.; Diakonisches Werk der EKD e.V.

**Status/last change:** n.a.

**Requirements:** The standards serve for external presentation, not for auditing within the association. A distinction is made between target and optional regulations

**Obligation:** Voluntary commitment of its own kind

**Review:** Not known; since 2015, a Transparency Prize is awarded to members of Caritas and Diakonie

**Number of signatories (organisations):** The transparency standards are aimed at church welfare organisations and their affiliated legal entities. The distribution of the standards is not known.

**Name of the standard: AWO Governance-Code of Conduct**

**Responsible organisation/legal status:** Workers welfare (Arbeiterwohlfahrt, AWO)

**Status/last change:** n.a.

**Requirements:** Guidelines for the responsible management and control of associations and companies

**Obligation:** Binding for AWO members

**Review:** Not known

**Number of signatories (organisations):** The AWO Governance-Code of Conduct is addressed to the members of the association (currently 333,121 members)

**Name of the standard: Principles for good association governance (Grundsätze einer guten Verbandsführung)**

**Responsible organisation/legal status:** German Olympic Sports Confederation (Deutscher Olympischer Sportbund, DOSB)

**Status/last change:** n.a.

**Requirements:** Requirements are structured according to the principles of integrity, transparency, responsibility and accountability, participation and involvement

**Obligation:** Voluntary commitment of its own kind. The code primarily regulates the association's management in the DOSB, but is also considered a model for the affiliated sports organisations.

**Review:** Compliance with the code is reviewed annually

**Number of signatories (organisations):** Not known

**Name of the standard: Integrity guidelines of the German Red Cross (Code of Conduct)**

**Responsible organisation/legal status:** German Red Cross (Deutsches Rotes Kreuz e.V., DRK)

**Status/last change:** 1 June 2018

**Requirements:** Commitment to adhere to guidelines for integrity at work and a strong compliance culture

**Obligation:** Binding for the full-time staff of the DRK e.V.

**Review:** Compliance with the directive is continuously monitored

**Number of signatories (organisations):** To date, the integrity guideline only applies to the federal association (approx. 400 employees) - an extension to the subdivisions is planned

**Name of the standard: Principles for admission in the Paritätischer Gesamtverband e.V.**

**Responsible organisation/legal status:** Der Paritätische Wohlfahrtsverband - Gesamtverband e.V.

**Status/last change:** 7 April 2017

**Requirements:** Guidelines for the conditions of admission to the Paritätischer Wohlfahrtsverband and its sub-organisations (commitment to the public good; pursuit of direct welfare objectives without significant methodological or technical objections; obligation to tolerance and cooperation within the associations; existence of a superior accounting system)

**Obligation:** Binding for admission to the general association and regional associations

# VENRO MEMBERS

## A

action medeor  
 ADRA Deutschland  
 AGIAMONDO  
 Aktion Canchanabury  
 AMICA e.V.  
 ANDHERI-HILFE e.V.  
 Apotheker helfen e.V.  
 Apotheker ohne Grenzen e.V.  
 Arbeiter-Samariter-Bund Deutschland  
 Arbeitsgemeinschaft der Eine-Welt-Landesnetzwerke in  
 Deutschland (agl)  
 Arbeitsgemeinschaft Entwicklungsethnologie  
 arche noVa  
 Ärzte der Welt  
 ASW – Aktionsgemeinschaft Solidarische Welt  
 AT-Verband  
 AWO International

## B

Behinderung und Entwicklungszusammenarbeit (bezev)  
 BONO-Direkthilfe  
 BORDA e.V.  
 Brot für die Welt – Evangelischer Entwicklungsdienst  
 Bund der Deutschen Katholischen Jugend (BDKJ)  
 Bundesvereinigung Lebenshilfe

## C

CARE Deutschland e.V.  
 Caritas International  
 Casa Alianza - Kinderhilfe Guatemala  
 CHANGE e.V.  
 ChildFund Deutschland  
 Christliche Initiative Romero  
 Christoffel-Blindenmission Deutschland

## D

Dachverband Entwicklungspolitik Baden-Württemberg  
 (DEAB)  
 Das Hunger Projekt

DED-Freundeskreis

Deutsche Entwicklungshilfe für soziales Wohnungs-  
 und Siedlungswesen (DESWOS)  
 Deutsche Kommission Justitia et Pax  
 Deutsche Lepra- und Tuberkulosehilfe (DAHW)  
 Deutsche Stiftung Weltbevölkerung (DSW)  
 Deutscher Paritätischer Wohlfahrtsverband  
 Deutsch-Syrischer Verein e.V. (DSV)  
 DGB-Bildungswerk BUND – Nord-Süd-Netz  
 Difäm – Deutsches Institut für Ärztliche Mission  
 Don Bosco Mondo  
 DVV International – Institut für Internationale  
 Zusammenarbeit des Deutschen Volkshochschul-  
 Verbandes

## E

Eine Welt Netz NRW  
 EIRENE – Internationaler Christlicher Friedensdienst  
 EMA – Euro-Mediterranean Association for Cooperation  
 and Development  
 EPIZ – Entwicklungspolitisches Bildungszentrum Berlin  
 Erlassjahr.de – Entwicklung braucht Entschuldung  
 Evangelische Akademien in Deutschland (EAD)

## F

Fairventures Worldwide  
 FIAN Deutschland  
 Forum Fairer Handel  
 FUTURO SÍ

## G

Gemeinschaft Sant' Egidio  
 German Doctors  
 German Toilet Organisation  
 Germanwatch

## H

Habitat for Humanity Deutschland  
 Handicap International  
 Help – Hilfe zur Selbsthilfe



HelpAge Deutschland  
Hilfe für Afrika e.V.\*  
Hoffnungszeichen / Sign of Hope  
humedica

### I

Indienhilfe  
INKOTA-netzwerk  
Internationaler Bund (IB)  
Internationaler Hilfsfonds  
International Justice Mission Deutschland  
Internationaler Ländlicher Entwicklungsdienst (ILD)  
Internationaler Verband Westfälischer Kinderdörfer  
Islamic Relief Deutschland

### J

JAM Deutschland  
Jambo Bukoba  
Johanniter-Auslandshilfe

### K

KAIROS Europa  
Karl Kübel Stiftung für Kind und Familie  
KATE – Kontaktstelle für Umwelt und Entwicklung  
Kinderhilfswerk Stiftung Global-Care  
Kindernothilfe  
Kinderrechte Afrika  
KOLPING International Cooperation e.V.

### L

Lateinamerika-Zentrum  
Lesben- und Schwulenverband (LSVD)  
Lichtbrücke

### M

Malteser International  
Marie-Schlei-Verein  
materra – Stiftung Frau und Gesundheit  
medica mondiale  
medico international  
MISEREOR  
Mission East Deutschland e.V.\*  
Missionsärztliches Institut Würzburg

### N

NETZ Bangladesch  
Neuapostolische Kirche-karitativ e.V.  
nph Kinderhilfe Lateinamerika e.V.

### O

Ökumenische Initiative Eine Welt  
OIKOS EINE WELT  
Opportunity International Deutschland  
Ora International Deutschland  
OroVerde – Die Tropenwaldstiftung  
Oxfam Deutschland

### P

Plan International Deutschland

### R

Rhein-Donau-Stiftung

### S

SALEM International  
Samhathi – Hilfe für Indien  
Save the Children Deutschland  
Senegalhilfe-Verein  
Senior Experten Service (SES)  
Society for International Development Chapter Bonn (SID)  
SODI – Solidaritätsdienst International  
SOS-Kinderdörfer weltweit  
Stiftung der Deutschen Lions  
Stiftung Entwicklung und Frieden (SEF)  
Stiftung Kinderzukunft  
Stiftung Nord-Süd-Brücken  
SÜDWIND – Institut für Ökonomie und Ökumene  
Susila Dharma – Soziale Dienste

### T

Tearfund Deutschland e.V.\*  
Terra Tech Förderprojekte  
TERRE DES FEMMES  
terre des hommes Deutschland





Tierärzte ohne Grenzen (ToG)  
TransFair

### V

Verband Entwicklungspolitik Niedersachsen (VEN)  
Verbund Entwicklungspolitischer Nichtregierungs-  
organisationen Brandenburgs (VENROB)

### W

W. P. Schmitz-Stiftung  
WEED – Weltwirtschaft, Ökologie & Entwicklung  
Weltfriedensdienst  
Weltgebetstag der Frauen – Deutsches Komitee  
Welthaus Bielefeld  
Welthungerhilfe

Weltladen-Dachverband  
Weltnotwerk der KAB Deutschlands  
Werkhof Darmstadt  
Werkstatt Ökonomie  
World University Service  
World Vision Deutschland

### Z

Zukunftsstiftung Entwicklung bei der GLS Treuhand

\* Guest member

**VENRO currently has 138 members (as of July 2020)**

## Acknowledgements

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**VENRO** is the umbrella organisation of development and humanitarian non-governmental organisations (NGOs) in Germany. The association was founded in 1995 and currently has more than 130 member organisations. Their backgrounds lie in independent and church-related development co-operation, humanitarian aid as well as development education, public relations and advocacy.

VENRO's core objective is to strive to make globalisation more equitable, in particular through the eradication of global poverty. The association is committed to upholding human rights and to the preservation of natural resources.

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- strengthens NGOs and civil society in the fields of development co-operation and humanitarian aid
- engages in advocacy for the interests of developing countries and poorer segments of society
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