



TERRORIST FINANCING

RISK ASSESSMENT FOR THE NON-PROFIT ORGANISATION SECTOR IN SOUTH AFRICA

APRIL 2024

Disclaimer

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Abbreviations

ADGM	Abu Dhabi Global Market
AFS	Annual financial statement
AML	Anti-money laundering
ANNET	Alliance of Non-Profit Organisations Networks
API	Application programming interface
AQAP	Al-Qaeda in the Arabian Peninsula
ASWJ	Al Sunnah Wa Jama'ah
CA	Crypto asset
CASP	Crypto asset service provider
CFT	Combating the financing of terrorism
CIBA	Chartered Institute for Business Accountants
CIPC	Companies and Intellectual Property Commission
CPF	Counter proliferation financing
CTFC	Counter Terrorism Functional Committee
CTF	Counter terrorist financing
CTRs	Cash threshold reports
DOJ	Department of Justice
DPCI	Directorate for Priority Crime Investigation
DSD	Department of Social Development
EFTs	Electronic funds transfer
EI	Exempt institution
ESAAMLG	Eastern and Southern Africa Anti-Money Laundering Group
EU	European Union
FATF	Financial Action Task Force
FI	Financial institution
FIC	Financial Intelligence Centre
FIC Act	Financial Intelligence Centre Act
FIU	Financial intelligence unit
FSCA	Financial Sector Conduct Authority
FTF	Foreign terrorist fighter
FTO	Foreign terrorist organisation
GLA Act	General Laws Amendment Act
IFTRs	International funds transfer reports
IN	Interpretive note
IS	Islamic State
ISCAP	Islamic State's Central Africa Province
iXBRL	Inline eXtensible Business Reporting Language
KYNS	Know your NPO status
LEA	Law enforcement agency
MEND	Movement for the Emancipation of the Niger Delta
MER	Mutual evaluation report
ML	Money laundering
MoHC	Master of the High Court
MOI	Memorandum of incorporation
NICOC	National Intelligence Co-ordinating Committee
NGO	Non-governmental organisation
NPA	National Prosecuting Authority
NPC	Non-profit company

NPO	Non-profit organisation
NPOTT	Non-Profit Organisation Task Team
NRA	National risk assessment
PA	Prudential Authority
PACRA	Patents and Companies Registration Agency
PAI Act	Promotion of Access to Information Act, 2002 (Act 2 of 2000)
PBOs	Public benefit organisations
PCC	Public compliance communication
PF	Proliferation financing
PI	Public interest
POCDATARA	Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004)
POPI Act	Protection of Personal Information Act, 2013 (Act 4 of 2013)
RBA	Risk-based approach
SA	South Africa
SADC	Southern African Development Community
SAMIM	Southern African Development Community Mission in Mozambique
SAPS	South African Police Service
SAR	Suspicious activity report
SARB	South African Reserve Bank
SARS	South African Revenue Service
SRA	Sector risk assessment
SSA	State Security Agency
STR	Suspicious and unusual transaction report
TA Act	Tax Administration Act, 2011 (Act 28 of 2011)
TF	Terrorist financing
TFS	Targeted financial sanctions
TPC Act	Trust Property Control Act, 1988 (Act 57 of 1988)
UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNSC	United Nations Security Council
US	United States
USA	United States of America
USD	United States dollar
UVAs	Unregistered voluntary associations
VA	Voluntary association
VASP	Virtual asset service provider
VDR	Voluntary disclosure report
VAT	Value added tax
ZAR	South African rand

Foreword

It gives me great pleasure to present South Africa's first sectoral risk assessment on the terrorist financing (TF) risks affecting the non-profit organisation (NPO) sector. The assessment was conducted in close association and consultation with a broad range of public and private sector stakeholders, including NPOs and based on international best practices.

The NPO sector performs a vital role in the South African society, providing relief and support to groups of the population in need, often in challenging circumstances and regions. NPOs' efforts complement those of government and business in providing essential, sometimes lifesaving, support, comfort, and hope to those in need. Unfortunately, charitable fundraising has also been used to provide cover for the financing of terrorism. The diversion of NPOs' resources to fund terrorist activities undermines the entire NPO sector's reputation and the trust of financial institutions and donors. This has a disproportionate impact on NPO operations at the places where they are most needed.

NPOs rely on donations and on having reliable access to banking and other financial services. Donors trust that resources provided to NPOs will be used for good works in accordance with their stated purpose; this trust forms the foundation of the NPO sector.

Financial institutions take a range of initiatives to support access of legitimate NPOs to financial services. However, in recent years, there have been reports of financial institutions terminating or restricting the access of legitimate NPOs to financial services. Therefore, protecting the NPO sector from terrorist abuse is both a critical component of the global fight against terrorism and its financing, and a necessary step to preserve the integrity of the NPO sector, the donor community, and the financial institutions they use.

The Financial Action Task Force (FATF) – which is the global standard setter, assessment, and

policy development body for anti-money laundering (AML), counter terrorist financing (CFT) and counter proliferation financing of weapons of mass destruction (CPF) – amended its Global Standards (Recommendation 8) in 2023 that aim to protect NPOs from potential terrorist financing abuse through the effective implementation of risk-based measures¹.

TF abuse of NPOs refers to the exploitation of NPOs by terrorists and terrorist organisations to raise or move funds, provide logistical support, encourage or facilitate terrorist recruitment, or otherwise support terrorists or terrorist organisations and operations. The FATF has adopted a functional definition of NPOs, encompassing 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'".

It is critical to note that Recommendation 8 does not apply to the entire universe of organisations working in the NPO realm, but only to the subset that falls within the FATF definition of an NPO. Further, that NPOs are at varying degrees of risk of TF abuse by virtue of their types, activities or characteristics and the majority may represent low risk.

The FATF requires countries to periodically identify organisations that fall within the FATF definition of NPO and conduct a risk assessment to identify the nature of TF risks posed to them. It is also in South Africa's interest to identify NPOs that fall within the FATF definition of NPOs at risk for TF abuse, assess such identified TF risks, and have in place focused, proportionate, and risk-based measures to mitigate such identified risks. Understanding and regularly assessing the particular TF risks that South African NPOs are exposed to, remains the best measure to effectively combat their abuse and exploitation.

¹ FATF Best Practices on Combating the Abuse of Non-Profit Organisations (Recommendation 8), November 2023:

<https://www.fatf-gafi.org/content/dam/fatf-gafi/guidance/BPP-Combating-TF-Abuse-NPO-R8.pdf.coredownload.inline.pdf>

This risk-based approach is central to the effective implementation of the FATF Standards under which countries - including South Africa - are assessed on a regular basis and also applies to NPOs.

Sharing this SRA widely among all relevant public and private sector stakeholders will contribute to an increase of our shared understanding of the TF risk that NPOs are exposed to. It will assist relevant stakeholders, including authorities, NPOs, financial institutions and donors, to identify, assess and understand where the vulnerabilities are and how best to protect relevant NPOs from abuse for TF, without unduly disrupting or discouraging legitimate NPO activities.

The SRA includes analysis based on a wide range of quantitative and qualitative information, including on the general criminal environment, TF and terrorism threats, TF vulnerabilities of the NPOs and products, and South Africa's general CFT legal and regulatory

capacity and effectiveness; trends, typologies and case studies; an assessment of the inherent risks; as well as mitigating measures that are proportionate to the assessed TF risks and prevent the implementation of measures that are overly burdensome or restrictive for organisations working in the NPO realm.

I sincerely thank the project sponsors, the European Union, the European Union AML/CFT Global Facility for their technical assistance, Ambassador Mamuka Jgenti (the EU Global Facility Key Expert on FATF Recommendation 8), Mr Ben Evans from Greenacre Associates (Project Lead), the Technical Team and Oversight Group, as well as all participants, contributors and reviewers that made this NPO TF SRA possible.

Pieter Smit
Acting Director
Financial Intelligence Centre (FIC)

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PART ONE

INHERENT RISK OF TERRORIST FINANCING FOR THE NON-PROFIT ORGANISATION SECTOR IN SOUTH AFRICA

A: Introduction

Context for this risk assessment

1. The ongoing international campaign against terrorist financing identified typologies worldwide where terrorists and terrorist organisations exploit the NPO (non-profit organisation) sector. This is done through acquiring, storing, moving and utilising of funds raised (what is also known as the funding cycle); providing logistical support; encouraging terrorist recruitment; otherwise supporting terrorist organisations and operations; creating sham charities; or engaging in fraudulent fund raising for these purposes.
2. The Financial Action Task Force (FATF) is the international standard setting body in the area of anti-money laundering and combating financing of terrorism (AML and CFT). Two parts of the FATF standards - Recommendation 8 and Immediate Outcome 10 (see Annexure 1) - refer directly to NPOs.
3. Recommendation 8 and FATF Immediate Outcome 10 require that countries, as a first step, identify the subset of organisations that fall under the FATF's definition of NPOs, and use all relevant sources of information to identify the features and types of NPOs, which by virtue of their activities or characteristics, are likely to be at risk of being abused for the financing of terrorists and related activities.
4. South Africa is a member of FATF, and a member of ESAAMLG (Eastern and Southern Africa Anti-Money Laundering Group), the FATF-style regional body for eastern and southern Africa. FATF conducted a mutual evaluation of South Africa and following this, published a mutual evaluation report (MER) on the country's level of compliance with the FATF standards in September 2021². The MER rated Recommendation 8 as non-compliant (NC) and effectiveness under Immediate Outcome 10 as low. The deficiencies identified were:
 - "South Africa has not yet done an assessment of their broader NPO sector to identify those organisations, based on their characteristics or activities, that put them at risk of TF abuse."
 - "South Africa also has no capacity to monitor or investigate NPOs identified to be at risk of TF abuse³."

Methodology

5. The purpose of this risk assessment is to review to understand the features and types of NPOs at risk of terrorist financing (TF) abuse and the nature of the threat.
6. The FATF standards "*do not prescribe a particular method or format for assessing risk*" of terrorist financing in NPOs⁴.
7. General best practices for risk assessments of the NPO sector are included in FATF's *Terrorist Financing Risk Assessment Guidance* (FATF, 2019). Additionally, *FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment* (FATF, 2013) provides guidance on risk assessments in general.

² FATF (2021), Anti-money laundering and counter-terrorist financing measures – South Africa, Fourth Round Mutual Evaluation Report, FATF, Paris
<http://www.fatf-gafi.org/publications/mutualevaluations/documents/mer-south-africa-2021.htm>

³ *ibid*, p.176

⁴ Terrorist Financing Risk Assessment Guidance (FATF, 2019)

8. This risk assessment is based as closely as possible on FATF requirements and guidance. Paragraph 8.1 of the FATF Methodology⁵ states that 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 organisations 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.*
 - (d) *Periodically reassess the sector by reviewing new information on the sector’s potential vulnerabilities to terrorist activities to ensure effective implementation of measures.*
9. The methodology used by South Africa for its NPO risk assessment is designed to meet this requirement as follows:

Table 1:

Para.	Requirement	Relevant section
8.1(a)	<i>Identify which subset of organisations fall within the FATF definition of NPO.</i>	Section C: ‘Scope of this report’
8.1(a)	<i>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.</i>	Section G: ‘Identifying NPOs potentially at risk of terrorist financing’
8.1(b)	<i>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</i>	Section F: ‘Identifying the nature of the threat’

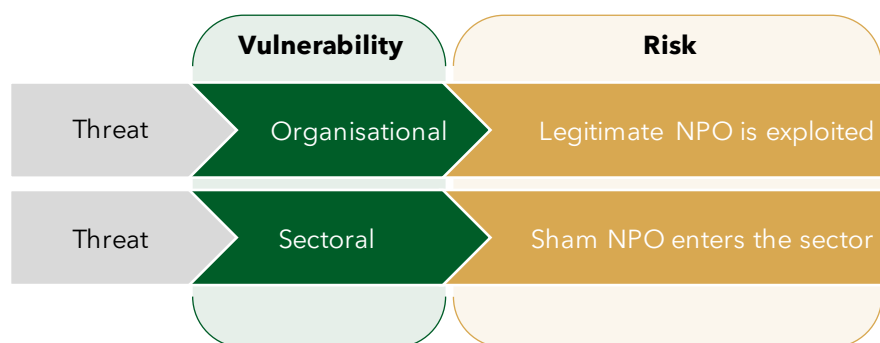
10. This risk assessment will be complemented by a separate assessment of the adequacy of mitigating measures (Phase II of the risk assessment, *Review of measures to mitigate TF risks in NPOs*). The additional assessment will “review[s] the adequacy of measures, including laws and regulations, that 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” in line with paragraph 8.1(c) of the FATF Methodology.

Terminology and key concepts

11. The *Best Practices Paper* (FATF, 2014) provides the following illustration on how terrorist financing risk is assessed in the NPO sector.

⁵ More information on the FATF Methodology can be found on the [FATF website](#).

Figure 1: Threat + vulnerability = Risk



Source: FATF Best Practices Paper

12. FATF defines the key concepts relating to risk in the *FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment* (FATF, 2013) and *The Risk of Terrorist Abuse in Non-Profit Organisations* (FATF, 2014). These definitions are used in this risk assessment. Additional interpretations of these terms within the context of this risk assessment, and definitions of additional key terms, are provided as follows:

Table 2: Key concepts relating to risk

Term	FATF definition	Interpretation	Relevant section
Risk	<i>'A function of three factors: threat, vulnerability and consequence.'</i>		Section E, F and G Phase II
Threat	<i>'A person or group of people, object or activity with the potential to cause harm. Threat is contingent on actors that possess the capability and the intent to do harm.'</i>	The specific group or persons may be unknown but caused by a known vulnerability, e.g. failed state.	Section E and F
Nature of the threat		The typologies or methods by which the <i>threat</i> may finance terrorism through NPOs.	Section F
'At risk' NPOs	<i>'NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.'</i>	i.e., NPOs which are <i>'vulnerable'</i> to terrorist financing abuse	Section G
Vulnerability	<i>'Things that can be exploited by the threat or that may support or facilitate its activities. Vulnerability in the NPO sector can exist at either the organisation or sectoral level.'</i>	Vulnerabilities in this risk assessment consist of <i>inherent vulnerabilities</i> and <i>inadequate or absent control measures</i> (see below).	Section G Phase II
Inherent vulnerability		A specific aspect of the NPO or the way it operates that exposes it to a TF risk. <i>'the features and types of [at risk] NPOs'</i> <i>'[the] activities or characteristics'</i> [of 'at risk' NPOs]	Section G

Term	FATF definition	Interpretation	Relevant section
Inadequate or absent control measures		The absence or inadequacy of measures that might prevent or mitigate the threat from exploiting the vulnerability. Could be organisational or sectoral.	Phase II (<i>Review of Measures to Mitigate TF Risks in NPOs</i>)
Consequence	<i>'the impact or harm that ML or TF may cause'</i>		Section G Phase II

Source: FATF

Implementation

13. The risk assessment was completed using a methodology provided by Greenacre Associates⁶. It was implemented by a technical group and overseen by an Oversight Group.
14. The technical group team comprised the following representatives:
 - Bernice Bissett, Financial Intelligence Centre
 - Kagiso Komane, Financial Intelligence Centre
 - Pumza Nonketha, Financial Intelligence Centre
 - Rochnee Rivera Green, South African Revenue Service
 - Lucky Moticoe, South African Revenue Service
 - Luyanda Ngonyama, Department of Social Development: NPO Directorate
 - Eszter Rapanos, CIBA, (on behalf of the NPO Alliance)
 - Glenn Farred, Technical Advisor to Civil Society Unmute and member of NPO Working Group.
15. The primary responsibilities of the technical group were to:
 - Collect and collate data
 - Analyse data
 - Assess the data in line with the methodology (as discussed above) and FATF requirements
 - Draft the final report on the inherent risk of TF facing NPOs with the support of the technical consultant
 - Present the results to the Oversight Group
16. The risk assessment process was overseen by an Oversight Group comprising representatives from the following organisations.
 - Department of Social Development (DSD): NPO Directorate
 - South African Revenue Service (SARS)
 - Financial Intelligence Centre (FIC)
 - State Security Agency (SSA)
 - South African Reserve Bank (SARB)

⁶ More information on Greenacre Associates can be found on the [website](#).

- Department of Justice (DOJ)
 - Companies and Intellectual Property Commission (CIPC)
 - Master of the High Court (MoHC)
 - National Intelligence Co-ordinating Committee (NICOC)
 - South African Police Service (SAPS)
 - National Prosecuting Authority (NPA)
 - Financial Sector Conduct Authority (FSCA)
 - Inyathelo: The South African Institute for Advancement
 - Alliance of NPO Networks
 - NPO Task Team
 - NGO Law South Africa
 - NPO Working Group
 - Chartered Institute for Business Accountants (CIBA)
 - The Kagiso Trust
 - Counter Terrorism Functional Committee (CTFC)
 - South African Congress of NPOs
 - Civil society organisations and members
 - Dee Moskoff, in the capacity of survey partner (who conducted the NPO survey with a team of interviewers).
17. The responsibilities of the Oversight Group were to:
- Approve the methodological approach
 - Set and oversee strategic objectives and timelines for the technical group
 - Ensure the co-operation of necessary agencies to the risk assessment process, including provision of data and allocation of resources
 - Provide written and verbal comments on draft assessments and recommendations
 - Sign off the final risk assessment report
 - Commit relevant agencies to the outcomes of the risk assessment.
18. The technical group and Oversight Group were trained by Greenacre Associates, via the following:
- Orientation training in risk assessment methodology: Centurion, 8 to 9 December 2022
 - Implementation training for members of the Oversight Group and Technical Team: Centurion, 18 June 2023
 - Implementation training for members of the technical group: 19 June 2023
 - Training for technical group and survey group: 14 February, 12 to 13 June 2023
 - Online consultation with Kenya, Mozambique and South African survey consultants: 9 June 2023

- Online training for technical consultants and interviewers: 17 July 2023.
19. All members of the technical group and Oversight Group attended an online validation meeting on 31 October 2023 to discuss and sign off this part of the final report.

Data and sources

20. The current risk assessment uses qualitative and quantitative data and, in line with FATF guidance⁷, seeks to ensure that qualitative data is given its due weight.
21. The following primary information and data sources were used in this assessment:
- **Data request and questionnaire.** Written requests for data and follow-up requests on terrorist financing in the NPO sector, case studies, and surveyed perceptions of the TF risk, threats and vulnerabilities were obtained from representatives of the following agencies:
 - Counter Terrorism Functional Committee (CTFC)
 - FIC
 - SAPS
 - SARB
 - SSA
 - FSCA
 - Various financial institutions (requests were sent to 33 banks and 11 responses were received)
 - **Data from suspicious and unusual transaction reports (STRs):** The FIC provided a summary of STRs received on FATF defined NPOs. The data covered the period March 2013 to August 2023.
 - **Data from international funds transfer reports (IFTRs):** The FIC provided a summary of IFTRs received on FATF defined NPOs. The data covered the period January 2013 to July 2023.
 - **Data from cash threshold reports (CTRs):** The FIC provided a summary of CTRs received on FATF defined NPOs. The data covered the period January 2013 to August 2023.
 - **Survey:** 301 NPOs participated in the **survey** on perceptions of TF risk and the nature and practices of the NPO sector. NPOs were selected randomly from databases of registered associations, non-profit companies, and public benefit organisations provided by the DSD, CIPC, and SARS. This population under-represents trusts, as it only includes those trusts registered with SARS as PBOs (public benefit organisations). The population also excludes associations not registered with DSD or as PBOs. The survey identified and excluded duplicates. **The total population for the survey, excluding duplicates** (duplicates being NPOs that are registered with multiple regulators), **was 252 549**. The random sample of

⁷ "While quantitative assessments (i.e., based mostly on statistics) may seem much more reliable and able to be replicated over time, the lack of available quantitative data in the ML/TF field makes it difficult to rely exclusively on such information. Moreover, information on all relevant factors may not be expressed or explained in numerical or quantitative form, and there is a danger that risk assessments relying heavily on available quantitative information may be biased towards risks that are easier to measure and discount those for which quantitative information is not readily available. For these reasons, it is advisable to complement an ML/TF risk assessment with relevant qualitative information such as, as appropriate, intelligence information, expert judgments, private sector input, case studies, thematic assessments, typologies studies and other (regional or supranational) risk assessments in addition to any available quantitative data." Paragraph 30-31, **FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment** (FATF (2013))

301 NPOs gives a confidence level⁸ of 95 percent that the real value for any response is within ± 5.65 percent of the measured or surveyed value. Participation in the survey was voluntary, thus, randomly selected NPOs could choose not to participate in the survey. Surveyors indicated that smaller organisations displayed a greater willingness to participate in the survey, thus, smaller NPOs might be better represented than larger NPOs.

Table 3: Survey response by legal type and regulatory classifications

Type	Responses	Total number	Proportion
Charitable trust	2	38 838 ⁹ (local and foreign)	0.005%
Branch of a foreign trust	0		0%
Non-profit company	161	82 875 ¹⁰ (local and foreign)	0.194%
Branch of a foreign non-profit company	12		0.015%
Associations of persons: registered (voluntary association)	148	276 183 ¹¹ (local and foreign)	0.054%
Branch of foreign association	8		0.003%
Associations of persons: unregistered ¹²	0	60 000 ¹³	0%
Public benefit organisations	41	59 567 ¹⁴	0.069%
Overall	372	381 109	0.098%

Source: NPO survey

Important caveats to the figures above:

- Many NPOs are simultaneously registered with more than one institution that governs different legislative requirements, which could result in double counting in the figure above. Therefore, the total figure should be regarded as a best estimate of responses received from various legal types and regulatory classifications of NPOs in South Africa at the time the research was conducted for the assessment.
- A clear distinction between the number of local and foreign organisations per legal type (companies, trusts and associations) has not been provided. Therefore, the total organisations (local and foreign) included in the survey were provided as one number (for example, the total number of NPCs is provided as 82 875, which include local and foreign NPCs).

22. The following reports on AML and CFT in South Africa were consulted:

- Mutual evaluation report¹⁵
- 2022 national risk assessment of money laundering, terrorist financing and proliferation financing¹⁶

⁸ Calculated using the following calculator: [Sample Size Calculator](#)

⁹ Overview of the NPO Sector in South Africa, PPT Slideshow, 2019, FIC

¹⁰ NPCs on the CIPC register as per 3 June 2023.

¹¹ NPOs on the DSD register as per 30 June 2023.

¹² Unregistered associations, referred to as Unregistered Voluntary Associations (UVAs) for the purposes of this report, were excluded from this survey, as separate Focus Group sessions were held with these organisations.

¹³ Estimate from the Kagiso Trust Report

¹⁴ SARS has 59 567 organisations that are approved as Public Benefit Organisations (PBOs) as 31 July 2023.

¹⁵ [FATF \(2021\), Anti-money laundering and counter-terrorist financing measures - South Africa, Fourth Round Mutual Evaluation Report, FATF, Paris.](#)

¹⁶ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

- South African National Terrorism Financing Risk Assessment¹⁷
 - FSCA Anti-Money Laundering/Counter Financing of Terrorism: Body of Knowledge Report¹⁸
 - SARB Prudential Authority: Assessment of money laundering, terrorist financing and proliferation financing risk in the banking sector¹⁹
 - Internal presentations and outreach programme slideshows²⁰
23. The following secondary information and data sources were used. Secondary information and data were not given the same weight as primary sources. Primarily it was used to inform the methodology but, it was also used selectively and in context to inform assessments where primary data was not available:
- The Interpretive Note to Recommendation 8 (see International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation - the FATF Recommendations (2012, updated 2016)).
 - The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013).
 - The International Best Practices: Combating the Abuse of Non-Profit Organisations (FATF, 2015).
 - The Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014).
 - The Terrorist Financing Risk Assessment Guidance (FATF, 2019).
 - The FATF Mutual Evaluation Reports of Canada,²¹ the United Kingdom²² and Hong Kong, China²³.
 - Feedback from the FATF Private Sector Consultative Forum (Vienna, March 2016).
 - Typologies of Civil Society in South Africa: A critical review and analysis of the characteristics of the non-profit sector²⁴.
 - Enhancing Civil Society Participation in the South African Development Agenda: The Role of Civil Society Organisations²⁵.
 - Internal presentations and outreach programme slideshows²⁶.

¹⁷ [South African National Terrorism Financing Risk Assessment, Inter-departmental Working Group South Africa, March 2022.](#)

¹⁸ [FSCA Anti-Money Laundering/Counter Financing of Terrorism: Body of Knowledge Report, April 2022.](#)

¹⁹ [South African Reserve Bank Prudential Authority: Assessment of money laundering, terrorist financing and proliferation financing risk in the banking sector, July 2022.](#)

²⁰ Shared with the Technical Team by the Financial Intelligence Centre, the Financial Sector Conduct Authority, and other stakeholders (unpublished).

²¹ [Mutual Evaluation Report for Canada](#): September 2016

²² [Mutual Evaluation Report for the United Kingdom](#): December 2018

²³ [Mutual Evaluation Report for Hong Kong, China](#): September 2019

²⁴ [Typologies of Civil Society in South Africa: A critical review and analysis of the characteristics of the non-profit sector, Kagiso Trust, 2019.](#)

²⁵ [Enhancing Civil Society Participation in the South African Development Agenda: The Role of Civil Society Organisations, National Development Agency, 2016.](#)

²⁶ Shared with the Technical Team by the Financial Intelligence Centre, the Financial Sector Conduct Authority, and other stakeholders (unpublished).

B: Executive summary

24. This risk assessment was commissioned by the South African government, as part of its commitment as a full member of the Financial Action Task Force's (FATF's) Global Network²⁷ to combat the financing of terrorism. It was completed with support from Greenacre Associates and with funding from the EU Global Facility on AML and CFT.
25. The risk assessment meets the core FATF requirements in relation to Recommendation 8 and Immediate Outcome 10. Specifically, paragraph 8.1 of the FATF Methodology states that countries should:
- (a) Identify which subset of organisations fall within the FATF definition of NPO...
 - (b) 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
 - (c) 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.
26. The risk assessment identified the following seven types of NPOs that meet the FATF definition of NPOs:

Table 4: FATF defined NPOs in South Africa

Type		Relevant law
1(a)	Charitable trust	Trust Property Control Act, 1988 (Act 57 of 1988)
1(b)	Branch of a foreign trust	Trust Property Control Act, 1988 (Act 57 of 1988)
2(a)	Non-profit company	Companies Act, 2008 (Act 71 of 2008)
2(b)	Branch of a foreign non-profit company	Companies Act, 2008 (Act 71 of 2008)
3(a)	Associations of persons: registered (voluntary association)	Common law; Nonprofit Organisations Act 71 of 1997
3(b)	Branch of foreign association	Common law; Nonprofit Organisations Act 71 of 1997
3(c)	Associations of persons: unregistered (voluntary association)	Common law

27. Data used in this risk assessment included a survey of 301 NPOs; data submissions from various institutions (including law enforcement, regulatory and supervisory institutions, intelligence agencies and financial institutions) listed in the relevant sections, a questionnaire of 11 government agencies; as well as other relevant literature. A combined qualitative and quantitative assessment was undertaken.
28. There are no known convictions of terrorist financing abuse of NPOs in South Africa. There have, however, been case studies in which NPOs had possibly been abused for terrorist financing identified by law enforcement, intelligence agencies, supervisory bodies and regulators. These case studies are based on regulatory interventions, active investigations, and suspicions raised by various institutions and regulators. However, there have not been any prosecutions or arrests. Take note that these cases have been sanitised, where applicable, as some of the cases are under active investigation.

²⁷ South Africa is a member of ESAAMLG (Eastern and Southern Africa Anti-Money Laundering Group), the FATF-Style Regional Body for Eastern and Southern Africa.

29. The risk assessment considered:
- The size and nature of the overall TF threat in South Africa
 - Analysis of TF abuse of NPOs in other jurisdictions and of other forms of financial abuse of NPOs in South Africa
 - Qualitative assessments from law enforcement, supervisory and NPO officials of the likely nature of the risk.
30. Five possible TF threats to NPOs were identified.

Terrorist financing threats to NPOs in South Africa:

- Islamic State (IS) and its affiliates in Africa
- Al-Shabaab and its affiliates in Africa, including Al Sunnah Wa Jama'ah
- Nigerian terrorist groups, including Boko Haram and MEND
- Domestic right-wing extremists
- Al-Qaeda (including al-Qaeda in the Arabian Peninsula (AQAP) and al-Qaeda in the Islamic Maghreb).

31. There were 10 possible pointers identified on the nature of the TF threat to NPOs.

The nature of the potential TF threat to NPOs in South Africa:

- NPOs raising funds or other support for foreign terrorist groups
- Establishing an NPO to support domestic terrorist activity
- NPOs facilitating foreign travel for terrorist causes
- NPOs used as a conduit to channel foreign funds to terrorist groups in Africa
- NPOs using the Internet and online media for fundraising, recruitment, and propaganda
- NPOs supporting terrorist causes through cash
- NPOs supporting terrorist causes through remittance services
- NPO using multiple bank accounts
- Diversion of funds by a beneficiary/partner
- Payment of ransoms to terrorist groups by NPOs.

32. Section G of the risk assessment identified the inherent vulnerabilities to terrorist financing in the NPO sector, these being the features and types of NPOs, and activities and characteristics assessed as being likely to expose an NPO to a potential terrorist financing risk. Five features, characteristics or activities were identified which increase the risk of TF abuse among NPOs in South Africa.

Inherent vulnerabilities that may potentially put an NPO 'at risk' of terrorist financing abuse:

1. NPOs established or operated by individuals with known terrorist sympathies
2. NPOs with activities in high-risk foreign jurisdictions
3. NPOs with links to communities sympathetic to terrorist causes (including far-right causes)
4. NPOs receiving funds from and transferring funds to high-risk countries
5. NPOs using unverifiable methods for raising or transferring funds.

33. Five main threats with 10 related "natures of the threats" were identified. The result of this inherent risk assessment is the identifying of seven main vulnerabilities, each of varying levels of significance and prevalence. Ultimately, these different threats and vulnerabilities were considered, resulting in the final assessed inherent risk rating of Medium.
34. **In this context, the overall inherent risk of terrorist financing abuse of NPOs in South Africa is assessed Medium.**

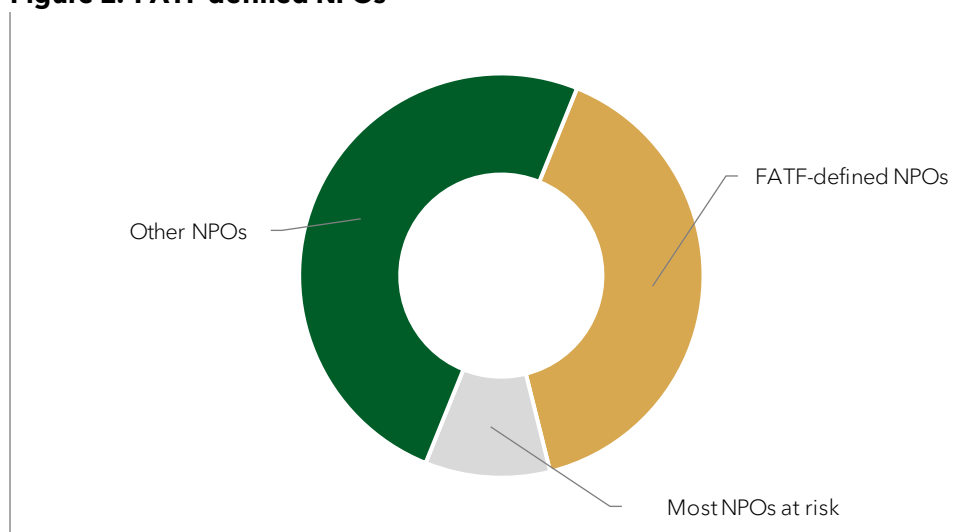
Inherent TF risk of NPOs in South Africa
Medium

35. This risk assessment will be complemented by a separate *Review of Mitigating Measures*, which will review the adequacy of measures to mitigate the identified TF risks to NPOs and make recommendations for improvement.

C: FATF-defined NPOs

36. Paragraph 8.1(a) of the FATF Methodology states that countries should “*identify which subset of organisations fall within the FATF definition of NPO*”.
37. FATF defines the term NPO to cover “*a legal person or arrangement or organisation that primarily engages in raising or disbursing of funds for purposes such as charitable, religious, cultural, educational, social, or fraternal purposes, or for the carrying out of other types of ‘good works’*”.
38. This definition excludes:
- Informal groups of people who do not meet the definition of legal arrangement
 - Legal persons, arrangements or organisations which are not established for ‘good works’, such as political parties, trade unions, or co-operatives which are primarily engaged in economic activities for the political, personal or financial benefit of members
 - Legal persons or arrangements or organisations not engaged in the raising or disbursing of funds as a main purpose. This might include sports clubs, social associations or religious groups that do not or only incidentally engage in the raising or disbursing of funds.
39. FATF provides the following graph²⁸ to illustrate which NPOs should be covered by the risk assessment.

Figure 2: FATF defined NPOs



Source: *TF Risk Assessment Guidance*, FATF

Identifying ‘FATF defined NPOs’ in South Africa

40. On 17 October 2022, representatives from government and civil society attended an online workshop moderated by external consultants (Greenacre Associates and the EU AML/CFT Global Facility). The workshop examined the FATF guidance on ‘FATF defined NPOs’ and the scope of Recommendation 8 Risk Assessments and sought to identify which NPOs would meet the FATF definition and should be included within the scope of this risk assessment.

²⁸ Figure 4.1, Terrorist Financing Risk Assessment Guidance, (FATF, 2019)

41. The exercise started by identifying all organisations within South Africa which are within the 'entire universe of NPOs'. The following 13 categories were identified:
- Charitable trusts
 - Non-profit companies
 - Voluntary associations (association of persons)
 - Registered
 - Unregistered
 - Political parties
 - Trade unions
 - Co-operatives
 - Membership associations
 - Professional bodies
 - Closed corporations
 - Branches of foreign non-profit companies
 - Branches of foreign trusts
 - Branches of foreign associations.
42. Political parties, trade unions, co-operatives, and closed corporations are excluded as they do not meet the FATF definition of an NPO.
43. Charitable trusts, non-profit companies and voluntary associations are three broad categories of organisations that fall within the FATF definition of NPOs. All three types have the option to voluntarily apply for registration as a non-profit organisation²⁹. However, there is a legal requirement for NPO to register if they make donations or provide humanitarian, charitable, religious, educational or cultural services outside of South Africa.
44. It is possible that these legal forms may encompass some organisations that, despite being non-profits, do not meet the FATF definition of NPOs. There is no specific data to distinguish the exact number that fall outside the FATF NPO definition, however, it is believed to be a relatively small proportion. Therefore, this assessment will encompass all organisations falling within these broader categories.
45. Registered foreign tax-exempt organisations may open branches in South Africa.
46. To summarise, the following seven categories include entities that are FATF defined NPOs:

²⁹ In terms of the [Nonprofit Organisations Act 71 of 1997](#) and S12(1)(b) of the Non Profit Organisations Act 71 of 1997.

Table 5: NPOs in South Africa which meet the FATF definition

Type		Relevant law establishing entity
1(a)	Charitable trust	Trust Property Control Act, 1988 (Act 57 of 1988)
1(b)	Branch of a foreign trust	Trust Property Control Act, 1988 (Act 57 of 1988)
2(a)	Non-profit company	Companies Act, 2008 (Act 71 of 2008)
2(b)	Branch of a foreign non-profit company	Companies Act, 2008 (Act 71 of 2008)
3(a)	Associations of persons: registered (VA)	Common law; Non-profit Organisations Act, 1997 (Act 71 of 1997)
3(b)	Branch of foreign association	Common law; Nonprofit Organisations Act 71 of 1997
3(c)	Associations of persons: unregistered (VA)	Common law

Sources: Multi-sectoral working group; South Africa Revenue Service

D. Profile of FATF defined NPOs in South Africa

47. Seven categories of organisations have been identified as FATF defined NPOs. These are charitable trusts, non-profit companies, voluntary associations (registered and unregistered), and branches of foreign NPOs (companies, trusts and associations).
48. **Charitable trusts:** Charitable trusts are established through a trust deed, court order or will under the Trust Property Control Act, 1988 (Act 57 of 1988). They must register with the Master of the High Court. These trusts could be charitable trusts, which are FATF defined NPOs, and private trusts, which do not qualify as FATF defined NPOs.
49. **Non-profit companies (NPCs):** NPCs are incorporated bodies established under the Companies Act, 2008 (Act 71 of 2008) through a Memorandum of Incorporation. They are registered and supervised by the Companies and Intellectual Property Commission (CIPC). The CIPC distinguishes between for-profit and non-profit companies.
50. **Voluntary associations (VAs):** VAs are unincorporated associations of persons established through a written constitution under common law³⁰. There is no specific legislation, and no statutory registration or mandatory oversight. VAs, like any FATF defined NPO, must register as taxpayers and thereafter may apply to be granted income tax exemption and PBO status. These VAs may, however, choose to register as 'registered NPOs' according to the Nonprofit Organisations Act 71 of 1997 (see below) and in some instances such registration will be compulsory.
51. **Branches of foreign trusts:** The Trust Property Control Act, 1988 (Act 57 of 1988) allows for foreign trustees dealing with South African property. They are, however, only permitted to act once **authorised by the Master of the High Court**³¹. **Like other trusts, these may be charitable or private.**
52. **Branches of foreign non-profit companies (foreign NPCs):** Foreign companies may establish branches through the CIPC. The CIPC does distinguish between for-profit or non-profit companies when it comes to a foreign branch. However, SARS requests branches of non-profit foreign companies to provide proof of income tax exemption in their home country if they wish to enjoy similar privileges in South Africa.
53. **Branches of foreign voluntary associations:** If the association is based in South Africa and donating or carrying on activities outside of South Africa, these branches are subject to compulsory registration as NPOs.
54. Voluntary associations, trusts and NPCs must register for income tax with the SARS (the process is automatic for NPCs). Any of these legal entity types of NPOs registered with SARS as a taxpayer may apply for **Income Tax Exemption (EI)** and **public benefit organisation (PBO)** status dependant on the public benefit activities (PBAs) performed by applying organisations. These PBAs are contained within Part 1 of the Ninth Schedule of the Income Tax Act³².
55. Trusts, NPCs, and VAs may additionally apply for **registered NPO** status with the Department of Social Development (DSD). Registration is voluntary, except (as discussed above) if an

³⁰ Whilst it is technically possible to establish an association with a verbal constitution, an entity would need a written constitution to open a bank account, register or obtain NPO and PBO status.

³¹ S8 of the [Trust Property Control Act 57 of 1988](#).

³² Although there are different types of Income Tax Exemption categories, only PBOs fall within the FATF definition of at risk NPOs. Thus, these other categories will not be included for analysis and discussion in this document.

organisation donates or carries on certain activities outside of South Africa in which case registration is compulsory. NPOs, if registered, must fulfil certain reporting requirements.

Note - From here on this report will refer to NPOs registered under the NPO act as 'registered NPOs', and to the six categories of organisations that meet the FATF definition as 'FATF defined NPOs'

General observations on FATF-defined NPOs

56. The table below provides an overview of the profile of FATF defined NPOs in South Africa. It provides estimates of the number of FATF defined NPOs in terms of their legal entity type. It is difficult to gather information on the exact number of registered FATF defined NPOs. FATF defined NPOs in South Africa can register with more than one regulatory body (such as the CIPC, DSD and Master of the High Court), and can therefore have multiple governing legislation at a time. For example, an NPC (registered with the CIPC) can also register with the DSD as an NPO. This NPC will be automatically registered with SARS for tax purposes and can subsequently apply to obtain PBO status.

Table 6: Profile of FATF defined NPOs in South Africa

	Type	Number
1	Charitable trust (local and foreign)	38 838 ³³
2	Non-profit company (local and foreign)	82 875 ³⁴
3	Associations of persons: registered (voluntary association) (local and foreign)	276 183 ³⁵
	Associations of persons: unregistered	60 000 ³⁶
4	Public benefit organisations	59 567 ³⁷

Sources: NPO supervisory bodies

The following information was provided by the relevant agencies, to gain a better understanding of the FATF defined NPOs present in South Africa.

Public benefit organisations³⁸:

57. SARS has 59 567 organisations that are approved as public benefit organisations (PBOs).

Table 7: Number of PBOs by legal type

PBO entity types	%	Total
Foreign company	0.05%	30
Foreign NPC	0.04%	23
Non-profit company	17.94%	10 687
Non-profit organisation registered with DSD	31.77%	18 926
Trust	10.18%	6 063
Voluntary associations	40.02%	23 837
Total		59 567

Source: SARS

³³ Overview of the NPO Sector in South Africa, PPT Slideshow, 2019, FIC.

³⁴ NPCs on the CIPC register as per 3 June 2023.

³⁵ NPOs on the DSD register as per 30 June 2023.

³⁶ This number is an estimate based on the Kagiso Trust Report facts and figures.

³⁷ SARS has 59 567 organisations that are approved as Public Benefit Organisations (PBOs) as 30 June 2023.

³⁸ For more information, contact the SARS TEI Segment or visit the [SARS website](#).

58. The following methodology was applied by SARS in classifying the PBO register by entity type:
- **NPCs, private companies and foreign companies:** Upon registration, the CIPC company registration and associated registration number is transferred to SARS systems and stored as the default registration number for all companies. This number is then used to identify all the companies on the PBO register and to sort them according to the type of company (e.g. NPC – numbers ending with /08; Private company – numbers ending with /07, etc.)
 - **Trusts:** All trusts on the PBO register are registered for the Trust Tax Product in SARS and are therefore identified by their tax product classification
 - **Voluntary associations:** All entities on the SARS PBO register that are neither companies registered with CIPC, nor trusts registered with the Master of the High Court, and are not registered with the DSD (i.e. no NPO number captured on SARS systems)
 - **NPOs registered with DSD:** Voluntary associations that have been identified through an NPO number captured on SARS system. Note: Some NPCs and trusts are also registered with the DSD and have been issued an NPO number. However, the NPC or trust registration numbers are stored as their respective default registration numbers and not the NPO numbers on SARS system.
59. SARS does not have an indicator at this point that would identify NPCs or trusts that enjoy DSD NPO approval. SARS uses the tax product(s) an organisation is registered for to identify registered PBOs. The 25.14 percent NPO registration number is therefore not an absolute indicator of PBOs that are registered with DSD NPO Directorate.
60. SARS has identified NPOs that are registered as normal taxpayers and have not applied for or been granted PBO status – these entities have been excluded from this analysis.
61. PBAs listed in Part 1 for purposes of section 30 are categorised as follows:
- Welfare and humanitarian (paragraph 1)
 - Health care (paragraph 2)
 - Land and housing (paragraph 3)
 - Education and development (paragraph 4)
 - Religion, belief or philosophy (paragraph 5)
 - Cultural (paragraph 6)
 - Conservation, environment and animal welfare (paragraph 7)
 - Research and consumer rights (paragraph 8)
 - Sport (paragraph 9)
 - Providing of funds, assets and other resources (paragraph 10)
 - General (paragraph 11)

It should be noted PBOs are legally obliged to indicate their sole or principal objective on the application for income tax exemption. However, a PBO may conduct more than one PBA as part of its overall objectives. As a result, the total PBAs represented in the statistics will not reflect the total number of PBOs on register.

Non-profit companies:

62. Below is a breakdown of the volume of NPCs on the CIPC register.

Table 8: Status of NPCs

Main status description	Total
Active	82 875
In winding up/liquidation	134
Pending final deregistration	50 318
Finally deregistered	30 763
Dissolved	154

Source: CIPC

63. The CIPC has determined the number of registered NPCs that fall within the various income bands as commonly used by the CIPC. This has been used to determine the total number of active unique organisations registered with the CIPC, as well as the organisations that are possibly inactive.

Table 9: Number of NPCs in selected income bands

Possibly inactive	> R1 million	R1 million - R10 million	R10 million - R50 million	R50 million +	Total unique entities
13709	6068	2819	651	195	23442
58%	26%	12%	3%	1%	100%

Source: CIPC

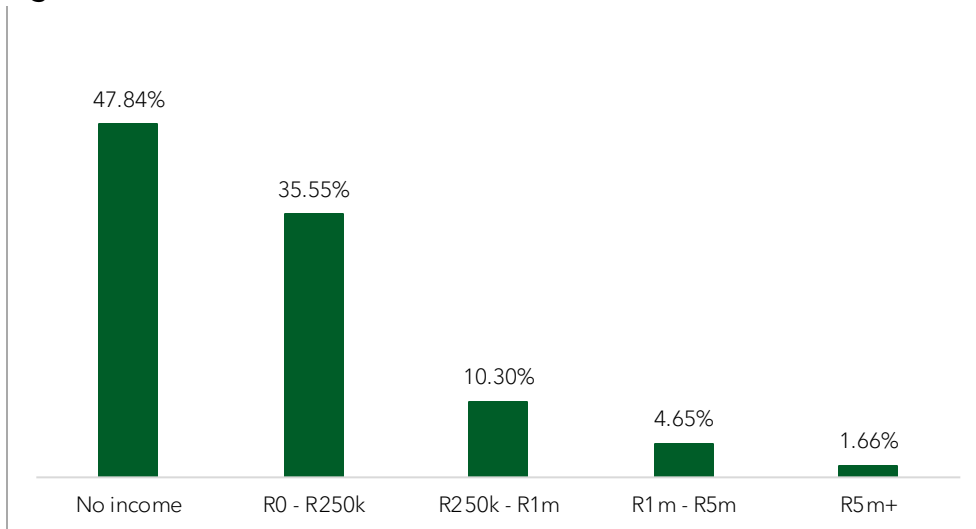
Survey observations and results:

64. The survey (as discussed in paragraph 21) of registered FATF defined NPOs in South Africa, resulted in 301 responses, which provided information on various important aspects to better understand the sector. The total population for the survey, **excluding duplicates** (duplicates being NPOs that are registered with multiple regulators/supervisors), was **252 549**. The results will be discussed below, with figures and tables.

65. The results indicated that almost half (47.84 percent) of the FATF defined NPOs surveyed had no income in the past 24 months. According to the 2020 *Dialogue Business in Society Handbook*³⁹, approximately 72 percent of civil society organisations in South Africa reported a decrease in income in 2020. This contrasts with the 33 percent in 2019, resulting in almost double the number of organisations reporting a decrease in income. It has been estimated that up to 25 percent of the civil society organisations closed in 2020 and in early 2021. This can be supported by the feedback received from interviewers during the survey. The interviewers reported that many surveyed NPOs indicated that they would be closing or have not been operating for since 2020, due to lack of funding.

³⁹ [The 2020 CSO Sustainability Index for South Africa: 224.](#)

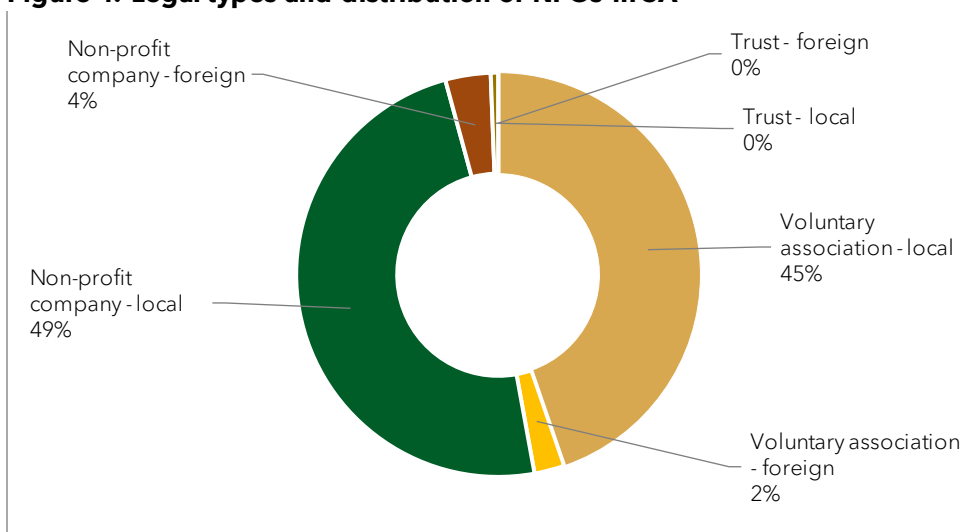
Figure 3: Income distribution of NPOs in SA



Source: NPO survey

66. The FATF defined NPOs in South Africa can, and in some instances should, be registered with more than one regulating authority at a time, as determined by the legal nature or role of regulating authority. According to the survey results, the majority of FATF NPOs are local NPCs or local VAs. The figure below indicates the legal type of NPOs represented in South Africa.

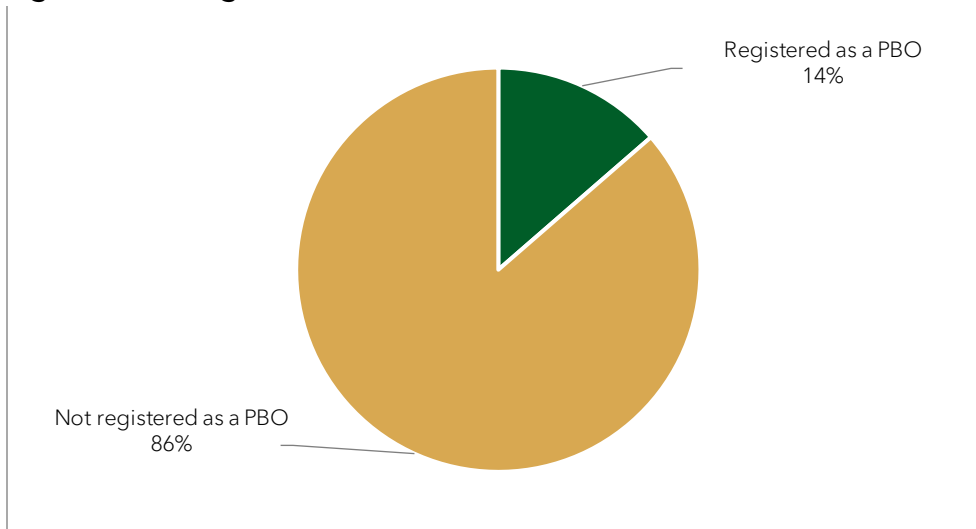
Figure 4: Legal types and distribution of NPOs in SA



Source: NPO Survey

67. Only 14 percent of the organisations surveyed are registered with SARS as public benefit organisations (PBOs), as shown in the figure below.

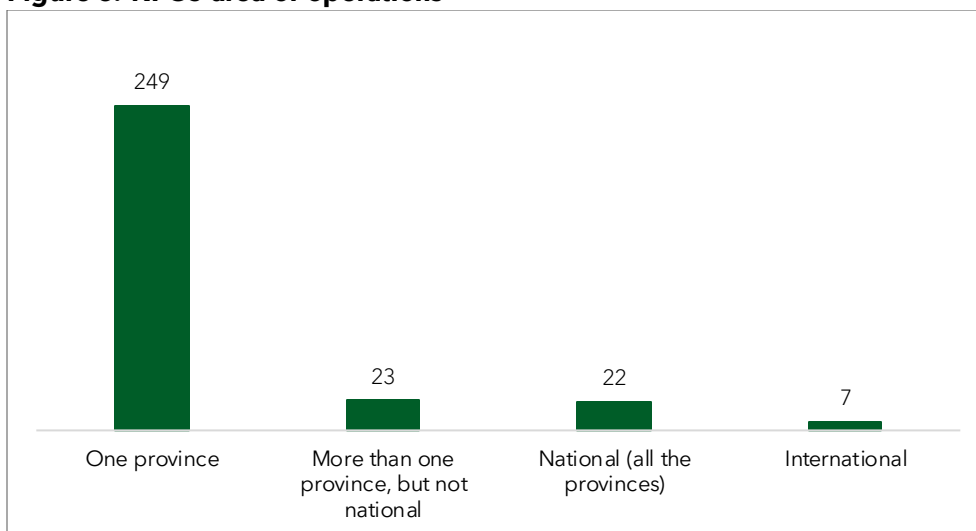
Figure 5: PBO registrations in SA



Source: NPO survey

68. NPOs were asked to indicate their area of operations, as can be seen in the figure below. Those that indicated "International", cited the following countries as their areas of operations: United States, United Kingdom, Australia, southern Africa, Zambia, Lesotho, Swaziland, Botswana, Namibia, the Far East, Africa, and Europe. The largest majority of FATF defined NPOs surveyed in South Africa operate in only one province. This list is by no means exhaustive, as these results are only based on the 301 surveyed responses received. International funds transfer report (IFTRs), case studies and publications discussed below, make it clear that South African NPOs operate in many countries worldwide.

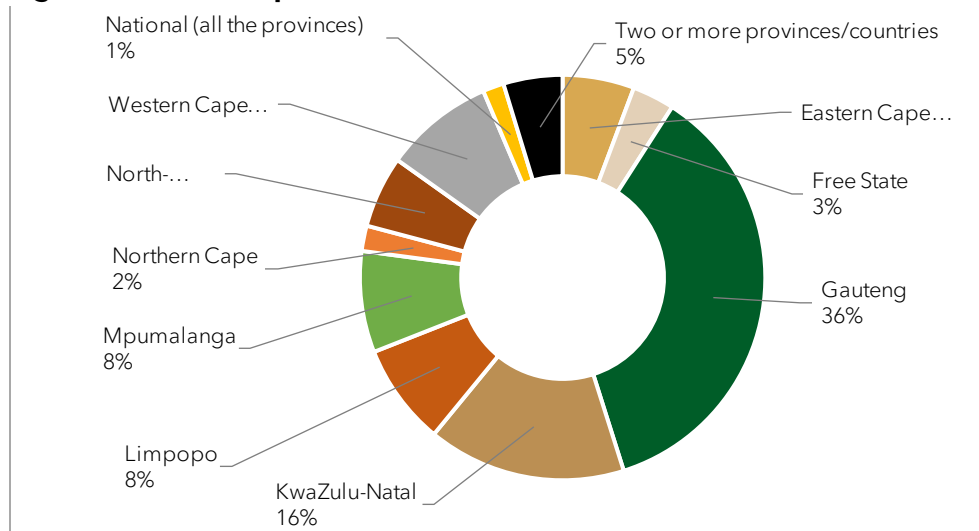
Figure 6: NPOs area of operations



Source: NPO survey

69. NPOs have headquarters in various places, with most situated in the Gauteng province, while the second largest indicated headquarter province is KwaZulu-Natal.

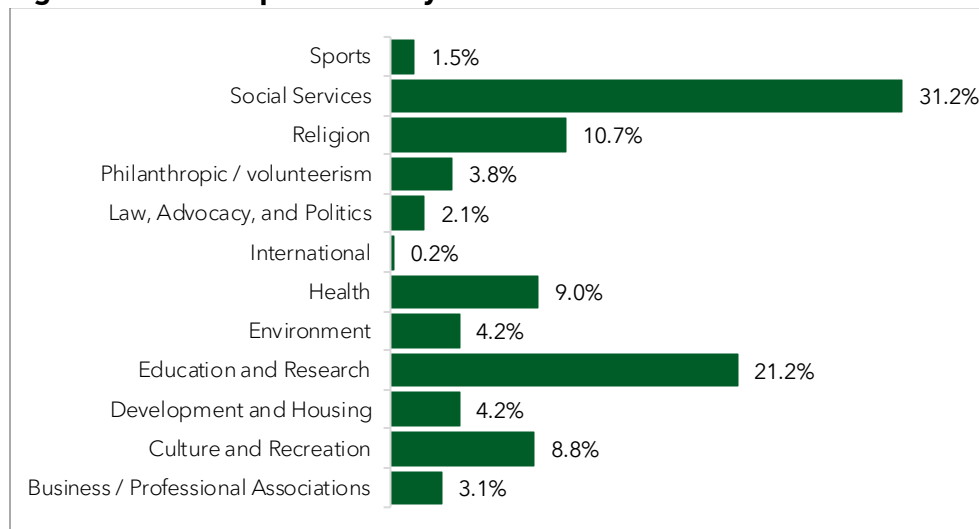
Figure 7: NPO headquarters



Source: NPO survey

70. NPOs perform many activities in their line of work and often more than one main activity simultaneously. According to the survey results, most FATF NPOs perform social services as their main area of activity, with close to a third (31.2 percent) indicating this as their response. The second most selected main areas of activity for NPOs, is education and research, with 21.2 percent selecting this as their response. The main activities performed by NPOs in the past 24 months (August 2021 to July 2023) can be found in the figure below.

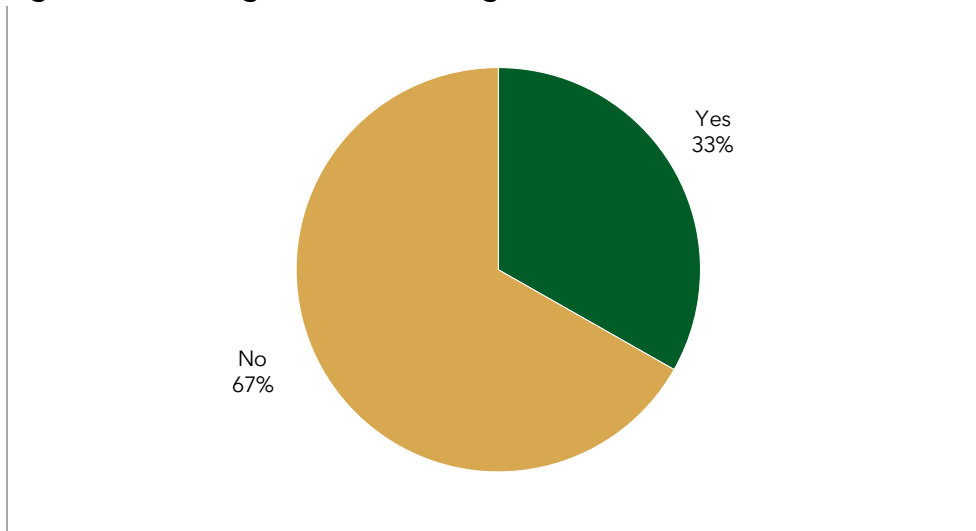
Figure 8: Activities performed by NPOs



Source: NPO survey

71. As per the survey, a third (33 percent) of FATF NPOs in South Africa provide humanitarian assistance.

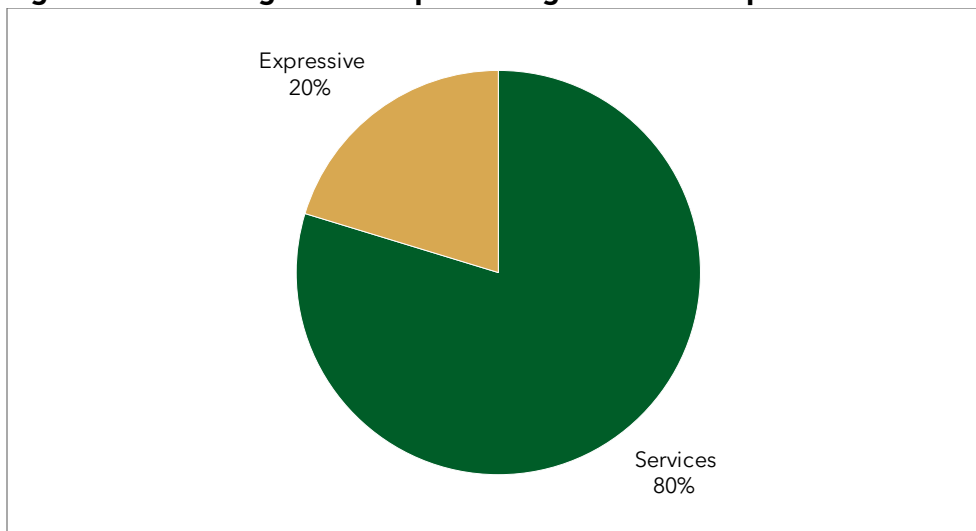
Figure 9: Percentage of NPOs offering humanitarian assistance



Source: NPO survey

72. As per the survey, 80 percent of NPOs in South Africa provide services such as housing, poverty relief, education, or health care, with only 20 percent providing expressive activities such as sports and recreation, arts and culture, interest, representation, or advocacy.

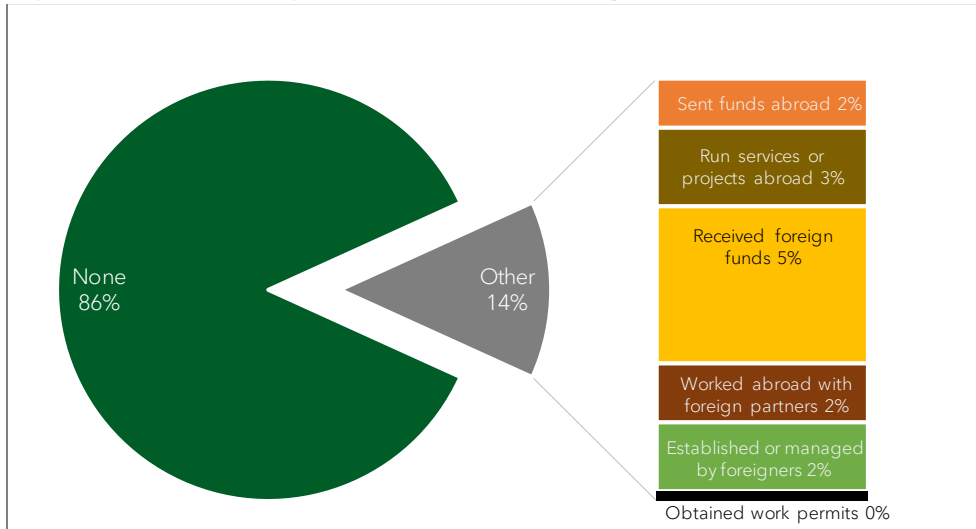
Figure 10: Percentage of NPOs performing services or expressive activities



Source: NPO survey

73. Most (91 percent) NPOs had no foreign links, meaning that they had not sent funds abroad, received funds from abroad, or run projects abroad. It also means that these NPOs have not worked with foreign partners, obtained work permits for foreigners, or have not been established or managed by foreigners. Those that had foreign links, mainly received foreign funds.

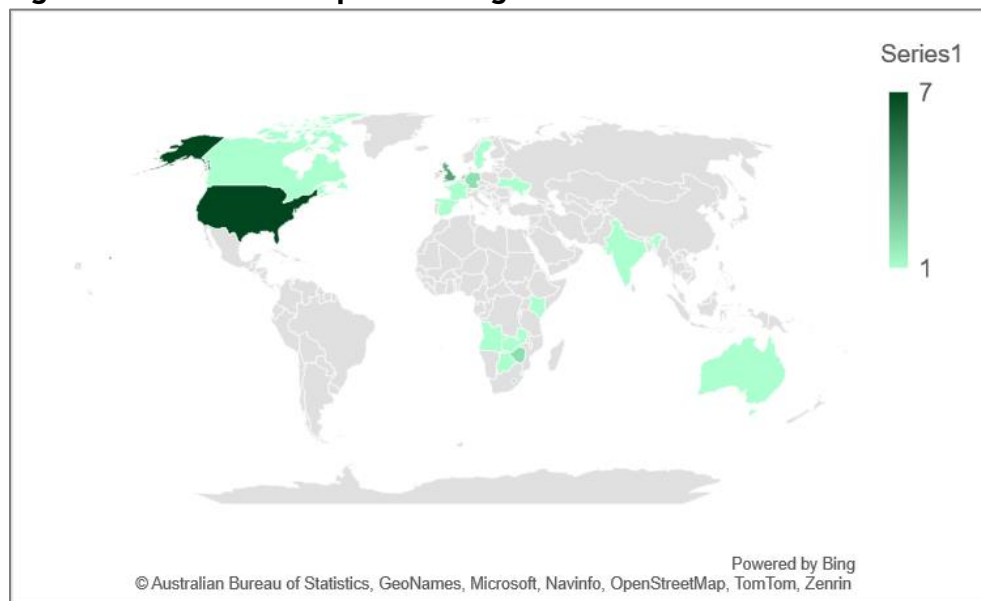
Figure 11: NPOs foreign links identified and reported



Source: NPO survey

74. Those with foreign links, indicated various countries in their responses. These included the following countries and amount of NPOs citing that they have had links to that country: USA (7), UK (4), Netherlands (2), Lesotho (2), Germany (2), Zimbabwe (2), France (1), Korea (1), Sweden (1), Australia (1), Kenya (1), Spain (1), Angola (1), Botswana (1), Canada (1), Zambia (1), Swaziland (1), Ukraine (1), India (1).

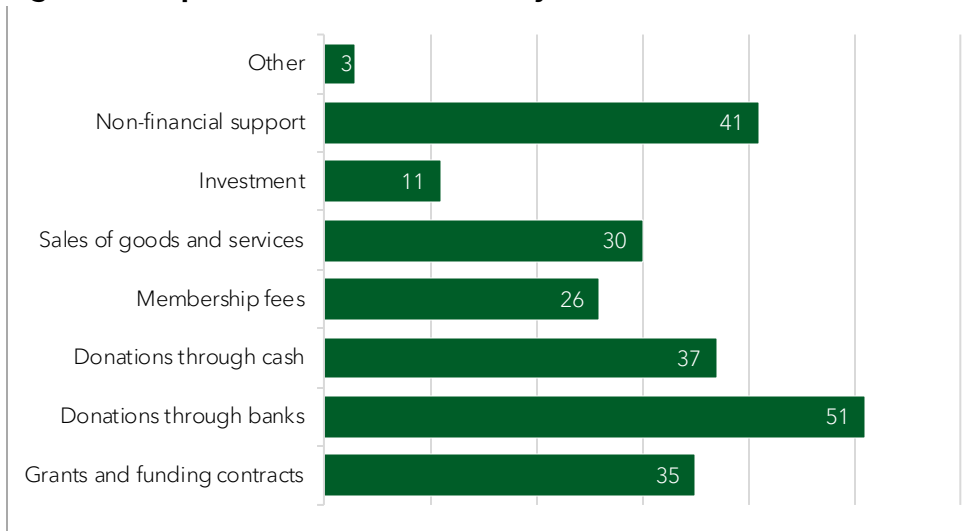
Figure 12: Locations of reported foreign links and activities



Source: NPO survey

75. NPOs reported receiving their funds primarily via bank channels, with non-financial support and cash donations being the second and third largest source of income. This should be considered in the context that most NPOs have received no funding in the past 24 months (August 2021 to July 2023) (as shown above). The nature of these funds differed per source, with the figures below depicting the results per number of NPOs.

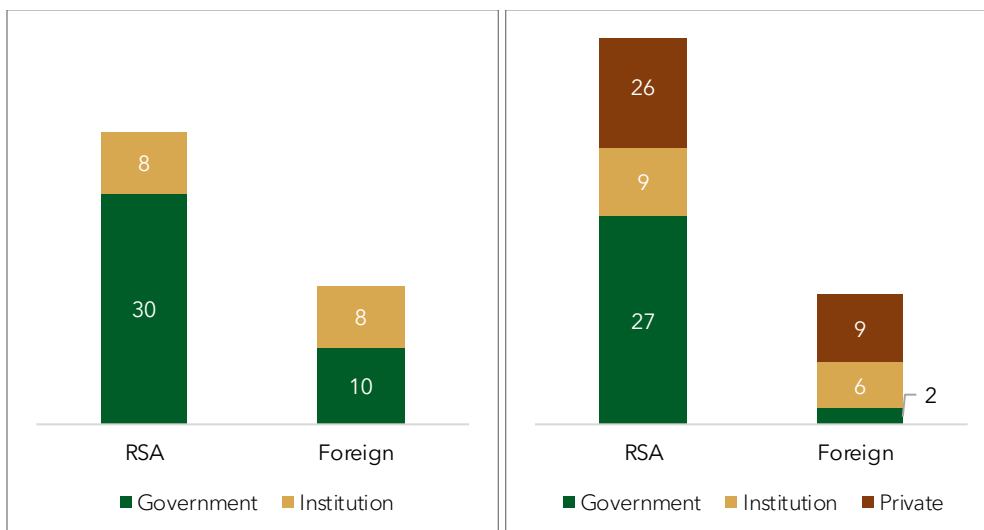
Figure 13: Reported sources of income by NPOs



Source: NPO survey

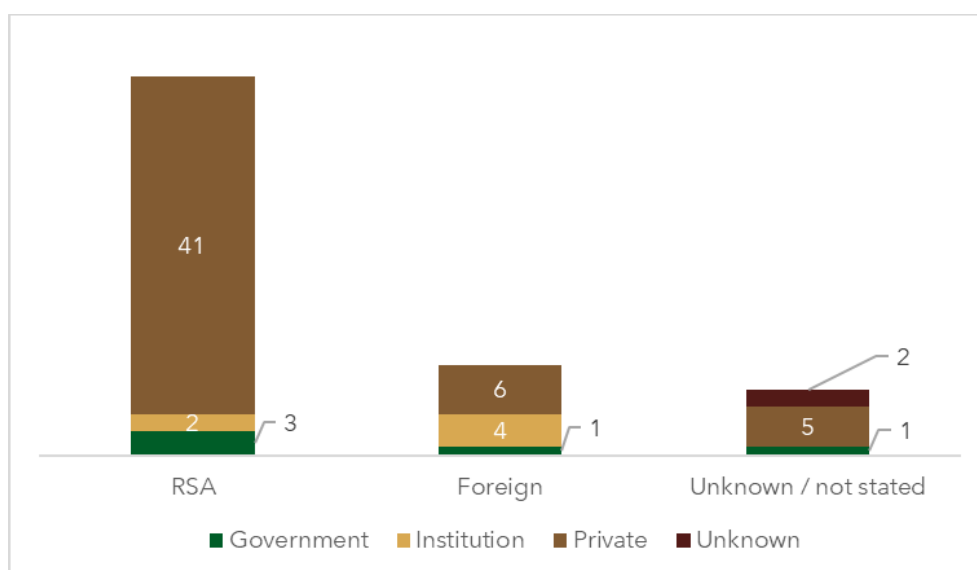
76. Grant funding in the South African context is primarily associated with social grants, which are a key part of the state’s efforts to alleviate poverty and build a more equitable society. Grant funding is provided to NPOs from various local, provincial, and national government departments and public institutions. South African NPOs also receive grant funding from international and foreign government departments, public institutions and other NPOs. NPOs can also receive donations from local individuals, companies, trusts and other NPOs. Grants were noted as the fourth largest means of obtaining funding and the NPOs surveyed identified that it was mainly received from the South African government. Donations received through banking channels is noted as the largest means of obtaining cash, with the number of funds received from the South African government and private individuals, being almost identical. Donations in the form of cash received are primarily from private individuals.

Figure 14 and 15: Nature of grant funding to NPOs and nature of donations made through banks to NPOs



Source: NPO survey

Figure 16: Nature of cash donations made to NPOs



Source: NPO survey

Funding of the NPO sector

77. According to the *2020 Trialogue Business Handbook*⁴⁰ government spending on social and community development increased due to the COVID-19 pandemic. This, however, did not result in an increase in the government funding for FATF defined NPOs in 2020 and more than 60 percent of these NPOs reported that they received no government funding during the year. It was also indicated that individuals often contribute to NPOs, and 14 percent of the sector's total funding in 2020 was from private individuals, according to the *2020 Trialogue Business Handbook*⁴¹. The results from the survey indicate that during the time of conducting this risk assessment, the majority of funding in the NPO sector is obtained from private sources. These include individuals donating to the NPO sector. Crowdfunding is also becoming a large contributor to funding in South Africa, with the BackaBuddy⁴² crowdfunding platform hosting 500 more fundraising campaigns in April 2020 than in April 2019⁴³. The concern that crowdfunding could be used to facilitate the funding of terrorism has also been noted in various FATF typologies⁴⁴.

The South African NPO task team

78. The South African Non-Profit Organisation Task Team was established on 10 December 2018, consisting of the following government departments, law enforcement agencies (LEAs) and supervisory bodies: Financial Intelligence Centre (FIC); Department of Social Development's (DSD) Non-profit Organisation Directorate; South African Revenue Service (SARS); South African Police Service (SAPS); Directorate for Priority Crime Investigation (DPCI); National Intelligence Co-ordinating Committee (NICOC); South African Reserve Bank (SARB) Prudential Authority; and Companies and Intellectual Property Commission (CIPC). The purpose of the

⁴⁰ [The 2020 CSO Sustainability Index for South Africa: 224.](#)

⁴¹ [The 2020 CSO Sustainability Index for South Africa: 224.](#)

⁴² [BackaBuddy](#)

⁴³ [The 2020 CSO Sustainability Index for South Africa: 224.](#)

⁴⁴ [FATF \(2023\). Crowdfunding for Terrorism Financing, FATF, Paris.](#)

NPO Task Team is for respective government departments, LEAs, supervisory and regulatory bodies responsible for NPOs from an AML and CFT perspective to meet on a regular basis and discuss ML and TF risks to the South African NPO sector.

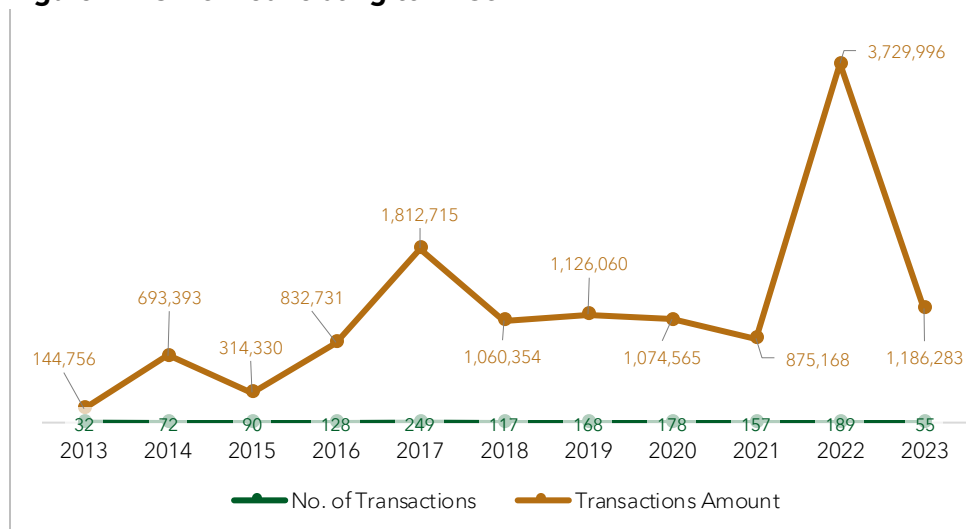
The NPO working group⁴⁵

79. There are also other multi-stakeholder teams similar to the NPO Task Team in South Africa. The NPO working group, as a member of the NPO Global Coalition on FATF⁴⁶, is one example of this. The working group, made up of independent organisations with secretariat services provided by the Inyathelo team, was established to assist with co-ordinating comments from the NPO sector about the proposed amendments to the NPO Amendment Bill. The NPO working group members include many representatives from the NPO sector, as well as independent consultants.

An analysis of regulatory reports filed against FATF defined NPOs (registered in SA)

80. Based on the information received from the FIC, a total of 1 435 cash threshold reports (CTRs) were identified and reported as linked to the 252 549 FATF defined NPOs (excluding duplicates). Therefore, the relation of CTRs to NPOs is 1 435:252 549 (0.01:1). CTR data showed the progression or decline of CTR amounts and the number of transactions in the past 10 years. The amounts are shown in US dollars, at the average conversion rate of 18:1 (ZAR:USD) for 2023.

Figure 17: CTRs filed relating to NPOs



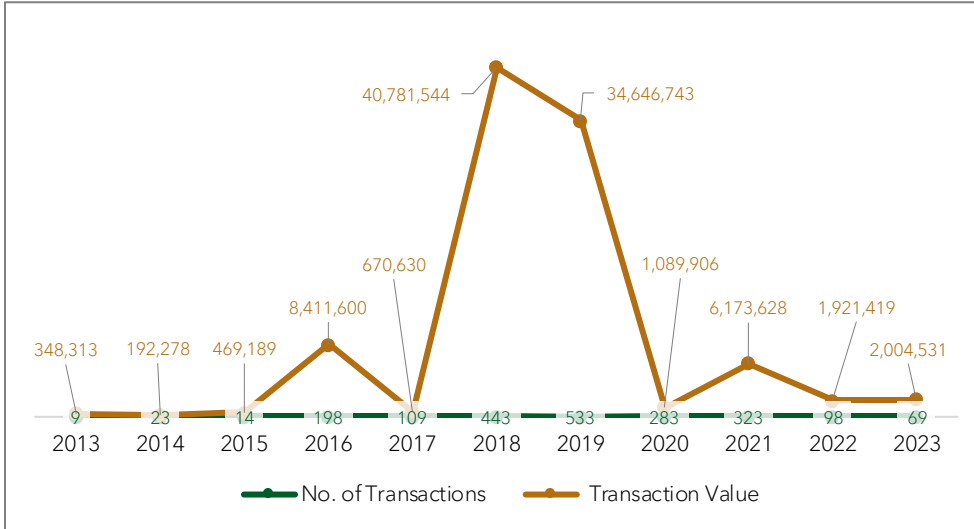
Source: FIC

81. Based on the information received from the FIC, a total of 2 102 suspicious and unusual transaction reports (STRs) were identified and reported as linked to the 252 549 FATF defined NPOs (excluding duplicates). Therefore, the relation of STRs to NPOs is 2 102:252 549 (0.01:1). STR data showed the progression or decline of STR amounts and number of transactions in the past 10 years. The amounts are shown in US dollars, at the average conversion rate of 18:1 (ZAR:USD) for 2023.

⁴⁵ For more information, visit <https://www.inyathelo.org.za/index.php/partner-websites/npoamendmentbill>

⁴⁶ For more information, visit <https://fatfplatform.org/>

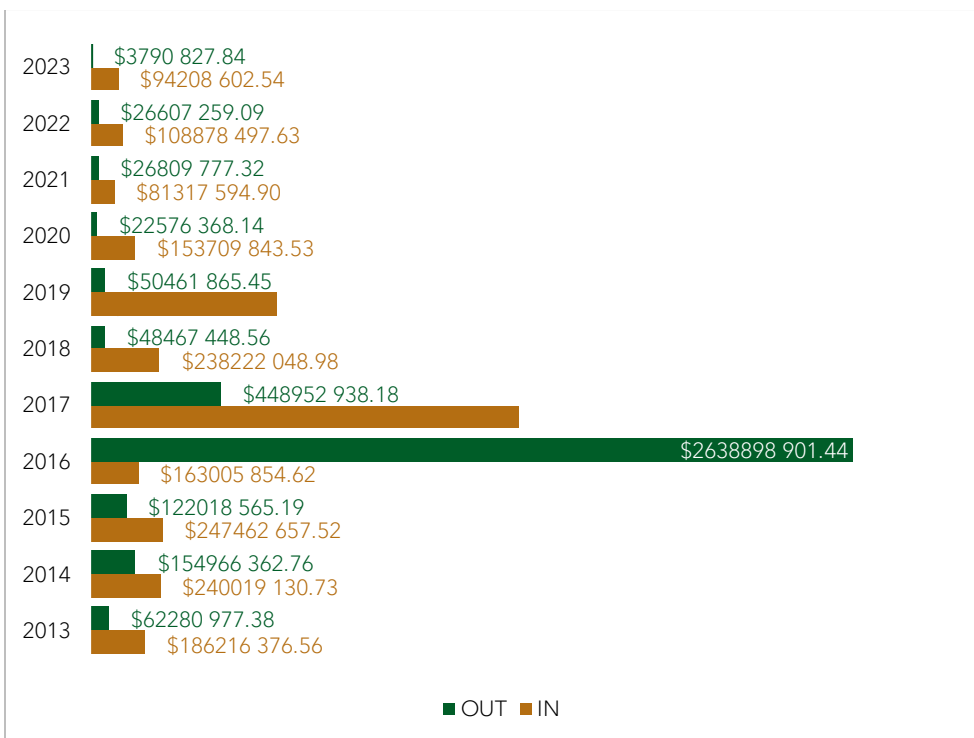
Figure 18: STRs filed relating to NPOs



Source: FIC

82. In addition to STRs, an SAR (suspicious activity report) can also be filed against an individual or organisation. It was determined that out of the total of 903 SARs reported between 2016 and 2023, there has been 14 SARs possibly linked to TF or PF. Some of the transactions reported were concluded through the Commercial Bank of Syria, which is blacklisted by the US Department of Treasury for proliferating weapons of mass destruction.
83. A total of 252 549 FATF defined NPOs were identified (excluding duplicates) in South Africa during the process of this assessment. A total of 209 661 IFTRs were identified as being linked to these NPOs. Therefore, the relation of IFTRs to NPOs is 209 661:252 549 (0,83:1). IFTR data showed the progression or decline of IFTR amounts in the past 10 years. These amounts are shown in US dollars, at the average conversion rate of 18:1 (ZAR:USD) for 2023.

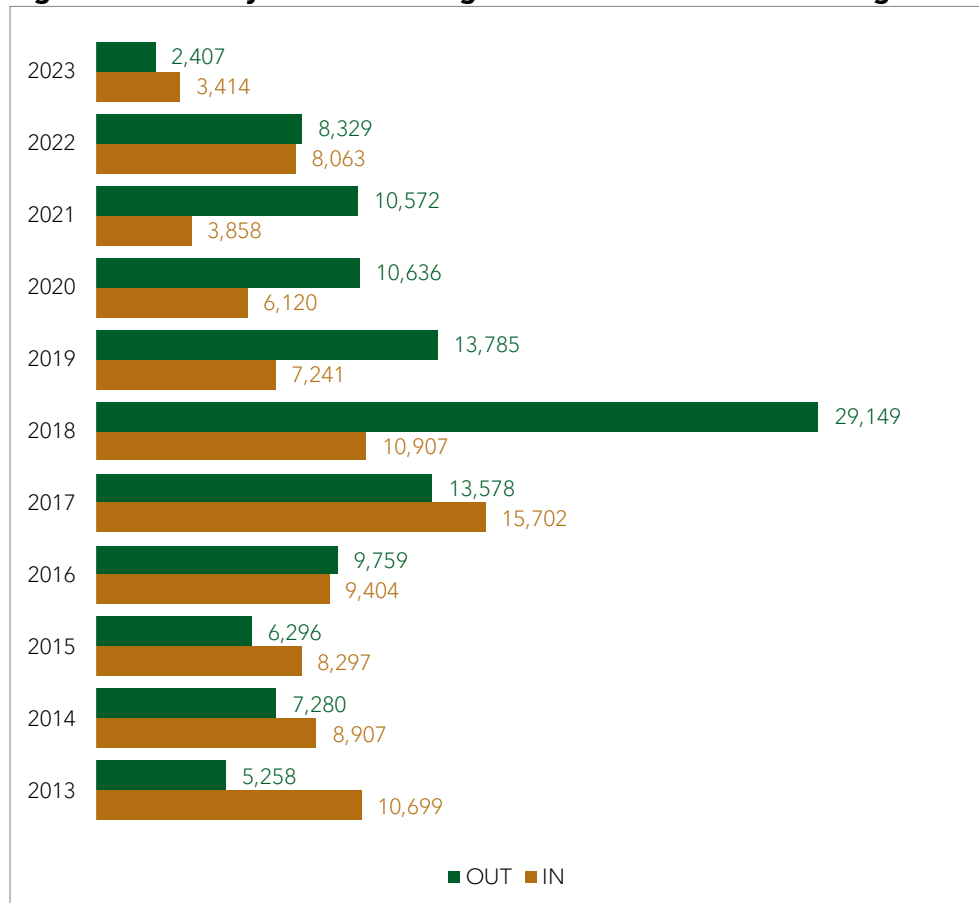
Figure 19: IFTRs flowing into and out of SA filed relating to NPOs



Source: FIC

84. The number of IFTRs received by the FIC has undergone some fluctuation in the past years, with growth in the number of transactions up until 2018, after which there was a decline. The countries with the highest number of transfers into South Africa, were the UK and the US. The largest rand value of currencies used to receive money into the country, was the euro and US dollar. The largest rand value of currencies used to transfer money out of South Africa, was the US dollar and the pound sterling.

Figure 20: Quantity of IFTRs flowing into and out of SA filed relating to NPOs



Source: FIC

85. In addition to the IFTRs, financial institutions reported six TFARs (terrorist financing activity reports) to the FIC in terms of Section 29(1)(a) up to 24 January 2018.

An analysis of data resulting from focus groups held with unregistered voluntary associations (UVAs)

86. A total of 10 focus groups were held across the country (one in each province, with two held in the Western Cape) to obtain viewpoints and data from UVAs in South Africa. There were approximately 12 representatives in each focus group. The following key observations were made from these groups:

- UVAs are diverse: Participants said that they formed or grouped together to address problems they would experience, often directly and individually. Example were of made of individuals coming together to address a “personal” problem or challenge. Often it appears the intention was to find a solution to the problem, not necessarily to form an organisation. In one group this was described as “Fellowshipping”, or the spirit of “Ubuntu” as said in another group.

- Challenges remain in efficient registration processes: This was expressed as ranging from the perceived expense, lack of understanding or a lack of confidence on the part of those seeking to form an organisation. There appears to be a widespread practice of “consultants” who charge community members to register their organisation. It was also reported that community members seek to join organisations in anticipation of receiving some form of remuneration, which also seems to prevent organisations from registering as they believe that they would be subject to additional regulatory costs (i.e. cost of compliance, such as the administration of employee’s tax).
- Terrorist financing concerns exist among participants: Participants shared their perceptions on the level of risk among unregistered organisations to terrorist financing. These are inter-linked in the experience and perceptions of participants with related concerns about money laundering, crime (e.g. drug-dealing) and corruption.
- Communities must be empowered: Partnerships and local level interventions to inform communities and improve trust between authorities and communities were consistently highlighted. Participants strongly suggested harnessing social media, local community engagements and advocacy as key interventions which could be made. In addition, addressing factors which limit registration or hinder uptake of these types of organisations were also identified as needing to be addressed in future efforts to mitigate the threats of terrorist financing.

E: Data on terrorist financing and NPOs in South Africa

87. Data was collected from law enforcement, supervisory authorities, NPOs, financial institutions, and through a literature review. This section sets out the data collected, which is analysed in sections F and G.
88. This section of the inherent risk assessment assesses the terrorist financing threat, and the nature of the threat to NPOs. This assessment combines quantitative data (evidence of that threat being manifest) and qualitative data (views on what the threat is likely to be).

Literature review

89. The following national risk assessments and other relevant risk assessments have been conducted:
 - A "National Risk Assessment of money laundering, terrorist financing and proliferation financing"⁴⁷ was performed in 2022 but has not been published.
 - An "Assessment of money laundering, terrorist financing and proliferation financing risk in the banking sector"⁴⁸ was published by the Prudential Authority in July 2022.
 - A "South African National Terrorism Financing Risk Assessment"⁴⁹ was published on 31 March 2022.
90. The 2022 National Risk Assessment⁵⁰ states that South Africa's terrorist threat level is high. It also notes that South Africa could be used as a conduit for terrorist financing. These concerns relate specifically to the use of South Africa as a conduit to acquire and move funds between the Islamic State (IS) in Syria and Iraq, and its affiliates in Africa.
91. There have been some confirmed cases of flow of funds to facilitate foreign terrorism. These cases are limited but involve the IS and al-Shabaab terrorist groups. There has been a growing concern, both locally and internationally, that South Africa is not only used as a conduit, but also a source of funding for these terrorist groups (IS and al-Shabaab).
92. There is also a terrorist threat to South Africa by Al Sunnah Wa Jama'ah, as retaliation attacks became a concern after the SADC Mission in Mozambique (SAMIM) was deployed on 15 July 2021⁵¹ as a regional response to support Mozambique in fighting the insurgency. IS warned that they would retaliate should South Africa become involved, as responsibility for many of the attacks in Mozambique have been claimed by the Islamic State Central Africa Province (ISCAP). This concern of retaliation attacks was reiterated in the National Risk Assessment⁵² and National Terrorist Financing Risk Assessment⁵³.

⁴⁷ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁴⁸ [South African Reserve Bank Prudential Authority: Assessment of money laundering, terrorist financing and proliferation financing risk in the banking sector, July 2022.](#)

⁴⁹ [South African National Terrorism Financing Risk Assessment, Inter-departmental Working Group South Africa, March 2022.](#)

⁵⁰ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁵¹ [SADC Mission in Mozambique \(SAMIM\) in Brief | SADC](#)

⁵² National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁵³ [South African National Terrorism Financing Risk Assessment, Inter-departmental Working Group South Africa, March 2022.](#)

93. It is evident that terrorists, terrorist groups, and other violent extremist groups, continue to make use of the internet and online media platform to recruit, finance, train and incite potential and actual supporters of the terrorist or extremist group.
94. Lone actors⁵⁴ also pose a threat to the country, as they can conduct largely unsophisticated, yet lethal attacks against their intended targets. These lone actors are often not directly linked or have no ties to terrorist groups but have been self-radicalised.
95. There have been concerns that South Africa has a prominent role in the financing of terrorists and related activities, which has the potential to be linked to the financing of terrorist acts in the region.
96. South Africa could be used as a logistical hub, transit country and/or recruitment base⁵⁵ for terrorist groups, which include the ASWJ
97. Additionally, South Africa has reportedly facilitated the training of foreign terrorist fighters (FTF). There has been support for foreign terrorist organisations (FTOs) by South African nationals who travel to and from conflict zones, as well as foreign suspected terrorists transiting through or staying in the country.
98. South Africa has had incidents of domestic terrorism, although isolated, which are most often linked to violent right-wing extremism. These incidents are, however, not deemed to be as high a risk as the threat posed by international terrorist groups. These instances are often self-funded by legitimate means.
99. The National Risk Assessment⁵⁶ states that the incidents of terrorist financing in the country are often opportunistic and that most of the funds are in cash. There are instances of transfers using bank and money service businesses, but the use of crypto assets (CAs) historically is limited but is on the increase.
100. Over and above posing a security threat, terrorist financing impacts the integrity of non-financial institutions⁵⁷, such as charities and non-profit organisations which could be exploited, knowingly or unknowingly, for the financing of terrorism.
101. The National Risk Assessment⁵⁸ makes two comments about NPOs. First, it states that the threat of terrorism has an impact on various institutions, which included non-financial institutions such as non-profit organisations. These organisations could, knowingly or unknowingly, be used for the financing of terrorists. Secondly, it states that NPOs could be exploited during the collection (acquisition) phase of money laundering⁵⁹, which is often a part of terrorist financing processes.
102. The Mutual Evaluation Report⁶⁰ identified various general TF threats to South Africa. It stated that more than half of the crimes reported in South Africa fall into the categories of crimes that generate proceeds. South Africa has a large economy and is seen as a regional financial hub for sub-Saharan Africa. This leads to its notable exposure to the threat that foreign proceeds

⁵⁴ [South African National Terrorism Financing Risk Assessment, Inter-departmental Working Group South Africa, March 2022](#)

⁵⁵ [South African National Terrorism Financing Risk Assessment, Inter-departmental Working Group South Africa, March 2022](#)

⁵⁶ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁵⁷ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁵⁸ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁵⁹ [FSCA Anti-Money Laundering/Counter Financing of Terrorism: Body of Knowledge Report, April 2022.](#)

⁶⁰ [FATF \(2021\), Anti-money laundering and counter-terrorist financing measures – South Africa, Fourth Round Mutual Evaluation Report, FATF, Paris.](#)

of crimes committed in the region could be laundered in or through the country. Funds for some attacks in Africa, have been suspected of originating from South Africa.

103. The country has an exposure to TF risks that is associated with the financing of FTFs, FTOs, and potentially, domestic terrorism. There has been some known exposure to intending and returning FTFs and most TF cases shared during the FATF process included a transnational element.
104. The Mutual Evaluation Report⁶¹ stated that South Africa's TF risk profile recognises that the country has FTFs and is being used by terrorist groups as a transit point, a base camp for the purposes of planning and logistics, and for facilitation of cells for terrorists and/or terrorist activities. The report mentions specific terrorist groups to whom the country could be exposed to. Authorities have identified that there has been limited activities of the IS involving South African citizens and recognises that potential TF risks stem from the country being used by terrorist groups that include Al-Qaeda in the Islamic Maghreb to the north, Boko Haram to the northwest and Al Shabaab to the northeast for various purposes. These include the use of South Africa as a transit country, or as a planning base. There is also a potential threat from FTFs that return from ISIS held areas in Syria.
105. The Mutual Evaluation Report⁶² indicated that there is very little information available on the TF risk to NPOs in South Africa. Although South Africa has begun the process of reviewing their NPO sector, the review has not yet focused on the risk of TF abuse nor have they identified the subset of organisations, based on their characteristics or activities, that are at risk of TF abuse. No assessment has been undertaken to identify the nature of the threats posed to NPOs by terrorist organisations. There have, however, been previous strategic risk assessments⁶³ that have acknowledged some internationally recognised inherent risks of how terrorist organisations can abuse the NPO sector.
106. The Mutual Evaluation Report⁶⁴ emphasises that many South African NPOs are involved in providing relief efforts in conflict areas where terrorist groups are present. South African NPOs have also been known to be involved in ransom negotiations for the release of hostages through the payment of large amounts of money contrary to United Nations Security Council Resolutions (UNSCRs).
107. The assessment by the South African Reserve Bank's Prudential Authority (PA)⁶⁵ identified NPOs as one of the key money laundering and terrorist financing threats in the banking sector. This was largely based on perception surveys sent to financial institutions in South Africa.

Quantitative data

108. Data on terrorist financing was obtained from the National Risk Assessment⁶⁶. Written requests for data on terrorist financing in the NPO sector were sent to 11 government agencies. Responses were received from the Department of Social Development (DSD), Financial

⁶¹ [FATF \(2021\), Anti-money laundering and counter-terrorist financing measures – South Africa, Fourth Round Mutual Evaluation Report, FATF, Paris.](#)

⁶² [FATF \(2021\), Anti-money laundering and counter-terrorist financing measures – South Africa, Fourth Round Mutual Evaluation Report, FATF, Paris.](#)

⁶³ March 2012 Strategic Risk Assessment.

⁶⁴ [FATF \(2021\), Anti-money laundering and counter-terrorist financing measures – South Africa, Fourth Round Mutual Evaluation Report, FATF, Paris.](#)

⁶⁵ [South African Reserve Bank Prudential Authority: Assessment of money laundering, terrorist financing and proliferation financing risk in the banking sector, July 2022.](#)

⁶⁶ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

Intelligence Centre (FIC), Financial Sector Conduct Authority (FSCA), South African Police Service (SAPS), State Security Agency (SSA), and the Counter-Terrorism Functional Committee (CTFC)⁶⁷. These agencies were asked to provide data on:

- Convictions of NPOs or their agents for TF or related offences
- Prosecutions of NPOs or their agents for TF or related offences
- Regulatory interventions of NPOs or their agents for TF or related offences
- Active or closed investigations of NPOs or their agents for TF or related offences
- Case studies of terrorist financing abuse of NPOs
- STRs and SARs, CTRs and IFTRs relating to NPOs.

109. **Convictions:** South Africa has had three successful convictions in the past years, related to terrorist financing. None of these convictions relate to NPOs, and NPOs were not used to execute, plan or fund these terrorists and their activities. The Mutual Evaluation Report⁶⁸ states that this low number is not consistent with the country's TF risk profile. The cases are as follows:

Conviction 1:

A leader of the Movement for the Emancipation of the Niger Delta (MEND), a rebel militant group from the Niger Delta region in Nigeria, was convicted in March 2013. The individual relocated to South Africa in 2005, and continuously provided his co-conspirators in Nigeria with funds to purchase various materials to carry out two terrorist attacks in Warri and Abuja, in Nigeria. The individual received funding from various individuals and entities, which was used to set up operations in South Africa. The subject was arrested in October 2010, and convicted in March 2013. He was convicted on 12 counts filed under the Protection of Constitutional Democracy Against Terrorist and Related Activities Act 33 of 2004 (POCDATARA) including two counts of TF as it related to the two attacks.

Conviction 2:

Two brothers were arrested in 2016 and indicted on 12 charges under the POCDATARA and one of fraud. The charges relate to attempts made by the accused to further the activities of the IS. The brothers made two attempts to join IS in Syria and/or Libya. The main offence was the contravention of section 2 of the POCDATARA Act relating to plans to carry out attacks in South Africa, which had been incited by external, IS operators. Another key offence was the solicitation of support for IS using Facebook and other social media platforms. Several charges also related to the acquisition of jihadist material containing information to poison persons, manufacture explosives, handle firearms, and weapons training. The fraud charge relates to acquisition of false Lesotho passports after the accused were twice prevented from joining IS using South African passports.

Conviction 3:

On 6 June 2022, the first accused and leader of the National Christian Resistance Movement aka "Crusaders", a right-wing organisation, was found guilty in the Middelburg High Court. The accused was found guilty of the contravention of the POCDATARA when he and his accomplices prepared and planned to carry out terrorist attacks on government institutions and the African population in South Africa on 28 November 2019. The Crusaders organisation planned and conspired to overthrow the democratically elected government of South Africa

⁶⁷ See section A for a full list of the agencies surveyed.

⁶⁸ [FATF \(2021\), Anti-money laundering and counter-terrorist financing measures – South Africa, Fourth Round Mutual Evaluation Report, FATF, Paris.](#)

and replace it with a white government led by the organisation. This objective would be achieved by carrying out attacks on military and police installations, as well as on informal settlements occupied by African persons. The other two accused in the case were also found guilty, prior to the conviction of their leader, in December 2020.

110. **Case studies.** There have also been case studies identified by law enforcement, intelligence agencies, supervisory bodies and regulators. These case studies are based on regulatory interventions, active investigations, and suspicions raised by various institutions and regulators, but there have not been any prosecutions or arrests based on the information provided. Note that these cases below have been sanitised, where applicable, as some of the cases are still active investigations.



CASE STUDY 1

An alleged member of an IS cell located in South Africa registered a community development NPO with DSD. Several bank accounts with different banks were opened in the name of the NPO. The accounts were credited via donations, cash deposits and EFTs. The funds were used in support of IS activities and personal expenses (misrepresentation).



CASE STUDY 2

An NPO which acts as an advocacy group for the rights of communities impacted by the "War on Terror" was registered in a foreign jurisdiction. The NPO advocates for the application of the rule of law and dialogue as a means of ending the "War on Terror". Aimed at extending its reach into Africa, this NPO has also registered as an NPC in SA. The locally based NPC made use of crowdfunding to generate funds to support the family of those in SA charged for terrorism.



CASE STUDY 3

An NPO located in SA registered with DSD has on numerous occasions negotiated for the release of South Africans kidnapped by terrorist organisations in foreign jurisdictions, with the latest hostage release occurring in December 2023. Indications exist that funds collected by this NPO were paid to secure the release of the hostages. In some instances, funds were raised via crowd funding and from the family of the victims. In some cases, it is unknown whether funds were paid over.



CASE STUDY 4

A South Africa right-wing organisation registered as an NPC and makes use of crypto currency and money remittance services to raise funds. Representatives of this NPC have travelled to foreign jurisdictions to solicit funds.



CASE STUDY 5

Individuals associated with right-wing organisations attempted to register a neighbourhood watch entity with DSD but did not meet the required criteria. These individuals went ahead and registered the entity as an NPC.



CASE STUDY 6

After relocating to South Africa, a foreign national registered an NPO to be active within the social and community development. Funds obtained through this NPO were used by the foreign national to sustain himself while in South Africa. The foreign national later travelled from South Africa to a foreign jurisdiction to provide material support for IS.



CASE STUDY 7

A known IS sympathiser located in South Africa was identified as a member of a NPO registered with DSD. The chairperson of the said NPO is currently under investigation for suspected TF activities.



CASE STUDY 8

An individual associated with right-wing organisations is a signatory to a bank account held by an NPO registered with DSD (Category: religion, religious congregations and associations, congregations, voluntary association).



CASE STUDY 9

A known IS TF facilitator whilst in South Africa registered as a director of an NPC entity.



CASE STUDY 10

Organisation A is a registered NPO involved in humanitarian relief work in South Africa and in areas where such need might arise because of natural disasters, drought relief and military conflict. Donations and other material support amounting to millions of rand were sourced annually from individuals and organisations in the country. The international reach and sophisticated logistical infrastructure coupled with extensive expertise through its skilled personnel (e.g. medical doctors) of Organisation X also attracted the attention of private sector corporations in South Africa resulting in a sizeable increase in donations of money and other goods. During a humanitarian effort in Pakistan in 2009, cash to the amount of USD20 000 given to a beneficiary in Pakistan by Organisation A was deliberately channelled via key individuals (used as cash couriers) to individuals in Afghanistan with suspected links to Al-Qaeda.



CASE STUDY 11

Organisation B was registered as an NPO in South Africa by individuals with an extremist agenda to solicit funds in the country to recruit Muslim students in South Africa and to send them to study at a religious institution in Syria. The institution in Syria previously came under attention for its radical approach and having links to FT groups such as Al-Qaeda. It was believed at the time that these students would be sent to this religious institution to be radicalised hoping that upon their return to South Africa they would present similar training or tuition to like-minded individuals. No electronic payments were made by Organisation B to this foreign institution. Instead, students were given cash (amounting to R100 000 per person) to take with them in their suitcases and on their person and told to pay the religious institution upon their arrival. A contact of Organisation B at OR Tambo International Airport in Johannesburg, and part of an organised human trafficking syndicate, facilitated their departure by ensuring that they were not checked by airport security. Upon their arrival in Syria, some of the cash paid by these students to the religious institution was, without the knowledge of the students, deliberately siphoned off by individuals known to Organisation B and channelled to an FT group in Indonesia. Not only did the students exceed the threshold for the amount of cash they could take out of the country for perceived legitimate religious training abroad but, they were also unwittingly exploited as conduits or mules to carry large amounts of funds to another country, unwittingly supporting the activities of a FT group.



CASE STUDY 12

Organisation D is a registered NPO which obtained funds from local communities in South Africa to provide humanitarian relief to disadvantaged local and émigré communities in the country. However, Organisation D was infiltrated by a member of the Somali émigré community in South Africa sympathetic to the cause of al-Shabaab, and who was intricately involved in the collection of donations from within South Africa. Some of the donations received by this individual were not declared to the leadership of Organisation D and channelled via the hawala system to like-minded individuals in Somalia and Kenya.



CASE STUDY 13

Organisation E is a registered NPO in South Africa set up as a front organisation by individuals in the country with extremist views and suspected to be pursuing a violent right-wing agenda. Donations were solicited from sympathetic communities domestically via the use of websites, flyers, pamphlets, rallies, and awareness campaigns under the pretext of using these funds to promote the cultural heritage of this specific group and the community, as well as to support the leader of this front organisation. However, some of these funds (approximately R60 000) were used to provide for para-military training to members of this organisation.

111. STRs, SARs, CTRs and IFTRs relating to NPOs were identified by FIC for the years 2013 to 2023.
112. **STRs and SARs:** STRs received in relation to NPOs were identified and discussed in section D of this report, indicating that there were large transaction values in 2018 and 2019. The following transaction descriptions and other comments were most prevalent:
- Many of the descriptions linked to these transactions state that it included cash deposits and withdrawals. Some of these descriptions state that the deposits “appears to be part of cash structuring”.
 - A small portion of STRs were filed due to the transactions being linked to ML cases .
 - There have been assets-related STRs filed as well, with multiple “vehicles purchased” transaction descriptions with some linked to high-value vehicles, as well as “property purchases” transaction descriptions.
 - There are transactions involving local inward EFTs with the reference as “Syria”. Syria is a sanctioned country.
 - There were many STRs linked to religious NPOs.
 - There are links between countries such as the US, France, and Israel (with many being cash transactions).
113. The Prudential Authority’s assessment⁶⁹ noted that the FIC identified the main suspicious indicators and typologies from STRs filed in 2018 to 2022, and the report identified the following, which could pertain to NPOs:
- Individuals use their personal accounts for business purposes
 - There were many indicators of cross-border movements of cash. Cash is received into accounts and then immediately transferred outward.

⁶⁹ [South African Reserve Bank Prudential Authority: Assessment of money laundering, terrorist financing and proliferation financing risk in the banking sector, July 2022.](#)

114. In addition to the STRs, 14 SARs could possibly be linked to TF and PF. Some of the transactions reported were concluded through the Commercial Bank of Syria, which is blacklisted by the US Department of Treasury for proliferating weapons of mass destruction.
115. **CTRs:** CTRs received in relation to NPOs were identified and discussed in section D of this report, indicating that there were large transaction values in 2017, 2022 and 2023. The following transaction descriptions and other comments were most prevalent:
- There was a variety of NPO types involved with these CTRs – specifically Islamic religious institutions, foundations, individuals, and societies.
 - The largest CTR transaction amounts (between R1.5 million and R12.5 million) are linked to transactions involving the sale or exchange of Kruger rands⁷⁰.
 - Other transactions were mainly for the purchase, exchange, sale, attempted sale, or replacement of bank notes, gold coins, and Kruger rands or coins.
116. The Prudential Authority's assessment⁷¹ noted that the FIC identified the main suspicious indicators from CTRs filed in 2020 and 2021, and the report identified the following, which could pertain to NPOs:
- Individuals use their personal accounts for business purposes
 - The transactions related to NPOs were identified as potential TF or PF activities
 - There were many indicators that showed cash was being moved out of the country (by money mules), mostly to Middle Eastern countries, and the source of these funds could not be determined.
117. **IFTRs:** IFTRs received in relation to NPOs were identified and discussed in section D of this report, indicating that there were large transaction values in 2016, 2017 and 2019. The following transaction descriptions and other comments were most prevalent:
- The countries with the highest number of transfers into South Africa, were the UK and the US.
 - The largest rand value of used currencies to receive money into South Africa, is the euro and US dollar.
 - The largest rand value of used currencies to transfer money out of South Africa, is the US dollar and the pound sterling.
 - International funds transferred into and out of the country, involve transactions made to and from high-risk jurisdictions⁷², as determined by the 2023 Global Terrorism Index⁷³.

Qualitative data: Authorities

118. A data request with a perception survey was sent to 11 law enforcement, intelligence, and regulatory or supervisory institutions, which included a total of 19 divisions in these institutions. Six of the institutions (eight divisions) gave their perception on the TF threat to

⁷⁰ [What are Krugerrands?](#)

⁷¹ [South African Reserve Bank Prudential Authority: Assessment of money laundering, terrorist financing and proliferation financing risk in the banking sector, July 2022.](#)

⁷² Democratic Republic of the Congo, Cameroon, India, Mali, Nigeria, Pakistan, Philippines, Somalia, South Sudan, Thailand, and Turkey

⁷³ [2023 Global Terrorism Index \(GTI\).](#)

NPOs in South Africa. Officials were given the option of answering anonymously, so not all statements that follow are attributed.

119. Authorities identified some extensive vulnerabilities in the sector through the TF NRA⁷⁴, but it has not been determined whether these vulnerabilities are being exploited, or to what extent. Thus, they have only been able to determine that there is a potential for abuse and exploitation by terrorists and terrorist organisations. These vulnerabilities include those present in NPOs, along with other areas of concern. The NPOTT has also identified steps to be taken to address the identified risks but has not started the process of implementing these. The identified NPO TF vulnerabilities are:

- NPOs in South Africa provide relief in areas of conflict (often listed as high-risk jurisdictions), where there is a high risk of exploitation by terrorists
- Not all NPO funding channels are overseen, only those which circulate through an already regulated sector
- Beneficiaries of NPO funding are not always identified and there is no method to ensure that funds are not diverted to terrorists or terrorist organisations
- South African NPOs negotiating for the release of South Africans kidnapped by terrorist organisations in foreign jurisdictions
- Cash transactions are prevalent in the sector, with many cross-border transactions, resulting from a less regulated environment
- Registration for NPOs is mostly voluntary, making it possible for terrorist-led NPOs to thrive
- Regulation of NPOs is lacking and oversight is limited
- There is a lack of co-operation between government stakeholders, which makes identifying TF cases more difficult
- The DSD does not have the capacity to monitor or investigate NPO risks.
- Those charged with oversight of the sector are not trained on the risks associated with TF abuse and NPOs
- The sector is not aware of the TF risks it faces.

120. Responses from other authorities recognised that there are diverse threats, vulnerabilities and risks which are not fully understood. The perception of the risk may therefore be higher. Many similar concerns to the NPOTT are noted, including:

- NPOs working with vulnerable communities. This includes large émigré communities from countries associated with terrorism such as Somalia, Kenya, Nigeria, Mozambique, Pakistan, and Iran.
- Porous borders which can be exploited by criminal actors, particularly from high-risk geographic areas. There is a significant risk that the cross-border movement of cash may be used by South Africans and/or foreigners in transit as a channel to fund terrorist groups and their activities in a foreign jurisdiction. This risk increases when South Africans travel to high-risk areas such as Syria and areas in the region where terrorism activity is pronounced, this may be to participate in the activities or to be used as money mules or cash couriers to these areas.

⁷⁴ [South African National Terrorism Financing Risk Assessment, Inter-departmental Working Group South Africa, March 2022.](#)

- The use of intermediaries and/or third parties, as well as the use of online or non-face-to-face interactions increases the vulnerability of the NPO sector.
- The use of non-formal financial channels to generate and/or transfer funds, with the increased chance that they are anonymous, untraceable, or their use is unverifiable. These are predominant in higher risk émigré communities, a common feature of donations to religious organisations, and a feature of the large informal economy in South Africa and neighbouring countries. It includes:
 - Cash
 - Unregulated and alternative remittance services, such as Hawala, and mobile money payments
 - Crypto assets.
- Barriers to accessing the formal banking sector
- Complex and/or multi-layered legal arrangements, including possible links to other criminal enterprises. Respondents noted the complexity of the different legal forms available to NPOs for registration in South Africa. Other respondents reflected on risks from links to legitimate front businesses which may fund terrorist sympathisers directly or through alternative remittance systems; or on links to criminal activities linked to funding of terrorist groups such as IS.

121. The threat level was rated as follows:

- A total of 33 percent of these institutions rated the threat level as low. Those institutions that assessed the threat to NPOs from TF to be low, stated that available intelligence suggests that the abuse of NPOs for TF is isolated and not widespread. The factors which contributed to this conclusion is mainly that the level of reporting on TF was very low to non-existent for both regulated sectors. Law enforcement and intelligence agencies indicated that they had not observed that these sectors were abused for TF. These low ratings were given by the law enforcement and intelligence agencies.
- A total of 67 percent of these institutions rated the threat level as high. These institutions included law enforcement, and intelligence agencies.

122. The vulnerability was rated as follows:

- 17 percent of these institutions rated the vulnerability as low
- 17 percent of these institutions rated the vulnerability as medium
- 66 percent of these institutions rated the vulnerability as high

Qualitative data: Financial institutions

123. A data request with a perception survey was sent to 33 financial institutions. Of the institutions, 11 gave their perception on the TF threat to NPOs in South Africa. The response was as follows:

- The banking sector in South Africa noted a significant increase in terrorist-related activities and TF within jurisdictions where South African banks have a presence through subsidiary banks, for example Mozambique, Kenya, and Nigeria.
- NPOs often rely on various sources of funding, including donations, grants, and sponsorships. This diversity can make it challenging to track and verify the origin of funds, potentially leaving room for illicit funding to go unnoticed. This diversity also applies to the various products and channels which may be exploited for raising of funds. The use of cash,

virtual currencies, mobile money and money service business, informal money transfer services, as well as crowdfunding initiatives.

- NPOs enjoy public trust, have access to considerable sources of funds, and are often cash intensive. The use of cash and increase in the use of anonymised channels such as crypto and digital wallets is a threat. There is also a risk of integrating funds through asset purchases, via intermediary accounts.
- Terrorism groups, FTFs and small cell terror networks make use of fundraising through social media also using NPOs. The nature and extent of the activities of right-wing extremist groups follow the same pattern.
- The ease of access to material (e.g. access to dual-use goods) that terrorist can hijack in support of their terrorist activity is a threat. NPOs could have an inability to differentiate TF-related activity from normal activity.
- The prevalence of organised crime in South Africa, and proximity to Mozambique and other SADC regions which have a high TF risk. South Africa is a regional trade hub for the African continent and a significant number of domestic NPOs have links to foreign countries considered high risk for TF, as either source or destination countries for funds flows or delivery of services. Foreign NPOs are most likely to facilitate the fundraising or moving funds into areas with active terrorist groups to support these organisations as these NPOs operate cross-border. Although domestic NPOs pose a lower risk of funding or facilitating the transfer of funds into jurisdictions with active terrorist groups, domestic NPOs still pose a risk of transferring these funds to the higher risk jurisdictions.
- Lax border controls can result in the cash being smuggled into neighbouring countries that have active terrorist activity with the effect of providing support to the terrorists. NPOs often rely on a transitory or informal workforce, which could include foreigners from the SADC region.
- NPOs that came under scrutiny from financial institutions appeared to be lobby groups in support of a political, religious, or ideological cause. Due to their nature, it is anticipated that these groups could become directly or indirectly involved (through their supporters or members) or have knowledge of TF related activities. The ideological nature of terrorism makes it easy to incorporate into any organisation, including NPOs.
- This is fuelled by South Africa's complex political and ethnic landscape. Some groups may attempt to exploit NPOs to further their political or ideological agendas, potentially leading to TF risks.
- Service activities that NPOs are focused on include providing housing, social services, education, or health care services. There is a stronger risk of abuse for NPOs providing service activities "in close proximity to an active terrorist threat". NPOs engaging in "expressive activities", such as programmes focused on advocacy, sports and recreation, arts and culture, interest representation or advocacy such as political parties, think tanks and advocacy groups, credit unions, professional associations and trade unions are much less likely to be exposed to TF abuse.
- NPOs could be unable to generate sufficient funds to implement controls such as sanctions screening, robust financial controls, conducting due diligence, or investing in proper record keeping systems and establishing the identity of donors and beneficiaries. NPOs lack awareness of the risks associated to TF or might lack the necessary training to identify suspicious financial activities or transactions within their organisations.

- There is limited evidence for suspecting that NPOs maintain an operational affiliation with a known or suspected terrorist entity, terrorist individual, or supporter of terrorism. There is also limited evidence for believing that South African NPO funded programmes or facilities are used to create an environment that supports or promotes terrorism recruitment related activities. However, South African NPOs are prone to register as NPOs who support charitable activity, and these organisations or individuals could raise funds or carry out other activities in support of terrorism, a known or suspected terrorist entity, terrorist individual, or supporter of terrorism.

124. The threat level was rated as follows:

- 60 percent of financial institutions rated the threat level as medium
- 10 percent of financial institutions rated the threat level as medium to high
- 20 percent of financial institutions rated the threat level as high
- 10 percent of the financial institutions rated the threat level as “unknown”.

125. The vulnerability level was rated as follows:

- 60 percent of financial institutions rated the vulnerability level as medium.
- 20 percent of financial institutions rated the vulnerability level as high.
- 10 percent of financial institutions rated the vulnerability level as low.
- 10 percent of financial institutions rated the vulnerability level as “unknown”.

Qualitative Data: NPOs

126. **Focus groups** were held in September 2023 to gather the perceptions from unregistered voluntary associations⁷⁵ on the TF risk. A total of 10 focus groups were held, one in each province of South Africa, with two taking place in the Western Cape. Participants shared their perceptions on the level of risk among unregistered organisations to terrorist financing. These are inter-linked in the experience and perceptions of participants with related concerns about money laundering, crime (e.g. drug-dealing) and corruption. The results noted the following as concerns relating to TF:

- “There is a risk because voluntary organisations do not have bank accounts, so the money is not traceable, but the risk is not as big as money laundering.”
- “There is a big risk of money laundering as people are desperate, so won’t easily say no to funding irrespective of its source.”
- “The weak immigration policies coupled with our porous borders and corrupt officials provide a fertile ground for illicit financial flows, smuggling of illegal goods, human trafficking, and drug peddling.”
- “Terrorist organisations fund unregistered VAs, because people only see the positive impact the funding has in the communities, without realising that it can have backlash.”
- Participants differed on whether registered or unregistered organisations were at risk of TF, with some believing strongly that being outside of the banking system could encourage

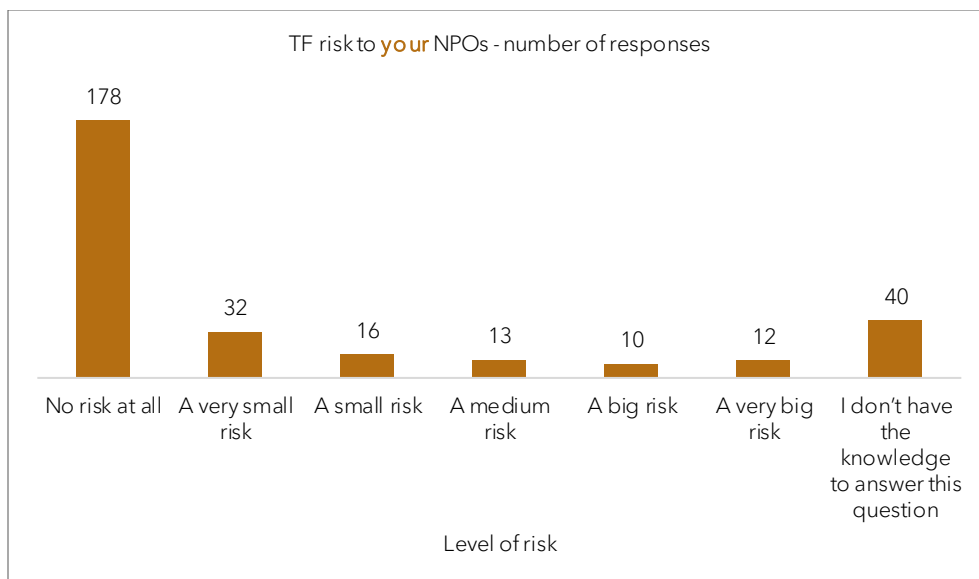
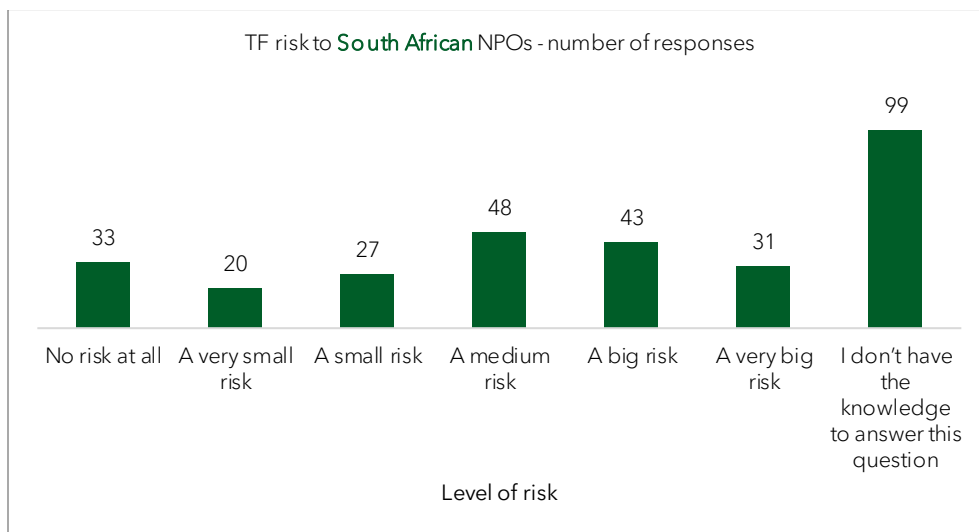
⁷⁵ References that are not registered with any regulatory body as a legal type of NPO. Therefore, these voluntary associations are not registered as NPOs with the DSD, NPCs with the CIPC, PBOs with SARS, or a charitable trust with the Master of the High Court.

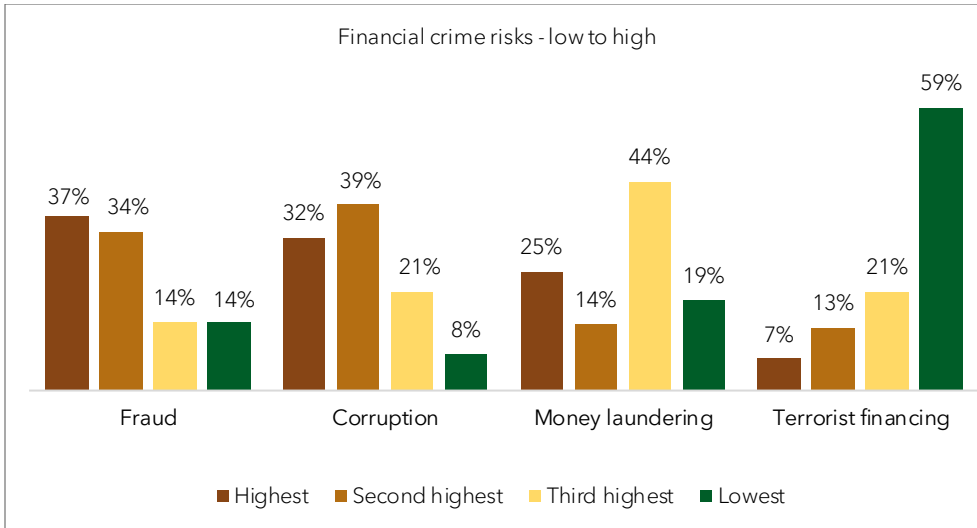
TF while others felt that registered NPOs could as easily be manipulated and would have a greater degree of sophistication in receiving TF.

- Participants felt that a wide range of different organisations could be said to be vulnerable to TF. Among those were registered organisations that received donor funding, political parties, faith-based organisations sport organisations, and organisations focusing on emerging issues internationally and locally (e.g. LGBTQI+, renewable energy etc.).

127. **NPO survey:** The survey sought information on NPOs’ perception of the risk of TF. It revealed that the majority of NPOs believe that they do not have the knowledge to answer the question, while the average risk of TF to the sector, was rated as medium. The NPOs surveyed, however, rated their own risk to TF, as mostly no risk at all.

Figures 21, 22 and 23: NPO perceptions of TF risk





Source: NPO survey

F: The nature of the terrorist financing threat to NPOs in South Africa

128. Paragraph 8.1(b) of the FATF Methodology states that countries should “*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*”.
129. This section of the risk assessment assesses the TF threat, and the nature of the threat to NPOs based on the data provided in Section E. This assessment combines quantitative data (evidence of that threat being manifest) and qualitative data (expert views on what the threat is likely to be).

Identifying the threat:

130. The main TF threats to NPOs are as follows:
131. **Islamic State (IS) and its affiliates in Africa.** A conviction of two individuals under the POCDATARA Act in 2016 was associated with IS. IS was recognised in the NRA, the TF NRA and MER as the most significant TF threat, with the NRA noting ‘confirmed cases’ of flows to IS through South Africa. IS was identified as the threat in five cases provided (including the conviction) by the authorities and was raised as a concern in perception surveys of government and financial institutions.
132. **Al-Shabaab and its affiliates in Africa, including Al Sunnah Wa Jama’ah.** The NRA noted ‘confirmed cases’ of flow of funds to facilitate foreign terrorism involving al-Shabaab. The MER notes specific concerns about the TF threat from al-Shabaab. Al-Shabaab was identified as the threat in one case provided by the authorities.
133. Al Sunnah Wa Jama’ah is active in Mozambique, and the NRA and TF NRA noted concerns about retaliatory attacks following South Africa’s assistance to Mozambique in fighting ASWJ in 2020.
134. **Nigerian terrorist groups, including Boko Haram and MEND.** Two TF convictions, related to one accused in 2013 involved funds transferred from South Africa for MEND, a rebel militant group from the Niger Delta region in Nigeria. The MER notes Boko Haram as a potential TF risk. None of the cases provided by the authorities identified Nigerian terrorist organisations as the threat, except for the conviction.
135. **Domestic right-wing extremists.** Convictions in 2020 and 2022 involved the preparation and planning of terrorist attacks on government institutions and the African population in South Africa by the National Christian Resistance Movement aka “Crusaders”, a right-wing organisation. The NRA reported isolated acts of domestic terrorism linked to violent right-wing extremism. These were deemed lower risk and were often self-funded by legitimate means. Cases provided by the authorities included an investigation into an NPO being used to raise funds for training of right-wing extremist groups. The perception survey of financial institutions raised concerns about this threat. Right-wing extremism was identified as the threat in four cases provided by the authorities, as well as the other convictions of the Crusaders (their leader and two others).

136. **Al-Qaeda (including Al-Qaeda in the Arabian Peninsula (AQAP) and Al-Qaeda in the Islamic Maghreb).** The MER mentions Al-Qaeda in the Islamic Maghreb as a specific TF threat to South Africa. Cases provided by the authorities included investigations involving Al-Qaeda in the Arabian Peninsula. Al-Qaeda was identified as the threat in two cases provided by the authorities.

The nature of the threat to NPOs in South Africa:

137. There is limited direct evidence of NPOs being abused for TF in South Africa. The following analysis therefore considers what the nature of the TF threats to NPOs would likely be if it were to occur. This is based largely on analysis of the current understanding of the nature of the TF threat in South Africa more generally.
138. **NPOs raising funds or other support for foreign terrorist groups.** The NRA notes 'growing concerns' that South Africa is a source of funding for foreign terrorist groups, and the MER notes funds for some attacks in Africa have been suspected of originating from South Africa. Cases provided by the authorities revealed three typologies:
139. *Establishing an NPO to raise funds.* Cases provided by the authorities included NPOs established to transfer funds to institutions linked to terrorism in Syria and Indonesia (case study 11).
140. *Infiltrating an NPO:* Case study 12 relates to an NPO infiltrated by an expat community to solicit donations transferred to groups linked to terrorism in Somalia and Kenya.
141. *Establishing an NPO to provide logistical or other non-financial support to terrorist groups:* The NRA notes that South Africa could be used as a logistical hub for terrorist groups, and the individual convicted of TF offences in 2013 had established an operational base in South Africa for terrorist attacks in Nigeria.
142. **Establishing an NPO to support domestic terrorist activity.** The cases provided by the authorities included investigations of NPOs in South Africa that were established to support terrorist causes. The funds were used to sustain terrorist sympathisers in South Africa (case studies 1 and 13); and to fund para-military training of members of right-wing extremism groups (case study 13).
143. **NPOs facilitating foreign travel for terrorist causes.** Two individuals were convicted under the POCDATARA Act in 2016 for, *inter alia*, attempting to join IS in Syria or Libya. The NRA notes that South Africa has facilitated the training of FTFs, and that South African nationals have travelled to and from conflict zones. However, no links to NPOs are noted. The MER makes similar observations, and further notes the use of South Africa for facilitation cells.
144. Case study 4 concerns foreign travel to raise funds for right-wing causes; case study 6 concerns a foreign national travelling from South Africa to provide material support for IS; case study 11 concerns an NPO funding students attendance at a Syrian religious institution known for links to terrorist organisations.
145. **NPOs are used as a conduit to channel foreign funds to terrorist groups in Africa.** The NRA notes general concerns and 'confirmed cases' of South Africa being used as a conduit to move funds to IS and al-Shabaab and their affiliates in Africa. In the case of IS, these originated in Iraq and Syria. Government responses to the perception surveys noted a 'significant risk' that cross-border movement of cash may be used by South Africans and/or foreigners in transit as a channel to fund terrorist groups and their activities in a foreign jurisdiction,

particularly in high-risk areas where terrorism activity is pronounced. However, there are no cases or investigations involving this typology.

146. **NPOs use internet and online media for fundraising, recruitment, and propaganda.** The conviction of two individuals under the POCDATARA Act in 2016 included convictions for the solicitation of support for IS using Facebook. The NRA states that it is evident that terrorist groups continually make use of the internet and online media platform to recruit, finance, train and incite potential and actual supporters of the terrorist or extremist group. Cases provided by the authorities included investigations of NPOs using social media for fundraising (case study 2).
147. Case studies include investigations of NPOs using crowdfunding (case study 2), and crypto currency (case study 4).
148. While survey responses from government and banking sources raised the use of crypto assets as a potential threat, the NRA stated that the evidence for the use of crypto assets for TF is limited.
149. **NPOs support terrorist causes through cash.** Cases provided by the authorities included investigations of NPOs in South Africa as a source of donations and other material support from individuals and organisations (case study 1); and students carrying large amounts of cash to Syria to fund their indoctrination at a religious institution with terrorist links (case study 11). **Some of this money was diverted to terrorist groups in Indonesia.**
150. Many donations are collected in cash that are transferred via systems such as hawala to foreign individuals or groups in other countries, linked to terrorism (such as in Somalia and Kenya). Government responses to the perception surveys noted that cash is high risk, and the 'significant risk' that cross-border movement of cash may be used by South Africans and/or foreigners in transit as a channel to fund terrorist groups and their activities in foreign jurisdictions. The NRA states that the incidents of TF in the country is often opportunistic and that most of the funding is in cash.
151. **NPOs support terrorist causes through remittance services.** Case study 4 involves the use of money remittance services. Case study 12 involves money transferred through hawala.
152. **NPOs use multiple bank accounts.** Case study 1 involved multiple bank accounts established by the NPO to receive funds.
153. **Diversion of funds by beneficiary or partner.** Case study 10 relates to the diversion of funds by a foreign beneficiary of a South African NPO.
154. **Payment of ransoms to terrorist groups by NPOs.** The MER noted that South African NPOs have been involved in ransom negotiations for the release of hostages through the payment of large amounts of money. Case study 3 relates to an NPO in South Africa negotiating the release of hostages held by terrorist groups in foreign locations.
155. **NPOs as one element of a criminal network.** The centrality of criminal activity to TF cases is noted in the MER and NRA and in government responses to surveys. The NRA suggests that NPOs could be exploited during the collection phase of money laundering, which is often a part of TF processes. However, there was no independent evidence or data to support this.

Terrorist financing threats to NPOs in South Africa:

- Islamic State (IS) and its affiliates in Africa
- Al-Shabaab and its affiliates in Africa, including Al Sunnah Wa Jama'ah
- Nigerian terrorist groups, including Boko Haram and MEND
- Domestic right-wing extremists
- Al-Qaeda (including al-Qaeda in the Arabian Peninsula (AQAP) and al-Qaeda in the Islamic Maghreb).

The nature of the potential TF threat to NPOs in South Africa:

- NPOs raising funds or other support for foreign terrorist groups
- Establishing an NPO to support domestic terrorist activity
- NPOs facilitating foreign travel for terrorist causes
- NPOs used as a conduit to channel foreign funds to terrorist groups in Africa
- NPOs use internet and online media for fund raising, recruitment, and propaganda
- NPOs support terrorist causes through cash
- NPOs support terrorist causes through remittance services
- NPO use multiple bank accounts
- Diversion of funds by a beneficiary/partner
- Payment of ransoms to terrorist groups by NPOs

G: Identifying NPOs potentially 'at risk' of terrorist financing ('inherent vulnerabilities')

156. Paragraph 8.1(a) of the FATF Methodology states that countries should “*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*”.
157. In this risk assessment, ‘at risk’ NPOs are those that are assessed as being *inherently vulnerable* to TF risks. The specific *vulnerabilities* are those factors which make an NPO vulnerable, which may be a *feature or type of NPO*, or *specific activities or characteristics* of the ‘at risk’ NPOs. This section identifies those *vulnerabilities* and assesses which are significant so that those NPOs that are ‘at risk’ (or *vulnerable*) to TF risk can be identified. The assessment is based on the data provided in Section E.
158. This section concludes with an assessment of the overall ‘inherent risk’ of the NPO sector to TF.
159. The assessment combines quantitative data (evidence of that risk being manifest) and qualitative data (expert views on what the risk is likely to be).

Potential vulnerabilities

160. The following 11 potential inherent vulnerabilities have been identified.
 - NPOs established or operated by individuals with known terrorist sympathies
 - NPOs with links to foreign citizens
 - NPOs which facilitate or sponsor foreign travel
 - NPOs with activities in high-risk foreign jurisdictions
 - NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes)
 - NPOs with multiple bank accounts
 - NPOs receiving funds from and transferring funds to high-risk countries
 - NPOs using unverifiable methods for raising or transferring funds
 - Community development NPOs
 - Unregistered NPOs
 - NPOs linked to “criminal” business networks.
161. The potential vulnerabilities listed above were compared and tested by examining the contents of section E and section F. The following four potential vulnerabilities had little to no evidence of being present and will therefore not be examined or assessed in detail below:
 - NPOs which facilitate or sponsor foreign travel
 - NPOs with multiple bank accounts
 - Community development NPOs
 - NPOs linked to “criminal” business networks.

Assessment of the potential vulnerabilities

162. First, the significance of each vulnerability was assessed. The weight and reliability of the evidence was assessed for a vulnerability, and how directly relevant the vulnerability was to potential risks.
163. Secondly, the prevalence of each vulnerability was assessed. This assessed how common the vulnerability was in the NPO population.

Vulnerability 1: NPOs established or operated by individuals with known terrorist sympathies

164. The NRA⁷⁶ states that a few South African IS supporters who returned to South Africa are continuously soliciting small amounts of funds under the pretext of humanitarian relief or education. There is limited evidence for suspecting that NPOs maintain an operational affiliation with a known or suspected terrorist entity, terrorist individual, or supporter of terrorism. However, South African NPOs are prone to register as NPOs that support charitable activity, and these organisations or individuals could raise funds or carry out other activities in support of terrorism, known or suspected terrorist entities, terrorist individuals or supporters.
165. Ten of the 13 case studies involve some form of establishment or operating of an NPO by a terrorist group (including individuals sympathising with terrorist agendas and extremist groups). In one case, the involved person is a director of an NPC, and in another the involved person is just a member. Seven case studies show NPOs being set up by one of these groups themselves or infiltrated by either an individual sympathiser or an extremist group. There is also a case where the right-wing extremist group member is a signatory on an NPOs bank account.
166. As a result of these case studies and the multiple different known terrorist groups involved, the significance is deemed as high.
167. There is no accurate information on the number of NPOs established or operated by individuals with known terrorist sympathies. The number is likely to be very low, given the limited evidence provided, resulting in a prevalence rating of very low.

Vulnerability 2: NPOs with links to foreign citizens

168. The NRA⁷⁷ stated that there were several South African FTFs who left or attempted to leave the country in 2014 and 2015, with the intention to join the IS. The MER also recognises that South Africa has FTFs and FTOs using the country as a transit point or base camp.
169. South African authorities (law enforcement, intelligence services and supervisors) noted that NPOs work with vulnerable communities, including large émigré communities from countries associated with terrorism. SARS developed generic and specific interventions and included FATF messaging in most of its educational platforms.
170. Case studies and convictions noted have confirmed this as a vulnerability, with many including links to foreigners and almost all include a transnational element. Two case studies were of note, indicating that foreign nationals relocating to South Africa set up NPOs to sustain themselves in the country, or they infiltrate existing NPOs with ulterior motives.

⁷⁶ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁷⁷ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

171. South African authorities (law enforcement, intelligence services and supervisors) noted that NPOs work with vulnerable communities, including large émigré communities from countries associated with terrorism.
172. As a result of the two case studies, survey data and feedback from authorities, the significance is rated as medium.
173. There is a proximity to high-risk jurisdictions and many immigrants from these jurisdictions. Five of the NPOs surveyed indicated a link to foreign citizens, which translates to 1.67 percent. This results in a low prevalence rating.

Vulnerability 3: NPOs with activities in high-risk foreign jurisdictions

174. South African authorities all agree that NPOs provide relief in areas of conflict, including areas where there is a high risk of terrorism. This was reiterated in the MER and by financial institutions. Financial institutions state that there was a stronger risk of abuse of NPOs providing activities "in close proximity to an active terrorist threat". SARS developed generic and specific interventions and included FATF messaging in most of its educational platforms.
175. According to the NPO survey, some South African NPOs operate in other African countries, and the Far East, which could include high-risk foreign areas. This is, however, very limited. The NPO survey indicated that most FATF defined NPOs in South Africa operate in only one province and have little to no international operations. Only seven out of the 301 respondent NPOs indicated an additional area of operations outside of the borders of South Africa. This translates to only 2.33 percent of South African-based NPOs operating outside of South African borders.
176. NPOs indicated that 91 percent of those surveyed have no foreign links, with only nine percent indicating some form of foreign link. Of the nine percent that indicated a foreign link, only eight were actively involved in projects and service provision in other countries, and none of the countries listed are designated high-risk according to the Global Terrorism Index 2022.
177. Case studies provide a different view, indicating that there are three known instances of NPOs operating and soliciting funds to provide support in known high-risk countries. NPOs negotiate with terrorists in foreign jurisdictions to negotiate the release of hostages, NPOs send students to foreign jurisdictions to study at religious institutions with possible links to known terrorist groups and NPOs actively operate in these high-risk jurisdictions.
178. It is clear that NPOs do operate in high-risk foreign jurisdictions and there are three case studies involving this phenomenon, resulting in a significance rating of medium-high.
179. Due to the limited number of NPOs operating abroad, according to the survey results, the prevalence is rated as low.

Vulnerability 4: NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes)

180. The NRA⁷⁸ indicates that the recruitment, training, and facilitation of supporters for the IS was detected in South Africa in 2014 and 2015. Although this was more than seven years ago, it indicates a known affiliation and support for terrorist organisations, such as IS.
181. South African authorities (law enforcement, intelligence services and supervisors) noted that NPOs work with vulnerable communities, including large émigré communities from countries associated with terrorism. These communities could be sympathetic to terrorist causes, even

⁷⁸ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

though it cannot be determined. NPOs also often rely on informal workforces, which could include foreigners, and could also include individual sympathisers.

182. One case study shows an NPO which supports the families of those charged with terrorism in South Africa. This could be an issue as others in community might want to donate, and indirectly support the terrorists themselves, by assisting their families.
183. Two case studies also note that donations are solicited from communities sympathetic to terrorist causes or under some other pretext. One of the NPOs mentioned in the case studies was established for good purposes, but was infiltrated by individuals in the community, who are sympathetic to terrorist causes and raise funds through this NPO for alternative purposes.
184. The three case studies, feedback from authorities, and previous known affiliation and support for terrorist organisations results in a medium rating for significance.
185. There is no accurate information on the number of NPOs linked to communities with individuals sympathetic to terrorist causes (including far-right causes). The number is likely low to medium, given the limited evidence, and results in a low-medium prevalence rating.

Vulnerability 5: NPOs receiving funds from and transferring funds to high-risk countries

186. South Africa is an economic hub for the SADC region and for Africa as a whole, therefore there is a significant amount of cross-border movement of cash, often to jurisdictions deemed to be high-risk for TF⁷⁹. South Africa also has many immigrants from the countries in the region, some of which are seen as high-risk⁸⁰. This increases the number of funds being transferred from and to those countries and could be deemed a vulnerability.
187. Financial institutions state that foreign NPOs are most likely to facilitate the fund raising or moving funds into areas with active terrorist groups to support these organisations as these NPOs operate cross-border.
188. This vulnerability of funds being transferred to high-risk countries was reiterated by FATF in the MER, when the statement was made that funds originating from South Africa were suspected to have been used to fund foreign terrorism. The SARB report⁸¹ indicated that funds are being transferred to and received from jurisdictions on FATFs "blacklist".
189. An accurate figure on funding received from or disbursed to high-risk countries, specifically in the SADC region is difficult to obtain, as a large amount of these funds are not sent through the formal sector. Financial institutions and authorities reiterated that due to South Africa's porous borders, terrorists can travel into and out of the country or individuals moving large amounts of cash across the borders, with little to no scrutiny⁸². The NRA states that since the terrorist attacks in northern Mozambique started, there have been a small number of known terrorist suspects moving between Mozambique and South Africa, who are likely to be travelling with cash that could be used to fund the insurgents. UVAs supported the statement that porous borders enhance the risk of funds moved across borders being undetected.
190. NPOs indicated that 91 percent of those surveyed have no foreign links, with only nine percent indicating some form of foreign link. Of the nine percent that indicated a foreign link, the

⁷⁹ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁸⁰ Such as Mozambique, Nigeria, Kenya, and Somalia; More information in Annexure 2: [2023 Global Terrorism Index \(GTI\) South African Reserve Bank Prudential Authority Assessment on money laundering, terrorist financing and proliferation financing in the banking sector, 2022.](#)

⁸² National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

majority was due to funding received from foreign countries. These countries are, however, not deemed high-risk countries, according to the Global Terrorism Index of 2022.

191. IFTR data indicates that South African NPOs do receive foreign funding and disburse funds to foreign countries, often in foreign currencies, regularly. SARs show that some transactions are concluded through the Bank of Syria, which has been blacklisted by the US Department of Treasury and this could indicate international funding to high-risk jurisdictions. STRs indicate local inward EFTs referenced as Syria, which is a sanctioned country and a high-risk jurisdiction. There were also STRs that show transactions linked to Israel, which is also considered a high-risk jurisdiction.
192. The NRA⁸³ also states that there have been confirmed cases of flow of funds from South Africa to facilitate foreign terrorism. It also states that concerns relate specifically to the use of South Africa as a conduit to move funds between the IS in Syria and Iraq, and its affiliates in Africa.
193. One case study indicates that representatives of the NPO travelled to other countries to solicit funding from those foreign jurisdictions. Another case study also notes that large donations received in South Africa are given to beneficiaries in high-risk jurisdictions, such as Pakistan, where the beneficiaries are linked to known terrorist organisations. Most of the other 11 case studies have some element of transnational monetary movement, whether in the formal or informal sector. These funds are sent to multiple high-risk jurisdictions and often to individuals or groups in those jurisdictions that are known to be linked to terrorist groups.
194. Some evidence is provided in the survey data obtained, through regulatory reports and through various case studies, that funds are received from and transferred to high-risk jurisdictions. The informal economy is unknown and therefore the percentage or amounts of funding received from or transferred to high-risk jurisdictions cannot be accurately determined. There were 209 661 IFTRs identified as linked to NPOs from 2013 to 2023.
195. This results in a medium rating for significance and prevalence. Almost all the case studies have an element of this vulnerability and regulatory reports identify transactions made through sanctioned banks and to or from high-risk jurisdictions.

Vulnerability 6: NPOs using unverifiable methods for raising or transferring funds

196. South African authorities agree that not all NPO funding channels are overseen and regulated, and beneficiaries are not always identifiable. The unverifiable methods for transferring funds include cash (physical, hard cash), alternative remittance services (unregulated), crowdfunding, and crypto currencies. A large portion of South Africa's population is unbanked or have limited access to banking services, including NPOs⁸⁴. This leads to the use of cash and alternative remittance services to conduct the daily activities of NPOs, such as raising and transferring funds. Multiple government agencies and financial institutions raised concerns about cash in the non-profit sector.
197. Focus groups held with UVAs indicated that many of them have no bank accounts, therefore, the funding they receive and disburse is untraceable.
198. The use of cash, crypto currencies, mobile money and money service business, informal money transfer services, as well as crowdfunding initiatives was noted as risks by financial institutions. These unverifiable methods include the use of crowdfunding, sourcing donations from the public through social media or other public forums, and the sourcing of funds from

⁸³ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁸⁴ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

religious congregants⁸⁵. The 2020 Trialogue Business Handbook⁸⁶ states that crowdfunding is becoming a large contributor to the fundraising activities of NPOs.

199. NPOs often rely on cash donations to raise funds and then use this cash when transactions and transfers are made. The NRA and various responses received through the perception survey⁸⁷ indicated that cash and alternative remittance is a high-risk for TF, due to its nature of being easily accessible, anonymous, and mostly untraceable. South Africa is a largely cash-based society, with more than 70 percent of cross-border remittances from South Africa to the SADC region being informal. This means that it does not move through the formal banking sector. Financial institutions, authorities and NPOs agree with the use of cash being prevalent.
200. Crypto currencies are seen as another potential vulnerability but is somewhat regulated in South Africa. The NRA⁸⁸ noted that the use of these crypto currencies is an emerging risk, and it gives terrorists the ability to transfer funds across the globe almost instantly. The NRA did, however, also note that a very small number of NPOs make use of crypto currencies to transact and raise funds. One case study involved the use of crypto currencies (e.g. bitcoin) to raise funds to support a terrorist group.
201. Of the 301 NPOs surveyed, 37 indicated that they receive cash donations on a regular basis, which translates to 12.3 percent of NPOs. Only three of the 301 NPOs reported that they received income in the form of money services, hawala, crypto assets and other non-banking, non-cash methods. This is less than one percent of NPOs.
202. CTR information shows a rise in the amounts per cash transaction linked to NPOs in the last 10 years, with a significant rise in 2022. The SARB Report⁸⁹ noted that there were many suspicious indicators from CTRs filed in 2020 and 2021, with money moving to middle eastern countries through the use of money mules.
203. One case study shows that donations received are channelled via hawala systems and money remittance services to other countries. Funds are also transferred to foreign jurisdictions, such as Syria, by having individuals take cash in their suitcases with them when travelling to that jurisdiction - as in another case study. One case study shows an NPC which is an advocacy group providing support to families of terrorism charged individuals in South Africa using crowdfunding to gather funds.
204. The number of case studies involving this type of activity is quite high (four out of 13). South Africa, however, has a largely informal economy and access to banking services for NPOs are often limited or NPOs choose to operate without a bank account. This results in a low-medium rating for significance.
205. The percentage of NPOs that use cash and other unverifiable and alternative methods for raising and transferring funds, results in a prevalence rating of medium-high.

Vulnerability 7: Unregistered NPOs

206. Unregistered NPOs (referred to as UVAs in this sector risk assessment) held the view that they were no more vulnerable to terrorist financing than those registered. They noted that working

⁸⁵ Responses from intelligence agencies.

⁸⁶ [The 2020 CSO Sustainability Index for South Africa: 224.](#)

⁸⁷ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished); Inter-departmental working group South Africa; Responses from financial institutions, law enforcement, and intelligence services.

⁸⁸ National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

⁸⁹ [South African Reserve Bank Prudential Authority Assessment on money laundering, terrorist financing and proliferation financing in the banking sector, 2022.](#)

outside of the banking sector, as many UVAs do, could create a larger risk for TF in the unregistered sector. They also noted that they are at risk, due to a lack of oversight - no bank accounts (often) and no supervisor. UVAs with bank accounts have significantly lower inherent risk of TF, as highlighted by the stringent regulatory measures imposed by financial institutions. These UVAs, adhering to banking requirements, demonstrate transparency through legal documentation, identification verification, and ongoing due diligence. Their engagement with formal banking channels ensures oversight that diminishes vulnerability to illicit financial activities. By contrast, UVAs without bank accounts lack this structured oversight, making them inherently more susceptible to potential TF risks.

207. The number of FATF defined NPOs that are unregistered in South Africa is estimated at 60 000⁹⁰. This means that there are approximately 60 000 NPOs in South Africa that have never been registered and that operate outside of the sphere of regulators. This means that 60 000 out of a total FATF defined NPO population of 312 549⁹¹ amounts to 19 percent. Therefore, 19 percent of the population of NPOs are unregistered and therefore the “unknown” of this sector and the scale thereof cannot be determined.
208. Due to a lack of case studies and evidence to support the abuse of UVAs, the significance is rated as low. These UVAs, however, represent a large portion of the NPO sector and thus the prevalence is rated as medium-high.

Summary of the significance and prevalence of the potential vulnerabilities

209. The following table summarises the significance and prevalence of the seven assessed potential inherent vulnerabilities in South Africa. A rating scale was used to determine the significance and prevalence of each vulnerability, to plot the vulnerability on the matrix below. The scale used was very low / low / low-medium / medium / medium-high / high / very high.

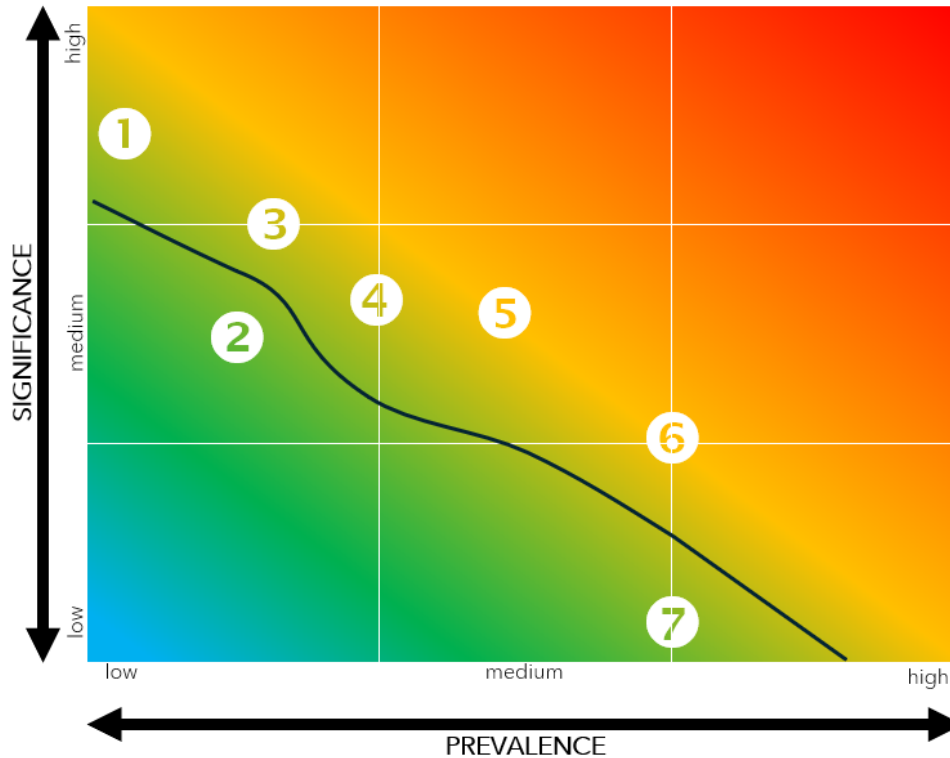
Table 10: Significance and prevalence of the assessed potential inherent vulnerabilities

Vulnerability	Significance	Prevalence
1. NPOs established or operated by individuals with known terrorist sympathies	High	Very low
2. NPOs with links to foreign citizens	Medium	Low
3. NPOs with activities in high-risk foreign jurisdictions	Medium-high	Low
4. NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes)	Medium	Low-medium
5. NPOs receiving funds from and transferring funds to high-risk countries	Medium	Medium
6. NPOs using unverifiable methods for raising or transferring funds	Low-medium	Medium-high
7. Unregistered NPOs	Low	Medium-high

210. The results of the assessment of each vulnerability have been plotted on **Figure 27: NPO sector vulnerability matrix** below:

⁹⁰ This number is an estimate from the Kagiso Trust report.

⁹¹ 60 000 + 252 549 = 312 549 FATF defined NPOs. The 252 549 from the FATF defined NPO survey total (excluding the duplicates; calculation explained above). The 60 000 is an estimate from the Kagiso Trust report. The final number of 312 549 is only an estimated amount and could differ due to organisations deregistering or registering and other factors.



211. FATF methodology 8.1(i) requires a risk assessment to 'Identify[ing] the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse'.
212. Some good evidence was obtained, including 13 case studies, which support a conclusion that the following **five** activities and characteristics of NPOs are assessed as inherent vulnerabilities that are likely to increase the risk of TF abuse.

The features and types of NPOs that put them at risk of terrorist financing abuse

Inherent vulnerabilities that may potentially put an NPO 'at risk' of terrorist financing abuse.

1. NPOs established or operated by individuals with known terrorist sympathies
2. NPOs with activities in high-risk foreign areas
3. NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes)
4. NPOs receiving funds from and transferring funds to high-risk countries
5. NPOs using unverifiable methods for raising or transferring funds

Final assessment of terrorist financing inherent risk of NPOs in South Africa

213. Risk is assessed as a combination of threat, vulnerability and consequence.
214. There is no definitive evidence of the abuse of NPOs for TF in South Africa, although there have been case studies identified by law enforcement, intelligence agencies, supervisory

bodies and regulators. These case studies are based on regulatory interventions, active investigations, and suspicions raised by various institutions and regulators, but there has not been any prosecutions or arrests based on the information provided. The perception of risk varies, with financial institutions leaning towards a medium rating, and law enforcement and intelligence agencies assessing the risk as high.

215. Five main threats were identified, with 10 related “natures of the threats”. The result of this inherent risk assessment is the identifying of seven main vulnerabilities, each of varying levels of significance and prevalence. Ultimately, these different threats and vulnerabilities were considered to result in the final assessed inherent risk rating of medium.

In this context, the overall inherent risk of TF abuse of NPOs in South Africa is assessed medium.

Inherent TF risk of NPOs in South Africa

Medium

Annexure 1: FATF Recommendations relevant to NPOs

Recommendation 8 on Non-Profit Organisations

8. Non-profit organisations⁹²

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.

The methodology for Recommendation 8⁹³ 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;

⁹² Extract from The FATF Recommendations: International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation (FATF, June 2016)

⁹³ Extract from Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems, updated February 2019, FATF, Paris, France. 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.

(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.

Immediate Outcome 10⁹⁴

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' conclusions⁹⁵:

"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' conclusions⁹⁶.

"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?"*

The Methodology for Assessing Technical Compliance⁹⁷ provides 'Notes to Assessors' on how to assess IO.10. The notes relevant to NPOs are as follows:

⁹⁴ Extract from The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013)

⁹⁵ Extracts from The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013)

⁹⁶ Extracts from The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013)

⁹⁷ Extracts from The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013)

“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?”

Annexure 2: 2023 Global Terrorism Index (GTI)⁹⁸

Table 11: Global Terrorism Index (GTI) Ranks and Scores (Source: Author's interpretation of highest scoring 35 rankings)

GTI Rank	Country	2022 GTI score (out of 10)	Change in score (2021-2022)
1	Afghanistan	8,822	-0,308
2	Burkina Faso	8,564	0,283
3	Somalia	8,463	0,034
4	Mali	8,412	0,243
5	Syria	8,161	-0,100
6	Pakistan	8,160	0,308
7	Iraq	8,139	-0,385
8	Nigeria	8,065	-0,205
9	Myanmar	7,977	0,408
10	Niger	7,616	-0,242
11	Cameroon	7,347	-0,120
12	Mozambique	7,330	-0,153
13	India	7,175	-0,259
14	Democratic Republic of the Congo	6,872	-0,024
15	Colombia	6,697	-0,391
16	Egypt	6,632	-0,321
17	Chile	6,619	0,085
18	Philippines	6,328	-0,458
19	Chad	6,168	-0,202
20	Kenya	6,163	-0,068
21	Iran	5,688	0,544
22	Yemen	5,616	-0,270
23	Türkiye	5,600	-0,078
24	Indonesia	5,502	0,010
25	Israel	5,489	0,714
26	Thailand	5,430	-0,296
27	Togo	4,915	3,673
28	Benin	4,840	1,240
29	Sri Lanka	4,839	-0,596
30	United States of America	4,799	-0,220
31	Greece	4,793	-0,098
32	Libya	4,730	-0,393
33	Palestine	4,611	-0,125
34	France	4,419	-0,154
35	Germany	4,242	-0,503

⁹⁸ [2023 Global Terrorism Index \(GTI\)](#).

PART TWO

REVIEW OF MEASURES TO MITIGATE TERRORIST FINANCING RISKS IN NPOs IN SOUTH AFRICA

A: Methodology for assessment of mitigating measures

Scope

216. The purpose of this document is to “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” as required by Recommendation 8.1(c) of the FATF (Financial Action Task Force) Methodology.
217. FATF requires countries to identify the “subset of the NPO sector that may be abused for terrorism financing support”. These are referred to as ‘NPOs inherently vulnerable to terrorist financing’ (TF) in this report. These NPOs were identified in Part 1 of this document. This identified the following NPOs as potentially ‘at risk’ of TF.

Inherent vulnerabilities that may potentially put an NPO ‘at risk’ of terrorist financing abuse.

1. NPOs established or operated by individuals with known terrorist sympathies
2. NPOs with activities in high-risk foreign jurisdictions
3. NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes)
4. NPOs receiving funds from and/or transferring funds to high-risk countries
5. NPOs using unverifiable methods for raising or transferring funds.

218. The risk assessment identified five potential TF threats to NPOs in South Africa:

Terrorist financing threats to NPOs in South Africa:

- Islamic State (IS) and its affiliates in Africa
- Al-Shabaab and its affiliates in Africa, including Al Sunnah Wa Jama’ah
- Nigerian terrorist groups, including Boko Haram and MEND (Movement for the Emancipation of the Niger Delta)
- Domestic right-wing extremists
- Al-Qaeda (including al-Qaeda in the Arabian Peninsula (AQAP) and al-Qaeda in the Islamic Maghreb).

219. Finally, the risk assessment identified the nature of the TF threat as follows:

The nature of the potential TF threat to NPOs in South Africa:

- NPOs raising funds or other support for foreign terrorist groups
- Establishing an NPO to support domestic terrorist activity
- NPOs facilitating foreign travel for terrorist causes
- NPOs used as a conduit to channel foreign funds to terrorist groups in Africa
- NPOs use internet and online media for fundraising, recruitment, and propaganda
- NPOs support terrorist causes through cash
- NPOs support terrorist causes through remittance services

- NPOs use multiple bank accounts
- Diversion of funds by a beneficiary/partner
- Payment of ransoms to terrorist groups by NPOs.

220. In conclusion, the assessment of the overall inherent risk noted that there was little direct evidence of TF in NPOs in South Africa but, the presence of a terrorist threat and the potential for these to impact on NPOs was recognised. Five factors were identified as likely to be associated with greater exposure to TF risks based on the case studies and qualitative assessments by experts. In this context, the **overall inherent risk of terrorist financing abuse of NPOs in South Africa was assessed as Medium.**

Methodology

221. The FATF standards “do not prescribe a particular method or format for assessing risk” of terrorist financing in NPOs⁹⁹. General best practices for risk assessments and reviews of the NPO sector are included in FATF’s *Terrorist Financing Risk Assessment Guidance* (FATF, 2019). Additionally, *FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment* (FATF, 2013) provides guidance on risk assessments and reviews in general.

222. This review is based as closely as possible on FATF requirements and guidance. The relevant FATF requirements or guidance are highlighted in the text where relevant. Where there is no relevant FATF guidance on an issue, assessments are made based on the expertise and experience of the authors.

223. The review covers three areas: (1) laws and regulations; (2) policy measures and outreach; and (3) self-regulatory and self-governance measures.

224. Having reviewed the FATF guidance and the approach of selected countries¹⁰⁰, two methodological approaches for this review were considered:

1. **The case analysis model:** Assessing the effectiveness of only those mitigating measures that relate to the identified risk factors
2. **Gap analysis:** Assessing all mitigating measures to identify any possible vulnerability (rather than vulnerabilities to a specifically identified risk).

225. This methodology combines these approaches. Fundamentally, a *gap analysis* approach is used to provide a comprehensive assessment of the adequacy of existing measures and to identify any gaps. Where possible, a specific focus on the five ‘inherent vulnerabilities’ is included.

226. The metrics used in this review are taken from Recommendation 8 and other FATF documents. The primary tests are that the measures are ‘risk-based’ and ‘effective’:

- **‘Effective’** - The Immediate Outcomes are an assessment of the ‘effectiveness’ of AML and CFT measures. The interpretive note (INR8) requires countries to adopt “*effective measures*” to counter TF¹⁰¹. Effective measures are properly resourced¹⁰².
- **‘Risk based and targeted’** - FATF states that a ‘risk-based approach’ is the core principle for all FATF assessments¹⁰³. The INR8 “*requires*” countries to adopt “proportionate measures”¹⁰⁴, and

⁹⁹ [Terrorist Financing Risk Assessment Guidance \(FATF, 2019\)](#)

¹⁰⁰ Examples from the UK, Canada, Australia, Saudi Arabia, Indonesia and the Philippines were reviewed.

¹⁰¹ 4(c), [Interpretive Note Recommendation 8](#)

¹⁰² “Countries should provide their appropriate authorities, which are responsible for supervision, monitoring and investigation of their NPO sector, with adequate financial, human and technical resources”. [Interpretive Note Recommendation 8](#).

¹⁰³ See [FATF Recommendation 1](#).

¹⁰⁴ 4(c), [Interpretive Note Recommendation 8](#)

adds that “A risk-based approach applying focused measures in dealing with identified threats of terrorist financing abuse to NPOs is essential”¹⁰⁵. This principle is reiterated both in general terms and in relation to specific activities through the FATF documentation¹⁰⁶.

- ‘**Non-disruptive**’ – Ensuring the measures do not disrupt legitimate NPO activity¹⁰⁷; that they are adapted to local circumstances¹⁰⁸; that they are consistent with international human rights obligations¹⁰⁹.

227. This review is an NPO-specific review. It does not aim to replicate the national risk assessment, mutual evaluation report or other reviews of anti-money laundering and combating of financing of terrorism (AML and CFT) measures, but it is informed by these documents. Its remit excludes analysis of AML and CFT measures which incidentally, rather than specifically, address NPOs.

Implementation

228. The risk assessment was completed using a methodology provided by Greenacre Associates. It was implemented by a technical group and overseen by an Oversight Group.

229. The technical group team comprised the following representatives:

- Bernice Bissett, Financial Intelligence Centre
- Kagiso Komane, Financial Intelligence Centre
- Pumza Nonketha, Financial Intelligence Centre
- Rochnee Rivera Green, South African Revenue Service
- Lucky Moticoe, South African Revenue Service
- Luyanda Ngonyama, Department of Social Development: NPO Directorate
- Eszter Rapanos, Chartered Institute for Business Accountants (CIBA), (on behalf of the NPO Alliance)
- Glenn Farred, technical advisor to Civil Society Unmute and member of NPO working group.

230. The primary responsibilities of the technical group were to:

- Collect and collate data
- Analyse data
- Assess the data in line with the methodology and FATF requirements
- Draft the report with the support of the technical consultant
- Present the results to the Oversight Group

¹⁰⁵ 4(a), [Interpretive Note Recommendation 8](#).

¹⁰⁶ See also the [Best Practices Paper](#).

¹⁰⁷ “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 also [Interpretive Note Recommendation 8](#), and [Best Practices Paper](#).

¹⁰⁸ The [Best Practices Paper](#) repeatedly states that there is no ‘one size fits all’ approach to TF measures in the NPO Sector. It states that a “one size fits all” approach is not an effective way to combat terrorist abuse of NPOs and is more likely to disrupt or discourage legitimate charitable activities”.

¹⁰⁹ Implementation of [Recommendation 8](#) must be “consistent with countries’ obligations to respect freedom of association, assembly, expression, religion or belief, and international humanitarian law”. Also see [Best Practices Paper](#).

231. The risk assessment process was overseen by an Oversight Group comprising representatives from the following organisations.

- DSD: NPO Directorate
- SARS
- FIC
- State Security Agency (SSA)
- South African Reserve Bank (SARB)
- Department of Justice (DOJ)
- Companies and Intellectual Property Commission (CIPC)
- Master of the High Court (MoHC)
- National Intelligence Co-ordinating Committee (NICOC)
- South African Police Service (SAPS)
- National Prosecuting Authority (NPA)
- Financial Sector Conduct Authority (FSCA)
- Inyathelo: The South African Institute for Advancement
- Alliance of NPO Networks
- NPO Task Team
- NGO Law South Africa
- NPO Working Group
- CIBA
- The Kagiso Trust
- Counter Terrorism Functional Committee (CTFC)
- South African Congress of NPOs
- Civil Society organisations and members

232. The responsibilities of the Oversight Group were:

- Approve the methodological approach
- Set and oversee clear strategic objectives and timelines for the technical group
- Ensure the co-operation of necessary agencies to the risk assessment process, including provision of data and allocation of resources
- Provide written and verbal comments on draft assessments and recommendations
- Sign off the final assessment report
- Commit relevant agencies to the outcomes of the risk assessment.

233. The technical group and orientation group were provided with training and orientation by Greenacre Associates, and had these sessions:

- Orientation training in risk assessment methodology, Centurion, 8 to 9 December 2022

- Implementation training for members of the Oversight Group and Technical Team, Centurion, 18 June 2023
- Implementation training for members of the technical group, 19 June 2023
- Online training for technical group and survey group: 14 February, 12 to 13 June 2023.
- Online consultation with Kenya, Mozambique and South African survey consultants: 9 June 2023
- Online training for technical consultants and interviewers: 17 July 2023.

234. A final draft report was circulated to all members of the technical group and Oversight Group on 18 March 2024 to discuss and sign off this report.

Data and sources

235. The current risk assessment uses both qualitative and quantitative data and, in line with FATF guidance¹¹⁰, seeks to ensure that qualitative data is given its due weight.

236. The following primary information and data sources were used in this assessment:

Information request and analysis - Written requests for information and analysis on the laws and regulations pertaining to the non-profit sector, the measures taken by NPOs themselves, as well as policies, training and outreach initiatives, were obtained from representatives of the following agencies:

- FIC
- SARS
- DSD
- CIPC
- Representatives from the non-profit sector and other stakeholders (as included in the Oversight Group)

237. The following reports on AML and CFT in South Africa were consulted:

- Mutual evaluation report¹¹¹
- 2022 National Risk Assessment of money laundering, terrorist financing and proliferation financing¹¹²
- South African National Terrorism Financing Risk Assessment¹¹³
- Internal and outreach programme presentations¹¹⁴

¹¹⁰ "While quantitative assessments (i.e., based mostly on statistics) may seem much more reliable and able to be replicated over time, the lack of available quantitative data in the ML/TF field makes it difficult to rely exclusively on such information. Moreover, information on all relevant factors may not be expressed or explained in numerical or quantitative form, and there is a danger that risk assessments relying heavily on available quantitative information may be biased towards risks that are easier to measure and discount those for which quantitative information is not readily available. For these reasons, it is advisable to complement an ML/TF risk assessment with relevant qualitative information such as, as appropriate, intelligence information, expert judgments, private sector input, case studies, thematic assessments, typologies studies and other (regional or supranational) risk assessments in addition to any available quantitative data." Paragraph 30-31, **FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment** (FATF (2013))

¹¹¹ [FATF\(2021\), Anti-money laundering and counter-terrorist financing measures – South Africa, Fourth Round Mutual Evaluation Report, FATF, Paris](#)

¹¹² National Risk Assessment of money laundering, terrorist financing and proliferation financing, Inter-departmental Working Group South Africa, September 2022 (Unpublished).

¹¹³ [South African National Terrorism Financing Risk Assessment, Inter-departmental Working Group South Africa, March 2022](#)

¹¹⁴ Shared with the Technical Team by the Financial Intelligence Centre, the Financial Sector Conduct Authority, and other stakeholders (unpublished).

238. The following secondary information and data sources were used. Secondary information and data were not given the same weight as primary sources. Mainly, it was used to inform the methodological approach, but it was also used selectively and in context to inform assessments where primary data was not available:

- The interpretive note to Recommendation 8 (see *International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation* - the FATF Recommendations (2012, updated 2016)).
- The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF (2013))
- The International Best Practices: Combating the Abuse of Non-Profit Organisations (FATF (2015)).
- The Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014)
- The Terrorist Financing Risk Assessment Guidance (FATF, 2019)
- The FATF Mutual Evaluation Reports of Canada¹¹⁵, the United Kingdom¹¹⁶ and Hong Kong, China¹¹⁷
- Feedback from the FATF Private Sector Consultative Forum (Vienna, March 2016)
- Internal and outreach programme presentations ¹¹⁸.

¹¹⁵ [Mutual Evaluation Report for Canada](#): September 2016

¹¹⁶ [Mutual Evaluation Report for the United Kingdom](#): December 2018

¹¹⁷ [Mutual Evaluation Report for Hong Kong, China](#): September 2019

¹¹⁸ Shared with the Technical Team by the Financial Intelligence Centre, the Financial Sector Conduct Authority, and other stakeholders (unpublished).

B: Executive summary and assessment of adequacy of mitigating measures

239. This report assesses the mitigating measures in place to combat TF risks to NPOs in South Africa, with a particular focus on the five inherent vulnerabilities of 'at risk' NPOs identified in the *risk assessment*. The metrics used in this review are taken from Recommendation 8 and other FATF documents. The primary tests are that the measures are 'risk-based', 'effective' and 'do not disrupt legitimate NPO activity'. The review covers three areas: (1) laws and regulations; (2) policy measures and outreach; and (3) NPO and other private sector measures.
240. This report found that there is a commitment by government (regulators, supervisors, intelligence, the FIC, and others), NPOs, umbrella organisations, and other stakeholders, to ensure that the NPO sector in South Africa is protected from TF abuse. Various initiatives, programmes, laws, regulations, and internal policies are in place to provide NPOs and stakeholders with a layer of protection to prevent, detect, and mitigate the TF risk they could be exposed to.
241. Although there is a commitment to this, the mitigating measures are sometimes lacking or applied ineffectively. Mitigating measures mostly address the general risk posed to NPOs and are not targeted to TF risks. NPOs at a higher risk for TF are not easily identifiable and are therefore not targeted with the initiatives and other existing mitigating measures.
242. Recommendations are focused on capacity building, training and ensuring that the mitigating measures in place are more targeted to the TF risks posed to NPOs, and those NPOs at a higher risk of TF.
243. This report assesses the adequacy of mitigation measures for each risk factor, with adequate measures potentially reducing the level of risk. Part 1 of the report (inherent risk report) determined the prevalence and significance of the inherent vulnerabilities. The scale used was very low / low / low-medium / medium / medium-high / high / very high. In assessing the adequacy of mitigating measures, a different scale was used: inadequate, somewhat adequate, mostly adequate, adequate. The assessment of the adequacy of mitigation measures are as follows.

Table 12: Significance and prevalence of the assessed potential inherent vulnerabilities, and the adequacy of mitigation measures

Inherent vulnerability	Prevalence	Significance	Adequacy of mitigating measures
NPOs established or operated by individuals with known terrorist sympathies	High	Very low	Mostly adequate
NPOs with activities in high-risk foreign jurisdictions.	Medium-high	Low	Somewhat adequate
NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes).	Medium	Low-medium	Somewhat adequate
NPOs receiving funds from and transferring funds to high-risk countries	Medium	Medium	Somewhat adequate
NPOs using unverifiable methods for raising or transferring funds	Low-medium	Medium-high	Mostly adequate

C: Recommendations

244. This report makes a number of recommendations in relation to the specific risk factors and the adequacy of the mitigating measures. The most significant recommendations are included below. In addition to these specific recommendations, the list includes strategic recommendations for mitigating the risk of TF to NPOs in South Africa.

Significant specific recommendations

245. A detailed list of specific recommendations can be found under each of the following sections (D, E and F). The most significant recommendations are focused on following a more targeted approach with laws, regulations, outreaches, NPO measures, and other stakeholder processes. This more targeted approach means that a focus should be placed on those NPOs at a higher risk of TF, which have been identified by referring to the five inherent vulnerabilities identified in Part 1 of this report.

246. The following table includes the most significant and main recommendations for outreach, consultation, and co-ordination. It includes the type, channel, target audience, topics, regularity, and resource implication.

Table 13: Recommendations for outreach, consultation, and co-ordination

Type	Channel	Target audience	Topics	Regularity	Resource implications
1 General awareness raising	Website, news, social media platforms	All NPOs, funders, donors, public, other stakeholders	General awareness of the issues and pointing to where further advice is available; general TF awareness	Low level constant; Media blitz around holidays associated with giving	Low-medium
2 Advice for NPOs	Website, leaflets	All NPOs	General advice on best practice; advice on how to identify possible TF; advice on how to identify if your NPO is higher risk	E-mail NPOs, and online advice; occasional updates	Low
3 Targeted advice or guidance	Website, leaflets	Higher risk NPOs	Detailed explanation of legal duties; best practice guidance on key issues: finance, due diligence, governance, risk management,	Online advice / guidance; e-mails of resources to NPOs known to be in higher risk category	Low

Type		Channel	Target audience	Topics	Regularity	Resource implications
				project management		
4	Awareness raising training	Training events	All NPOs	General advice on best practice; advice on how to identify possible TF; advice on identifying if your NPO is high risk	Once off, then occasional	Medium-high
5	Targeted training	Training events, workshop	Targeted NPOs	In-depth training on legal duties, best practices, governance, risk management, finance, project management, due diligence	Ongoing	High
6	Targeted monitoring	Desktop-based review	Targeted NPOs	Additional scrutiny of returns and submissions from NPOs identified as higher risk	Ongoing	Medium
9	Financial Institutions engagement	Outreach events	Financial institutions	General awareness of the issues; advice on identifying possible TF, TF risks, and what to do; feedback on financial institution's concerns/ observations.	Once off	Low
10	NPO TF SRA launch event	Conference	Representatives of all stakeholders	An event inviting all stakeholders to discuss the risk assessment findings.	Once off	Medium
11	Liaison committee (NPO Task Team and NPO)	Meetings	Selected representative NPOs, financial institutions, FIC, supervisors, regulators, law enforcement,	It will identify and discuss issues relating to TF, TF risks and TF policies. Similar committees are	Periodic - quarterly, or half yearly.	Low

Type		Channel	Target audience	Topics	Regularity	Resource implications
	Working Group)		intelligence, major donors	in existence, but the approach of these should be more targeted.		
12	Government engagement	Outreach	Government agencies	General awareness of the issues; advice on identifying possible TF risks in NPOs, and what to do; feedback on their observations and concerns.	Once off, then occasional	Low
14	MoU	Formal agreement	Government agencies	Formal agreement on how key agencies will co-operate.	Ongoing	Low

Strategic recommendations

247. De-risking:

At the time of writing this report (Part 2), the FATF has updated its Best Practices¹¹⁹ to “reflect the amendments to Recommendation 8 and to help countries, the non-profit sector and financial institutions understand how best to protect relevant NPOs from abuse for TF, without unduly disrupting or discouraging legitimate NPO activities”.

This new best practices paper also includes examples of bad practices and specifically explains how not to implement the FATF’s requirements. A focus is placed on financial inclusion in this paper and de-risking and financial exclusion as a result of the incorrect implementation of Recommendation 8¹²⁰ is highlighted. FATF states that measures by individual financial institutions to reduce their exposure to TF risk by reducing or removing access to services of individual NPOs can, and thereby increase the overall risk TF risk in the NPO sector.

The recommendation is made to develop policies and practices to remove unnecessarily burdensome measures and/or restrictions on access to financial services by NPOs. This should be done through either the establishment of a tri-sector group, or the inclusion of tri-sector dialogue within already established liaison committees (such as the NPO Task Team or NPO Working Group). This group or committee should be responsible for sustained outreach and dialogue with the NPO sector, government departments, and financial institutions, to reduce the barriers to the work of NPOs (especially those in conflict areas), while ensuring that funds or economic resources are not made available to designated individuals and terrorist groups in violation of CFT legislation and domestic or international sanctions.

¹¹⁹ [FATF \(2023\), BPP-Combating the Terrorist Financing Abuse of Non-Profit Organisation, FATF, Paris](#)

¹²⁰ [FATF \(2012-2023\), International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, FATF, Paris, France](#)

248. **Overlapping regulators or unregistered voluntary associations:**

Registration of FATF-defined NPOs in South Africa is not compulsory (with one exception), and organisations can choose to register as NPCs (with the CIPC), charitable trusts (with the MoHC), or NPOs (with the DSD), or a combination thereof. The exception to this is that when an organisation donates or carries on certain activities outside of South Africa, registration would be compulsory.

In addition to these registrations with supervisory bodies, these NPOs can apply for public benefit organisation (PBO) status with SARS. Many NPOs are therefore simultaneously registered with more than one institution that governs different legislative requirements. An organisation can, for example, be registered with the DSD as an NPO, and also register with the CIPC as an NPC. In addition to this, the organisation (which has to be registered as a taxpayer with SARS) can apply to become a PBO with SARS.

The recommendation is made that a collaborative approach should be taken when NPOs are registering at various supervisors and the tax authority i.e. that collaboration and information sharing mechanisms between regulators should be improved. This can be done through the use of a centralised cross-supervisory platform that hosts information on NPOs across a shared platform for all supervisors. This may assist in registration by creating the opportunity for FATF-defined NPOs to register with more than one supervisory agency, and automatically apply for PBO status with SARS. This may improve the registration of voluntary associations, as the process will be simplified.

Combining the registration process and creating information sharing mechanisms between regulators and supervisors not only lowers the risks associated with TF but, is beneficial for the sector and its stakeholders for a variety of reasons. The TF risks and risks associated with higher risk NPOs should be considered when developing such mechanisms and registration through this means should be as simple as possible, to enhance NPO compliance.

D: Gap analysis of the legal and regulatory framework

249. During the process, analysis was conducted on the legal and regulatory framework, as it relates directly to FATF-defined NPOs in South Africa. The latest amended version of each law was used, including amendments brought into effect by the General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022). The following main laws were analysed and discussed in the context of the inherent vulnerabilities identified in Part 1:

- Constitution of the Republic of South Africa Act, 1997 (Act 108 of 1997¹²¹)
- Companies Act, 2008 (Act 71 of 2008¹²²)
- Financial Intelligence Centre, 2001 (Act 38 of 2001¹²³)
- Income Tax Act, 1962 (Act 58 of 1962¹²⁴)
- Non-Profit Organisations Act, 1997 (Act 71 of 1997¹²⁵)
- Protection of Constitutional Democracy Against Terrorist and Related Activities Act, 2004 (Act 33 of 2004¹²⁶)
- Tax Administration Act, 2011 (Act 28 of 2011¹²⁷)
- The General Laws (Anti-Money Laundering and Combating Terrorism Financing) Amendment Act, 2022 (Act 22 of 2022)^{128,129}
- Trust Property Control Act, 1988 (Act 57 of 1988¹³⁰)
- Value Added Tax Act, 1991 (Act 89 of 1991¹³¹).

250. Pursuant to the prescribed Greenacre methodology and in line with FATF requirements as set out in the interpretive note and elsewhere, an assessment was made of the laws and regulations relevant for the operation of NPOs based upon multiple criteria.

251. There are a variety of other laws in the country's legal framework that could have an impact on FATF-defined NPOs in South Africa. However, this risk assessment is not meant to be an in-depth legal review and is merely conducted to analyse the main laws and regulations pertaining to FATF-defined NPOs. Laws and regulations that are not yet approved and/or promulgated will not be discussed in this risk assessment, as there is no guarantee that their content will remain the same after review.

¹²¹ [The Constitution of the Republic of South Africa](#)

¹²² [Companies Act 71 of 2008](#)

¹²³ [Financial Intelligence Centre Act 38 of 2001](#)

¹²⁴ [Income Tax Act 58 of 1962](#)

¹²⁵ [Non Profit Organisations Act 71 of 1997](#)

¹²⁶ [Protection of Constitutional Democracy Against Terrorist and Related Activities Act 33 of 2004](#)

¹²⁷ [Tax Administration Act 28 of 2011](#)

¹²⁸ The General Laws Amendment Act was signed into law on 6 January 2023. It is a significant step forward in addressing the deficiencies identified by the FATF relating to South Africa's anti-money laundering (AML) and combating financial terrorism (CFT) measures. It brought amendments to different Acts, including: Financial Intelligence Centre Act, 2001 (FIC Act), Trust Property Control Act, 1988 (Trust Act), Companies Act, 2008, and Nonprofit Organisations Act, 1997 (NPO Act).

¹²⁹ [General Laws \(Anti-Money Laundering and Combating Terrorism Financing\) Amendment Act 22 of 2022](#)

¹³⁰ [Trust Property Control Act 57 of 1988](#)

¹³¹ [Value Added Tax Act 89 of 1991](#)

Gap analysis: Compliance with FATF requirements:

252. Gaps or areas of possible non-compliance with FATF requirements or guidance are discussed below the main discussion of the relevant laws and regulations.

Table 14: Constitution of the Republic of South Africa

Law 1	
Relevant law(s)	Constitution of the Republic of South Africa Act, 1997 (Act 108 of 1997)
Discussion	The Constitution of South Africa is the founding provision of all our laws. As the highest law in the land, all other laws must follow the principles of the Constitution. The Constitution does not have a chapter or section on a targeted approach with dealing in NPOs, but various sections speak to the general rights and obligations of any legal person (including NPOs).

Table 15: Companies Act

Law 2	
Relevant law(s)	Companies Act, 2008 (Act 71 of 2008)
Nature of NPO	Non-profit companies: “non-profit company” means a company– (a) incorporated for a public benefit or other object as required by item 1(1) of Schedule 1; and (b) the income and property of which are not distributable to its incorporators, members, directors, officers or persons related to any of them except to the extent permitted by item 1(3) of Schedule 1. NPOs registered in terms of the Companies Act (NPCs) are governed by the Companies Act.
Number (NPOs / total number)	82 875 (as at 3 June 2023)
Supervisory agency	CIPC (Companies and Intellectual Property Commission)
Registration	NPOs are not required to register as NPCs with the CIPC, which means that registration of an NPC is voluntary. The Companies Act states that “three or more persons acting in concert, may incorporate a non-profit company”. The board of an NPC must comprise at least three directors.
Obtaining expected information	In terms of the Companies Act, the purpose and objectives of activities are contained within the NPC’s memorandum of incorporation (MOI, or governance document. In terms of section 16 of the Companies Act, an MOI may be amended, and the amendment must be filed with the Commission. Further in terms of the Companies Act, director and prescribed officer information must be submitted to the CIPC.
Publishing information	The CIPC, in electronic format, publishes a summary of the NPC’s information free of charge on its electronic platform. This summary includes: <ul style="list-style-type: none"> • Company name and registration number • Registration date • Status of the NPC • Financial year end • Physical and postal addresses of the NPC • Location of where records are kept, if such is not kept at the physical address of the NPC • Auditor information, if NPC elected to appoint an auditor • Director information (name, surname, date of birth and address). A disclosure certificate may be requested by any person, upon payment, which contains the same summary information as above. A paper-based disclosure may be made for any other document submitted to the CIPC, including financial information.

Law 2	
Maintaining information	In terms of Section 24(1)(b) of the Companies Act, all companies, including NPCs, are required to maintain their company records and financial records for a period of seven years.
Annual reporting	CIPC requires certain categories of NPCs to submit audited annual financial statements in iXBRL ¹³² within six months of the financial year end. As of 31 January 2024, NPCs constituted 6.03 percent (4 494) of total filings since the inception of XBRL in July 2018.
Accounts and audits	All NPCs incorporated– (i) directly or indirectly by the state, an organ of state, a state-owned company, an international entity, a foreign state entity or a foreign company; or (ii) primarily to perform a statutory or regulatory function in terms of any legislation, or to carry out a public function at the direct or indirect initiation or direction of an organ of the state, a state-owned company, an international entity, or a foreign state entity, or for a purpose ancillary to any such function; are required in terms of the Companies Act to have their annual financial statements (AFS) audited. Furthermore, all NPCs which, in the ordinary course of their primary activities, hold assets in a fiduciary capacity for persons who are not related to them, and the aggregate value of such assets held at any time during the financial year exceeds R5 million, as well as those whose Public Interest score ¹³³ exceeds 349 or 100 (subject to the internal compilation of their AFS); are required to have their AFS audited.
Publication of financial information	The CIPC can only make available information that the CIPC is privy to, and such disclosure of information is based on the rules of the PAI Act and POPI Act.
Inspections	When intelligence is detected or provided, an investigator would be assigned the case, followed by an appointment certificate by the Commissioner to pursue the investigation. Depending on the findings, the investigator may issue a Compliance Notice or refer the case to a relevant authority, e.g. National Prosecuting Authority. The enforcement division does conduct inspections on entities, but this is not targeted at NPCs. The inspection is done on public companies which have issued prospectuses. The other inspection type relates to beneficial ownership (BO). This would be triggered by reviews conducted by the BO team and then entities are engaged to ensure that they keep the same records at their offices in line with the requirements of the Act. The entities would also be engaged on the anomalies picked up in their BO filing and be given an opportunity to rectify such. This inspection includes all types of entities but as it is fairly new and as the number of NPCs on the CIPC register is low as compared to other common entity types, the CIPC has not yet conducted one on a non-profit company.
Investigations and intelligence	In terms of investigations and intelligence, the current investigation framework does cover NPCs, although their number on the investigation register is low. The CIPC maintains financial information filed annually by designated NPCs. Such information is readily available to law enforcement agencies with mandates to investigate crime, fraud or activities incidental thereto. In the XBRL digital reporting regime, cash flows and revenues could be triangulated using business intelligence capabilities to detect abnormal and/ or irregular spikes in annual disclosures. However, this would be better investigated at the level of bank statements. A steady or consistent flow of funds might not surface as irregular when aggregated or annualised at year-end.

¹³² iXBRL is an Inline eXtensible Business Reporting Language for electronic communication of business information providing major benefits in the preparation, analysis, communication of Annual Financial Statements.

¹³³ Public Interest Score ("PI Score") is the measure of public interest in a specific company, determined by considering the potential social footprint of the company and its potential impact on the public. The PI Score determines whether an independent audit or independent review is required by a company and is determined in terms of Regulation 26 of the Companies Act 71, 2008 ("Companies Act").

Law 2	
	With adequate data analysis skills, law enforcement agencies could use the CIPC's API gateways (when they become available for XBRL data) to assess cashflows from a multi-regulator perspective.
Sanctions and remedial powers	The current sanctions framework (investigations and issuing of compliance notices) used for other companies is also applicable to NPCs. Relevant registers (independent review and reportable irregularity) can be provided although the number of NPCs is low as alluded above. Sections 69 to 71 relates to the disqualification of persons to be a director or prescribed officer, and provisions relating to vacancies on a board and removal of directors.
Information sharing	The Commission has agreements and/or memoranda of understanding with Zambia (Patents and Companies Registration Agency) and UAE (Abu Dhabi Global Market). The CIPC provides public access to their filed information at a fee, unless the document or part thereof was successfully declared confidential by the Commission. Organs of state (other regulators and law enforcement agencies) can obtain this information free of charge.

Table 16: Financial Intelligence Centre Act and Protection of Constitutional Democracy Against Terrorist and Related Activities Act

Law 3-4		
Relevant law(s)	Financial Intelligence Centre Act, 2001 (Act 38 of 2001)	Protection of Constitutional Democracy against Terrorist and Related Activities Act, 2004 (Act 33 of 2004)
Discussion	This Act has no NPO specific provisions but does provide various sections that have the effect of protecting the NPO sector. This is done through the following: Combating TF; providing for the implementation of targeted financial sanctions and resolutions of the UNSC; providing for customer due diligence measures (including in respect of BO); providing for a risk-based approach (RBA) to client identification and verification; to provide for the sharing of information; to provide training relating to AML and CTF; and other areas. Although NPOs are not designated as accountable institutions, the FIC Act applies to all persons and entities to some extent, including NPOs. However, there is no reporting obligation specifically for NPOs in regard to this Act.	This Act has no NPO specific provisions but does provide various sections that will have the effect of protecting the NPO sector. This is done through the following: Providing for measures to prevent and combat TF and related activities; creating the offence of terrorism and related activities; to provide for investigative measures in respect of terrorist and related activities; and others. Section 4 of the POCDATARA sets out the offence of financing of terrorism. Section 12 of the POCDATARA does have a reporting obligation should an NPO become aware of or have a suspicion that they are being abused for purposes of TF, they must report this to the SAPS. Where any person (including an NPO founder, member, employees, trustee or authorised representative) receives or provides benefits (including finances, economic benefit or use of property) to any person or entity listed on the TFS list, and/or the list in terms of section 25 of the POCDATARA, that person will be liable to prosecution in terms of section 49A of the FIC Act and/or section 4 of the POCDATARA.

Table 17: South African Revenue Service relevant laws and regulations

Law 5-7	
Relevant law(s)	The primary applicable laws are the Income Tax Act, 1962 (Act 58 of 1962), Tax Administration Act, 2011 (Act 28 of 2011)(TAA) and Value-Added Tax Act, 1991

Law 5-7	
	<p>(Act 89 of 1991), which constitute the primary tax legislation relevant to the NPO sector as defined by FATF.</p> <ul style="list-style-type: none"> • SARS legislation adequately addresses the NPO sector and its vulnerabilities. SARS deals with NPOs as taxpayers first and foremost. A special income tax dispensation is available to NPOs upon application. Once approved by the SARS, they are then classified as public benefit organisations (PBOs), which grants special tax privileges and introduces additional reporting and governance obligations. • SARS continuously reviews the capacity required to provide adequate service to the sector. These reviews include financial, human and technical resources.
Scope of the law	<p>All NPOs that fall within the SARS jurisdiction are regarded as taxpayers. PBOs can be further categorised into the services they deliver to the general public. These PBOs can also take on various legal entity types, which are:</p> <ul style="list-style-type: none"> • Charitable trust • Branch of foreign trust • Non-profit company • Branch of foreign non-profit company • Association of persons registered (voluntary association) • Branch of foreign associations.
Number (NPOs / total number)	As of the end of June 2023, a total of 59 657 PBOs were registered with the South African Revenue Service (SARS)
Supervisory agency	SARS is the tax regulator for all NPOs and has additional supervisory responsibilities for PBOs
Registration	NPOs attain legal recognition upon establishment or registration with their respective registrars, and thereafter are obliged to register as a taxpayer with the SARS. To qualify for PBO status (special tax dispensation), NPOs are required to submit a special application, with additional registration requirements. Depending on the type of exemption granted, some PBO information is available on the SARS website ¹³⁴ .
Obtaining expected information	In terms of tax legislation, NPOs registered as taxpayers have a duty to keep the records, books of account or documents that will enable them to submit the required tax returns, and further keep or retain such documents or information for a period of five years from the date of the submission of a return or the end of a particular financial year. PBOs, depending on the type of exemption granted, have additional reporting requirements. The Tax Administration Act delineates the conditions under which the Commissioner may share information and specifies the parties with whom the Commissioner is authorised to share information.
Publishing information	The Commissioner has the discretion to publish specific information pertaining to PBOs. The tax legislation sets out the parameters on when and how such information may be published.
Maintaining information	PBOs are required to furnish comprehensive information regarding their activities, contact details, and particulars of individuals directly or indirectly overseeing the organisation. Tax legislation requires NPOs and PBOs to communicate to SARS within 21 business days any changes relating to any of the information provided upon registration.
Annual reporting	NPOs and PBOs are required to submit to the Commissioner their returns and other information based on their reporting requirements. In addition, they are required to retain supporting documents for a period of five years from the date of submitting the return or upon completion of an audit or investigation if that return was audited or investigated by SARS.
Accounts and audits	PBOs are required to comply with the requirements of their exemption approval, which include the requirement that their funds should be accounted for and

¹³⁴ [Public Benefit Organisations | South African Revenue Service](#)

Law 5-7	
	spent in a manner that is consistent with the purpose and objectives of their stated activities. The public officer, or any fiduciary officer of a PBO, is required to furnish the Commissioner with the annual financial statements and other information upon request. Depending on the type of exemption benefits granted, additional reporting requirements may be in place.
Publication of financial information	Due to taxpayer confidentiality provisions in the tax legislation, the Commissioner is prevented from disclosing the financial information of NPOs and PBOs, other than the specific information expressly permitted under the tax legislation.
Inspections and monitoring	The returns submitted are subject to review by SARS. This review entails an analysis of the sources and use of funds, the assets held by the PBO, and the economic activities undertaken by the PBO. In accordance with the Tax Administration Act, PBOs, like other taxpayers in the Republic, may undergo ex-post audit for the purpose of ensuring tax compliance, and for the purposes of verification, audit, or criminal investigation on a random or a risk assessment basis.
Vetting	There are internal policies and procedures that require verification of certain information as per the FIC Act standards (bank accounts and addresses) and other third-party data information as per SARS operating procedures. SARS does quarterly checks against the UNSC lists to ensure that no office bearers or duly appointed registered representatives have been flagged by the UN.
Due diligence	SARS has already set up a project team consisting of all the functional areas responsible for addressing the FATF mutual evaluation findings and who have developed an action plan to address weaknesses highlighted in the FATF report.
Investigations and intelligence	A number of work streams in SARS have been tasked to address specific FATF findings, such as increased use of multi-disciplinary teams in the investigation, prosecution and/or asset recovery in complex criminal and related cases.
Sanctions and remedial powers	If an organisation provides false information or fails to adhere to any tax laws, tax legislation delineates specific sanctions that may be imposed, such as penalties and other punitive measures. For PBOs it may also lead to the withdrawal of the exemption status and other punitive measures. The tax legislation delineates specific sanctions applicable if a PBO neglects to meet these legislative requirements and failure to comply could result further in fines and imprisonment to all persons that are fiduciary responsible for PBOs.
Information sharing	The Tax Administration Act places an obligation on SARS to disclose information pertinent to money laundering or TF to law enforcement agencies or other relevant authorities. Additionally, formal procedures are in place for obtaining information from other state agencies.
Awareness raising	In accordance with the SARS strategic objective to provide certainty and clarity, SARS is committed to providing education and awareness on a range of tax related matters.
Best practices	SARS collaborates with PBOs to contribute to the development and refinement of best practices, addressing various compliance and governance issues and mitigating vulnerabilities that may expose them to potential misuse.
Formal financial channels	SARS mandates NPOs registered as taxpayers to maintain bank accounts in the name of the NPO with regulated financial institutions and the utilisation of regulated financial channels in their transactions. Such information is subject to verification with the financial services providers upon registration.

Table 18: Non-Profit Organisations Act

Law 8	
Relevant law(s)	Non-Profit Organisations Act, 1997 (Act 71 of 1997)
Nature of NPO	Voluntary associations - are organisations established under the common law; charity trusts - are established under the Trust Act and NPCs - are organisations established under the Companies Act and organisations whose registration is

Law 8	
	compulsory based on implementing certain type of activities in the specific jurisdiction.
Number (NPOs / total number)	276 183 (as at 30 June 2023)
Supervisory agency	Department of Social Development - NPO Directorate
Registration	Trusts, NPCs, and voluntary associations may apply for registered NPO status with the DSD. Registration is voluntary, except (as discussed above) if an organisation donates or carries on certain activities outside of South Africa in which case registration is compulsory. NPOs, if registered, must fulfil certain reporting requirements.
Obtaining expected information	NPOs are required to state their objectives, activities; identify person(s) who own, control or direct their activities, including senior officers, board members and trustees at registration and during reporting and records are maintained.
Publishing information	Members of the public may request information pertaining to any NPO using access to information procedure and moreover the directorate is required to publish names of registered and deregistered NPOs. The Minister is required to table a report on the register of NPOs in Parliament.
Maintaining information	Organisations are required to preserve each of its books of account, supporting vouchers, records of subscriptions or levies paid by its members, income and expenditure statements, balance sheets and accounting officer's reports, in an original or reproduced form, for period of five years in line with the national archives Act.
Annual reporting	All registered NPOs are required to submit annual reports with financial statements prepared by registered accountants and records are maintained for a period of five years.
Accounts and audits	Organisations are required to keep preserve each of its books of account, supporting vouchers, records of subscriptions or levies paid by its members, income and expenditure statements, balance sheets and accounting officer's reports, in an original or reproduced form, for a period of five years.
Publication of financial information	NPO records are available to the public per request as prescribed in POPI Act and PAI Act.
Inspections	The department has strengthened supervision and monitoring and will conduct regular inspections on high risk NPOs using their risk framework.
Vetting	At registration and reporting, board members are screened against different data bases to ascertain their good standing (UN listed persons, delinquent directors, and central criminal records data base) to serve as directors.
Due diligence	NPOs are encouraged to put systems and measures in place to mitigate their vulnerability when associating with entities, including donors who may be linked to ML and/or TF. This is done through outreach programmes.
Investigations and intelligence	In line with legislation, DSD provides information on the administration and management of NPOs and shares information with relevant authorities during the course of investigations.
Sanctions and remedial powers	The NPO Act has a section on penalties for persons convicted of an offence in terms of this Act, as well as a section on the disqualification and removal of office bearers.

Law 8	
Information sharing	The Department has signed co-operation and collaboration MoUs with NPO regulators and law enforcement authorities. Currently, data sharing is manual, however, DSD is working towards modernising its system to enable data integration.
Risk-based targeted supervision	Provisions are made for this in the NPO regulations.

Table 19: Trust Property Control Act

Law 9	
Relevant law(s)	Trust Property Control Act, 1988 (Act 57 of 1988 (TPC Act))
Nature of NPO	Charitable trust (a trust that has not been established for private benefit, but for a charitable purpose)
Number (NPOs / total number)	38 838 ¹³⁵
Supervisory agency	Master of the High Court ("Master")
Registration	<p>Trust is defined in section 1 the TPC Act to mean an arrangement through which the ownership in property of one person is by virtue of a Trust instrument made over or bequeathed–</p> <p>(a) to another person, the trustee, in whole or in part, to be administered or disposed of according to the provisions of the Trust instrument for the benefit of the person or class of persons designated in the Trust instrument or for the achievement of the object stated in the Trust instrument; or</p> <p>(b) to the beneficiaries designated in the Trust instrument, which property is placed under the control of another person, the trustee, to be administered or disposed of according to the provisions of the Trust instrument for the benefit of the person or class of persons designated in the Trust instrument or for the achievement of the object stated in the Trust instrument.</p> <p>(a) above refers to a <i>discretionary</i> Trust, whereas (b) refers to a <i>Bewind</i>¹³⁶ Trust. The latter is commonly referred to a vesting Trust.</p> <p>The TPC Act requires that a Trust must be lodged at the Master who has jurisdiction over the matter, whereafter the Master will authorise the trustees to act as such by virtue of the Master's <i>Letters of Authority</i> (LoA). Only when the trustees are authorised may they act for and on behalf of the Trust.</p> <p>For a charitable trust to be established, the object must be for a charitable purpose.</p>
Obtaining expected information	The trustees, if requested by the Master, are obliged to deliver any book, record, account or document relating to the administration or disposal of Trust property.
Publishing information	The Master uses an electronic web portal, where limited information may be accessed. (See Masters Office Web Portal - Index (justice.gov.za))
Maintaining information	The documents held by the trustees should be kept for a period of five years from the termination of the Trust.
Annual reporting	The majority of Trust Deeds place an obligation on the trustees to annually keep proper record of account (financial statements), that may be made subject to an annual audit.
Accounts and audits	The accounts of a Trust may be made subject to audit. This will be dependent on the terms and conditions of the Trust Deed. Section 15 of the TPC Act read with the Master's Form J405 (Undertaking by auditor/accountant) places an obligation on the auditor or accountant to report in writing to the trustees if

¹³⁵ Overview of the NPO Sector in South Africa, PPT Slideshow, 2019, FIC

¹³⁶ A "bewind Trust", the founder or settlor transfers ownership of assets or property to beneficiaries of the Trust, but control over the assets or property, is given to the trustee(s).

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	there are material irregularities The trustees must, within one month of such report, rectify the irregularity. If not rectified within the prescribed period, the Master must be notified in writing by the auditor or accountant.
Publication of financial information	This information is not made public
Inspections	A trustee shall, at the written request of the Master, account to the Master to his satisfaction and in accordance with the Master's requirements for his administration and disposal of Trust property and shall, at the written request of the Master, deliver to the Master any book, record, account or document relating to his administration or disposal of the Trust property and shall to the best of his ability answer honestly and truthfully any question put to him by the Master in connection with the administration and disposal of the Trust property. The Master may, if he deems it necessary, cause an investigation to be carried out by some fit and proper person appointed by him into the trustee's administration and disposal of Trust property. The Master shall make such order as he deems fit in connection with the costs of such an investigation.
Vetting	The Master can be seen as the <i>registrar</i> of Trusts in the Republic or South Africa. However, prior to a Trust being lodged with the Master for registration purposes, the requirements as per the South African law of contract or law of succession (in the event of a Will Trust), must be satisfied for the trust deed or last will and testament to be valid.
Due diligence	Newly introduced BO information to be kept by the Master as a tier 1 repository.
Investigations and intelligence	See <i>Inspections</i> above.
Sanctions and remedial powers	If any trustee fails to comply with a request by the Master or to perform any duty imposed upon the trustee by the TPC Act, the trust deed or by any other law, the Master or any person having an interest in the trust property may apply to the court for an order directing the trustee to comply with the Master's request or to perform the duty. A trustee who fails to comply with an obligation, commits an offence and on conviction is liable to a fine not exceeding R10 million, or imprisonment for a period not exceeding five years, or to both such fine and imprisonment. Trustees may under certain circumstances be removed from the office of trustee.
Information sharing	The Master can provide a certified copy of any document under his control relating to trust property to a trustee, his surety or his representative or any other person who in the opinion of the Master has sufficient interest in such document.
Risk-based targeted supervision	See <i>due diligence</i> above. Other than beneficial ownership information, no specific requirement as per TPCA.

Analysis in terms of five inherent vulnerabilities

253. NPOs established or operated by individuals with known terrorist sympathies.

The country has a targeted financial sanctions (TFS) list¹³⁷ hosted and maintained by the FIC that provides an updated list of proscribed persons and entities as identified by the resolutions of the UNSC. This list is updated within 24 hours of changes made by the UNSC and is used by various supervisors and authorities when assessing whether organisations, persons or entities are linked to known designated persons or entities. Accountable institutions listed with the FIC are required to screen their clients (regardless of risk) against this TFS list.

¹³⁷ [Targeted financial sanctions - FIC](#)

The tax authority conducts quarterly checks against UNSC lists as part of measures to mitigate risks from PBOs established or operated by individuals with links to known terrorist sympathies. The quarterly checks against the UNSC lists ensure that no office bearers or duly appointed registered representatives have been flagged by the UNSC.

At registration and reporting, office bearers (board members) are screened by the DSD against different databases to ascertain their good standing (UNSC listed persons, delinquent directors, and central criminal records database) to serve as directors of NPOs. Registered NPOs are required to indicate their activities at registration, and to inform the Department if they change their objectives. Verification of current activities is obtainable through the annual reports. Based on the nature of activities provided, the DSD can determine whether specific NPOs fall within high-risk categories and require enhanced supervision and monitoring.

254. NPOs with activities in high-risk foreign jurisdictions.

There is no widely accepted list of high-risk jurisdictions published in South Africa or maintained by the country. The FIC does, however, issue their own public statements in respect of high-risk jurisdictions issued by FATF. These public statements made by the FIC, act as advisory documents in which the FIC advises accountable institutions to apply enhanced due diligence to business relationships and transactions with entities and individuals in those high-risk jurisdictions.

The annual returns submitted are subject to review by the revenue authority to analyse the use of funds and the economic activities undertaken by the PBO. This process assists SARS in determining irregular financial activities and all cases identified are referred for audit.

NPO legislation requires compulsory registration for NPOs operating in jurisdictions outside of the borders of South Africa (makes donations to individuals or organisations outside of the Republic's borders; provides humanitarian, charitable, religious, educational or cultural services outside of the Republic's borders). Therefore, this includes all jurisdictions that could be considered high-risk and other foreign territories. Such NPOs are required to indicate their activities at registration and reporting, and to inform the DSD if they change their objectives. The legislation further makes provision for sanctions for NPOs failing to register and provide mandatory information.

Even though the supervisory bodies and tax authority are not accountable institutions according to the FIC Act, the public statements made by the FIC could inform their screening process to identify NPOs operating in high-risk jurisdictions. But there is no universally accepted definition or list of jurisdictions which are classified as high-risk for South African NPOs to operate within. There is also no complete list of NPOs that operate within jurisdictions that are identified as high-risk.

255. NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes).

Sections 26A, 26B and 26C of the FIC Act are referred to as the financial sanctions provisions. NPOs are prohibited from accepting, providing, or making available economic support or any financial or other services to persons or entities listed on the UNSC resolutions. This would mean that if funds were coming from or going to a person or entity listed in the UNSC resolutions, the NPO would not be permitted to enter into that transaction.

The revenue authority conducts quarterly checks against UNSC lists as part of measures to mitigate risks from PBOs with links to communities and individuals sympathetic to terrorist causes.

There are no specific laws or regulations relating to this, however, at reporting, the organisation's activities will be scrutinised to identify if there are any acts relating to TF. Members of the public are encouraged to report such activities to the DSD anonymously through DSD's whistleblowing platform and the department will follow up directly with the organisation. The DSD is empowered by the

legislation to co-operate and share information relating to TF with other state agencies for further investigation.

It is difficult to address the inherent vulnerability of NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes), as sympathisers will not show up on any sanction lists.

256. NPOs receiving funds from and transferring funds to high-risk countries.

There is no widely accepted list of high-risk jurisdictions published in South Africa or maintained in the country. The FIC does, however, issue their own public statements in respect of high-risk jurisdictions issued by FATF. These public statements made by the FIC act as advisory documents in which the FIC advises accountable institutions to apply enhanced due diligence to business relationships and transactions with entities and individuals in those high-risk jurisdictions.

In accordance with the TA Act, PBOs, like other taxpayers in the Republic, may undergo ex-post audit, which serves as a mitigation against irregularities in the transfer or receiving of funds from high-risk countries.

All NPOs registered with the DSD are required to indicate their activities and areas of operation during registration and when reporting. This information is used to identify NPOs vulnerable for TF and will be used to determine if they require to be put on enhanced monitoring and supervision. If an NPO undertakes such activities without notifying the DSD, it will receive a compliance notice and might be subjected to administrative sanctions. Moreover, all registered NPOs are required to provide a comprehensive report which includes the name of the funder, and to state if local or foreign currency amount and activities.

But there is no universally accepted definition or list of which jurisdictions are classified as high-risk from which South African NPOs can receive or to which they can transfer funds. There is also no complete list of NPOs that receive funds or transfer funds to jurisdictions that are identified as high-risk.

257. NPOs using unverifiable methods for raising or transferring funds.

This inherent vulnerability is difficult to address due to its nature, even through legislation. Transactions made in cash or using unverifiable transfer methods such as hawala, cannot be traced by supervisory bodies and the tax authority, unless the organisations identify and submit the use thereof (along with amounts and other information) to the supervisory bodies and tax authority. Supervision and monitoring over this inherent vulnerability is on the increase, as many of the supervisory bodies and stakeholders (including donors and beneficiaries) are calling for the non-profit sector to enter the formal banking sector and have a bank account.

As a condition for registration and maintaining the special tax dispensation status, the revenue authority has implemented policies and measures that require bank account verification and third party back-end validations in accordance with provisions granted to the Commissioner in the TA Act. At reporting, all DSD-registered NPOs are required to provide a comprehensive report which includes the name of the funder, amounts and activities implemented.

As a large part of the economy in South Africa is informal, the practice of using unverifiable methods for raising and transferring funds will always be present. It is important to mitigate the risks associated with this vulnerability, without violating NPOs' ability to operate or transact.

Assessment of general adequacy of laws and regulations

258. The registration and information requirements for local and foreign associations are mostly in line with the requirements of parts 8.3 and 8.4 of the FATF Methodology, and with paragraph 6(b)(i), (ii), (iii), (iv) and (vi) of the interpretive note. Specifically, NPOs are required to:

- Register, and to maintain information on the purpose and objectives of their stated activities¹³⁸.
- Maintain information on “the identity of the person(s) who own, control or direct their activities, including senior officers, board members and trustees”¹³⁹.
- Have appropriate controls in place to ensure that all funds are fully accounted for¹⁴⁰.
- Produce annual financial statements that provide detailed breakdowns of incomes and expenditures¹⁴¹.
- NPOs must maintain financial records for a period of at least five years¹⁴².

259. Registration for FATF-defined NPOs is mostly not compulsory in South Africa, but these organisations have the option of registering as NPCs (with the CIPC), charitable trusts (with the Master of the High Court), and NPOs (with the DSD). Registration as an NPO with the DSD is, however, compulsory if an organisation donates or carries on certain activities outside of South Africa. Once these organisations have registered with a specific supervisor, or have applied for PBO status with SARS, the organisation will have further obligations.

260. The supervisory bodies (DSD, CIPC, and MoHC), the tax authority (SARS), and other relevant regulators have fairly adequate monitoring regimes, consisting of financial audits and inspections (8.3 and 8.4 of the FATF Methodology). There is limited risk-targeting, but measures are not focused on TF vulnerabilities and risks. The focus is more on verifying legal compliance and financial records. The supervisory bodies and other regulators are, however, in the process of taking a more risk-based approach to the monitoring of FATF-defined NPOs.

261. Some deficiencies are noted:

- Not all suggested information is required to be made public by local associations.
- While not all supervisory bodies require narrative reporting in addition accounts and reporting, most do and require it yearly.
- Compliance with annual returns is low.
- There is not one central act or law that establishes, supervises and monitors FATF-defined NPOs in South Africa.
- Registration of FATF-defined NPOs is not compulsory (with one exception), and organisations can choose to register as NPCs, charitable trusts, or NPOs. The exception to this is that when an organisation donates or carries on certain activities outside of South Africa, registration would be compulsory. Therefore, the activities of unregistered voluntary associations are not supervised or monitored in a formal capacity through laws and regulations.
- Audit failures may still transpire in cases where FATF-defined NPOs receive cash-based donations or hard assets with significant fair/market value (without adequate accounting controls to classify,

¹³⁸ 6(b)(i) and (ii), of the Interpretive Note to Recommendation 8.

¹³⁹ *ibid*, 6(b)(ii).

¹⁴⁰ *ibid*, 6(b)(iv).

¹⁴¹ *ibid*, 6(b)(iii).

¹⁴² *ibid*, 6(b)(vi).

recognise and measure the value of those assets). Such transactions may lead to under-disclosure of cash flows or assets and potentially facilitate illicit flows/TF.

- Lack of resources (financial, human capacity and technical skills)
- Not all databases are automated and sharing of information between supervisors, authorities and other stakeholders is time consuming and most often a manual process. The databases also do not allow for the identification of specific NPOs that face the potential risk of TF.
- There is no country-wide accepted list of high-risk jurisdictions, which makes it difficult for supervisors, intelligence, and other stakeholders to identify NPOs that operate within or transact with those jurisdictions.

262. Analysis of the law and interviews with officials suggest that measures for obtaining and sharing of information, investigations, and intelligence (8.5 and 8.6 of the FATF Methodology¹⁴³) are adequate. Currently there are few reported suspicious cases of serious financial crime in NPOs, but as these cases are currently under investigation, a full evaluation of how effective these measures are is not yet possible.

263. The supervisory bodies have the necessary sanctions and remedial powers¹⁴⁴. These powers are limited, but in cases of TF, it is likely that these powers would anyway be exercised by law enforcement or financial sector supervisors. As before, the limited number of active cases prevents a full evaluation of how effective these measures are, but the evidence from minor cases suggests that they are adequate. The sanctions and remedial powers relating to financial crimes in NPOs is often delegated to other authorities and not the supervisory bodies themselves.

Conclusions

264. There is a comprehensive regulatory system which provides the fundamental architecture of an effective mechanism for mitigating TF risk. The powers available are broadly appropriate, but the resources for these activities are inadequate. The main deficiencies are in ensuring measures are targeted; resources are made available; and in ensuring that NPOs are transparent and open to public scrutiny.

265. The regulatory system is adequate, but the effective implementation thereof could be seen as lacking due to the lack of resources and manual nature of many of the processes.

Recommendations

266. NPO supervisory bodies and the tax authority should review the already established systems for identifying and scoring risks, including TF risks, and for ensuring higher risk entities face additional scrutiny. The systems should identify the characteristics or activities that place NPOs at higher risk (continuing and building on the work of this sectoral risk assessment report). These NPOs should be flagged, and the system could include some form of enhanced due diligence and supervision over these identified NPOs.

267. The supervisory bodies should review their annual return and financial reporting systems to ensure it contributes fully to risk-based supervision. These systems do include narrative reporting (DSD legislation requires it) but should include a type of questionnaire to ascertain further information. The questionnaire could include specific questions, to identify specific risk factors such as transactions

¹⁴³ Also refer to [FATF Recommendations](#) 30 and 31.

¹⁴⁴ Also refer to [FATF Recommendation](#) 35.

with high-risk jurisdictions, exposure to extremist influences, or use of alternative fund transfer or storage systems.

268. To improve the compliance rate of annual returns for NPOs, consideration should be given to the following measures:
- Additional awareness raising, guidance and support for NPOs on completing annual returns and financial statements
 - Publicly naming larger NPOs which consistently fail to report on time.
269. Transparency is a key principle in the supervision of NPOs:
- NPOs are essentially public entities, operating with public money and for the public benefit, and are therefore obliged to accept greater public scrutiny
 - NPOs should be directly accountable to the public which constitute many NPOs' main donors, supporters and beneficiaries
 - Members of the public raising concerns when they are unable to verify an NPO's activities provide a valuable and irreplaceable source of intelligence for authorities
 - The supervisory bodies should introduce new measures to enhance the transparency of NPOs. These should require the publication of information on an NPO's purposes and activities; on the identity of directors, senior officers and trustees; and basic financial information¹⁴⁵.
270. The supervisory bodies should reform their inspections programmes to ensure that the highest risk entities are prioritised for inspection visits. The programmes should broaden their scope to include governance, project management and risk management, and include specific metrics for measuring potential vulnerabilities to TF.
271. A country-wide accepted list of high-risk jurisdictions should be created and maintained by intelligence agencies or the FIC. This will enhance the ability of supervisors, intelligence, and other stakeholders to identify NPOs that operate within or transact with those jurisdictions.
272. To address the inherent risk of NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes), two complementary approaches should be considered:
- An intelligence-led approach: i.e. intelligence services advise regulators about communities, groups or individuals which should receive extra attention
 - A community-led approach: working with local community leaders to understand risks better, and work with and through them to introduce some mitigating measures
273. Collaboration and information sharing mechanisms between regulators should be improved. While there are some informal mechanisms, they have not been tested in the field, and on paper they do not meet international best practice. This could include the use of a centralised and cross-supervisory platform that hosts information on NPOs across a shared platform for all supervisors. This could assist in registration by creating the opportunity for FATF-defined NPOs to register with more than one supervisory agency, and automatically apply for PBO status with SARS.

¹⁴⁵ FATF 'encourages' this approach but does not require it. See *Interpretive Note to Recommendation 8*, paragraphs 6(b)(i) and 6(b)(ii).

E: Policy and outreach

274. This section of the report refers to policies and outreach programmes or initiatives are provided or sponsored by government. This includes awareness raising campaigns, training, workshops, and other initiatives. Information was gathered from the FIC, DSD, and SARS, including information on the topics on which, and audience to whom these outreach initiatives were provided.
275. Analysis was also made of the effectiveness level of this set of measures in terms of the established five inherent risk factors according to their relevance. The analysis was conducted by the representatives of the relevant institutions and the Technical Team performing this risk assessment and presented in Section G.

Compliance with FATF requirements:

Financial Intelligence Centre awareness raising sessions and initiatives:

276. There have been 33 awareness raising sessions held for NPOs and stakeholders by the FIC over the period of April 2019 and November 2023, with more planned for 2024.

Table 20: Awareness raising sessions.

Number of sessions	Topic	Audience	Years
17	AML, CFT, VDR	<ul style="list-style-type: none"> DSD (Employees and National Directorate) NPO religious sector DSD provincial NPO and partnership funding co-ordinators NPO engagement (funding unit) 	2019 and 2020
2	ML and TF risks facing NPO	DSD employees	2021
11	AML, TF and TFS awareness	<ul style="list-style-type: none"> Faith-based organisations DSD - Non-profit organisations Religious sector engagement Officials' engagement on the mentorship model (Western Cape) NPOs engagement on the mentorship model (Western Cape) Officials' engagement (Mpumalanga) Officials' engagement (Gauteng) NPOs engagement (Gauteng) 	2021
1	AML, CFT and CPF awareness and Mutual Evaluation	Gauteng Department of Education Tshwane South District	2022
1	AML, CFT and CPF awareness	DSD NPO AML CTF CPF awareness	2022
1	NPO DSD FIC	Combating ML, TF and PF	2023

Source: FIC, 2024

277. The FIC also has a public compliance communication (PCC)¹⁴⁶ 41, which includes guidance specific to NPOs, NPO regulators, and third parties dealing with NPOs, on measures implemented to combat the financing of terrorism and money laundering. Although NPOs are not designated as accountable

¹⁴⁶ [Public Compliance Communication No 41 \(PCC 41\): Guidance on Combating the Financing of Terrorism and Anti-money Laundering Measures Relating to Non-profit Organisations, 2019.](#)

institutions in terms of the FIC Act, they have been identified as being vulnerable to abuse by criminals for TF and money laundering. PCC 41 encourages NPOs to notify the FIC (by way of a voluntary disclosure report (VDR)), should the NPO become aware or suspect that they are being abused for TF and/or money laundering. The PCC applies to all types of NPOs in South Africa, relevant NPO regulators as set out in the PCC, and third parties that deal with NPOs.

Department of Social Development awareness raising sessions, policies, engagements, and initiatives:

278. There have been multiple awareness raising sessions held for NPOs and stakeholders by the DSD during the period of January 2020 to December 2023, with more planned for 2024. As the Directorate for NPOs, according to the NPO Act, the DSD has held many awareness raising sessions, policies, engagements, and initiatives even before 2020 and will continue to do so in the future. The below table summarises the main awareness raising sessions, policies, engagements, and initiatives over the past four years.

Table 21: Awareness raising sessions, policies, engagements and initiatives (DSD, 2024)

Topic	Aim	Audience	Years
NPO compliance drive initiative and outreach: Know Your NPO Status (KYNS)	Promote compliance within the NPO sector with the NPO Act and encouraging NPOs to update their details.	NPOs in all nine provinces (specifically those districts with high levels of non-compliance) - through physical interactions, online platforms (Facebook, radio station, Twitter, YouTube, DSD website) (more than 6 868 NPOs reached, more than 44 initiatives held)	2020, 2021 and 2022
NPO capacity building workshops	Create general awareness to promote accountability and transparency in NPOs, to promote strengthening their financial management systems, leadership and governance, and financial policies and systems.	NPOs in all nine provinces (4 086 NPOs reached)	2020, 2021 and 2023
Religious sector seminars on ML/TF risks for the NPOs (DSD in partnership with the FIC and SARS)	Creating awareness on compliance with NPO Act, SARS and FIC (VDR), Recommendation 8, understanding ML/TF and how the sector can protect itself against other financial crimes.	Religious organisations (specifically in those districts with high levels of non-compliance) (1 414 participants)	2020, 2021, 2022 and 2023
Webinars on amended NPO Act as per GLA Act ¹⁴⁷ (DSD in partnership with the FIC)	Creating awareness on Recommendation 8, and to assist NPOs to protect themselves against being abused for ML and TF.	NPO sector (six webinars held)	2022 and 2023
Induction programme for newly registered NPOs	Creating awareness on the potential abuse of NPOs and what the laws requires NPOs to comply with. Secondly, to assist NPOs to protect	NPOs in all nine provinces (3370 NPOs reached) - virtual and physical sessions held	2022 and 2023

¹⁴⁷ [General Laws \(Anti-Money Laundering and Combating Terrorism Financing\) Amendment Act 22 of 2022](#)

Topic	Aim	Audience	Years
	themselves against being abused for ML and TF.		
Policy: Outreach on NPOs that fall within FATF definition <ul style="list-style-type: none"> Two-day education and awareness on the GLA Act¹⁴⁸ amendments to the NPO Act. 	Creating awareness on the potential abuse of NPOs that fall within the FATF definition and what the laws requires NPOs to comply with. Secondly, to assist NPOs to protect themselves against being abused for ML and TF.	<ul style="list-style-type: none"> NPOs in all nine provinces (603 NPOs reached) Stakeholders working with NPOs in all nine provinces (457 reached) 	2023 and ongoing
Donor engagement on the development of codes of good practice for donors and funders	To ensure that donors provide funding to legitimate NPOs.	Stakeholders from donor fraternity (foundations)	2022

Source: DSD, 2024

South African Revenue Service awareness raising sessions and initiatives:

279. As the tax authority in South Africa, the SARS has held many awareness raising sessions, policies, engagements, and initiatives during the past years, with more planned for 2024 and the future. The below table is only a summary of the main awareness raising sessions, policies, engagements, and initiatives.

Table 22: Awareness raising sessions, policies, engagements and initiatives

Topic	Audience	Years
Policies - SARS internal (Section 18A enhanced reporting, IT3(d) third-party data, SARS taxpayer authentication policy (representative and banking details))	All taxpayers (including PBOs)	Ongoing
Measures - Third-party data verification and exchange (regulated data exchanges via MOUs with regulatory bodies)	All taxpayers (including PBOs)	Ongoing
Initiatives - with DSD (NPO regulatory body)	NPOs in all provinces	Ongoing
Initiatives - With public institutions that provides funding/grants	<ul style="list-style-type: none"> NPOs in all provinces Stakeholders (public institutions) 	Ongoing
Outreaches - With other sector stakeholders	<ul style="list-style-type: none"> NPOs in all provinces NPO stakeholders 	Ongoing
Outreaches - SARS initiated (social media, Webpage and Stakeholder Engagements)	<ul style="list-style-type: none"> NPOs in all provinces NPO stakeholders 	Ongoing

Source: SARS, 2024

Analysis in terms of five inherent vulnerabilities

280. NPOs established or operated by individuals with known terrorist sympathies.

The country has a targeted financial sanctions (TFS) list¹⁴⁹ hosted and maintained by the FIC as discussed above. The FIC hosts awareness sessions to the non-profit sector, supervisory bodies and other stakeholders to create awareness of this list and to motivate the submission of voluntary disclosure reports (VDRs) to the FIC. This VDR submission is also encouraged through the PCC. Sessions are held that speak to the risk of TF, knowingly and unknowingly, and on the methods to combat this.

¹⁴⁸ [General Laws \(Anti-Money Laundering and Combating Terrorism Financing\) Amendment Act 22 of 2022](#)

¹⁴⁹ [Targeted financial sanctions - FIC](#)

The DSD engages with NPOs and donors to ensure adherence to the codes of good practice developed by the DSD. The DSD also has a supervision framework that provides for specific monitoring and supervision measures.

The revenue authority provides PBOs with ongoing information and guidance on best practices, which enhances awareness and understanding of the associated risks and vulnerabilities.

281. NPOs with activities in high-risk foreign jurisdictions

The FIC provides awareness raising sessions on CFT and TFS, which could include the discussion of those jurisdictions that FATF classifies as high-risk through their public statements.

There are no specific outreach initiatives to those NPOs identified as having activities in high-risk jurisdictions by supervisory bodies. Outreach initiatives by supervisory bodies are more general in nature.

In accordance with the SARS' strategic objective to provide certainty and clarity, the authority is committed to providing education and awareness on a range of tax-related matters, which enhances the understanding of the associated risks and vulnerabilities.

282. NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes)

The FIC provides awareness raising on CFT, which includes discussions on how NPOs can protect themselves against knowingly or unknowingly financing terrorists.

There are no specific outreach initiatives to those NPOs identified as having links to communities with individuals sympathetic to terrorist causes (including far-right causes) by supervisory bodies. Outreach initiatives by supervisory bodies are more general in nature.

In accordance with the revenue authority's strategic objective to provide certainty and clarity, the authority is committed to providing education and awareness on a range of tax-related matters, which enhances the understanding of the associated risks and vulnerabilities.

283. NPOs receiving funds from and transferring funds to high-risk countries.

The FIC provides awareness raising on CFT and TFS, which could include the discussion of those jurisdictions that FATF classifies as high-risk through their public statements.

There are no specific outreach initiatives to those NPOs identified as receiving funds from and transferring funds to high-risk countries by supervisory bodies. Outreach initiatives by supervisory bodies are more general in nature.

In accordance with SARS' strategic objective to provide certainty and clarity, the authority is committed to providing education and awareness on a range of tax-related matters, which enhances the understanding of the associated risks and vulnerabilities.

284. NPOs using unverifiable methods for raising or transferring funds.

The FIC issues notices to inform the public and accountable institutions of the risk associated with using unverifiable methods to raise or transfer funds. These can be found on the FIC website.

There are no specific outreach initiatives to those NPOs identified as using unverifiable methods for raising or transferring funds by supervisory bodies. Outreach initiatives by supervisory bodies are more general in nature. There have, however, been some initiatives to enhance the financial literacy of NPO founders, directors and other stakeholders.

In accordance with SARS' strategic objective to provide certainty and clarity, the authority is committed to providing education and awareness on a range of tax-related matters, which enhances the understanding of the associated risks and vulnerabilities.

Assessment of general adequacy of policies and outreach

285. Outreach is the main mechanism through which governments can influence improvements in mitigating measures adopted by NPOs (see also paragraph 8.2 of the FATF Methodology). The supervisory bodies, tax authority, authorities, and other government stakeholders had various outreaches to the NPO sector and its stakeholders, including awareness raising campaigns, training sessions, workshops, and other initiatives.
286. The FIC has awareness raising sessions that are held for NPOs and stakeholders on TF, associated TF risks for NPOs, TFS awareness, and the process for submitting a VDR to the FIC. These sessions were held for a variety of stakeholders and NPOs. The FIC also published a PCC which includes guidance specific to NPOs, NPO regulators, and third parties dealing with NPOs, on measures implemented to combat the financing of terrorism and money laundering, as discussed above. The FIC also provides information and guidance on TF risks on its website.
287. DSD has held many awareness raising sessions, policies, engagements, and initiatives over the past years. These sessions have focused on compliance, capacity building, religious NPOs, amendments to the NPO Act, donor engagement, and good practices. A limited number of these sessions focused on TF. These good practices and other similar initiatives and policies are often not updated and might not be relevant to the current threats and risks identified in the NPO sector.
288. SARS has held many awareness raising sessions, engagements, and initiatives during the past years, and have policies that relate to NPOs. Many of these outreaches and initiatives were held alongside supervisory bodies, and to NPOs or other stakeholders.
289. However, not all FATF-defined NPOs can be reached by these initiatives and many in rural areas (with no internet access) are often excluded. Unregistered voluntary associations (UVAs) are also often not included, as there is no database with their contact information or details.

Conclusions

290. There are multiple awareness raising sessions, policies, engagements, and initiatives held by regulators and supervisors to the NPO sector and stakeholders. These offer a variety of topics for discussion that benefits the sector, specifically in relation to compliance.
291. Current outreach measures are not always sustainable, and they are limited in scope (specifically regarding TF and specific risks). They are not targeted at those NPOs which have been identified as being 'at risk' of TF. There is little specific guidance on the nature of the TF risks that NPOs face, or how they can identify or protect themselves against those risks.

Recommendations

292. The supervisors and government should be more targeted in the existing outreaches, in light of this assessment, to cover a range of topics relevant and specific to TF aimed at a broad audience. The audience should include the private sector, FATF-defined NPOs, UVAs, intelligence agencies, and other stakeholders. The targeted approach could focus on those NPOs at risk, and/or those inherent vulnerabilities identified. It should include:

- General awareness raising programmes targeting donors and the public on TF-relevant issues and pointing to where further advice is available
- General advice and/or training for NPOs on best practices, including how to identify possible TF and how to identify if your NPO is higher risk
- Targeted advice, guidance and/or training for higher risk NPOs, providing detailed explanations of legal duties, and best practice guidance on key issues such as governance, finance, project management, risk management, and due diligence.
- Socialisation of this risk assessment report and its key findings among government, NPO and private sector stakeholders.

F: NPO and other private sector measures

293. This section of the report explores the measures taken by umbrella NPO organisations, individual NPOs, and other private sector stakeholders to promote transparency, accountability, good governance, and compliance within the NPO sector. Additionally, it outlines future initiatives that can further strengthen financial integrity and combating the financing of terrorism (CFT) efforts within NPOs. This section excludes government funded or initiated measures and focuses on the measures taken within the NPO sector itself by the various role players that function outside of the government sphere.

Examples of measures taken by NPOs:

Measures taken by umbrella NPO organisations

294. Umbrella NPO organisations in South Africa serve as crucial support and advocacy bodies representing the interests of NPOs across diverse sectors. Three prominent examples of these organisations include:

- Inyathelo, the South African Institute for Advancement: Inyathelo is renowned for advancing and promoting the sustainability and effectiveness of NPOs. It offers a range of resources, training programmes, workshops, and guidance tailored to strengthening NPO governance and fundraising efforts.
- The Alliance of Non-Profit Organisations Networks (ANNET): ANNET operates as an umbrella network of NPOs, grassroots non-profits and civil society entities in South Africa, facilitating co-ordination and support among various non-profit organisations. Primarily, its function lies in providing a collaborative platform for information sharing, advocacy, and capacity-building. ANNET's network contributes to greater awareness, collaboration, and lobbying for collective action among NPOs in policy development, thus advancing and articulating the interests of the non-profit sector.
- The NPO Working Group: This collaborative platform in South Africa brings together multiple stakeholders to promote the welfare and effective governance of NPOs. The NPO Working Group plays a pivotal role in shaping policies and practices that support the growth and sustainability of the non-profit sector in the country.

NPO self-regulation measures

295. While some South African NPOs have sporadically implemented measures to identify and address TF risks, such actions remain exceptions rather than the norm. To bolster CFT efforts within NPOs, the following self-regulation measures have been sporadically implemented by NPOs:

- NPOs have established a documented policy outlining their commitment to preventing illicit activities, including TF.
- NPOs educate employees and volunteers about AML and CTF regulations, the organisation's policies and procedures to identify and report suspicious transactions to relevant authorities or regulatory bodies.
- Some NPOs implement a type of risk assessment process to identify risks associated with different donors, projects, and regions.

- NPOs aim to ensure transparency in financial management practices and reporting to maintain public trust. This could include the monitoring of financial transactions and donations to identify unusual patterns or large, unexplained contributions.
- NPOs promote transparency by sharing information about the NPO's mission, activities, and financial performance with the public, donors, and relevant authorities.

Measures implemented and future initiatives

296. Umbrella NPO organisations have developed and implemented an Independent Code for Governance of NPOs in South Africa to enhance financial integrity and counter-terrorist financing. This code aims to cultivate and instil a culture of ethical behaviour and commitment to ethical standards among member NPOs within the network. The code underscores the significance of integrity, transparency, and accountability in upholding ethical standards. This code inculcates strong values relating to good governance and promotes the enhancement of women in leadership positions. Some of the initiatives listed below further promote good governance practices have already been initiated, but most of them still require significant work.

- **Community and public outreach initiatives:**

Public outreach initiatives are crucial for raising awareness regarding TF among NPOs, particularly those operating in economically challenged regions with limited resources. These initiatives are proactive measures designed to educate vulnerable NPOs on financial aspects and reporting requirements. This will assist the NPO sector to be vigilant as they can be susceptible to misuse or exploitation by terrorists through a variety of means.

It is essential to note that past NPO outreach initiatives predominantly focused on good governance practices, leaving a huge gap in addressing the specific challenges related to TF awareness and prevention. To mitigate these risks effectively, NPOs must implement internal controls, due diligence procedures, and reporting mechanisms to detect and prevent suspicious transactions. Due to leadership skills deficit and governance capacity constraints, the NPOs will need support from the government and private sector to address these shortcomings.

However, it needs to be noted that the continued lack of funding support from government and/or private sector to umbrella organisations will render these outreach initiatives useless and unimplemented. This, therefore, means the support required from government and international donor communities is paramount to bridge this financial gap.

- **Strategic alliances to promote transparency and compliance:**

South Africa's vast number of registered NPOs often struggle with compliance regarding reporting requirements. Initiatives like the NPO assist initiative by the Chartered Institute of Business Accountants (CIBA) aim to address this issue. The NPO assist initiative connects accounting professionals with NPOs, offering low or no cost assistance.

The initiative focuses on raising awareness regarding financial management practices, financial governance within the NPOs, compliance requirements, and ethical conduct. It also aids NPOs in compiling accurate and timely financial statements, registering with regulatory authorities, and submitting statutory information and returns as required by law.

- **Providing inputs into legislative initiatives:**

The NPO sector in South Africa actively participates in shaping legislation. In 2022, significant inputs were provided into the General Laws Amendment Bill, reflecting the sector's commitment to transparent and compliant practices. It also needs to be noted that NPOs are part of the national

NPO policy framework currently underway, and significant of that policy development will centre around new NPO policy architecture, i.e. AML/CFT etc.

Analysis in terms of five inherent vulnerabilities

297. NPOs established or operated by individuals with known terrorist sympathies.

NPOs themselves, as well as umbrella organisations and other relevant stakeholders, can make use of the TFS list as maintained by the FIC, as the list is publicly available on the FIC website.

Umbrella organisations offer a range of resources, training programmes, workshops and guidance. These efforts are not TF specific and do not necessarily address the specific identified inherent vulnerability. The guidance and other efforts are more general in nature and focused on strengthening compliance, NPO governance and fundraising efforts.

South African NPOs sporadically implement measures to identify and address TF risks, but such actions remain exceptions rather than the norm.

Therefore, there is no targeted approach by NPOs, umbrella organisations and other stakeholders to address the inherent vulnerability of NPOs established or operated by individuals with known terrorist sympathies.

298. NPOs with activities in high-risk foreign jurisdictions

NPOs themselves, as well as umbrella organisations and other relevant stakeholders, can make use of the public statements on jurisdictions designated as high-risk by FATF, as these public statements are publicly available on the FIC website. The PCC is also publicly available on the website.

Umbrella organisations offer a range of resources, training programmes, workshops and guidance. These efforts are not TF specific and do not necessarily address the specific identified inherent vulnerability. The guidance and other efforts are more general in nature and focused on strengthening compliance, NPO governance and fundraising efforts.

South African NPOs sporadically implement measures to identify and address TF risks, but such actions remain exceptions rather than the norm.

Therefore, there is no targeted approach by NPOs, umbrella organisations and other stakeholders to address the inherent vulnerability of NPOs with activities in high-risk foreign jurisdictions.

299. NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes)

PCC 41 is publicly available on the FIC website and can be used by NPOs themselves, as well as umbrella organisations and other relevant stakeholders.

Umbrella organisations offer a range of resources, training programmes, workshops and guidance. These efforts are not TF specific and do not necessarily address the specific identified inherent vulnerability. The guidance and other efforts are more general in nature and focused on strengthening compliance, NPO governance and fundraising efforts.

South African NPOs sporadically implement measures to identify and address TF risks, but such actions remain exceptions rather than the norm.

Therefore, there is no targeted approach by NPOs, umbrella organisations and other stakeholders to address the inherent vulnerability of NPOs with links to communities with individuals sympathetic to terrorist causes (including far-right causes).

300. **NPOs receiving funds from and transferring funds to high-risk countries.**

NPOs themselves, as well as umbrella organisations and other relevant stakeholders, can make use of the public statements on jurisdictions designated as high-risk by FATF, as these public statements are publicly available on the FIC website. The PCC is also publicly available on the website.

Umbrella organisations offer a range of resources, training programmes, workshops, and guidance. These efforts are not TF specific and do not necessarily address the specific identified inherent vulnerability. The guidance and other efforts are more general in nature and focused on strengthening compliance, NPO governance and fundraising efforts.

South African NPOs sporadically implement measures to identify and address TF risks, but such actions remain exceptions rather than the norm.

Therefore, there is no targeted approach by NPOs, umbrella organisations and other stakeholders to address the inherent vulnerability of NPOs receiving funds from and transferring funds to high-risk countries.

301. **NPOs using unverifiable methods for raising or transferring funds.**

NPOs themselves, as well as umbrella organisations and other relevant stakeholders, can make use of the notices that the FIC publishes on unverifiable methods of raising and transferring funds and the risks associated with this. The PCC is publicly available on the FIC website.

The CIBA NPO Assist initiative connects accounting professionals with NPOs, offering low or no cost assistance. This could assist NPOs to operate in the formal financial sector in South Africa, rather than the informal, unregulated sector.

Umbrella organisations offer a range of resources, training programmes, workshops, and guidance. These efforts are not TF specific and do not necessarily address the specific identified inherent vulnerability. The guidance and other efforts are more general in nature and focused on strengthening compliance, NPO governance and fundraising efforts.

South African NPOs sporadically implement measures to identify and address terrorist financing risks, but such actions remain exceptions rather than the norm.

Therefore, there is no targeted approach by NPOs, umbrella organisations and other stakeholders to address the inherent vulnerability of NPOs using unverifiable methods for raising or transferring funds.

Assessment of general adequacy of NPO measures

302. The survey conducted for the purposes of Part 1 of this risk assessment indicated a willingness and enthusiasm by NPOs to promote transparency, accountability, good governance, and compliance within the NPO sector. This is also clear in the number of other initiatives and advocacy bodies created to represent the interests of NPOs, specifically to the government. There are various inter-governmental groups that deal with matters related to the NPO sector in South Africa and these groups show a determination to create more awareness of TF risk and mitigation, and to ensure a healthy, effective NPO sector.

303. There are three prominent umbrella organisations that offer a variety of resources, training programmes, workshops, guidance, awareness, collaboration opportunities and platforms, as well as providing assistance in shaping policies and practices that support the sector. These umbrella organisations also developed and implemented an Independent Code for Governance of NPOs in South Africa to enhance financial integrity and counter-terrorist financing.

304. South African NPOs sporadically implement measures to identify, address and mitigate TF risks, however, this is the exception rather than the norm. The main goals with this are that NPOs are aware of the steps they should take, should the NPO be vulnerable to TF abuse, and that the NPO takes the steps to mitigate the risk. A number of NPOs have established policies to mitigate the TF risks and that outline the methods and processes to identify and mitigate these specific risks. NPOs are committed to ensuring good governance by implementing local and international best practices. The NPO self-regulation measures as mentioned above are implemented sporadically by some NPOs but is not a well-known or applied practise.
305. NPOs and the umbrella organisations have their own community and public outreach initiatives which occasionally includes awareness raising regarding TF and educating donors and other NPOs on the risks associated with this. There are also actions taken by organisations such as CIBA to connect accounting professionals with NPOs, which mitigates some of the risk due to a lack of financial literacy in some NPOs.
306. There is, however, a lack of funding in the sector, with most NPOs and umbrella organisations not having funding to spare for these types of activities (awareness raising, training programmes, workshops, guidance, creation of policies and internal procedures). This lack of funding and other support by government and/or private sector to the NPOs and umbrella organisations, where there are initiatives (as discussed above) are present, often render outreach initiatives ineffective and unimplemented.

Conclusions

307. There are multiple awareness raising sessions, policies, engagements, and initiatives held by the NPO sector, umbrella organisations, supervisors, and other stakeholders. These offer a variety of topics for discussion that benefits the sector, but more specifically in relation to compliance than TF.
308. Current outreach measures are not always sustainable and limited in scope (specifically regarding TF and specific risks). They are not targeted at those NPOs which have been identified as being 'at risk' of TF. There is little specific guidance on the nature of the TF risks that NPOs face, or how they can identify or protect themselves against those risks. Funding is limited and support from government and the public sector is needed to alleviate this issue.

Recommendations

309. While some South African NPOs have sporadically implemented measures to identify and address TF risks, such actions remain exceptions rather than the norm. To bolster counter-terrorist financing efforts within NPOs, the following self-regulation measures are proposed:
- NPOs that are exposed to TF risk should be encouraged and supported to establish a documented policy outlining their commitment to preventing illicit activities, including TF.
 - NPOs that are exposed to TF risk should be encouraged and supported to educate employees and volunteers about AML and CFT regulations, the organisation's policies and procedures to identify and report suspicious transactions.
 - NPOs should be empowered to elect ethical and untainted leadership and capacitated on their clear roles and responsibilities. This will ensure good governance principles are harnessed and taken seriously by NPOs.
 - Umbrella NPO bodies should conduct community-wide workshops, roundtable dialogues and discussions to disseminate information on AML and CFT regulations. This could be done in co-

ordination with other stakeholders such as the FIC, DSD, and other government institutions. Stakeholder engagement with community radio stations at regional and local levels should be encouraged, and forging partnerships between NPOs and media platforms should play a critical role in this work going forward. This could enhance NPO knowledge, as well as the knowledge of the community and other NPO stakeholders.

- NPOs should implement a risk assessment process which allows them to identify risks associated with different donors, projects, and regions. This information aids in allocating resources effectively for due diligence and monitoring.
- NPOs should aim at ensuring transparency in financial management practices and reporting to maintain public trust
- NPOs should monitor financial transactions and donations to identify unusual patterns or large, unexplained contributions
- NPOs should establish a clear process for reporting and escalating any suspicious activities to relevant authorities or regulatory bodies
- NPOs should share information about the organisation's mission, activities, and financial performance with the public, donors, and relevant authorities
- NPOs should work closely with government agencies and law enforcement to exchange information and address potential threats or concerns.

310. Recommendations for authorised dealers that facilitate transactions on behalf of NPOs to reduce the risk of TF to NPOs in South Africa:

- Thorough research to be done on the NPO transferring or receiving funds as well as the beneficiaries with a view to understand the nature and background of the NPO and the beneficiaries
- Sanctions screening to be conducted on the NPO, the beneficiaries as well as countries/corridors that the funds are being transferred to or received from
- Risk mitigations should be in place for NPOs that send and receive funds from countries that are regarded as high risk. For this to happen, it is necessary for the government and other stakeholders to identify which countries are high risk.
- To be able to verify that the funds are being transferred formally, an authorised dealer (bank) that facilitates transactions on behalf of NPOs must be involved to have the originator and sender information.

G: Reassessment policy

311. The FATF Methodology states that:

"8.1 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."

312. A risk assessment is a snapshot in time, based on available evidence and context present at that time. FATF is clear that understanding and reviewing the nature of the TF risk should be an ongoing and an evolving process.

313. A reassessment of the NPO TF sector risk assessment will occur in line with the AML and CFT NRA reassessment policy. This policy is based on the Terms of Reference of the AML and CFT NRA IWG and AML and CFT IDC in accordance with the Cabinet Memorandum that established both.

314. Triggers for a full re-assessment of the inherent and residual risks are:

a. An official assessment – including a regional, NRA, SRA, industry or business risk and/or threat assessment significantly changes its assessment of the TF risk to NPOs. Such risk assessments may consider the risk as higher or lower than this report.

b. An official assessment significantly changes its assessment of the overall TF threat in South Africa. This might be a significant change in the nature of the overall threat, or a change in the assessment of the level of the overall threat.

c. An NPO operating in South Africa is proved to be involved in the financing of a terrorist incident in South Africa or anywhere in the world.

d. As and when a ML, TF and PF NRA is conducted in terms of the regular review processes involved in the AML and CFT NRA IWG and AML and CFT IDC.

315. A partial reassessment will consider one or more specific risk factors (inherent risk) and/or the adequacy of the mitigating measures in relation to that risk. Triggers for a partial reassessment of inherent and/or residual risk are:

a. A significant change in the legal or regulatory framework in relation to the risk factor

b. A TF incident occurs in which the risk factor is material – including new and emerging incidents.

c. An official assessment re-evaluates a risk factor (either higher or lower).



TERRORIST FINANCING RISK ASSESSMENT – NPO SECTOR
IN SOUTH AFRICA