



# NON-PROFIT ORGANIZATION TERRORIST FINANCING RISK ASSESSMENT

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The Financial Action Task Force (FATF) is a global money laundering and terrorist financing (TF) watchdog. It is an intergovernmental body that sets international standards for the countries so that they can protect themselves from these illegal activities. It is important for the prevention and protection system to include not only the institutions, but also all stakeholders. Non-profit organizations (NPOs) are an important part of that system and are increasingly getting involved in order to protect themselves from possible abuses.

So far, in North Macedonia, no judgment has been issued against an NPO for terrorist financing

Some of the standards that the FATF sets for the countries also apply to the NPO sector. According to FATF Recommendation 8<sup>1</sup>, each country should identify the subset of the NPO sector that may be abused for TF; assess whether the

<sup>1</sup> The previous wording of this recommendation stated that NPOs are “particularly vulnerable to terrorism abuse”. That was changed in 2016 because it was proven that the international cases of NPO abuse were rare and because some countries used the wording unfairly in order to control the sector for other reasons.

existing measures (policies, laws, activities) are adequate for protection; assess the real risks and define adequate measures for them that will not hinder the legitimate operation of the NPOs, but will provide effective protection.

Therefore, the Financial Intelligence Office (FIO), together with a number of institutions and the NPO sector, conducted an NPO Terrorist Financing Risk Assessment in the Republic of North Macedonia (RNM) which was adopted by the Government. Based on a comprehensive analysis, the Assessment made it possible to understand which NPOs and to what extent are at risk of possible TF abuse, what the risk factors are and how to further enhance the protection measures.

## **WHICH NPOs ARE INCLUDED IN THE ASSESSMENT?**

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The assessment included the NPOs in the RNM that fall within the scope of the FATF<sup>2</sup> definition of NPOs, as follows:

- associations (about 65% of the legal entities that comply with the definition);
- foundations;
- the Red Cross;
- foreign and international non-governmental organizations;
- churches, religious communities and religious groups.

## **WHAT ARE THE TF RISKS AND HOW CAN NPOs BE ABUSED?**

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No terrorist financing through NPOs in North Macedonia has been established or proven. The assessment indicates that for most NPOs the risk is low, and for about 13% it is low to medium. Thus, there is a possibility for an NPO whose activity is of social-humanitarian, cultural-educational and/or religious nature and includes the provision of services to be involved or abused for the purposes of TF in cases where some of the following risk factors are met:

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<sup>2</sup> NPOs that do not fall under the definition of FATF are: trade unions, owners' associations, political parties, informal interest groups, civic initiatives, sports clubs and organizations that do not serve the wider public interest or the community but only the interest of their members.

- The management of the NPOs is comprised of exponents of religious radical ideology;
- The NPOs are registered or are active in regions identified as regions at risk of terrorism;
- Donations/sponsorships transferred from high-risk countries or countries where there is conflict or war;
- The NPOs do not provide information on their activities and performed financial transactions in a manner that can be verified by the institutions.



## WHAT ARE THE RECOMMENDED PROTECTION MEASURES?

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### What can the NPO sector do?

- Engage in self-regulatory initiatives that set standards for good organizational performance. This will enable the NPOs to have better organizational mechanisms for protection;
- Cooperate with the institutions and banks in creating a better risk-based system for protection against terrorist financing and money laundering. The involvement of NPOs in the dialogue on the future policies and measures will provide the institutions and banks with information on how the sector works;
- Develop awareness within the NPO sector of the importance of risk management, capacity building and exchange of good practices with each other.

## How can my organization be protected?

- By getting information, understanding and identifying the TF risks for the NPO sector and its organization;
- By getting education on the manners in which it can improve its mechanisms for protection against abuse;
- By strengthening its good governance and financial operations;
- By strengthening their transparency and accountability;
- By harmonizing its work with the mechanisms of self-regulation.

## What are the mechanisms of self-regulation?

There are several initiatives and mechanisms of self-regulation in the civil sector. The **“trust mark”** is a self-regulating system that sets higher standards for good performance, which strengthens the trust in the sector. The criteria for the Trust Mark include the FATF Recommendations. Thus, the organizations that have it are protected from the risk of being misused for money laundering and terrorist financing. CSOs conduct a self-evaluation to obtain the mark, followed by a detailed review of documents and the work by the Board that awards the mark.

**A series of activities are underway with all sectors (NPOs, institutions, banks, etc.) for training, better understanding and measures in the NPO sector. Get involved and join the organizations that know how to protect themselves.**

## The benefits of the Trust Mark for the CSOs include:

- Recognition in the community as a trusted partner that works for the public interest;
- Increased transparency and accountability;
- Increased trust of the local donors in the organization;
- Increased visibility among the potential local donors;
- Own evaluation and promotion of the work.



## Where can you get regular information?

Join the CSO Financial Sustainability Network and receive regular information, important notifications and calls for participation in activities. For more information contact us at our e-mail: [konekt@konekt.org.mk](mailto:konekt@konekt.org.mk) or on [02 3 22 41 98](tel:023224198).



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