



Federal Ministry  
of the Interior, Building  
and Community



# Sectoral risk assessment

Terrorist financing through (the abuse of)  
non-profit organisations in Germany

# 2020



# Sectoral risk assessment

Terrorist financing through (the abuse of)  
non-profit organisations in Germany



# Contents

<b>Overview</b> .....	<b>4</b>
<b>A. Introduction</b> .....	<b>7</b>
<b>B. Methodology of the sectoral risk assessment</b> .....	<b>9</b>
1. Structure .....	9
2. Risk model .....	9
3. Collecting information .....	10
4. Authorities involved .....	11
<b>C. The non-profit sector in Germany</b> .....	<b>13</b>
1. The most important forms of organisation in the non-profit sector .....	13
2. Registration of NPOs .....	14
3. Activities of the non-profit sector .....	15
a) Areas of activity .....	15
b) Geographical distribution .....	16
c) Professionalization of the third sector .....	16
4. Financial resources in the non-profit sector .....	17
5. Germany's non-profit sector in the context of the FATF requirements .....	20
a) Humanitarian aid organisations in Germany and development cooperation .....	20
b) Donor activity .....	22
<b>D. Risk assessment: Terrorist financing through (abuse of) NPOs</b> .....	<b>25</b>
1. Threat situation .....	25
a) Continuous assessment of potential threats by German authorities .....	25
b) General threat situation: terrorism and terrorist financing .....	25
c) Differentiation is necessary: abuse or targeted use of an NPO .....	27
d) Relevant threat scenarios: terrorist financing abuse of an NPO .....	27
e) Relevant threat scenarios: targeted use of an NPO .....	28
2. Vulnerability of Germany's non-profit sector to terrorist financing .....	32
a) Germany's non-profit sector as an attractive target .....	33
b) Operational vulnerabilities .....	33
c) Sectoral/regulatory vulnerabilities .....	44
3. Multiple impacts of terrorist financing through NPOs .....	49
4. Risk assessment of the non-profit sector .....	50
a) Risk analysis: Forms of organisation .....	50
b) Risk analysis: Areas and forms of activity .....	51
c) Risk analysis: Categories of extremist activity .....	52
d) Especially high-risk NPOs .....	53
<b>E. Identified need for action</b> .....	<b>55</b>

# Overview

The **sectoral risk assessment** serves to examine in detail the risk of non-profit organisations (NPOs) in Germany being (ab)used to finance terrorism. This assessment is intended in particular to enhance risk awareness among the relevant authorities and stakeholders in the non-profit sector. In addition, recommendations for action are given at the end of the assessment.

The sectoral risk assessment follows **Germany's first National Risk Assessment**, which was completed in 2019. The National Risk Assessment rated the threat of terrorist organisations engaging in financing activities in Germany as medium-high. The National Risk Assessment and additional information about the overall risk situation can be found at [www.nationalerisikoanalyse.de](http://www.nationalerisikoanalyse.de) (in German and English).

In Germany, civil society actors play a **very important role** in shaping a free and democratic society. The valuable work of NPOs, which also support humanitarian purposes to a significant extent, must not be unduly restricted by measures to combat terrorist financing. Necessary (government) measures therefore need to be carefully targeted. Risks and vulnerabilities must be identified before extremists can take advantage of them.

Overall, NPOs were found to be involved in terrorist financing only in a **few isolated cases**. In these isolated cases, however, significant sums were generated and/or transferred, resulting in the possibility of significant threats.

The sectoral risk assessment showed that it is generally necessary to distinguish between two **different categories**. The risk that a legitimate NPO is being abused for purposes of terrorist financing is considered medium-low. The risk that an entity posing as a legitimate NPO is intentionally being used in a targeted way for purposes of terrorist financing is considered medium-high.

In line with this risk assessment, in recent years there have been **several cases** of (suspected) terrorist financing through the *targeted use* of an entity posing as a legitimate NPO. By contrast, there are hardly any cases of a legitimate NPO being abused to finance terrorism. Most of the cases detected involve the intentional founding or management of an NPO by extremists.

In agreement with the findings of the National Risk Assessment, funds generated by activities to finance terrorism through (the abuse of) NPOs are primarily needed to **build and maintain organisational** structures (such as own logistical structures, propaganda, living expenses). By contrast, in many cases, only small amounts are needed to carry out actual attacks.

The identified **potential threats** of the abuse of an NPO to finance terrorism are activities by unauthorised insiders (e.g. employees of the NPO) or partner organisations. Also conceivable is the (un)intentional transfer of funds by the NPO to terrorist organisations, for example by paying bribes or concluding contracts unfavourable to themselves.

The potential threats arising from the targeted use of an NPO include its use as a cover to enable access to infrastructure (such as accounts and logistics) and means of gaining favourable public attention, such as events and fund-raising campaigns. Money and material resources are channelled to terrorist organisations and – to a lesser extent – diverted to maintain extremist networks in Germany as well. Humanitarian projects (legitimate or otherwise) in crisis regions are especially relevant in this context. The targeted use of an NPO can also serve to recruit new members for terrorist organisations and to spread extremist propaganda.

The analysis of **vulnerabilities** in the German non-profit sector found that this sector has many initiatives and advisory services which generally offer robust protection against abuse to finance terrorism. Government measures are so diversified and thorough that terrorist

financing activities of NPOs were successfully identified and stamped out in the past. However, de-risking measures in the banking sector mean that NPOs have increasingly turned to alternative types of financial transfers (such as cash couriers and commercial transfer services), creating significant vulnerability for the non-profit sector.

The **risk assessment** is based on an analysis of the potential threats and vulnerabilities and uses various parameters for specification: forms of organisation, fields and forms of activity, and areas of extremist activity. In this context, it was found that smaller, less professional organisations in particular face a higher risk of abuse. Foundations and non-profit private limited companies and limited companies, on the other hand, face a lower risk due to the stricter requirements for establishing them and to increased monitoring. Factors increasing risks for NPOs include shared ideology (above all Islamist extremism) with extremist or terrorist organisations, reliance on cash donations and cash transfers, and activity as a humanitarian organisation in a crisis region where terrorist organisations are also known to be active.

Following the risk assessment, **recommendations for action** are given. These recommendations include improving statistics on cases of terrorist financing through (the abuse of) NPOs; increasing cooperation between financial, registration and law enforcement authorities; raising awareness among NPOs; and examining possible measures in the banking sector to counter excessive de-risking.

# A. Introduction



## A. Introduction

Combating the financing of terrorism has a high priority for the Federal Government and its security and judicial authorities. In Germany, as in other countries, funds are gathered, transferred and used to maintain terrorist organisations. To ensure the security of people in and outside of Germany, it is essential to fight such activity as effectively as possible.

One important element of this effort is ongoing attention to the risks related to terrorist financing in Germany. With this in mind, the Federal Ministry of Finance published the first National Risk Assessment: Anti-Money Laundering / Countering the Financing of Terrorism in October 2019. Please see this National Risk Assessment for information on the overall risk situation in Germany ([www.nationalerisikoanalyse.de](http://www.nationalerisikoanalyse.de)).

The present sectoral risk assessment is intended to focus on one area in particular: the risk of terrorist financing through (the abuse of) non-profit organisations (NPO) in Germany. The reason for this investigation is that a growing number of relevant scenarios have been detected worldwide in recent years; Germany was also affected in a few isolated cases.

As a result, the Financial Action Task Force (FATF), among others, decided to focus on cases of this kind. The FATF is the most important international body for fighting and preventing money laundering and the financing of terrorism. In the FATF standards, Recommendation 8 (technical and legal aspects) and the section Immediate Outcome 10.2 (effectiveness aspects) state which measures should be taken to combat terrorist financing through (the abuse of) NPOs.

At the same time, however, it is necessary to emphasise the following: in Germany, civil society actors play a particularly important role in shaping a free and democratic society and in identifying and addressing social ills. The valuable work of NPOs, which also support humanitarian purposes to a significant extent, must not be unduly restricted by measures

to combat terrorist financing. Necessary (government) measures therefore need to be carefully targeted.

Given the importance for society of NPOs' work, it is necessary to maintain a strict distinction between the *potential* risk of abuse for terrorist financing purposes and the *actual* occurrence of such abuse. Only a tiny share of the NPOs active in Germany will ever be suspected of financing terrorism. In view of the risk situation, a detailed analysis and greater awareness within the non-profit sector are needed precisely for this reason. Risks and vulnerabilities must be identified before extremists can take advantage of them.

This sectoral risk assessment therefore pursues five objectives:

- enhancing awareness of the risk of terrorist financing through (the abuse of) NPOs;
- examining whether existing and future measures to combat terrorist financing are appropriate and risk-based;
- identifying those NPOs which face an especially high level of risk;
- laying the groundwork for effective cooperation with the sector and for effective awareness-raising measures;
- identifying the need for action and formulating recommendations to combat terrorist financing through (the abuse of) NPOs more effectively.

# B. Methodology of the sectoral risk assessment

<b>B. Methodology of the sectoral risk assessment</b> .....	<b>9</b>
1. Structure .....	9
2. Risk model .....	9
3. Collecting information .....	10
4. Authorities involved .....	11

## B. Methodology of the sectoral risk assessment

B

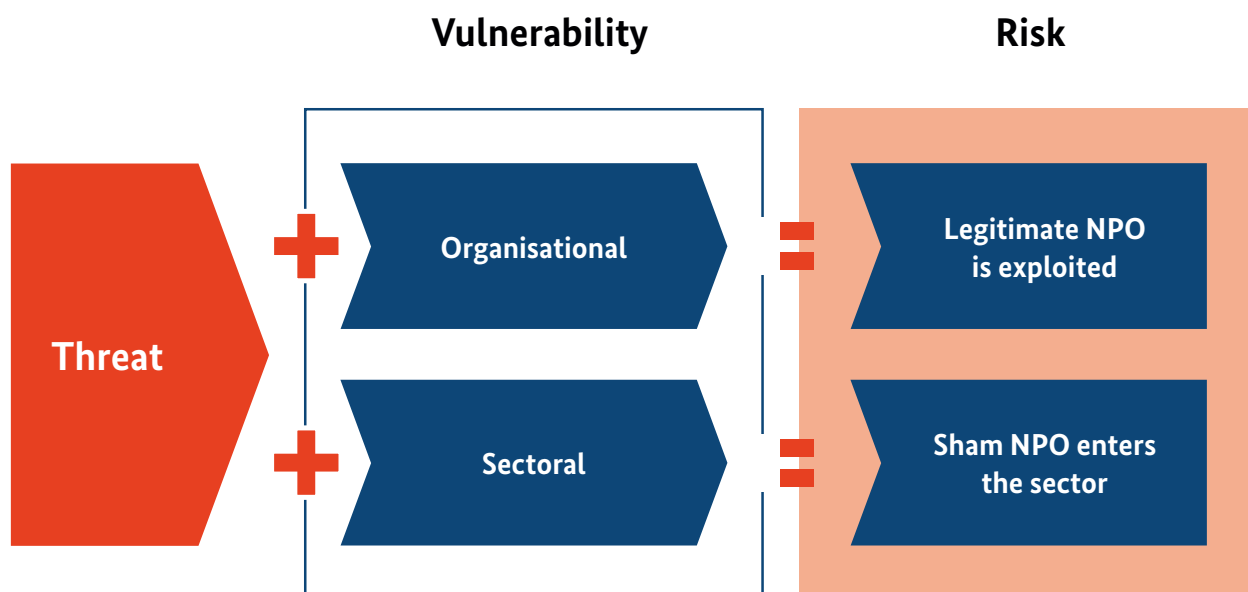
### 1. Structure

Germany has structured this sectoral risk assessment according to the relevant recommendations of the FATF. First, the non-profit sector in Germany will be described in detail. Next, we will assess the risks of terrorist financing through (the abuse of) NPOs in Germany and what kinds of NPOs may be at special risk. Lastly, recommendations for improving areas of action will be given.

### 2. Risk model

Risk is assessed in accordance with the requirements of the risk-based approach in FATF Recommendation 1 and takes into account the results of the National Risk Assessment and the supranational risk assessment of the EU. In this investigation, the risk of terrorist financing is therefore made up of the potential threat and the corresponding vulnerability of the non-profit sector. With regard to vulnerabilities, a distinction should be made between organisational/operational vulnerabilities on the one hand and sectoral/regulatory vulnerabilities on the other.

**Figure 1** The FATF risk model for the non-profit sector



### 3. Collecting information

This risk assessment is based on as extensive a collection of data as possible. Both qualitative and quantitative data were included, with attention to specific regional conditions. In addition to information from the National Risk Assessment, conclusions of the supranational EU risk

assessment have also been taken into account. On this basis, it was possible to analyse the specific characteristics of the German sector, identify connections and draw conclusions.

#### Overview of the most important sources of information:

- statistics on the non-profit sector
- scientific analyses of the non-profit sector
- criminal proceedings concerning terrorist financing through (abuse of) NPOs
- bans on organisations in connection with terrorist financing
- suspicious transaction reports under the Money Laundering Act and results of FIU analyses
- information from the intelligence services
- practical experience from the non-profit sector
- self-assessment by actors in the non-profit sector

As part of the National Risk Assessment, the Federal Ministry of Finance commissioned a law-in-action study on terrorist financing<sup>1</sup> focused on investigations of terrorist financing in Germany from 2015 to 2017. A random sample of investigations and criminal proceedings in the field of terrorist financing under section 18 of the Foreign Trade and Payments Act (*Außenwirtschaftsgesetz*) and sections 89a, 89b, 89c, 129a and 129b of the Criminal Code (*Strafgesetzbuch*) was analysed, noting among other things whether an NPO was mentioned in the individual proceedings.

The Federal Ministry of Justice and Consumer Protection also collected cases involving terrorist financing by conducting a survey of public prosecutor's offices. This collection also noted whether an NPO was involved. Further, the self-assessments of actors in the non-profit sector constituted a key aspect of the sectoral risk assessment.

For this purpose, representatives of the non-profit sector and of the Federal Ministry of the Interior, Building and Community took part in a forum to discuss the various threat scenarios and vulnerabilities. As part of this forum, VENRO, the umbrella organisation of development and humanitarian aid non-governmental organisations (NGOs) in Germany, presented an extensive questionnaire for self-assessment within the sector. The responses to this questionnaire were incorporated into the assessment; see D.2.b below. In addition, regular bilateral dialogue continues with relevant stakeholders, such as the German Central Institute for Social Issues.

<sup>1</sup> For more information, please see the National Risk Assessment, [www.nationalerisikoanalyse.de](http://www.nationalerisikoanalyse.de).

## 4. Authorities involved

This sectoral risk assessment was produced between July 2019 and August 2020 by the Federal Ministry of the Interior, Building and Community, based among other things on information

and assessments of various government agencies. The results of the assessment were approved by the federal ministries.

### Authorities involved:

- Federal Chancellery, Federal Ministry of Finance, Federal Foreign Office, Federal Ministry for Economic Affairs and Energy, Federal Ministry of Justice and Consumer Affairs, Federal Ministry of Defence, Federal Ministry for Economic Cooperation and Development,
- Federal Public Prosecutor, Financial Intelligence Unit at the Central Customs Authority, Federal Criminal Police Office, Federal Office for the Protection of the Constitution, Federal Intelligence Service,
- Information from the federal states' interior ministries, state offices of criminal police, state offices for the protection of the Constitution, tax authorities and foundation authorities was also taken into account.

# C. The non-profit sector in Germany

<b>C. The non-profit sector in Germany .....</b>	<b>13</b>
1. The most important forms of organisation in the non profit sector .....	13
2. Registration of NPOs .....	14
3. Activities of the non profit sector .....	15
a) Areas of activity .....	15
b) Geographical distribution .....	16
c) Professionalization of the third sector .....	16
4. Financial resources in the non profit sector .....	17
5. Germany's non profit sector in the context of the FATF requirement .....	20
a) Humanitarian aid organisations in Germany and development cooperation .....	20
b) Donor activity .....	22

## C. The non-profit sector in Germany

C

It is not possible to fully represent the heterogeneous non-profit sector in Germany within the scope of this risk assessment. Instead, this section provides an overview of relevant information on its structure and points out those aspects which are important for the subsequent risk assessment.

### 1. The most important forms of organisation in the non-profit sector

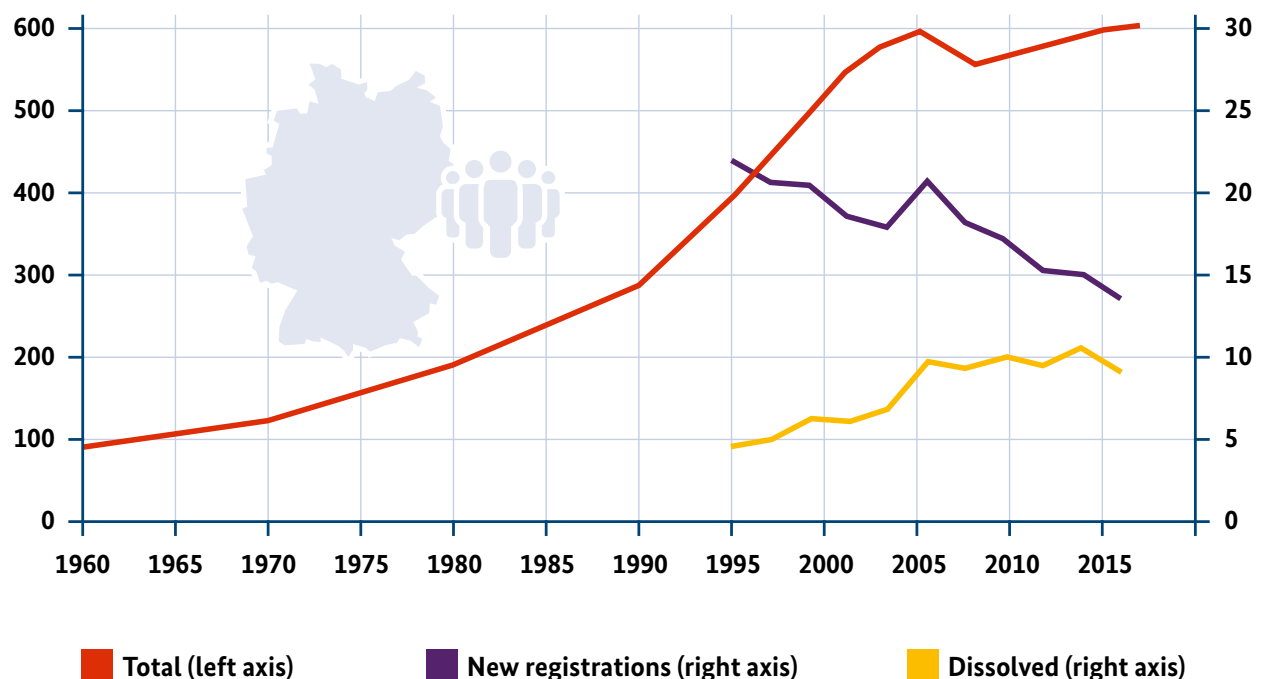
Civil society in Germany is very active and engaged. This is apparent from the size of what

is called the “third sector”: approximately 605,000 registered associations, 23,300 foundations with legal capacity and 25,000 non-profit private limited companies. At 43.6 %, the rate of participation among the public is especially high.<sup>2</sup>

#### Associations

The most common legal form of civil-society organisation in Germany is the association (*Verein*), with more than 600,000 such associations currently registered.<sup>3</sup> On average, there are about seven registered associations for every 1,000 inhabitants, and 94 % of NPOs are associations.<sup>4</sup>

**Figure 2** Number of registered associations in Germany, 1960–2017 (in 1,000)



Source: Federal Agency for Civic Education, p. 374.

Data base: Johns Hopkins Project; Vereinsstatistik V & M Service GmbH, Konstanz.

2 Krimmer, Holger (ed.), Datenreport Zivilgesellschaft (*Civil society data report*) (2018), p. 11.

3 Priemer, Jana; Krimmer, Holger; Labigne, Anaël, Zivilgesellschaft in Zahlen (ZiviZ) – Survey 2017 (*Civil society in numbers – survey 2017*), p. 5.

4 Krimmer, Holger; Weitemeyer, Birgit, et al., Transparenz im Dritten Sektor (*Transparency in the third sector*), p. 9.

The number of registered associations grew from about 86,000 in 1960 to about 605,000 in 2017. Net growth continues to be positive, as the number of new registrations is higher than that of dissolved associations.<sup>5</sup>

### Foundations

The number of foundations (*Stiftungen*) has also increased in recent years: in 2018, 554 new foundations were established. In 2018, the database of the Association of German Foundations counted more than 30,000 foundations.<sup>6</sup> including about 23,300 foundations with legal capacity. Ninety-five per cent of all foundations pursue charitable objectives.<sup>7</sup>

### Non-profit private limited companies

According to the Institute for Employment Research (IAB), the number of private limited companies (*Gesellschaft mit beschränkter Haftung, GmbH*) with non-profit status increased significantly over a period of ten years, from about 16,000 in 2007 to about 25,000 in 2016.<sup>8</sup>

Foundations and non-profit private limited companies (*gGmbH*) currently account for only 5 % of all NPOs, but their numbers are growing.<sup>9</sup>

### Other legal forms

Other legal forms, such as the non-profit public limited company (*Aktiengesellschaft, AG*) and the non-profit limited company (*Unternehmer-gesellschaft, UG*) are also gaining popularity, although together they still account for less than 1 % of all civil-society organisations.<sup>10</sup> By contrast, the number of cooperative societies registered in the register of cooperatives is steadily decreasing, from 13,086 in 2000 to 8,672 in 2018<sup>11</sup>, and only a small proportion operates as a non-profit. For this reason, only the organisational forms of association, foundation and non-profit private limited company are assessed here.

## 2. Registration of NPOs

Germany does not have a uniform registration requirement; there are different prerequisites for establishing an NPO and different public registers depending on the form of organisation.

### Register of associations

Registers of associations are kept by the local courts. They may be accessed and viewed by the public and show the legal relationships of non-profit associations, which are especially important for legal transactions.

Via the joint register portal of the federal states, anyone can search the commercial registers, registers of cooperative societies and partnerships, and registers of associations of all the federal states online without having to demonstrate a special interest; excerpts from the registers or documents may be retrieved for a fee. Using the register portal, data on associations may be retrieved from the individual registers of associations, in particular the name and location of the association, names and addresses of the association's board members who can represent it in and out of court, and amendments to the association's statutes. Associations acquire legal capacity by being entered in the register. Amendments to the association's statutes take effect only if they are entered in the register. Changes in the membership of the board are also to be reported, i.e. a request to enter these changes in the register is to be sent. Associations report such changes in their own interest, because the register of associations functions as publicity. Legal transactions can refer to the content of the register, and associations must accept any claims made on the basis of inaccurate entries. The registration courts can levy fines against associations that fail to meet their registration obligations.

In isolated cases, register entries on board members are not always up to date, because

5 Federal Agency for Civic Education et al. (ed.), Datenreport 2018 - Ein Sozialbericht für die Bundesrepublik Deutschland (*Data report 2018 - A social report for the Federal Republic of Germany*), p. 374.

6 Krimmer, p. 11.

7 <https://www.stiftungen.org/stiftungen/zahlen-und-daten/statistiken.html>.

8 Krimmer, p. 11.

9 Federal Agency for Civic Education, p. 374; Priemer, Krimmer, Labigne, p. 10.

10 Priemer, Krimmer, Labigne, p. 17.

11 Compilation of the annual reports of the local courts for the years 1995 to 2018, as of 10 March 2020, available at [https://www.bundesjustizamt.de/DE/SharedDocs/Publikationen/Justizstatistik/Geschaeftsentwicklung\\_Amtsgerichte.pdf](https://www.bundesjustizamt.de/DE/SharedDocs/Publikationen/Justizstatistik/Geschaeftsentwicklung_Amtsgerichte.pdf).



associations fail to meet their registration obligations quickly. The same applies to requests to enter in the register the fact that an association has been dissolved.

### *Lists of foundations*

Lists kept by the foundation authorities record at least the purpose, name, address and headquarters of the foundation. Many lists of foundations also contain information on the foundation's bodies authorised to represent it and/or the members of these bodies.

Almost all active foundations are also on the list of German foundations maintained by the Association of German Foundations.

### *Commercial register*

The more than one million private limited companies, including non-profit private limited companies, are listed in the commercial register, which can also be viewed online via the joint register portal. It is difficult to identify all the non-profit private limited companies, as not all include “non-profit” (*gemeinnützig*) in their names. Companies are not required to enter their non-profit status in the commercial register but may do so as an additional descriptor of the company.

### *Transparency Register*

The Transparency Register, introduced in October 2017, represents an addition to the commercial registers, registers of associations and lists of foundations in the non-profit sector. It has led to nationwide standardisation of, and in some cases addition to, information on non-profit private limited companies, associations and foundations, thereby increasing transparency in this area.

Private limited companies, registered associations and foundations under civil law are legal persons subject to the obligation of notification as defined in section 20 (1) of the Money Laundering Act

(*Geldwäschegesetz*). In the case of private limited companies and registered associations, details of beneficial owners are routinely obtained directly from the commercial register or register of associations, so disclosure is assumed pursuant to section 20 (2) of the Money Laundering Act. In the case of foundations under civil law, details are likewise always obtained from the Transparency Register.

## 3. Activities of the non-profit sector

In general, the non-profit sector in Germany is very diverse and dynamic and permeates every segment of society.<sup>12</sup>

### a) Areas of activity

#### *Associations*

The roughly 605,000 registered associations in Germany are very heterogeneous. Nearly two-thirds of them are sport clubs, cultural organisations, clubs devoted to leisure and social activities, and organisations in the field of education and social services.<sup>13</sup> Civil and disaster protection organisations in particular have a very large membership.<sup>14</sup>

Certain trends are apparent, for example the number of organisations focused on social issues or environmental protection – topics of great public interest – has recently grown.<sup>15</sup>

#### *Foundations*

The most frequently mentioned purposes of foundations are “society”, “education” and “arts and culture”. Only a small proportion of all foundations lists “international affairs” as its purpose.<sup>16</sup>

Up to now, relatively few foundations have been active in development cooperation, but their number is growing:

<sup>12</sup> Federal Agency for Civic Education, p. 373.

<sup>13</sup> Krimmer, p. 16.

<sup>14</sup> Krimmer, p. 22.

<sup>15</sup> Federal Agency for Civic Education, p. 374.

<sup>16</sup> Association of German Foundations, [https://www.stiftungen.org/fileadmin/stiftungen\\_org/Stiftungen/Zahlen-Daten/2019/Verteilung-Stiftungszwecke-2018.pdf](https://www.stiftungen.org/fileadmin/stiftungen_org/Stiftungen/Zahlen-Daten/2019/Verteilung-Stiftungszwecke-2018.pdf).

according to the database of German foundations, 1,766 foundations are involved in development cooperation, as are 5.7 % of foundations with legal capacity.<sup>17</sup> The activities of nearly 60 % of these foundations consist solely in providing financial support.

#### *Non-profit private limited companies*

Non-profit private limited companies supplement services provided by public or private enterprises, for example by operating care facilities, retirement homes and hospitals and by supporting cultural institutions such as theatre, cinema or museums.<sup>18</sup>

Non-profit private limited companies are also active in education. Thirty-two per cent of all such companies are active in the field of education, while another 32% are active in the field of social services.<sup>19</sup>

#### b) Geographical distribution

There are regional differences in the distribution of associations: *“The concentration of associations ranges between six associations per 1,000 inhabitants in Hamburg and ten per 1,000 in Saarland.”*<sup>20</sup> Overall, there are more associations per inhabitants in the eastern German states than in the western German states, although there are differences between states. [...] There are also regional differences within federal states, for example between more and less prosperous regions or between urban and rural areas.”<sup>21</sup>

There are major regional differences with regard to foundations, too. In 2019, there were 1,657 foundations in eastern Germany and 21,573 foundations in western Germany.

#### c) Professionalization of the third sector

The large majority of organisations operates on a purely volunteer basis, i.e. persons working on behalf of the organisation receive little or no remuneration.<sup>22</sup> The non-profit private limited companies are an exception: all but 7.9 % of them employ paid staff.<sup>23</sup> The number of paid staff in the non-profit sector grew significantly from 2.9 million in 2007 to 3.7 million in 2016. In 2016, 9.9 % of all employees subject to social insurance and in low-wage positions worked in the third sector; in 2007, this figure was 9.5 %.<sup>24</sup> There is a recognisable trend towards greater professionalization in the sector.<sup>25</sup> The rate of professional employment is somewhat higher in foundations than in associations.

17 Association of German Foundations, *Stiftungsreport – Entwicklungszusammenarbeit: wie Stiftungen weltweit wirken* (Foundation report – Development cooperation: How foundations have a global impact), p. 19.

18 Krimmer, p. 46.

19 Priemer, Krimmer, Labigne, p. 15.

20 Krimmer, p. 14.

21 Krimmer, p. 14.

22 Krimmer, p. 102.

23 Krimmer, p. 102.

24 Krimmer, p. 5, 93.

25 Krimmer, p. 102.

## 4. Financial resources in the non-profit sector

The financial resources of the individual actors in the non-profit sector vary. The sector includes many foundations with endowments in the billions of euro and annual disbursements in the

millions of euro. At the same time, 51 % of associations in Germany have an annual budget of less than € 10,000.<sup>26</sup>

**Table 1.1** Income (in Euro) in 2015 by legal form (in %)

	up to € 10,000	€ 10,001 – 20,000	€ 20,001 – 100,000	€ 100,001 – € 1 m	more than € 1 m	Total
Registered association	51,0	12,1	20,6	12,5	3,8	100,0
Foundation	29,9	12,5	27,8	20,1	9,7	100,0
Non-profit private limited company	13,9	2,5	7,6	34,2	41,8	100,0
Total	49,9	12	20,6	13	4,5	100,0

Source: Krimmer, p. 119.

Funding comes from a variety of sources depending on the organisation's size, area of activity and legal form:

**Table 1.2** Income sources 2017 by legal form (in %)

	Member-ship dues	Income generated	Donations	Public funding	Sponsor-ship	Investment income	Other
Registered association	40,2	19,9	18,7	10,9	4,1	1,8	2,2
Other	4,1	48,5	10,3	26,7	2,8	2,9	2,0
Foundation	0,7	6,3	26,6	3,4	2,6	56,0	3,1
Total	38,6	20,1	18,8	11,0	4,1	3,3	2,2

Source: Krimmer, p. 119.

<sup>26</sup> Krimmer, p. 102.

## Associations

Associations typically receive most of their funding from membership dues and have relatively limited budgets, so that most of their activities are carried out by volunteers.<sup>27</sup>

With regard to all organisations, donations make up 18.8% of their funding, which is similar to the share generated by economic activity.<sup>28</sup> Donations are a significant source of funding especially for small associations with fewer than 100 members:

**Table 1.3** Income sources 2017 by size of membership (mean values in %)

	Member-ship dues	Income generated	Dona-tions	Public funding	Sponsor-ship	Investment income	Other
Small (up to 100 members)	36,2	20,6	21,5	11,4	3,9	1,9	2,3
Medium (101 to 300 members)	44,8	21,3	15,2	9,1	3,8	1,8	2,3
Large (more than 300 members)	49,8	17,7	11,6	10,3	6,3	2,2	1,1

Source: Krimmer, p. 119.

There are major differences in terms of financial resources depending on the field of action. Most associations in the field of civil and disaster protection have few financial resources:<sup>29</sup>

three-quarters of them have annual budgets of less than €10,000. The situation is similar for associations devoted to leisure activities.<sup>30</sup>

<sup>27</sup> Krimmer, p. 13.

<sup>28</sup> Krimmer, p. 121.

<sup>29</sup> Krimmer, p. 115; these include primarily fire service associations, associations such as the water and mountain rescue organisations and associations to raise funds for them.

<sup>30</sup> Krimmer, p. 115 et seq.

### *Foundations*

In 2016, 46% of foundations had assets of between €100,000 and €1 million; 23% had assets of up to €10 million.<sup>31</sup>

According to statistics of the Association of German Foundations, 16.9 % of existing foundations under civil law which have legal capacity have assets of less than € 100,000, 46.9 % have assets of between € 100,000 and € 1 million, and 27.1 % have assets of between € 1 million and € 10 million. Only 7 % of foundations have assets of more than € 10 million.

Foundations receive most of their income from returns on their assets; in 2016, these provided 56 % of their funding. Donations made up only 26.6 % of their funding. One in three foundations reports that their total income has been falling since 2012.<sup>32</sup>

### *Non-profit private limited companies*

Compared to other forms of organisation, non-profit private limited companies have very high incomes. More than one in three (41.8 %) reports income in the millions.<sup>33</sup>

Non-profit private limited companies receive 48.5% of their funding from economic activity; at 26.7%, public funds also constitute a significant source of income.<sup>34</sup> This is partly due to the fact that they are active in fields where there are large numbers of organisations and institutions providing social welfare services.<sup>35</sup> More so than associations and foundations, non-profit private limited companies are by their nature more business-oriented.

---

31 Federal Agency for Civic Education, p. 375.

32 Krimmer, p. 119.

33 Krimmer, p. 114.

34 Krimmer, p. 121.

35 Krimmer, p. 121.

## 5. Germany's non-profit sector in the context of the FATF requirements

The revision of FATF Recommendation 8 and the related Interpretive Note clarify that not all NPOs are inherently at high risk of terrorist financing abuse; as a result, the necessary (government) action must be targeted.

The scope of Recommendation 8 and the related Immediate Outcome 10 (Core Issue 10.2) is limited in two ways:

- firstly, the FATF defines an NPO as 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 carrying out other types of “good works”;
- secondly, the FATF calls on the member states to identify which of these NPOs are likely to be at risk of terrorist financing abuse (see D.4 below).

The overwhelming majority of associations and foundations in Germany are not *primarily* engaged in raising or disbursing funds and therefore do not fall within the FATF definition of NPOs. The risk of terrorist financing abuse can nonetheless not be entirely ruled out even for these organisations.

Organisations whose work *primarily* consists in raising and disbursing funds for charitable activities are aid organisations. Most of them are active in the area of humanitarian aid in Germany; an overview of this area is provided below. These organisations are largely funded by donations, and an overview of donor activity is provided below.

### a) Humanitarian aid organisations in Germany and development cooperation

Germany is a major global provider of humanitarian aid. Many governmental and non-governmental organisations are active in a variety of ways, and both the Federal Government and private donors provide significant amounts of money for humanitarian aid.<sup>36</sup> In Germany, the field of humanitarian aid includes development policy and humanitarian non-governmental organisations.

#### *Structures and areas of activity*

In Germany, the field of humanitarian aid encompasses a wide variety of NPOs, from a large number of small NPOs focused on specific areas of activity to a few globally active aid organisations with large budgets.<sup>37</sup>

Four-fifths of international humanitarian aid go to fragile states affected by different and often interrelated crises.<sup>38</sup>

The area of international solidarity (e.g. fair trade and development cooperation) is characterised by a high number of small associations.<sup>39</sup>

#### *Federal Government funds – projects carried out by NPOs*

The federal budget for 2019 earmarks € 2.3 billion for humanitarian aid, crisis prevention and stabilisation projects:

The budget item “Humanitarian Aid” alone provided funding of € 1.53 billion in 2018 and € 1.64 billion in 2019. This expenditure has increased considerably in recent years: in 2014, the amount budgeted was € 417 million. This makes Germany the second-largest provider of bilateral humanitarian aid in the world. From 2014 to 2017, a total of € 528.83 million in federal funds went to NPOs as partners of the Federal Government. This makes them the second largest group of partner institutions after the United Nations.

36 Lieser, Jürgen; Dijkzeul, Dennis (eds.), *Handbuch Humanitäre Hilfe (Humanitarian aid handbook)*, p. 127.

37 Lieser, Dijkzeul, p. 130.

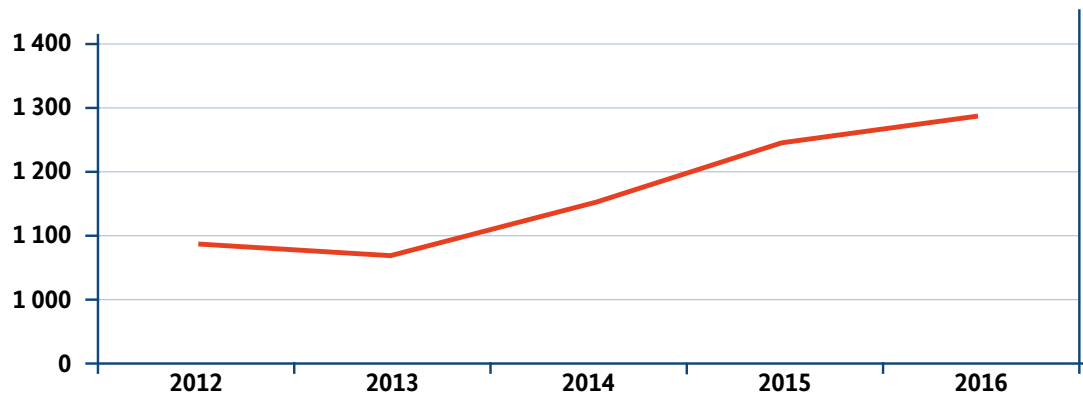
38 Lieser, Dijkzeul, p. 128.

39 Krimmer, p. 19.

The Federal Republic of Germany provided €624 million for measures in the area of crisis prevention, stabilisation and peace-building in 2018 and about €656 million in 2019. NPOs are important partners in carrying out these measures. These organisations were responsible for implementing about one-third of these funds.

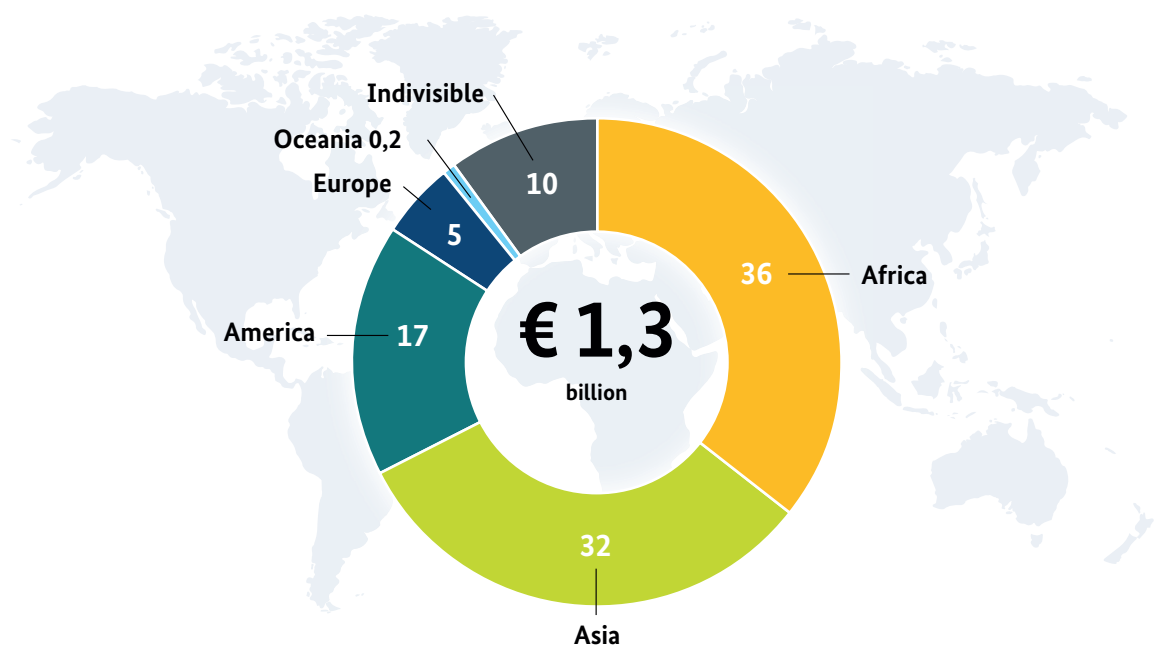
Overall, the aid provided by German NGOs steadily continues to grow; in 2016, more than two-thirds of all aid by German NGOs was provided in Africa and Asia.

**Figure 3** Aid from German non-governmental organisations in million euro.



Source: Federal Statistical Office, Infoblatt Entwicklungszusammenarbeit (*Fact sheet on development cooperation*), 2018.

**Figure 4** Aid from German non-governmental organisations by continent in 2016.



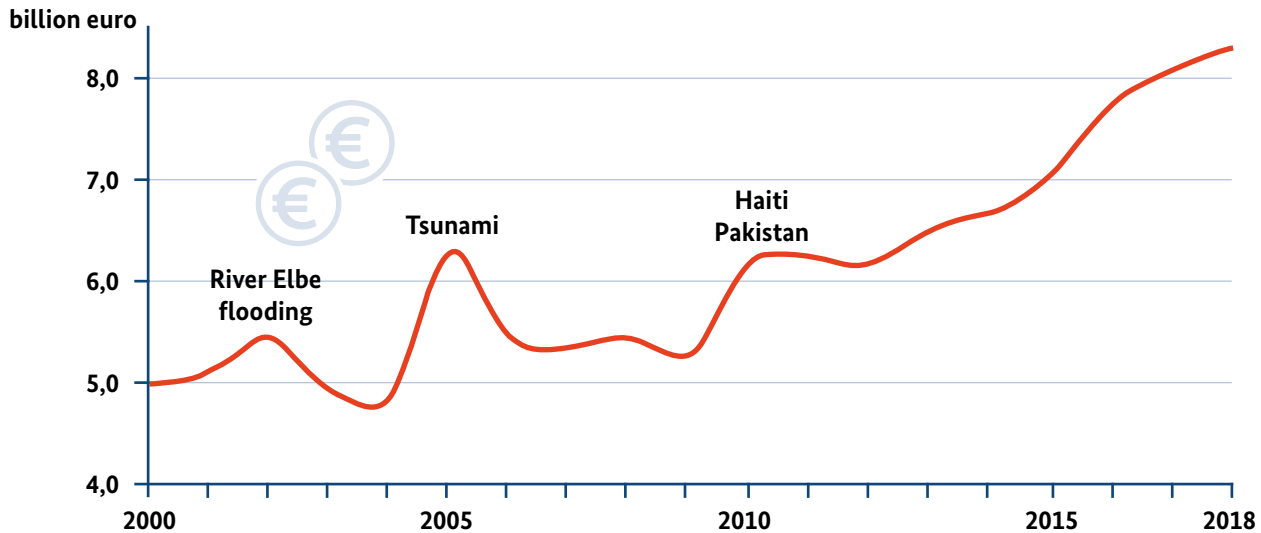
Source: Federal Statistical Office, Infoblatt Entwicklungszusammenarbeit (*Fact sheet on development cooperation*), 2018.

## b) Donor activity

The German Central Institute for Social Issues (DZI) has calculated that, in 2018, private households in Germany donated about € 8.3 billion for

charitable purposes, an increase of 2.5 % over 2017 (€ 8.1 billion).<sup>40</sup>

**Figure 5** Donations in Germany are clearly rising.



Source: German Central Institute for Social Issues (Donation almanac 2020), p. 296.

The largest share of donations goes to humanitarian aid: 75.3% in 2019, with increases in the areas of emergency and disaster relief and support in case of disease and disability. Donations for religious purposes also grew, both in relative and absolute terms.

The non-profit sector receives 19 % of its funding from donations. Organisations active in the area of international solidarity rely to a higher-than-average degree on donations and sponsoring: 56 %.<sup>41</sup> However, the German Central Institute for Social Issues estimates that only two to three thousand organisations regularly conduct systematic, multi-regional fund-raising operations.

Total donations in the area of humanitarian aid are distributed as follows: 20% of donations for humanitarian aid go to churches/religious organisations; 21% to child and youth services; 12% to emergency and disaster relief; 9% to support in case of disease or disability; and 14% for other humanitarian aid, for example long-term development aid, education and other social causes.<sup>42</sup>

<sup>40</sup> German Central Institute for Social Issues, *Spenden-Almanach 2020 (Donation almanac 2020)*, p. 6.

<sup>41</sup> Priemer, Jana; Labigne, Anaël; Krimmer, Holger, *Wie finanzieren sich zivilgesellschaftliche Organisationen in Deutschland? (How are civil-society organisations in Germany funded?)*, p. 17.

<sup>42</sup> Krimmer, p. 129.





# D. Risk assessment: Terrorist financing through (abuse of) NPOs

<b>D. Risk assessment: Terrorist financing through (abuse of) NPOs .....</b>	<b>25</b>
1. Threat situation .....	25
a) Continuous assessment of potential threats by German authorities .....	25
b) General threat situation: terrorism and terrorist financing .....	25
c) Differentiation is necessary: abuse or targeted use of an NPO .....	27
d) Relevant threat scenarios: terrorist financing abuse of an NPO .....	27
e) Relevant threat scenarios: targeted use of an NPO .....	28
2. Vulnerability of Germany’s non profit sector to terrorist financing .....	32
a) Germany’s non profit sector as an attractive target .....	33
b) Operational vulnerabilities .....	33
c) Sectoral/regulatory vulnerabilites .....	44
3. Multiple impacts of terrorist financing through NPOs .....	48
4. Risk assessment of the non profit sector .....	50
a) Risk analysis: Forms of organisation .....	50
b) Risk analysis: Areas and forms of activity .....	51
c) Risk analysis: Categories of extremist activity .....	52
d) Especially high risk NPOs .....	53

## D. Risk assessment: Terrorist financing through (abuse of) NPOs

The following assessment of risk is consistent with the requirements of the risk-based approach under FATF Recommendation 1. In this investigation, the risk of terrorist financing is therefore made up of the potential threat (D.1) and the corresponding vulnerability (D.2) of the non-profit sector. In order for potential threats to become actual abuse, there have to be negative consequences (D.3). After considering all the various factors, conclusions are drawn concerning the risk situation and relevant key elements of at-risk NPOs are described (D.4).

### 1. Threat situation

The threat situation involving terrorist financing through (the abuse of) NPOs is analysed in the following. The term “threat” here refers to an activity which, in connection with the financing of terrorist activities, has the potential to cause a certain amount of harm.

#### a) Continuous assessment of potential threats by German authorities

The German authorities continuously address the different threats of terrorist financing through (the abuse of) NPOs.

These threats are addressed in particular by the law enforcement authorities, the intelligence services and the Financial Intelligence Unit (FIU) using information gathered from analyses, investigations and evaluations of facts, and investigations. For example, in summer 2019 the FIU defined the risk priority “Abuse of NGOs/ NPOs” in the area of terrorist financing, in order to make the analysis of relevant suspicious transaction reports a priority and to contain the potential related risks.

The customs authorities have the task of preventing the abuse of cross-border traffic of goods and cash for purposes of terrorist financing. The customs administration is responsible for conducting risk-oriented physical inspections and checks during the process of

clearing customs. Assessing the possible terrorist relevance of goods and the potential vulnerability to terrorist activities of those involved (including NPOs) are special priorities during this process.

The Federal Ministry for Economic Cooperation and Development and the Federal Foreign Office as the main providers of funding for German humanitarian aid and development cooperation organisations constantly analyse the possible threat scenarios as part of supervising the disbursement and use of funds. Their assessment always considers the circumstances of the individual case and applies a risk-based approach which takes general factors into account. The general factors used to identify risk include the legal and political situation in the partner country and the region where the project is being carried out. The assessment of the threat situation is a key factor also for the organisations carrying out the project (e.g. GIZ, the German agency for international cooperation, or the KfW banking group (Kreditanstalt für Wiederaufbau)) when planning and carrying out humanitarian and development cooperation projects outside of Germany.

#### b) General threat situation: terrorism and terrorist financing

The general security situation and the general threat scenarios for terrorist financing in Germany are to be taken into account. Please see the National Risk Assessment for a detailed presentation; a few central points are summarised in the following.

The general threat posed by terrorist organisations in Germany remains high. Terrorist groups, extremist networks and individuals who sympathise with them are active in Germany, raising funds, gathering other support and recruiting followers.

The National Risk Assessment has found that terrorist organisations as a rule need most of their financial resources for establishing and maintaining their organisational structures (such as organisational logistics and for

propaganda and living expenses). By contrast, in many cases, only small amounts are needed to carry out actual attacks.

With regard to transferring money, terrorists often seek channels that leave as few traces as possible and give security agencies and judicial authorities few clues as to where the money ends up. Different methods are combined into hybrid forms of global money transfer. Another known method is the smuggling and subsequent sale of tangible assets. Islamist terrorism continues to make substantial use of informal financial transfer systems such as hawala.

The large number of foreign terrorist fighters should be noted. Some 1,050 German Islamists and Islamists from Germany have travelled to Syria and Iraq in recent years to support terrorist organisations such as al-Qaeda and the so-called Islamic State. They should be seen as a risk factor for terrorist financing as well, because they can be recipients of financial transfers from sympathisers living in Germany.

**In general, those involved in terrorist financing activities in Germany can be divided into the following groups:**

- Jihadist groups without organisational structures of their own in Germany
- Foreign terrorist groups oriented towards their countries of origin with significant support circles in Germany
- Salafist groups in Germany
- Right-wing extremist or terrorist groups in Germany

There are currently no indications of systematic financing of left-wing extremist terrorism in Germany.

For more details, please see the National Risk Assessment.<sup>43</sup> However, it should be noted that, since 2019, threats in the context of right-wing

extremism have materialized repeatedly in Germany and around the world.

<sup>43</sup> First National Risk Assessment, 2018/2019, p. 44 et seq.

### c) Differentiation is necessary: abuse or targeted use of an NPO

The analysis of threat scenarios already showed that these can be divided into two groups: threats that can arise when a legitimate NPO is exploited, and threats that can arise from the targeted use of an NPO posing as a legitimate entity. The same distinction was also found when analysing the vulnerabilities of the sector and measures to fight terrorist financing: these also differ signifi-

cantly depending on whether a terrorist organisation abuses a legitimate NPO or makes targeted use of a possibly fraudulent NPO. For the sectoral risk assessment it was therefore decided to draw a fundamental distinction between the risk of terrorist financing abuse of NPOs and the risk of targeted use of an NPO established for terrorist financing.

### d) Relevant threat scenarios: terrorist financing abuse of an NPO

#### Cases of terrorist financing abuse of an NPO in Germany

Intelligence of the security authorities and information from NPOs indicate that there have been almost no (suspected) cases of abuse of NPOs in Germany for the purpose of terrorist financing to date. The overwhelming majority of cases detected in Germany involve extremists establishing an NPO explicitly for the purpose of terrorist financing.

However, this does not mean that the former threat scenario does not exist. On the contrary, risks and vulnerabilities must be identified before they can be exploited by extremists.

Based on the experience of the authorities (in particular the law enforcement authorities, intelligence services and FIU), on hypothetical risk scenarios, on the analysis of FATF risk assessments and cases of abuse in other countries, the following threat scenarios involving terrorist financing abuse of an NPO were identified:

- NPOs having to pay bribes to terrorist organisations in regions they control in order to be permitted to provide humanitarian aid;
- NPOs having to conclude (unfavourable) contracts with terrorist organisations in regions they control in order to be permitted to provide humanitarian aid;
- individual staff members of NPOs who support the ideology of a terrorist organisation misusing the NPO to finance terrorism; possible scenarios:
  - choosing partner organisations which belong to or are linked to the terrorist organisation;
  - unlawfully channelling funds to terrorist organisations;
- misusing NPOs and their financial structures to transfer funds to other countries;
- extremists infiltrating an NPO.

## Suspected abuse of an NPO

### Example: 1

An investigation found that a member of the board of an NPO had probably misused his position to finance a foreign terrorist organisation. According to the investigation, he manipulated or renamed seminars and training courses in order to obtain government grants which he was thought to have forwarded to a foreign terrorist organisation. After these acts came to light, the grant moneys were reclaimed. The NPO then filed for bankruptcy. Apart from the suspect, no other persons from the NPO were found to be implicated in the crime. The NPO was otherwise managed properly.

### Example: 2

In December 2014, the association Kultur & Familien Verein e.V. in Bremen was banned, after nearly one-quarter of its members had travelled to Syria in the preceding months, presumably in order to take part in fighting and terrorist acts. The association demonstrated an aggressive and belligerent stance, for example endorsing participation in actions by the terrorist organisation Islamic State which violated human rights.

In February 2016, the association Islamischer Förderverein Bremen e.V. was banned, a follow-up organisation to the banned Kultur & Familien Verein e.V. The association Islamischer Förderverein Bremen e.V. was originally founded in 2009 by an entirely different group of people; shortly after its founding, however, it ceased to be active. After Kultur & Familien Verein e.V. was banned, its leaders apparently decided to infiltrate and ultimately take over the other association. According to an investigation launched by Bremen's interior minister, none of the original members of the association Islamischer Förderverein Bremen e.V. was still active in the association, and all of its visitors in the preceding months were followers and in some cases functionaries of Kultur & Familien Verein e.V.

### e) Relevant threat scenarios: targeted use of an NPO

A few cases of (suspected) targeted use of an NPO for terrorist financing purposes were detected in Germany in recent years. Given the size of the non-profit sector and the extensive activities of the numerous NPOs in Germany, these cases involve a tiny proportion of the sector. Information about these isolated cases comes from criminal proceedings, proceedings to ban associations, FIU analyses of suspicious transaction reports and monitoring by the domestic intelligence agencies.

Further potential threat scenarios are derived from hypothetical risk scenarios, the analysis of FATF risk assessments and similar cases in other countries. And various types of threats are discussed in the context of cooperation with the non-profit sector, incorporating intelligence from the authorities (in particular the law enforcement authorities, intelligence services and FIU) and practical experience of the NPOs.

On this basis, the following threat scenarios involving the targeted use of an NPO for terrorist financing purposes were identified.

*Using an NPO as a cover for terrorist financing (cover for infrastructure, organisation of events and fund-raising)*

The targeted use of an NPO for terrorist financing often involves using the NPO as a cover. The persons involved can take advantage of its infrastructure and carry out events. The NPO can also be used to collect donations of money and goods that are then (at least in part) sent on to terrorist organisations. However, there are also indications that some of the funds donated remain in Germany, where they are used – contrary to the purpose for which they were collected – to maintain extremist networks.

The German authorities have repeatedly found that Islamist extremists in particular are active in organisations designated as non-profit. Their activity ranges from fund-raising and distributing informational materials to organising benefit events which sometimes feature Salafist speakers. The authorities have also found that these persons have travelled to conflict and crisis areas in humanitarian aid convoys.

Finding evidence of criminal activity in such cases is especially challenging. Actors from the entire Salafist spectrum work together in fund-raising and aid convoys for Syria. As a result, it is often difficult to distinguish between the transport of humanitarian aid and targeted support for jihadist groups. For example, aid convoys carry goods such as clothing, medicine and vehicles (including ambulances and all-terrain vehicles) as well as goods that can be used for military purposes (such as camouflage clothing and night-vision devices).<sup>44</sup>

High-profile projects to provide humanitarian aid in crisis regions gather a large quantity of donations from private individuals. There is a special risk of terrorist financing when a crisis region is also the target area of the terrorist organisation, which can then take advantage of the transfer and transport possibilities offered by the NPO.

In the past, customs inspections have demonstrated that NPOs can play an important role in the transport of money and goods. For example, in the transport of cash and goods, NPOs are listed as owners. In this way, a humanitarian project in the target area of a terrorist organisation can provide a legitimate front for the travel of cash couriers or for the transport of goods in humanitarian aid convoys. Another transfer model is delivering goods to the crisis region and selling them there to benefit the terrorist organisation.

44 Verfassungsschutzbericht 2013 (*Report on the Protection of the Constitution*), p. 225.

### Example: Using an NPO as cover

The association Waisenkinderprojekt Libanon e.V. was founded in 1997 with headquarters in Essen and branch offices in Berlin, Göttingen and Hanover. It was active throughout Germany, raising funds for the Shahid Foundation in Lebanon to help Lebanese orphans and families of fighters killed in battle, especially so-called martyrs. From 2007 until late August 2013, the association transferred more than €3 million to the Shahid Foundation and thus ultimately to Hezbollah, which disputes Israel's right to exist and pursues anti-Zionist aims. With its ongoing financial support for Hezbollah via its Shahid Foundation, the association Waisenkinderprojekt Libanon e.V. opposed the concept of international understanding.

The Stuttgart association Islamische Kultur- und Bildungszentrum Mesdschid Sahabe e.V. was banned in December 2015 for supporting a terrorist organisation in the form of the so-called Islamic State. The German authorities had evidence that the association had collected donations for terrorist groups and recruited fighters for the conflict in Syria. The association and its members also promoted armed jihad, i.e. terrorism motivated by religion. The evidence was based in particular on regular visits of jihadist-Salafist preachers to the association, visitors to the mosque travelling to Syria in order to take part in hostilities there or to support resistance against the Assad regime in other ways, and the holding of benefit events for supposed humanitarian aid in Syria.

#### *Recruiting members of terrorist organisations and distributing extremist propaganda*

The targeted use of an NPO for terrorist financing can also entail distributing extremist propaganda and recruiting members of terrorist organisations.

Starting in late 2012, Salafists established a new field of action, holding numerous benefit events to raise money for Syria. That conflict and the suffering of the Sunni majority there had a major emotional impact on Salafists in Germany, uniting them and promoting their radicalisation. These Salafists exploited this emotional issue to recruit new followers and fighters for Syria.<sup>45</sup>

In 2013, the authorities became aware of several German followers of Hizb-ut-Tahrir travelling to Syria, in some cases also to deliver donated funds. Some of them may have taken part in the fighting in Syria.<sup>46</sup>

About 70 % of refugees entering Germany are Muslims. Islamist extremists and Islamist extremist organisations seek to promote their ideology among the new arrivals and recruit followers. In some cases, they use the cover of providing humanitarian aid in order to make contact.

<sup>45</sup> Verfassungsschutzbericht 2013, p. 224.

<sup>46</sup> Verfassungsschutzbericht 2013, p. 240.



### Example: Using an NPO to recruit members of terrorist organisations

In October 2016, the Federal Minister of the Interior banned the association “Die wahre Religion (DWR)”, also known as “LIES! DWR” spread its message of opposition to the Constitution and the idea of international understanding at seminars and public events and by distributing translations of the Koran in pedestrian zones. DWR’s activities resulted in an anti-constitutional, militant and aggressive attitude among its followers, most of whom were young people. This attitude included endorsing and calling for violence. After taking part in LIES! campaigns, more than 140 young people travelled to Syria or Iraq to join in the fighting by terrorist groups. The ban was not aimed at the promotion of Islam or the distribution of the Koran or Koran translations. The ban was directed at the misuse of a religion by persons who propagate extremist ideologies and support terrorist organisations while claiming to promote Islam. DWR received some of its funding from Gulf states via a Swedish foundation.

#### *Abusing the positive advertising effect of government aid or government recognition of non-profit status*

For many potential donors, official recognition of an organisation’s non-profit status inspires trust in the organisation. This trust may be exploited by the targeted use of an NPO for terrorist financing purposes. The same is true of organisations receiving government aid. There have been cases in Germany in which an NPO’s non-profit status has been revoked after the NPO was found to have an extremist orientation.

#### *Founding of a fraudulent NPO for the purpose of collecting donations (e.g. following a natural disaster) to finance terrorism*

Especially after a natural disaster, the outbreak of a humanitarian crisis or a pandemic like the current coronavirus crisis, there is a risk that fraudulent organisations will be founded to collect donations. In the digital age, social media and crowd-funding platforms can be used to gather donations. This method has already been used to support terrorist fighters, and it also poses the threat of terrorist financing using NPOs.

### Interim results: Threat situation

When analysing threat situations, it is necessary to distinguish between the abuse of a legitimate NPO and the intentional and targeted use of a fraudulent NPO to finance terrorism. The large majority of cases detected by the German authorities belong to the second type.

An NPO can be abused for the purpose of terrorist financing in particular by means of unauthorised activity by persons within the organisation (such as employees of the NPO) or by partner organisations. Also conceivable is the (un)intentional transfer of funds by the NPO to terrorist organisations, for example by paying bribes or concluding unfavourable contracts.

In the case of targeted use of an NPO to finance terrorism, the NPO often serves as a cover enabling access to infrastructure (such as accounts) and means of gaining favourable public attention, such as events and fund-raising campaigns. Money and material resources are channelled to terrorist organisations and – to a lesser extent – diverted to maintain extremist networks in Germany as well. Humanitarian projects (legitimate or otherwise) in crisis regions are especially relevant in this context. The targeted use of an NPO can also serve to recruit new members for terrorist organisations and to spread extremist propaganda.

## 2. Vulnerability of Germany's non-profit sector to terrorist financing

The German non-profit sector has vulnerabilities of various types and to varying degrees, making it susceptible to the threat scenarios described above. In this assessment, “vulnerabilities” refers on the one hand to factors which make the sector especially attractive for terrorist financing, and on the other hand to gaps or ambiguities in the existing mechanism for preventing and combating terrorist financing through (the abuse of) NPOs in Germany.

The assessment also takes into account government and sectoral measures that counteract the sector's vulnerability (mitigating factors).

A distinction should be made between operational and sectoral/regulatory vulnerabilities.<sup>47</sup> Operational vulnerabilities on the part of NPOs (e.g. lack of compliance measures, low transparency or poor organisational structures) increase the risk that a legitimate NPO will be abused for purposes of terrorist financing. By contrast, sectoral/regulatory vulnerabilities (e.g. lack of supervision or lack of risk awareness among the authorities) increase the likelihood that an NPO posing as a legitimate entity will be used in a targeted way to finance terrorism. This distinction is broadly analogous to the distinction made in the assessment of the threat situation (see D.1).

<sup>47</sup> See FATF, Report on Best Practices – Combating the Abuse of Non-Profit Organisations (Recommendation 8), p. 10.

#### a) Germany's non-profit sector as an attractive target

Germany's non-profit sector could certainly be seen as an attractive target in the financing of terrorist organisations: compared with those of other countries, Germany's non-profit sector is large and well-financed, with a gross value added of some €89 billion annually.<sup>48</sup> Germany is the second-largest donor country in the world, is home to many small and large NPOs, and thus plays a central role in providing humanitarian aid. As a result, large sums of money are transferred from Germany to crisis regions around the world. Aid deliveries and the far-reaching logistical networks of German NPOs are potentially attractive to terrorist organisations.

Furthermore, developments in Germany's non-profit sector allow funds to be raised more flexibly, for instance through online platforms and crowdfunding initiatives. This can lead to anonymity, making it more difficult for the authorities and potential donors to review the activities of relevant organisations. Such an environment could be attractive to terrorist organisations, who could seek to exploit it. The so-called Islamic State and Salafist organisations in Germany have been known to engage in crowdfunding activities.

#### b) Operational vulnerabilities

Operational vulnerabilities can lead to a legitimate NPO being abused for purposes of terrorist financing. NPOs are assumed to have vulnerabilities of this kind when they fail to meet standards of good governance. Another key factor is risk awareness within the sector.

#### Transparency

Germany's non-profit sector is full of instruments and mechanisms to monitor transparency, publicity and accounting.<sup>49</sup> A key issue in this context is the checking by tax authorities of the tax requirements of the German Fiscal Code (*Abgabenordnung*).<sup>50</sup> Other government registration and monitoring mechanisms are also relevant; both are presented as part of sectoral/regulatory vulnerabilities. Outlined below are some internal measures in the non-profit sector. Not outlined are requirements for government funding, which directly impact the organisational processes of relevant NPOs and are addressed as a separate aspect. A high degree of transparency reduces the vulnerability of the sector.

The German non-profit sector is characterised by many voluntary commitments and codes of conduct which increase transparency with regard to how funds are used and increase managerial responsibility.

Examples of this are:

- the Seal of Approval of the German Central Institute for Social Issues (DZI)
- the principles of the German donations council (*Deutscher Spendenrat*) and its donation certificate
- the VENRO code of conduct on transparency, leadership and monitoring
- the Guiding Principles of Good Practice for Foundations, drawn up by the Association of German Foundations

48 Krimmer, Weitemeyer et al., p. 9.

49 Krimmer, Weitemeyer et al., p. 10.

50 Krimmer, Weitemeyer et al., p. 2.

### **Example: Transparency in civil society – “Transparent Civil Society Initiative” (ITZ), organised by Transparency International Deutschland**

Funded by the DZI and VENRO, among others, the ITZ has developed a cross-sectoral transparency standard based on voluntary self-reporting. Organisations that have joined ITZ are encouraged to voluntarily provide information that goes beyond the legal requirements for NPOs in Germany.

The initiative, which started in 2010, now has 1,298 member organisations. In 2019, about 180 organisations joined the ITZ – a considerably larger number than in previous years.

### **Example: Transparency in German donations – the German Central Institute for Social Issues (DZI)**

The DZI has benefited the public by creating transparency in the German fund-raising sector for 125 years, thus promoting trust in fund-raising organisations and the non-profit sector as a whole. The public nature of this task is reflected in the organisations that support the DZI foundation: the Federal Ministry for Family Affairs, Senior Citizens, Women and Youth, the Senate of Berlin, the German Association of Cities, the Association of German Chambers of Industry and Commerce, and the Federal Association of Non-statutory Welfare.

The DZI awards a Seal of Approval to organisations that are committed to transparency and fulfil a list of specific criteria on quality. The DZI Seal of Approval is the ultimate endorsement of trustworthy fund-raising organisations. All organisations eligible for tax relief or exemption can choose to apply for the Seal of Approval, provided they receive donations worth at least €25,000 annually.

Once a year, the DZI publishes all key facts and figures about donations in its Donation Almanac. The almanac is a key source of information on German donations, and a practical handbook and reference guide for donors, organisations, authorities and the media.

### **Example: Transparency through better data – Civil Society in Numbers (ZiviZ)**

Through various research projects, the ZiviZ project is working on long-term improvements to quality and transparency in civil society by means of improved data. It also provides civil society actors, politicians and administrators with helpful information on current developments in the field.

### *Strengthening organisational structures and internal compliance measures*

Germany's non-profit sector does its best to strengthen organisational structures and internal compliance measures using a variety of approaches.

### *Initiatives to strengthen civil society*

Various organisations initiate projects and provide NPOs with recommendations on effective and sustainable leadership.

#### **Example: Measures to strengthen civil society – the PHINEO organisation**

PHINEO aims to help NPOs, companies and philanthropists to better achieve their goals. As well as providing extensive advice, PHINEO regularly publishes special reports and general analyses on the non-profit sector.

PHINEO also analyses the efficiency of social engagement and selects especially promising projects, awarding them an “efficiency seal of approval”. This seal of approval can be of great help to donors choosing an appropriate organisation to support.

#### **Example: Development and humanitarian aid – VENRO**

VENRO (Verband Entwicklungspolitik und humanitäre Hilfe) is an umbrella organisation of NGOs in Germany that provide development and humanitarian aid. The association has some 140 member organisations, run privately or by churches, which engage in development cooperation and humanitarian aid – as well as education, publicity and lobbying, for development cooperation purposes. Almost half of VENRO's budget is publicly funded.

An important source of information for humanitarian organisations is the Good Practice Library, which VENRO runs and which is accessible online. This library contains many specific examples organised in different categories. The examples provide NPOs with inspiration and direction. The library can be searched according to subject area – organised according to the Istanbul principles – or in alphabetical order. One category is called “Transparency and accountability”.

### Example: Foundations – the Association of German Foundations

The Association of German Foundations represents the interests of foundations in Germany. With more than 4,400 members, it is the biggest and oldest association of foundations in Europe. Its online search function can be used to find information on almost 28,000 foundations. It uses its own research service to provide up-to-date comprehensive information on the German foundation sector.

The Association of German Foundations shows its members what high transparency looks like and supports them in implementing it themselves. For this purpose, the association has drawn up principles of good practice and specific recommendations for foundations. In a survey carried out by the association, around 75% of foundations surveyed used these principles of good practice.

To promote transparency and quality in the administration of trust foundations, the committees of the Association of German Foundations introduced the quality seal of approval for good administration of trust foundations. Furthermore, since 2003 the seal of approval for citizen foundations has been awarded, based on the ten characteristics of community foundations.

Public trust in the work of foundations has considerably increased in the last ten years. That was the conclusion of a broad survey carried out by the polling institute Kantar Emnid on behalf of the association. The study was carried out for the first time in 2010 and repeated in 2019.

#### *Funding and monitoring in humanitarian aid and crisis prevention*

As shown in C.5.a, large sums of money are sent to the world's crisis regions for humanitarian aid and crisis prevention. This means that in the key regions of German humanitarian aid, crisis prevention, stabilisation and peace-building, there is a risk that German funds can be misappropriated – in a targeted way or through abuse – and in some cases even used for terrorist purposes. Yet withdrawing from such regions to avoid these risks would result in Germany losing its presence in key crisis regions. A better solution is to identify the risks and reduce them, using multidimensional precautions. To do this, Germany uses a scaled procedure as explained below.

To identify potential risks, the German authorities start by using a risk-based approach, identifying which organisations have a potentially high risk and under what circumstances. This approach comprises various measures, such as collecting data on the NPO in question and on the proposed funding project and its context.

By the time an application is assessed by the funding body, a due diligence check of the applicant organisation and the planned measures is carried out. In many cases, a recent quality profile of the applicant organisation may be consulted, as well as external sources (e.g. the register of associations). Applicants that maintain ties to extremist groups or individuals are barred from receiving funding.

Finally, before any funding is authorised, a check on compliance with sanctions imposed by the United Nations (UN) and the European Union (EU) is carried out. This check takes into account whether an NPO's planned project is to be carried out in a country which is subject to sanctions, or whether persons or corporations who will be spending the money are listed by the EU or UN.

## Risk-based review of funding organisations

### Humanitarian aid

In terms of humanitarian aid, only those NPOs are funded which have undergone an extensive qualification process (quality profile).

This process involves answering questions on management and finances and fulfilling criteria to ensure that sanctions are adhered to, including with regard to terrorist financing. In line with special guidelines that were drawn up for this purpose, checks are carried out before, during and after a project to determine whether relevant funding infringes the indirect ban imposed by EU sanctions.

### Crisis prevention, stabilisation and peace-building

Before any decision about funding is made, the organisation in question must prove that it can manage its affairs properly. This forms the basis of the credit analysis. For each project, Germany also checks compliance with current sanctions.

Risks are assessed by means of stabilisation/risk analyses. These investigate the risk level involved in crisis prevention, stabilisation and peace-building, looking at intervention logic, relevant actors and the target region. Depending on the outcome of such an analysis, appropriate measures to minimise risk are identified for individual projects, possibly in coordination with the executing organisation or external service providers. These measures are then set out in the funding contract.

## Prevention measures and control mechanisms

Prevention measures taken before and during the execution of a project ensure that funding is not redirected for terrorist purposes, but used as intended. Accompanying public relations work, where possible, creates transparency and raises awareness in civil society in the areas where projects are carried out. Partner organisations and the Federal Foreign Office and its missions abroad continually verify, monitor and survey the work of projects. This reduces opportunities to surreptitiously use project funding for unintended purposes.

All project application documents of the Federal Foreign Office include information on the implications of sanctions for project work and the responsibility of funding recipients. For project applications in connection with the crisis in Syria, the European Commission's FAQs on restrictive measures in Syria are sent to applicants together with the application documents. Furthermore, funding recipients who will be forwarding funds to third parties are obliged to implement basic measures to rule out funds being provided to sanctioned persons or organisations, and to clearly document such measures.

Projects must be monitored to ensure downstream control regarding the use of funds. Projects are monitored throughout their duration, for instance by means of interim reports and visits. Upon completion of a project, proof of the use of funds must be submitted. This is briefly checked, and in certain cases documentation is examined in more detail. Interim reports, project visits, interviews with those in charge of projects and otherwise involved, and media reports are all part of the monitoring process. High-risk projects are monitored by a specially commissioned, independent service provider (this is known as "third-party monitoring"). Thus, during the course of a project, there is constant monitoring of effects, unintended effects, and compliance with specified restrictions (such as restrictions to prevent favouring or involving highly problematic actors). If necessary, a quick and direct intervention can be made in the project.

Reporting requirements regarding project development or personnel changes to the management committee allow activities to be quickly checked and controlled.

Use of funds is checked according to the procedure set out in the Federal Budget Code (*Bundeshaushaltsordnung*) and the relevant administrative regulations (VV-BHO). Monitoring measures include checking documentation, interviewing project workers, and on-site inspections in Germany and the partner countries.

### Visibility of the funding cycle

One factor which can make the non-profit sector more vulnerable is the lack of visibility of the funding cycle – especially when it comes to donations.

Use of cash makes the funding cycle of an NPO less transparent. This can apply to both the raising and use of funds. Some extremist organisations are said to use collection tins to generate donations. This makes it more difficult to identify the donors, the volume of funds raised and their use.

Regarding use of funds, the NPOs reported during talks with the Federal Ministry of the Interior, Building and Community that funds were almost always sent by bank transfer. However, de-risking measures by the banking sector made it increasingly necessary to send cash abroad, including to high-risk countries, through little or non-regulated channels.

De-risking measures are actions taken by financial institutions to end or limit business relationships with an entire country or certain groups of clients in order to avoid risk, as called for by the FATF's risk-based approach.



Such de-risking measures enable financial institutions to minimise their own risks in this area. From the perspective of society as a whole, however, such measures are not an entirely appropriate way to deal with the risk of abuse of NPOs for the purpose of terrorist financing, although de-risking measures do make such abuse more difficult and protect the national banking system from abuse. The main (and certainly understandable) reasons for taking de-risking measures include cost-benefit considerations, risks to reputation, liability risks, the level of fines imposed by supervisory and law enforcement authorities and higher compliance costs.

There is evidence that extremist organisations conduct money transfers outside of formal banking channels (via commercial transfer services like Western Union, for instance, but also via the hawala system, in which informal money transfers are based on trust, and which is not authorised to operate in Germany). Such transfer methods are viewed as risky as they make it difficult to identify money transfers used for terrorist financing.<sup>51</sup>

The Financial Intelligence Unit (FIU) has a key role in identifying suspicious transactions connected to NPOs. If an issue is identified as falling into the risk priority area “abuse of NGOs/NPOs”, relevant reports are given priority treatment and further awareness-raising is conducted among those affected. In addition to this risk priority, the FIU has established another one in the area of terrorist financing called “abuse of money remittances”. For the high-risk cases described here, this is just as relevant as the former category and can thus contribute to risk prevention.

### *Self-assessment of the sector*

A key requirement for reducing the operational vulnerability of NPOs is that the NPOs should have a good understanding of the risks of abuse for terrorist financing. In the first quarter of 2019, working together with a consultancy, VENRO (the umbrella organisation of German development and humanitarian aid NGOs) carried out a large-scale online survey of the non-profit sector to analyse, with regard to terrorist financing, NPOs’ assessments of their own risk and of government measures.

Thanks to VENRO’s cooperation with other associations, an estimated 25,000 participants took part in its online survey. Of the NPOs surveyed, 445 answered anonymously, though they did provide information to classify their organisation. Interviews with some relevant key players were also conducted. The information gathered and the evaluation by the report’s author cannot be said to represent the position of the entire German non-profit sector. However, it does provide reference points for the structures and attitudes in many German NPOs.

The report<sup>52</sup> contains information on the self-assessment of the sector and the evaluation of government measures. It also contains recommendations for German authorities and NPOs on how to better prevent and counter terrorist financing. The preliminary final report was submitted to the Federal Government and was taken into account in the sectoral risk assessment.

<sup>51</sup> See the supranational risk assessment at EU level, SWD(2019) 650 final, p. 228.

<sup>52</sup> VENRO “Preventing Terrorist Financing in the NPO Sector: Measures to mitigate terrorist financing risk in the NPO sector in Germany”, Berlin 2019.

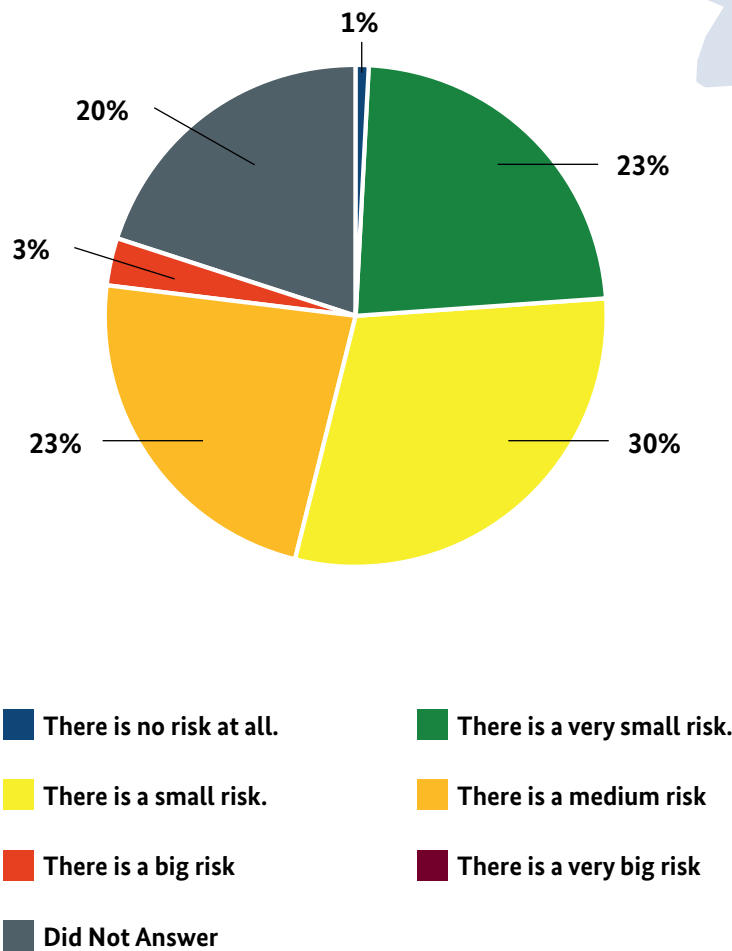
*Self-assessment of the non-profit sector*

The report found that most NPOs assess the risk from terrorist financing for the sector as a whole, and for their own organisation, as “small” to “very small”.

The results of the survey clearly suggest that the risk of terrorist financing is assessed as lower than the risk of fraud, corruption or money laundering.

**Figure 6** VENRO-Questionnaire: “How do you estimate the risk that NPO in Germany will be abused to finance terrorism?”

“How do you estimate the risk that **NPOs in Germany** will be abused to finance terrorism?”



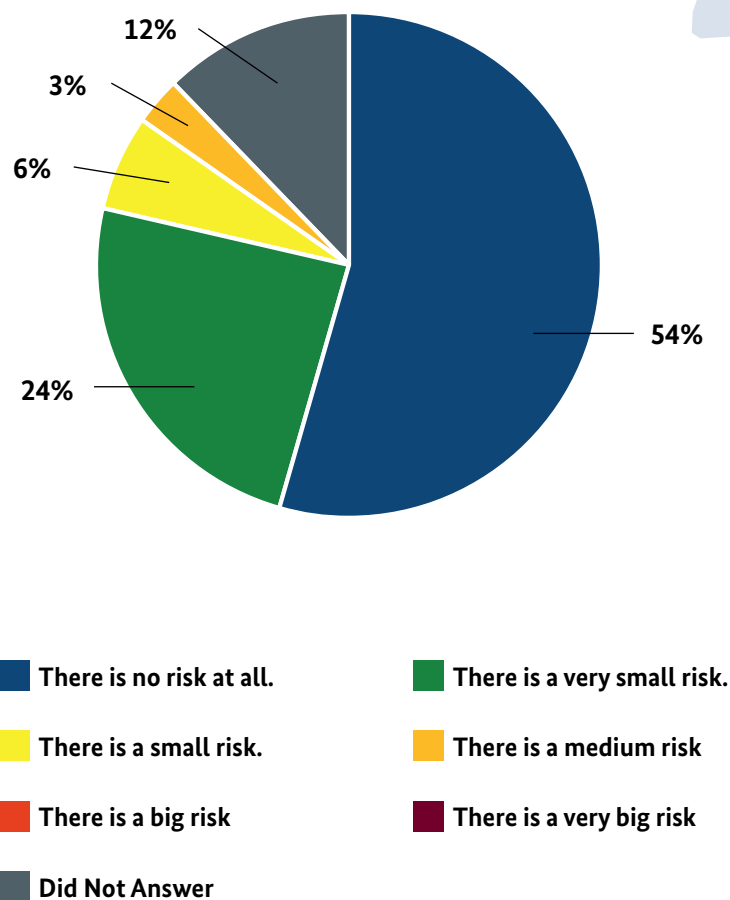
Source: VENRO report, see footnote 52. Question: “How do you estimate the risk that NPOs in Germany will be abused to finance terrorism?”

When it came to assessing their own organisation, a clear majority of NPOs saw “no risk at all” of terrorist financing.

Only 3 % assessed the risk as “medium” and only three organisations assessed the risk as even higher.

**Figure 7** VENRO-Questionnaire: „How do you estimate the risk that your NPO funds could be misused to finance terrorism?”

## “How do you estimate the risk that your NPO funds could be misused to finance terrorism?”



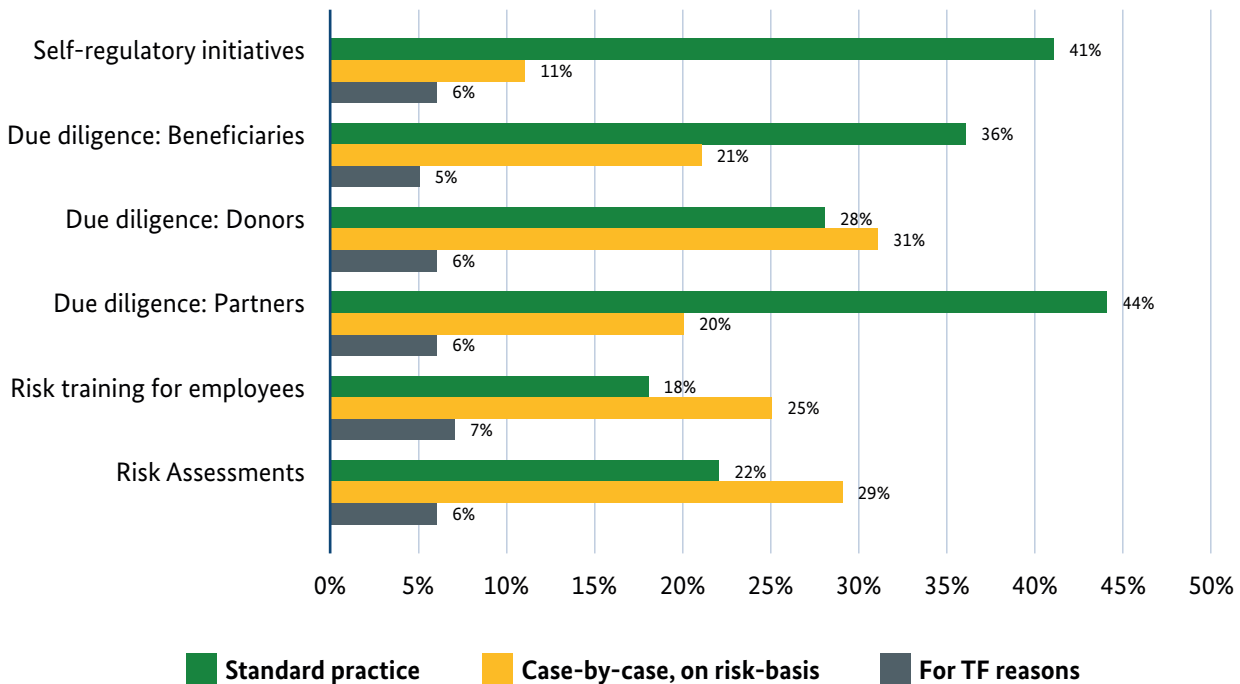
An analysis of NPOs' responses revealed that NPOs which receive foreign funding or employ foreign workers assess their own risk of abuse for terrorist financing as slightly higher than the average. On the other hand, 80 % of those NPOs still see their risk as non-existent or very small.

Regarding measures taken by the NPOs to prevent terrorist financing, the survey asked which of a selection of typical best practices were implemented by the NPOs. These included conducting risk assessments, checking the capacity and suitability of partners

(including subcontractors and other funding recipients if applicable), checking donors, beneficiaries and compliance with voluntary standards and commitments (e.g. codes of conduct, ISO standards) and providing risk-training for employees (e.g. awareness-raising and risk recognition, reduction and prevention).

Organisations were also asked whether the measures were carried out on a routine or case-by-case basis.

**Figure 8** VENRO-report: Self reported implementation of selected best practices



Source: VENRO report, see footnote 52.

The report compared the NPOs' responses regarding their own risk with their responses regarding measures taken. It found that NPOs that were at relatively high risk were often more likely to take targeted measures to prevent terrorist financing. However, this finding was based on a rather small set of data.

As regards government measures, the analysis of NPOs' responses showed that they had little

knowledge of specific prevention measures for countering terrorist financing and little knowledge of awareness-raising measures. It is worth noting, however, that because some measures are carried out by civil society actors, the fact that these are state support measures sometimes goes unrecognised. Measures taken by financial institutions, especially in the case of NPOs with foreign connections, were found to be better known.

Furthermore, the responses showed that NPOs' also have very little knowledge about information and advice regarding vulnerabilities or risks, as provided by state or other actors.

However, it should be borne in mind that the VENRO survey was carried out in February 2019. After that, numerous awareness-raising measures were carried out, both by state actors and civil society actors (e.g. VENRO and DZI).

*Areas which the non-profit sector would like to see improved*

The report also showed some aspects which, from the NPOs' point of view, were in need of improvement.

The report clearly showed that counter-terrorism was a common goal that was highly important for the work of NPOs. However, there was concern in the non-profit sector that counter-terrorism measures could disproportionately limit the work of civil society actors. Government measures, then, should aim at effective counter-terrorism, but at the same time be designed in such a way that the operational independence and effectiveness of NPOs is not overly or unintentionally restricted. Such a restriction would be incompatible with FATF requirements and counterproductive in the long term.

VENRO makes the following urgent recommendations to the Federal Government:

- respect the atmosphere of trust which makes NPOs so effective, as an essential part of countering terrorist financing;
- demonstrate and defend this approach when reporting to the FATF during evaluations;

- carefully assess the impact of potential new government measures on this atmosphere of trust, especially since measures are necessarily aimed at very small parts of the non-profit sector, but have a much broader effect.

VENRO also encourages the following:

- government authorities should enter into dialogue with the sector as a whole to discuss options for awareness-raising among donors and the public; NPOs that are at high-risk should be helped to understand their own vulnerabilities and to protect themselves;
- government authorities and NPOs which operate in high-risk areas should hold discussions on subjects such as how sanctions work and how to deal with blacklists and restrictions on using financial service providers;
- government support should be increased for the development and exchange of best practices within the non-profit sector;
- dialogue should be established among all stakeholders and relevant actors such as banks, financial supervisory authorities and other financial services providers;
- government authorities should take measures to reduce restrictions on cross-border transactions for NPOs involved in development cooperation or the provision of humanitarian aid;
- government authorities should continue – and increase – their support for self-regulation mechanisms that tend to be well-regarded.

### *Improving risk awareness in the non-profit sector*

To improve risk awareness in the non-profit sector, German authorities and the sector itself carry out awareness-raising measures.

In 2019, the Federal Ministry of the Interior, Building and Community set up a forum with representatives from the non-profit sector to explain the risks of terrorist financing and to facilitate dialogue with the sector. Depending on the subject area, representatives from various ministries take part in this forum (especially from the Federal Foreign Office, the Federal Ministry for Economic Cooperation and Development and the Federal Ministry of Finance), as do experts from the security authorities (especially the Federal Criminal Police Office and Federal Office for the Protection of the Constitution) in order to network with relevant NPO staff. Discussion topics at recent meetings of the forum have been: general information on terrorist financing and the FATF; specific risks of terrorist financing for Germany's non-profit sector; and dealing with banks' de-risking measures.

Some federal state authorities (e.g. state offices for the protection of the Constitution) also hold awareness-raising events aimed at particular target groups (prevention by teaching) and advisory services in specific cases (prevention by advising). These events have shown that the demand for advice and awareness-raising events in recent years has grown continuously, and comes not just from authorities and public bodies, but also from associations, NPOs and the private sector, for instance.

The understanding of risk is not only increased by measures taken by public authorities, but also by events and information provided by the non-profit sector. The abuse of NPOs for terrorist financing purposes is a topic addressed by organisations like the DZI or VENRO – in presentations and training events, for example. The topic was also dealt with during an annual conference in Hamburg specialising in legal aspects of foundations and NPOs (*Hamburger Tage des Stiftungs- und Non-Profit-Rechts*). The VENRO survey described above has also helped to raise awareness in the sector.

### c) Sectoral/regulatory vulnerabilities

In terms of sectoral/regulatory vulnerabilities, the following findings were made.

#### *Awareness among the (security) authorities of the risk of terrorist financing through NPOs*

The German authorities are constantly increasing their understanding of risk in this area. Relevant NPOs and potential threats are initially examined in the context of criminal investigations, intelligence collection, proceedings to ban associations, and through the work of the FIU. The FIU is a central point of reporting under the Money Laundering Act and is involved in the overall strategy to prevent and combat money laundering and terrorist financing.

Evidence of possible terrorist financing can arise from reporting under the Money Laundering Act, so the continuous analysis of such reporting by the FIU is key. If the FIU finds such evidence, it immediately sends an assessment (along with relevant reports) to the responsible federal and state authorities.

In July 2019, to ensure that relevant reporting was processed strictly according to risk, the FIU established two specific risk priorities in the area of terrorist financing: “abuse of NGOs/NPOs” and “abuse of money remittances”.

### Regular dialogue between relevant authorities to improve risk awareness:

- Once a year, the FIU organises a security conference, attended by many authorities at federal and state level, to promote operational and strategic dialogue on terrorist financing and other security topics. The next security conference will discuss the two newly identified risk priorities for terrorist financing: “abuse of NGOs/NPOs” and “abuse of money remittances”.
- The Federal Criminal Police Office regularly holds a specialised conference for staff working in the area of politically motivated crime – financial investigations. The conference is attended by experts from the state Criminal Police Offices and by staff from security authorities at federal level.
- Similar events are held at federal state level, for instance the financial investigations conference in Baden-Württemberg (whose participants include Baden-Württemberg’s interior ministry and criminal police office, the regional commissioners’ offices and the police headquarters) and regular dialogue with the supervisory authorities of foundations.
- Information on NPOs involved in terrorist financing or extremist activities is shared among the German domestic intelligence services. Such information is also shared (if allowed by the law) with the police and tax authorities responsible for implementing any relevant executive measures.

### Registration of NPOs

The vast majority of NPOs in Germany are recorded in various public registers:

Registers of associations are kept by the relevant local courts. They may be accessed and viewed by the public, and they provide a reliable record of the legal relationships of non-profit associations, which are especially important for legal transactions. Registers of associations contain information on (among other things) the purpose, name, headquarters and authorised representatives of the associations listed. Applications for registration have to be publicly witnessed and reviewed by a court of law to ensure that the information entered in the register is correct. Associations are obliged to report any changes to the information entered in the register in order to ensure that the register remains up to date.

Lists kept by the foundation authorities record at least the purpose, name, address and headquarters of each foundation. Many lists of foundations also contain information on the foundation’s bodies authorised to represent it and/or the members of these bodies.

The Transparency Register, introduced in October 2017, represents an addition to the registers of associations and lists of foundations in the non-profit sector. It has led to nationwide standardisation of, and in some cases addition to, information on associations and foundations, thereby increasing transparency in this area.

### Supervision by the authorities; warning mechanisms

Applications to register associations are reviewed by the registration courts, which must ensure that associations fulfil their registration obligations. Associations are not subject to the same kind of supervision that foundations are. For non-profit associations, checks by the tax authorities are key – along with the internal monitoring mechanism of members meetings. However, under specific conditions the relevant authorities may impose a ban on associations (see below).

Foundations with legal capacity are subject to supervision by the authorities under state law.

Measures by the German authorities and the non-profit sector can alert potential donors to suspicious or untrustworthy organisations:

- Reports on the protection of the Constitution (produced by the domestic intelligence services at federal and state level) are the main sources of public information about extremist activities and organisations. The reports provide fact-based, well-presented information on numerous associations. They are directly available to a wide public audience. The information is also available through other media.
- In certain cases, German domestic intelligence services provide public warnings about relevant associations in press releases or on their own websites.
- In some federal states, regulations apply to collecting money from door to door, on the street or in other ways. The state of Rhineland-Palatinate, for instance, has its own fund-raising law (*Sammlungsgesetz*). The relevant state authorities monitor charitable fund-raising activities and check whether the funds raised are used for the purposes publicised. The state of Rhineland-Palatinate provides information (in German) about fund-raising bans (<https://add.rlp.de/de/themen/staat-und-gesellschaft/ordnung/sammlungen/>).
- The German Central Institute for Social Issues (DZI) advises against donating to organisations suspected of breaking the rules. It can issue warnings with regard to particular NPOs or classify them as unsuitable for donations. Such assessments are based on research by the DZI donation advice service and on information received from the public. On several occasions, organisations shown by the DZI to have connections with terrorist financing have subsequently been the subject of government investigations and/or sanctions.

### Reviewing non-profit status

Granting and regularly assessing non-profit status under tax law is a key monitoring task of the relevant local tax authorities. Non-profit status under tax law is essential for the finances of the vast majority of NPOs: almost 90 % of associations are recognised as non-profit-making. For associations involved in social services and international solidarity work, the proportion is just over 95 %.<sup>53</sup> And some 93 % of all foundations have non-profit status.<sup>54</sup>

Non-profit status brings considerable benefits to NPOs, such as exemption from tax (income tax, corporate tax, property tax, inheritance tax, gift tax) and relief from VAT. Additionally, it is often a precondition for receiving government funding. Reviewing and, if necessary, revoking non-profit status are therefore key instruments of government monitoring.

One of the tasks of the tax authorities is to check how organisations have used the resources given to them (be it cash, materials or rights of use). Tax offices check the records to ensure that no organisations illegally obtain (tax) benefits through the abuse of non-profit status. For organisations with diverse areas of activity or extensive business activities, tax offices make use of their own auditing authorities.

If a tax authority determines that a non-profit association is using its funds for terrorist financing, it initiates a procedure to review the organisation's non-profit status under tax law. This might be done, for instance, if it is found that a piece of routine accounting is missing, or the requirement of altruistic activity has been infringed, or disproportionately high fees have been paid for a service.

If such evidence comes to light, a domestic intelligence agency may withhold or revoke the non-profit status of the organisation in question. A frequent obstacle to this, however, is that information obtained by intelligence services might not be usable for such purposes.

<sup>53</sup> Krimmer, Weitemeyer et al., p. 25.

<sup>54</sup> <https://www.stiftungen.org/stiftungen/zahlen-und-daten/statistiken.html>.



### Example: Non-profit status withheld

One association was asked during proceedings to determine its non-profit status whether it had connections to a particular extremist organisation. The board of the association denied such connections in a written reply. The board was once again confronted with this issue in an interview with the tax office, this time with reference to photographic evidence provided by the state office for the protection of the Constitution, which showed representatives of the extremist organisation standing in front of their flag, together with the board of the association, in the association's premises. As a result, the association's application for non-profit status was stopped.

### Example: Non-profit status revoked

One association was initially granted non-profit status on the basis of its statutes. A state office for the protection of the Constitution then received unsolicited information that functionaries from this association were extremists. During the first inspection of the association's business activities, it was found that the association was using various media to spread extremist ideology. Based on information already obtained on the persons involved and on publications released by the association, which were obtained during the assessment procedure, a request for information was made to the domestic intelligence agencies. With regard to this affair, a discussion took place between the tax office and staff of the local office for the protection of the Constitution. The discussion covered, among other things, the historical development of the association, its infiltration by extremists, and the transfer of activities to it from another organisation, which had been banned. The association was classified overall as an extremist organisation by the office for the protection of the Constitution.

### *Effectively combating the abuse of NPOs for terrorist financing purposes*

The abuse of NPOs for terrorist financing purposes is combated effectively by the German authorities. Executive measures such as banning transactions or securing and freezing assets are done according to provisions on money laundering and/or under criminal law. In addition to criminal prosecution and intelligence observation, Germany has the option, under certain specific conditions, to ban associations.

Bans on associations are highly effective in the long term: seizing an association's assets and weakening its local structures (e.g. seizing its premises, removing its infrastructure) usually disable its organisational structures.

For abuse to be combated effectively, it is important to have close national cooperation and coordination. Information can be shared quickly through close bilateral contacts between the federal states and the Federal Criminal Police Office (BKA), the Federal Office for the Protection of the Constitution (BfV) and the Customs Criminological Office (ZKA). These structures, combined with those of the Joint Counter-Terrorism Centre (GTAZ) and the Joint Centre for Countering Extremism and Terrorism (GETZ) allow information-sharing at the level of police, judiciary and intelligence agencies. The GTAZ is not an independent agency but a platform for cooperation and communication across 40 national domestic security authorities. These authorities share information in daily briefings, for instance on the latest developments in Islamist terrorism. The same applies to the GETZ, which is responsible for the phenomena of right-wing, left-wing and foreigner extremism / terrorism and counter-espionage (including proliferation).

## Interim results: Vulnerability of Germany's non-profit sector

The German non-profit sector has vulnerabilities of various types and to varying degrees, making it susceptible to the threat scenarios described above. However, numerous government and sectoral measures help to reduce the sector's vulnerability.

The **operational vulnerability** of Germany's non-profit sector to terrorist financing is classified as low. A key factor here are the numerous instruments and monitoring mechanisms for transparency, publicity and accounting. On a sectoral basis, this is achieved through a number of voluntary commitments and codes of conduct. The risk awareness of the sector is rated as medium-high. Awareness-raising measures by the authorities can improve risk awareness. Such measures should therefore be expanded.

Detailed risk-based requirements in allocating resources and strict monitoring of activities in the fields of humanitarian aid and crisis prevention go a long way to ensuring that government resources are not misused for terrorist financing purposes.

The transparency of the funding cycle of NPOs in Germany can be rated as positive. The introduction by the Financial Intelligence Unit of the risk priority "abuse of NGOs/NPOs" in 2019 has led to even more targeted scrutiny of suspicious transactions. However, de-risking measures in the banking sector mean that NPOs have increasingly turned to alternative types of financial transfers (such as cash couriers and commercial transfer services), creating significant vulnerability for the non-profit sector.

Thanks to a well-developed system of registration requirements, supervisory measures, and targeted, risk-based control and intervention mechanisms, the overall **sectoral vulnerability** of the German non-profit sector can be classified as low. A key reason for this is the ongoing attention paid by the German authorities to the risk situation in Germany. Granting and regularly assessing non-profit status under tax law is a key monitoring task of the relevant local tax authorities. The sector's vulnerability could be reduced if information showing the non-profit status of specific organisations were made public. This would also provide greater transparency for potential donors. However, it would not be compatible with the principle of tax secrecy (see section 30 of the German Fiscal Code).

Among the numerous mechanisms for detecting and countering the abuse of NPOs for terrorist financing, bans on associations are particularly effective in the long term.

### 3. Multiple impacts of terrorist financing through NPOs

The abuse and targeting of NPOs for terrorist financing purposes not only supports terrorism; it can have other negative impacts as well.

#### *Use of money for terrorist financing*

While their specific aims may differ, all terrorist associations need money to pay for equipment, logistics and attacks. Money they receive can be used to acquire goods which are not directly related to carrying out terrorist activities (e.g. clothing, bandages, food) but which strengthen the structure of the organisation.

The problem with money used for terrorist financing is that there is often no record of what exactly it was used for. Often the financial structure of the organisation in question is not transparent to outsiders and the use of the resources it acquires cannot be traced. Frequently no link can be found to specific attacks carried out at home or abroad.

And yet, strengthening the organisation as a whole can help spread its propaganda and thus recruit more supporters. It also contributes towards a climate in which violent extremism and radicalisation spread.

#### *Negative impacts for NPOs*

If an NPO is found to be a sham, or specifically used to raise money for terrorist associations, it can be banned and its assets confiscated.

If an NPO is abused as a cover for terrorist financing, its reputation can suffer greatly as a result. If the public loses trust in the integrity of an NPO, this may result in loss of income through donations or government funding.

At the same time, pressure may grow for additional monitoring mechanisms to be introduced to protect against terrorist financing, making business processes more complicated and raising the administrative costs of preventive measures.

Loss of trust can also destroy relationships with institutions in the financial sector. Loss of support from banks can prevent an NPO from achieving its aims and severely compromise its success.

#### *Negative consequences for donors, employees and beneficiaries*

For donors, the abuse of an NPO represents a loss because money they donate is not used as they intended. People who work for the NPO as employees rather than volunteers may lose their jobs.

If the NPO's business is compromised, this may be to the disadvantage of the very people the NPO is trying to help (the target group). If aid deliveries or financial support are no longer forthcoming, this could have serious consequences for those in need – such as deterioration of health.

## 4. Risk assessment of the non-profit sector

Based on the threat situation (see D.1) and vulnerability of the sector (see D.2), the overall risk of terrorist financing is varied: terrorist financing through the abuse of legitimate NPOs is rated as medium-low, while terrorist financing through the targeted use of NPOs posing as legitimate entities is rated as medium-high.<sup>55</sup>

Overall, the *threat* level for the targeted use of an NPO posing as a legitimate entity is rated as higher. The relevant scenarios currently reflect the strategic approach of extremist organisations in Germany.

In terms of *vulnerabilities*, the non-profit sector has many initiatives and advisory services which offer robust protection against abuse for purposes of terrorist financing. Similarly, government measures are so diversified and forceful that terrorist financing activities through NPOs have so far been identified effectively.

On the whole, cases of terrorist financing involving NPOs have been truly exceptional, isolated cases. In these isolated cases, however, significant sums have been raised and/or transferred, resulting in the possibility of significant threats.

The following risk analysis is based on various specific parameters.

### a) Risk analysis: Forms of organisation

Analysing risk according to organisation size is only possible to a limited extent. For big organisations the potential damage may be greater as they tend to have more assets. However, even small organisations have been capable of generating considerable resources quickly, especially those that provide humanitarian aid. This includes extremist organisations.

Even organisations with fewer assets can be used effectively for terrorist financing. Small organisations have often been involved in aid convoys in crisis regions, for instance. In connection with the aid convoys, there is a high risk that the transport of goods and persons can be used to support terrorist organisations.

Smaller organisations tend to be less professional and have fewer permanent staff. Organisations with large numbers of short-term voluntary workers may struggle to maintain robust compliance structures. Such structures are key in reducing vulnerability.

It is not possible to eliminate the risk of terrorist financing for certain forms of organisation. However, in general, associations are at higher risk than foundations and non-profit private limited companies. This can be seen from the cases in which NPOs have so far been abused or targeted in Germany: none of the known cases involved a foundation under German law or non-profit private limited company.

Foundations and non-profit private limited companies are less vulnerable than other forms of NPO, as they have to meet more stringent criteria and are subject to more frequent monitoring.

A foundation with legal capacity can only be founded with the approval of the government authorities. Furthermore, before it can be formed, a foundation needs to have substantial assets. This is true of most foundations, which can only finance their intended activities with income from their assets. Foundations are also subject to supervision by the relevant authorities, to whom they must submit annual reports on their activities and information on their finances.

Non-profit private limited companies, on the other hand, are a less common, highly specific form of organisation. They differ from associations and foundations in terms of their organisational structure.<sup>56</sup>

55 This scale corresponds to the National Risk Assessment: high, medium-high, medium, medium-low, low. Regarding the distinction between the abuse of a legitimate NPO and the targeted use of an NPO posing as a legitimate entity, see D.1.c.

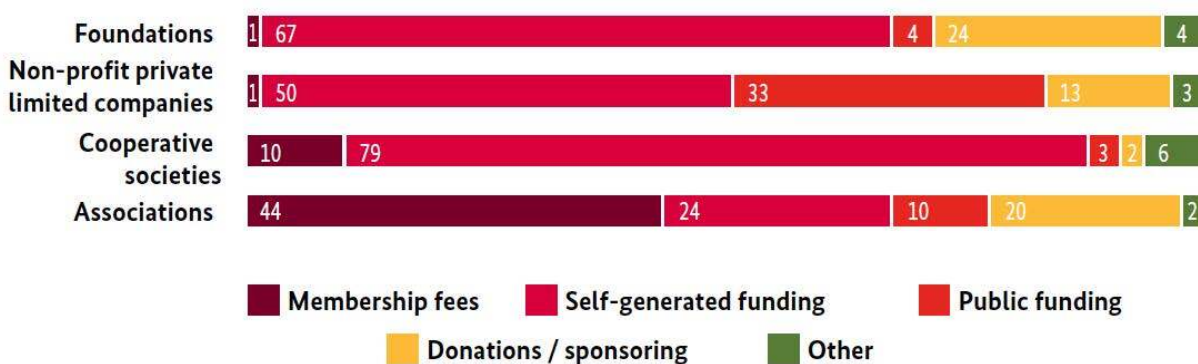
56 Krimmer, p. 115.

A characteristic feature of such companies – unless they are set up as a non-profit enterprise company with limited liability (gUG) – is that upon formation they require a share capital of € 25,000 (see section 5 (1) of the Limited Liability Companies Act; *GmbH-Gesetz*). Non-profit private limited companies supplement services provided by public or private enterprises (see C.3.a). They are also obliged to disclose their accounts under commercial law. Medium and large non-profit private limited companies (section 267 (2) and (3) of the Commercial Code;

*Handelsgesetzbuch*) must have their accounting documents (annual financial report and situation report) checked by an auditor. Furthermore, non-profit private limited companies must submit their accounting documents to the Federal Gazette for publication or registration.

Non-profit private limited companies obtain only a relatively small proportion of their funds from donations, while a relatively large proportion comes from public sources. This means they are subject to close government supervision.

**Figure 9** How are civil-society organisations funded in Germany?



Source: Priemer, Labigne, Krimmer, p. 16.

Forming an association and entering it in the register of associations is easier than setting up a foundation or private limited company. Associations can be entered in the register if they pursue non-material goals, if their statutes fulfil certain simple requirements and if they have at least seven members. To be entered in the register, associations must pay a fee of € 75. They must also pay court expenses for the publication of the entry in the register and the costs for the entry to be certified by a notary. In order to enter an association in the register – and thereby acquire legal capacity – no initial assets are required. This is in contrast to the procedure for forming a foundation or non-profit private limited company.

**b) Risk analysis: Areas and forms of activity**

According to the FATF’s definition, NPOs are organisations that primarily engage in raising or disbursing funds for charitable, religious, cultural, educational, social or altruistic purposes, or for carrying out other types of “good works”. Organisations in Germany whose work primarily consists in raising funds and using them for relevant projects are aid organisations. Apart from organisations providing humanitarian aid, these include other organisations that raise funds for other charitable purposes (e.g. animal rights).

Risk of exploitation for terrorist financing is high for humanitarian aid organisations operating in crisis regions. This is especially true if they provide aid to regions that are key areas of operations for terrorist persons and organisations.

To the knowledge of German Authorities, there have only been a few occasions where organisations have indeed fallen victim to such exploitation – when providing substantial financial support to the health or education sectors. Owing to the very low case numbers in Germany, it would not be appropriate to make a general risk assessment for these scenarios.

The kinds of cases that have come to light in the jihadist context suggest that the charitable organisations affected are controlled and administered by actors who share the ideological views of terrorist organisations. Yet the benign public image of those organisations can attract involvement/support from well-meaning, unsuspecting persons or entities (e.g. those providing refugee assistance).

For organisations that receive government funding, the risk is assessed as lower due to their multilevel monitoring mechanisms (see D.2.b).<sup>57</sup>

From a geographical perspective, organisations in urban areas are exposed to greater risk than those in rural areas. This is due to a higher prevalence of Islamist extremists in big cities and conurbations.

### c) Risk analysis: Categories of extremist activity

Risk was also assessed in terms of categories of extremist and terrorist activity.

Evaluating the findings of relevant authorities, it seems likely that financing terrorism through (the abuse of) NPOs is usually done in support of foreign rather than domestic terrorist organisations.

By contrast, (purely) domestic extremist and terrorist organisations raise their funds mainly by collecting from members and supporters and through criminal activity.

One specifically identified context for terrorist financing through (the abuse of) NPOs is the Salafist and jihadist context. There is currently no information on the systematic financing of left-wing extremist terrorism in Germany. In the context of extremism by foreigners (excluding Islamist extremism), large sums of money are generated in Germany. This is done regularly by fund-raising; however it is not done through any official NPO channels, but by asking supporters directly. The funds are mainly transferred by cash couriers.

Most organisations that fall within the category of right-wing extremism are right-wing extremist political parties and independent neo-Nazi groupings which do not fit the FATF definition of a NPO. They do not engage primarily in raising or disbursing funds for charitable, religious, cultural, educational and social purposes, or for reasons of solidarity, or for carrying out other types of “good works”. Instead, their main focus is political activism.

Nevertheless, the activities of right-wing extremists must continue to be monitored for any potential threat of terrorist financing through (the abuse of) NPOs. This is because some small right-wing extremist parties have recently been focusing on ostensible social engagement. In recent years, there has been a rise in the number of activities within the right-wing extremist milieu that purport to provide social support.<sup>58</sup> The “German Winter Aid” campaign included appeals for donations.<sup>59</sup>

<sup>57</sup> This risk assessment corresponds to that of the supranational risk assessment at EU level, SWD(2019) 650 final, p. 228.

<sup>58</sup> Federal Office for the Protection of the Constitution, *Kümmerer vor Ort? Rechtsextremistische Kleinparteien und ihr vermeintlich soziales Engagement (A helping hand where needed? Right-wing extremist parties and their supposed social engagement)*, p. 18.

<sup>59</sup> Federal Office for the Protection of the Constitution, p. 23.

#### d) Especially high-risk NPOs

It is impossible to generalise about which German NPOs present an especially high risk. But certain criteria can be identified which appear to be associated with higher risk. However, this does not mean that all organisations which fulfil these criteria are high-risk, or that organisations which do not fulfil these criteria are not at risk. Moreover, it is only a snapshot of a risk situation which can change very quickly in the light of new developments or information.

Organisations can be especially high-risk if they fulfil the following criteria (listed in order of importance):

- they can be placed, as organisations in their entirety, into categories of extremism (especially Islamist extremism);
- they are controlled and administered by actors who share the ideological views of extremist/terrorist organisations;
- they employ staff who share the ideological views of terrorist extremist/terrorist organisations;
- they collect cash or transfer large amounts of money via cash courier and informal financial services;
- they transfer funds to crisis regions or use them there; note that this is a high-risk factor but in no way intended to place the necessary and valuable humanitarian aid being delivered to these regions under general suspicion;
- they are reliant on local partner organisations to implement humanitarian aid projects and do not select such organisations according to strict criteria;
- they are subject of a suspicious transaction report regarding terrorist financing;
- their main activities are to raise funds for non-humanitarian aid projects and to use these funds in crisis regions;
- they have an especially low level of professionalism and no robust compliance structures in place.

# E. Identified need for action



## E. Identified need for action

Based on the threats and vulnerabilities described, this risk assessment has identified some action points which could help to combat even more effectively the financing of terrorism through (the abuse of) NPOs. Following on from this assessment, a detailed examination should be made regarding which of the action points below can be implemented:

- carry out a comprehensive risk assessment of the non-profit sector on a regular basis in the framework of the National Risk Analysis;
- have the authorities concerned with terrorist financing, in particular the FIU as the central body for reporting suspected violations of money laundering law, continuously assess and evaluate (from an operational and strategic perspective) new cases and suspicious scenarios;
- improve statistical records held by police and tax authorities on cases of terrorist financing through NPOs, so that those authorities better understand the risks; initiate a research project to collect data from the judicial authorities<sup>60</sup>;
- continue raising awareness within the non-profit sector of the risk of terrorist financing;
- provide help with creating more robust compliance structures and more effective tools for self-regulation in the non-profit sector;
- examine possible measures in the banking sector to help prevent excessive de-risking;
- initiate dialogue between the non-profit sector and the banking sector to foster understanding of each side's concerns and to find shared solutions which are able to help reduce the negative consequences of de-risking – such as higher risk of terrorist financing through increased cash transfers;
- provide NPOs with information on how to deal with sanctions and lists;
- develop measures for NPOs that fit a well-defined risk profile (e.g. regularly transferring assets to certain high-risk countries), for example:
  - obliging them to set up compliance structures and to prove that they have done so;
  - imposing special record-keeping and retention requirements, e.g. regarding the final use of donated funds transferred;

<sup>60</sup> The Federal Government already aims to improve statistics in the area of law enforcement, as noted in its strategy to counter money laundering and terrorist financing, [https://www.bundesfinanzministerium.de/Content/DE/Downloads/Broschueren\\_Bestellservice/2020-01-17-strategie-geldwaesche-terrorismusfinanzierung.pdf?\\_\\_blob=publicationFile&v=6](https://www.bundesfinanzministerium.de/Content/DE/Downloads/Broschueren_Bestellservice/2020-01-17-strategie-geldwaesche-terrorismusfinanzierung.pdf?__blob=publicationFile&v=6); S. 17.

- review the practice and draw up recommendations for improvement as appropriate in the framework of existing regulations for information requests by bodies responsible for registers of associations; raise awareness as needed among bodies responsible for registers of associations of the possibility of consulting the domestic intelligence agencies in case of suspected extremism;
- have tax offices submit requests for information to the domestic intelligence agencies before recognising the non-profit status of NPOs which fit a specific well-defined risk profile;
- encourage the tax authorities to regularly review the reports of the federal and state offices for the protection of the Constitution and take action as needed, in particular withdrawing non-profit status, as a consequence of the assumption under section 51 (3) sentence 2 of the German Fiscal Code; have the responsible office for the protection of the Constitution inform the responsible tax authority when an extremist group having legal capacity and headquarters in Germany is included in a report on the protection of the Constitution for the first time.

**Publication data****Published by**

Federal Ministry of the Interior, Building and Community  
Alt Moabit 140  
10557 Berlin

**Last updated**

2020

**Design by**

Orca Affairs GmbH  
Schumannstr. 5, 10117 Berlin

**Photo credits**

Cover: © Dmytro Synelnychenko / stock.adobe.com; © Franz Pfluegl / stock.adobe.com

**Contact information for orders**

Publikationsversand der Bundesregierung  
Postfach 48 10 09, 18132 Rostock

Telephone: 030 18 272 2721

Fax: 030 1810 272 2721

E-Mail: [publikationen@bundesregierung.de](mailto:publikationen@bundesregierung.de)

**Article no. BMI21004**

Video relay service (German Sign Language, DGS): [gebaerdentelefon@sip.bundesregierung.de](mailto:gebaerdentelefon@sip.bundesregierung.de)  
Online orders: [www.bundesregierung.de/publikationen](http://www.bundesregierung.de/publikationen)

Additional Federal Government publications can be downloaded or ordered here:  
[www.bundesregierung.de/publikationen](http://www.bundesregierung.de/publikationen)

This publication is issued as part of the public information work of the Federal Government. It is available free of charge and is not for sale. It may not be used by political parties, electoral candidates or campaign workers for purposes of election campaigning. This applies to elections to the German Bundestag, federal state and local elections, and elections to the European Parliament.

