

## NATURE OF THE THREAT OF TERRORIST ABUSE AND EXPLOITATION OF NON-PROFIT ORGANIZATIONS (NPOs)

### ONGOING EXPLOITATION OF CHARITIES BY TERRORIST ORGANIZATIONS

Terrorist organizations continue to exploit and rely upon charities as a critical source and means of support, including by:

- radicalizing vulnerable populations and recruiting members by providing social, economic and welfare services through charities operating on behalf of terrorist organizations;
- moving and diverting funds from unwitting donors through charities operating on behalf of terrorist organizations to finance terrorist operations, and
- providing a legitimate cover to terrorist operatives, financiers and supporters.

A prime example of Foreign Terrorist Organizations (FTOs) radicalizing vulnerable populations and recruitment is the 2008 terrorist attacks in Mumbai, India. The development of the charitable arm of Lashkar-e-Tayba (LeT) demonstrates the centrality of social welfare and humanitarian relief as a means to build support for FTOs. Following the U.S. designation of LeT in December 2001 and Pakistan's banning of the group in January 2002, LeT renamed itself Jamaat ud Dawa (JUD) in an effort to evade sanctions. Despite the name change, the same leaders that form the core of LeT remain in charge of JUD. The founder of LeT, Hafez Mohammed Saeed, also heads the JUD. JUD has praised suicide attacks around the world, including by the Taliban, Iraqi insurgents, and Palestinian Islamic Jihad. LeT was added to the UNSC 1267 Sanctions Committee list in 2005, and JUD was also added to the UNSC 1267 Sanctions Committee list in December 2008 as an alias of LeT.

JUD continues to use LeT's vast network of mosques, hospitals, clinics, madrassas, and fundraising offices throughout Pakistan to raise money and recruit on behalf of LeT. The importance of charities to LeT/JUD is also demonstrated by the provision of disaster relief. By providing humanitarian relief in the aftermath of the earthquakes in Kashmir in 2005 and Baluchistan Province in October 2008, LeT/JUD was able to capitalize on the slow international response and build support for its terrorist agenda.

To effectively combat this form of abuse and exploitation, countries and authorities must identify and counter not only those charities providing direct support for terrorist activity through diversion of funds, but also those charities associated with terrorist organizations in any way (see Elehssan Society and Goodwill Charitable Organization designations below as examples). It is particularly important that governments raise awareness of and prohibit dealings with those charities that operate on behalf of terrorist organizations. Government outreach is needed to describe these various forms of threats to the charitable sector and the general public, and to enhance efforts to better safeguard charitable donations to minimize the risk that they are used by or for the benefit of terrorist organizations. UN and country-specific designations, criminal investigations and indictments, and international studies document the abuse of charities by

terrorist groups. The main source for this information comes from the Financial Action Task Force (FATF). Additionally, studies by the Council on Foreign Relations, Center for Security Policy, Washington Institute for Near East Policy, Danish Institute for International Studies, Norwegian Defense Research Establishment, and the Center for Contemporary Conflict all document the abuse. These studies demonstrate terrorist abuse of the charitable sector by their exploitation and infiltration of charitable organizations to establish legitimacy, dispense reconstruction and disaster assistance, build a political/recruiting base, and raise and divert funds to terrorism activities.

### OTHER EXAMPLES OF ABUSE OF NPOs BY TERRORIST GROUPS

Below are several examples of terrorist abuse of charities taken from documents supporting UN and U.S. designations. Many of the designated groups continue to operate under aliases.

-- The UNSC 1267 Committee designated two Pakistani trusts, Al Akhtar Trust and Al Rashid Trust in 2006 and 2002, respectively, for providing a wide range of support, including financial and logistical, to al-Qaida and Pakistan-based terrorist groups responsible for numerous bombings and terrorist attacks, primarily against India. Support from the two trusts was directed to individuals designated by the UNSC 1267 Committee. The trusts were also involved in the delivery of arms and ammunition into Afghanistan. Al Rashid Trust was implicated in the 2002 murder of Wall Street Journal correspondent Daniel Pearl.

-- The UN designated the Global Relief Foundation (GRF) in 2003 because its offices were funneling money to several known al-Qaida operatives. One such operative was Wadih El-Hage, convicted for his role in the bombings of the U.S. embassies in Kenya and Tanzania. Photographs seized from GRF's U.S. offices depicted sophisticated communications equipment and munitions with notations indicating destinations to terrorist groups in Pakistan.

-- The U.S. designated the Islamic African Relief Agency (IARA) for its strong links to al-Qaida in 2004. The Sudan-based organization's 40 worldwide offices were designated along with five senior officials based in Sudan, Pakistan, Jordan, and Ireland. The U.S. had strong evidence that IARA provided financial support to a group of terrorists planning to attack U.S. military interests in Saudi Arabia. Its Afghanistan branch office was also controlled by a lieutenant of Usama bin Laden.

-- The Elehssan Society, designated by the U.S. in 2005, serves as the fundraising and distribution arm of Palestinian Islamic Jihad (PIJ), designated by the U.S. for its terrorist activities. In February 2005, PIJ claimed responsibility for the February terrorist attack in Tel Aviv that killed five and wounded more than 50 people. In recent years, Elehssan has cooperated with PIJ to distribute funds to the families of PIJ prisoners and deceased members, and was informed by PIJ when entitlements were sent. Elehssan also maintains lists of PIJ-associated families who are to receive compensation, including the families of PIJ suicide bombers.

-- Goodwill Charitable Organization (GCO), designated by the U.S. in 2007, is a fundraising office established by the Martyrs Foundation in Dearborn, Michigan. GCO is a Hizballah front organization that reports directly to the leadership of the Martyrs Foundation in Lebanon.

Hizballah recruited GCO leaders and has maintained close contact with GCO representatives in the United States. Hizballah runs many social services and charitable organizations in Southern Lebanon, supported by fundraising organizations such as GCO, and builds support through such efforts.

-- In 2008, the U.S. designated the headquarters and worldwide branches of the Revival of Islamic Heritage Society (RIHS) organization for providing financial support for acts of terrorism. RIHS offices in Afghanistan and Pakistan were already designated by the UN in 2002. RIHS has sent money via courier to a number of UNSC 1267 Committee-designated terrorist groups, including LeT, Jemaah Islamiyah (JI), and various al-Qaida affiliated groups in Somalia and Bangladesh. RIHS employees provided logistical support to JI leader Hambali prior to his capture in 2003. RIHS was also implicated in funding for terrorist groups that carried out a series of bombings in Bangladesh in 2005.

For additional examples of such exploitation, please see Terrorist Abuse of Charitable Operations in Post Earthquake Pakistan (available at <http://www.treas.gov/offices/enforcement/key-issues/protecting/>).

#### INTERNATIONAL STRATEGY TO COUNTER TERRORIST ABUSE OF NPOs

The charitable sector has been identified by counter-terrorism authorities and the international community as vulnerable to exploitation for terrorism purposes. Most importantly, FATF – the preeminent international standard-setting body for anti-money laundering and countering the financing of terrorism -- has issued an international standard on combating terrorist abuse of NPOs, known as Special Recommendation VIII. This international standard calls for governments to develop and implement a comprehensive framework to combat this threat, including development and implementation of a four-pronged approach that includes:

- i. Private Sector Outreach: Raise awareness of terrorist financing threats and risk mitigation practices in the charitable sector through comprehensive and sustained outreach to NPOs, donors and general public; and develop guidance documents;
- ii. Oversight of NPO Sector: Foster financial, programmatic, and operational transparency through regulatory supervision, including licensing and/or registration of NPOs, and promote transparency and risk mitigation with respect to grantees, foreign branches and activities of international NPOs;
- iii. Targeted Financial/Criminal Investigations and Enforcement Actions: Identify and reduce terrorist elements within the charitable sector through targeted enforcement actions (e.g., targeted sanctions/terrorism designations; diplomatic; military; or law enforcement actions); and
- iv. International Engagement and Information-Sharing: Implement effective information-sharing and coordination among government agencies and with other governments to effectively combat this threat.

For additional information, please see the following reports on the FATF website:

FATF Typologies Report on Terrorist Financing (available at: [http://www.fatfgafi.org/findDocument/0,3354,en\\_32250379\\_32237277\\_1\\_32247552\\_1\\_1\\_1,00.html](http://www.fatfgafi.org/findDocument/0,3354,en_32250379_32237277_1_32247552_1_1_1,00.html))- see pages 8, 11, & 25

FATF Interpretive Note to Special Recommendation VIII: Non-Profit Organizations (available at <http://www.fatf-gafi.org/dataoecd/43/5/38816530.pdf>)

Best Practices in Combating the Abuse of Non-Profit Organizations (available at <http://www.fatf-gafi.org/dataoecd/39/19/34033761.pdf>)

### WHAT GOVERNMENTS CAN DO

The USG encourages other governments to develop a comprehensive strategy to address effectively each of the four key aspects of the international framework: outreach, oversight, enforcement actions, and international engagement. A valuable first step would be a government review and vulnerability study of the domestic charitable sector. The Interpretive Note to SR VIII specifically directs FATF countries to perform this domestic assessment. The sector review is intended to assist countries in implementing the international standard, taking into account their unique demographics, governing structure, and security risks.

We would welcome governments' working within the FATF and FATF-style regional bodies to assist with greater regional implementation. The importance of these actions is reinforced by the 2008 Tokyo Summit G8 Leaders statement about their concern for the continuing abuse of NPOs by terrorists, and their request for experts to take steps to share information, evaluate threats, assess new trends and promote implementation of existing FATF standards and best practices in the NPOs sector.

### WHAT THE PRIVATE SECTOR CAN DO

Charities and donors should implement best practices to counter the risk of abuse or exploitation of charities by terrorist organizations as well as to promote the safe and effective delivery of charitable assistance around the world, particularly in regions where terrorist groups are most active. The U.S. Treasury Department has provided voluntary guidelines to assist the charitable sector in developing such best practices, based on a risk-based approach. Treasury's Guidelines and the Office of Foreign Assets Control (OFAC's) Risk Matrix may be found via the links below.

To assist the charitable sector and general public in identifying charities associated with terrorist organizations or activities, governments and the UN have publicly designated and issued lists of designated parties related to terrorism:

- The UN maintains a list of internationally-designated individuals and entities associated with al Qaeda, bin Laden, and the Taliban on its UNSCR 1267 Consolidated List.

- OFAC maintains another list of individuals and entities designated pursuant to a broad range of sanctions programs, including those parties designated for supporting terrorist organizations and activities. This list of Specially Designated Nationals - known as the SDN List or OFAC List - can be divided by program to include all those designated for terrorism purposes, including those relating to terrorist activities or organizations beyond al Qaeda and Taliban.

- In addition to these lists, Treasury has created a summary of designated charities that includes identifier information (such as the names and addresses of designated charities), the related terrorist organization, and the basis of the designation.

We recommend that donors and charities use these lists when vetting their potential working relationships and operations. See resources below.

-- Designated Charities and Fundraising Front Organizations for Foreign Terrorist Organizations (available at: [http://www.treas.gov/offices/enforcement/key-issues/protecting/charities\\_exec-orders.shtml](http://www.treas.gov/offices/enforcement/key-issues/protecting/charities_exec-orders.shtml) and <http://www.treas.gov/offices/enforcement/key-issues/protecting/fto.shtml>)

-- Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Nationals List (available at <http://www.ustreas.gov/offices/enforcement/ofac/sdn/index.shtml>)

-- OFAC's Risk Matrix for the Charitable Sector (available at <http://www.ustreas.gov/offices/enforcement/ofac/regulations/index.shtml>)

-- UN 1267 Al Qaeda and Taliban Sanctions Consolidated List: (available at <http://www.un.org/sc/committees/1267/pdf/consolidatedlist.pdf>)

### ALTERNATIVE RELIEF CONCEPT

The alternative relief concept is intended to provide a safe and effective way for individuals to contribute assistance into critical regions where aid is desperately needed, but where terrorist organizations largely control relief and distribution networks. To create such alternative relief mechanisms, a public-private partnership may be essential to enable funds raised through the private sector to be distributed by organizations vetted by the public sector. The partnership capitalizes on the strengths of each sector: the private sector's ability to garner resources and raise funds and the public sector's capacity to use numerous sources to vet adequately organizations and oversee the delivery of aid. The alternative relief concept could also be helpful in continuing to provide charitable services to vulnerable populations in the context of designating charities that had previously serviced such populations. This mechanism would help respond to the immediate gap in charitable services following a charity's designation, but would also enable governments to take necessary actions to shut down charities that are engaging in terrorist support without a negative impact on local populations.

U.S. pilot project to establish an alternative relief mechanism for the Palestinian Territories:

In light of the heightened risks of terrorist exploitation of charitable services in the Palestinian Territories and the urgent need to provide relief and development services to the Palestinian

people, the USG has partnered with the American Charities for Palestine (ACP) -- a U.S.-based, 501(c)(3) organization – to deliver, safely and effectively, aid in the West Bank and Gaza. This initiative is particularly important given the significant presence and influence of Hamas-affiliated social and welfare networks in the West Bank and Gaza. This innovative public/private partnership between the USG and ACP focuses on health and education programs. Funds raised by ACP from U.S. donors will be delivered through channels approved by the U.S. Agency for International Development, in consultation with U.S. counter-terrorism authorities.

The United States would welcome other countries collaboration on the ACP initiative. Expansion of this concept to other high-risk areas could also be explored. We would further welcome involvement by the private and NPO sectors.

Additional resources are available on the U.S. Treasury's website at:  
<http://www.treas.gov/offices/enforcement/key-issues/protecting/index.shtml>.