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Anti - Money Laundering

2022

A report on Assessment o Terrorist Financing Risk in Non-Profit Organizations in the United Republic o Tanzania,20

The United Republic of Tanzania

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A REPORT ON ASSESSMENT OF TERRORIST
FINANCING RISK IN

NON-PROFIT ORGANISATIONS

IN THE UNITED REPUBLIC OF TANZANIA

JUNE 2022

ACRONYMS

AML	- Anti-Money Laundering
ADF	- Allied Democratic Force
AMLA	- Anti-Money Laundering Act, 2006
AMLPOCA	- Anti-Money Laundering and Proceeds of Crime Act, No. 10 of 2009
ANGOZA	- Association of Non-Governmental Organisations in Zanzibar
BNI	- Bearer Negotiable Instruments
BOT	- Bank of Tanzania
BPRA	- Zanzibar Business and Property Registration Agency
BRELA	- Business Registration and Licensing Agency
CBDC	- Cross Border Declaration of Currency
CFT	- Counter Financing of Terrorist
CTF	- Counter Terrorist Financing
DSOC	- Defense and Security Organs Committee
EAC	- East African Community
ESAAMLG	- Eastern and Southern Africa Anti-Money Laundering Group
FATF	- Financial Action Task Force
FI	- Financial Inclusion
FIU	- Financial Intelligence Unit
FSRB	- FATF Style Regional Body
FT	- Financing of Terrorism
GDP	- Gross Domestic Product
ISIS	- Islamic State of Iraq and Syria
LEA	- Law Enforcement Agency
MER	- Mutual Evaluation Report
ML	- Money Laundering
MNO	- Mobile Network Operator
MVTS	- Money or Value Transfer Services
NaCoNGO	- National Council of Non-Governmental Organisations
NAMLC	- National Multi-Disciplinary Committee on Anti-Money Laundering

NCTC	- National Counter Terrorism Centre
NGO	- Non-Governmental Organisation
NIDA	- National Identification Authority
NIS	- NGOs Information System
NPO	- Non-Profit Organisation
NPS	- National Prosecution Service
NRA	- National Money Laundering and Terrorist Financing Risk Assessment
NSCTF	- National Serious Crime Task Force
PO-RALG	- President's Office, Regional Administration and Local Government
POTA	- Prevention of Terrorism Act, 2002
RBA	- Risk-Based Approach
RGZ	- Revolutionary Government of Zanzibar
RITA	- Registration, Insolvency and Trusteeship Agency
SACCOS	- Savings and Credit Cooperative Society
SADC	- Southern Africa Development Community
TCDC	- Tanzania Cooperative Development Commission
TF	- Terrorist Financing
TFS	- Targeted Financial Sanctions
TIN	- Taxpayer Identification Number
TPDF	- Tanzania People's Defence Force
TPF	- Tanzania Police Force
TRA	- Tanzania Revenue Authority
TZS	- Tanzania Shillings (currency of the United Republic of Tanzania)
UN	- United Nations
URT	- United Republic of Tanzania
US	- United States (of America)
WB	- World Bank
ZLS	- Zanzibar Law Society
ZRB	- Zanzibar Revenue Board

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EXECUTIVE SUMMARY

Risk assessment in matters related to Money Laundering, Terrorist Financing and Proliferation Financing (ML/TF/PF) is the process of identifying, analysing and understanding risks. In addition to assessing risks, there is usually a need to devise risk mitigation measures. Ultimately, the goal is to counter ML/TF/PF in the most effective way, which is through the allocation of resources according to the identified risks. Assessment of terrorist financing risk in Non-Profit Organisations (NPOs) is a similar process, however, it begins with identifying NPOs that may be at risk of Terrorist Financing (TF) abuse, because not all NPOs in a country may be at risk of TF abuse. Having identified NPOs at risk, the remaining process is the same, which constitutes analysing and understanding of the risks, and devising risk mitigation measures.

This assessment covers the United Republic of Tanzania which comprises Tanzania mainland and Zanzibar. The Ministry of Finance and Planning and the President's Office, Finance and Planning are overall champions of the process. The two ministries are closely advised by the National Multi-Disciplinary Committee on Anti-Money Laundering (NAMLC). The Financial Intelligence Unit (FIU) was appointed to coordinate the exercise. The exercise involved 27 participants from 22 key government and private sector institutions from Tanzania mainland and Zanzibar as shown in Appendix B. The risk assessment was carried out over a period of 6 months from January to June 2022.

A bespoke methodology was used to conduct this risk assessment and it relied extensively on Financial Action Task Force (FATF) guidance on assessing risk in NPOs. The assessment also relied on certain aspects of the World Bank Methodology for Conducting National Money Laundering and Terrorist Financing Risk Assessment. Specifically, the World Bank Risk Assessment Formula was employed which specifies that "*Risk is a function of Threat and Vulnerability*". Risk, threat and vulnerability are expressed in terms of "Low (L)", "Medium Low (ML)", "Medium (M)", "Medium High (MH)" or "High (H)".

The assessment started with identifying all legal forms in existence in the United Republic of Tanzania, in order to identify and segregate a subset of legal forms that are known as NPOs. From the identified NPOs, identification of another subset that meets the FATF definition followed, herein referred to as “FATF NPOs”. The FATF defines an NPO to be “*a legal person or legal arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”*”. This process enabled the identification of “FATF NPOs” as NGOs that are classified thematically under health, social protection, community empowerment, agriculture and education, as well as societies that are classified as religious societies and trusts that are classified as charitable trusts. From the FATF NPOs, another subset was identified as “NPOs at risk”. The remaining process of analysing and understanding risks, then devising risk mitigation measures continued but only taking into consideration NPOs at risk.

Assessment of TF risk in NPOs proceeded with identifying and assessing TF threats, which were determined to be “Medium”, then vulnerabilities, which were also assessed to be “Medium”. Using the World Bank formula that Risk is a function of Threat and Vulnerability, the TF Risk in NPOs was thus determined to be “Medium”.

Risk mitigation measures were proposed in the form of recommendations. The key recommendations include the need for NPO Regulators to collect and maintain accurate and up-to-date records and statistics on NPOs that permit the accurate determination NPOs that exist in URT, FATF NPOs and NPOs at risk, to supervise in a risk-based manner, NPOs at risk, to develop supervision manuals and annual supervision plans, to increase AML/CTF/CPF awareness-raising among NPOs and legislation governing NPOs to be amended to permit the determination of NPO beneficial owners, and that it be in tandem with AMLA and AMLPOCA as amended in March, 2022.

1. SECTION 1: INTRODUCTION

1.1 Country Context for NPO Terrorist Financing Risk Assessment

The United Republic of Tanzania (URT) consists of Tanzania Mainland and Zanzibar. The total area of URT is 945,000 square kilometres is made up of 880,668 square kilometres (Tanzania Mainland), 2,332 square kilometres (Zanzibar) and water bodies occupying the remaining 62,000 square kilometres, making Tanzania the 31st largest nation in the world. URT is located in the eastern part of Africa and it shares its border with the following eight (8) countries: Kenya and Uganda (North), Rwanda, Burundi and Democratic Republic of Congo (West), Malawi, Mozambique and Zambia (South) and the Indian Ocean (East). According to the National Bureau of Statistics (NBS) 2021 population projection, URT is estimated to have a total population of 59,441,988 people whereby, the population of Tanzania Mainland was estimated at 57,724,380 people and that of Zanzibar was estimated at 1,717,608 people. These estimations were drawn from the 2012 Population and Housing Census. Swahili and English are the national languages but URT has more than 120 ethnic groups and a similar number of local or ethnic languages. URT's capital city is Dodoma while Dar es Salaam is the commercial hub and a major seaport. The port also serves neighbouring land-locked countries of Burundi, the Democratic Republic of Congo, Malawi, Rwanda, Uganda and Zambia. According to Bank of Tanzania Monetary Policy Statement of June, 2022, URT (Tanzania mainland and Zanzibar) Gross Domestic Product (GDP) in 2021 stood at USD 60.5 billion.

The President of the United Republic of Tanzania is the Head of State. All State authority in the United Republic is exercised and controlled by the Government of the United Republic of Tanzania and the Revolutionary Government of Zanzibar (RGZ). Each Government has three organs, namely the Executive, the Judiciary and the Legislature. Zanzibar is autonomous in matters which are not union matters. In Tanzania Mainland, money laundering, terrorist financing and proliferation financing are criminalized in the Anti-Money Laundering Act, 2006 (AMLA) while in Zanzibar, they are criminalized in the Anti-Money Laundering and Proceeds of Crime Act, No. 10 of 2009 (AMLPOCA). Terrorist financing and proliferation financing are criminalized in the Prevention of Terrorism Act, 2002 (POTA). URT has a Financial Intelligence Unit (FIU) which was established by AMLA and it became operational in 2007. The FIU is a Union entity and it serves both, Tanzania Mainland and Zanzibar.

The United Republic of Tanzania is a member of the FATF Style Regional Body (FSRB) called the Eastern and Southern Anti-Money Laundering Group (ESAAMLG). The Financial Intelligence Unit

(FIU) of Tanzania is a member of the Egmont Group of FIUs since 2014. URT underwent mutual evaluation for the first time in 2009 and the Mutual Evaluation Report (MER) was published in the same year.

Pursuant to changes in the Financial Action Task Force Standards in 2012, which among other things, under Recommendation one, required countries to identify, assess and understand money laundering and terrorist financing risk in the country, to mitigate those risks, the United Republic of Tanzania conducted its first National Money Laundering and Terrorist Financing Risk Assessment from September 2015 to December 2016. The risk assessment involved 127 participants from 80 public and private sector institutions from Tanzania mainland and Zanzibar. The National Money Laundering and Terrorist Financing Risk Assessment Report for the United Republic of Tanzania was thus published in December 2016 (NRA Report). The NRA Report covered 19 sectors of the economy but the assessment of Non-Profit Organisations for possible terrorist financing abuse was not covered adequately.

URT underwent the second mutual evaluation from October 2018. The resulting Mutual Evaluation Report was published in June, 2021. In the report, Immediate Outcome 10 on NPOs was assessed to have achieved “Low Effectiveness” and Recommendation 8 on NPOs was assessed as “Non-Compliant”. In the Mutual Evaluation Report, NPO risk assessment was determined not to have been covered adequately.

Given the findings of the NRA Report of 2016, the Tanzania Mutual Evaluation Report of June 2021, FATF Recommendation 1 on risk assessment and Recommendation 8 on non-profit organisations, and taking into consideration the need for the United Republic of Tanzania to gain a thorough understanding of the terrorist financing risks that NPOs may be facing, it was determined that a risk assessment of the NPO sector was necessary and that the assessment must cover Tanzania mainland and Zanzibar.

1.2 Objectives

The objectives of conducting a Terrorist Financing risk assessment of the NPOs sector include:

- i) To identify the subset of organisations that fall within the FATF definition of NPOs
- ii) To identify features and types of NPOs which, by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse

- iii) To identify the nature and extent of threat posed by terrorists and terrorist entities to the NPOs which are at risk, as well as how terrorist actors abuse those NPOs
- iv) To review the adequacy of measures, including laws and regulations that relate to the subset of NPOs that may be abused for terrorism financing, in order to be able to take proportionate and effective actions to address the identified risks.

1.3 Methodology

The assessment of terrorist financing risk in non-profit organisations was conducted using a bespoke methodology that was formulated by the NPO Terrorist Financing Risk Assessment Workgroup. The methodology relied extensively on Financial Action Task Force (FATF) guidance on assessing risk in NPOs. The assessment also relied on certain aspects of the World Bank Methodology for Conducting National Money Laundering and Terrorist Financing Risk Assessment. The World Bank Risk Assessment Formula was employed which specifies that “*Risk is a function of Threat and Vulnerability*”. Using this methodology, risk, threat and vulnerability are expressed in terms of “Low (L)”, “Medium Low (ML)”, “Medium (M)”, “Medium High (MH)” or “High (H)”. The steps in conducting the assessment are attached hereto as Appendix E:

1.4 Organization of the Risk Assessment Process

Organization of the Risk Assessment Process

Assessment of terrorist financing risk in non-profit organisations in the United Republic of Tanzania was conducted from January to June, 2022. The assessment was conducted by a team of 27 experts from 22 private and public sector institutions from Tanzania mainland and Zanzibar, as provided in Appendix B. The exercise was coordinated by the FIU on behalf of the National Multi-Disciplinary Committee on Anti-Money Laundering (NAMLC). The NAMLC undertakes this exercise on behalf of the Ministry of Finance and Planning of URT and President’s Office, Finance and Planning of the Revolutionary Government of Zanzibar (RGZ).

Data Collection

Data to conduct the assessment was collected from a variety of sources including:

- i) NPO licensing and registration information from NPO regulators
- ii) NPO supervisory data, information and reports from NPO regulators
- iii) Mutual Evaluation Report of the United Republic of Tanzania, June 2021

- iv) National Money Laundering and Terrorist Financing Risk Assessment Report of the United Republic of Tanzania, December, 2016
- v) The 2020 Report on NGOs' Contribution to National Development, September, 2021
- vi) Data from law enforcement agencies, the Financial Intelligence Unit (FIU) and the National Counter Terrorism Centre (NCTC)
- vii) Review of policies, laws, regulations, guidelines, circulars and codes of conduct of the NPO sector.

2. SECTION 2: IDENTIFICATION OF NON-PROFIT ORGANISATIONS

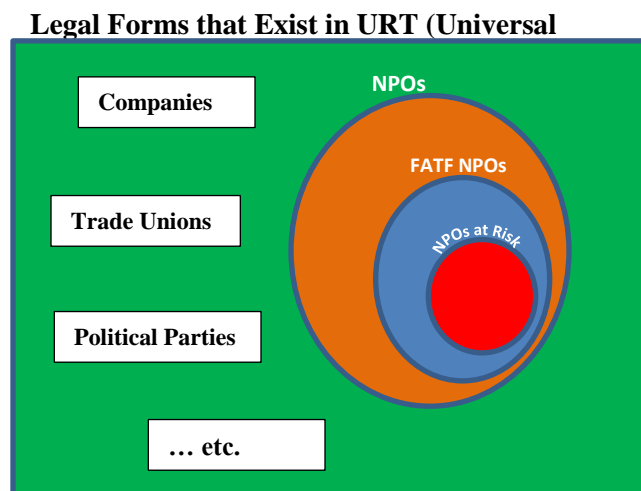
In general terms, a Non-Profit Organisation (NPO) is an entity that is organized and that operates for a collective, public or social benefit, in contrast with an entity that operates as a business aiming to generate profits for its owners. Given the variety of legal forms that NPOs can have, depending on the country, the Financial Action Task Force (FATF) adopted a functional definition of an NPO. This definition is based on those activities and characteristics of an organisation which put it at risk of terrorist financing abuse, rather than on the simple fact that it operates on a non-profit basis. For that purpose, the FATF defines an NPO to be “*a legal person or legal arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”*”.

This assessment will entail:

- determining the legal forms that exist in the United Republic of Tanzania
- determining and understanding NPOs as a subset of legal forms
- determining FATF NPOs as a subset of NPOs and assessing TF risks that are associated with FATF NPOs, and
- devising risk mitigation measures in the form of recommendations for NPOs at Risk.

The above process is depicted in Figure 1 below.

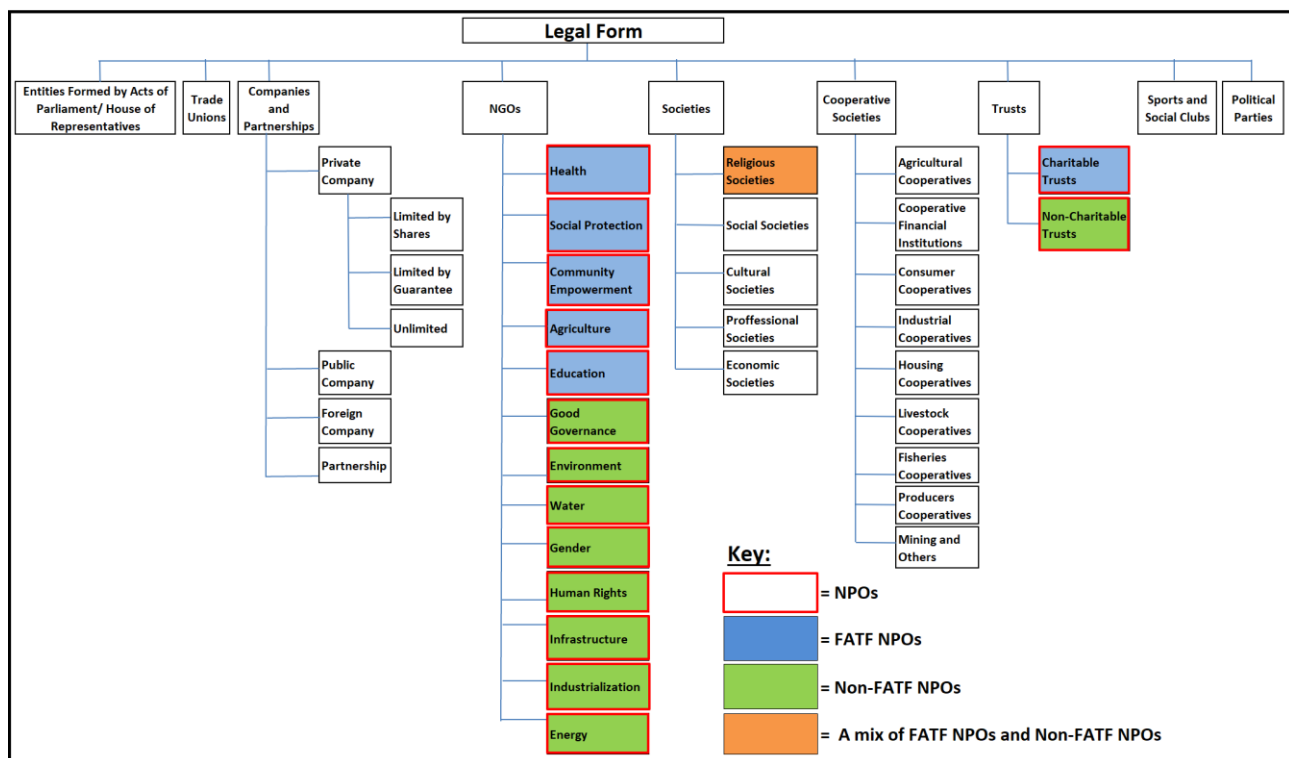
Figure 1: Identification of NPOs



2.1 Overview of Legal Forms that Exist in the United Republic of Tanzania

In the United Republic of Tanzania (URT), there exists a variety of legal forms as depicted in Figure 2 below. Non-Profit Organisations (NPOs) are formed out of legal forms known as “Non-Governmental Organisations (NGOs)”, “Societies” and “Trusts”. It is important to note at the outset that within the legal forms “NGOs”, “Societies” and “Trusts”, there are other entities that do not meet the definition of NPO as provided by the FATF since they may not necessarily be engaging in raising and disbursing funds. In Figure 2, these are depicted as “Non-FATF NPOs”. All NPOs in URT must be licensed. It is illegal in URT to engage in any kind of NPO business without a license. As can be seen in Figure 2, the majority of NPOs in Tanzania are created as NGOs.

Figure 2: Legal forms in the United Republic of Tanzania (Tanzania Mainland and Zanzibar)



Source: NPO Terrorist Financing Risk Assessment Workgroup

In United Republic of Tanzania, matters that relate to the formation of entities including NPOs are non-union matters and therefore are handled separately by the Government of the United Republic of Tanzania (URT) and the Revolutionary Government of Zanzibar (RGZ). In that regard, the legal and institutional frameworks in the following sections will be covered considering this setup. Following is a brief clarification of legal forms as depicted in Figure 2 above:

- i) **Entities Formed by Acts of Parliament/House of Representatives** – These are predominantly public organisations, institutions or enterprises. They include institutions that are formed out of constitutions (URT or Zanzibar). Such entities include Government ministries, departments and organisations such as Tanzania Revenue Authority (TRA), Zanzibar Revenue Board (ZRB) and most AML/CTF/CPF supervisory authorities such as the Bank of Tanzania (BOT), Tanzania Insurance Regulatory Authority (TIRA), Capital Markets and Securities Authority (CMSA) and Tanzania Communications Regulatory Authority (TCRA).
- ii) **Trade Unions** – A trade union is a membership-based organisation and its members are mainly workers. A trade union's main purpose is to protect and advance the interests of its members at the workplace. Most trade unions are independent of any employer. Examples of trade unions include the Tanzania Union of Industrial and Commercial Workers (TUICO), the Trade Union Congress of Tanzania (TUCTA) and the Zanzibar Trade Union Congress (ZATUC). In Tanzania mainland, trade unions are governed by the Employment and Labour Relations Act, Cap. 366. In Zanzibar, trade unions are governed by the Labour Relations Act. No. 1 of 2005
- iii) **Companies and Partnerships** – A company is a legal entity that represents an association of persons, whether natural, legal or a mixture of both, with a specific objective. Company members share a common purpose and unite to achieve specific, declared goals. Examples of companies include Zanzibar Bottlers Limited, Bakhresa Food Products Limited and Kilombelo Sugar Company Limited.

A partnership is an arrangement between two or more natural persons to oversee business operations and share its profits and liabilities. Partnerships are based on agreements (Partnership Agreements) in both Tanzania mainland and Zanzibar. Common examples of partnerships include law firms, physician groups, real estate investment firms and accounting groups. In Tanzania mainland, companies and partnerships are governed by the Companies Act, Cap. 212 while in Zanzibar, companies are governed by the Companies Act, No. 15 of 2013 and partnerships are governed by the Registration of Business Entities Act No. 12 of 2012, the Law of Contract Act, Cap. 149 and the Business Names Registration Decree Cap. 168.

- iv) **Non-Governmental Organisations (NGOs)** – An NGO is a non-profit voluntary group or institution with a social mission, which operates independently from government. Examples of NGOs include the Zanzibar Fighting Against Youth Challenges Organization

(ZAFAYCO), HakiElimu, as well as Legal and Human Rights Centre (LHRC). In Tanzania mainland, NGOs are governed by the NGOs Act, Cap. 56 while in Zanzibar, they are governed by the Societies Act No. 6 of 1995.

- v) **Societies** – A society is a community of people or an organized group of people having common traditions, institutions, interests, beliefs or a shared purpose or affiliation, but which are different from all the other entities which can be formed by other pieces of legislation than the Societies Act, Cap. 337 (for Tanzania Mainland) or the Societies Act No. 6 of 1995 (for Zanzibar). Examples of societies are the Association of People Living with Disabilities and the different religious denominations in Islam and Christianity. In Tanzania mainland, societies are governed by the Societies Act, Cap. 337 while in Zanzibar, they are governed by the Societies Act No. 6 of 1995.
- vi) **Cooperative Societies** – A cooperative society is an association or organisation that is formed by people with common interests, who voluntarily come together and pool resources to promote their welfare. Examples of cooperative societies are Savings and Credit Cooperative Societies (SACCOS) such as the Cooperative Union of Zanzibar (CUZA), Njombe Region Cooperative Union (NJORECU) and Western Tobacco Growers Cooperative Union (WETCU). In Tanzania mainland, cooperative societies are governed by the Cooperative Societies Act, Cap. 6 while in Zanzibar they are governed by the Cooperative Societies Act No. 4 of 1986.
- vii) **Trusts** – A trust is a legal relationship created by mutual understanding based on trust between the creator of the trust and trustees, by an order of court or by operation of the law, when specified property or interests are placed under control and management of a trustee or trustees for the benefit of another party or parties called a beneficiary or beneficiaries, or for a specific purpose. Some trusts proceed to own property and legal entities. In Tanzania Mainland, trusts are governed by the Trustees' Incorporation Act, Cap 318. In Zanzibar, certain types of non-charitable trusts are created and governed by the Waqf and Trust Commission Act No. 2 of 2007.
- viii) **Sports and Social Clubs** – A sports club is a group of people formed for the purpose of playing sports. Clubs are usually formed by putting in place a constitution which sets the terms and conditions of the membership and other rules/bylaws or procedures on various matters relating to membership. A social club is a group of people or a place where people meet. A social club is generally formed around a common interest, occupation or activity. Examples of sports clubs include Simba Sports Club, Young Africans Sports Club and Mlandege Sports Club. In Tanzania mainland, sports clubs and social clubs are governed

by the National Sports Council of Tanzania Act, Cap. 49 while in Zanzibar, they are governed by the National Arts Council Act, No. 6 of 1983.

- ix) **Political Parties** – A political party is a group of persons organized to acquire and exercise political power. Examples of political parties include Chama Cha Mapinduzi (CCM), Chama cha Demokrasia na Maendeleo (CHADEMA) and Alliance for Change and Transparency (ACT). Political parties in Tanzania mainland and Zanzibar are governed by the Political Parties Act, Cap. 258.

2.2 Identification of Non-Profit Organisations

As depicted in Figure 2, NPOs are formed out of legal forms known as NGOs, societies and trusts. As can be seen from the Figure, these NPOs comprise FATF NPOs and Non-FATF NPOs. Table 1 below shows the number NPOs in the United Republic of Tanzania as at January, 2022. The information in that table was provided by four members of the “NPO Terrorist Financing Risk Assessment Workgroup” that conducted this assessment, and the four members are in this assessment collectively referred to as “NPO Regulators” as shown in Appendix D. The members are:

- i) Registrar of Non-Governmental Organisations
- ii) Registrar of Societies, Ministry of Home Affairs
- iii) Registrar of Societies, President’s Office, Regional Administration, Local Government and Special Departments, Zanzibar
- iv) Registration, Insolvency and Trusteeship Agency (RITA).

Table 1: Number of NPOs in the United Republic of Tanzania

	Number of NPOs			TOTAL
	NGOs	Societies (Religious Societies)	Trusts (Charitable Trusts)	
Tanzania Mainland	12,069	1100	2,023	15,192
Zanzibar	2,084	224	0	2,308
TOTAL	14,153	1,324	2,023	17,500

Source: NPO Registrars

According to Table 1, the United Republic of Tanzania has a total of 17,500 NPOs, excluding non-charitable trusts. In order to segregate FATF NPOs for further analysis, there is need to group the 17,500 entities into thematic areas. However, from the registration records where this information was sourced, it was only possible to classify NGOs (14,153) into thematic areas. Religious societies (1,324) and charitable trusts (2,023) could not be classified into thematic areas due to the way the information was collected during registration.

Table 2 below is an estimation of the number of NPOs in URT (Tanzania mainland and Zanzibar) excluding non-charitable trusts, and the NPOs organized in thematic areas or sectors. Statistics in Table 2 are considered “estimates” for the following reasons:

- i) Contents of Table 2 were sourced from NPO registration records as provided by NPO Regulators. During registration and registration renewal, NPOs did not use the precise language or terminology as depicted in the “thematic area” in providing details on the activities they perform. Therefore, in some instances, there had to be mapping from the activity details provided in the registration forms into the closely related thematic area
- ii) Some NPOs are involved in operations of more than one thematic area. Therefore, one NPO could have been counted in several thematic areas.
- iii) Due to reasons provided in paragraphs i) and ii) above, the total number of NPOs in Table 2 is different from the total provided in Table 1.

Table 2: Number of NPOs in United Republic of Tanzania classified according to thematic areas

No.	Thematic Area	Predominant Activities Performed	FATF NPO?	Total in Thematic Area
1	Health	HIV and AIDS, running health facilities such as hospitals, health centres, dispensaries and health training centres, financing health services through raising own funds and service charges	Yes	3,376
2	Social protection	Building classrooms, orphanage centres, sober houses, rehabilitation centres, toilets and teachers’ offices, provision of basic needs such as food, health, clothes and shelter, teachers’ training and scholarships for students and pupils	Yes	4,326
3	Community empowerment	Empowering various groups, especially women and youth in entrepreneurship skills, savings and credit services, vocational training, production and value additions, management and leadership, supply of medicines and food for vulnerable children, meal for primary school pupils and children with disabilities, training medical officers, providing nutritious education for mothers and health insurance covers for children	Yes	7,081
4	Agriculture	Training and awareness creation to small holder farmers on production and value addition, marketing, supply of farm inputs	Yes	1,159

		and technicalities, green houses in agriculture production, livestock keeping and training and supporting government extension officers		
5	Education	Financing education and training	Yes	3,999
6	Good governance	Advocacy on democracy, the rule of law, good governance, etc.		583
7	Environment	Establishing the community's on mechanisms of cooperative networks to facilitate the sharing of experiences and expertise in planning, design and implementation of environmental programmes at national, regional, district and community levels		2,197
8	Water	Providing financial and technical support in implementing various water projects such as drilling wells, sanitation and hygiene		371
9	Gender	Advocacy against gender-based violence, equal opportunities for women, etc.		1,122
10	Human rights	Advocacy on human rights, etc.		1,166
11	Infrastructure	Construction projects for education, health facilities, etc.		100
12	Industrialization	Small industries, value addition		121
13	Energy	Advocacy for alternative energy, renewable energy, corporate social responsibility, etc.		106
TOTAL				25,707

Source: NPO Registrars

From Table 2, it is possible to estimate the number of FATF NPOs as provided in Table 3 below.

Table 3: Number of FATF NPOs in the United Republic of Tanzania

Thematic Area	Number of FATF NPOs		
	NGOs	Societies (Religious Societies)	Trusts (Charitable Trusts)
Health	3,376		
Social protection	4,326		
Community empowerment	7,081		
Agriculture	1,159		
Education	3,999		
TOTAL	19,941	1,324	2,023
Percentage [%]	85.63	5.69	8.69

Source: Table 1 (Societies and Trusts) and Table 2 (NGOs)

From Table 3 above, it can safely be concluded that in the United Republic of Tanzania, most FATF NPOs are formed from NGOs (85.63%) and charitable trusts (8.69%). A smaller percentage of FATF NPOs can be formed from religious societies (less than 5.69%). Religious societies can only be considered to be FATF NPOs when they engage in raising or disbursing funds for purposes such as

charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”.

3. SECTION 3: ASSESSMENT OF TERRORIST FINANCING RISK AND RISK MITIGATION MEASURES

In assessing terrorist financing risk facing the NPO sector in the United Republic of Tanzania, the risk formula of the World Bank Methodology for conducting national money laundering and terrorist financing risk assessments will be employed. The formula states that:

RISK is a function of **THREAT** and **VULNERABILITY**.

In the World Bank Methodology, risk, threat and vulnerability are all expressed in terms of Low (L), Medium Low (ML), Medium (M), Medium High (MH) or High (H) as shown in Figure 3 below.

Figure 3: Risk as a function of threat and vulnerability

		OVERALL RISK				
		L	ML	M	MH	H
OVERALL THREAT	H	M	M	MH	H	H
	MH	M	M	MH	MH	H
	M	ML	M	M	MH	MH
	ML	ML	ML	M	M	M
	L	L	ML	ML	M	M
		OVERALL VULNERABILITY				

The United Republic of Tanzania used the World Bank Methodology to conduct its first National Money Laundering and Terrorist Financing Risk Assessment in 2016. This assessment of terrorist financing risk facing NPOs in Tanzania will entail assessing and determining threat to the FATF NPOs, vulnerability in the FATF NPOs, in order to arrive at the terrorist financing risk facing NPOs. From the FATF NPOs, a subset of “NPOs at risk” will be determined.

3.1 Terrorist Financing Threat Facing NPOs

Following is a consideration and analysis of terrorist financing threat facing the FATF NPOs in the United Republic of Tanzania:

i) Terrorism and Terrorist Financing Threat Emanating from Foreign Jurisdictions

Much of the threat of terrorism and terrorist financing in the United Republic of Tanzania emanates from foreign jurisdictions. This has been the case historically up to the present moment as shown below:

- a) **Al-Qaeda:** URT experienced a terrorist attack for the first time at the United States Embassy in Dar es salaam in August 1998. The attack was planned and executed by a terrorist group known as Al-Qaeda under the leadership of Osama Bin Laden. The attack opened eyes of the law enforcement agents, the intelligence community and the citizen at large on the threat facing the country from terrorists and terrorist groups existing globally.

Al-Qaeda has managed to expand through its affiliates such as the Al-Shabaab in Somalia and Kenya, Allied Democratic Forces (ADF) in Uganda and the Democratic Republic of Congo (DRC), as well as the Ansar al-Sunna, an ISIS affiliated terrorist group in Mozambique

- b) **Al-Shabaab:** URT faces threat from a Somalia-based terrorist group known as Al-Shabaab, which is an affiliate of Al-Qaeda. Al-Shabaab is very active in Somalia itself and neighboring Kenya and to some extent in Uganda. Somalia, Kenya, Uganda and Tanzania are all found in the East African region but it is only Kenya, Uganda and Tanzania that are members of the East African Community (EAC). Kenya, Uganda and Tanzania have close social and economic ties and their people interact with ease. Tanzania hosts some Somalis and URT has some Tanzanian citizens of Somali origin, including Hamza Mohamed who killed three police officers and a security guard in Dar es salaam on 25 August, 2021. After investigations on September 2, 2021, the Tanzania Police Force through the Director of Criminal Investigations (DCI), identified Hamza to be a terrorist. It is not inconceivable therefore that URT may have some Al-Shabaab sympathizers.

- c) **Islamic State of Iraq and Syria (ISIS, also known as Islamic State of Iraq and the Levant - ISIL):** This is another terrorist group and an affiliate of Al-Qaeda that may have influence on URT through operations of its own affiliates in the northern Mozambican province of Cabo Delgado. One such affiliate is a terrorist group called Al Sunnah wa Jama ah Mozambique. Cabo Delgado borders directly with Mtwara, the southern region of Tanzania. In February 2020, insurgents attacked security forces and civilians in Cabo Delgado killing people, destroying property and seizing firearms and ammunitions. However, in

response to that problem, the United Republic of Tanzania deployed the Tanzania People's Defense Force (TPDF) along the border with Mozambique, which contained the situation.

- d) **Allied Democratic Forces (ADF):** This is a rebel group in Uganda and the Democratic Republic of Congo (DRC), which is affiliated to ISIS and is considered a terrorist organization by the Ugandan government.

In response to the threat from the foreign terrorist groups above, at the onset after the 1998 US Embassy bombings in Dar es salaam and Nairobi, the Defense and Security Organs Committee (DSOC) established entities that drew experts from all security and defense organs to do physical operations nationally and to coordinate national efforts, as well as to liaise with regional and international partners. The entities that were established by the DSOC are the National Serious Crime Task Force (NSCTF) and the National Counter Terrorism Centre (NCTC). The NSCTF was tasked with conducting operations that are aimed at disrupting terrorist activities and the NCTC was tasked with developing and managing intelligence in collaboration with other foreign stakeholders, mainly to fight terrorist activities and Terrorist Financing. The DSOC regarded terrorism as a serious crime and for that reason, they designated the Tanzania Police Force as the lead agency and Ministry of Home Affairs was tasked to take care of administrative responsibilities.

Al-Qaeda, Al-Shabaab, ISIS and ADF are continuously engaged in recruiting and URT is affected by those activities, even though no terrorist group has claimed to operate within URT. Examples in concerning recruitments include:

- Three (3) Tanzanians that were arrested on the Kenya-Somalia border in 2011 while traveling to Somalia to join Al-Shabab
- The arrest and conviction in Kenya in June, 2019 of Rashid Charles Mbereselo, a Tanzanian student at Bihawana Secondary School in Dodoma, Tanzania, who was involved in the Garissa University terror attack in Kenya in 2015, which killed over 148 students
- The arrest in January 2022 in Cabo Delgado, Mozambique by the Mozambican armed forces, of a Tanzanian named Ali, for involvement in recruiting terrorists and planning attacks by the ISIS affiliated insurgency group in Mozambique.

Efforts to counter terrorism and the financing of terrorist are pivotal functions of the security organs, the Financial Intelligence Unit (FIU) and other stakeholders. The NCTC maintains a terrorism and terrorist financing database that assists Law Enforcement Agencies in investigations. The efforts by NSCTF and NCTC have succeeded in making it more difficult for terrorists and their facilitators to access and abuse URT, the financial system and its NPOs. It is also worth noting that so far, the threat from the above terrorist groups is more directed at recruitment rather than taking advantage of NPOs. There is more concern over the radicalization of the youth and violent extremism through places of learning and the social media than concerns with NPOs. In addition, there has not been any direct or indirect link at the moment between the terrorist groups and NPOs in URT.

ii) **Domestic Threat of Terrorism and Terrorist Financing**

The threat of terrorism and terrorist financing domestically within URT can be tracked through operational activities of intelligence services, law enforcement agencies, the Financial Intelligence Unit, prosecution services and courts of law as shown below:

- a) The most recent terrorist incident took place on 25 August, 2021 where a Tanzanian by the name of Hamza Mohamed aged 33 gunned down three (3) Police officers and a security guard near the French Embassy in Dar es salaam, before he was gunned down by the Police. Neither Mr. Mohammed himself, family members, friends or any terrorist group claimed involvement in that attack. After investigations on September 2, 2021, the Tanzania Police Force through the Director of Criminal Investigations (DCI), identified Hamza to be a terrorist.
- b) More evidence of terrorism or terrorist financing in the recent past is summarized in the table below.

Table 4: Evidence of terrorism and TF in URT in the recent past (January 2017 to December, 2021)

No.	Item	Number of Items	Comments
1	Suspicious Transactions Reports (STRs) on terrorist financing	3	The FIU received STRs and made 3 TF related disseminations to LEAs
2	Terrorism or TF cases investigated	1	1 terrorism and TF related case was investigated in 2021 involving the 4 persons

3	Terrorism or TF cases prosecuted	1	1 terrorism and TF related case involving the 4 persons was prosecuted in 2021 and 2022. The National Prosecution Service terminated the case in 2022.
4	Terrorism or TF convictions	0	
5	International assistance requests received by URT on terrorism and TF	0	
6	International assistance requests made by URT on terrorism and TF	0	
7	TF funds seized or frozen	0	
8	TF funds confiscated	0	

Source: NPO Terrorist Financing Risk Assessment Workgroup

c) Historical evidence of terrorism and terrorist financing in URT includes the following:

aa) In June 2015 URT extradited to Uganda, three (3) persons who were suspected to have committed offences of terrorism and murder. The trio were Ugandans who had fled to DRC where they had helped established a terrorist group called ADF.

bb) In the US Embassy bombings of 1998 in Dar es salaam and Nairobi, a Tanzanian by the name of Ahmed Khalfan Ghailani was convicted in the US for his role as conspirator. He is currently serving life imprisonment in the US.

Assessment of the threat of terrorism and terrorist financing domestically and threat from foreign jurisdictions as shown above, as well as taking into consideration the size of the NPO sector in the economy in URT, the threat of terrorist financing in the NPO sector was assessed to be **MEDIUM**.

3.2 Terrorism Financing Vulnerability Facing NPOs

Following is a consideration and analysis of terrorist financing vulnerability facing the FATF NPOs in the United Republic of Tanzania:

i) Review of the Adequacy of URT Measures to Prevent the Abuse of FATF NPOs

The Financial Action Task Force Recommendation 8 requires countries to assess the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse. The following are measures that have been put in place by the Government of the United Republic of Tanzania (URT) and the Revolutionary Government of Zanzibar (RGZ) to prevent the abuse of NPOs, including FATF NPOs:

- a) URT has acceded to or ratified all the relevant UN instruments in relation to countering terrorism and terrorist financing. Prevention of the abuse of NPOs for TF is adequately covered through implementation of these instruments
- b) Terrorist financing is adequately criminalized by sections 13 and 14 of the Prevention of Terrorism Act, Cap. 19 (POTA), as recently amended by the Anti-Money Laundering (Amendment) Act, 2022. Persons who commit TF offences are liable to a term of imprisonment of not less than twenty years. POTA is applicable in Tanzania mainland and Zanzibar. Criminalization of TF prevents NPOs from engaging in these acts
- c) The amendments of AMLA and AMLPOCA in March 2022 and the subsequent review of the respective regulations put an emphasis on risk-based customer due diligence when onboarding customers and during continued relationships
- d) URT reviewed POTA Regulations in June, 2022. The regulations are applicable in Tanzania mainland and Zanzibar. The regulations facilitate the full implementation of all Targeted Financial Sanctions (TFS) under Chapter VII of the Charter of the United Nations. Implementation of TFS will prevent NPO funds in URT from being available to terrorists
- e) The Anti-Money Laundering (Cross-Border Declaration of Currency and Bearer Negotiable Instruments) Regulations, 2016 on the part of Tanzania mainland and the Anti-Money Laundering and Proceeds of Crime (AMLPOCA) Regulations 2015 on the part of Zanzibar were put in place to ensure that large movements of cash and Bearer Negotiable Instruments (BNI) across borders that are associated with NPOs and other stakeholders are detected and scrutinized. All declarations of cash and BNIs are reported to the FIU
- f) All NPOs in URT are required to be licensed to operate. The relevant laws are the NGOs Act, Cap. 56 (NGOs), the Societies Act, Cap. 337 (Religious

societies), Trustees' Incorporation Act, Cap. 318 (Charitable trusts) for Tanzania mainland, and the Societies Act No. 6 of 1995 (NGOs and Religious societies) for Zanzibar. The licensing formalizes NPO business and permits oversight and regulation

- g) All NPOs in URT are regulated and supervised. In Tanzania mainland, NGOs are supervised by the Registrar of NGOs, Religious societies are supervised by the Registrar of Societies and Charitable trusts are supervised by the Registration Insolvency and Trusteeship Agency (RITA). In Zanzibar, NGOs and Religious societies are supervised by the Registrar of Societies (for Zanzibar). There are no charitable trusts in Zanzibar. NPOs are required to comply as shown in Table 5 below

Table 5: NPO compliance requirements

No.	Type of NPO	Compliance Requirements
1	NGOs, Tanzania mainland	<ul style="list-style-type: none"> i) Submission of quarterly reports ii) Submission of annual activity and audited reports iii) Payment of annual subscription and other fees iv) Submission of funding contracts or agreements for funds exceeding TZS 20,000,000 for approval v) Declaration of any other resources received, either in cash or in kind vi) Publication biannually, funds received and expenditure in media channels which are easily accessible by the targeted beneficiaries vii) Submission of the notice of changes in NGO (change of name, address, leadership, objectives, constitution, etc.)
2	<ul style="list-style-type: none"> i) NGOs, Zanzibar ii) Religious societies, Zanzibar 	<ul style="list-style-type: none"> i) Submission of annual reports ii) Submission of annual returns
3	Religious societies, Tanzania mainland	<ul style="list-style-type: none"> i) Submission of annual activity and audited reports ii) Submission of the notice of changes in a religious society (change of name, address, leadership, objectives, constitution, etc.) iii) Physical inspection of site by Registrar of Societies
4	Charitable trusts, Tanzania mainland	<ul style="list-style-type: none"> i) Submission of trustees annual returns ii) Notification within one month, of any change of trustees, address or constitution

Regulation and supervision reduce the chances of TF abuse of the NPOs

- h) NPOs Regulators have the capacity to regulate and supervise NPOs as Table 6 below

Table 6: Capacity of NPO Regulators to supervise

No.	NPO Regulator	Regulated NPOs	Regulatory Capacity
1	Registrar of NGOs,	NGOs, Tanzania mainland	<p><u>Staff Compliment</u></p> <p>i) Registrar of NGOs – 14 staff ii) Assistant registrars – These are appointed at every regional (26) and district level in Tanzania mainland</p> <p><u>Regulatory Powers</u></p> <p>i) Refusal to register NGO ii) Penalty for late submission of annual activity or audited reports = TZS 100,000 per year for local NGOs, USD 300 for international NGOs</p>
2	Registrar of Societies, President's Office, Regional Administration, Local Government and Special Departments, Zanzibar	<p>i) NGOs, Zanzibar ii) Religious societies, Zanzibar</p>	<p><u>Staff Compliment</u></p> <p>i) Registrar of Societies – 7 staff</p> <p><u>Regulatory Powers</u></p> <p>i) Refusal to register NGO or religious society ii) Cancel society registration</p>
3	Registrar of Societies, Ministry of Home Affairs	Religious societies, Tanzania mainland	<p><u>Staff Compliment</u></p> <p>i) Registrar of Societies – 16 staff</p> <p><u>Regulatory Powers</u></p> <p>i) Refusal to register religious society ii) Cancel registration upon reasonable grounds iii) Conduct inspection or verification iv) Conduct risk assessment v) Impose penalty for late payment of fees and late notification of changes of office bearers</p>

4	Registration, Insolvency and Trusteeship Agency (RITA)	Charitable trusts	<p><u>Staff Compliment</u></p> <p>i) RITA – 14 staff</p> <p><u>Regulatory Powers</u></p> <p>i) Refusal to register charitable trust</p>
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Regulation and supervision reduces the chances of TF abuse of the NPOs

- i) The Financial Intelligence Unit (FIU) was established by AMLA in 2006 and it became operational in 2007. The FIU joined the Egmont Group of FIUs in 2014. As an overall regulator for AML/CTF/CPF compliance in the URT, the FIU has the role of guiding NPOs for AML/CTF/CPF compliance, in collaboration with other regulators for the sector
- j) In May, 2020 the Ministry of Health, Community Development, Gender, Elderly and Children (of Tanzania mainland) introduced an NGOs Information System (NIS). The NIS is an electronic system for NGOs registration and monitoring. Currently, the system provides for online registration of NGOs, submission of the quarterly and annual reports, change of particulars, submission of funding contracts and payment of fees. Ever since the introduction of NIS, the NGOs registration process is conducted online using national identity cards. The NIS enhances compliance by NGOs
- k) Some Financial institutions (FIs) have automated computer systems to detect UN-listed persons and entities. NPOs conduct financial transactions through these FIs whereby transacting with listed persons and entities can be detected
- l) URT has a Counter Terrorism strategy that includes the “nyumba kumi” initiative (10-cell group), which collects information on suspicious persons and activities from village level, district level, regional level and national level. Through this network of information gathering mechanisms from the nyumba kumi, authorities in URT can monitor the activities of any individual who is deemed to be of concern to the security of Tanzania. Any potential threat is neutralised at an early stage
- m) URT has an Inter-Religious Committee under the trusteeship of Regional Commissioners, whose objective is to, amongst others, look at the ideological side of terrorism and radicalization by engaging religious leaders to participate and make interventions as necessary, in all peace-seeking related matters such as when there are religious or political challenges

- n) URT maintains databases of high-risk jurisdictions and high-risk individuals. An individual deemed to be a threat to URT or an individual from a high-risk jurisdiction may be denied a visa or entry into URT depending on the level of threat posed by that individual

iii) **NPO Features and Characteristics that Introduce Terrorist Financing Risk**

In assessing NPO features and characteristics that introduce TF risk, the NPO Terrorist Financing Risk Assessment Workgroup made use of, among others, “The 2020 Report on NGOs’ Contribution to National Development” which was published by the Ministry of Health, Community Development, Gender, Elderly and Children in September, 2021. The report tries to qualify and quantify the contribution of NGOs to national development. It also assesses the performance of NGOs in 2020 and it provides key highlights of the contribution. The report is a result of a desk-based review that involved a sample of 804 NGOs (166 international and 638 local) out of 4,663 NGOs that were assessed to be actively operating in different thematic areas. The assessment used secondary data that was generated through a review of relevant information including government revenues, NGO income and expenditure, funding contracts, employment records, beneficiaries and quarterly and annual reports. The NPO Terrorist Financing Risk Assessment Workgroup was convinced that the report provides a representative sample for its risk assessment and results that can help determine TF risk in NPOs. Table 7 and Figure 5 and 6 below show some results from “The 2020 Report on NGOs’ Contribution to National Development”.

Table 7: NGOs Income and Expenditure by Thematic Area

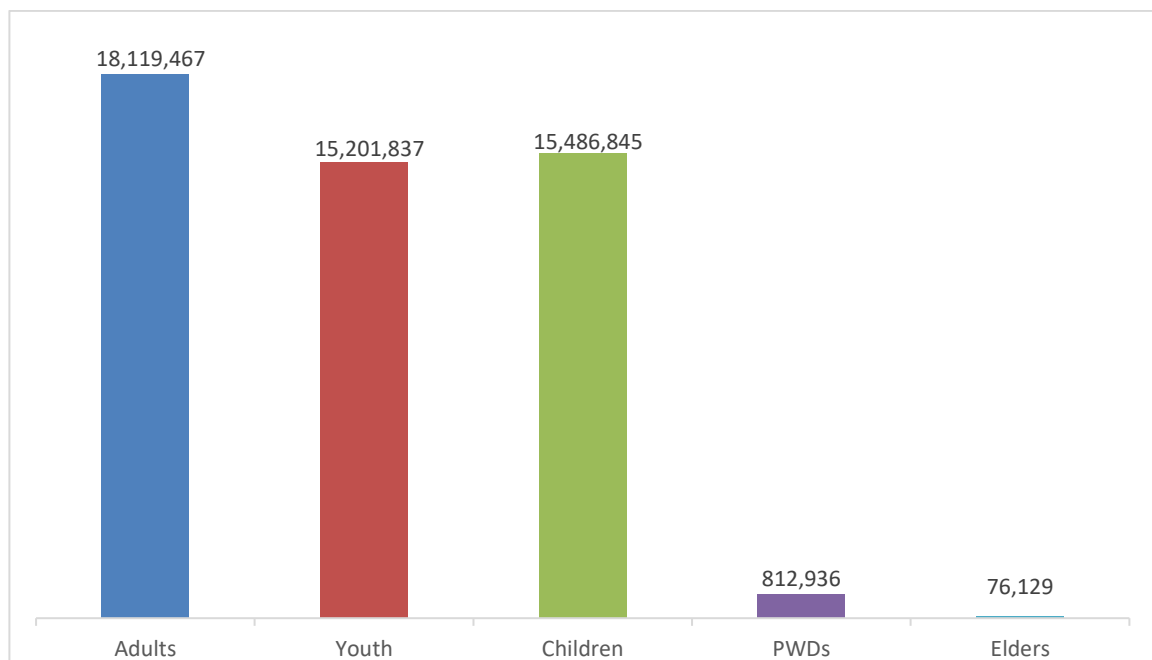
S/N	THEMATIC AREA	NO. OF NPOs	INCOME [TZS]	EXPENDITURE [TZS]
1	HEALTH	160	578,617,583,288	567,572,129,291
2	SOCIAL PROTECTION	155	331,334,064,287	238,494,807,606
3	COMMUNITY EMPOWERMENT	155	245,417,057,839	149,462,484,762
4	AGRICULTURE	68	74,847,687,846	66,750,029,221
5	EDUCATION	106	61,711,408,016	57,477,055,473
6	GOOD GOVERNANCE	70	54,430,812,653	53,440,933,553
7	ENVIRONMENT	35	32,443,097,988	23,000,849,290
8	WATER	10	30,629,617,840	26,063,137,509
9	GENDER	38	11,619,112,155	9,139,114,754

10	HUMAN RIGHTS	7	1,159,618,544	1,060,019,566
TOTAL		804	1,422,210,060,456 (USD 619,440,260)	1,192,460,561,025 (USD 519,373,404)

Source: The 2020 Report on NGOs' Contribution to National Development

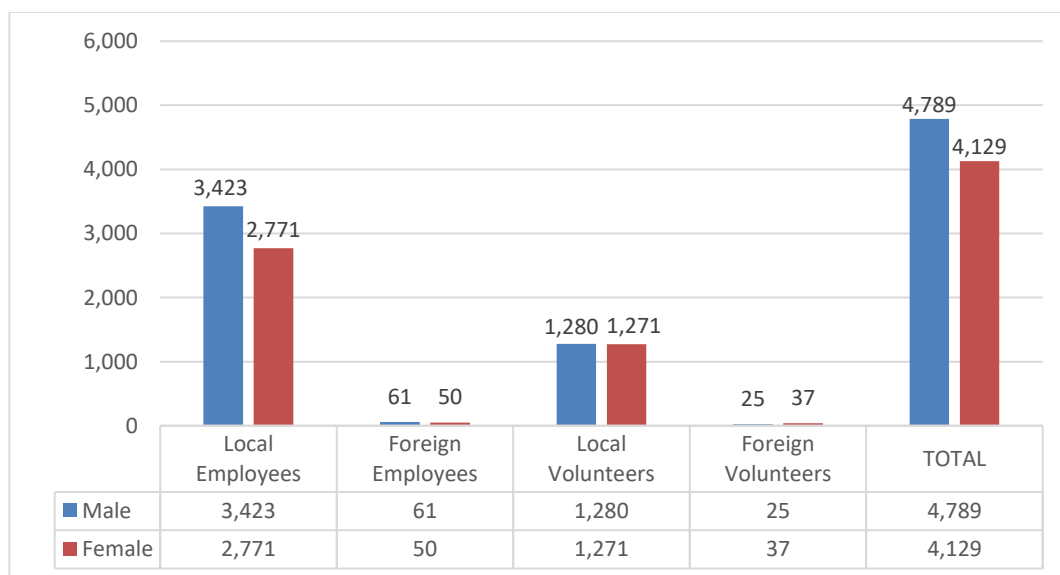
Note: Thematic Area in blue indicates FATF NPO, 644 out of 804 NPOs are FATF NPOs (80%).

Figure 4: NGOs Project Beneficiaries



Source: The 2020 Report on NGOs' Contribution to National Development

Figure 5: NGOs Employee Records



Source: The 2020 Report on NGOs' Contribution to National Development

In addition to using the above data, the NPO Terrorist Financing Risk Assessment Workgroup reviewed reports including literature that is provided in Appendix A. The review led to a determination that FATF NPOs that possess features and characteristics that are discussed below have an increased risk of terrorist financing abuse. The more the features and characteristics, the higher the risk of terrorist financing abuse. Deliberations in the next paragraphs will try to identify NPOs with such features and characteristics, where and the way to find them, but they are not meant to quantify the exact number of NPOs at risk in each thematic area. The deliberations are intended to help NPOs, NPO Regulators and other stakeholders understand practices that introduce or increase TF risk, in order to avoid such practices or to devise risk mitigation measures to prevent or reduce the chances of NPO TF abuse. NPO Regulators will use that knowledge to actually quantify NPOs at risk, in order to supervise them accordingly and reduce their exposure to TF abuse. NPOs that possess features and characteristics as discussed in the next paragraphs face an increased risk of terrorist financing abuse.

i) NPOs with owners or management from jurisdictions at risk of terrorism or terrorism financing

As provided by the 2020 Report on NGOs' Contribution to National Development, URT has a big number of international NPOs. There may also be local NPOs with some foreigners among the owners or in management positions. The Report did not provide in a segregated manner, thematic areas with corresponding numbers in foreign ownership and management. NPO Regulators are hereby advised therefore, to devise a way to determine and actually find out NPOs that may have owners or management from jurisdictions at risk of terrorism or terrorism financing, in order to have such NPOs appropriately supervised. High risk jurisdictions can be determined from credible sources such as the Government (URT or RGZ), UN, FATF, etc.

ii) NPOs whose beneficiaries are at risk of terrorism or terrorism financing

Beneficiaries of most NPO support in URT are Tanzanians themselves. Currently in URT, there has not been any community or group of persons that are known or have been identified to be at significant risk of terrorism or terrorism financing. Therefore, this NPO feature has little application in the

context of URT and it does not have significant impact on NPOs of any thematic area.

iii) NPOs with questionable or informal sources of income

Most NPOs in URT have well-known and formal sources of income. Using the 2020 Report on NGOs' Contribution to National Development as well as other sources, it has been determined that the major sources of income are the United States Agency for International Development(USAID); United Nations Children's Fund (UNICEF); Swedish International Development Cooperation Agency (SIDA); Danish International Development Agency (DANIDA); Department for International Development (DFID); Legal Services Facility (LSF); Foundation for Civil Society (FCS); Bill & Melinda Gates Foundation; Swiss Development Cooperation; Oxfam; Swiss Aid; Action Aid; Twaweza; Legal and Human Rights Center (LHRC); Care International; European Union (EU); Embassy of Switzerland; Embassy of Sweden; Irish Aid; Embassy of Norway; BBC Foundation; Save the Children; Dalberg; Japan International Cooperation Agency (JICA); CRDB Foundation; Abt Associates; Deloitte & Touche; KPMG; Jhpiego; FH360; PriceWaterhouseCoopers; Mkapa Foundation; Jakaya Kikwete Foundation; CRS; SNV; Norwegian Church Aid; World Vision; Freedom House; PACT Tanzania; National Democratic Institute; US Embassy; Women Trust Fund; Ford Foundation (EAO); osiea; Vodacom Foundation; Feed the Future; Canadian Embassy and Irish Embassy.

Even though most NPO sources of income seem to come from credible sources as shown above, they are nevertheless mainly from foreign jurisdictions. It is more challenging to determine whether funds are legitimate and are from clean sources when they come from abroad, especially taking into account the issue of beneficial ownership. NPOs and NPO Regulators are therefore advised to take reasonable measures to determine the beneficial owners behind these entities. NPOs and NPO Regulators should beware and should refrain from sourcing funds from criminals, sanctioned or high-risk individuals, entities and jurisdictions. Sanctioned or high-risk individuals, entities and jurisdictions can be determined from credible sources such as the Government (URT, RGZ), UN

and the FATF. Currently, high-risk jurisdictions include Iraq, Afghanistan, Nigeria, Somalia, Syria, Pakistan, Yemen, etc.

iv) NPOs with little or no oversight

A considerable number of NPOs across all thematic areas are not well supervised due to the big number of NPOs in URT and the limited supervisory capacity of most NPO Regulators as shown in Table 6. Lack or poor supervision of NPOs increases the risk of TF abuse. From this finding, it is evident that NPOs of all thematic areas seem to face increased TF risk. NPO Regulators are hereby advised to build capacity and to start effective risk-based supervision of all NPOs at risk.

v) Unregistered or unlicensed NPOs

All NPOs in URT are required to be licensed and registered. From the information gathered for this assessment, there seems to be good compliance in this aspect. Therefore, this NPO feature or characteristic has little application in the context of URT and it does not have a significant impact on NPOs of any thematic area. However, NPOs and NPO Regulators are advised to remain vigilant so that no one in URT is allowed to conduct NPO business without a license. NPO Regulators should take note of AMLA and AMLPOCA requirements designating them as regulators and hence should apply preventive measures such as conducting CDD of NPOs at the time of licensing and registration and reporting suspicious transactions where necessary during the NPOs existence.

vi) NPOs operating in areas at risk of terrorism or terrorism financing (including NPOs with branches in risky jurisdictions)

There are no areas of URT that are known to be at significant risk of terrorism or terrorist financing. However, as provided by the 2020 Report on NGOs' Contribution to National Development, URT has a big number of international NPOs or NPOs with foreign affiliation, including such which may have operations or branches in high risk jurisdictions. NPO Regulators are hereby advised to devise a way to determine and actually find out NPOs that may have operations or branches in high risk jurisdictions, in order to have such NPOs

supervised where necessary. High risk jurisdictions can be determined as provided in paragraph iii.

vii) NPOs that use informal or risky financial systems to transact

All NPOs in URT are required to have Taxpayer Identification Numbers (TIN), bank accounts and they are required to conduct financial transactions using formal financial systems. Transacting formally has recently been made easy in URT with the advent of mobile payments. Mobile payments have also helped reduce extensively if not eliminated hawala business because of the ease of use and convenience, even though some MNOs may not be so keen on conducting CDD on senders and beneficiaries, and some transactions are in the form of many-to-one or one-to-many, and in big numbers. Requirements to transact formally are not rigorously enforced so that NPOs continue to engage in extensive use of cash and other informal means of transacting. NPOs are found at different levels of using formal financial systems to transact. For instance, religious institutions are at the forefront among the different thematic areas in using cash to transact. For this reason, religious institutions face an increased risk of TF abuse.

There is also need to beware of distributed cryptocurrency platforms, which permit transacting anonymously. Therefore, awareness raising among NPO Regulators and NPOs in different thematic areas is needed on the use of formal and non-risky financial systems to transact, in order to reduce the risk of TF abuse.

viii) NPOs with poor transparency in ownership or management structure

NPOs with owners or management that cannot be easily determined face an increased risk of TF abuse. Individuals who own or manage the NPO could be criminals, blacklisted or sanctioned persons, or persons from risky terrorist or terrorist financing jurisdictions. It should therefore be possible for every NPO and NPO Regulator to know the natural persons behind NPOs. They should be able to know who owns or controls the NPO and those in positions of managing the NPO. It should be possible to determine NPO beneficial owners.

The recent amendments of AMLA, AMLPOCA, and the amendments through the Finance Act. 2022, of the Companies Act, Cap. 212 and the Trusteeship Incorporation Act, Cap. 318 contain requirements to obtain beneficial ownership information. This will enhance the determination of NPO beneficial owners. It is estimated that about 95% of all legal forms in URT have direct ownership structures, with only about 5% that are associated with beneficial ownership structures. Most of the information collected for this assessment helped determine the extent of transparency in NPO ownership and management structures up to 95%. However, using reasonable measures, it is possible to determine some of the beneficial owners of this 5%. Ultimately, implementation of the recent amendments above should help get much more clarity and transparency in beneficial ownership and control of NPOs. Therefore, Zanzibar legislation, especially legislation governing companies and NPOs should also be amended to permit the determination of beneficial owners to go in tandem with AMLPOCA as amended in March, 2022.

ix) NPOs with weak or poor internal controls

NPOs with little or poor internal controls include NPOs with no board of directors, no internal auditing, no compliance functions, no segregation of duties, no known or written policies or procedures, poor recordkeeping, etc. Using the available data and information in this risk assessment, it has not been possible to determine NPOs with little or poor internal controls. Therefore, NPO Regulators are hereby advised to devise a way to determine and find out NPOs with weak or poor internal controls, in order to supervise such NPOs where necessary.

x) NPOs with questionable or risky business partners or affiliates

NPOs with questionable or risky business partners, service providers, agents or affiliates face an increased risk of TF abuse. Such risky partners or affiliates include entities and persons with a criminal background, blacklisted or sanctioned persons, or persons from risky jurisdictions in terms of terrorism and terrorism financing. There are circumstances where it is possible for the NPO or NPO regulator to determine who the business partners of affiliates are, but there are also circumstances where that is not possible. The difficulty in making such

a determination is sometimes compounded by difficulties in URT in determining beneficial owners as discussed in paragraph viii.

The information collected for this assessment could not help determine risky NPO business partners and affiliates, especially taking into account international NPOs and NPOs with foreign affiliations. NPOs and NPO Regulators are hereby advised to conduct background checks of business partners, service providers, agents and affiliates using, among others, PEP and sanctions monitoring systems.

xi) NPOs that have TF cases or that have been reported to the FIU

Currently, there are no NPOs in URT that have TF cases or that have been reported to the FIU. However, the FIU and Law Enforcement Agencies (LEAs) are hereby advised to make sure that in a discreet manner and at the appropriate time, the relevant NPO Regulators are made aware of the NPO in such a predicament. This will allow the NPO Regulator to take appropriate action including classifying the NPO appropriately in terms of TF risk and starting to supervise that NPO where necessary.

xii) NPOs in areas where the population is sympathetic to terrorist entities

There are no areas of URT that are known to have a significant number of people, communities or populations that are sympathetic to any terrorist group or terrorist course. However, NPO Regulators are hereby advised to devise a way to determine and actually find out NPOs that may have operations or branches in jurisdictions with populations that are sympathetic to terrorist groups, in order to have such NPOs supervised where necessary.

In concluding this section, NPOs TF vulnerability is assessed to be **Medium** due to existing measures to prevent the abuse of NPOs and the size of the NPO sector in the economy (top 10 thematic areas with 804 NPOs out of 17,500 NPOs revolved in 2020 some USD 619.4 million in the economy with GDP close to USD 60.5 billion). Other aspects that are taken into consideration are that all the required legislation exists even though some amendments are required, all NPOs are required to be registered and there is adequate compliance in that regard, all NPOs have designated regulators even

though there is inadequate NPO oversight, the Counter Terrorism strategy that includes the “nyumba kumi” (10-cell group) initiative, there exists an Inter Religious Committee to take care of the ideology side of radicalization, violent extremism and terrorism, NPOs have to a large extent credible sources of income, even though their income mainly comes from foreign sources, there is considerable use of formal financial systems to transact, even though the extensive use of cash still prevails and there is adequate transparency in beneficial ownership.

3.3 NPO Terrorist Financing Risk

As earlier elaborated at the start of section 3:

Risk is a function of **Threat** and **Vulnerability**

Threat was assessed under subsection 3.1 to be Medium and vulnerability was also assessed under section 3.2 to be medium. Terrorist Financing Risk in the NPOs sector is thus assessed to be Medium as depicted in Figure 4 below

Figure 4:
Terrorist Financing Risk in the NPO Sector

Threat	H	M	M	MH	H	H
	MH	M	M	MH	MH	H
	M	ML	M	M	MH	MH
	ML	ML	ML	M	M	M
	L	L	ML	ML	M	M
		L	ML	M	MH	H
		Vulnerability				

3.4 Recommendations

Following are recommendations out of this NPO terrorist financing risk assessment, which to a large extent go towards mitigating the identified risks:

- i) This risk assessment has highlighted the need for NPO Regulators to collect and maintain accurate and up-to-date records and statistics on NPOs. Records should permit and ease the supervision of NPOs and for future NPO TF risk assessments. Obsolete records should be removed from operational databases but may be archived for reference and in order to comply with the law in terms of record keeping.

- ii) NPO Regulators should put in place measures so that during registration of NPOs, registration renewal or during submission of periodic reports, information is collected that will permit the accurate determination of FATF NPOs and NPOs at risk.
- iii) Measures should be put in place to vet or conduct fit 'n proper of NPO management and beneficial owners of NPOs that are determined to be at risk
- iv) During NPO registration and registration renewal, NPOs should be required to have measures and internal policies to minimise TF abuse
- v) This report has shed some light and has provided insight into the way NPOs may be abused for terrorist financing. NPO Regulators should use this report to devise regulatory measures that will identify and quantify NPOs at risk, so that they may be closely supervised
- vi) NPO Regulators need to apply effective, proportionate and dissuasive sanctions on NPOs for regulatory non-compliance. In addition, non-existent NPOs must be de-registered and obsolete records removed from operational databases
- vii) NPOs, NPO Regulators, the FIU and other relevant stakeholders need to increase AML/CTF/CPF awareness raising among NPOs. This awareness raising must be a continuous process
- viii) Legislation governing NPOs in Zanzibar such as the Companies Act, No. 15 of 2013 and the Societies Act, No. 6, 1995 should be amended to permit the determination of NPO beneficial owners, and that it be in tandem with AMLPOCA as amended in March, 2022.
- ix) NPOs Regulators should consider refusing to register or refusing to renew the registration of NPOs whose beneficial owners cannot be determined
- x) NPO Regulators responsible for societies and trusts should categorize religious societies and charitable trusts into thematic areas, in order to ease the determination and supervision of NPOs at risk
- xi) NPO Regulators should build human and technical capacity to effectively supervise NPOs in a risk-based manner
- xii) NPO Regulators and the FIU should collaborate and issue AML/CTF/CPF guidance to NPOs and to refine best practices to address TF risk, in order to safeguard and prevent the NPOs from TF abuse
- xiii) NPO Regulators need to develop and have in place NPO risk-based supervision manuals and annual supervision plans

4. APPENDICES

A) References

1. Report of the United Republic of Tanzania on Anti-Money Laundering and Combating the Financing of Terrorism Measures, Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), 2009)
2. International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations (FATF, 2012 - updated October 2021))
3. Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013 - Updated November 2020)
4. International Best Practices: Combating the Abuse of Non-Profit Organisations (FATF, 2015)
5. The Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014)
6. The Terrorist Financing Risk Assessment Guidance (FATF, 2019)
7. Mutual Evaluation Report of the United Republic of Tanzania, June 2021 (ESAAMLG, 2021)
8. The 2020 Report on NGOs' Contribution to National Development, September, 2021 (Registrar of NGOs, 2021)
9. Assessing the Risk of Abuse of NPOs for Terrorist Financing - NRA Toolkit (World Bank, 2022)

B) NPO Terrorist Financing Risk Assessment Workgroup

No.	Name of Organisation	Number of Participants
1	Association of Non-Governmental Organisations in Zanzibar (ANGOZA)	1
2	Bank of Tanzania (BOT)	2
3	Business Registration and Licensing Agency (BRELA)	1
4	Financial Intelligence Unit (FIU)	5
5	National Council of Non-Governmental Organisations (NaCoNGO)	1
6	National Counter Terrorism Centre (NCTC)	1
7	National Prosecution Service (NPS)	1
8	Office of the Director of Public Prosecutions, Zanzibar	1
9	President's Office, Regional Administration and Local Government (PO-RALG)	1

10	Registrar of Non-Governmental Organisations	1
11	Registrar of Societies, Ministry of Home Affairs	1
12	Registrar of Societies, President's Office, Regional Administration, Local Government and Special Departments, Zanzibar	1
13	Registration, Insolvency and Trusteeship Agency (RITA)	1
14	Tanganyika Law Society (TLS)	1
15	Tanzania Cooperative Development Commission (TCDC)	1
16	Tanzania Police Force (TPF)	1
17	Tanzania Revenue Authority (TRA)	1
18	Zanzibar Association of Accountants and Auditors (ZAAA)	1
19	Zanzibar Business and Property Registration Agency (BPRA)	1
20	Zanzibar Civil Status Registration Agency (ZCSRA)	1
21	Zanzibar Law Society (ZLS)	1
22	Zanzibar Revenue Board (ZRB)	1
	TOTAL	27

C) Law Enforcement Agencies

No.	Name of Organisation
1	Tanzania Police Force (TPF)
2	Tanzania Immigration Services Department
3	Tanzania Revenue Authority (TRA)
4	Zanzibar Revenue Board (ZRB)
5	Prevention and Combating of Corruption Bureau (PCCB)
6	Zanzibar Anti-corruption and Economic Crimes Authority (ZAECA)
7	Drug Control and Enforcement Authority (DCEA)
8	Zanzibar Drug Control and Enforcement Authority (ZDCEA)

D) NPO Regulators

No.	Name of Organisation	Regulated Entities
1	Registrar of NGOs,	NGOs in Tanzania mainland
2	Registrar of Societies, President's Office, Regional Administration, Local Government and Special Departments, Zanzibar	NGOs and societies in Zanzibar
3	Registrar of Societies, Ministry of Home Affairs	Societies in Tanzania mainland
4	Registration, Insolvency and Trusteeship Agency (RITA)	Trusts in Tanzania mainland
5	The Waqf and Trust Commission	Waqf in Zanzibar

E) Steps in Conducting NPOs Terrorist Financing Risk Assessment

STEP 1: Determine the legal forms that exist in the United Republic of Tanzania. This is a universal set of legal persons and legal arrangements that exist in URT

STEP 2: From the universal set in Step 1, identify and understand a subset of legal forms out of which NPOs can be formed. This subset shall be known as “NPOs”

STEP 3: From the NPOs in set in Step 2, identify a subset of legal forms that meet the definition of NPOs as per the FATF Recommendations. This subset shall be known as “FATF NPOs”. Assess and understand TF risks that are associated with FATF NPOs. The assessment shall involve assessing TF threats and TF vulnerabilities:

- The assessment of threats shall involve the assessment of domestic threat and threat emanating from foreign jurisdictions
- The assessment of vulnerabilities shall involve the review of the adequacy of domestic measures to prevent the abuse of FATF NPOs (policies, laws, regulations, guidelines, institutional setup, capacity, etc.), and assessing NPO features that introduce TF risk.

STEP 4: From the FATF NPOs in Step 3, devise risk mitigation measures in the form of recommendations, for FATF NPOs that are found to be at risk. This subset shall be known as “NPOs at Risk”