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Money Laundering

Anti - Money Laundering

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2022-07

# A Report on Assessment of Terrorist Financing Risk in Non-Profit Organizations in The United Republic of Tanzania,

United Republic, Tanzania

Ministry of Finance

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# United Republic of Tanzania



## Ministry of Finance

### A REPORT ON ASSESSMENT OF TERRORIST FINANCING RISK IN NON-PROFIT ORGANISATIONS IN THE UNITED REPUBLIC OF TANZANIA

JUNE 2022

(Revised in July 2023)

## 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	- Defence 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
ZRA	- Zanzibar Revenue Authority

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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 aims at identifying NPOs that are at risk of Terrorist Financing (TF) abuse. Not all NPOs in a country may be at risk of TF abuse. The process also involves analysing and understanding of the risks, and devising risk mitigation measures.

This assessment covers the United Republic of Tanzania comprising Tanzania Mainland and Zanzibar. The Ministry of Finance and the President’s Office, Finance and Planning are overall champions of the process. The National Multi-Disciplinary Committee on Anti-Money Laundering (NAMLC) is the advisor of the government in accordance with the Anti- Money laundering legislations and coordinated this 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. The risk assessment was then reviewed in July, 2023.

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 identified 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 a subset that meets the FATF definition referred to as “FATF NPOs” was made. The FATF defines NPO as “*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.

In November, 2022, a questionnaire (Appendix F) was disseminated to all NPOs in Tanzania Mainland and Zanzibar, in order to solicit responses that would help classify individual NPOs into FATF NPOs, Non-FATF NPOs and NPOs at terrorist financing risk. Eighty-one (81) responses were received from an estimated total of 14,941 NPOs in URT. From the responses, it was determined that there were 61 FATF NPOs, 7 Non-FATF NPOs and 13 undetermined NPOs (i.e., they were neither “FATF NPOs” nor “non-FATF NPOs” because they did not answer question 8 in the questionnaire which could have helped make a determination). Among the 81 NPOs, 36 NPOs were found to be at TF risk. Efforts to solicit responses will continue until the majority of NPOs in URT are classified, non-existing NPOs are determined and this will take place in the normal annual NPO TF Risk assessment updates. This NPO TF Risk Assessment may be updated more than once annually.

Assessment of TF risk in NPOs proceeded with identifying and assessing TF threats, which were determined to be “Medium”, then vulnerabilities, which were assessed to be “Medium Low”. 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 Supervisors 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.

## **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 31<sup>st</sup> 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) 2022 Population and Housing Census, in 2022, URT had a total population of 61,741,120 people whereby, the population of Tanzania Mainland was 59,851,347 people and that of Zanzibar was 1,889,773 people. 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 Africa 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 risks 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 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 to June, 2021. In the resulting ME Report, Immediate Outcome 10 on NPOs was assessed to have achieved “Low Effectiveness” and Recommendation 8 on NPOs was assessed as “Non-Compliant”. In that Mutual Evaluation Report, NPO TF 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 TF 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 capacity of NPO supervisory and regulatory institutions, 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 of URT and the President's Office, Finance and Planning of the Revolutionary Government of Zanzibar (RGZ).

In November, 2022, a questionnaire (Appendix F) was disseminated to all NPOs in Tanzania Mainland and Zanzibar, in order to solicit responses that would help classify individual NPOs into FATF NPOs, Non-FATF NPOs and NPOs at terrorist financing risk. This risk assessment was subsequently reviewed in July, 2023.

### **Data Collection**

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

- i) NPO licensing and registration information from NPO Supervisors
- ii) NPO supervisory data, information and reports from NPO Supervisors
- 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.
- viii) 2022 Population and Housing Census
- ix) Responses to the November, 2022 NPOs questionnaire (Appendix F)

## SECTION 2

### IDENTIFICATION OF NON-PROFIT ORGANISATIONS

#### 2.0 Definition of NPOs

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

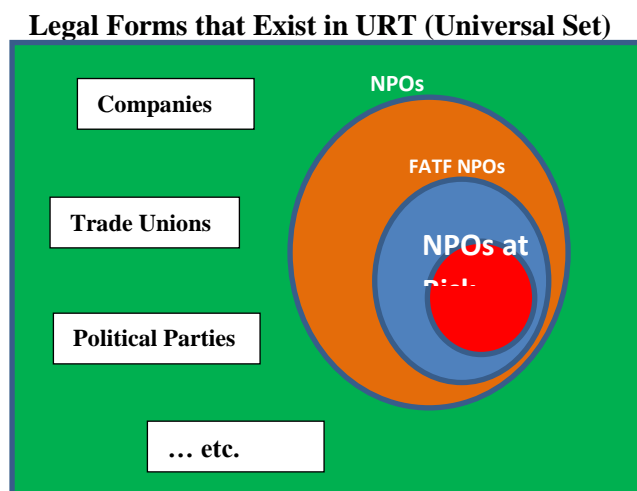
*“a legal person or legal arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works””.*

This assessment entailed:

- 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.

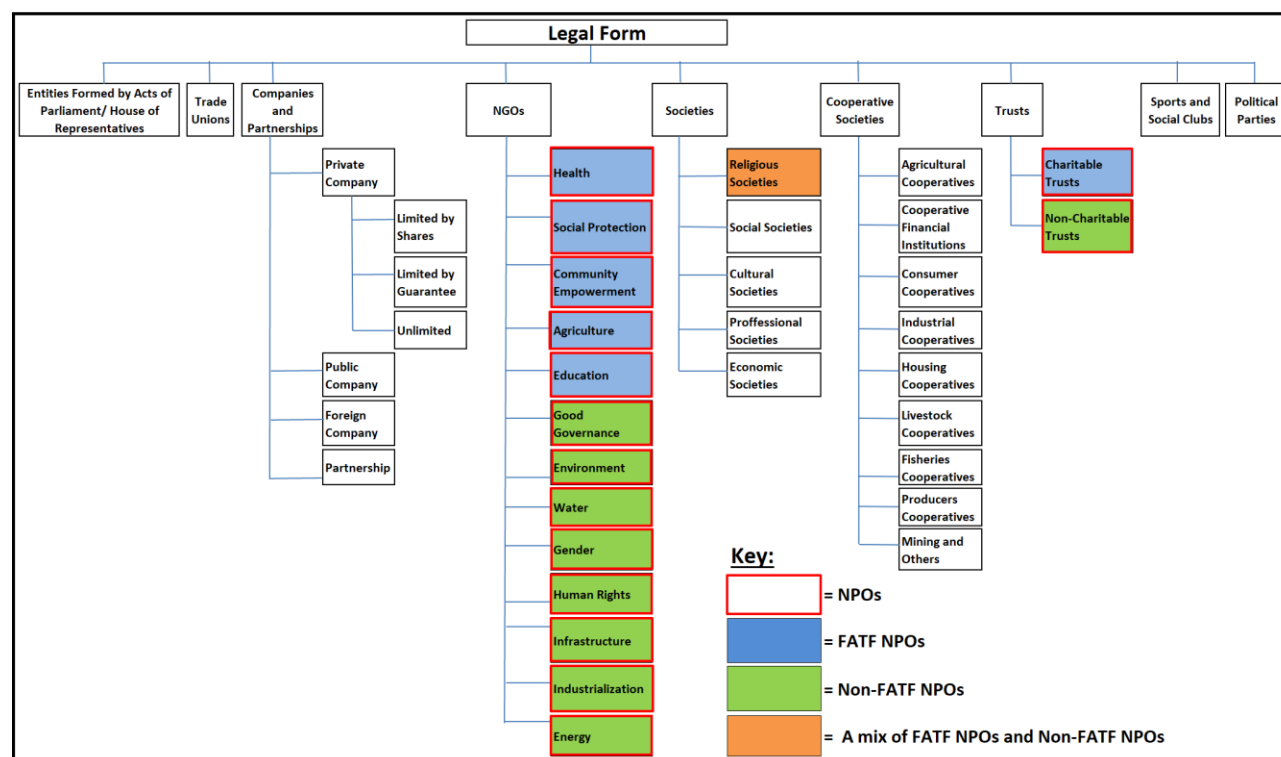
**Figure 1:** Identification of NPOs



## 2.2 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 Authority (ZRA) 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. In Tanzania Mainland, trade unions are governed by the Employment and Labour Relations Act, Cap. 366 whereby in Zanzibar, they 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.  
  
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. 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 voluntary grouping of individuals or organizations which are autonomous, non-partisan and non-profit sharing with a social mission, which operates independently from government. 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). 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. 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. 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. Political parties in Tanzania Mainland and Zanzibar are governed by the Political Parties Act, Cap. 258.

### 2.3 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 of 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 Supervisors” 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	9,510	1,100	2,023	12,633
Zanzibar	2,084	224	0	2,308
<b>TOTAL</b>	<b>11,594</b>	<b>1,324</b>	<b>2,023</b>	<b>14,941</b>

Source: NPO Supervisors

According to Table 1, the United Republic of Tanzania has a total of 14,941 NPOs, excluding non-charitable trusts. In order to segregate FATF NPOs for further analysis, there is need to group the 14,941 entities into thematic areas. However, from the registration records where this information was sourced, it was only possible to classify NGOs (11,594) 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 Supervisors. 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 and technicalities,	Yes	1,159

		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 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
<b>TOTAL</b>				<b>25,707</b>

Source: NPO Supervisors

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		
<b>TOTAL</b>	<b>19,941</b>	<b>1,324</b>	<b>2,023</b>
<b>Percentage [%]</b>			
	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”.

### 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 was adopted. The formula is expressed as follows:

**RISK = THREAT+ 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				
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
		L	ML	M	MH	H
		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 TF risk facing NPOs in Tanzania takes cognizance of the threats and vulnerabilities in the NPOs identified in the country's Terrorist Risk Financing 2023, in order to arrive at the terrorist financing risk facing NPO subset at risk".

### 3.1 Terrorist Financing Threat Facing NPOs

As identified in the National TF Assessment 2023, URT sources of terrorism and TF are as follows:

#### 3.1.1 Terrorism and Terrorist Financing Threat Emanating from Foreign Jurisdictions

Much of the threat of terrorism and TF in the United Republic of Tanzania emanates from foreign jurisdictions including **Al-Qaeda** and 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; **Al-Shabaab** which is an affiliate of Al-Qaeda and is active in Somalia and neighbouring Kenya and Uganda and the **Islamic State of Iraq and Syria (ISIS, also known as Islamic State of Iraq and the Levant - ISIL)**. ISIS is 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 Al Sunnah wa Jama ah in Mozambique Cabo Delgado which borders Mtwara region of southern Tanzania.

The Allied Democratic Forces (ADF) a rebel group in Uganda and the Democratic Republic of Congo (DRC) are also affiliated to ISIS and considered a terrorist organization that pose terrorism and TF threat to URT.

The defence and security organs in URT have established entities to conduct physical operations nationally to coordinate national, regional and international partnership to pursue Terrorism. The entities include the National Serious Crime Task Force (NSCTF) and the National Counter Terrorism Centre (NCTC). The NSCTF is tasked with conducting operations that are aimed at disrupting terrorist activities and the NCTC is tasked with developing and managing intelligence in collaboration with other domestic and foreign stakeholders. Terrorism in URT is a serious crime and the Tanzania Police Force is the lead agency in investigation of Terrorism and TF related offences while the Minister for Home Affairs is the competent authority responsible for administrative matters.

### 3.1.2 Foreign Terrorist Fighter

FTF has also been identified in the TF Assessment as another threat in URT as Al-Qaeda, Al-Shabaab, ISIS and ADF are continuously engaged in recruiting. Examples 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 a Tanzanian student involved in the Garissa University terror attack in Kenya in 2015, which killed over 148 students; and the arrest in January 2022 in Cabo Delgado, Mozambique by the Mozambican armed forces, of a Tanzanian for involvement in recruiting terrorists and planning attacks by the Insurgents in Mozambique.

### 3.1.3 Domestic Threat of Terrorism and Terrorist Financing

There is no evidence of the threat of terrorism and terrorist financing domestically. A review was made on STRs, Investigations, MLA, Extraditions on TF to determine the extent of TF threat domestically. The summary is as shown in the table below:

**Table 4: Terrorism and TF in URT Incidences (2017 to December, 2022)**

SN.	TYPE CASE	NUMBER OF CASES	COMMENTS
1.	TF STRs	26	2017(2); 2018 (0); 2019(2); 2020(2); 2021(9) and 2022 (8)
2.	TF Intelligence disseminated to LEAs	11	2017(3); 2018(0); 2019(0); 2020 (1); 2021 (1); 2022 (6)
3.	Terrorism/TF cases investigated	1	1 terrorism and TF related case was investigated in 2021.
4.	Terrorism/TF cases pending before courts	4	In 2022 these cases were pending before the courts waiting for plea bargaining in Dar-es salaam, Kibaha, Mwanza and Arusha courts.
5.	Terrorism/ of TF prosecutions	3	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. In December, 2022 NPS prosecuted 2 cases on Terrorism involving 6 offenders.
6.	Terrorism/TF convictions	2	The December, 2022 prosecution indicate above were concluded and the accused were sentenced to 30 years imprisonment.

7.	International assistance requests on terrorism and TF	2	These were received in 2022 and 2023
8.	International assistance requests made by URT on terrorism and TF	0	
9.	TF funds seized or frozen	0	
10.	TF funds confiscated	0	

Source: NPO Terrorist Financing Risk Assessment Workgroup

The National TF Risk Assessment 2023 rates the threat TF threat domestically emanating from foreign jurisdictions and that the TF Threat is **MEDIUM**.

### 1.5 Terrorism Financing Vulnerability Facing NPOs

The TF Risk Assessment 2023 identifies the following TF threats to the NPO sector:

- (a) Deliberate activities of bad actors using NPO as cover to raise funds;
- (b) Misuse of funds;
- (c) Establishment of NPOs branches to act as TF cells to finance terrorism;
- (d) Financial fraud;
- (e) Fund raising abuse; and
- (f) Legitimate NPOs used as cover for illegal activities.

The TF risk Assessment finds that the above threats are minimized/mitigated by the registrars of NPOs supervisory process in their legal framework particularly through the requirements on approvals of any fundraising, submission of quarterly activity and financial statements and sanction power including registration and license revocation.

According the general TF Risk Assessment, the TF threat through abuse of NPO is rated **Medium** based on the possibility of direct access to funding from other sources without using financial institutions.

The general TF Risk Assessment 2023 identifies the following TF Vulnerabilities on NPOs sector:

- (a) Access to and possibility of receipt of direct contributions from different sources of funds;
- (b) Ability to operate in area close to conflict zone, example DRC (Democratic Republic of Congo) and Mozambique;
- (c) Cash intensiveness;
- (d) Ability to operate globally networks (Global networks);
- (e) Transparency and accountability of usage and money movements; and
- (f) Existence of undisclosed philanthropist.

The above vulnerabilities are minimized/mitigated by the registrars in URT supervision powers of NPOs including power to review the planned activities and funding sources. TF vulnerabilities through abuse of NPOs is rated **Medium**, taking into account the above vulnerabilities.

### 3.3 Assessment of the Adequacy of Laws and Regulations Relating to NPOs

With a view to identifying the NPO sector that has high TF risk, Recommendation 8 of the Financial Action Task Force 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 and 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) TF is criminalized by sections 13 and 14 of the Prevention of Terrorism Act, Cap. 19 (POTA), and any person who commit TF is 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 AMLA and AMLPOCA and the regulations made under them require risk-based customer due diligence when on boarding customers and during continued relationships. This requirement applies to NPOs particularly in relation to disclosure of the Trustee, beneficiaries, beneficial owners and managers or others persons who benefit from the NPOs;
- (d) The laws require 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 terrorist;
- (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 (AMLPOC) Regulations 2022 on the part of Zanzibar ensure that large movements of cash and Bearer Negotiable Instruments (BNI) across borders. This also applies to cash movements 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 or registered to operate. The relevant laws are the NGOs Act (Cap. 56), the Societies Act (Cap. 337), Trustees' Incorporation Act, (Cap. 318) for Tanzania Mainland, and the Societies Act [No. 6 of 1995] for registration of NGOs and Religious societies for Zanzibar. The licensing/registration formalizes NPO business and permits oversight, regulation and supervision;
- (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. There are no charitable trusts in Zanzibar;

(h) All NPOs registered under Registrar of NGOs in Tanzania Mainland are required to comply to Non-Governmental Organizations (Amendments) Regulations 609 of 2018 with regard to financial transparency and accountability; and

(i) NPOs are required to comply as shown in Table 5 below:

**Table 5: NPOs compliance requirements**

No.	Type of NPO	Compliance Requirements
1	NGOs, Tanzania Mainland	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	i) NGOs, Zanzibar ii) Religious societies, Zanzibar	i) Submission of annual reports ii) Submission of annual returns
3	Religious societies, Tanzania mainland	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	i) Submission of trustees' annual returns ii) Notification within one month, of any change of trustees, address or constitution

(j) Regulation and supervision reduce the chances of TF abuse of the NPOs;

(k) NPOs Supervisors have the capacity to regulate and supervise NPOs as shown in **Table 6** below. Regulation and supervision reduce the chances of TF abuse of the NPOs.

**Table 6: Capacity of NPO Supervisors to supervise**

No.	NPO Regulator	Regulated NPOs	Regulatory Capacity
1	Registrar of NGOs,	NGOs, Tanzania Mainland	<u>Staff Compliment</u> i) Registrar of NGOs – 18 staff

			ii) Support staff 2  iii) Assistant registrars 210 – These are appointed at every region and district level in Tanzania Mainland  <u><b>Regulatory Powers</b></u>  i) Refusal to register NGO  ii) Suspend  iii) Penalty for late submission of annual activity or audited reports = TZS 100,000 per year for local NGOs, USD 300 for international NGOs
2	Registrar of Societies, President's Office, Regional Administration, Local Government and Special Departments, Zanzibar	i) NGOs, Zanzibar  ii) Religious societies, Zanzibar	<u><b>Staff Compliment</b></u>  i) Registrar of Societies – 7 staff  <u><b>Regulatory Powers</b></u>  i) Refusal to register NGO or religious society  ii) Cancel society registration
3	Registrar of Societies, Ministry of Home Affairs	Religious societies, Tanzania mainland	<u><b>Staff Compliment</b></u>  i) Registrar of Societies – 16 staff  <u><b>Regulatory Powers</b></u>  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
4	Registration, Insolvency and Trusteeship Agency (RITA)	Charitable trusts	<u><b>Staff Compliment</b></u>  i) RITA – 14 staff  <u><b>Regulatory Powers</b></u>  i) Refusal to register charitable trust

(l) The Financial Intelligence Unit (FIU) was established by laws 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 Supervisors for the sector;

(m) 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. To enhance compliance by NGOs, access to NIS was given to all Assistant Registrar and all stakeholders for submission of their reports;

- (n) Some Financial institutions (FIs) have automated computer systems to detect UN-listed persons and entities. Most NPOs conduct financial transactions through FIs whereby transacting with listed persons and entities can be detected;
- (o) 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;
- (p) 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; and
- (q) 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.

### **3.4 Assessment of NPO Features and Characteristics that are prone for 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 qualifies and quantify the contribution of NGOs to national development. It also assesses the performance of NGOs in 2020 and 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 in agreement that the report provides a representative sample for this risk assessment and results that can help to identify the NPOs subset that pose high TF Risk.

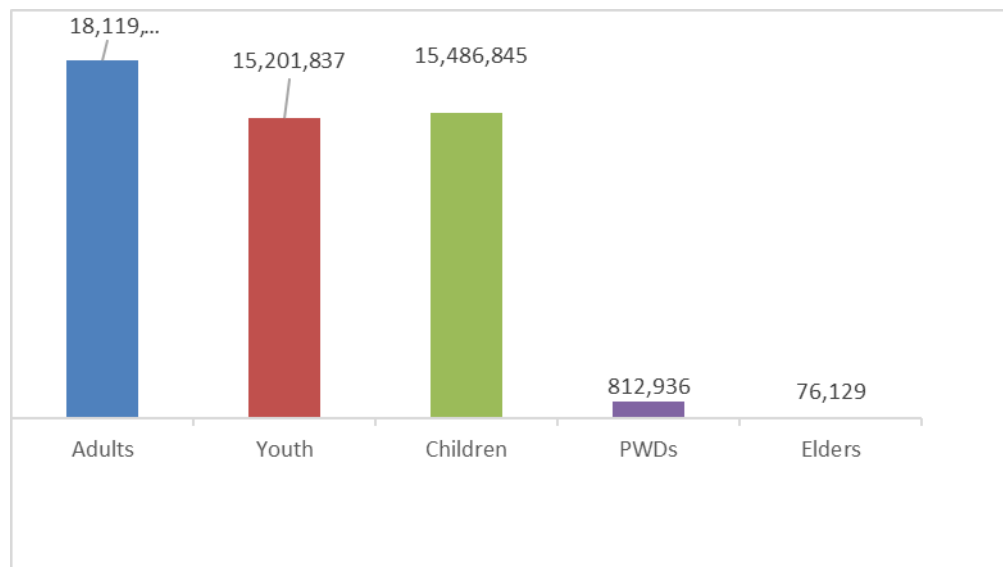
**Table 7** and **Figure 5 and 6** below show some results from “The 2020 Report on NGOs’ Contribution to National Development”.

**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
<b>TOTAL</b>		<b>804</b>	<b>1,422,210,060,456</b> <b>(USD 619,440,260)</b>	<b>1,192,460,561,025</b> <b>(USD 519,373,404)</b>

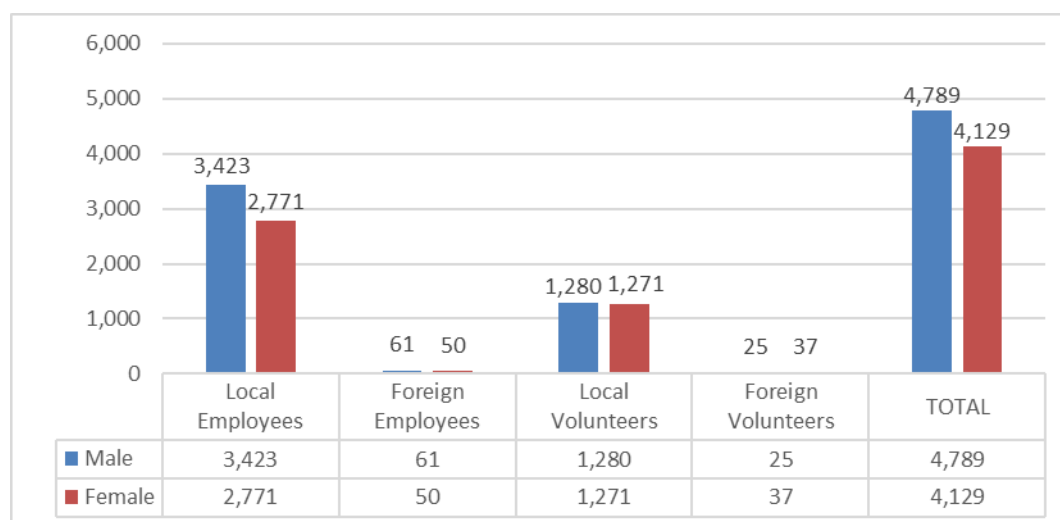
**Source:** The 2020 Report on NGOs' Contribution to National Development

**Note:** Thematic Area in green 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 (Appendix A), which led to a determination of NPO features and characteristics that increase NPO vulnerability to terrorist financing abuse.

In November 2022, a questionnaire was sent to Non-Profit Organizations (NPOs) to gather information to help determine NPOs at risk (**Appendix F**). As at June, 2023, some responses were received as provided in the table below.

**Table 8:** Number of Questionnaire Responses Received by June 2023

	NGOs		Religious Societies		Charitable Trusts	
	Total NGOs	Number of Responses Received	Total Religious Societies	Number of Responses Received	Total Charitable Trusts	Number of Responses Received
Tanzania Mainland	9,510	76	1,100	2	2,023	0
Zanzibar	2,084	3	224	0	0	0
<b>TOTAL</b>	<b>11,594</b>	<b>79</b>	<b>1,324</b>	<b>2</b>	<b>2,023</b>	<b>0</b>

**Source:** Responses from NPO Questionnaires in Appendix F

As can be seen from **Table 8** above, very few responses were received by July 2023. This is attributed to, among others, lack of awareness on the part of NPOs of ML/CFT/CFP issues, nonexistence of some of the NPOs which still appears as being actively registered and generally apathy on the part of NPOs who looks at disclosures to supervisory or other government authorities as burdensome and interference of their operations.

Identifying the NPO subset with features and characteristics that may be abused for Terrorist Financing is intended to help NPOs, Supervisor and other stakeholders to 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 Supervisors will use that knowledge to monitor NPOs accordingly and reduce their exposure to TF abuse.

### **3.5 The NPOs that pose high Risk for TF Abuse**

Generally, the Assessment finds that NPOs with features and characteristics discussed below pose an increased risk of terrorist financing abuse. This Assessment has also taken the said features and characteristics as vulnerabilities and have been discussed as part of the vulnerability assessment in accordance with the World Banks methodology.

#### **3.5.1 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. The Report did not provide in a segregated manner, thematic areas with corresponding numbers in foreign ownership and management. However, the November 2022 Questionnaire provided some responses in this aspect. Out of a total of 81 NPO responses received, responses from 14 NPOs (17.3%) were found to have foreigners among the members of management. None of the foreigners was from a risky jurisdiction in terms of terrorist financing as per the FATF and the UN Sanctions list. However, responses from 9 NPOs (11.1%) did not state the nationalities of some or all members of management.

In the case of beneficial ownership of NPOs, questionnaires did not provide much clarity. Responses from 60 NPOs (74.1%) did not provide beneficial owners of NPOs. Among the remaining 21 with beneficial owners provided, only responses to two (2) NPOs had some foreigners as beneficial owners. None of the foreigners was from a risky jurisdiction. This is an area that still needs to be worked on in order to determine the reasons behind the poor response in this aspect.

#### **3.5.2 NPOs whose beneficiaries are at risk of terrorism or terrorism financing**

Beneficiaries of most NPO support in URT are Tanzanians themselves. The existing legal framework in relation to terrorism financing permit registrars of society and NGO/NPO to receive updates of listed persons issued by the United Nations Security Council circulated by FIU. This practice enables respective registrars during registration of society or NGO to determine listed person and assess the risk among the members applied for registration. In that regard, there has not been any community or group of persons in URT 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.

#### **3.5.3 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 most NPO sources of income seem to come from credible sources.

However, the November, 2022 questionnaire did not provide clear answers to the question on this aspect (Question 16). Responses from 35 out of 81 (43.2%) NPOs showed to have non-questionable sources. The remaining 46 NPOs did not provide clear answers that helped make a determination. Some did not respond to this question while others provided vague responses such as "grants", "donor funds", "donations", etc. All these

were assumed to be questionable sources of funds until clarity is obtained from the NPOs. Further clarity will be sought on such responses.

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 supervisors should take reasonable measures to determine the beneficial owners behind these entities. NPOs and NPO Supervisors 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.

To show how the NPO funding poses a high risk, one of the NPOs supervisors informed the assessment team that in one incident an NPO operating in rural remote area of Tanzania operating a dispensary/ providing health service admitted to receive funding (about TZS 5 billion which is equivalent to more than 2 million USD) to support health related aspects of immoral behaviour (in support of health interventions on men having sex with other men). The funding was received without any reporting conditions on expenditure. This case shows the ease of which TF can penetrate the service oriented NPOs.

In another incidence, it was found through routine inspections that an NPO operating as religious society was receiving funds in cash from abroad. This means the funds were not channelled through any financial institutions. The supervisory resorted to place the NPO under close monitoring.

It is recommended that NPOs and NPO Supervisors should keep proper records of funding sources and beneficial owners behind these entities. NPOs and NPO supervisors should not accept funds from criminals, sanctioned or high-risk individuals, entities and jurisdictions. Sanctioned or high-risk individuals, entities and jurisdictions should be determined from credible sources such as the Government (URT, RGZ), UN and the FATF. Currently, high-risk jurisdictions include Democratic People's Republic of Korea (DPRK), Iran and Myanmar.

#### **3.5.4 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 Supervisors as shown in Table 6. Limited supervisory capacity 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 Supervisors are hereby advised to build capacity and to start effective risk-based supervision of all NPOs at risk.

#### **3.5.5 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. In this



regard, 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. NPOs and NPO Supervisors should remain vigilant so that no one in URT is allowed to conduct NPO business without a license. NPO Supervisors should take note of AMLA and AMLPOCA requirements designating them as Supervisors and hence should apply preventive measures such as conducting CDD on NPOs at the time of licensing or registration and reporting suspicious transactions where necessary during the NPOs existence.

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

In accordance with the National TF Risk Assessment, NPOs operating in proximity to the conflict zones of DRC Congo and Northern Mozambique Cabo Delgado area are at high TF risk. In addition, as provided by the 2020 Report on NGOs' Contribution to National Development, URT has international NPOs or NPOs with foreign affiliation.

Reponses from the November 2022 NPOs Questionnaire showed that all the 81 respondent NPOs did not have branches in risky jurisdictions such as DRC Congo or Northern Mozambique. Some had branches in foreign jurisdictions but those jurisdictions are not classified as risky in terms of terrorist financing.

### **3.5.7 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 through formal financial institutions has been made easy in URT with the advent of mobile payments. Mobile payments have helped reduce extensively if not eliminating hawala because of the ease of use and convenience despite some MNOs being found to flaw CDD measures particularly in many-to-one or one-to-many transactions. Requirements to transact formally are not rigorously enforced. Some NPOs continue to engage in extensive use of cash and other informal means of transacting including religious institutions which mostly its revenue is cash based. This poses considerable risk to Religious NPOs subset for TF abuse. Generally, the whole NPO sector in URT is at different levels of using formal financial systems.

The emergence of distributed cryptocurrency platforms has not left Tanzania behind. The cryptocurrency permits anonymous transactions to be conducted although no evidence has been provided to be linked with TF in URT. There is a need for NPOs to be made aware of cryptocurrencies and its negative effects. Awareness raising among NPO Supervisors and NPOs in different thematic areas is crucial for understanding different ways on the use of formal and non-risky financial systems to transact, in order to reduce the risk of TF abuse.

Reponses from the November 2022 NPOs Questionnaire showed that each NPO used a combination of means to transact including formal financial systems such as banks, cash and mobile transactions. Out of 81 NPOs, 74 NPOs (91.4%) indicated to use formal financial systems, 34 NPOs (42.0%) also use cash and 29 NPOs (35.8%) also use mobile

payments to transact. Two (2) NPOs indicated to use informal financial services to transact, even though it could not be determined with certainty what those means of transaction are. However, the result of some onsite inspection of one of NPOs supervisors confirmed the use of cash obtained from NPO sponsors/donors. The on-site inspections also confirmed the use of cash for payment of activities conducted by the NPOs.

No NPO indicated to use cryptocurrency to transact. Since no NPO indicated to use cryptocurrency or any other form of virtual assets, the assessment team considered this mode of transaction in the NPOs sector not to pose any TF risk.

### **3.5.8 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 Al-Haramain Foundation is listed for targeted financial sanctions by UNSC. The Al-Haramain foundation had a branch in Tanzania that is believed to have provided financial, material and/or technological support to the Al-Qaida network. The Al-Haramain Tanzania is believed to have been funding the Arabian based Al-Haramain Islamic Foundation through fundraising and operational activities in Tanzania that provided support, or acted for or on behalf of and Al-Qaida. The Tanzanian entity was shut down in 2004 following receipt of intelligence information on terrorism involvement. Subsequently, the Law Enforcement in Tanzania conducted investigation to trace properties left by the entity, principal officers and affiliated individuals. The findings revealed that the entity had no ownership or controlling interest in any assets in Tanzania. All properties supported by the entity were in the names of local entities, which unwittingly received the support from the Arabian based Al-Haramain Islamic Foundation.

It is possible under the laws of URT for the NPO and the NPO regulators to determine the business partners of affiliates of the NPO due to the requirements of the law. The recent amendments of AMLA, AMLPOCA, and the amendments of the Companies Act, (Cap. 212) and the Trusteeship Incorporation Act, (Cap. 318) contain requirements to obtain beneficial ownership information. These requirements 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 will help to get much more clarity and transparency in beneficial ownership and control of NPOs.

In responding to the November 2022 NPOs Questionnaire, 57 out of 81 NPOs (70.4%) did not provide any answer on beneficial ownership and only 24 out of 81 NPOs (29.6%) provided the answers. From these responses, it is clear that there is no clarity on beneficial ownership of NPOs and this introduces risk in terms of NPO ownership as some of the beneficial owners among the 57 NPOs that did not furnish the information may be listed persons or persons from listed jurisdictions. However, among the 24 NPOs that provided responses, none of the mentioned beneficial owners are listed persons or entities from risky jurisdictions in terms of terrorist financing as per the FATF and the UN Sanctions list. This finding to some extent moderates the TF risk in terms of beneficial ownership of the NPO.

### **3.5.9 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. The November, 2022 Questionnaire also did not cover internal controls.

The assessment team also agreed that Internal controls can, at best, be determined during licencing or registration, or during supervision of NPOs and therefore, NPO Supervisors should devise a way to determine and find out NPOs with weak or poor internal controls.

### **3.5.10 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. As indicated in the preceding paragraphs, the Al-Haramain Foundation is a listed entity under UNSC Resolution 1267 for targeted financial sanctions and its Tanzanian affiliate the Al-Haramain Tanzania is believed to have been funding the Arabian based Al-Haramain Islamic Foundation through fundraising. The operational activities in Tanzania are also believed to have supported or acted for or on behalf of Al-Qaida. The Tanzanian entity was shut down in 2004.

It is possible under the laws of URT for the NPO and the NPO Supervisors to determine the business partners of affiliates of the NPO due to the requirements of the law.

From the responses provided in the November, 2022 Questionnaire, 45 NPOs (55.6%) provided answers on the question of NPO affiliates while 36 NPOs (44.4%) did not. Most of these 36 NPOs indicated that they did not have affiliations with other organizations. Among the 45 NPOs with affiliations, there was no NPOs with questionable or risky business partners or affiliates in terms of terrorist financing as per the FATF and the UN

Sanctions list. The above findings to some extent moderate the TF risk in terms of questionable or risky business partners or affiliates. However, NPOs and NPO Supervisors are hereby advised to conduct background checks of business partners, service providers, agents and affiliates using, among others, PEP and sanctions monitoring systems.

### 3.5.11 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 advised to make sure that in a discreet manner and at the appropriate time, the relevant NPO Supervisors 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.

### 3.5.12 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. NPO Supervisors are advised to devise a way of determining and finding 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 appropriately.

The summary of the vulnerability assessment discussed above is shown in Table 9 below.

**Table 9: Summarized vulnerability assessment from the November, 2022 Questionnaire**

Number of Non-Profit Organizations (NPOs) that Responded to the Questionnaire in Appendix F (81)			
Non-FATF NPOs	Undetermined (Neither “FATF NPO” nor “Non-FATF NPO”)	FATF NPOs (61)	
		NPOs not at TF Risk	NPOs at TF Risk
7	13	25	36

**Source:** Responses from NPO Questionnaires in Appendix F

Vulnerability assessment was arrived at on the following basis:

- i) FATF NPO means 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”. As provided in Fig. 2, FATF NPOs are predominantly NPOs that are involved in any of the thematic areas of health, social protection, community empowerment, agriculture, education, religious societies and charitable trusts.
- ii) Each FATF NPO was assessed to determine if it possessed features or characteristics that are discussed in points i) to xii) above. For each feature or characteristic possessed, an appropriate score was assigned.

- iii) After going through all the features and characteristics for each FATF NPO, the scores were added up and FATF NPO that attained a score above a set threshold was determined to be an FATF NPO at TF Risk.

As shown in Table 9 above, it was determined that 36 out of 81 NPOs (or 44.4%) were found to be at TF risk. This is because most NPOs are involved in more than one thematic area of operation. From the questionnaire responses provided, NPOs are involved in more than one area involvement in one FATF thematic areas, qualified it as an FATF NPO leading to assessment of all its features and characteristics for TF vulnerability.

In view of the vulnerabilities discussed in paragraph 3.5 of this Part of the TF risk assessment for NPOs it is clear that regardless of the thematic areas, all NPOs with questionable or informal source of income, NPOs that use informal or risky financial systems to transact, NPOs with questionable or risky business partners as affiliates pose a high risk of TF abuse in URT. NPOs supervisors should look into the NPOs that they supervise with focus on whether or not their source of funding is doubtful or they use informal or risky financial transactions or they have questionable affiliates, the NPOs supervisors should also prepare outreach programs and awareness campaigns and other soft intervention measures to avoid unintended consequences.

## CONCLUSION AND RECOMMENDATIONS

In concluding this Part of the Assessment, the NPOs TF vulnerability is assessed to be **Medium** consistent with the finding in the TFRA 2023 on grounds that there are adequate mitigation measures to prevent the abuse of NPOs including legislations that impose registration requirements, financial reporting requirements, disclosures of funding sources and management and operation disclosures to supervisory authorities. In addition, legislations have designated Supervisors with oversight powers to inspect and conduct outreach and other awareness programs and powers to take administrative and other enforcement actions.

Further, from the legislative point of view, NPOs are required to have credible sources of income and have to use formal financial systems to transact, despite the finding in the assessment of use of cash against the legal requirements. The use of cash and the observed large number of existing NPOs operating without adequate oversight is the basis of the Moderate rating to both threat and vulnerability of NPOs TF abuse.

### Figure 6: TF Risk in NPO Sector

## 4.2 Recommendations

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- 4.2.1 This risk assessment has highlighted the need for NPO Supervisors 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 in order to comply with the law in terms of record keeping requirements.
- 4.2.2 Efforts to solicit responses from NPOs to the November, 2022 Questionnaire should continue until all the NPOs in URT are classified into FATF NPOs, Non-FATF NPOs and NPOs at terrorist financing risk. This NPO TF Risk Assessment Report should continue to be updated frequently as responses are received. Updates should be made at least once a year.
- 4.2.3 NPO Supervisors 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.
- 4.2.4 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.
- 4.2.5 During NPO registration and registration renewal, NPOs should be required to have measures and internal policies to minimise TF abuse.
- 4.2.6 This report has shed some light and has provided insight into the way NPOs may be abused for terrorist financing. NPO Supervisors should use this report to devise regulatory measures that will identify and quantify NPOs at risk, so that they may be closely supervised.
- 4.2.7 NPO Supervisors 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;

- 4.2.8 NPOs, NPO Supervisors, the FIU and other relevant stakeholders need to increase AML/CTF/CPF awareness raising among NPOs. This awareness raising must be a continuous process.
- 4.2.9 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.
- 4.2.9 NPOs Supervisors should consider refusing to register or refusing to renew the registration of NPOs whose beneficial owners cannot be determined.
- 4.2.10 NPO Supervisors 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.
- 4.2.11 NPO Supervisors should build human and technical capacity to effectively supervise NPOs in a risk-based manner.
- 4.2.12 NPO Supervisors 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.
- 4.2.13 NPO Supervisors need to develop and have in place NPO risk-based supervision manuals and annual supervision plans.



## APPENDICES

### A) References

1. Report of the United Republic of Tanzania on Anti-Money Laundering and Combating the Financing of Terrorism Measures (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 Authority (ZRA)	1
	<b>TOTAL</b>	<b>27</b>

**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 Authority (ZRA)
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 Supervisors**

No.	Name of Organisation	Regulated Entities
1	Registrar of NGOs,	NGOs in Tanzania mainland
2	Registrar of Societies, President's Office, Regional Administration,	NGOs and societies in

	Local Government and Special Departments, Zanzibar	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”

**F) A QUESTIONNAIRE TO NON-PROFIT ORGANIZATIONS (NPOs)**

United Republic of Tanzania



Ministry of Finance and Planning

Assessment of Terrorist Financing Risk in Non-Profit Organizations,

November – December, 2022

**A QUESTIONNAIRE TO NON-PROFIT ORGANIZATIONS (NPOs)**

1. Date: \_\_\_\_\_ 2. Name of NPO: \_\_\_\_\_
3. District: \_\_\_\_\_ 4. Region: \_\_\_\_\_
5. Address: \_\_\_\_\_
6. Type of NPO [NGO/Trust/Religious]: \_\_\_\_\_ Other (specify): \_\_\_\_\_
7. License: Licensing Authority<sup>1</sup>: \_\_\_\_\_  
License/Registration No: \_\_\_\_\_ Year of Registration: \_\_\_\_\_
8. Enlist all thematic areas of operation<sup>2</sup>:

No.	Thematic Areas of Operation	In this thematic area, NPO raises and disburses funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes or for the carrying out of other types of good works. Specify "YES" or "NO"
1		
2		
3		
4		
... use additional paper to capture all thematic areas of operation		

9. NPO affiliation:

No.	Name of Organization Affiliated with	Country
1		
2		
3		
4		
... use additional paper to capture all organizations affiliated with		

10. NPO branches in Tanzania:

No.	Name of Branch	Region
1		
2		
3		
4		
5		
6		
7		
8		
... use additional paper to capture all branches in Tanzania		

11. NPO branches outside Tanzania:

No.	Name of Branch	Country
1		
2		
3		
4		
5		
6		

... use additional paper to capture all branches abroad

12. Total number of staff of in the NPO: \_\_\_\_\_

13. Agents and other business partners that help the NPO in the execution of its work:

No.	Name of Agent or Business Partner	Country
1		
2		
3		
4		
5		
6		
... use additional paper to capture all agents and business partners		

14. Estimated Annual Budget (indicate  $\sqrt{\quad}$  in the box along only one that applies):

[TZS]			
0	to	25,000,000	<input type="checkbox"/>
25,000,000	to	100,000,000	<input type="checkbox"/>
100,000,000	to	500,000,000	<input type="checkbox"/>
500,000,000	to	1,000,000,000	<input type="checkbox"/>
More than 1,000,000,000			<input type="checkbox"/>

15. Means of transaction to receive, use or disburse funds (indicate  $\sqrt{\quad}$  along all that apply):

No.	Means of Transaction	
1.	Cash	<input type="checkbox"/>
2.	Financial institutions including banks	<input type="checkbox"/>
3.	Mobile networks (Mpesa, Tigo Pesa, Zantel Money, etc.)	<input type="checkbox"/>
4.	Cryptocurrency	<input type="checkbox"/>
5.	Informal means of transaction	<input type="checkbox"/>
6.	Other (Specify): _____	

16. Sources of funds:

No.	Name of Source	Estimated Percentage in the NPO Annual Budget [%]
1		
2		
3		
4		
... use additional paper to capture all sources of funds		

17. Information on members of management of the NPO

No.	First Name	Middle Name	Last Name	Date of Birth [DD/MMM/YYYY]	Gender [M/F]	Position in the NPO	Nationality	Country of Residence
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
... use additional paper to capture all members of management								



18. Information on beneficial owners<sup>3</sup> of the NPO

No.	First Name	Middle Name	Last Name	Date of Birth [DD/MMM/YYYY]	Gender [M/F]	Percentage of Ownership or Number of Shares	Nationality	Country of Residence
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
... use additional paper to capture all beneficial owners								

19. Please attach any available NPO internal policy or operational manual

20. Name of person filling the form: \_\_\_\_\_ Title: \_\_\_\_\_ Tel. No: \_\_\_\_\_ Signature  
\_\_\_\_\_

## **Footnotes and Clarification**

1. Licensing Authority:
  - i) Registrar of NGOs, Ministry of Community Development, Gender, Women and Special Groups
  - ii) Registrar of Societies, President's Office, Regional Administration, Local Government and Special Departments, Zanzibar
  - iii) Registrar of Societies, Ministry of Home Affairs, or
  - iv) Registration, Insolvency and Trusteeship Agency (RITA)
2. Thematic Area of Operation:
  - i) Health
  - ii) Social protection
  - iii) Community empowerment
  - iv) Agriculture
  - v) Education
  - vi) Good governance
  - vii) Environment
  - viii) Water
  - ix) Gender
  - x) Human rights
  - xi) Infrastructure
  - xii) Industrialization
  - xiii) Energy
  - xiv) Tourism, or
  - xv) Other (Specify)
3. As per the Anti-Money Laundering Act, Cap. 423 and the Anti-Money Laundering and Proceeds of Crime Act, No. 10 of 2009 that is applicable in Zanzibar, "Beneficial Owner" means:

any natural person or individual who ultimately owns or controls the customer, the natural person on whose behalf a transaction or activity is being conducted, a person who exercises ultimate effective control over a legal person or legal arrangement or beneficiary of an insurance policy or other investment linked insurance policy and includes-

  - (a) in the case of a customer being a legal person-
    - (i) the natural person who ultimately owns or controls the legal person through direct or indirect ownership of a majority shares or voting rights or ownership interest in that legal person and such ownership, ownership interest or control also includes possession of bearer shares, the ability to appoint or remove the majority of board members, the chief executive officer or senior management;
    - (ii) a shareholding of five percent or more in the legal person or an ownership interest of five percent or more in the legal person held by a natural person shall be an indication of direct ownership or a sufficient percentage of the shares or voting rights or ownership interest in that legal person, or a shareholding of five percent or more or an ownership interest of five percent or more in the legal person held by a legal person, which is under the control of a natural person, or by multiple legal persons, which are under the control of the same natural person, shall be an indication of indirect ownership;

(iii) if, after having exhausted all possible means and provided there are no grounds for suspicion of money laundering, terrorist financing and proliferation financing, no natural person under subparagraph (i) is identified, or if there is any doubt that the natural person identified is the beneficial owner, the natural person who holds the position of senior managing official;

(b) in the case of a customer being a trust-

(i) the settlor, trustee or the protector;

(ii) the beneficiaries, or where the natural person benefiting from the trust has yet to be determined, the class of natural persons in whose main interest the trust is set up or operates; or

(iii) any other natural person exercising ultimate control over the trust by means of direct or indirect ownership or by other means;

(c) in the case of a customer being any other legal arrangement, the natural person holding equivalent or similar positions to those referred to in subparagraph (b);

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Risk Assessors Comments:

**- END -**