



**ECONOMIC AND FINANCIAL  
CRIMES COMMISSION**

# NATIONAL TERRORIST FINANCING

**RISK ASSESSMENT OF THE NON PROFIT  
ORGANISATIONS SECTOR IN NIGERIA**



*National  
Terrorist  
financing*

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# Table of CONTENTS

<b>A: Introduction</b> .....	<b>7</b>
<b>B: Executive Summary</b> .....	<b>15</b>
<b>C: FATF NPOs</b> .....	<b>18</b>
<b>D. Profile of FATF NPOs in Nigeria</b> .....	<b>21</b>
<b>E: The Nature of the TF Threat to NPOs in Nigeria</b> .....	<b>33</b>
<b>F: Identifying NPOs potentially 'at risk' of terrorist financing ('inherent vulnerabilities')</b> .....	<b>40</b>
<b>Annex 1: FATF Recommendations Relevant to NPOs</b> .....	<b>60</b>
Recommendation 8 on Non-Profit Organisations.....	<b>60</b>
Immediate Outcome 10.....	<b>63</b>
<b>Annex 2: Case Studies/ Intelligence Reports</b> .....	<b>65</b>

# Foreword

It is my pleasure as the Executive Chairman of the Economic and Financial Crimes Commission to lead other agencies in conducting the maiden National Terrorism Financing Risk Assessment of the Non-Profit Organizations (NPOs) in Nigeria.

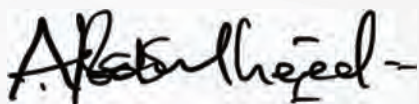
The objective of the project is to identify NPOs that are susceptible to Terrorist Financing abuse and realigning our supervisory measures to risk-based approach.

This report, which is central and critical in shaping and directing our focus in the monitoring and supervision of "At-Risk NPOs" couldn't have come at a better time. The collaborative approach of the assessment is profoundly commendable and depicts the robustness of the AML/CFT regime of Nigeria.

I am aware this report is the outcome of engagements with relevant stakeholders by both the technical and core working groups across the Thirty-Six (36) States and Federal Capital Territory as well as private and public sector stakeholders for the collection and collation of vital information. These data have ultimately found expression in this report we are all proud to be associated with.

I am certain that this report will offer rewarding insights for necessary mitigating measures to be put in place where necessary without delays.

This work in my view, shall be a reference point for the EFCC; the community of NPOs, policymakers, development partners and members of the public at large. I urge us to continue to work together to fight the scourge of terrorism and its financing as we strive to build a society that is productive and prosperous in peace and security.



**ABDULRASHEED BAWA** CFE, CAMS  
Executive Chairman, EFCC

# Acknowledgement

I wish to express my profound gratitude to the Government of the Federal Republic of Nigeria and the Executive Chairman of the EFCC, Mr. AbdulRasheed Bawa, for their commitment toward the fight against money laundering, terrorism financing and proliferation financing in Nigeria.

I would also like to acknowledge and give my warmest thanks to the civil society organizations, NGO coalitions and networks, including Action Group on Free Civic Space, the Nigerian Network of NGOs, Nigeria International NGO Forum, among many others, for their valuable cooperation and participation during the NPO Risk Assessment.

I would like to thank all ministries, departments and agencies of government for their cooperation and collaboration during the field survey and data-gathering phase of the assessment. My appreciation goes particularly to the Federal Ministry of Justice, Federal Ministry of Finance, Budget and National Planning, Federal Ministry of Humanitarian Affairs, Disaster Management, and Social Development, Office of the National Security Adviser, National Intelligence Agency, Department of State Services, Nigerian Army, Central bank of Nigeria, Nigeria Financial Intelligence Unit, Corporate Affairs Commission, Financial Reporting Council of Nigeria, Office of the Secretary to the State Government (Borno State).

I would also like to thank the Attorney-General and Honourable Commissioner of Justice, Borno State, the Theatre Commander and Officers of Operation Hadin Kai, Maiduguri, Honourable Commissioner, Borno State Ministry of Reconstruction, Rehabilitation and Resettlement, Honourable Commissioner, Borno State Ministry of Women Affairs and Social Development, Executive Secretary, Borno State Agency for Coordination of Sustainable Development and Humanitarian Response and Director General, Borno State Emergency Management Agency.

I would like to thank the Honourable Commissioner for Youth and Social Development, Lagos State, the Permanent Secretary and Directors of the Ministry, the Honourable Commissioner of Human Services and Social Development, Kaduna State, Honourable Commissioner, Permanent Secretary and Directors of Ministry of Social Development, Imo State, Senior Special Assistant to the Governor of Imo State on CSOs, Honourable Commissioner, Permanent Secretary and Directors, Ministry of Budget, Economic Planning & Statistics, Imo State.

I would also like to thank the Commissioners of Police in Kaduna State, Imo State, Kwara State and Rivers State for their cooperation with the assessment team. I also wish to appreciate the cooperation availed to the assessment team by the DSS State Directors in Imo State, Kwara State, Rivers State, Kaduna State and Borno State, and the NDLEA State Command in Borno State.

I want to thank the development partners; United Nation Office on Drugs and Crimes (UNODC), United Nation Office for Coordination of Humanitarian Affairs (OCHA Nigeria) and the British Council for the participation of their staff in the assessment.

My sincere appreciation also goes to the NPO sector consultants, Mrs. Victoria Ibezim-Ohaeri of Spaces for Change and Mr. Ben Evans of GreenAcres Consulting, for the guidance and technical support they provided all through the project.

I would like to acknowledge and extend my sincere appreciation to EFCC Zonal Commanders at Lagos, Enugu, Port Harcourt, Maiduguri, Ilorin and Kaduna Commands and members of the National NPO Risk Assessment (NRA) Secretariat in the persons of Ibinabo Mary Amachree (Project Coordinator), Funmilayo Adewole-Adepetun, Ali Abdullahi, Erinomo Temitope, Aliyu Umar, Mahmud Isa Tsakma, Mohammed Zukogi for their commitment and dedication.

I also want to thank members of the Core Working Group; Confidence Obayuwana, Maimuna H. Aliyu, Olaniyi O. Fadeyi, Moses Azege, Major C.J Akoh, Major A.S Udom, Hadiza Gamawa Zubairu, Victoria Ibezim-Ohaeri and Ibinabo Mary Amachree.

Finally, I would like to express my earnest appreciation to the Technical Working Group from different agencies of Government and the NGO community; Oyebisi B. Oluseyi, Efua Elens-Edeh, Omolara Akinyeye, Dr. Udy Apkan, Idem Udoekong, Aliyu Aminu Ahmed, Dr. Sam Amadi, Dr. Muhammad Mustapha Yahaya, Patrick Iyioke, Yekeen Akinkunmi, Godwin Kingsley, Zikora Ibeh, Gambo Aliyu Mohammed, Auwal Sani Ibrahim, Sadiq Usman, Ibrahim Ditse, Hauwa Abubakar Farouk, Mohammed Ahmed, Stephen Ishola, Fidelis Akpagu, Obinna Ogbonna, Mohammed Sambo Balarabe, Mustapha Fannami, Ali Musa, Aisha Braimah, Kodjo Attiso, Ibe O. Ibe, Badamasi Abdulsalam, Aaron Emuesiri Tanrien, Imana Aderonke, Peace Baridoma, Dr. Nasir Maruf Adeniyi and Rev. (Dr.) Paul Olaide Jenfa.



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## Context for this Risk Assessment

1. The ongoing international campaign against terrorist financing identified typologies worldwide where terrorists and terrorist organizations exploit the NPO sector through: collection, consolidation/aggregation, transfer, dissemination and use of funds raised (what is also known as the funding cycle); providing logistical support; encouraging terrorist recruitment; otherwise supporting terrorist organizations and operations; creating sham charities; or engaging in fraudulent fundraising for these purposes.
2. The Financial Action Task Force (FATF) is the international standard setting body in the area of Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT). Two parts of the FATF standards refer directly to NPOs - these are Recommendation 8 and Immediate Outcome 10 (see Annex 1).
3. Both FATF Recommendation 8 and FATF Immediate Outcome 10 require that countries, as a first step, identify the subset of organizations that fall under the FATF's definition of NPOs, and use all relevant sources of information in order to identify the features and types of NPOs, which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.

FATF defines the term NPO to cover "a legal person or arrangement or organization that primarily engages in raising or disbursing of funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works."

4. Nigeria is a member of GIABA, the FATF-style Regional Body for West Africa. GIABA last published a Mutual Evaluation Report (MER) of Nigeria's compliance with the FATF standards in 2021. The MER rated Recommendation 8 as *Non-Compliant* and effectiveness under Immediate Outcome 10 as *Low Effectiveness*. The major issues identified were;
  - Nigeria has not identified the features and types of NPOs which may be at risk of TF abuse.
  - Nigeria has not identified at-risk NPOs, and the nature of threats posed by terrorist entities, as well as how terrorist actors abuse those NPOs.
  - Nigeria has not reviewed the adequacy of measures, including laws and regulations that relate to the high-risk subset of the NPO sector.
  - Nigeria has not adopted a risk-based approach or undertaken steps to promote effective supervision of at risk NPOs.
  - There is no legal requirement to apply sanctions to persons or entities acting on behalf of NPOs.
  - Outreach to NPOs is not conducted on a risk-basis

## Methodology

5. The purpose of this risk assessment is to conduct a comprehensive review to understand the features and types of NPOs at risk of TF abuse and the nature of the threat.

6. The FATF standards “do not prescribe a particular method or format for assessing risk” of terrorist financing in NPOs.<sup>1</sup>
7. General best practices for risk assessments of the NPO sector are included in *FATF’s Terrorist Financing Risk Assessment Guidance* (FATF, 2019). Additionally, *FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment* (FATF, 2013) provides guidance on risk assessments in general.
8. This risk assessment is based as closely as possible on FATF requirements and guidance. Paragraph 8.1 of the FATF Methodology states that countries should:
  - (a) *Without prejudice to the requirements of Recommendation 1, since not all NPOs are inherently high risk (and some may represent little or no risk at all), identify which subset of organizations fall within the FATF definition of NPO, and use all relevant sources of information, in order to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse;*
  - (b) *identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs;*
  - (c) *review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified; and*
  - (d) *periodically reassess the sector by reviewing new information on the sector’s potential vulnerabilities to terrorist activities to ensure effective implementation of measures.*
9. The methodology used by Nigeria for its NPO risk assessment is designed to meet this requirement as follows:

*Table 1: Requirements of FATF R8.1 (a-c)*

<b>Para.</b>	<b>Requirement</b>	<b>Relevant section</b>
8.1(a)	<i>identify which subset of organizations fall within the FATF definition of NPO.</i>	Part C: ‘Scope of this Report’
8.1(a)	<i>identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.</i>	Part F: ‘Identifying NPOs potentially at risk of terrorist financing’
8.1(b)	<i>identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs</i>	Part E: ‘Identifying the nature of the Threat’

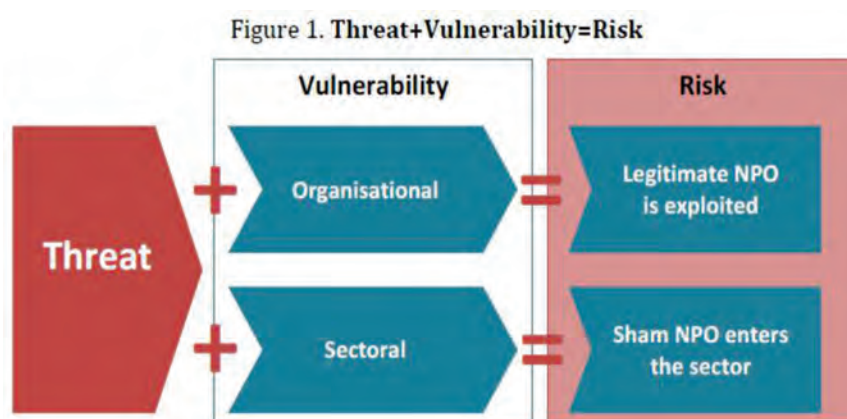
10. This risk assessment will be complemented by a separate assessment of the adequacy of mitigating measures (Phase II of the risk assessment, *Review of Measures to Mitigate TF Risks in NPOs*). The additional assessment will “review[s] the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be

<sup>1</sup>*Terrorist Financing Risk Assessment Guidance* (FATF, 2019)

able to take proportionate and effective actions to address the risks identified" in line with paragraph 8.1(c) of the FATF Methodology.

### Terminology and key concepts

11. *The Best Practices Paper* [FATF, 2014] provides the following graphic to illustrate how terrorist financing risk is assessed in the NPO sector.



12. FATF defines the key concepts relating to risk in the FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment (FATF, 2013) and The Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014). These definitions are used in this risk assessment. Additional interpretations of these terms within the context of this risk assessment, and definitions of additional key terms, are provided as follows:

*Table 2: Definition of key terms*

Term	FATF definition	Interpretation	Relevant section
<b>Risk</b>	<i>'A function of three factors: threat, vulnerability and consequence.'</i>		Part E and F Phase II
<b>Threat</b>	<i>'A person or group of people, object or activity with the potential to cause harm. Threat is contingent on actors that possess the capability and the intent to do harm.'</i>	The specific group or persons may be unknown but caused by a known vulnerability, e.g. failed state.	Part E
<b>Nature of the threat</b>		The typologies or methods by which the threat may finance terrorism through NPOs.	Part E
<b>'at risk' NPOs</b>	<i>'NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.'</i>	i.e. NPOs which are 'vulnerable' to terrorist financing abuse	Part F
<b>Vulnerability</b>	<i>'things that can be exploited by the threat or that may support or facilitate its activities. Vulnerability in the NPO sector can exist at either the</i>	Vulnerabilities in this risk assessment consists of inherent vulnerabilities and inadequate or absent control measures (see	Part F Phase II



	<i>organisation or sectoral level.</i> '	below).	
<b><i>Inherent vulnerability</i></b>		A specific aspect of the NPO or the way it operates that exposes it to a TF risk.  <i>'the features and types of[at risk] NPOs'</i>  <i>'[the]activities or characteristics'</i> [of 'at risk' NPOs]	Part F
<b><i>Inadequate or absent control measures</i></b>		The absence of inadequacy of measures that might prevent or mitigate the <i>threat</i> from exploiting the <i>vulnerability</i> . Could be organisational or sectoral.	Phase II ( <i>Review of Measures to Mitigate TF Risks in NPOs</i> )
<b><i>Consequence</i></b>	<i>'the impact or harm that ML or TF may cause'</i>		Part F Phase II

### Implementation of the Methodology

13. The current risk assessment uses both qualitative and quantitative data and, in line with FATF guidance<sup>2</sup>, seeks to ensure that qualitative data is given its due weight. This is particularly significant given the lack of quantitative data on TF risk in the NPO sector in Nigeria. The first draft of this assessment report was widely shared with government and non-governmental stakeholders detailed in Section 14 of this report. Extensive feedback, including comments, corrections, suggested edits and technical inputs received from these stakeholders and institutions were incorporated into the report, and formed the basis for the final outcomes of the assessment.

14. The risk assessment was completed using a Methodology provide by Greenacre Associates. It was implemented by a Local Assessment Team comprising representatives from the following organisations:

- Economic and Financial Crimes Commission (EFCC)
- Special Control Unit Against Money Laundering (SCUML)
- Nigerian Financial Intelligence Unit (NFIU)
- Office of the National Security Adviser (ONSA)

<sup>2</sup> "While quantitative assessments (i.e., based mostly on statistics) may seem much more reliable and able to be replicated over time, the lack of available quantitative data in the ML/TF field makes it difficult to rely exclusively on such information. Moreover, information on all relevant factors may not be expressed or explained in numerical or quantitative form, and there is a danger that risk assessments relying heavily on available quantitative information may be biased towards risks that are easier to measure and discount those for which quantitative information is not readily available. For these reasons, it is advisable to complement an ML/TF risk assessment with relevant qualitative information such as, as appropriate, intelligence information, expert judgments, private sector input, case studies, thematic assessments, typologies studies and other (regional or supranational) risk assessments in addition to any available quantitative data." Paragraph 30-31, **FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment**(FATF (2013)

- Nigerian Army (NA)
- Department of State Services (DSS)
- Federal Ministry of Justice (FMOJ)
- Federal Ministry of Budget and National Planning
- Financial Reporting Council of Nigeria(FRCN)
- National Intelligence Agency
- Federal Ministry of Humanitarian Affairs, Disaster Management and Social Development
- Borno State Government
- Christian Association of Nigeria
- The Nigerian Supreme Council for Islamic Affairs (NSCIA)
- Corporate Affairs Commission,
- Central Bank of Nigeria
- Spaces for Change (National NGO representative) and
- International NGO Forum

### Data and sources

15. The following primary information and data sources were used in this assessment:

- **Interviews:** Interviews were conducted with representatives from the following agencies between the months of January and February and March 2022 across the six geopolitical regions of Nigeria.
  - North East Region - Borno State
    - The Borno State Agency for Coordination of Sustainable Development and Humanitarian Response
    - The Senior Special Assistant to The Governor on Security.
    - The Borno State Emergency Management Agency.
    - The Attorney General and Commissioner of Justice.
    - National Drug Law Enforcement Agency
    - Department of State Service
    - Economic and Financial Crimes Commission
    - Borno State Ministry of Reconstruction Rehabilitation and Resettlement
    - Operation Hadin Kai (Multinational Joint Task Force)
    - INGOs
    - Local NPOs
  - South West Region - Lagos State
    - Ministry Of Women Affairs and Poverty Alleviation (WAPA)
    - Ministry of Youth and Social Development
    - NGOs
  - South South Region - Rivers State
    - Department of State Service
    - The Nigeria Police Force

- Ministry of Social Welfare
- NGOs
- North West Region - Kaduna State
  - Department of State Services
  - The Nigeria Police Force
  - Ministry of Human Services and Social Development
  - NGOs
- North Central - Kwara State
  - Department of State Services
  - Ministry of Women Affairs and Social Development
  - NGOs
- South East - Imo State
  - Ministry Of Welfare and Social Development
  - Ministry of Budget, Economic Planning and Statistics
  - Senior Special Assistant to The Governor on Civil Society
  - Department of State Services
  - The Nigeria Police Force
- **Data request and questionnaire.** Written requests for data on terrorist financing in the NPO sector, case studies, focus group discussions, and surveyed perceptions of the TF risk, threats and vulnerabilities were obtained from representatives of the following agencies:
  - Economic and Financial Crimes Commission
  - Special Control Unit Against Money Laundering
  - Corporate Affairs Commission (CAC)
  - Financial Reporting Council of Nigeria(FRCN)
  - Nigerian Financial Intelligence Unit (NFIU)
  - Federal Ministry of Budget and National Planning (FMBNP)
  - Federal Ministry of Justice (FMOJ)
  - Financial Institutions (Commercial Banks)
  - INGOs
  - Local NPOs
- **Data from Suspicious Transaction Reports:** The NFIU provided a summary of STRs received on FATF NPOs. The data covered from the year 2017 to 2021.
- **Data on number of NPO clients and NPO transfers:** Fourteen (14) banks responded to an information request covering assessments of threats and control measures, and data on number of clients and the value of NPO business.
- **Survey:** A survey on thirty (30) NGOs, forty (40) INGOs, sixteen (16) Financial Institutions and four (4) government agencies with supervisory function on NGOs was conducted on perceptions of TF risk and the effectiveness of mitigating measures.

- The survey was conducted with a combination of online/offline questionnaire, emails, and focus groups discussions. The assessment team conducted interviews with state government officials and focus group session/consultations with local and international NGOs.

*Table 3: NGOs attendance from field visit (Source: Field Visits)*

Region	State	City	Date	NGOs Attendance	Total Per Region	Proportion (%)
North East	Borno	Maiduguri	31 Jan. - 4 Feb. 2022	55	550	10.00
South West	Lagos	Lagos	7 – 8Feb. 2022	19	5925	0.32
South South	Rivers	Port Harcourt	10– 11 Feb. 2022	32	3115	1.03
North West	Kaduna	Kaduna	14 – 15 Feb. 2022	20	1087	1.84
North Central	Kwara	Illorin	23 – 24 Feb. 2022	26	7295	0.36
South East	Imo	Owerri	23 – 24 Feb. 2022	31	1083	2.86
				<b>183</b>	<b>19,058*</b>	<b>16.41</b>

- **Legal review.** The following laws and regulations were reviewed, including relevant amendments, implementing regulations and notices. The review was supplemented by interviews with officials responsible for their implementation.
  - Money Laundering (Prohibition) Act, 2011 as amended
  - Terrorism Prevention (Amendment) Act 2013
  - Federal Ministry of Industry, Trade and Investment (FMITI) (Designation of Non-Financial Institutions and other Related Matters) Regulation, 2013
  - Companies and Allied Matters Act 2020
  - Companies Regulations 2021
  - Companies Income Tax Act CAP C21, LFN 2004 (as amended)
  - Federal Inland Revenue Service (Establishment) Act 2007
  - Financial Reporting Council Act 2011
  - Economic and Financial Crimes Commission (Establishment) Act 2004
  - Nigerian Financial Intelligence Unit Act 2018

16. The following reports on AML/CFT in Nigeria were consulted:

- *Mutual Evaluation Report 2008*
- *Mutual Evaluation Report 2021*
- *National Risk Assessment (NRA) 2016*
- *Trends and Typologies Report on Terrorist Financing in Nigeria (2013)*<sup>3</sup>

17. The following secondary information and data sources were used. Secondary information and data were not given the same weight as primary sources. Primarily it was used to inform the methodological approach, but it was also used selectively and in context to inform assessments where primary data was not available:

- *The Interpretive Note to Recommendation 8 (see International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations (2012, updated 2016)).*

<sup>3</sup><https://www.nfiu.gov.ng/images/Downloads/downloads/tf.pdf>

- *The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems* (FATF (2013)).
- *The International Best Practices: Combating the Abuse of Non-Profit Organisations* (FATF (2015)).
- *The Risk of Terrorist Abuse in Non-Profit Organisations* (FATF, 2014).
- *The Terrorist Financing Risk Assessment Guidance* (FATF, 2019).
- The FATF Mutual Evaluation Reports of Canada,<sup>4</sup> the United Kingdom<sup>5</sup> and Hong Kong, China;<sup>6</sup>
- Feedback from the FATF Private Sector Consultative Forum (Vienna, March 2016);
- The National Risk Assessments and/or NPO TF Risk Assessments of UK, Canada, Australia, and the Philippines.

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<sup>4</sup>[Mutual Evaluation Report for Canada](#): September 2016

<sup>5</sup>[Mutual Evaluation Report for the United Kingdom](#): December 2018

<sup>6</sup>[Mutual Evaluation Report for Hong Kong, China](#): September 2019

## B: EXECUTIVE SUMMARY

18. This risk assessment was commissioned by the Government of Nigeria as part of its commitment as a key player of the Financial Action Task Force's (FATF) Global Network<sup>7</sup> to combat the financing of terrorism.
19. The risk assessment meets the core FATF requirements in relation to Recommendation 8 and Immediate Outcome 10. Specifically, paragraph 8.1 of the FATF Methodology states that countries should:
- 8.1 (a) identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse;
- (b) identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs;
20. The risk assessment identified the following types of NPOs as the subset of NPOs that meet the FATF definition.

*Table 4: Activities of NPOs in Nigeria* (Source: SCUML)

Activity Type	Sample	Sample (%)	Population
Humanitarian NPOs	83	1.88	357
Community Development Association	73	1.65	314
Corporate Foundation	3	0.07	13
Expressive NPOs	845	19.09	3638
Private Charitable Foundation -Service	350	7.91	1507
Private Charitable Foundation -Expressive	71	1.60	306
Religious and Faith-based NPOs	1727	39.02	7435
Service-Provision NPOs	1146	25.89	4934
	<b>4426</b>	<b>100.00</b>	<b>19055</b>

*Table 5: Legal types of FATF NPOs* (Source: SCUML)

Legal Type	Sample	Sample (%)	Population
INGOs	6	0.14	26
INCORPORATED TRUSTEES	4351	98.31	18732
LIMITED BY GUARANTEE	36	0.81	155
STATE/LGA	33	0.75	142
	<b>4426</b>	<b>100.00</b>	<b>19055</b>

21. Data used in this risk assessment included a survey of thirty (30) NGOs, forty (40) INGOs; data submissions from the sixteen (16) Financial Institutions; questionnaire of four (4) law enforcement and intelligence agencies; interviews with two (2) supervisory bodies; and reviews of ten [10] laws, as well as other relevant literature. A combined qualitative and quantitative assessment was undertaken.
22. Supervision of NPOs is largely de-centralised, and there is no central database on NPOs which inhibits a full understanding of the profile of the sector. Surveys and focus groups commissioned by this report helped fill in some gaps in the data, and

<sup>7</sup>Nigeria is a member of GIABA, the FATF-Style Regional Body for West Africa.

reveal a domestic NPO sector dominated by religious NPOs, with a relatively small but well-funded group of international humanitarian NPOs often operating in areas with significant security challenges.

23. The assessment considered:

- The size and nature of the overall TF threat in Nigeria;
- Analysis of TF abuse of NPOs in other jurisdictions; and of other forms of financial abuse of NPOs in Nigeria;
- Qualitative assessments of the likely nature of the risk from law enforcement, supervisory and NPO officials.

24. Part E of the report '*identif[ies] the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs*' [FATF Methodology Part 8.1(b)]. It notes a significant terrorist and terrorist financing threat in Nigeria from Boko/ISWAP, and this is considered to be the most significant potential threat to NPOs in Nigeria.

### **The Primary Terrorist Financing Threats to NPOs in Nigeria**

1. Boko Haram
2. ISWAP.

### **Secondary Terrorist Financing Threats to NPOs in Nigeria**

3. Yan Bindiga / Yan Taadda
4. International Islamic terrorist groups (al-Qaida, ISIS, Al Shabab).
5. Domestic secessionist groups (including IPOB).
6. Islamic Movement of Nigeria (IMN) North West Nigeria)

### **Nature of the TF Threat to NPOs in Nigeria (known)**

1. Use of NPOs as means for facilitating foreign funding of terrorist groups in Nigeria.
2. Use of NPOs as a part of complex schemes (often involving vendors) to disguise funding of terrorist groups.
3. Crimes against NPOs by terrorist groups (kidnapping for ransom / hijacking of goods).

25. Part F of the Report '*Identif[ies] the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse*' [FATF Methodology 8.1(a)]. Eleven features, types, activities and characteristics of NPOs are assessed as inherent vulnerabilities that are likely to increase the risk of TF abuse.

## **Inherent Vulnerabilities that are likely to increase the risk of terrorist financing abuse**

1. Foreign NPOs active in the North-East
2. NPOs with links to high-risk foreign individuals or entities
3. NPOs active in very high-risk areas, including movement of goods (North East and North West)
4. NPOs active in medium-risk areas, including movement of goods (South East)
5. Humanitarian NPOs operating in the North-East
6. Faith-based NPOs raising and disbursing funds through cash
7. 'Service provision' NPOs (food, health care, water, shelter, medical supplies, education, social services, religious services) operating in high risk areas mentioned above
8. NPOs that engage vendors or third parties in the high risk areas
9. NPOs associated with unapproved financial or operational activities
10. NPOs associated with complex financial arrangements
11. NPOs using higher risk methods for moving funds, with two elements:
  - a. NPOs moving large sums
  - b. NPOs using cash transactions

26. Overall, this report recognises that Nigeria is a complex country, with a variable threat profile and pockets of significant vulnerabilities. The most significant single factor in the level of risk faced by an NPO is geography, with NPOs operating in the North-West or North East facing a significantly greater risk than NPOs in other parts of the country. The situation in the North-East and North West attracts a heavy presence of humanitarian NPOs and NPOs with foreign links, which contributes to the higher risk profile of these NPO activities in high-risk areas.
27. Nevertheless, for most NPOs in most parts of the country, there is little evidence of a terrorist financing risk. Overall, this assessment recognises that there is a gradient of risk from Medium-High in parts of the North through to Low-Medium for NPOs in parts of the South.
28. With the above caveats in mind, the threats and vulnerabilities observed in the North West and North East are significant enough to support a conclusion that the overall inherent terrorist financing risk to NPOs in Nigeria is **Medium High**.

### **Inherent TF Risk of NPOs in Nigeria**

**Medium High**

29. A second report will assess the adequacy of mitigating measures in relation to the eleven identified vulnerabilities, in line with 8.1(c) of the FATF Methodology.



30. Paragraph 8.1(a) of the FATF Methodology states that countries should "identify which subset of organizations fall within the FATF definition of NPO".
31. FATF defines the term NPO to cover "a legal person or arrangement or organization that primarily engages in raising or disbursing of funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works.""
32. This definition excludes:
- Informal groups of people which do not meet the definition of legal arrangement;
  - Legal persons or arrangements or organizations which are not established for 'good works', such as political parties, trade unions, or cooperatives which are primarily engaged in economic activities for the financial benefit of members;
  - Legal persons or arrangements or organizations not engaged in the raising or disbursing of funds as a main purpose. This might include those sports clubs, social associations or religious groups that do not or only incidentally engage in the raising or disbursing of funds.
33. FATF provides the following graph<sup>8</sup>to illustrate which NPOs should be covered by the risk assessment.

*Figure 2: FATF NPOs*(Source: *TF Risk Assessment Guidance*, FATF).



### Identifying 'FATF NPOs' in Nigeria

34. The Local Assessment Team attended a workshop chaired online by an external consultant. The workshop examined the FATF guidance on 'FATF NPOs' and the scope of R8 Risk Assessments and sought to identify which NPOs would meet the FATF definition and should be included within the scope of this risk assessment.
35. Ten categories of organisation have been identified as FATF NPOs based on their activity. These are:

<sup>8</sup>Figure 4.1, *Terrorist Financing Risk Assessment Guidance*, (FATF, 2019)

- **Expressive NPOs:** NPOs engaging in programmes focused on interest representation, think tanks, advocacy groups, literary clubs, research, democracy, governance strengthening, public interest litigation, sports and recreation, arts and culture etc. They operate mainly as non-governmental organizations (NGOs), advocacy groups, special interest groups and pressure groups. May also include social research and policy advocacy organizations.
- **Service-provision NPOs:** local and international humanitarian groups or organizations involved in the procurement, disbursement and delivery of social goods and services to a wide range of target groups in need.
- **Humanitarian organizations:** Local and international organizations working to ensure that there is swift, emergency relief assistance available to populations impacted by natural disasters, insurgency, conflicts or wars.
- **Faith based/ religious organizations:** NPOs that are fully- or partly-owned and managed by churches, mosques and other religious groups and their subsidiaries, and primarily depend on their religious institutions/congregants/members for funding.
- **Private charities:** NPOs typically established and funded by a specific benefactor for advancing his/her philanthropic objectives. The founders are often eminent personalities, business leaders and may include politically-exposed persons who may wish to use those platforms to attract public goodwill. The benefactor mainly provides the funding for executing the philanthropic ventures.
- **PEP entities:** NPOs established by individuals connected to persons in power (e.g. the wives of presidents, state governors or local government chairpersons). These entities are mainly used to do good while generating goodwill for political ends. This mainly comprises NGOs and private foundations set up by politically exposed persons (PEPs). For the purpose of this assessment, PEP entities fall under the privately-owned charities described above.
- **Corporate foundations/CSR initiatives:** NPOs owned and operated by indigenous and international corporations to give back to the society and be socially accountable to itself, its stakeholders, and the public.
- **Donor bodies:** Private international institutions that provide funding for a wide range of charitable activities, especially in developing economies. These donors support such a wide range of good works like democracy strengthening, civil society empowerment, research, education, healthcare, promotion of sustainable livelihoods, safe water supply and sanitation services, state building initiatives etc. This definition excludes foreign governmental and inter-governmental donors.
- **Host Community Trusts:** Community associations required by law to be incorporated as incorporated trustees in compliance with the requirements of the Petroleum Industry Act. The Host Community Development Trusts as specified in Chapter 3 of the PIB 2021 will be registered as incorporated trustees, thereby subjecting them to the same regulatory obligations as NGOs.
- **Community Development Associations:** Community-based groups working to ensure that residents at the grassroots feel greater impact of governance. They also engage in maintaining peaceful co-existence in their various domains and in safe-guarding government infrastructure at the grassroots level. In states like Lagos, such groups are backed by law (Community Development Associations Law 2019 which requires every Local Government Area in Lagos State to establish a *Community Development Committee* (CDC) formed voluntarily by the residents living in that area. Community Development Committees are included as FATF NPOs insofar as they are established and controlled independently of the state.

A minority of CDCs are *de facto* a tier of government and are therefore excluded (e.g. in Lagos).

36. Certain civil society organisations were determined not to be FATF NPOs. They include:

- **Trade unions, professional associations and business membership organisations** were all excluded as they are not established for the promotion of 'good causes'.
- **Cooperative societies** (established under the Cooperative Act). This includes many micro-finance organisations and credit unions. They were excluded as they can make and distribute profits, and are not therefore primarily established for the promotion of 'good causes'. Officials stated that there is no significant activity or funds associated with these organisations.
- **Foreign government donors:** The donor arms of foreign governments, established by statute and controlled by the executive. It includes major aid agencies such as USAID.
- **Intergovernmental agencies:** They are mainly governed by international laws and established primarily by sovereign states (referred to as *member states*) through formal treaties for carrying out good works directly or disbursing funds to support good works around the world and serving common interests. Examples include UN agencies, World Bank, WHO, UNICEF, UNDP etc.

## D: PROFILE OF FATF NPOs IN NIGERIA

37. As noted above, the assessment team identified ten types of FATF NPO in Nigeria as follows:
38. The following table contains a breakdown of the various legal types of NPOs registered by the Corporate Affairs Commission (CAC) between 2017 and 2021.

*Table 6: NGOs registered by CAC 2017-2021 (source: Corporate Affairs Commission)*

NGO Type	2017	2018	2019	2020	2021
Humanitarian NPOs	7	2	24	21	3
Community Development Association	27	61	65	39	7
Expressive NPOs	85	161	153	134	24
Service Provision NPOs	119	158	181	147	31
Corporate Charitable Foundation		2		5	1
Host community trusts established under the Petroleum Industries Act	2				
Private Charitable Foundation-Expressive	5	11		34	1
Private Charitable Foundation-Service	72	84	242	284	33
Religious and faith-based NPOs	276	338	181	411	38
NON FATF NPO	164	205	286	243	33
<b>TOTAL</b>	<b>757</b>	<b>1021</b>	<b>1354</b>	<b>1318</b>	<b>171</b>

39. The above table present the various legal types for NPOs operating in Nigeria and registered with the CAC. Year on year, religious and faith-based groups, comprising mainly of Pentecostal churches, top the list because churches are classified as non-profit entities in Nigeria. 2018 and 2020 recorded the highest number of registrations for this category. Increases in 2019 and 2020 in particular may be attributable to the introduction of online registration by the CAC necessitated by the COVID-19 pandemic.<sup>9</sup> It is followed by service provision and private charitable foundations respectively. 2018 and 2020 recorded the highest number of registrations for this category.
40. A significant percentage of NPOs operating in Nigeria are non-FATF NPOs. The term 'non-FATF NPOs' refer to the numerous associational bodies for traders, unions, professions, age grades, town unions, local communities, employees of private and public companies, cooperatives etc. specifically set up to advance the interests and welfare of their members. They make and distribute profits, but are not primarily established for the promotion of 'good causes'.
41. Humanitarian NPOs are at the bottom of the registration table. Mainly international non-governmental organizations headquartered abroad engage in humanitarian activities. There is no legal requirement per se for these international groups to register with the CAC. Hence, the low registrations could be attributed to the requirement to register with, and enter into Cooperation or bilateral agreements with the Federal Ministry of Budget and National Planning (FMFBNP).

<sup>9</sup> <https://www.premiumtimesng.com/business/405387-covid-19-cac-adopts-new-document-filing-process-other-reforms.html>

42. For purposes of information, the Corporate Affairs Commission, CAC, (the federal registering body) registers non-profits in two ways: as an Incorporated Trustee or Company Limited by Guarantee. A key distinguishing feature is that while Company Limited by Guarantee option is incorporating the Association itself, Incorporated Trustees option only incorporates the trustees of the Association. Incorporated Trustees are not allowed by law to venture into profit making business.
43. Analysis shows that the vast majority of NPOs are registered as Incorporated Trustees. Only 69 NPOs were registered as companies limited by guarantee between 2007 and 2011.

*Table 7: Analysis of Companies Limited by Guarantee 2017-2018 (CAC Database)*

<b>NGO Type</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Humanitarian NPOs					
Community Development Association					
Expressive NPOs		2	11	8	1
Service Provision NPOs			3	7	1
Corporate Charitable Foundation					
Host community trusts established under the Petroleum Industries Act					
Private Charitable Foundation- Expressive	2				
Private Charitable Foundation- Service	1		1	1	
Religious and faith-based NPOs				1	
Non-FATF NPO	1	6	7	13	3
<b>TOTAL</b>	<b>4</b>	<b>8</b>	<b>22</b>	<b>30</b>	<b>5</b>

*Table 8: Analysis of state of registration for Companies Limited by Guarantee 2017-2018 (CAC Database)*

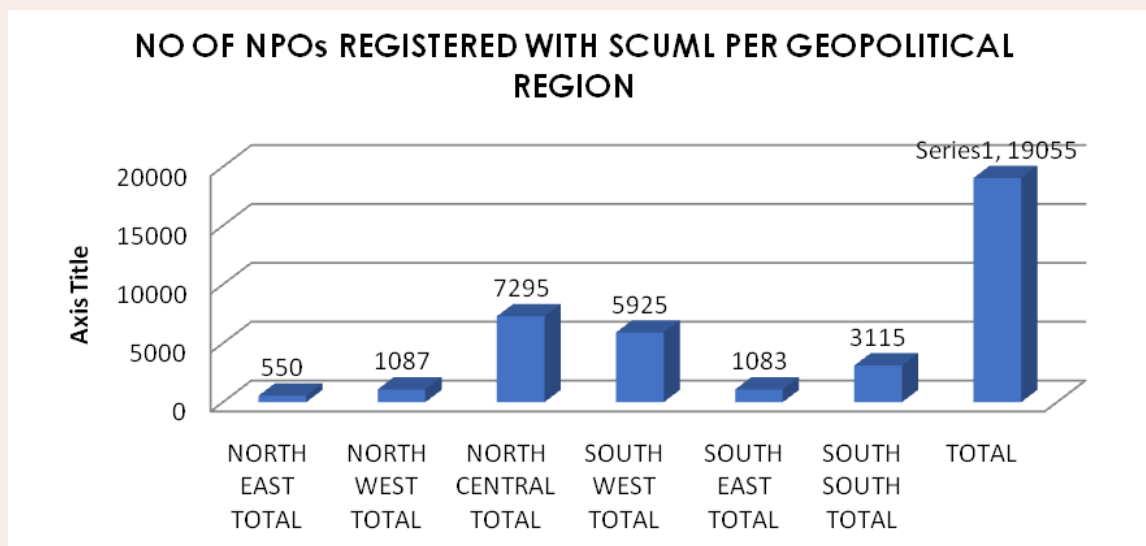
<b>State</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
FCT	1	5	8	10	1
Lagos	1		8	10	1
Ogun	2	1	1	2	
Delta		1	1	2	1
Sokoto			2		
Enugu			1		
Abia			1		1
Akwa Ibom				1	
Rivers				2	
Plateau				1	
Cross River				1	
Ebonyi				1	1
<b>TOTAL</b>	<b>4</b>	<b>8</b>	<b>22</b>	<b>30</b>	<b>5</b>

## Relevant Regulators

44. Nigeria has federally- and state-registered NPOs. The nature of their registration informs the nature and scale of regulatory requirements expected of them from relevant regulators at the federal and state levels.
45. At the federal level, NPOs are required to register their trustees with the Corporate Affairs Commission, (CAC), to attain a legal status. NPOs registered with the CAC are required to file two types of reports: (a) bi-annual statements and (b) annual returns to the CAC containing the accounting records and statement of accounts for the financial year and a register of members of the association.
46. At the state level, numerous associations, non-governmental organizations and foundations register with the Ministry of Women Affairs, Ministry of Youth Development, Ministry of Budget and Planning and the Ministry of Social Welfare as the case may be. There is also a requirement for non-profit organizations to register with multiple ministries that align with their thematic focal areas. That is to say, educational NPOs will register with the state educational ministry while health NPOs with the state health ministry etc. The state registration, likened to an 'operational' registration, gives an NPO license to operate in that state and deliver projects linked to a ministry.
47. Consistent with the requirement for multiple registration, NGO's registering at the state level pay multiple fees for registration and annual renewals. They also submit reports of their activities either monthly, quarterly or annually to the various 'line ministries' they registered with. Further to the above, NPOs operating in multiple states will have to comply with these registration requirements across all the states where they are working. Whilst there are significant similarities in the treatment of these NPOs between states, it is not completely consistent.
48. It is important to mention that registration at the federal level (with CAC) is often a precondition for registration at the state level. It is a popular practice across all states visited during the regional consultations. In other words, the CAC certificate of incorporation is one of the compulsory documents that must be submitted in order to acquire a registration status at the state level.
49. International non-governmental organizations (INGO) incorporated in other countries are required to register with the Federal Ministry of Budget and National Planning (FMBNP) to operate in Nigeria for an approved period of time subject to renewal of the Ministry. INGOs registered with the FMBNP sign bilateral or Cooperation Agreements with the FMBNP which require them to align their programme activities with national development projections. INGOs are mandated to report on their financials and programmes to the Ministry on a bi-annual basis. From 2017 to 2021, a total number of 80 INGOs were registered with the FMBNP.
50. In addition to this registration with the FMBNP, certain states require additional registration with a coordinating ministry for humanitarian assistance projects. For instance, the Borno State Agency for Coordination of Sustainable Development and Humanitarian Response harmonizes and coordinates government and humanitarian/development partners' activities and programming to align with the recovery, stabilization and development plans of the state. INGOs and national NGOs registered with the agency submit periodic reports to it. The Agency maintains a register of humanitarian and development partners and conducts a regular review of the register to determine the consistency of periodic reports submitted by partners.
51. Whether state-or federally registered, or an INGO, all NPOs are mandated by law to register with the Special Control Unit against Money Laundering (SCUML) for the

purpose of AML/CFT regulation. They are to report 'suspicious transactions' (STRs) to the Nigeria Financial Intelligence Unit (NFIU) and 'cash-based transactions' (CBTs/quarterly reports) to SCUML.

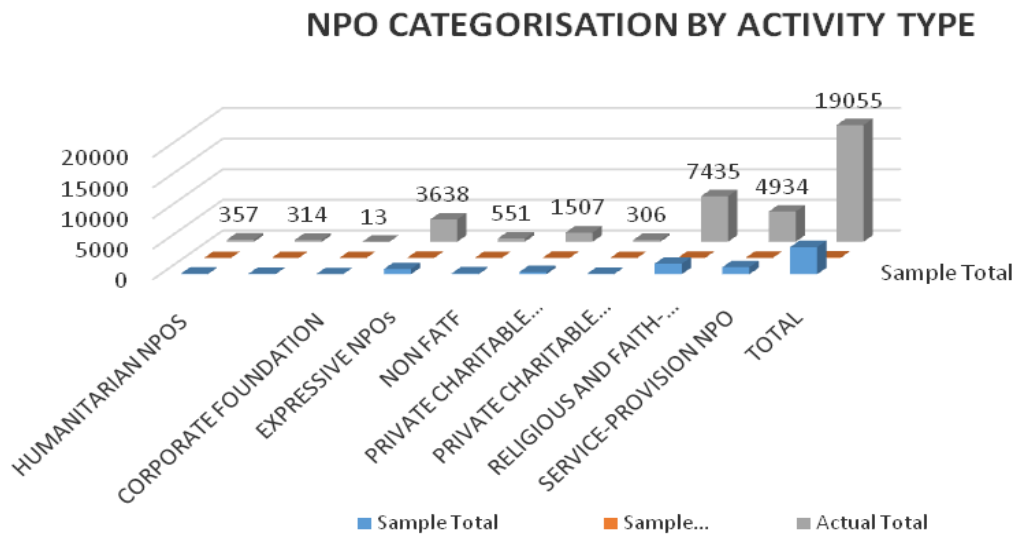
Figure 3: NPOs registered with SCUML by Region (Source: SCUML).



52. Based on the SCUML statistics, the north-central has the highest number of NPOs registered with SCUML, followed by the South-West while the South-east and the North-east has the least registrations respectively. Overall, 19,055 organizations are registered with SCUML in Nigeria.
53. For taxation purposes, all NPOs are required to register with the Federal Inland Revenue Service or state revenue authorities. All NPOs are required by law to remit employee income taxes (pay as you earn (PAYE)) to the Federal Inland Revenue Service or the state counterparts. In addition to PAYE returns, they are expected to file tax returns for Corporate Tax (CIT). NPOs also file annual returns to FIRS and deduct withholding tax (WHT), on, payments, made to its contractors/suppliers/consultants and, remit the same to the appropriate tax authority.
54. NPOs also submit their audited financial statements to the Financial Reporting Council of Nigeria (FRCN). FRCN ensures that audit reports produced by NPOs are in line with the International Financial Reporting Standards.
55. Out of the 19,055 NPOs registered with SCUML, religious and faith-based groups, service provision and expressive groups topped the chart respectively while humanitarian groups, community organizations, privately-run charities and corporate foundations were chronologically at the bottom of the table. Religious/faith-based NPOs comprise mostly churches, mosques, fraternities etc. Churches, especially the Pentecostal denomination, dominate the church category. According to one report<sup>10</sup>, about 50 percent of the country is Muslim and the other half Christian. An estimated 80 million people are Christian and about half of them are members of a Pentecostal church. Most churches in Nigeria are registered as incorporated trustees, and thereby categorized as non-profit entities. Because of this registration status, churches are not required to pay taxes. While churches are not required to pay taxes, this does not apply to for-profit ventures they are involved in.

<sup>10</sup><https://www.dw.com/en/nigerian-pentecostal-megachurches-a-booming-business/a-45535263>

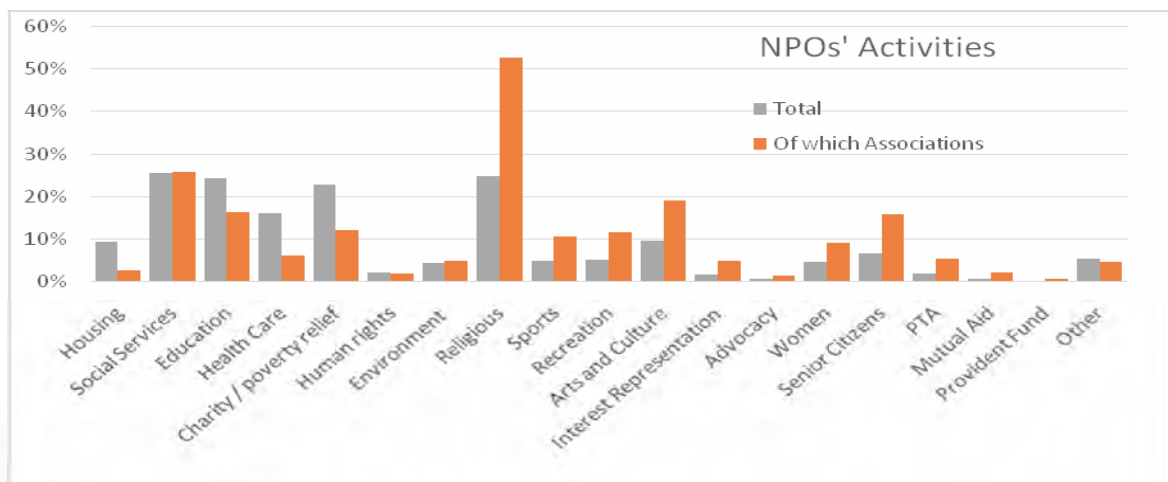
Figure 4: Activities of NPOs registered with SCUML (Source: SCUML).



56. Anecdotally, great diversity within faith-based NPOs is noted. Certain members of faith communities focused only on religious worship and ritual with no obligation or responsibility for financial interventions in the society in the form of cash transfers or social investment. Other faith groups are focused on community development and humanitarian assistance interventions. For example, the Catholic Church is not directly involved in any act that carries significant risks of money laundering, but some Catholic-run entities established as independent entities under the law, like Caritas International, may be more exposed to such risks due to their participation in certain activities involving significant financial transfers and deliveries to local populations, including in conflict-settings. This category also includes initiatives that combine humanitarian services and propagations of religious ideals, as well as humanitarian initiatives owned by religious organizations to deliver certain kinds of good works - service, expressive etc. (i.e JPDC- Catholic Church).

57. The NPO survey questioned NPOs in their activities. This revealed a wide range of good works not limited to housing, education, healthcare, social services, poverty alleviation, interest representation, advocacy, arts and culture, religious, human rights and humanitarian activities and the like. Religious activities still top the list of activities due to the categorization of churches as non-profits.

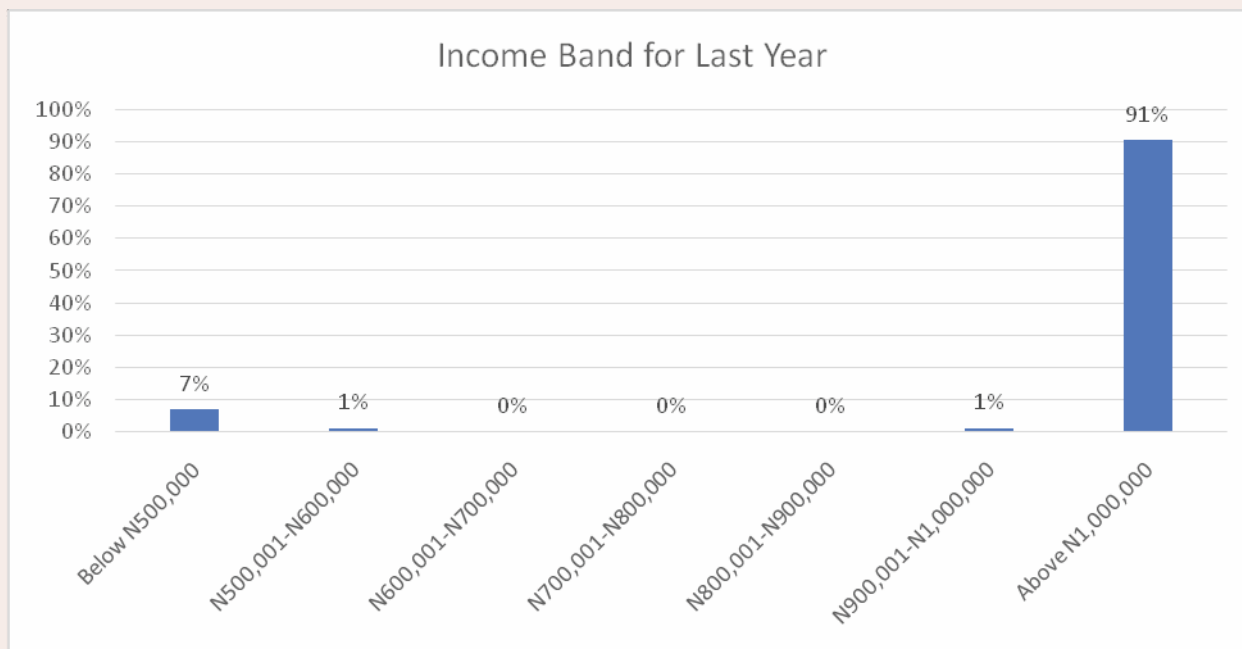
Figure 5: NPOs' activities (Source: NPO survey).





58. There is a lack of reliable data on the financial size of NPOs. The NPO survey asked NPOs to report income by band, but poor categorization did not distinguish size clearly. Additional research may be necessary to determine a reasonable income band for NPOs in Nigeria.

*Figure 6: NPOs by income band* (Source: NPO survey).



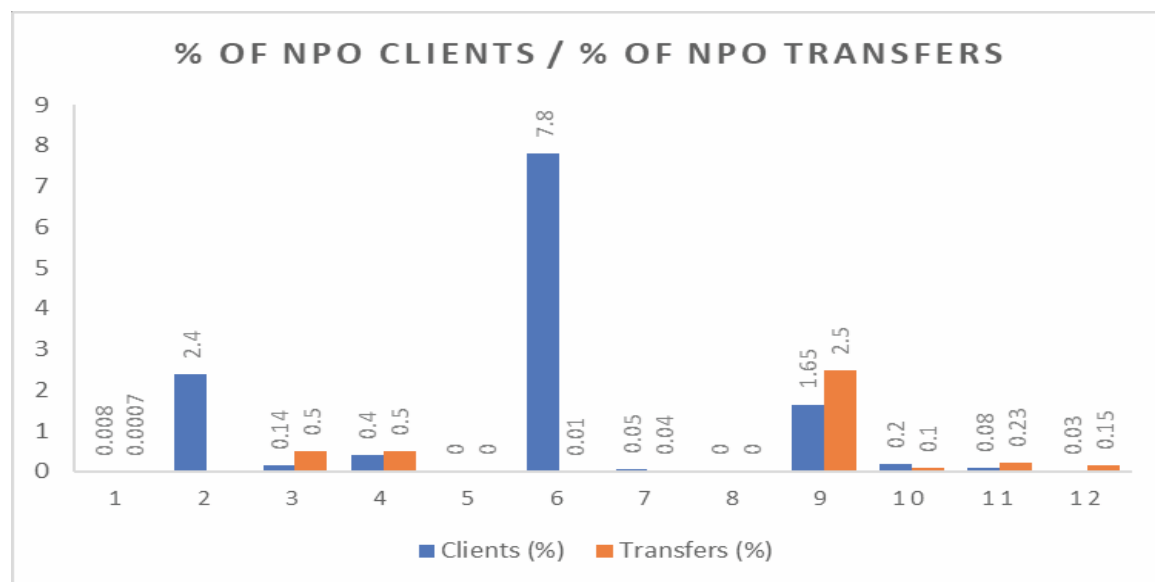
59. Other data gives some sense of the size of the NPO sector. The MacArthur Foundation reports that it has awarded \$124.7 million to 113 organizations since 2015<sup>11</sup>. Another report states that the United States, through the USAID, is the single largest donor for the humanitarian response in Nigeria, having provided nearly \$505 million in Fiscal Years 2020 and 2021.<sup>12</sup> Although such grants are awarded to fewer organizations that meet the highest standard of regulatory compliance thresholds, this figure demonstrates that the low spread of incomes indicated above may not match income bands of different categories of NPOs (both local and international) operating in the country.

60. NPOs make up a negligible proportion of business for the surveyed financial institutions. Of the twelve banks that provided responses, only three recorded NPOs making up more than 0.5% of their client base; and only one recorded NPOs making up more than 0.5% of the total value of the bank’s transactions. Two banks reported having no NPO clients at all.

<sup>11</sup>See MacArthur Foundation: <https://www.macfound.org/programs/nigeria/>

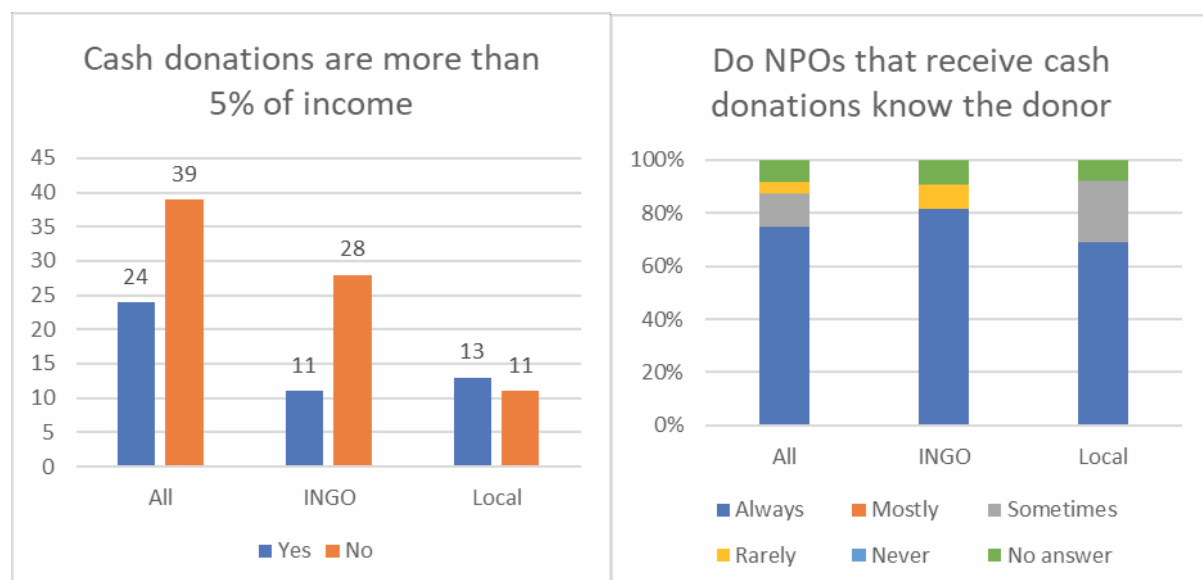
<sup>12</sup> USAID: <https://www.usaid.gov/news-information/press-releases/mar-12-2021-united-states-announces-nearly-104-million-additional-humanitarian>

*Figure 7: Percentage of NPO clients / Percentage of NPO transfers reported by banks (Source: Financial Institutions' Information Request).*



61. The NPO survey obtained responses on the sources and nature of funds. Whilst slightly more than half of domestic NPOs received cash, for INGOs the practice was less common amongst International NGOs, with 11 of 39 respondents (28%) reporting cash donations. Overall, 24 of 63 respondents (38%) reported cash donations. Of ten banks that responded to requests on common modes of transaction within their NPO clients, six (6) mentioned cash.

*Figure 8: Cash donations to NPOs and knowledge of donor (Source: NPO survey).*



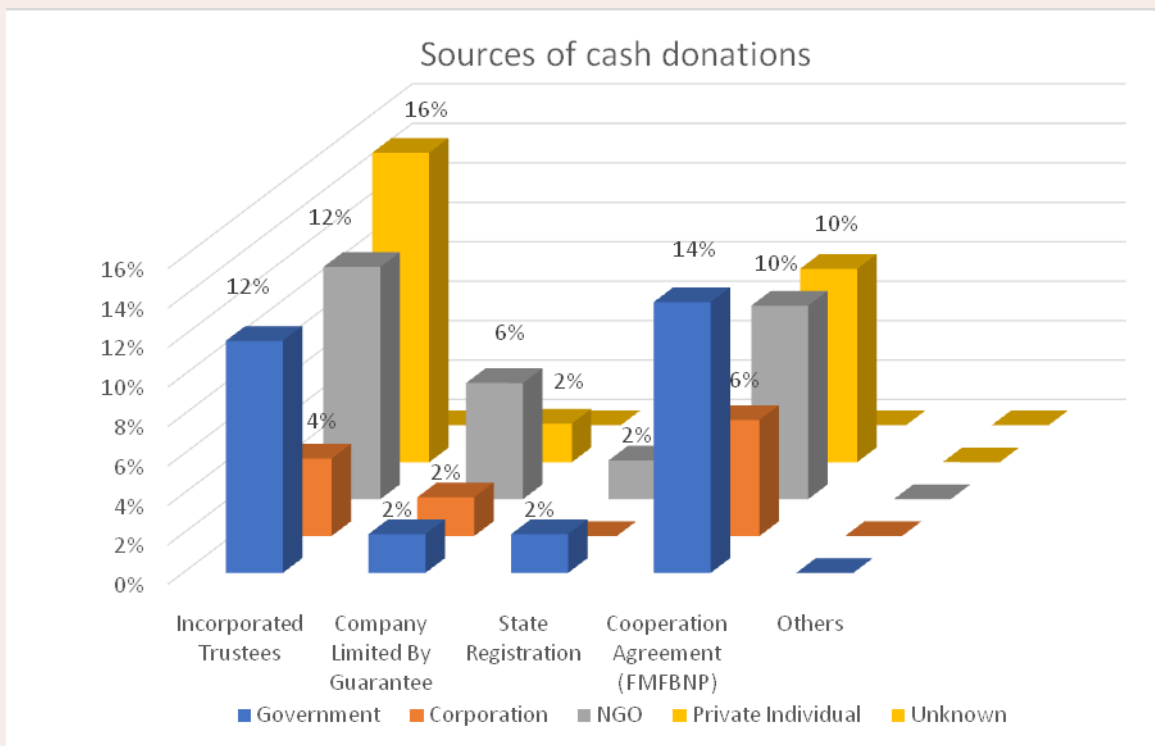
62. On whether those receiving cash donations know the sources of donations (Figure 8), 78% indicated that they are 'always' aware of the donor while the remaining 22% reported that they are to some degree aware of the donor but not always. No NPO reported that they are 'never' aware of their cash donors.

63. At 38%, receipt of cash donations remains low. Further, there are high levels of NPOs stating that they are always suggests that funds cash donations may be made by

established supporters or are pre-negotiated and contracted for, prior to funds transfer.

64. The sources of cash donations received by NPOs depends on their activities and legal types. The data shows that 30% of the NGOs receive cash donations. Out of that 30%, 17% of the local NGOs and 13% INGOs received these donations from private individuals. Donations are not always made in cash, but may also include electronic transfers. Although the cash threshold is not indicated, 30% of NPOs receiving cash donations from private individuals is low, but suggests a trend that is worth considering for TF risks.
65. 28% reported that the donations are from their partner NGOs. 26% noted that they receive these donations from Government establishments. 15% noted that their donations came from corporations.

*Figure 9: Sources of cash donations to NPOs (Source: NPO survey).*

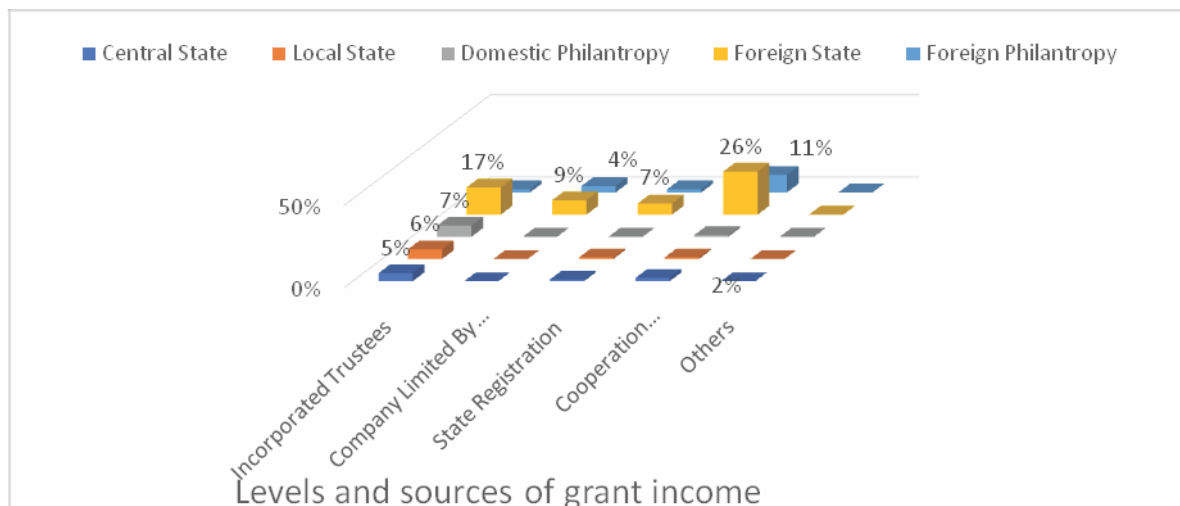


66. The amount of cash donations received by NPOs was not indicated to ascertain whether they are within the allowable thresholds under Nigeria's ML laws. The ML Act 2022 prohibits money laundering and criminalizes cash payments exceeding N5,000,000 or its equivalent, in the case of an individual; or (b) N10,000,000 or its equivalent in the case of a body corporate. Transactions above this threshold must now be routed electronically or through a financial institution. [S4C:2022]. While 38% of NPOs receiving cash donations is relatively high, cash donations below the allowable thresholds, coupled with precise knowledge of the donor, may not present high ML and TF risks.

67. Figure 10 highlights the levels and sources of grants received by NPOs in Nigeria. Responses as presented below reveal that 58% of the NPOs receive grants from foreign states while 18% of the NPOs (all of them INGOs) reported that they receive grants from foreign philanthropies. Only 10% of the NPOs reported that they receive grants from local philanthropies. The remaining 16% informed that they receive grants from the Central and Local State institutions. This data is consistent with the finding of low domestic philanthropy in Figure 8, and consistent with the finding that

the source of donations are always known and often pre-negotiated and agreed prior to the transfer of funds.

68. *Figure 10: Sources of funds through formal channels* (Source: NPO survey).



69. Methods of funding recorded by ten banks with NPO clients were, in order: electronic, wire or bank transfers (8 responses); cash (6 responses); cheques (2 responses); cross-border inflows (1 response); and foreign exchange (1 response).

70. Receiving foreign funding in Nigeria is often characterized by stringent grant-making procedures such as enhanced due-diligence and reporting requirements imposed by public and private donors while local banks enforce enhanced due diligence requirements arising from anti-money laundering and security-related concerns. The combination of controls from grant-makers and banks may significantly reduce TF risks associated with foreign philanthropy.

71. A total number of thirty-seven (37) INGOs moved cash totalling nine billion, four hundred and sixty-four million, forty-one thousand, seven hundred and eighty naira and sixteen kobo (9,464,041,780.16) from 2019 till 2021. Of ten banks that responded to requests on origins of funds for NPO clients, five (5) mentioned foreign origins (including Europe (4 banks), North America (3 banks), and Israel (1 bank)).

*Table 9: Total Cash Movement by NPOs* (Source: SCUML)

Year	Nigerian Naira	US\$ <sup>13</sup>
2019	2,916,376,279	\$6,643,731
2020	6,019,767,785	\$14,496,819
2021	527,897,715	\$1,271,284
<b>Total</b>	<b>9,464,041,780</b>	<b>\$22,791,585</b>

72. Below is an analysis of the largest receivers of funds by individual INGOs between 2019 and 2021. The names of the individual NPOs are known but have been anonymised. The data shows that foreign funds are received almost exclusively from developed countries (USA and Western Europe), and are dominated by the fields of refugees, aid, development, health, and women/children's rights.

<sup>13</sup> e and throughout the reportU a conversion rate of 1 USD A 438.910 NGN is usedU being the mid-market rate taken from xe.com on 3rd November 2022.

*Table 10: NPOs with total foreign funding in excess of NGN 1million 2019-2021 (Source: Independent Sources)*

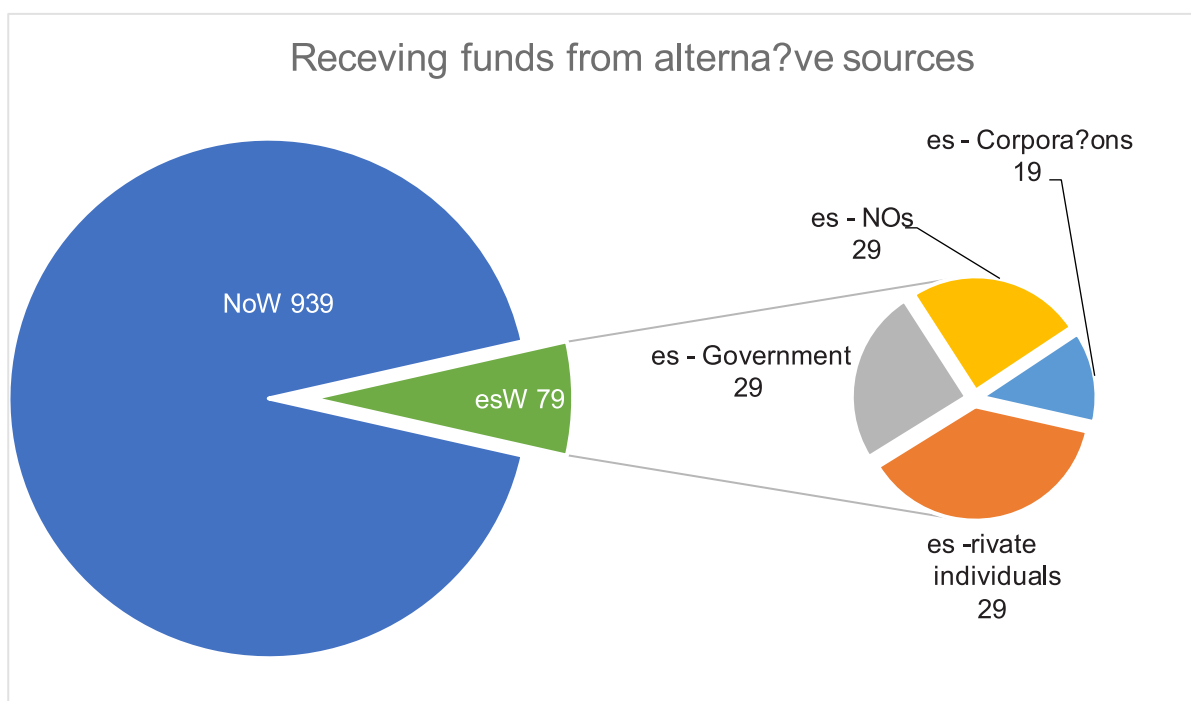
COUNTRY OF ORIGIN <sup>14</sup>	NPO ACTIVITY <sup>15</sup>	INCOMING FUNDS (NIN MILLIONS)				
		2019	2020	2021*	Total	US\$
DENMARK	Refugees	622.0	1639.6	185.9	<b>2447.5</b>	5,575,405
SWITZERLAND	Aid	40.0	1002.4	11.8	<b>1054.1</b>	2,401,240
USA	Children	335.0	292.8	35.0	<b>662.8</b>	1,509,858
NETHERLANDS	Aid	267.9	227.8	166.6	<b>662.3</b>	1,508,719
FRANCE	Aid	133.5	272.5	18.0	<b>424.0</b>	965,872
SWITZERLAND	Health	176.9	192.3	8.0	<b>377.2</b>	859,262
UNITED KINGDOM	Women's rights	140.2	234.2		<b>374.4</b>	852,883
FRANCE	Aid	16.0	338.0	4.0	<b>358.0</b>	815,524
SPAIN	Health	117.3	205.0	0.0	<b>322.3</b>	734,199
NORWAY	Refugees	91.0	216.8	8.4	<b>316.2</b>	720,304
FRANCE	Health	137.0	141.7		<b>278.7</b>	634,879
UNITED KINGDOM	Aid	102.6	166.7		<b>269.3</b>	613,465
UNITED KINGDOM	Aid	38.1	186.9		<b>224.9</b>	512,322
USA	Health	169.7	54.5		<b>224.2</b>	510,728
FRANCE	Aid	69.3	133.5	15.0	<b>217.8</b>	496,148
FRANCE	Development	54.0	147.4	18.3	<b>219.7</b>	500,477
ITALY	Aid	34.9	153.5	9.3	<b>197.7</b>	450,361
ITALY	Development		152.6	31.0	<b>183.6</b>	418,241
USA	Health	68.6	25.6		<b>94.2</b>	214,588
SWITZERLAND	Children	22.4	54.4	6.5	<b>83.3</b>	189,757
USA	Aid	18.0	58.7	1.4	<b>78.1</b>	177,912
NIGERIA	Development	14.1	33.6		<b>47.7</b>	108,661
UNITED KINGDOM	Aid	31.0	7.7	6.1	<b>44.8</b>	102,054
NIGERIA	Development	9.1	28.2		<b>37.3</b>	84,969
NORWAY	Aid	16.6	14.0		<b>30.6</b>	69,707
FRANCE	Health	24.6			<b>24.6</b>	56,039
FRANCE	Health	14.1	6.1		<b>20.2</b>	46,016
NIGERIA	Religious		11.8		<b>11.8</b>	26,880
SWITZERLAND	Refugees	9.5			<b>9.5</b>	21,641
USA	Children		9.0		<b>9.0</b>	20,502
ITALY	Health		6.6		<b>6.6</b>	15,035
SWITZERLAND	Aid/Health	5.0	1.3		<b>6.4</b>	14,579
NIGERIA	Education		2.0	1.7	<b>3.7</b>	8,429
USA	Development		1.7		<b>1.7</b>	3,873

<sup>14</sup> Location of headquarter. Funds may also come from other countries.

<sup>15</sup> Based on an assessment of the NPOs website.

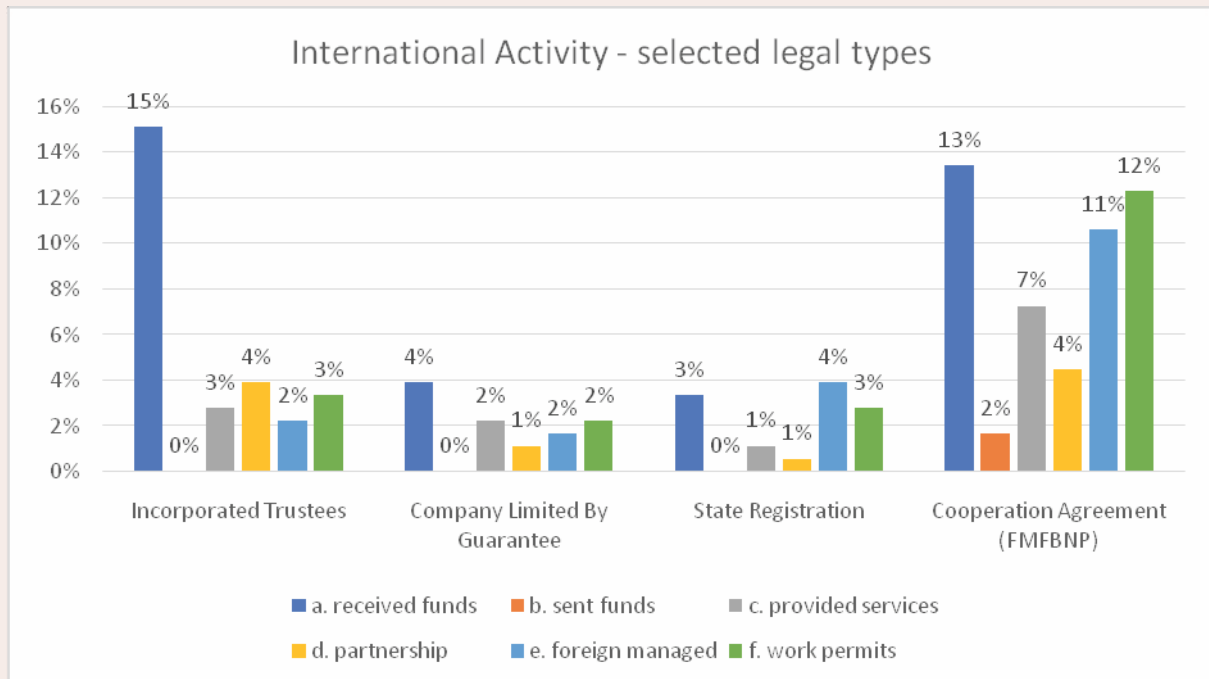
73. Just 7% of the NPOs consulted receive funds through alternative sources. Of this minority, 38% received funds from private individuals, 25% each from government establishments and other NPOs, while the remaining 13% disclosed that they receive funds from corporations. While the margin of NPOs with alternative sources of funding is significantly low, receiving funding from private individuals, especially if they are politically exposed persons, may expose NPOs to risks particularly associated with money laundering. Of ten banks that responded to requests on common modes of transaction within their NPO clients, none mentioned alternative sources.

*Figure 11: Receipt of funds from alternative sources or channels* (Source: NPO survey)



74. The chart below presents the international dimension activities by the various legal types for NPOs surveyed. From the analysis of responses, NPOs registered as incorporated trustees and cooperative agreements are more involved in international fund receipts (15% and 13% of total NPOs respectively) while more NPOs with cooperation agreements are involved in processing work permits (12% of total NPOs) and are foreign managed (11% of total NPOs).

Figure 12: International activities of selected categories



## E: THE NATURE OF THE TF THREAT TO NPOs IN NIGERIA

75. Paragraph 8.1(b) of the FATF Methodology states that countries should “*identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs.*”
76. This part of the risk assessment assesses the terrorist financing threat, and the nature of the threat to NPOs. This assessment combines quantitative data (evidence of that threat being manifest) and qualitative data (expert views on what the threat is likely to be).
77. In this part:
- *Threat* is defined as ‘A person or group of people, object or activity with the potential to cause harm. Threat is contingent on actors that possess the capability and the intent to do harm.’
  - *The Nature of the Threat* is defined as ‘the typologies or methods by which the ‘threat’ may finance terrorism through NPOs.’

### Nigeria and the Terrorist Financing Threat

78. The National Inherent Risk Assessment (NIRA) 2022 assessed the terrorist financing risk (TF) in Nigeria and rated overall risk as high. The NPO Risk assessment team used quantitative, qualitative and expert opinion data and rated the overall terrorist financing risk to NPO operations as **Medium High**.

*Figure 13: Overall Terrorist Financing Risk to NPO Operations in Nigeria* (Source: Core Working Group of the Assessment Team)

OVERALL THREAT	L	M	M	MH	MH	H	H
	L	M	M	M	MH	MH	H
	L	M	M	M	M	MH	H
	L	L	M	M	M	M	H
	L	L	L	M	M	M	M
	L	L	L	L	M	M	M
	L	L	L	L	L	L	L
		OVERALL VULNERABILITY					

79. In relation to specific threats, the 2022 NIRA identified four main threats, with assessments as follows:
- Yan Bindiga/ Yan Taadda (North West/North Central). Threat level (North West): High
  - Islamic State West-Africa Province (ISWAP) (North East). Threat level: Very High.
  - Boko Haram (Jama`atu Ahl as-Sunnah li-Da`awati wal-Jihad). North East. Threat Level. High
  - Indigenous People of Biafra (IPOB). (South East/South South). Threat Level (South East): Medium. Threat Level (South South): Low.



- Islamic Movement of Nigeria (IMN) North West Nigeria)

80. The assessment highlighted the domestic and regional connections of the three Northern groups with links to Ansar Dine, Al Qaeda in the Islamic Maghreb(AQIM) and Islamic State in the Greater Sahel (ISGS) noted.

81. A heat map analysis of the terrorist financing threat to NPOs by region ranked the 'threat' in each region on a score of 2-8. The results were as follows:

*Table 11: Terrorist Financing Threat Level by State to NPO operations*

<b>GEO-Political Zone</b>	<b>Overall Vulnerability</b>	<b>Overall Threat</b>	<b>Overall Regional TF Risk</b>	<b>Rating</b>
North East	8	8	64	Very High
North West	8	8	64	Very High
North Central	7	7	49	High
South South	4	5	20	Low-Medium
South West	3	5	15	Low
South East	6	5	30	Medium
<b>Overall Country Risk</b>	<b>6</b>	<b>6.33</b>	<b>38</b>	<b>Medium-High</b>

82. Nigeria completed and published a National Risk Assessment in 2016<sup>16</sup>. The 2016 NRA identified two main types of terrorist threats. The main threat was from Islamic extremist terrorism, specifically Boko Haram. Also highlighted were Jama'atu Ansarul Mislimina Fibiladis – Sudan (JAMBS) and The Islamic Movement of Nigeria (Shiite sect). The report also noted historic threats from separatist (Kano) and religious (Maitatsine) groups, and noted the affiliation of Boko Haram with ISIS, as well as possible ideological links with the Taliban, Al Qaeda and Salafist groups.

83. The second type of terrorist threat, although given much less attention in the report, was from secessionist and religious groups. Named groups include: Odua People's Congress (OPC); Movement for the Actualization of the Sovereign State of Biafra (MASSOB); the Indigenous People of Biafra (IPOB) and the Islamic Movement of Nigeria (see Terrorist Prevention (Proscription) Order gazette dated July 29, 2019.

84. Relevant features of the threats identified above included its cross-border/regional elements; links with terrorist groups in the Middle East; links to Politically Exposed Persons (PEPs); and links with crime.

85. The assessment of likely sources of finances for terrorist groups concluded that a wide range of sources were used. Overall, it was assessed that 80% of financing was outside the formal financial system<sup>17</sup>. The main sources of funds for Boko Haram are (i) illegal and criminal activities and (ii) levies and contributions from sympathisers and members. Funds were believed to be raised both domestically and internationally, with a suspicion that Boko Haram had received funds from AQIM and Al-Shabab.

86. The overall terrorism threat was assessed as medium, and the overall terrorist financing threat was assessed as medium.

<sup>16</sup><https://www.nfiu.gov.ng/images/Downloads/downloads/nrareport.pdf>

<sup>17</sup> Reference was made to the *Trends and Typologies Report On Terrorism Financing In Nigeria* 2013

87. Nigeria published *The Trends and Typologies Report on Terrorism Financing in Nigeria* in 2013<sup>18</sup>. It identified Boko Haram as the primary threat, and noted its relationship with "Al-Qaeda, Harakat al-Shabaab al-Mujahideen in Somalia, and al-Aqsa Martyrs' Brigades in Palestine."
88. Nigeria's Mutual Evaluation Report (2021) notes that "Nigeria faces some of the deadliest and destructive terrorist threats in the world in Boko Haram and its offshoot, Islamic State West Africa Province (ISWAP)". These are considered as effectively one threat by the authorities, and will be referred to in this report as Boko/ISWAP.
89. The MER concurs that the terrorist financing threat from Boko/ISWAP is in large part outside of the formal financial sector, whilst also noting a "relatively small" portion of funds are raised or moved through commercial activity. Whilst international criminal trade is seen as significant, external support from ISIS or other international terrorist groups only accounts for a small portion of funding.

## **The Terrorist Financing Threat to NPOs in Nigeria**

### Literature Review

90. The 2022 (National Inherent Risk Assessment) NIRA noted that Boko Haram and ISWAP "operates in the North Eastern part of the country where there is dominance of non-profit organizations offering humanitarian assistance". Similarly, it noted that IPOB "operates in the South Eastern part of the country, there are mostly domestic non-profit organizations who provide outreach on social engineering to communities." However, the extract provided does not identify any specific ways in which NPOs may be abused by these terrorist threats.
91. The 2016 National Risk Assessment noted four legitimate and eleven illegitimate methods used by Boko Haram for raising funds, and four methods for moving funds. These included 'voluntary membership contributions' and 'payment of zakat'. However, in neither case was it stated that these methods involved Non-Profit Organisations.
92. The *Trends and Typologies Report on Terrorist Financing in Nigeria* (2013)<sup>19</sup> identified four sources of terrorist financing, which included "terrorist financing through NGOs, charity organizations, and levies." The report included four cases (referred to as 'typologies') of terrorist financing abuse of NPOs in Nigeria, listed below using the numbering used in the report:
- Typology 2.1.1: Due diligence by a Nigerian bank revealed that a foreign NPO already operative in Nigeria had links with Islamic terrorist groups. The NPO and a foreign director had been indicted in two jurisdictions on terrorist financing cases abroad. Further investigation by the FIU revealed the NPO had links with a second NPO identified as an al-Qaida front by the US Government.
  - Typology 2.1.2: A law enforcement investigation identified that Boko Haram uses beggars to raise money. This case did not involve formal or informal NPOs.
  - Typology 2.1.3. An NPO was used to facilitate payments for a terrorist attack by the Movement for the Emancipation of the Niger Delta (MEND). US\$20,000 was transferred to Nigeria from South Africa via the NPO, from a total of US\$4.5m transferred over an eight-year period. The originator

<sup>18</sup><https://www.nfiu.gov.ng/images/Downloads/downloads/tf.pdf>

<sup>19</sup><https://www.nfiu.gov.ng/images/Downloads/downloads/tf.pdf>

and recipient of the funds were convicted of terrorist financing offences in South Africa and Nigeria respectively.

- Typology 2.1.4. An ongoing TF case relating to an unnamed terrorist group. One part of the investigation is considering the misuse of donations from unwitting donors in the Islamic community.

93. The MER rated Recommendation 8 as Non-Compliant and Low Effectiveness under Immediate Outcome 10. The major issues identified were; Nigeria has not identified the features and types of NPOs which may be at risk of TF abuse. No specific cases of terrorist financing in the NPO sector are noted in the MER.

#### Quantitative Data

94. Written requests for data on terrorist financing in the NPO sector were sent to 12 government agencies. A total of 7 cases were identified, which can be found in Annex 2. Of these:

- Cases 1, 2\*, 3, 4\*, 5 and 6 related to foreign NPOs active in Nigeria.
- Cases 1, 3, and 6 relate to NPOs operating in Borno state/the North East.
- Cases 4\* and 6 definitively involved humanitarian NPOs. It can be inferred that NPOs in some other cases were faith-based.
- Cases 1, 2\*, 4\*, 5 and 6 relates to the use of vendors or third parties
- Cases 1, 2\*, 3 and 7 involved some unapproved activity (use of unapproved finance apps; use of unlicensed money businesses; unauthorised use of arms; unapproved movement of goods; use of unlicensed bureau de change).
- Cases 1, 2\* and 5 involved complex financial activity (loans, use or personal accounts, exchanging of funds, multiple INGOs, use of dormant accounts (two cases))
- Large sums were noted in case 1 (US\$5.4m), 2 (US\$130,000), 5 (US\$400,000) and 8 (US\$460,000).
- Cases 1, 2\*, and 4\* involved cash, with large amounts recorded in cases 1 and 2\*.
- Case 6 involved the wire transfer of funds to an NPO via a vendor by a Nigerian citizen resident abroad who was connected to a terrorist group. Case 7 involved the wire transfer of funds to a Nigerian citizen from a banned European NPOs via a Middle Eastern affiliate.
- Case 4 resulted in goods being hijacked by terrorist groups.
- Cases 1, 5 and 7 are under investigation or review at the time of writing;. Case 3 resulted in a suspension of activities; case 6 resulted in an OFAC designation.
- \* Cases 2 and 4 are annotated with an asterisk as no further action was taken in these cases due to lack of evidence.

95. Details on six Suspicious Transaction Reports (STRs) were provided (some of these cases overlap with the cases above). The relevant threats were Boko/ISWAP and foreign Islamic extremist groups. The nature of the concerns noted were:

- Provision of humanitarian services
  - Receipt of funds from terrorist linked organizations/persons
  - Clandestine diversion of products to terrorists
  - Use of unincorporated companies to move funds into a terrorist prone area.
96. The Nigerian Financial Intelligence Unit (NFIU) reported that it received 29 requests for information relating to terrorist financing involving NPOs between the years 2017 and 2021. The reports were received from law enforcement agencies as request for information and could not be shared because they were classified.
97. The Intelligence services reported the suspension of services of some international NGOs operating in the North East on allegations of aiding terrorist groups, and of violating security policies and procedures on the movement of humanitarian goods to high-risk areas. Some goods were reportedly hijacked by terrorist groups.
98. Information requests were sent to financial institutions, with fourteen replies received. No bank recorded incoming or outgoing financial flows with jurisdictions with significant links or exposure to sanctioned states involving NPOs. No bank recorded assets frozen under targeted financial sanctions. No bank also filed STRS involving NPOs during the period under review

#### Qualitative Data

99. A range of supervisory and law enforcement officials, NPO officials and representatives from financial institutions were surveyed for their opinions through various means (see Section A for details).
100. The regional focus groups held in the North East unanimously agreed that the nature of threat to NPOs is Medium High. They identified Boko Haram and ISWAP as the primary threats.

**“There is no international humanitarian organization operating in Imo State. NPOs largely support and complement the activities of the government. Although some proscribed groups operate in the state, there has never been any incident of security threats or terrorist financing risks involving NPOs either now or in the past.**

**Dr. Chris Osuala, Commissioner for Budget and National Planning, Imo State**

101. The threat was assessed differently by domestic and international NPOs, with international NPOs emphasising the range of measures they follow to mitigate potential risks.
102. Domestic NPOs offered some observation on their perception of the nature of the threat. The regional focus groups of domestic NPOs in the North East highlighted incidents that suggest the possible diversion or disguise of funds to terrorist groups by internal staff, or especially through the use of vendors suspected of providing legitimate charitable services to terrorist groups; and the use of sham NPOs to obtain funds through deception.
103. NPOs offered no opinion on methods used by terrorist groups to abuse NPOs. However, they concurred that the threat varied by region, and that the greatest threat was in the North East and North West. They also noted the international links of these groups.

104. Written responses from financial institutions rated the threat as medium or high. Responses at focus groups concurred that the threat was high, whilst noting variations between regions. Boko Haram was identified as a specific threat. Individual respondents raised concerns about sham NPOs, the use of NPOs to receive illicit funds disguised as grants, abuse of fund-raising and crowd funding, or the hijacking of the legitimate purposes of an NPO. However, none of these concerns were supported by cases.

Identifying the Threat and the Nature of the Threat.

105. There is a significant terrorist and terrorist financing threat in Nigeria from Boko/ISWAP, and this must be considered to be the most significant potential threat to NPOs in Nigeria. The 2022 National Inherent Risk Assessment also identified Yan Bindiga / Yan Taadda as a significant threat. There is a consensus in the evidence that threats from other religious extremist or secessionist groups exist but are not as significant. The regional focus groups unanimously agreed that the nature of threat to NPOs is Medium High.

106. Regarding the nature of the threat (*'the typologies or methods by which the 'threat' may finance terrorism through NPOs.'*) there is less consensus. The extracts seen from the 2022 NIRA note the proximity of NPOs to terrorist threats, but does not expand on the nature of those threats. The 2016 NRA and the 2021 MER devote significant resources to identifying the means through which Boko/ISWAP raise or move funds, but do not identify NPOs as a mechanism.

107. The 2016 NRA and the 2013 Nigerian Typologies report mentioned the raising of contributions or levies, the use of beggars, and the raising/diversion of zakat funds as fundraising mechanisms for terrorist groups. However, whilst these may be termed *'quasi-philanthropic'*, they do not involve formal or informal NPOs, and are therefore outside the remit of this assessment unless contrary evidence emerges.

108. The 2013 Nigerian Typologies report, the case studies and the qualitative data suggest ways that NPOs might be abused. Of these, the cases most strongly demonstrate various mechanisms for using NPOs to facilitate the transfer of foreign funds to support terrorist groups. Linked to this is the involvement of NPOs in complex schemes, often involving the use of vendors, to disguise the diversion or misuse of funds to terrorist groups.

109. A third method is noted which is not usually within the remit of assessments such as this, but is significant enough to warrant further consideration. This is the targeting of NPOs as victims of criminal fundraising activities by terrorist groups.

## **The Primary Terrorist Financing Threats to NPOs in Nigeria**

1. Boko Haram
2. ISWAP.

## **Secondary Terrorist Financing Threats to NPOs in Nigeria**

3. Yan Bindiga / Yan Taadda
4. International Islamic terrorist groups (al-Qaida, ISIS, Al Shabab).
5. Domestic secessionist groups (including IPOB).
6. Islamic Movement of Nigeria (IMN) North West Nigeria)

## **Nature of the TF Threat to NPOs in Nigeria (known)**

1. Use of NPOs as means for facilitating foreign funding of terrorist groups in Nigeria.
2. Use of NPOs as a part of complex schemes (often involving vendors) to disguise funding of terrorist groups.
3. Crimes against NPOs by terrorist groups (kidnapping for ransom / hijacking of goods).

## F: IDENTIFYING NPOs POTENTIALLY 'AT RISK' OF TERRORIST FINANCING ('INHERENT VULNERABILITIES')

110. Paragraph 8.1(a) of the FATF Methodology states that countries should “*use all relevant sources of information, in order to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.*”
111. This part identifies the inherent vulnerabilities of NPOs to abuse by terrorist financing threats, and assesses which are significant so that those NPOs that are ‘at risk’ (or vulnerable to terrorist financing risk) can be identified. This section concludes with an assessment of the overall ‘inherent risk’ of the NPO sector to terrorist financing.
112. In this part
- *‘at risk’ NPOs’ are defined as ‘NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse’. Within the context of this assessment, it means those NPOs which are inherently vulnerable to terrorist financing abuse.*
  - *‘Vulnerability’ is defined as ‘things that can be exploited by the threat or that may support or facilitate its activities. Vulnerability in the NPO sector can exist at either the organisation or sectoral level.’ Within the context of this assessment, ‘vulnerabilities’ consist of inherent vulnerabilities and inadequate or absent control measures (see below).*
  - *‘Inherent vulnerabilities’ are defined as ‘the features and types of [at risk] NPOs’ and “[the] activities or characteristics’ [of ‘at risk’ NPOs]. They are a specific aspect of the NPO or the way that it operates that exposes it to a TF risk.*
113. The assessment combines quantitative data (evidence of that risk being manifest) and qualitative data (expert views on what the risk is likely to be).

### Known incidences of terrorist financing in the NPO sector

114. Written requests for data on terrorist financing in the NPO sector were sent to ten government agencies<sup>20</sup>. These agencies were asked to provide data on:
- *Convictions of NPOs or their agents for TF or related offences;*
  - *Prosecutions of NPOs or their agents for TF or related offences;*
  - *Regulatory interventions of NPOs or their agents for TF or related offences;*
  - *Active or closed investigations of NPOs or their agents for TF or related offences;*
  - *STRs/SARs relating to NPOs;*
  - *Requests for Mutual Legal Assistance relating to NPOs;*
  - *Case studies of terrorist financing abuse of NPOs.*

<sup>20</sup> See Section A for a full list of the agencies surveyed.

115. The following table details the responses received.

*Table 13: Data on TF cases in the NPO Sector*

<b>QUESTIONS</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Number of terrorist financing <b>STRs</b> involving NGOs	0	0	3	8	3
Number of terrorism <b>reports</b> involving NGOs	0	0	16	0	1
Number of terrorist financing <b>intelligence</b> involving NGOs	0	2	13	1	1
Number of terrorism <b>Investigations</b> involving NGOs	0	0	0	0	0
Number of terrorist financing <b>investigations</b> involving NGOs	0	0	0	0	0
Number of terrorism Prosecutions involving NGOs	N/A	N/A	N/A	N/A	N/A
Number of terrorist financing Prosecutions involving NGOs	N/A	N/A	N/A	N/A	N/A
Number of terrorism <b>Convictions</b> involving NGOs	N/A	N/A	N/A	N/A	N/A
Number of <b>TF</b> Convictions involving NGOs	N/A	N/A	N/A	N/A	N/A
Number of <b>terrorist</b> financing allegations in credible open sources involving NGOs	0	0	2	0	1
Number of active terrorist organizations/groups linked to NGOs in the country	0	0	0	0	0
Number of communities (towns, villages and cities) with ties to terrorism	N/A	N/A	N/A	N/A	N/A
Number of domestic terrorist individuals financing NGOs	N/A	N/A	N/A	N/A	N/A
Number of regional/international terrorist entities financing NGOs	0	0	0	0	0
Number of international requests for information made relating to terrorist financing of NGOs	0	0	0	0	0
Number of international requests for information received relating to terrorist financing of NGOs	0	0	0	0	1
Number of local requests for information made relating to terrorist financing of NGOs	0	0	0	2	20
Number of local requests for information received relating to terrorist financing of NGOs	0	0	29	0	0
Number of mutual legal assistance request <b>made</b> involving terrorist financing of NGOs	N/A	N/A	N/A	N/A	N/A
Number of mutual legal assistance request <b>received</b> involving terrorist financing of NGO	N/A	N/A	N/A	N/A	N/A



116. As noted above, law enforcement and intelligence agencies provided a total of 8 cases were provided, which can be found in Annex 2. Of these:
- Cases 1, 2\*, 3, 4\*, 5 and 6 related to foreign NPOs active in Nigeria.
  - Cases 1, 3, and 6 relate to NPOs operating in Borno state/the North East.
  - Cases 4\* and 6 definitively involved humanitarian NPOs. It can be inferred that NPOs in some other cases were faith-based.
  - Cases 1, 2\*, 4\*, 5 and 6 relates to the use of vendors or third parties
  - Cases 1, 2\*, 3 and 7 involved some unapproved activity (use of unapproved finance apps; use of unlicensed money businesses; unauthorised use of arms; unapproved movement of goods; use of unlicensed bureau de change).
  - Cases 1, 2\* and 5 involved complex financial activity (loans, use or personal accounts, exchanging of funds, multiple INGOs, use of dormant accounts (two cases))
  - Large sums were noted in case 1 (US\$5.4m), 2 (US\$130,000), 5 (US\$400,000) and 8 (US\$460,000).
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  - Case 4 resulted in goods being hijacked by terrorist groups.
  - Cases 1, 5 and 7 are under investigation or review at the time of writing;. Case 3 resulted in a suspension of activities; case 6 resulted in an OFAC designation.
  - \* Cases 2 and 4 are annotated with an asterix as no further action was taken in these cases due to lack of evidence.
117. Details on fourteen (14) Suspicious Transaction Reports (STRs) were provided (some of these cases overlap with the cases above). Noted features of these cases include:
- Provision of humanitarian services.
  - Receipt of funds from terrorist linked organizations/persons.
  - Clandestine diversion of products to terrorists.
  - Use of unincorporated companies to move funds into a terrorist prone area.
118. As noted above, the Nigerian Financial Intelligence Unit (NFIU) reported that there were seventeen (17) terrorism reports involving NPOs between the years 2017 and 2021 but provided no further details as reports were classified.

119. As noted, the Intelligence services have suspended the services of two international NGOs but the suspension has been lifted. Notable features of these cases include:

- operating in the North East.
- the movement of humanitarian goods to high-risk areas.

#### Literature Review

120. The 2022 National Inherent Risk Assessment noted the proximity of NPOs to high threat environments related to Boko Haram, ISWAP and IPOB. Notable features of these cases include:

- operating in the North East.
- operating in the South East.
- humanitarian assistance / 'social engineering'.

121. The 2016 National Risk Assessment noted 'voluntary membership contributions' and 'payment of zakat' were methods used by terrorist groups to raise funds, but in neither case was it stated that these methods involved Non-Profit Organisations.

122. The Trends and Typologies Report on Terrorist Financing in Nigeria (2013)<sup>21</sup> identified four sources of terrorist financing, which included "*terrorist financing through NGOs, charity organizations, and levies.*" The report included four cases (referred to as 'typologies') of terrorist financing abuse of NPOs in Nigeria, listed below using the numbering used in the report:

- Typology 2.1.1: Due diligence by a Nigerian bank revealed that a foreign NPO already operative in Nigeria had links with Islamic terrorist groups. The NPO and a foreign director had been indicted in two jurisdictions on terrorist financing cases abroad. Further investigation by the FIU revealed the NPO had links with a second NPO identified as an al-Qaida front by the US Government.
- Typology 2.1.2: A law enforcement investigation identified that Boko Haram uses beggars to raise money. This case did not involve formal or informal NPOs.
- Typology 2.1.3. An NPO was used to facilitate payments for a terrorist attack by the Movement for the Emancipation of the Niger Delta (MEND). US\$20,000 was transferred to Nigeria from South Africa via the NPO, from a total of US\$4.5m transferred over an eight-year period. The originator and recipient of the funds were convicted of terrorist financing offences in South Africa and Nigeria respectively.
- Typology 2.1.4. An ongoing TF case relating to an unnamed terrorist group. One part of the investigation is considering the misuse of donations from unwitting donors in the Islamic community.

123. Nigeria's Mutual Evaluation Report (2021) did not report any specific concerns that NPOs are used as a means for the financing of terrorism or the movement of terrorist funds.

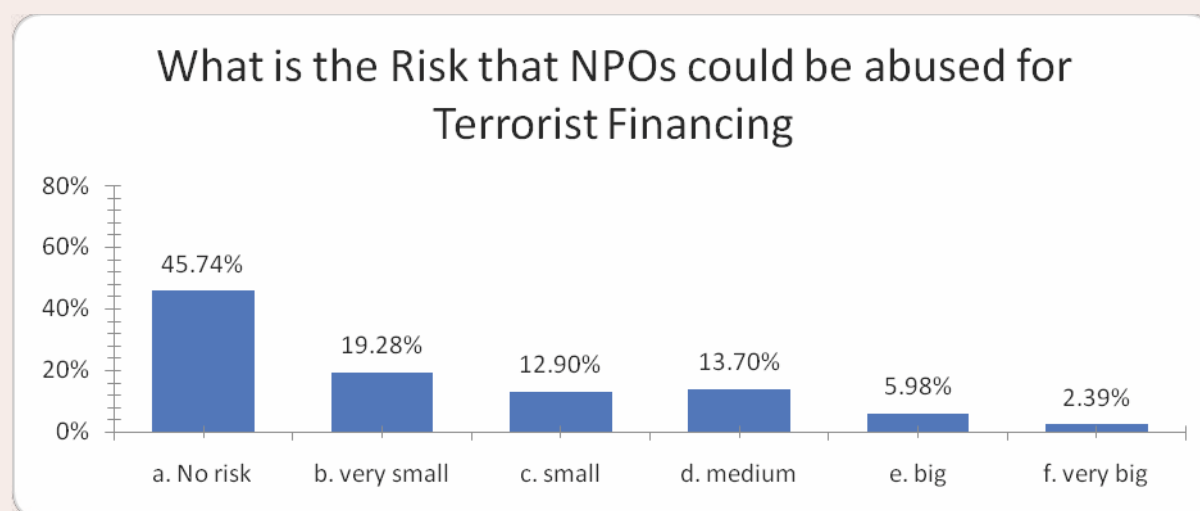
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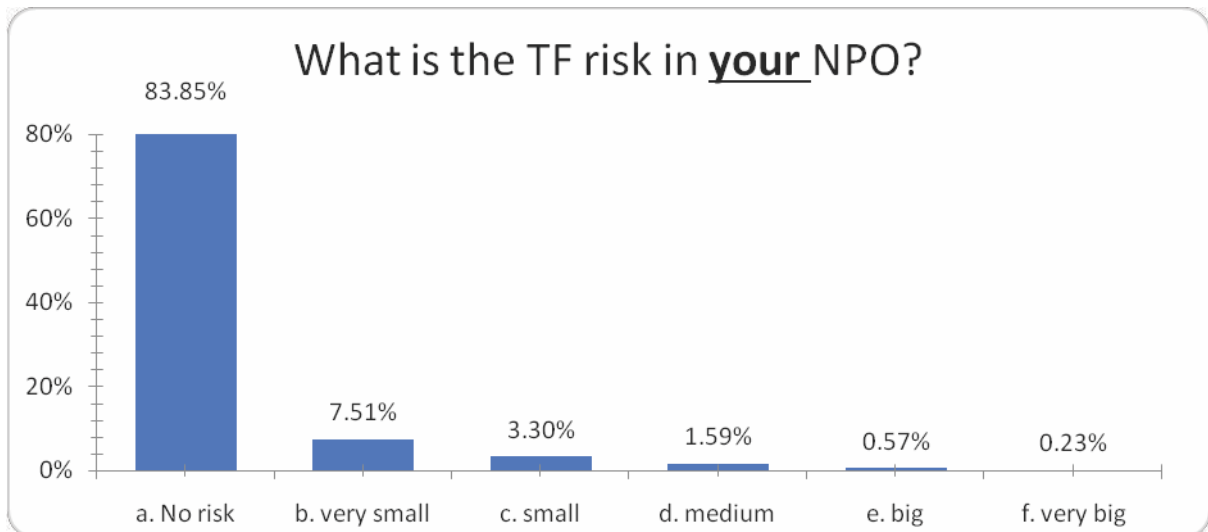
<sup>21</sup><https://www.nfiu.gov.ng/images/Downloads/downloads/tf.pdf>

### Qualitative assessment of the risk

124. A range of supervisory and law enforcement officials, NPO officials and representatives from financial institutions were surveyed for their opinions through various means (see Section A for details). The use of multi-sectoral focus groups in the regions means that not all opinions can be distinguished by sector.
125. The core working group of the assessment team did analysis of threats and vulnerabilities per region, based on law enforcement and supervisory evidences on the terrorist financing risk facing the NPOs as "medium high". This rating was determined in the context of an overall terrorist financing level of the country which was adjudged **High**.
126. Based on the interviews held with the ministries responsible for the registration and coordination of NPOs in the South East (SE), South West (SW) and South South (SS) and security agencies such as Department of State Service and Commissioners of Police, there are regional variations on the perception the TF risks facing NPOs across regions. Officials in the SE, SS, SW all agree that the TF risk involving NPOs in those regions is **Medium Low**, but law enforcement agencies, and state Government officials in the North East (NE) and North West (NW) stated that the risks of TF abuse of NPOs in regions where insurgents and Boko Haram terrorists have been operating since 2010 are **High**.
127. A survey asked NPOs for their perception of the level of the terrorist financing risks to the NPO sector in general, and to their own NPO. A majority (65%) agreed that there was **No or Very Small Risk**, although a notable minority believed the risk was significant, with more than 1 in 5 (22%) assessing the risk as 'Medium' or greater. However, a large majority of NPOs surveyed believed that their own NPO did not face a terrorist financing risk.

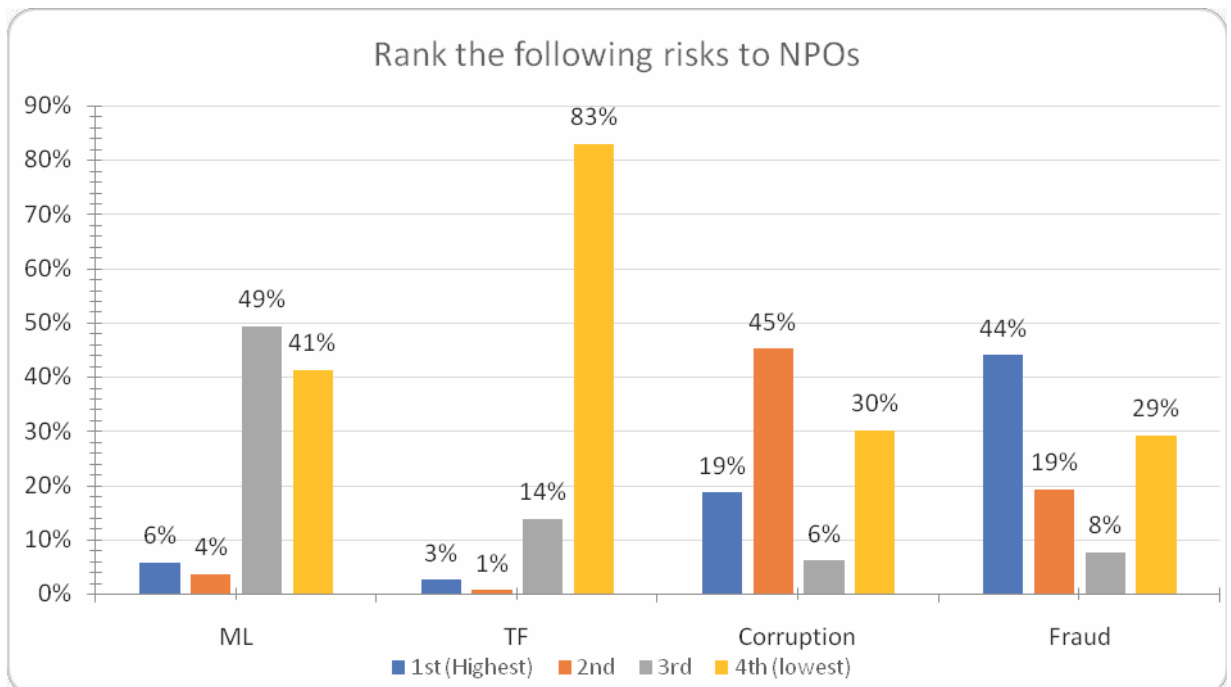
*Figures 14 and 15: NPO perceptions of TF risk (Source: NPO survey).*





128. The NPOs were also asked to rank four risks: money laundering, terrorist financing, corruption and fraud. Whilst responses for the other three risks were more balanced, there was a strong consensus that terrorist financing was the least of the four risks faced by NPOs, with 83% of respondents rating it the lowest of the four risks.

*Figure 16: NPO ranking of four risks (Source: NPO survey).*



#### Qualitative assessment of specific inherent vulnerabilities

129. Respondents were asked through surveys, questionnaires and focus groups to identify specific factors which may be associated with a terrorist financing risk ('inherent vulnerabilities').
130. There was broad consensus that **geography** was a factor which was likely to be a vulnerability. Primarily, the risk was seen as proximity to Boko Haram or ISWAP (**North East and North West**). This factor was at the heart of the qualitative responses, with other risk factors predicated on this factor being present. Particularly compelling were the assessments of competent authorities, law

enforcement and intelligence that there was no evidence of links between NPO and terrorist groups in the South West, South South and South East, whereas counterparts in the North West and North East stated that there was significant evidence to suggest links between NPOs and terrorist financing in those regions. Two respondents further identified grass-roots or rural activities as increasing vulnerabilities.

131. A linked risk factor was **activity**, particularly **humanitarian activities**, but also **religious activities** (both Islamic and Christian). Again, there was broad consensus on this factor being a potential vulnerability. '**Service activities**' were explicitly referenced, including "*the provision of food, shelter, health care, water, sanitation and hygiene,*" the provision of "*medical supplies, food and building of Quranic schools and orphanages*", or those "*providing housing, social services, education, or health care*". Written responses from financial institutions raised concerns that funding of faith-based causes or services such as healthcare, education, or humanitarian purposes were at risk, including from sham NPOs. However, no evidence was provided.
132. **Foreign links** or **cross-border activities** were noted as a factor that may be a vulnerability by the regional focus groups and financial institutions, but not by NPOs. In particular, links to Middle Eastern groups or entities were identified as a potential vulnerability.
133. **Cash transactions** were noted as a potential vulnerability, including by NPO respondents. As noted above, most NPOs reported that they did not receive cash donations. Information shared by 14 banks pointed to a prevalence of electronic transfers (12/14) for inward deposits and outward transfers, with minimal cash flows. Only two out of 14 banks recorded heavy cash withdrawals. 1/14 noted that exchange of cash into other currencies was also common. However, SCUML records revealed that there was heavy cash movement by INGOs in the North East (please see the table below).

Table 14: Records of cash movement by INGOs in the North East (Source: SCUML).

Year	Nigerian Naira	US\$
2019	2,916,376,279	\$7,023,224
2020	6,019,767,785	\$14,496,819
2021	527,897,715	\$1,271,284
<b>Total</b>	<b>9,464,041,780</b>	\$22,791,585

134. Two respondents noted the use of **vendors** as a potential vulnerability.
135. One respondent from a financial institution noted links to **politically exposed persons (PEPs)**.

#### Assessment of relevant deficiencies in control measures

136. The methodology adopted by this risk assessment distinguishes between 'inherent risk' (the 'baseline' risk) and 'residual risk' (the risk once control measures are taken into account). However, this abstract approach has its limitations. In practice, some 'control measures' may also indicate potential 'inherent vulnerabilities'. Some of these measures are highlighted in this section.
137. There was consensus from focus groups and written responses that poor supervision was a vulnerability. Many NPOs are unregistered, and even registered NPOs are not effectively supervised or monitored.

138. Following on, it was noted that NPOs do not routinely disclose the source of use of funds.

139. A lack of capacity in both NPOs and regulatory bodies was noted as a vulnerability, including poor governance and poor scrutiny of partners of funders.

#### Assessment of relevant contextual factors

140. Respondents from all sources concurred on the following contextual factors which contribute to potential vulnerabilities in NPOs in Nigeria.

- Informal, cash-based economy
- Porous borders
- Corruption
- Poverty and unemployment

#### Analysis of Potential Vulnerabilities

141. The evidence suggest the following potential inherent vulnerabilities in Nigeria.

1. Foreign NPOs active in North-East
2. NPOs with links to high-risk foreign individuals or entities
3. NPOs active in very high-risk areas, including movement of goods (North East and North West)
4. NPOs active in medium-risk areas, including movement of goods (South East)
5. Humanitarian NPOs operating in the North-East
6. Faith-based NPOs raising and disbursing funds through cash
7. 'Service provision' NPOs (food, health care, water, shelter, medical supplies, education, social services, religious services) operating in high risk areas mentioned above
8. NPOs that engage vendors or third parties in the high risk areas
9. NPOs associated with unapproved financial or operational activities
10. NPOs associated with complex financial arrangements
11. NPOs using higher risk methods for moving funds, with two elements:
  - a. NPOs moving large sums
  - b. NPOs using cash transactions

142. **Vulnerability 1: Foreign NPOs active in the North-East.** Six<sup>22</sup> of the seven case studies provided involved foreign NPOs active in Nigeria, and one of the four cases from the 2013 Typologies report<sup>23</sup>. The cases include two cases where regulatory actions were taken, and two cases still under active investigation. The

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<sup>22</sup> Two of these cases were discontinued due to lack of evidence.

<sup>23</sup> It should be noted that the 2013 typologies fall outside the scope of data collected for this assessment.

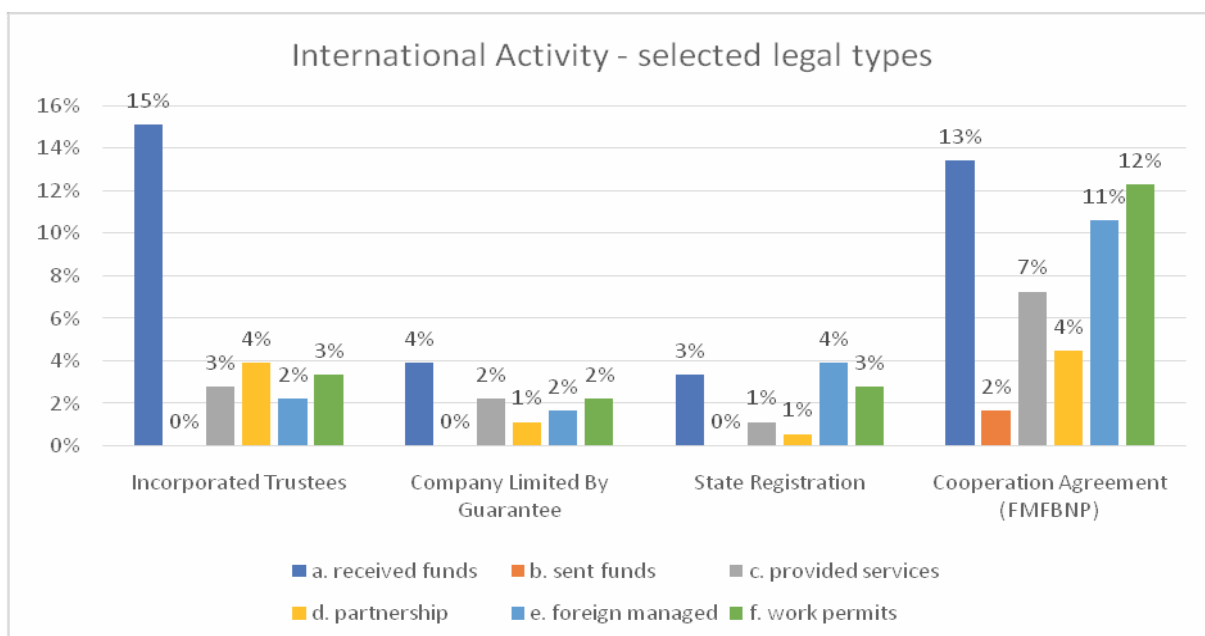
origin of the NPO was only specified in three cases, being French (2) and European.

143. In the observed cases, the fact that the NPO was foreign was an intrinsic part of the typology, i.e. the typologies observed could only occur in foreign NPOs active in the North East.
144. The number of foreign NPOs in Nigeria is 80.<sup>24</sup> Regulators assess the compliance of both local and foreign NPOs to AML/CFT measures to equally prior to the risk assessment exercise. However, there are speculations of greater scrutiny of foreign NPOs operating in the North-east than that of domestic NPOs, which raises the possibility that its disproportionately high observance in the cases is a form of detection bias.
145. **Vulnerability 2: NPOs with links to high-risk foreign individuals or entities.** This vulnerability was noted in five of the seven cases studies, and two of the four cases in the 2013 Typologies report. 'Foreign links' was also noted as a possible vulnerability in focus groups and survey responses, particularly relating to the Middle East. In two cases this involved an NPO(s), in two cases a Nigerian individual(s), and in three cases a foreign individual(s). Three cases involved known or suspected links to foreign terrorist groups or affiliated individuals. The stated locations/nationalities were the USA, South Africa, Kenya, Pakistan, the 'Middle East', and 'Europe'. Two of the cases involved NPOs known to be active in other countries in Africa.
146. None of the cases were known to involve institutional donors, defined as governmental, inter-governmental or institutional donors such as major international foundations.
147. The foreign links of the NPOs were intrinsic parts of the observed typologies.
148. The NPO Survey revealed that few NPOs have any foreign links (see figure 17). Responses to all queries were lower than 5%, with two exceptions: First, 15% of incorporated trustees received foreign funds; and, as would be expected, NPOs with co-operation agreements had deeper and more varied links. Table 12 below reports the sources of funds declared by NPOs during field visits. All reported funds originate in the Western world. As above, the greater scrutiny of foreign activity raises the possibility that the disproportionately high observance of foreign links in the cases is a form of detection bias.

*Figure 17: International activities of selected types of NPO (Source: NPO survey).*

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<sup>24</sup> Federal Ministry of Budget and National Planning

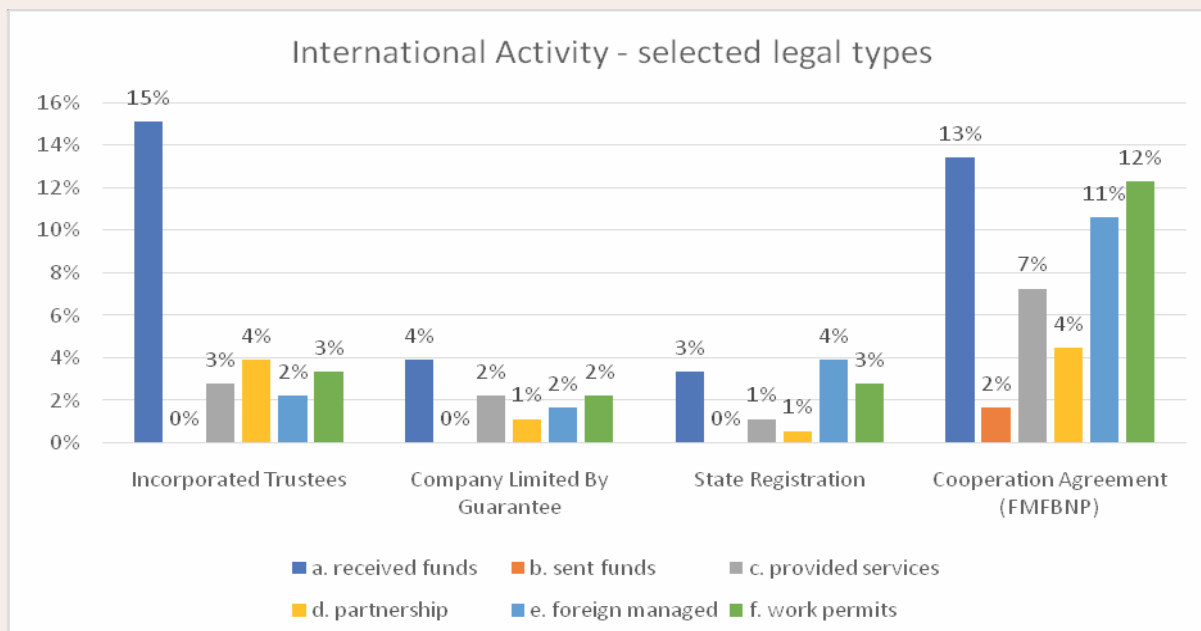


*Table 15: Common geographical origin and destinations of funds of NGOs*  
(Source: Field Visits).

Origin	Count	Destination	Count
Overseas	1	Nigeria - North East Region	2
Europe	1	Nigeria - North Central Region	1
Canada	1	Nigeria - North West Region	1
USA	3	Nigeria - South South Region	1
Germany	1	Nigeria	2
Israel	1	Lagos State	3
United Kingdom	1	Edo State	1
European Union	1	Rivers State	1
		Lagos State	1

149. **Vulnerabilities 3 and 4: NPOs active in very high-risk areas (North East and North West) or Medium-Risk areas (South East):** Vulnerabilities 3 and 4 related to the geographic area of NPOs operations. Three of the eight case studies relate to the North East. One of the cases in the 2013 Typologies report related to activity in the North East, and one in the SouthSouth. The 2022 NIRA identified the two Northern provinces as high risk while one is Medium high for terrorist financing, and noted the proximity of NPOs to risks in the North East. The threat for South East is assessed as medium threat areas for NPOs mainly based on their proximity to proscribed groups like IPOB. The STRs provided referred to NPOs active in 'terrorist prone areas'. The Intelligence Services only reported actions against NPOs operating in the North East.
150. A closely related vulnerability is NPOs moving goods in high-risk areas. One of the case studies involved an NPOs goods being hijacked by terrorist groups, although this case was discontinued due to lack of evidence; the STRs identified a vulnerability from the clandestine diversion of products to terrorists; and the intelligence services had taken action relating to the movement of humanitarian goods to high-risk areas.





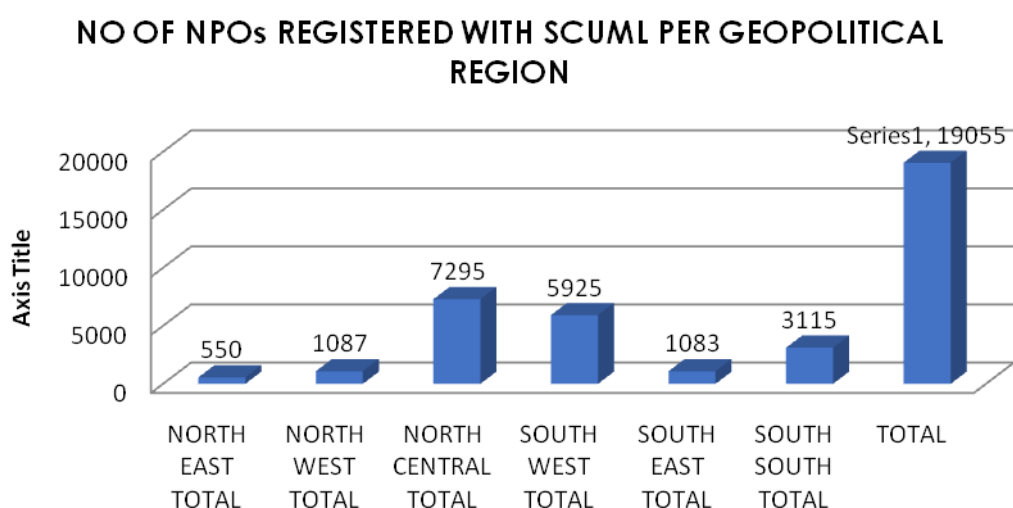
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Origin	Count	Destination	Count
Overseas	1	Nigeria - North East Region	2
Europe	1	Nigeria - North Central Region	1
Canada	1	Nigeria - North West Region	1
USA	3	Nigeria - South South Region	1
Germany	1	Nigeria	2
Israel	1	Lagos State	3
United Kingdom	1	Edo State	1
European Union	1	Rivers State	1
		Lagos State	1

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151. The evidence from case studies was corroborated from the qualitative sources. All respondents through all source concurred geography as a primary factor in vulnerability, and in particular specified the North East and North West regions.
152. FATF’s global Typologies report<sup>25</sup> noted proximity to a terrorist threat as a very significant risk factor. In the observed Nigerian case studies, this proximity is intrinsic to the typology.
153. SCUML provided data on the geographical distribution of NPO activity in Nigeria. Few NPOs registered with SCUML are active in these regions, accounting for just 2.9% (North East) and 5.7% (North West) of the total. The full results are presented in figure 18 below.

*Figure 18: Location of NPOs registered with SCUML (Source: SCUML).*



154. **Vulnerability 5: ‘Humanitarian NPOs’.** Two of the seven case studies provided involved humanitarian NPOs (one was discontinued due to lack of evidence), and ‘humanitarian activities’ were mentioned in the 2022 NRA, the STRs and the reports on actions by the law enforcement agencies. They were not mentioned in the four typologies from 2013. There was broad consensus on ‘humanitarian activities’ as a vulnerability in the qualitative data.
155. It is observed that those areas with the highest terrorist threat are, for that very reason, areas with a high need for humanitarian assistance. It may be that humanitarian NPOs may be associated with a terrorist activity without the humanitarian activity itself being the cause.
156. SCUML provided data on the activities of NPOs it has registered. Just 357 (1.9% of the total) declared humanitarian activities. The full results are provided in figure 19 (below).

*Figure 19: Activity of NPOs registered with SCUML (Source: SCUML).*

<sup>25</sup>The Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014)

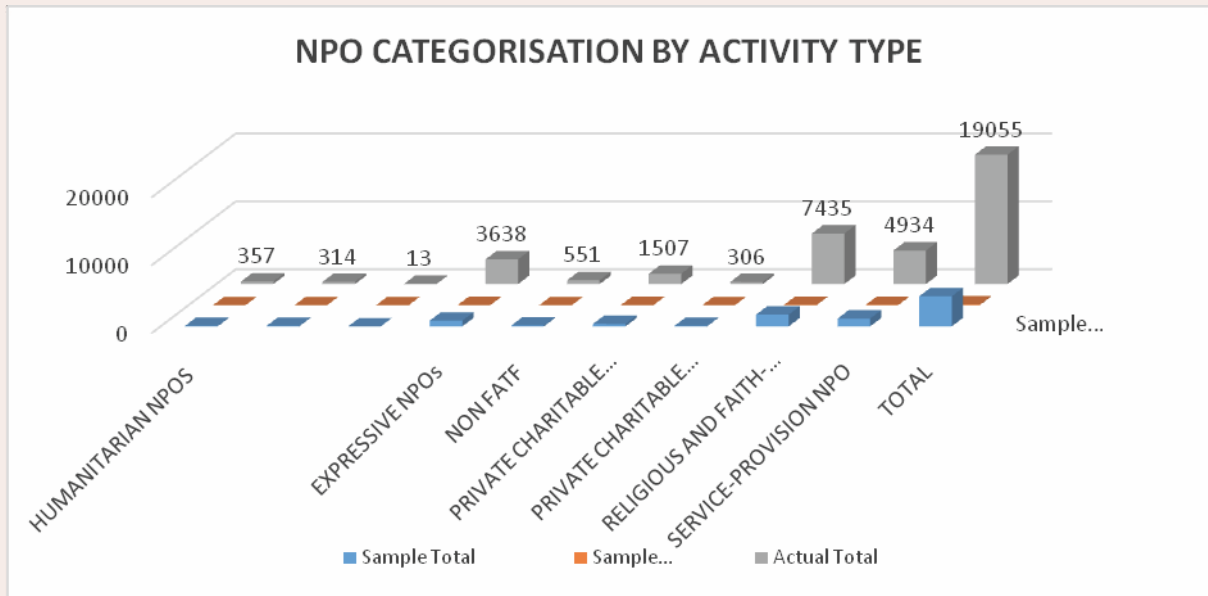
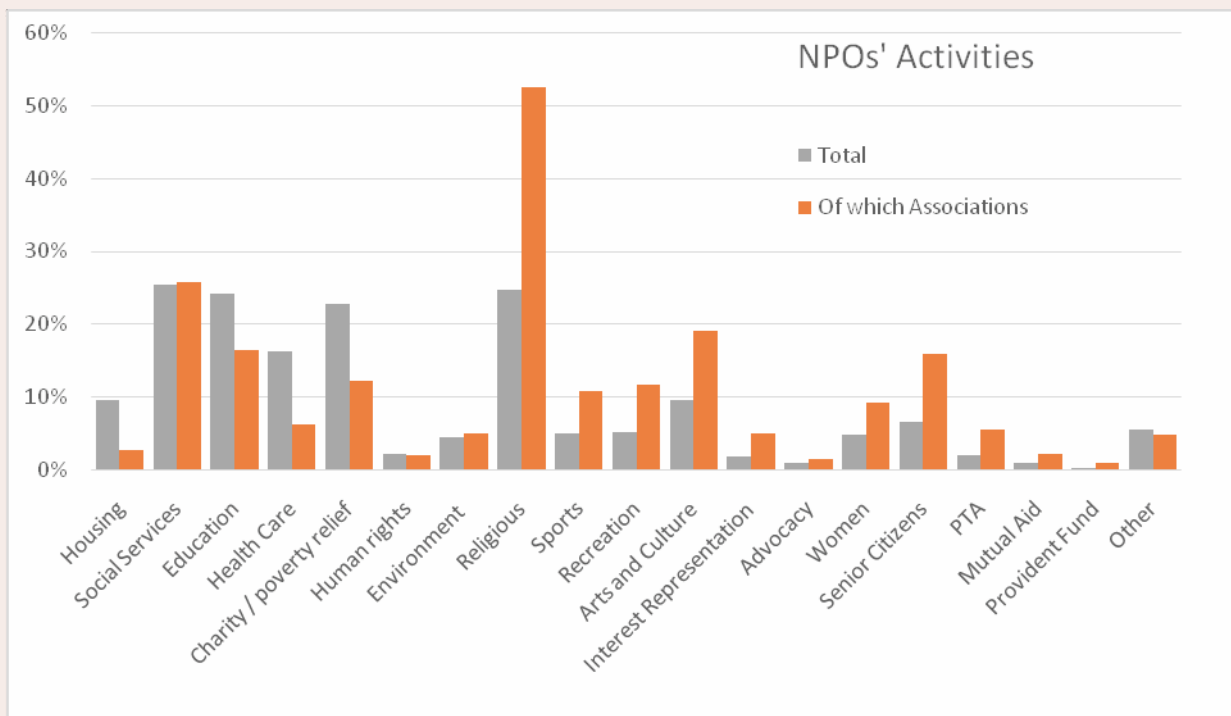


Figure 20: Self-reported activity of NPOs (Source: NPO Survey).



157. **Vulnerability 6: 'Faith-based NPOs' raising, moving and disbursing cash.** Two of the typologies from the 2013 Nigerian Typologies report noted 'faith-based' activities (both Islamic).
158. The major terrorist threats in Nigerian (Boko Haram/ISWOP) are expressions of Islamic extremism, and so it can be assumed that the 'faith-based' nature of the vulnerability is significant to some degree.
159. Figures 19 and 20 (above) provides data from SCUML and the survey on NPO activities. Religious and faith-based NPOs make up the largest category of NPOs registered with SCUML, accounting for 7435 (39% of the total). The NPO survey

data provides data from the NPO survey which corroborates these findings. It too identifies 'religious' NPOs as the largest category of NPOs.

160. **Vulnerability 7: 'Service Provision' NPOs.** Insofar as the cases note the activities of the NPOs, they are 'service provision' NPOs. This includes all the humanitarian NPOs listed above. The qualitative data reiterates this, with 'service activities' identified as a vulnerability in multiple responses from a range of sources.
161. Figures 19 and 20 (above) provides data from SCUML and the survey on NPO activities. 'Service provision' NPOs make up the second-largest category of NPOs, accounting for 4934 (26% of the total). However, the term 'service provision' NPO is an aggregate for many types of NPO activity, including many humanitarian and some faith-based NPOs. The distinction came to prominence in the 2014 FATF Global Typologies report, as TF risk was identified as an exclusive feature of 'service-provision' NPOs (as opposed to 'expressive NPOs', in which no cases were observed). In practice, some of these organisations may be better categorised as humanitarian or faith-based.
162. According to SCUML records, many NPOs are grouped/classified as 'service provision' NPOs. It is probable that Nigeria follows the generally-observed global pattern of having TF risks exclusively within its service provision NPOs, as understood in the broadest sense.
163. **Vulnerability 8: NPOs that engage vendors or third parties in the high risk areas:** Five of the seven case studies involve the use of a vendor (including one case discontinued due to lack of evidence). This was also noted as a vulnerability by two of the respondents in questionnaires and focus groups.
164. Vendors were intrinsic to facilitating the abuse in the typologies noted in the case studies.
165. We have no information on the number of NPOs that use vendors, or use vendors in high risk areas. Official sources state that all INGOs use vendors, and it is on record that the DSS vet these vendors.
166. **Vulnerability 9: NPOs associated with unapproved financial or operational activities:** Four of the seven case studies involved the use of an unapproved activity (including one case discontinued due to lack of evidence). This included the use of unapproved finance apps; the use of unlicensed money businesses; the unauthorised use of arms; the unapproved movement of goods; and the use of unlicensed bureau de change. No other sources pointed to this vulnerability. This was observed only in the North East.
167. The unapproved financial or operational activities were in all cases intrinsic to the typology. The observance of an association between an NPO and an unapproved financial or operational activity can be taken as an indicator of potential abuse, including potential TF abuse.
168. We have no information on the number of NPOs associated with unapproved financial or operational activities. However, this has only been observed in the North East, and it is likely to be relatively uncommon.
169. **Vulnerability 10: NPOs associated with complex financial arrangements:** Four<sup>26</sup> of the seven case studies involved complex financial arrangements, as well as one of the cases in the 2013 Nigerian Typologies report and in the STRs. This was not mentioned in the qualitative responses.

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<sup>26</sup> Two of the four cases were discontinued due to lack of evidence.

170. Complex financial arrangements were in all cases intrinsic to the typology. This included the use of loans; the use of personal accounts; exchanging of funds; the use of multiple INGOs; the use of unincorporated companies; and two cases involving the use of dormant accounts. The observance of an association between an NPO and complex financial arrangements may be taken as an indicator of potential abuse, including potential TF abuse.
171. We have no information on the number of NPOs are associated with complex financial arrangements, although it is likely to be relatively uncommon.
172. **Vulnerability 11: NPOs using higher risk methods for moving funds, with two elements.** This vulnerability is contingent upon two elements as follows.
173. **Vulnerability 11(a): NPOs moving large sums:** Four of the seven case studies involved large sums, as well as one of the cases in the 2013 typologies report. The sums in the case studies were US\$5.4m, US\$130,000<sup>27</sup>, US\$400,000 and US\$460,000. The cases in the 2013 typologies report involved US\$20,000 transferred through an NPO as part of US\$5.4m in the overall scheme.
174. The larger the sums processed by an NPO, the larger the sums that can be used for TF purposes. Whilst the movement of large sums is intrinsic to the larger cases, it is not necessary in all cases.
175. As noted above, we lack accurate data on the breakdown of NPOs by income band, and we have no information on the number of NPOs moving large sums. Qualitative assessments suggest that this is present mostly in INGOs, and mostly in the North East. Data provided by banks suggests that the value of NPO transactions constitute a negligible percentage of banks' client base compared to other sectors.
176. **Vulnerability 11(b): NPOs using cash:** Three of the seven case studies involved large sums of cash. In one case, large sums were withdrawn through ATMs; in another, a large sum was seized at the airport<sup>28</sup>. In both of these cases, the use of cash was intrinsic to the typology. Qualitative responses also noted this as a vulnerability, including a number of NPOs.
177. The NPO survey and focus groups provides some data on the use of cash by NPOs. In the survey, 38% of the NPOs consulted reported that they receive cash donations while 62% reported that they do not. Out of the 38% receiving cash donations, the analysis reveals that 21% were the local NPOs whereas 17% were INGOs. The focus group showed that cash donations is the second most common method for receiving funds. A survey question revealed that in the majority of cases, the cash donor is known to the NPO.

*Table 16: Common modes of transactions by NGOs* (Source: Field Visits)

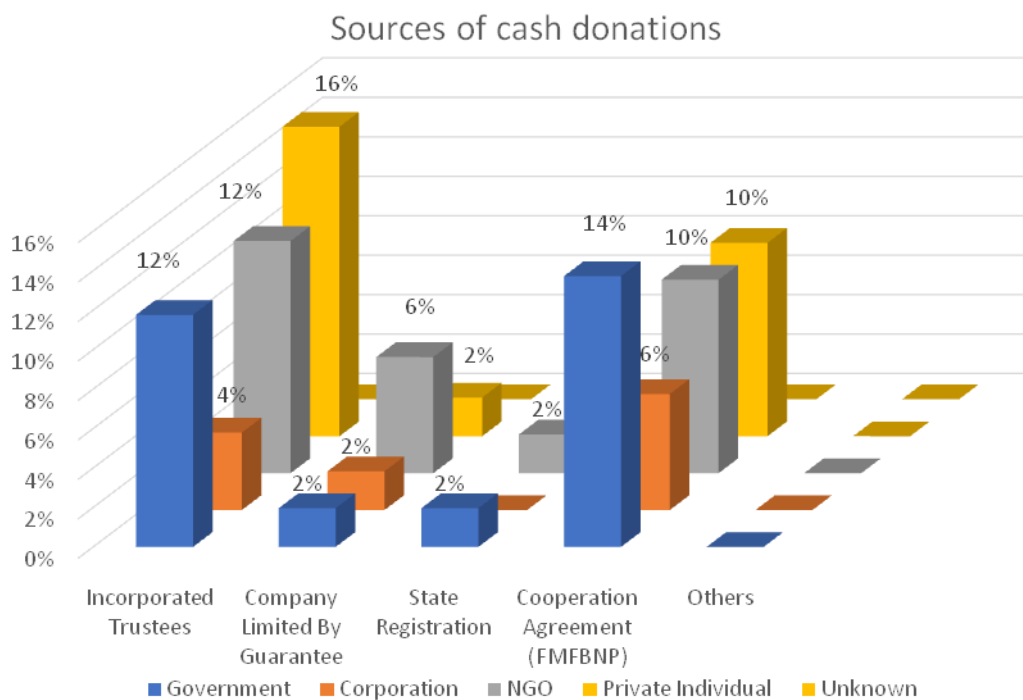
Mode	Count	Rate
Wire/Electronic/Bank Transfers	12	29
Cash Transfer	7	15
Cheque withdrawal	1	2
Cross border inflow	1	5
Bureau De Change	1	3
IMTO inflows	1	4
Fixed Term Deposit	1	2

<sup>27</sup> This case was discontinued due to lack of evidence.

<sup>28</sup> This case was discontinued due to lack of evidence.

Bilateral & multilateral aid	1	1
Membership due	1	5
Donations and gifts	1	4
Local Governments Support	1	3
Joint profit-oriented projects	1	2

Figure 21: Source of cash donations to NPOs (Source: NPO survey).



### Assessment of Inherent Vulnerabilities

178. *Table 17: Assessment of Inherent Vulnerabilities* (below) plots each vulnerability against two variables. These are 'relevance' and 'prevalence'.

- *Relevance* is an assessment of how relevant each particular vulnerability was to a (real or potential) case or cases. It considers the strength of the evidence, and the impact the vulnerability has on the case (e.g. was the vulnerability of incidental importance or a main driver or enabler of the abuse?)
- *Prevalence* considers the degree to which we observe the vulnerability in the NPO population.

*Table 17: Assessment of Inherent Vulnerabilities*

	<b>Vulnerability</b>	<b>Relevance</b>	<b>Prevalence</b>
1	Foreign NPOs active in Nigeria	High	0.4%
2	NPOs with links to high-risk foreign individuals or entities	High	Maximum 15%
3	NPOs active in very high-risk areas, including movement of goods (North East and North West)	Very high	8.6%
4	NPOs active in medium-high risk areas, including movement of goods (North East and North West)	Medium	5.7%
5	Humanitarian NPOs	Medium-High	1.9%
6	Faith-based NPOs	Medium	39%
7	'Service provision' NPOs	Medium	26%+
8	NPOs that engage vendors or third parties	Medium-high	Unknown
9	NPOs associated with unapproved financial or operational activities	Medium-high	Unknown
10	NPOs associated with complex financial arrangements	Medium-high	Unknown
11(a)	NPOs moving large sums	Medium-high	Unknown
11(b)	NPOs using cash transactions	Medium	38%

179. The results of the assessment of each vulnerability have been plotted on two risk matrices. *Figure 22: NPO Sector Vulnerability Matrix* on the following page plots relevance against prevalence. *Figure 23: NPO Sector Vulnerability Matrix (prevalence = unknown)* plots those vulnerabilities where the prevalence is unknown and we therefore we can only log the 'relevance' variable.
180. The Matrices include a 'risk tolerance' line. Whether we are prepared to tolerate a potential vulnerability will depend upon the threat level. Where there is no terrorist financing threat, there is no risk to even the most vulnerable NPO. In a very high threat level environment, even an NPO with relatively low vulnerability may be considered a potential risk.
181. As noted in section E above, the terrorist financing threat to NPOs is assessed as 'medium-high'. Accordingly, the 'risk tolerance' is set at 'medium low' and is plotted as a white line on the matrices. Vulnerabilities above/to the right of the line are assessed as being features or characteristics of NPOs 'at risk' of terrorist financing, in line with FATF R8.1(a).

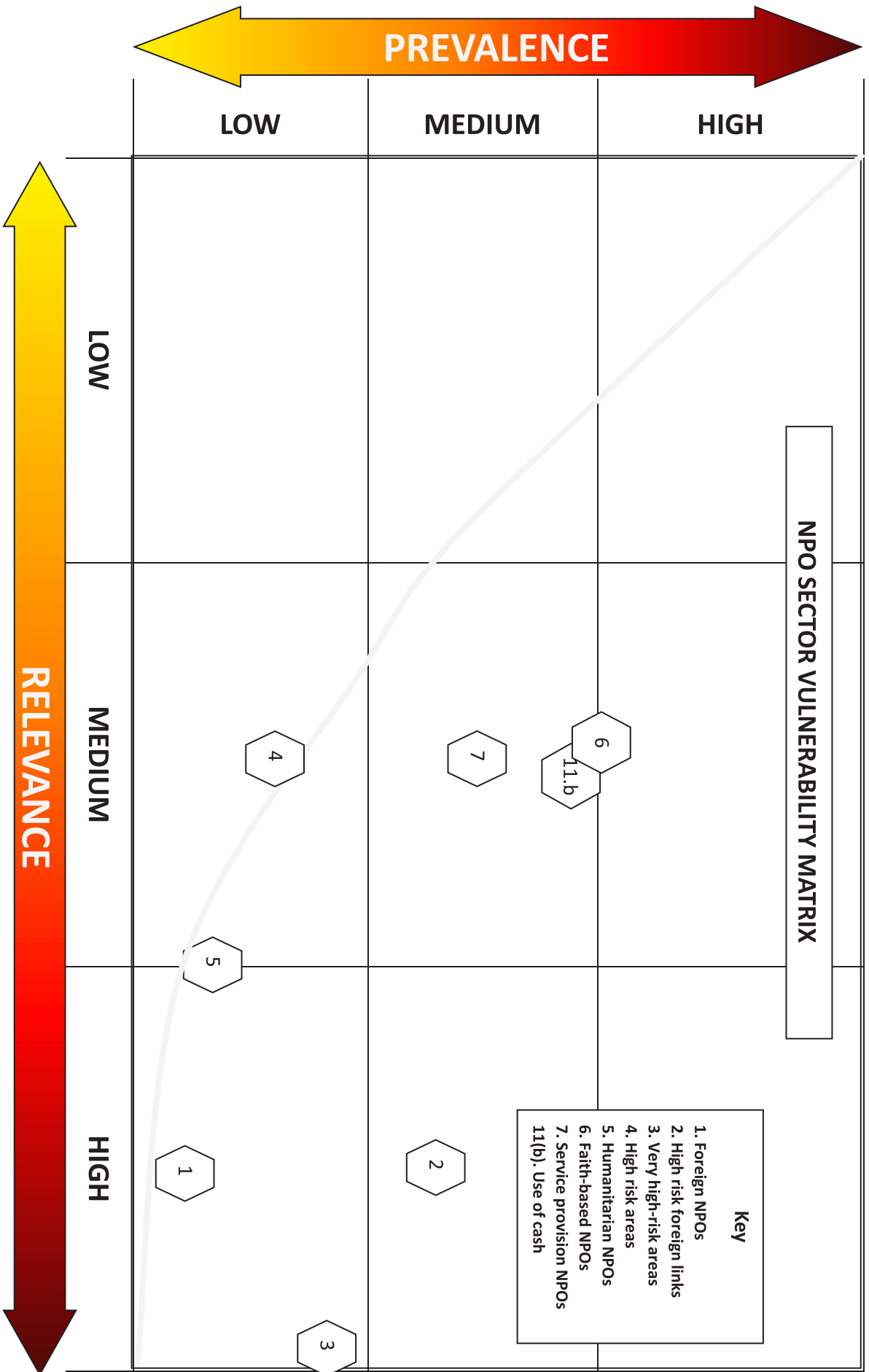
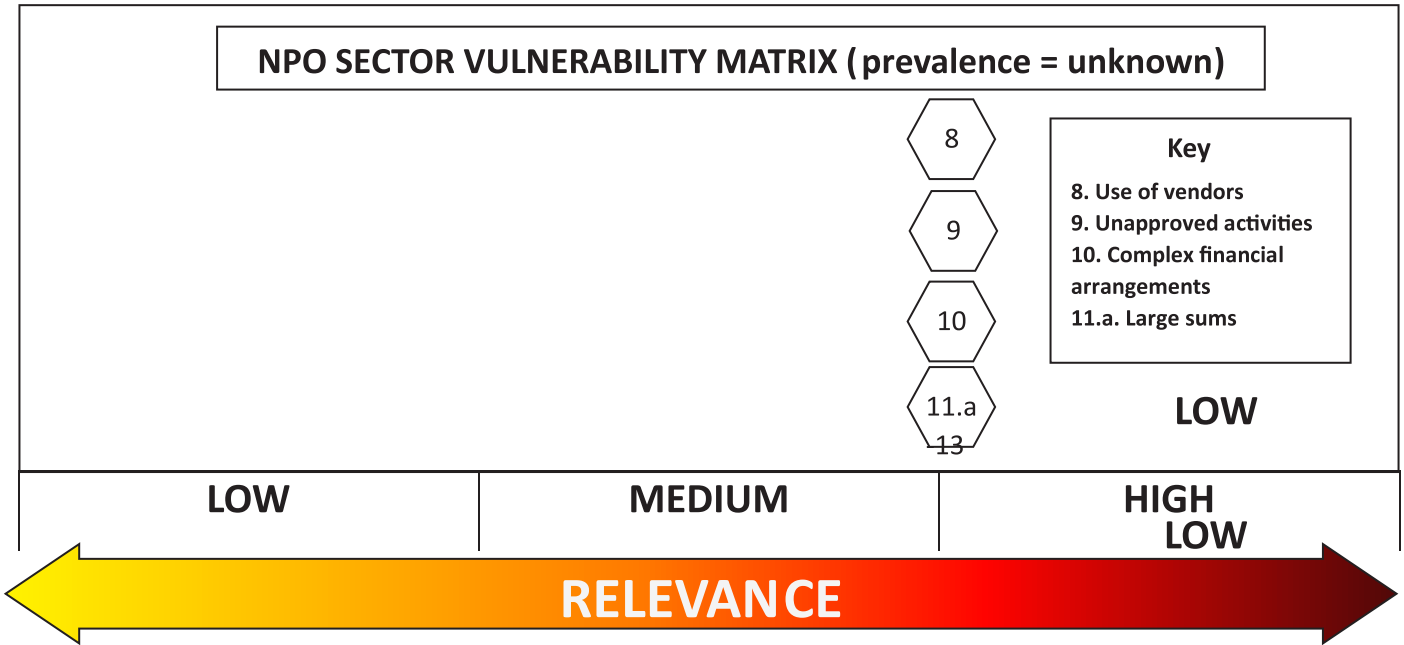


Figure 22: NPO Sector Vulnerability Matrix



Figure 23: NPO Sector Vulnerability Matrix (prevalence = unknown)



182. In line with 'Identifying the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse (FATF Methodology 8.1(i)', the following features, types, activities and characteristics of NPOs are assessed as inherent vulnerabilities that are likely to increase the risk of TF abuse.

**Inherent Vulnerabilities that are likely to increase the risk of terrorist financing abuse**

1. Foreign NPOs active in the North-East
2. NPOs with links to high-risk foreign individuals or entities
3. NPOs active in very high-risk areas, including movement of goods (North East and North West)
4. Humanitarian NPOs operating in the North-East
5. Faith-based NPOs raising, moving and disbursing cash
6. 'Service provision' NPOs operating in the North-East
7. NPOs that engage vendors or third parties in the high risk areas
8. NPOs associated with unapproved financial or operational activities
9. NPOs associated with complex financial arrangements
10. NPOs using higher risk methods for moving funds, including:
  - a. Moving large sums
  - b. Using cash transactions

### **Final Assessment of Inherent Risk of NPOs in Country**

183. Risk is assessed as a combination of threat, vulnerability and consequence. Nigeria is a complex country, with a variable threat profile and pockets of significant vulnerabilities. The most significant single factor in the level of risk faced by an NPO is geography, with NPOs operating in the North West or North East facing a significantly greater risk than NPOs in other parts of the country. The situation in the North-East and North West attracts a heavy presence of humanitarian NPOs and NPOs with foreign links, which contributes to the higher risk profile of these NPO activities in high-risk areas.
184. Nevertheless, for most NPOs in most parts of the country, there is little evidence of a terrorist financing risk. Overall, this assessment recognises that there is a gradient of risk from Medium-High in parts of the North through to Low-Medium for NPOs in parts of the South.
185. With the above caveats in mind, the threats and vulnerabilities observed in the North West and North East are significant enough to support a conclusion that the overall inherent terrorist financing risk to NPOs in Nigeria is **Medium High**.

#### **Inherent TF Risk of NPOs in Nigeria**

**Medium High**

# Annex 1: FATF RECOMMENDATIONS RELEVANT TO NPOs

## Recommendation 8 on Non-Profit Organisations

### "8. Non-profit organisations

*Countries should review the adequacy of laws and regulations that relate to non-profit organisations which the country has identified as being vulnerable to terrorist financing abuse. Countries should apply focused and proportionate measures, in line with the risk-based approach, to such non-profit organisations to protect them from terrorist financing abuse, including:*

- (a) by terrorist organisations posing as legitimate entities;*
- (b) by exploiting legitimate entities as conduits for terrorist financing, including for the purpose of escaping asset-freezing measures; and*
- (c) by concealing or obscuring the clandestine diversion of funds intended for legitimate purposes to terrorist organisations.*

Extract from **The FATF Recommendations: International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation** (FATF, June 2016).

The *Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems* (FATF (2013)) provides guidance to assessors on assessing compliance with R8. It sets out the questions evaluators will look to answer in the Mutual Evaluation process. The methodology for Recommendation 8 is as follows:

#### **Taking a risk-based approach**

##### **8.1 Countries should:**

- (a) Without prejudice to the requirements of Recommendation 1, since not all NPOs are inherently high risk (and some may represent little or no risk at all), identify which subset of organizations fall within the FATF definition of NPO, and use all relevant sources of information, in order to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse;*
- (b) identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs;*
- (c) review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified; and*
- (d) periodically reassess the sector by reviewing new information on the sector's potential vulnerabilities to terrorist activities to ensure effective implementation of measures.*

#### **Sustained outreach concerning terrorist financing issues**

##### **8.2 Countries should:**

(a) *have clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs;*

(b) *encourage and undertake outreach and educational programmes to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse;*

(c) *work with NPOs to develop and refine best practices to address terrorist financing risk and vulnerabilities and thus protect them from terrorist financing abuse; and*

(d) *encourage NPOs to conduct transactions via regulated financial channels, wherever feasible, keeping in mind the varying capacities of financial sectors in different countries and in different areas of urgent charitable and humanitarian concerns.*

### **Targeted risk-based supervision or monitoring of NPOs**

8.3 *Countries should take steps to promote effective supervision or monitoring such that they are able to demonstrate that risk-based measures apply to NPOs at risk of terrorist financing abuse.*

8.4. *Appropriate authorities should:*

(a) *monitor the compliance of NPOs with the requirements of this Recommendation, including the riskbased measures being applied to them under criterion 8.3; and*

(b) *be able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs.*

### **Effective information gathering and investigation**

8.5 *Countries should:*

(a) *ensure effective co-operation, co-ordination and information-sharing to the extent possible among all levels of appropriate authorities or organisations that hold relevant information on NPOs;*

(b) *have investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations;*

(c) *ensure that full access to information on the administration and management of particular NPOs (including financial and programmatic information) may be obtained during the course of an investigation; and*

(d) *establish appropriate mechanisms to ensure that, when there is suspicion or reasonable grounds to suspect that a particular NPO: (1) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; (2) is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or (3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations, that this information is promptly shared with competent authorities, in order to take preventive or investigative action.*

***Effective capacity to respond to international requests for information about an NPO of concern***

*8.6 Countries should identify appropriate points of contact and procedures to respond to international requests for information regarding particular NPOs suspected of terrorist financing or involvement in other forms of terrorist support.”*

Extract from ***Methodology for Assessing Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems***, updated February 2019, FATF, Paris, France.

## Immediate Outcome 10

**"Immediate Outcome 10:** Terrorists, terrorist organisations and terrorist financiers are prevented from raising, moving and using funds, and from abusing the NPO sector.

**Characteristics of an effective system:** Terrorists, terrorist organisations and terrorist support networks are identified and deprived of the resources and means to finance or support terrorist activities and organisations. This includes proper implementation of targeted financial sanctions against persons and entities designated by the United Nations Security Council and under applicable national or regional sanctions regimes. The country also has a good understanding of the terrorist financing risks and takes appropriate and proportionate actions to mitigate those risks, including measures that prevent the raising and moving of funds through entities or methods which are at greatest risk of being misused by terrorists. Ultimately, this reduces terrorist financing flows, which would prevent terrorist acts. This outcome relates primarily to Recommendations 1, 4, 6 and 8, and also elements of Recommendations 14, 16, 30 to 32, 37, 38 and 40."

Extract from **The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems** (FATF, 2013)

IO.10 provides examples of information that could support the Evaluators' conclusions:

### **"a) Examples of Information that could support the conclusions on Core Issues**

1. Experiences of law enforcement, FIU and counter terrorism authorities (e.g., trends indicating that terrorist financiers are researching alternative methods for raising / transmitting funds; intelligence/source reporting indicating that terrorist organisations are having difficulty raising funds in the country).

2. Examples of interventions and confiscation (e.g; ... investigations and interventions in NPOs misused by terrorists).

...4. Information on NPO supervision and monitoring (e.g. frequency of review and monitoring of the NPO sector (including risk assessments); frequency of engagement and outreach (including guidance) to NPO sector regarding CFT measures and trends; remedial measures and sanctions taken against NPOs)."

Extracts from **The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems** (FATF, 2013)

It further provides examples of specific factors that could support the Evaluators' conclusions.

### **"b) Examples of Specific Factors that could support the conclusions on Core Issues**

...10. What is the level of licensing or registration for NPOs? To what extent is a risk-sensitive approach taken to supervise or monitor NPOs at risk from terrorist abuse and appropriate preventive, investigative, criminal, civil or administrative actions and co-operation mechanisms adopted?

11. How well do NPOs understand their vulnerabilities and comply with the measures to protect themselves from the threat of terrorist abuse?"

Extracts from **The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems** (FATF, 2013)

The *Methodology for Assessing Technical Compliance* provides 'Notes to Assessors' on how to assess IO.10. The notes relevant to NPOs are as follows:

**"Note to Assessors:** Assessors should also consider the relevant findings on the level of international co-operation which competent authorities are participating in when assessing this Immediate Outcome.

**Core Issues to be considered in determining if the Outcome is being achieved.**

...10.2. To what extent, without disrupting legitimate NPO activities, has the country implemented a targeted approach, conducted outreach, and exercised oversight in dealing with NPOs that are at risk from the threat of terrorist abuse?...

...10.4. To what extent are the above measures consistent with the overall TF risk profile?"

Extracts from **The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems** (FATF, 2013)

## Annex 2: CASE STUDIES/INTELLIGENCE REPORTS

### CASE STUDY 1: USE OF COMPANY FOR DIVERSION OF FUNDS

In 2019, a French INGO (AB) operating in Nigeria and 20 other countries was involved in large movement of cash to the deep fields and use of vendors not registered with company registry. This action is considered suspicious of supporting terrorism as funds were paid to private individuals linked to vendor companies.

- The INGO has two offices in Nigeria namely; Abuja and Maiduguri. The INGO commenced operations in the North East in April 2016
- The Management of the NPO has 2(two) Pakistanis Nationals, a Nigerian and a Kenyan.
- The NPO has 25 expatriates in Nigeria out of which 24 are based in Borno State
- The NPO signed Cooperation Agreement with the Federal Ministry of Budget and National Planning in 2019, three years after being operational.
- SCUML analysis revealed that the NPO was making payments into the personal accounts (Director of the Vendor companies) and not corporate accounts of the vendor.
- Some of the vendors and contractors used are not incorporated by CAC.
- Between 2016–2019, 43 individuals (vendors) received the sum of **₦2,436,598,520.93** (Two Billion, Four hundred thirty-six million, five hundred and ninety-eight thousand, five hundred and twenty and ninety-three kobo only).(US\$5.8m)
- The funds were paid into the accounts of the individuals (Directors) of the vendor companies.
- The funds are then withdrawn in **CASH** via ATM and over the counter, on same day of receipt or almost immediately.
- The accounts had no other financial activity apart from inflows from AB (the INGO).
- Intelligence further revealed that there was exchange of funds between the different beneficiaries/vendors.
- The INGO also used mobile funds App to transfer funds to various individuals. The Technology used wasn't approved by Central Bank of Nigeria as a payment platform.
- Between 2019 and 2020, the NPO made a total **CASH** movement of **₦354,026,843** (Three hundred and Fifty Four million, Twenty Six Thousand, Eight Hundred and Forty Three Naira only), to Maiduguri, Borno State. The funds were disbursed via food vendors shops in Bolori in Borno state.
- Analysis of the bank statement revealed a loan repayment of **N40,000,000** from **SSS**



**International**, an International NGO also active in the North East, on **16<sup>th</sup> June, 2020**.

#### **TECHNIQUES/METHODS FOR RAISING FUNDS**

Funds are usually raised from grants which come in from the parent INGO

#### **TECHNIQUES/METHODS FOR MOVING FUNDS**

- Frequent daily cash domestic ATM transactions.
- Multiple large deposits were made into individual's account which was followed by immediate large cash withdrawals by many individuals in the North East including a PEP
- Use of vendor companies
- Use of individuals not linked with the INGO
- Use of loan (a commercial venture)

#### **HOW THE FUNDS WERE UTILIZED**

- Cash is often withdrawn by individuals who are not associated with the INGO

#### **OUTCOME OF PROSECUTION OF THE CASE**

The case is under investigation.

#### **CASE STUDY 2: MOVEMENT OF LARGE CASH**

In 2019, there was a large cash seizure of N54,000,000 (US\$130,000) by EFCC belonging to an INGO MMM, the report was flagged by security agencies at the Airport due to the huge amount of cash involved.

- SCUML analysis revealed that, MMM used a company not licensed as money service business by Central Bank of Nigeria (CBN) to convey the funds.

#### **TECHNIQUES/METHODS FOR RAISING FUNDS**

- Funds are largely raised through grants

#### **TECHNIQUES/METHODS FOR MOVING FUNDS**

- The INGO used a third party company not licensed by the Central Bank of Nigeria to move funds.
- The MMM used a local NGO as money service business to move the funds.

#### **HOW THE FUNDS WERE UTILIZED**

- Cash disbursement to beneficiaries with no details for verification.

#### **OUTCOME OF THE CASE**

- The case was investigated but discontinued on lack of sufficient evidence.

#### **CASE STUDY 3: UNAUTHORIZED CONDUCT OF ARMS DRILL**

A French INGO ACCC with presence in Nigeria and **38** countries including **Nigeria, Niger, Chad, Central African Republic, Mali, Burkina Faso, Afghanistan, Pakistan etc.**

In 2021, there was a report that the INGO was involved in unauthorized use of arms for

shooting practice for its staff at a hotel in Maiduguri in a residential area. Preliminary investigation by the Nigeria Police Force indicted the INGO, The Borno State Government suspended their operation in Borno State

and set up a panel of inquiry with legal representatives from all parties, the Government is yet to release the white paper report of the panel investigation.

#### **TECHNIQUES/METHODS FOR RAISING FUNDS**

- Grants from parent NGO
- Donations from other NGOs

#### **TECHNIQUES/METHODS FOR MOVING FUNDS**

- Use of contractors
- Bank Transfers

#### **HOW THE FUNDS WERE UTILIZED**

- Transfer of skills to staff
- Payment of Rental of premises by donors
- Subscription of life insurance policy for national staff

#### **OUTCOME OF THE CASE**

Preliminary investigation by law enforcement agencies indicted the INGO and was suspended by the Borno State Government. The release of a white paper report is been awaited.

#### **CASE STUDY 4: MOVEMENT OF HUMANITARIAN MATERIALS WITHOUT CLEARANCE**

Between 2018 and 2019, law enforcement agencies in Maiduguri reported cases of unapproved movement (clearance not obtained) of humanitarian materials to the deep fields by Vendor companies contracted by INGOs which were eventually hijacked by Terrorists groups. These incidences led to the suspension of DDD, while YYY had a similar experience in distribution of items to IDPs.

#### **TECHNIQUES/METHODS FOR RAISING FUNDS**

- Grants/Donations

#### **TECHNIQUES/METHODS FOR MOVING FUNDS**

- Transfer of liability to vendor companies to move goods
- Movement of goods without clearance
- Movement of goods to uncleared areas by law enforcement agencies

#### **HOW THE FUNDS WERE UTILIZED**

- Goods hijacked by terrorists
- Transfers to food vendors
- Cash transfers to beneficiaries and vendors

#### **OUTCOME OF THE CASE**

- Investigation was conducted but there were no strong evidence for prosecution due to loss of evidence.

#### **CASE STUDY 5: USE OF COMPANY FOR DIVERSION OF FUNDS**

In the year 2019, the NFIU received STR involving an INGO who paid total sum of **₦166,000,000.00** (One Hundred and Sixty Six Million Naira only) to a vendor company and its Director.

- In a period of one and half years, the company received total inflows of **N99,000,000.00** from five(5) different INGOs operating in the North East.
- The Director of the Company received the sum of **N67,000,000.00** (Sixty seven Million Naira only)
- The account of the vendor company (GGG limited) was dormant for over 10 years. The account had no financial activity prior to the inflows.
- The account of the Director was also dormant for five (5) years.
- A profile of the Directors of the company showed that they were mid aged thirties.

#### **TECHNIQUES/METHODS FOR RAISING FUNDS**

- Grants from Parent INGO
- Grants from other INGOs in the North East

#### **TECHNIQUES/METHODS FOR MOVING FUNDS**

- Use of dormant accounts
- Use of vendor company
- Use of individual account

#### **HOW THE FUNDS WERE UTILIZED**

- Disbursement to beneficiaries

#### **OUTCOME OF THE CASE**

- Case is under investigation

### **CASE STUDY 6: ABUSE OF NPOS FOR TERRORIST FINANCING: DEALINGS WITH INDIVIDUALS ON OFAC DESIGNATED LISTS**

In early 2017, a Nigerian citizen (who was part of a group of Nigerians arrested, prosecuted and sentenced to jail terms in a middle eastern country on charges of financing Boko Haram) was seen to have wired funds to a vendor linked to an INGO operating in the North Eastern part in Nigeria. In January, 2017 the convict was seen to have transferred the sum of **N6,000,000.00(Six Million Naira only)** to one **Bako Gimba** (not real name) who has conducted several transactions with the **INGO** that is carrying out humanitarian services in Nigeria. The convict was accused of receiving funds for Boko Haram/ISWAP from a middle eastern country. He was arrested on arrival in the middle eastern country about three months after the transaction with the vendor of the INGO.

The convict, along with others have recently been placed on the United States Office of Foreign Asset Control (OFAC) list as terrorist financiers.

#### **TECHNIQUES/METHODS FOR RAISING FUNDS**

- Inflows from foreign jurisdiction

#### **TECHNIQUES/METHODS FOR MOVING FUNDS**

- Use of wire transfers
- Use of foreign jurisdiction

#### **HOW THE FUNDS WERE UTILIZED**

- The funds were disbursed to members

#### **OUTCOME OF PROSECUTION OF THE CASE**

- The convict has been designated by OFAC

### **CASE STUDY 7:USE OF FAITH BASED ORGANIZATION FOR TERRORISM**

A European country recently banned the activities of a faith-based charity organization in that country on accusation on financing terrorism - after many years of monitoring and investigation of the NPO. The charity organization was reported to have funded the activities of terrorist organizations in the Middle-East and Horn of Africa.

In April, 2021, **AbuDawud**(Not real name), who holds dual citizenship of Nigeria and another West African country was seen to have received wire transfer of **\$37,573.20** from the affiliate of the banned organization operating from one of the countries in the Middle East. **Abu Dawud** is the head of the local branch of the charity organization in Nigeria.

FIU information exchanges revealed that a representative of the banned NPO who resides in the European country had attempted to wire funds directly to **Abu Dawud** in Nigeria on four different occasions but the transactions were blocked.

The representative then wired the funds to the middle eastern affiliate, from where the fund was wired to **Abu Dawud** in Nigeria.

Further analysis revealed that **Abu Dawud** had earlier received funds in local currency of about **N190,745,347.37** from different companies operating in Nigeria. The companies were all identified to be affiliated to money exchangers – an indication that **Abu Dawud** may have received funds routed through money exchangers (illegal BDC operators) from similar sources. This evidenced a well-organized network moving potential TF funds aimed at avoiding detection by international financial organizations.

The individual identified in Nigeria as well as associated entities are currently being investigated by the law enforcement agency.

#### **TECHNIQUES/METHODS FOR RAISING FUNDS**

- Inflows from Parent organization

#### **TECHNIQUES/METHODS FOR MOVING FUNDS**

- Use of wire transfers
- Use of unregistered bureau De Change Operator

#### **HOW THE FUNDS WERE UTILIZED**

- The funds were disbursed to members

#### **OUTCOME OF PROSECUTION OF THE CASE**

The case is currently under investigation

## Annex 3: CSO MEMBERS OF THE TECHNICAL WORKING GROUP

NAME/DESIGNATION	SUBSET
Efua Elens-Edeh, Development Sector Consultant, CEO, Social Impact Consult	Development Sector Research and Consultancy
Ms. Omolara Akinyeye, Programme Manager, Policy and Legal Advocacy Centre, /Civil Society Situation Room	National-level Civil Society Coalition
Dr. Udy Okon, Director, Youth Alive Foundation	YAFNET network promotes youth leadership (South-south region)
Oyebisi Babatunde Oluseyi Executive Director, Nigeria Network of NGOs	NNNGO (membership-based organization)
Idem Udoekong   Component 2 Manager, Agents for Citizen-Driven Transformation (ACT) Programme British Council	EU-ACT Programme network of CSOs/Donor community
Aliyu Aminu Ahmed, Executive Director, Garga Foundation, Yola South, Adamawa	Health sub-sector covering women/children, North-East Nigeria
Father George Ehusani/ Father Barkindo Lux Terra Institute & Kukah Center	Catholic religious community
Mustapha Yahaya Muhammed	Kano, North-West regional networks
INGO FORUM   Confidence Obayuwana	International humanitarian orgs
Okechukwu Nwanguma/Godwin Kingsley	Action Group on Free Civic Space (civic space coalition)
Secretariat support	SPACES FOR CHANGE