



OVERVIEW OF THE NON- PROFIT SECTOR AT A HIGHER RISK OF TERRORIST FINANCING

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SUMMARY

As of 31 December 2021, there were more than 24,000 non-profit organisations (NPO) registered in the Estonian commercial register¹: 23,362 non-profit associations and 818 foundations². Of these, **56 NPOs (three foundations and 53 non-profit associations) were deemed by Estonian law enforcement authorities to be at a higher risk of terrorist financing**. They are the focus of this overview.

Of the varied areas of activity of non-profit organisations at a higher risk of terrorist financing, **national minority groups, organisations related to sports activities, recreational and leisure activities and education** stand out the most. Non-profit organisations at a higher risk of terrorist financing have **38 non-residents** among the related parties.

Registry data provide an **incomplete picture** of the higher-risk NPOs because only some of them have declared their members, employees, turnover and assets. Of the NPOs at a higher risk of terrorist financing, **members** were declared in 2020 by 40 (71%), and nine of them noted that they had no members. In comparison, 70% of all NPOs also declared members; churches, congregations and monasteries had the most members (more than 244,000). In 2021, ten high-risk NPOs had **paid employees**. Of the NPOs at a higher risk of terrorist financing, 40 submitted their **annual reports** in 2020 (71%; in comparison – 58% of all NPOs submitted their annual reports). Only one such non-profit organisation declared 11 months of **turnover** to the Tax and Customs Board between 2019 and 2021.

In 2020, of the 56 non-profit organisations at a higher risk of terrorist financing, 40 declared **assets** totalling 1,725,283 euros. Only one had **vehicles**, and two had **registered property**.

As of 1 January 2022, the list of charitable or non-profit organisations, foundations and religious associations benefiting from income tax incentives, which is maintained by the Tax and Customs Board, includes 2,592 associations, of which nearly a half are sports associations and religious associations. The list of NPOs benefiting from income tax incentive includes **three** NPOs at a higher risk of terrorist financing. Over the period of 2019–2020, two NPOs at a higher risk of terrorist financing declared donations totalling under 70,000 euros (in comparison – 1,191 NPOs declared donations totalling 31 million euros). **The NPOs at a higher risk of terrorist financing and involved in the Islamic community have not declared donations** nor have they been included in the list of NPOs benefiting from income tax incentives, although it is very likely, both on the basis of Islamic principles and the information on their websites, that these NPOs do collect and receive donations.

Over the period from January to November 2021, **460 NPOs** (368 non-profit associations and 92 foundations) made cross-border payments of more than 10,000 euros in nearly 2,000

¹ The survey uses the terms "non-profit sector" and "non-profit organisations" as synonyms.

² Furthermore, there are about 24,000 apartment associations in Estonia, which have been excluded from this survey.

cases, totalling over 26 million euros. The total amount of received cross-border payments over 10,000 euros exceeded 52.5 million euros. **Estonian NPOs have made and received cross-border payments of more than 10,000 euros to countries at a higher risk of terrorist financing, but the volumes are small.** A total of 76,000 euros of payments over 10,000 euros were received from countries at a higher risk of terrorist financing. Payments over 10,000 euros were made to these countries in the total amount of approximately 457,000 euros, including under 95,000 euros by non-profit organisations at a higher risk of terrorist financing. Thus, the information on large-scale cross-border payments does not indicate high risks, but it must be kept in mind that terrorism is often financed by providing terrorist organisations with small amounts of support.

The results of the national risk assessment (NRA)³ show that the **non-profit sector is vulnerable with respect to checks on transactions with foreign countries.** NPOs do not make much effort to find out the background of the transaction partner. Also, **awareness of non-profit organisations about the notification obligation is low.** This applies both to the non-profit sector as a whole and to non-profit organisations at a higher risk of terrorist financing. In the period 2015–2021, NPOs sent only two notifications to the Financial Intelligence Unit.

In order to mitigate the risk of NPOs being used to finance terrorism, it is **important to raise the sector's awareness of the risks, schemes, trends and typologies of money laundering and terrorist financing.** In doing so, it is important to pay particular attention to NPOs at a higher risk of terrorist financing.

³ National Risk Assessment 2020. Vulnerability of the non-profit sector. Ministry of Finance, 2021. [\[https://www.rahendusministeerium.ee/system/files_force/document_files/8._mtu-de_sektor.pdf?download=1\]](https://www.rahendusministeerium.ee/system/files_force/document_files/8._mtu-de_sektor.pdf?download=1)

INTRODUCTION

NPOs operate in various legal forms depending on the country. Therefore, the international standard and the FATF define a non-profit organisation through the features that pose a risk that the organisation may be used for terrorist financing purposes, rather than simply through the fact that the organisation operates on a non-profit basis. According to the FATF definition⁴, a non-profit organisation refers to a **legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of “good works”**.

With respect to the non-profit sector, the FATF Recommendations pay particular attention to the risk of terrorist financing. FATF Recommendation 8⁵ requires countries to undertake a domestic review of their NPO sector or have the capacity to obtain timely information on its activities, size and other relevant features to identify features and types of NPOs which, by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse.

The focus of this survey is on the non-profit organisations and foundations at a higher risk of terrorist financing, which we collectively refer to in this survey as **“non-profit organisations at a higher risk of terrorist financing”** and **“non-profit sector at a higher risk of terrorist financing”**. The survey provides an overview of their economic indicators, related parties, donations and cross-border payments, as well as of the notifications they have sent and that have been sent about them to the Financial Intelligence Unit.

The results of the 2020 National Risk Assessment (NRA) on the prevention of money laundering and terrorist financing carried out in Estonia⁶ show that the risk of terrorist financing in the non-profit sector is above average. The results of the NRA show that the greatest vulnerability for the NPOs is the lack of awareness, on the one hand, needed to prevent terrorist financing (and money laundering) (see also Chapter 5 of this overview) and, on the other hand, the lack of a legal framework where the bases for applying due diligence measures do not match what is needed in practice. Until 15 March 2022, non-profit organisations for the purposes of the Money Laundering and Terrorist Financing Prevention Act were obliged entities only when carrying out a cash transaction in excess of 5,000 euros (§ 2 (3) of the Money Laundering and Terrorist Financing Prevention Act). The NRA points out that the current regulation in the Money Laundering and Terrorist Financing Prevention Act on non-profit organisations is not sufficient to mitigate the risk of terrorist financing. As

⁴ International standards on combating money laundering and the financing of terrorism & proliferation. FATF, 2012, p. 58 (updated October 2021). [<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>]

⁵ International standards on combating money laundering and the financing of terrorism & proliferation. FATF, 2012, p. 13 (updated October 2021). [<https://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf>]

⁶ National Risk Assessment 2020. Vulnerability of the non-profit sector. Ministry of Finance, 2021. [https://www.rahendusministeerium.ee/system/files_force/document_files/8._mtu-de_sektor.pdf?download=1]

of 15 March 2022, the Money Laundering and Terrorist Financing Prevention Act will also apply to those legal persons whose customer or a party involved in the transaction is related to a state or jurisdiction under sanctions, embargoes or similar measures such as European Union or United Nations measures.

An important issue with respect to FATF Recommendation 8 is how to assess which NPOs are most at risk of terrorist financing abuse. Based on the FATF methodology, Estonian law enforcement authorities have drawn up a list of non-profit organisations at a higher risk of terrorist financing, which as of 31 December 2021 included **56** NPOs. They are the focus of this overview. To provide context, the survey also presents a comparison with the non-profit sector as a whole.

1. THE RISK OF TERRORIST FINANCING IN THE NON-PROFIT SECTOR

In 2014, the FATF published the analysis “Risk of Terrorist Abuse in Non-Profit Organisations”⁷. The survey focused on 102 case studies (Europe, North America, the Middle East, South-East Asia, Oceania) sent by the FATF member states, and on their typologies. On this basis, the risk posed by terrorist groups to the non-profit sector was analysed, as well as the reasons for this risk, the vulnerability of the sector, and the difficulties faced by stakeholders in responding to the risks. The identified risks were divided into five categories (not mutually exclusive; in many cases, several are present at the same time).

- 1) **Diversion of funds.** This is the most common way of abuse of NPOs to finance terrorism. The funds raised by an NPO for humanitarian programs (e.g. for the eradication of the consequences of (natural) disasters, poverty reduction, promotion of education, etc.) are in reality used to support terrorist organisations and individuals in the home country or abroad. The diversions can be made by persons within (e.g. members of the management body, employees) and outside (those to whom the NPO has provided funds for humanitarian purposes) the NPO.
- 2) **Knowing or unknowing affiliation of NPOs or members of their management body with a terrorist entity.** The affiliation is ultimately apparent in that an NPO provides financial or other support to a terrorist organisation or individual.
- 3) **Abuse of NPOs to provide support for recruitment of new members for terrorist units.** The channels of the NPOs are used to recruit members for terrorist movement. Recruitment-related activities are a form of assisting terrorist organisations and often indicate a more general objective of supporting terrorism.
- 4) **Abuse of programming** is closely linked to the previous point. For example, there have been cases in the world where an NPO’s website is used to promote suicide terrorism, or an education programme carried out by an NPO shares the ideology of terrorist groups with the aim of recruiting members for a terrorist grouping.
- 5) **False representation and sham NPOs.** False representation is the case when, under the guise of charitable activity, organisations or individuals raise funds and carry out other activities in support of terrorism. The cases of false representation can be divided into two. The first category includes sham NPOs where an NPO is established as a façade to support terrorist activity and the officially declared objectives do not correspond to reality. The second category includes situations where individuals or groups claim to act on behalf of a legal NPO, although this is not the case in reality.

The Estonian Internal Security Service considers the **risk of terrorism in Estonia to be low**. This does not mean that the risk is non-existent. In Estonia, there are no known terrorist

⁷ Risk of Terrorist Abuse in Non-Profit Organisations. Financial Action Task Force (FATF), 2014. [\[https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-of-terrorist-abuse-in-non-profit-organisations.pdf\]](https://www.fatf-gafi.org/media/fatf/documents/reports/Risk-of-terrorist-abuse-in-non-profit-organisations.pdf)

groups and no bases for the branches of terrorist groups, but similarly to the rest of the EU Member States, Estonia is a credible target in terms of terrorism. For the last few decades, international Islamist or Jihadist terrorism has been a major terrorist threat in Europe. The Estonian Internal Security Service estimates the risk of Islamist terrorism in Europe to not decrease over the coming years.⁸

Strongly conservative and deeply religious networks and propaganda by Islamist opinion leaders and terrorist organisations create an environment that contributes to radicalisation of individuals and communities, support for terrorism, recruitment of people to support terrorist organisations, and seeking of those to organise attacks. There are several Islam-linked non-profit organisations in Estonia. There may not necessarily be direct links between religious networks and terrorist organisations, but indirectly, they can unknowingly support the activities and objectives of Islamic terrorist organisations, as pointed out in the FATF survey referred to above. The FATF has noted that, in addition to Islamic extremist organisations, NPOs can also be abused by extreme right-wing groups that may not necessarily expressly support violence, but may provide support in indirect ways: in recruitment (publishing books), in organising training and exercise, in collecting funding for providing for legitimacy, and in lobbying that supports the ideology concerned⁹.

The 2020/2021 Yearbook of the Estonian Internal Security Service points out that in recent years, the number of citizens from high-risk countries has increased in Estonia: from about 2,000 in 2016 to already 6,000 in 2020. Systemic problems are clearly becoming visible. For example, the citizens of high-risk countries who are engaged in business in Estonia fictitiously employ their compatriots; educational migration is not used in a targeted manner and people come to Estonia to work instead of studying; a compatriot who has not been issued an activity licence is allowed to work in a job requiring an activity licence. This will make new immigrants dependent on the persons who make the illegal activities possible. This is a risk factor, given that the integration of new members of the community into the Estonian legal and cultural space is important in order to prevent Islamic terrorism.¹⁰ These risks also concern the non-profit sector.

The FATF distinguishes between three stages in terrorist financing: 1) raising; 2) moving 3) and use of funds¹¹. NPOs can be involved in all of these stages. **The risk of raising of funds is low in Estonia.** As of 31 December 2021, there were 56 organisations corresponding to the FATF definition of high-risk NPOs, but the risk of these organisations raising funds for terrorist organisations is estimated by Estonian law enforcement authorities as low due to the volumes and trends of their activities. Banks also serve individual foreign NPOs at a higher risk of terrorist financing, but the volume of the latter's assets and the trends of their

⁸ 2020–2021 Yearbook of the Estonian Internal Security Service, p. 32.

[\[https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat-2020-2021.pdf\]](https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat-2020-2021.pdf)

⁹ Ethnically or Racially Motivated Terrorist Financing. FATF, 2021, p. 19 [\[https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-rationally-motivated-terrorism-financing.pdf\]](https://www.fatf-gafi.org/media/fatf/documents/reports/Ethnically-or-rationally-motivated-terrorism-financing.pdf)

¹⁰ 2020–2021 Yearbook of the Estonian Internal Security Service, p. 37.

[\[https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat-2020-2021.pdf\]](https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat-2020-2021.pdf)

¹¹ Terrorist Financing Risk Assessment Guidance (FATF), 2021, p. 3. [\[http://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-Risk-Assessment-Guidance.pdf\]](http://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-Risk-Assessment-Guidance.pdf)

transactions do not give reason to consider them as risky in terms of raising or moving of funds with respect to terrorist financing.

The risk of terrorism in Estonia is low in the using of funds stage as well, including use in the non-profit sector. Fortunately, no terrorist acts have taken place in Estonia. In Estonia, a few cases have been identified where the returning fighters and persons who are more likely to be involved in radical Islamism and terrorist organisations have passed through Estonia or to Estonia. These cases are under the scrutiny of Estonian law enforcement authorities and legal action has also been taken: since 14 January 2019, travelling for terrorist purposes is considered a criminal offence under the Penal Code and is subject to a punishment of up to five years of imprisonment.¹²

In the case of Estonia, the most relevant is the moving of funds stage, and this also in case of the non-profit sector. As mentioned above, the sector is vulnerable because, due to the low level of financial supervision, knowledge of market participants and other factors, there is a risk that NPOs may be used as tools to finance terrorism without them knowing. As stated in Chapter 4, NPOs also make cross-border payments, including to countries at a higher risk of terrorist financing and money laundering.

¹² 2020–2021 Yearbook of the Estonian Internal Security Service.

[\[https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat-2020-2021.pdf\]](https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat-2020-2021.pdf)

2. AREAS OF ACTIVITY, AND ECONOMIC INDICATORS

2.1. Areas of activity of non-profit organisations, and non-resident related parties

In order to put NPOs at a higher risk of terrorist financing into a more general context, this chapter first provides an overview of the non-profit sector¹³ as a whole. As of 31 December 2021, there were **23,362 non-profit associations** and **818 foundations** registered¹⁴. Non-profit organisations include various types of associations, such as sports and hobby clubs, cultural and educational societies, professional associations, employers' organisations, environmental organisations, associations of people with disabilities, funds giving grants and scholarships, etc. The largest share (one-third) of non-profit organisations is engaged in the arts, entertainment and leisure sector, a tenth in education and 5% in real estate. A third of the NPOs have defined "other service activities" as their area of activity in the register. The largest groups by areas of activity are associations engaged in sports activities and in recreational and leisure activities (both including over 3,000 NPOs), educational associations (over 2,000), associations engaged in creative and arts activities (nearly 2,000) and promoters of regional and local life (nearly 2,000).

The results of the NRA¹⁵ show that in Estonia, with regard to terrorist financing, religious associations, charities, sports associations and organisations operating for cultural, educational, social or family purposes are the most vulnerable. This analysis also showed that **the areas of activity of non-profit organisations at a higher risk of terrorist financing are diverse** (see table 1, where the category "activities of organisations" points out sub-categories as well because they are very diverse). With respect to the area of activity of non-profit organisations, it should be kept in mind that it is indicated in the commercial register at the discretion of the non-profit organisations and, according to the data analysis, NPOs with similar activities may be located in different categories as well.

¹³ The Estonian non-profit sector includes all non-profit organisations established and registered in the commercial register on the basis of the Non-profit Organisations Act, the Foundations Act, the Churches and Congregations Act, the Political Parties Act, the Trade Unions Act and the Apartment Associations Act.

¹⁴ In addition, there are also about 24,000 apartment associations in Estonia, which have been excluded from this survey.

¹⁵ National Risk Assessment 2020. Vulnerability of the non-profit sector. Ministry of Finance, 2021. [https://www.rahendusministeerium.ee/system/files_force/document_files/8._mtu-de_sektor.pdf?download=1]

Table 1. Breakdown of the non-profit sector and NPOs at a higher risk of terrorist financing by areas of activity (NPOs registered as at 1 January 2022).

Area of activity	Total NPOs (24,118)	NPOs at a higher risk
The activities of organisations	31%	70%
National minorities organisations and cultural societies, associations for the purpose of integrity and friendship between nations	1%	41%
Youth and children associations and associations that promote the welfare of youth and children	1%	7%
Associations and foundations for the purpose of regional/local life development and support	8%	5%
Associations and social clubs related to recreational activities, entertainment, cultural activities or hobbies	6%	2%
Activities of churches, congregations and monasteries	2%	4%
Activities of other religious organisations	0%	4%
Activities of trade unions	1%	2%
Activities of organisations not classified elsewhere	2%	2%
Protection and custody of civil rights; special group protection activities	1%	2%
Activities of other organisations not classified elsewhere	2%	2%
Sports activities and amusement and recreation activities	24%	13%
Education	10%	5%
Research and development	1%	2%
Creative, arts and entertainment activities	8%	4%
Real estate activities	5%	2%
Other service	2%	4%
Activities of head offices; management consultancy activities	0%	2%
Other	17%	

Parties related to non-profit organisations are mostly Estonian residents. According to the commercial register and the Tax and Customs Board, as of 12 January 2022, a total of 58,317 persons were related to 23,362 non-profit associations and 818 foundations,¹⁶ and 1,740 of them were non-residents¹⁷ (3% of all related parties; related to a total of 1,492 NPOs, including 1,459 non-profit associations and 33 foundations). Among non-residents, there were 100 e-residents who were related to 82 non-profit organisations.

The NPOs at a higher risk of terrorist financing had 38 non-residents among the persons related to them, including citizens of Azerbaijan, Bangladesh, Ghana, India, Cameroon, Kazakhstan, Kenya, Nigeria, Germany, Denmark, Turkey and Russia. A total of 84 persons are related to (i.e. born in or having the citizenship of that country) countries at a higher risk of terrorist financing, 10 of them related to NPOs at a higher risk of terrorist financing.

¹⁶ The relations that were considered were “member of management board” and “beneficial owner”.

¹⁷ The data were compared to the database of the Police and Border Guard Board, and non-residents did not include foreign nationals holding a long-term EU residence permit.

2.2. Members and employees

In 2020, nearly 16,500 non-profit organisations, i.e. slightly over 2/3 of the non-profit organisations, declared the number of their members. In total, they had **830,000 natural person members and nearly 38,000 legal person members**. The number of natural person members is the highest in non-profit organisations engaged in the activities of churches, congregations and monasteries (slightly over 244,000 members; 30% of the natural person members of all non-profit organisations) and in non-profit organisations engaged in the protection of civil rights and special group protection activities (slightly over 107,000 members; over 80% are members of the Estonian Owners Association and the Estonian Association of Pensioners' Societies). Sports associations have 65,000, parties have 50,000 and trade unions have 43,500 natural person members.

The number of members was declared in 2020 by 40 NPOs at a higher risk of terrorist financing (71%), and 9 of them declared that they had no members.

According to the Tax and Customs Board, less than a fifth of the non-profit associations (and more than a half of the foundations) had **paid employees** in the period of 2019–2021. On average, a non-profit association has 5 employees and a foundation has 60 (table 2).

Table 2. Number of employees in non-profit organisations, 2019–2021

Form	Average number of employees 2019	Number of associations 2019	Average number of employees 2020	Number of associations 2020	Average number of employees 2021	Number of associations 2021
NPO	5	4,293	5	4,263	5	4,290
Foundation	61	448	61	445	60	448
Total		4,741		4,708		4,738

In 2021, ten NPOs at a higher risk of terrorist financing had paid employees. The average number of employees was 6, the minimum was 1, the maximum 26, and the median 2.

2.3. Turnover and assets

In 2021, a **VAT return** was submitted to the Tax and Customs Board by 1,261 NPOs: 1,025 non-profit associations (about 4% of all non-profit associations entered in the register) and 236 foundations (about 28%). The total turnover of non-profit organisations that declared turnover to the Tax and Customs Board was stable over 2019–2021, fluctuating between **860 and 880 million euros** per year, of which the turnover of non-profit associations is slightly above 10%. Most of the turnover is generated by the turnover of large hospitals and clinics. They are followed by the foundations Ettevõtluse ja Innovatsiooni SA and Maelu Edendamise SA and the Estonian Football Association.

In 2020, an **annual report** was submitted by nearly 14,000 non-profit associations (62%) and 600 foundations (73%) and assets were declared totalling **1.95 billion euros**. According to the data presented in the annual report for 2020, foundations owned assets totalling **1.35 billion euros** (of which the foundation Maaelu Edendamise SA had 310 million euros of assets, the foundation Keskkonnainvesteeringute Keskus SA had 90 million and the foundation Ida-Viru Keskhaigla SA had 60 million), and the assets of non-profit associations totalled **600.2 million euros** (of which the Estonian Evangelical Lutheran Church had 23.1 million euros of assets, the Estonian Authors' Society had 8,4 million and the non-profit organisation MTÜ Eesti Andmesidevõrk had 8.2 million euros worth of assets). The biggest owners of assets are the biggest hospitals and clinics, museums, the foundation SA Archimedes, Enterprise Estonia and the Estonian Evangelical Lutheran Church.

Of the NPOs at a higher risk of terrorist financing, 40 submitted their annual reports in 2020, declaring assets for a total of 1,725,283 euros. Only one such non-profit organisation declared 11 months of turnover to the Tax and Customs Board between 2019 and 2021.

10% of all non-profit organisations own registered property. In the analysis, data from the land register as of 16 March 2022 were used for an overview of the registered properties belonging to non-profit organisations. In response to the request, data about 2,417 non-profit organisations were received, of which 173 foundations and 2,244 non-profit associations own registered properties (see table 3). Of non-profit organisations at a higher risk, two had registered properties (a total of three).

Table 3. Registered immovables belonging to NPOs

Classification of Economic Activities	Total as of 1 January 2022	Own registered properties as of 1 January 2022	(%)
Activities of churches, congregations and monasteries	554	248	44.8%
Other activities auxiliary to financial services, except insurance and pension funding	2	1	50.0%
Rental and operating of own or leased real estate	149	77	51.7%
All NPOs, total	24,324	2,417	9.9%

As of 15 March 2022, vehicles were owned by 1,733 non-profit organisations (1,563 non-profit associations and 170 foundations own or are authorised users of a total of 3,718 vehicles). Only one non-profit organisation at a higher risk of terrorist financing has a vehicle.

3. DONATIONS DECLARED, AND USE OF THE DONATIONS

As of 1 January 2022, the list of charitable or non-profit organisations, foundations and religious associations benefiting from income tax incentives, which is maintained by the Tax and Customs Board, includes 2,592 associations, of which nearly a half is made up of sports associations and religious associations. In 2020, donations were declared by 1,191 NPOs for a total of 31 million euros. The volume of donations declared in 2019 was similar (28.6 million euros). Nearly a quarter of the donations (7.7 million euros) were received in 2020 by churches, monasteries and congregations and other religious associations. In 2020, a total of 366 churches, monasteries or congregations declared donations. The average amount of donations was approximately 21,000 euros. 55 NPOs received donations of more than 100,000 euros in 2020.

The list of NPOs benefiting from income tax incentive includes three NPOs at a higher risk of terrorist financing. In the period 2019–2020, two NPOs at a higher risk of terrorist financing declared donations for a total of under 70,000 euros.

Donations, or *zakat*, are one of the pillars of Islam. By paying *zakat*, Muslims show their love for God, and it should be used to support the Muslims in need. Collective responsibility, or the responsibility of the richer to help the poorer, was one of the most important ideas of Mohammed.¹⁸ The amount to be paid depends on the income (2.5% of the income).

The 2019–2020 Yearbook of the Estonian Internal Security Service points out that the Islamic extremist terrorist organisations operating in the conflict zones in Syria and Iraq have lost a significant share of their local income sources, which is why they are seeking funding from farther areas. Among others, they use the Muslim communities and non-profit organisations in Europe.¹⁹ Thus, Estonian NPOs are also vulnerable to this risk. **An analysis of the websites of the NPOs related to the Islamic community showed that they collect donations**²⁰, but because they are not included in the list of persons benefiting from income tax incentives, there is no overview of the volume of the donations, or of the donors.

The use of donations was declared by three NPOs at a higher risk of terrorist financing, but the explanations are very general.

¹⁸ The fundamentals of Islam. Estonian Academy of Security Sciences.

[\[http://stud.sisekaitse.ee/teppan/Suuremad%20usundid/islami_phited.html\]](http://stud.sisekaitse.ee/teppan/Suuremad%20usundid/islami_phited.html)

¹⁹ 2019–2020 Yearbook of the Estonian Internal Security Service.

[\[https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat_2019_2020.pdf\]](https://kapo.ee/sites/default/files/content_page_attachments/Aastaraamat_2019_2020.pdf)

²⁰ E.g. <http://www.islam.pri.ee/index.php?id=277>

4. CROSS-BORDER PAYMENTS OF MORE THAN 10,000 EUROS

Here, we will first give a more general overview of cross-border payments of more than 10,000 euros made by NPOs in 2021, and then we will make a comparison to NPOs at a higher risk of terrorist financing. Over the period of January–November 2021, there was a total of 460 NPOs that made around 2,000 cross-border payments of more than 10,000 euros (hereinafter: cross-border payments). **The total amount of the incoming cross-border payments exceeded 52.5 million euros²¹, and outgoing cross-border payments were made by NPOs for a total of over 26 million euros.** The top five countries with which transactions were made are Germany, Finland, Switzerland, Belgium and Ukraine (table 4).

Table 4. Cross-border payments of more than 10,000 euros: top five countries, January–November 2021

Total to Estonia:	52,569,486.83	Total from Estonia:	26,315,188.60
Switzerland	12,141,392.39	Finland	8,000,932.22
Germany	11,208,320.94	Germany	4,082,639.56
Finland	5,052,698.87	Belgium	1,801,874.78
The United Kingdom	3,659,779.59	Ukraine	1,160,275.67
The USA	2,942,662.87	Sweden	954,905.99

Nearly a third of the **incoming cross-border payments** (based on the amount) were made to non-profit organisations related to sports. About a third of the incoming cross-border payments (EUR 11,300,554, USD 3,831,190, RUB 4,000,000 and SEK 410,000) were received by NPOs operating in the area of activity ‘Activities of membership organisations’. Religious associations, churches, congregations and monasteries also received payments (EUR 1,376,806, USD 576,341 and RUB 4,000,000). Just over 10% of the incoming cross-border payments (EUR 5,869,581 and USD 1,439,921) were made to organisations operating in the field of education.

Nearly a quarter of **outgoing cross-border payments** (EUR 7,544,275 and GBP 100,000) were made by NPOs, hospitals and clinics operating in the field of health care. One-fifth of the outgoing payments (EUR 2,719,804, USD 301,062, GBP 73,943, CHF 81,526, CNY 331,867, CZK 345,523, JPY 3,279,600 and SEK 301,062) were made by organisations operating in the field of sport.

Cross-border payments with countries at a higher risk of terrorist financing (see list in Annex 1) are presented in Table 5.

²¹ In the case of cross-border payments made in a currency other than the euro, the amount has been converted into euros at the annual average rate.

Table 5. Cross-border payments of more than 10,000 euros with countries at a higher risk of terrorist financing, January–November 2021

Name/country	EUR	USD
Incoming	76,003.52	
Jordan	19,856.32	
Turkey	56,147.20	
Outgoing	457,044.91	12,045.00
Afghanistan	20,612.00	
Jordan	108,722.00	12,045.00
Lebanon	229,649.46	
Turkey	80,061.45	
Yemen	18,000.00	

Non-profit organisations at a higher risk of terrorist financing made payments to high-risk countries for a total of under 100,000 euros.

5. NON-PROFIT ORGANISATIONS IN THE INFORMATION SENT TO THE FINANCIAL INTELLIGENCE UNIT, AND THEIR AWARENESS

The Financial Intelligence Unit always pays increased attention to terrorist financing reports because terrorism is linked to a very high security risk. Based on the information sent to the Financial Intelligence Unit, there are no indications that **persons related to non-profit organisations (including non-profit organisations at a higher risk of terrorist financing) would use non-profit organisations for criminal purposes, including for purposes related to terrorist financing.**

However, as with the rest of the non-profit sector, the reporting activity of NPOs at a higher risk of terrorist financing is very low. **In the period 2015–2021, NPOs sent only two notifications to the Financial Intelligence Unit.** The results of the NRA²² showed that the non-profit sector is vulnerable with respect to checks on transactions with foreign countries. The survey conducted in the framework of the NRA clearly showed that non-profit organisations do not make a major effort to find out the background of the transaction partner. In the NRA survey, 26 non-profit organisations out of 977 (3%) responded affirmatively to the question of whether they, in the previous year, made transactions with a customer/supplier/member/donor/recipient or other transaction partner involving payment of 5,000 euros in a lump sum or by way of several linked cash payments or an equivalent amount in another currency. Based on the results of the NRA, there may be hundreds of non-profit organisations in Estonia that have made transactions that define them as obliged entities for the purposes of the Money Laundering and Terrorist Financing Act, but the NPOs have not notified the Financial Intelligence Unit thereof.

The number of notifications compared to the results of the NRA survey clearly indicates that the awareness among the sector's market participants of the notification obligation is low. The same is confirmed by the interim impact evaluation of the Civil Society Development Plan 2019: 39% were aware of the funding guidelines for civil society organisations, which were developed in 2013, and only 14% were familiar with the content of these guidelines. Awareness of the good practice in inclusion and the code of ethics for NPOs was at a similar level – 48% of the respondents were aware of these documents and 19–20% were familiar with the content. Awareness of good practice in collecting donations was slightly lower – 40% of the respondents had heard of the document and 13% were familiar with the content²³.

Therefore, specific national guidelines, instructions and training courses should be prepared for non-profit organisations, which would introduce, among other things, sector-specific risk indicators indicating the unreliability of the transaction partner.

²² National Risk Assessment 2020. Vulnerability of the non-profit sector. Ministry of Finance, 2021.

https://www.rahendusministeerium.ee/system/files_force/document_files/8_mtu-de_sektor.pdf?download=1

²³ Interim impact evaluation of the Civil Society Development Plan. Research report, 2019.

https://digiriul.sisekaitse.ee/bitstream/handle/123456789/2674/2019_kodanikuuhiskonna_arengukava_moj_ude_vaehindamine.pdf?sequence=1&isAllowed=y

ANNEX 1. COUNTRIES AT A HIGHER RISK OF TERRORIST FINANCING

Source: List compiled by Estonian law enforcement authorities as of January 2021

Sequence number	Country	ISO Alpha-2 code
1	Afghanistan	AF
2	Algeria	DZ
3	Burkina Faso	BF
4	Egypt	EG
5	Iraq	IQ
6	Iran	IR
7	Yemen	YE
8	Jordan	JO
9	Democratic Republic of Congo	CD
10	Lebanon	LB
11	Libya	LY
12	South Sudan	SS
13	Mali	ML
14	Morocco	MA
15	Mozambique	MZ

Sequence number	Country	ISO Alpha-2 code
16	Nigeria	NG
17	Niger	NE
18	Pakistan	PK
19	Palestinian National Authority	PS
20	North Korea	KP
21	Saudi Arabia	SA
22	North Caucasian Federal District	RU
23	Somalia	SO
24	Sudan	SD
25	Syria	SY
26	Tunisia	TN
27	Turkey	TR
28	Uzbekistan	UZ