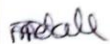


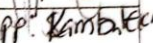
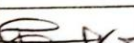






GUIDELINES ON IMPLEMENTING TARGETED FINANCIAL SANCTIONS TO COMBAT ABUSE OF NON-PROFIT ORGANISATIONS FOR TERRORISM FINANCING

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1.0 INTRODUCTION

Zambia, being a member of the United Nations, subscribes to international efforts to make the world a safe place. In this regard, the Country actively participates in the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) which is a Financial Action Task Force (FATF) Styled Regional Body that ensures the implementation of the FATF forty (40) recommendations on combatting terrorism financing and money laundering. The ESAAMLG periodically assesses member states on their Technical Compliance (TC) with the FATF recommendations as well as on effectiveness of their Anti-Money Laundering (AML)/ Countering Financing Terrorism (CFT) Systems. Zambia has so far been assessed twice on its TC and effectiveness and is due for a third Mutual Evaluation in 2027/2028.

In relation to the Non-Profit Organisations (NPO) sector, FATF Recommendation 8 requires countries to put in place measures to protect the NPO sector from being abused by terrorist elements to finance their inimical activities. However, not all NPOs are subject to such measures except those that fit in the FATF definition of an NPO. The FATF defines an NPO as *'a legal person or arrangement or organisation 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."*

Based on the 2024 NPO Terrorism Financing (TF) Risk Assessment, the universe of NPOs in Zambia, consisted of a total of 17445 NPOs out of which only 4598 qualify as FATF NPOs. The NPOs are registered under various pieces of legislation namely; NGO Act No. 16 of 2009, Companies Act No. 10 of 2017 as amended, Societies Act Cap 119, NYDC Act No, 7 of 1986 and ZAPD Act No. 6 of 2012.

During the first Mutual Evaluation (ME) conducted in 2007, Zambia was rated Non-Compliant with Recommendation 8 (R.8) due to the following underlying factors among others:

- a. NPO risk assessment not conducted;
- b. No periodic assessment of the sector's potential vulnerability to

- terrorist activity; and
- c. lack of outreach programs to raise awareness in the NPO sector about the vulnerabilities of NPOs to terrorist abuse and terrorist financing risks and the measures that NPOs can take to protect themselves from abuse.

In the 2019 Mutual Evaluation Report, Zambia was rated Partially Compliant for R.8 due to lack of a comprehensive risk assessment and risk-based measures to protect the NPO sector from terrorist activity and abuse. Further, that the legal framework regulating the NPO sector was not risk based to require identification and determination of NPOs which, based on their activities or characteristics, could be at risk of terrorist financing abuse. In addition, the supervision and monitoring of the NPO sector was also not done on Terrorism Financing risk sensitive basis as the same requirements applied to all NPOs.

The FATF has since made changes to R.8 which mandates countries to implement focused, proportionate and risk-based measures to protect NPOs from TF abuse in line with Recommendation 8.3(b) requiring countries to demonstrate that they have in place focused, proportionate and risk-based measures applying to NPOs.

These guidelines therefore, constitute one of the initiatives the country is implementing to address the risk factors thus protecting NPOs from terrorist financing abuse. The guidelines promote best practices to address terrorist financing risk and vulnerabilities. Protecting the NPO sector from terrorist abuse is both a critical component of the global fight against terrorism and a necessary step to preserve the integrity of the NPO sector and donor community in Country.

2.0 MEASURES TO COMBAT POTENTIAL NPO TERRORIST FINANCING ABUSE

In a bid to develop and implement focused, proportionate and risk-based measures in line with the FATF requirements, Zambia undertook an NPO terrorist financing risk assessment in 2024. The risk assessment identified 10 risk factors associated with the NPO sector in Zambia. These risk factors include;

- i. Affiliation in high-risk jurisdictions;

- ii. Accessing funds from high-risk jurisdictions;
- iii. Operations abroad;
- iv. Use of high-risk transaction methods (cash);
- v. Use of high-risk transaction methods (crypto, crowd funding, etc);
- vi. Operating along high-risk locations (borders);
- vii. Disseminating radical or extremist ideologies through religious activities;
- viii. Receiving huge sums of money;
- ix. Disbursing huge sums of money; and
- x. Funding from unknown donors.

Upon being applied to the FATF NPOs, the risk factors enabled placement of NPOs into low, medium, and high-risk categories in terms of exposure to the terrorism financing risk based on their activities or characteristics. In order to address these vulnerabilities, the following measures were developed for the respective risk categories:

2.1 MEASURES FOR NPOs

2.1.1 Low Risk Measures

For the NPOs exposed to low risk, the following measures have been put in place:

1. NPO to participate in outreach programmes at least once every year;
2. Should file annual financial and activity reports; and
3. Attend focused training and guidance on the specific vulnerability area(s) once every year with other NPOs with similar vulnerability. The guidance could be offered by regulators, Law Enforcement Agencies (LEAs), Intelligence Agencies (IA) or other NPOs.

2.1.2 Medium Risk Measures

For the NPOs exposed to medium risk factors, the following measures have been put in place:

1. Respond to offsite monitoring tool once every year;
2. NPO to participate in outreach programmes at least once every year;
3. Should file annual financial and activity reports; and

4. Attend focused training and guidance on the specific vulnerability area(s) once every year with other NPOs with similar vulnerability. The guidance could be offered by regulators, LEAs, IAs or other NPOs.

2.1.3 High Risk Measures

For the NPOs exposed to high risk factors, the following measures have been put in place:

1. NPO to be available for onsite monitoring once every year;
2. Respond to offsite monitoring tool once every year;
3. NPO to participate in outreach programmes at least once every year;
4. Should file annual financial and activity reports; and
5. Attend focused training and guidance on the specific vulnerability area(s) once every year with other NPOs with similar vulnerability. The guidance could be offered by regulators, LEAs, IAs or other NPOs.

2.2 MEASURES FOR OVERSIGHT COMPETENT AUTHORITIES

2.2.1 Low Risk Measures

1. Conduct continuous general outreach programmes to NPOs and donor community;
2. Process filed annual financial and activity reports; and
3. Conduct focused training and guidance on the specific vulnerability area(s) once every year with other NPOs with similar vulnerability. Competent Authority may engage other regulators, Law Enforcement Agencies (LEAs), Intelligence Agencies (IA) or other NPOs for this purpose.

2.1.2 Medium Risk Measures

1. Undertake offsite monitoring for each NPO once every year;
2. Conduct continuous outreach programmes NPOs and donor community;
3. Process filed annual financial and activity reports; and

4. Conduct focused training and guidance on the specific vulnerability area(s) once every year with other NPOs with similar vulnerability. Competent Authority may engage other regulators, LEAs, IAs or other NPOs for this purpose.

2.1.3 High Risk Measures

1. Undertake onsite monitoring for each NPO once every year;
2. Undertake offsite monitoring for each NPO once every year;
3. Conduct continuous outreach programmes to NPOs and donor community;
4. Process filed annual financial and activity reports; and
5. Conduct focused training and guidance on the specific vulnerability area(s) once every year with other NPOs with similar vulnerability. Competent Authority may engage other regulators, LEAs, IAs or other NPOs.

3.0 SCOPE OF GUIDELINES

These guidelines apply to all NPOs falling under the FATF definition. They are provided to combat the abuse of the NPO sector for terrorism financing. Therefore, NPOs should utilise them and be able to consult with relevant authorities on any regulatory requirements incidental to the foregoing.

4.0 ENFORCEMENT MECHANISM

In line with Recommendation 8.4(b) which states that appropriate authorities should be able to apply effective, proportionate and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs, these guidelines are premised on the implementation of targeted financial sanctions envisaged under the Anti-Terrorism and Non-Proliferation Act which directly deals with fighting the scourge of terrorism financing.

The NPOs are encouraged to implement the measures espoused under section 2.0 of these guidelines to avoid being sanctioned as per R.8.4(b). The range of such sanctions for NPOs may include freezing of accounts, removal of trustees, fines, de-certification, delicensing and de-registration by registration authorities. This does not preclude

parallel civil, administrative or criminal proceedings with respect to NPOs or persons acting on their behalf where appropriate as the requirements of the Anti-Terrorism and Non-Proliferation Act are binding on all persons and entities in the country.

NPOs are also encouraged to do the following:

- a. conduct transactions through regulated financial and payment channels, wherever feasible, keeping in mind the risks associated with the use of cash;
- b. take necessary measures to confirm the identity, credentials and good standing of beneficiaries, associate NPOs, donors and that they are not involved with and/or using the charitable funds to support terrorist or terrorist organisations;
- c. read the FATF Best Practice paper on <https://www.fatf-gafi.org/en/publications/Financialinclusionandnpoissues/Bpp-combatting-abuse-npo-html> as it amended from time to time.

5.0 INFORMATION SHARING

NPOs are not regarded as reporting entities as defined under section 2 of the Financial Intelligence Act. In this regard, there is no requirement placed on NPOs to report suspicious transactions or suspicious activity. However, for the promotion of peace, security, integrity and transparency, NPOs are encouraged to share information with relevant authorities relating to terrorism financing to prevent them from being abused by terrorist elements who may wish to either divert legitimate NPO funds to support foreign terrorist fighters in other jurisdictions, abuse of NPO programmes to benefit terrorist groups to attract potential recruits or further their radicalisation agendas among others.

In this regard, NPOs should access the United Nations Sanctions List on <https://www.un.org/securitycouncil/content/un-sc-consolidated-list/> to avoid entering in business relationships or engaging in any transaction with sanctioned persons or entities. The NPOs may also monitor the National Anti-Terrorism Centre website for both domestically and internationally sanctioned individuals on <https://www.natc.gov.zm>.

The NPOs may simply send an email to info@natc.gov.zm or engage

with their respective regulator to share any information related to the subject matter of terrorism. In addition, they should familiarise themselves with the list of High Risk and Non-Cooperative Jurisdictions as published by the FATF on <http://www.fatfgafi.org/publications/high-riskandnon-cooperativejurisdictions/> to assist their decision making.

Any information sharing related to terrorism financing should be made without notifying the person or entity concerned and should be done without delay to prevent the flight or dissipation of funds or other assets linked to designated persons, groups or entities. Doing so would support coordinated global action to prevent, suppress, interdict and disrupt terrorism, terrorism financing, or the proliferation of weapons of mass destruction and its financing.

