

**TERRORIST FINANCING
RISK ASSESSMENT
REPORT FOR THE NPO
SECTOR IN JORDAN**

EXECUTIVE
SUMMARY

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I. BACKGROUND OF THE ASSESSMENT PROCESS

1. The Financial Action Task Force (FATF) is the international standard-setting body in Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT). Two main parts of the FATF standards refer directly to NPOs. These are Recommendation 8 and Immediate Outcome 10, both of which require member countries, as a first step, to identify the subset of organizations that fall under FATF's definition of NPOs, and to use all relevant sources of information to identify the features and types of NPOs, which under their activities or characteristics, are likely to be at risk of terrorist financing (TF) abuse.
2. Jordan is a member of the FATF-style regional body for the Middle East and North Africa Financial Action Task Force (MENA FATF). MENA FATF last published a Mutual Evaluation Report (MER) of Jordan's compliance with the FATF standards in 2019.⁽¹⁾ The MER rated Jordan as non-compliant with Recommendation 8 and low compliance with FATF Immediate Outcome 10. The report identified problems that needed to be solved.
3. The Terrorist Financing Risk Assessment for the NPO Sector was completed with technical support using a methodology developed by Greenacre Associates. Edmaaj for Development & Training Consulting implemented the data collection, analysis and produced the assessment report with funding from the International Center for Not-for-Profit Law (ICNL) and the Anti-Money Laundering/Combating the Financing of Terrorism funded by the European Union (EU AML/CFT).

(1) MENA FATF. Anti-money laundering and counter-terrorist financing measures The Hashemite Kingdome of Jordan Mutual Evaluation Report. Available at: <https://bit.ly/3gRSswO>

4. All phases and results of the risk assessment were overseen and confirmed by a Local Assessment Team (LAT) comprised of representatives from 15 government and non-government entities. The following is a list of these entities:
 - Central Bank of Jordan
 - Companies Control Department
 - Ministry of Awqaf Islamic Affairs and Islamic Affairs
 - Ministry of Social Development
 - Associations Registry
 - Ministry of Interior
 - General Intelligence Directorate
 - Anti-Money Laundering and Counter-Terrorist Financing Unit (AMLU Jordan)
 - General Federation of Associations (NPO)
 - Al-Hayat Center-RASED (NPO)
 - We Participate for Civil Society Development (NPO)
 - Fawasel for Civil Society Development (NPO)
 - We Rise Center for Sustainable Development (NPO)
 - Jordan Hashemite Charity Organization (NPO)
 - Tkiyet Um Ali (NPO)

5. The assessment aims to conduct a comprehensive review to understand the features and types of NPOs at risk of TF abuse and the nature of the threat. In addition, to *“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 to be able to take proportionate and effective actions to address the risks identified”* consistent with Recommendation 8 of the FATF methodology.

6. The risk assessment is based on FATF requirements and guidance, as according to Paragraph 8.1 of the FATF Methodology, which states that countries should:⁽²⁾
 - *“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*

(2) Paragraph 8.1, Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems

of organisations fall within the EATF definition of NPO, and use all relevant sources of information, 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”;

- *“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”;*
- *“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 to be able to take proportionate and effective actions to address the risks identified”;*
- *“periodically reassess the sector by reviewing new information on the sector’s potential vulnerabilities to terrorist activities to ensure effective implementation of measures.”*

II. THE METHODOLOGY

1. Qualitative and Quantitative data were used for the risk analysis, in line with FATF guidance⁽³⁾.
2. A risk assessment has been carried out through two main phases sequentially, as shown below.
3. Before the assessment began for each phase, the LAT was trained on the methodology and reporting of the assessment results. Phase I training was conducted during January 2021 to introduce the assessment process and FATF guidance on the scope of R8 Risk Assessments. Phase II was conducted during 27-28 July 2021 and 8-9 September 2021. The training aimed to engage the team in the data collection process and prepare them to review the results and findings of the assessment once drafted.

(3) “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 2013 Guidance: National Money Laundering and Terrorist Financing Risk Assessment. Available at: <https://bit.ly/3zWaB5o>



Phase I. Assessing the Inherent Risk	Phase II. Assessing the Residual Risk
<p>I. Identifying FATF NPOs in Jordan and, therefore which NPOs should be included in the risk assessment, through a face-to-face workshop on 1-2 February 2021 for the LAT, which includes the definition of the FATF guidance on “FATF NPOs”, then working within the team to identify which NPOs in Jordan meet the FATF definition.</p> <p>II. A questionnaire for government and financial institutions (Banks), during the period 7 March till 6 April 2021. The questionnaire included questions about (i) Convictions of NPOs or their agents for TF or related offences; (ii) Prosecutions of NPOs or their agents for TF or related offences; (iii) Regulatory interventions of NPOs or their agents for TF or related offences; (iv) Active or closed investigations of NPOs or their agents for TF or related offences; (v) STRs/SARs relating to NPOs; (vi) Requests for Mutual Legal Assistance relating to NPOs and (vii) Case studies of terrorist financing abuse of NPOs.</p>	<p>I. Data from competent authorities:</p> <p>a. Interviews: Interviews were conducted with representatives from the following agencies during October 2021:</p> <ul style="list-style-type: none"> • The Associations Registry • Companies Control Department • AMLU • Ministry of Awqaf and Islamic Affairs • Pastoral Services and Churches • Five Competent Ministries that oversee relevant associations. <p>b. The gap analysis questionnaire: The process included written requests to fill the gap analysis questionnaire by the NPOs’ regulatory bodies.</p>



III. A phone survey was conducted with 689 NPOs on the perceptions of TF risks and the effectiveness of mitigating measures. The NPOs were divided into two categories, Local Associations (as they constitute around 72% of the NPO sector) and Other NPOs, which included six types. These are Branches of Foreign Associations, Non-profit Companies, Islamic Centres, Reconstruction Institutions affiliated with the Municipalities, Pastoral Services and Monasteries in Jordan, and the Mosques Committees. The table below provides information on the sample selected.

The NPOs participating in the survey represent a randomised sample. The sample size was determined with a 95% confidence level and a 5% margin of error.⁽⁴⁾ The respondents within the same size were selected based on random numbers using Random Integer Set Generator.⁽⁵⁾ Results for these groups represent the entire group from which they were selected.

c. Data on financial inflows and outflows to FATF NPOs:

The data documented is in the Associations Registry's database, which is related to the pre-approval of foreign funding applications for local associations and non-profit companies' local projects. The Associations Registry hosts the Foreign Funds Approval Committee and is in charge of receiving and archiving the data of such applications.

d. Verification sessions with the LAT:

Two sessions were implemented over the course of the assessment to verify the information and discuss the preliminary findings. The first was during the period 26-28 October 2021, and the second was during 28 November - 2 December 2021.

(4) The sample size was determined through the program on the link, www.calculator.net/sample-size-calculator.html

(5) The platform used to select a random sample, www.random.org/integer-sets

IV. Review of relevant local legislations.

The following laws and regulations were reviewed, including relevant amendments, implementing regulations, and notices. The review was supplemented by requesting data and a questionnaire filled out by officials responsible for their implementation, including amendments, regulations, and notifications.

V. Desk review of reports on AML/CFT in Jordan. The reports included:

1. MENAFATF Mutual Evaluation Report Jordan 2019.⁽⁶⁾
2. Jordan's government ML/TF NPO sectoral risk assessment, 2020.⁽⁷⁾

VI. Additional secondary information and data sources. Secondary information and data were not given the same weight as primary sources. Mostly it was used to inform the methodological approach, but it was also used selectively and in context to inform assessments where preliminary data was not available.

II. Desk review. The process included a review of laws and regulations related to the NPOs' work. The review was supplemented by interviews with officials responsible for their implementation.

(6) MENA FATF. Anti-money laundering and counter-terrorist financing measures The Hashemite Kingdom of Jordan Mutual Evaluation Report. Available at: <https://bit.ly/3gRSswO>

(7) Summary of the National Risk Assessment on Money Laundering and Terrorism Financing, 2020. Available at: https://amlu.gov.jo/EBV4.0/Root_Storage/EN/EB_Info_Page/SummaryNRA.pdf

III. KEY FINDINGS - PHASE I. ASSESSING THE INHERENT RISK

1. This phase aims to conduct a comprehensive review to understand the features and types of NPOs at risk of TF abuse and the nature of the threat.
2. According to paragraph 8.1(a) of the FATF, methodology countries should “identify which subset of organisations fall within the FATF definition of NPO,” which identifies NPOs 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.’”
3. The FATF definition excludes:
 - Informal groups of people who do not meet the definition of the legal arrangement.
 - Legal persons or arrangements or organisations that are not established for ‘good works,’ such as political parties, trade unions, or cooperatives primarily engaged in economic activities for the financial benefit of members.
 - Legal persons or arrangements or organisations not engaged in the raising or disbursing funds as their primary purpose. This might include sports clubs, or religious groups that do not or only incidentally engage in the raising or disbursing of funds.
4. Regarding this, the risk assessment identified the profile of seven FATF NPOs.

Table 1: NPOs in Jordan meeting the FATF definition of NPOs (Source LAT)

No.	Type	Relevant Law	Competent Authority	Total Number
1	Local associations	Jordan's Law on Societies No. 51 of 2008 and its amendments	Associations Registry and the 14 Competent Ministries	6605
2	Branches of foreign associations	Jordan's Law on Societies No. 51 of 2008 and its amendments	Associations Registry and 14 Competent Ministries	222
3	Non-profit companies	The Companies Law No. 22 of 1997 and its amendments The Regulation for Non-profit Companies No. 73 for 2010 and its amendments	Companies Control Department	1380
4	Islamic Centres Under the Ministry of Awqaf and Islamic Affairs	Islamic Centres bylaw No 107 of 2020	Ministry of Awqaf and Islamic Affairs	1500
5	Reconstruction Institutions - affiliated with the Municipalities.	The Voluntary Institutions for Urban Reconstruction Law No. 60 of 1985	Ministry of Local Administration	12

No.	Type	Relevant Law	Competent Authority	Total Number
6	Churches	Law No. 28 of 2014 (Christian Sects Councils Law of 2014)	Christian Sects Councils and the Council of Ministers appointed by the presidents of the councils.	33
7	Mosques	Law of the Ministry of Awqaf Islamic Affairs and Holy Places No. 32 of 2001 and its amendments	Mosques Committees under the Ministry of Awqaf Islamic Affairs and Holy Places	625

5. The assessment findings (quantitative and qualitative) suggest that NPOs face several potential TF threats. All of which were assessed as low-level, as seen below.

Nature of the TF Threat to NPOs in Jordan

The primary terrorist financing threat to NPOs in Jordan are:

1. Geopolitical terrorist threats in Jordan.
2. Individuals inspired by radical ideologies.

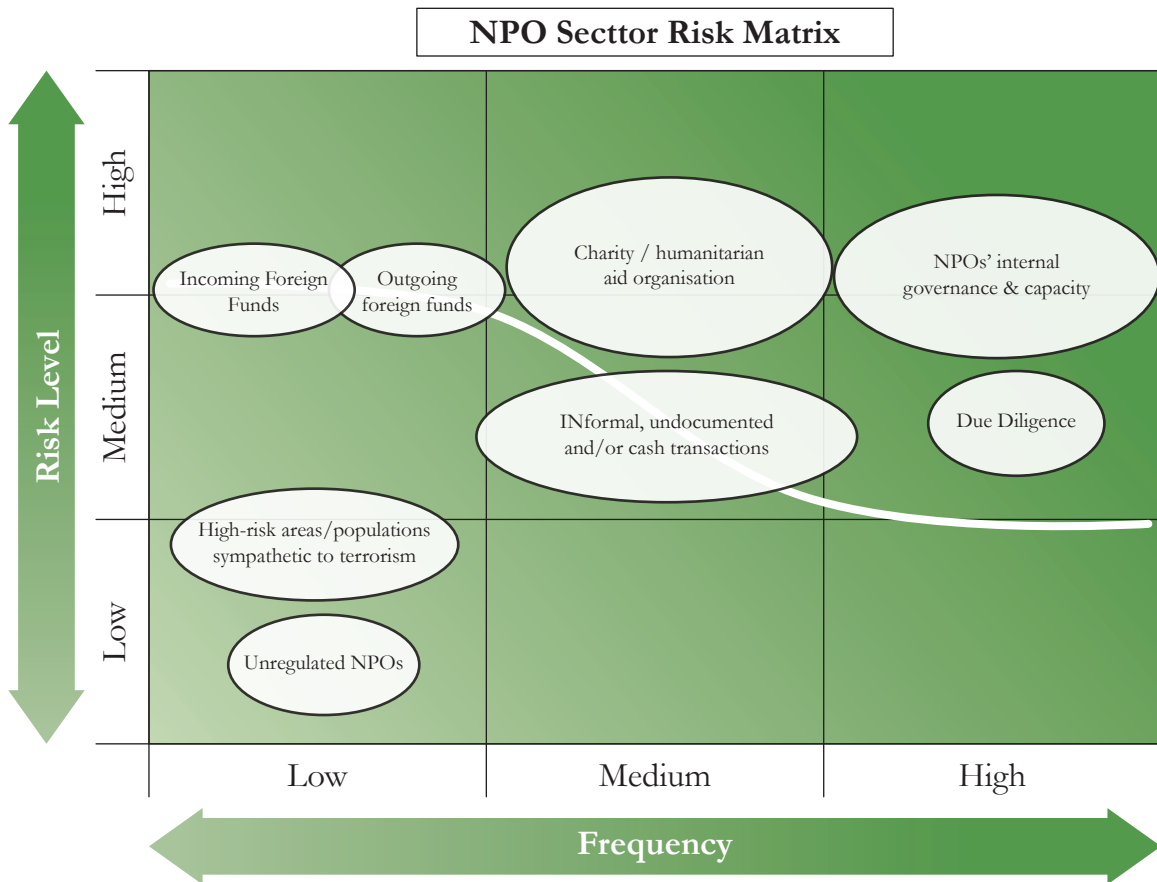
The potential ways that terrorist actors abuse those NPOs are:

1. Recruitment of foreign terrorist fighters, particularly in relation to conflicts in the region (neighbouring countries).
2. A person with links to terrorism who owns, controls, or manages an NPO.
3. A person with links to terrorism who is employed by an NPO.
4. The creation of sham non-profit organizations to support or as a front for a terrorist group.
5. NPOs that transfer funds abroad to support terrorist groups through cash or logistical support.

6. The “Inherent Risk” assessment found little evidence suggesting that terrorist financing is a significant problem for most NPOs in Jordan. There are only two known cases linking NPOs with a potential terrorist financing incident.
7. However, the assessment identified eight potential risk factors, of which six are likely to be associated with greater exposure to TF risks. The risks are weighted according to their risk level and prevalence as seen in the table below.
8. A five-level scale is used to assess the Inherent Risk for this report. These are Low, Low-Medium, Medium, Medium-High, and High.

Risk factor	Risk Level	Prevalence
1. Charity / humanitarian aid organisation	Medium-high	Medium
2. Outgoing foreign funds	Medium-high	Low
3. Incoming foreign Funds	Medium-high	Low
4. NPOs’ internal governance and capacity	Medium-high	High
5. Informal, undocumented, and/or cash transactions	Medium	Medium
6. Due diligence	Medium	High
7. High-risk areas/populations sympathetic to terrorism	Low-Medium	Low
8. Unregulated NPOs	Low	Low

9. By distributing the risk factors according to the assessed risk level and frequency over the risk matrix below, two main groups were categorized:
 - Those that are on or above the line have an increased level of TF risks. Six factors, in particular, have been identified as likely to be associated with greater exposure to terrorist financing risks, based on the single case and submissions from local experts, assessed within the context of international and regional studies on the nature of the TF risk to NPOs in general.
 - Those below the line form no risk.



10. After a thorough review, the assessment team has found little evidence to suggest that terrorist financing is a significant problem for most NPOs in Jordan, and there are only two known cases linking NPOs with a potential terrorist financing incident. However, the country faces some significant terrorist threats, and these potentially impact NPOs as they do all parts of society.
11. In this context, the overall inherent risk of terrorist financing abuse of NPOs in Jordan is assessed as Low-Medium.

Inherent TF Risk of NPOs in Jordan
Low-Medium

IV. KEY FINDINGS - PHASE II. ASSESSING THE RESIDUAL RISK

1. This phase of assessment has assessed the effectiveness of mitigation measures to potentially reduce the level of “Inherent Risk” for the main six risk factors identified in the phase of the inherent risk. This process shall provide a final judgement on the “Residual Risk.” The equation of this judgement is:

$$\text{(Inherent Risk – Adequacy of Mitigating Measures) = Residual Risk}$$

2. This report assesses mitigating measures related to the six factors identified in the Inherent Risk Assessment that may place an NPO ‘at risk’ of terrorist financing. In addition, conducting a review covers three main areas: (1) laws and regulations; (2) policy measures and outreach and awareness-raising by the government entities; and (3) self-regulatory and self-governance measures by NPOs.
3. The metrics used in this review are taken from R8 and other FATF documents. The preliminary tests are that the measures are “*risk-based*” and “*effective*.”
 - **“Effective”** - The Immediate Outcomes are an assessment of the “*effectiveness*” of AML/CFT measures. The Interpretive Note (INR8) requires countries to adopt “*effective measures*” to counter-terrorist financing.⁽⁸⁾ Effective measures are properly resourced (financial, human, and technical).⁽⁹⁾
 - **“Risk-Based and Targeted”** - FATF states that a “*Risk-Based Approach*” is the core principle for all FATF assessments.⁽¹⁰⁾ In addition, the Interpretive Note (INR8) “*requires*” countries to adopt “*proportionate measures*”⁽¹¹⁾ and adds that “*a*

(8) 4(c), Interpretive Note R8, p 59, available at <https://bit.ly/3orm5tT>

(9) “Countries should provide their appropriate authorities, which are responsible for supervision, monitoring and investigation of their NPO sector, with adequate financial, human and technical resources.”⁷, p. 63, Interpretive Note to R8, p. 59 available at <https://bit.ly/3orm5tT>. Whilst the Interpretive Note refers to this in the context of authorities, by analogy it refers to any entity responsible for implementing a mitigating measure.

(10) See FATF Recommendation 1, p.10, available at <https://bit.ly/3orm5tT>

(11) 4(c), Interpretive Note R8, p. 59, available at <https://bit.ly/3orm5tT>

risk-based approach applying focused measures in dealing with identified threats of terrorist financing abuse to NPOs is essential.⁽¹²⁾ This principle is reiterated both in general terms and in relation to specific activities through the FATF documentation.⁽¹³⁾

- **“Non-disruptive”** - Ensuring the measures do not disrupt legitimate NPO activities,⁽¹⁴⁾ that they are adapted to local circumstances,⁽¹⁵⁾ and are consistent with international human rights obligations.⁽¹⁶⁾

4. For the purpose of this report, a five level-scale is used to assess the Residual Risk. These are Low, Low-Medium, Medium, Medium-High, and High.

5. After studying all the measures within the areas indicated above, the results were as follows:

No.	Risk Factor	Inherent Risk (Phase I assessment)	Adequacy of Mitigation Measures (Phase II assessment)	Residual Risk
1	Charity / humanitarian aid organisation	Medium	Medium	Medium
2	Outgoing foreign funds	Medium-high	High	Low-medium
3	Incoming foreign funds	Medium-high	Medium	Medium
4	NPOs' internal governance and capacity	Medium-high	Low	Medium-high
5	Informal, undocumented, and/or cash transactions	Medium	Medium-high	Low-medium
6	Due diligence	Medium	Low	Medium

(12) 4(a), Interpretive Note R8 p. 59, available at <https://bit.ly/3orm5tT>

(13) See also paragraphs 19, 21, 23, 24, 29, 32 and 35 (pages 15-19) of the Best Practices Paper, available at <https://bit.ly/3oWebrr>.

(14) “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?” Immediate Outcome 10, 10.2 (see Annex 1). See also INR8 paragraphs 4(a), 4(d) and 4(e), available at <https://bit.ly/3orm5tT> and Best Practices Paper 32(a), available at <https://bit.ly/3oWebrr>.

(15) The Best Practices Paper repeatedly states that there is no ‘one size fits all’ approach to TF measures in the NPO Sector. Paragraphs 23(c) states that a “one size fits all” approach is not an effective way to combat terrorist abuse of NPOs and is more likely to disrupt or discourage legitimate charitable activities”, and this sentiment is repeated in paragraphs 7(b), 18, 29, 32(a) and 32(e), available at <https://bit.ly/3oWebrr>.

(16) Implementation of R8 must be “consistent with countries’ obligations to respect freedom of association, assembly, expression, religion or belief, and international humanitarian law”. 6, Best Practices Paper available at <https://bit.ly/3oWebrr>.

6. As summarised in the table above and elaborated below, the report notes a legal and regulatory regime that is generally sufficient for most risk factors, with some areas need to be focused, particularly in NPOs' measures to mitigate risks related to NPOs' internal governance and capacity.
7. The report identified some strong measures to ensure bad actors are not able to control NPOs, and that their funding or activities will not be misused by TF groups. However, there is a need to strengthen the reliance of these measures on identified risks, and they need better coordination.
8. Overall, the outreach measures need to be further strengthened. Most measures were often ad-hoc, unsustainable, and were not applied systematically by all the NPO regulators. Mainly they were conducted by the Associations Registry (the regulatory body of around 77% of the NPO sector).
9. As a result, the overall adequacy of the mitigating measures is assessed as medium. Thus, there is no change to the overall assessment of the inherent risk (Low-Medium).



V. KEY RECOMMENDATIONS

The below recommendations are the most significant recommendation to work on for the high-risk factors, and they are based on three main pillars, as follows:

Legal Review

- **Introduce a formal written mechanism identifying and scoring TF risks (a risk scoring matrix).** The mechanism should facilitate risk-based targeted supervision and monitoring of NPOs likely to be ‘at risk’ of terrorist financing and to decide for focused guidance and support for these NPOs.
- **Introduce a set of TF preventive measures and relevant sanctions** for NPOs that fail to implement these measures and address significant TF-related deficiencies identified through the monitoring process. This should also include (i) detailed and tailored guidance for Due Diligence, and (ii) mechanisms for monitoring the fundraising and disbursement of funds to ensure that they are risk-based, reflect best practices, appropriate for addressing new and developing fundraising methods, and are connected to relevant sanctions.
- **Introduce new measures to enhance the transparency and governance of NPOs and their regulations and inspections processes.** It is noted that this activity is under work by the regulatory bodies through Commitment 1 of Jordan’s Fifth National Action Plan (NAP) 2021-2025 under the Open Government Partnership (OGP),⁽¹⁷⁾ which aims at “developing policies and procedures that adopt a risk-based approach in supervising and overseeing the work and activities of CSOs to protect them from the risk of being exposed to ML/TF, along with strengthening their governance.” The assessment team recommends continuing the efforts of the OGP Fifth NAP.

(17) Ministry of Planning and International Cooperation, Jordan’s OGP Fifth NAP 2021-2025, available at <https://bit.ly/3CsVthh>.

Coordination and sharing of information

Coordination and information sharing mechanisms could be improved on two levels:

- **Level 1:** Information sharing to influence policy areas and support the work of the National Anti-Money Laundering and Terrorist Financing Committee. This includes establishing an operational standing Liaison Technical Committee under the National Anti-Money Laundering and Terrorist Financing Committee. The committee includes various supervisory entities including the AMLU, law enforcement, and NPO regulators. The purpose of this committee is to ensure effective cooperation and information sharing among all relevant authorities that hold relevant information on NPOs and to ensure that the information is promptly shared with competent authorities, when needed to take preventive or investigative action.
- **Level 2:** Information sharing to report TF-revealed cases by regulators to the AMLU. This includes adding the NPO regulators to the existing GOAML system⁽¹⁸⁾ that AMLU runs to ensure information is shared with high confidentiality and those cases are resolved with high efficiency.

Outreach and Capacity Building

The NPO regulators should significantly expand their outreach program. It is noted that outreach activities to protect NPOs from the risk of being exploited in terrorist financing actions is included under Commitment 1 in Jordan's OGP Fifth NAP 2021-2025. The assessment team recommends continuing the efforts of OGP. This will include:⁽¹⁹⁾

- “Design capacity-building programs, developing, improving, and adopting governance concepts for CSOs, based on the standards agreed upon between CSOs and the government. This will focus on appropriate governance structures, adopting high professional and ethical standards for staff and management, developing accountability mechanisms, and providing transparent reports for donors, governmental bodies, and the communities they serve, provided that the

(18) The system is currently used by AMLU to share information with reporting entities and competent authorities.

(19) Ibid

Governance Manual⁽²⁰⁾ that was developed under the Fourth OGP National Plan (2018-2021) will be utilised.”

- “Implement a series of face-to-face and online training, awareness-raising sessions, and media materials at the national level for all relevant governmental institutions. These activities are about the adopted procedures and policies which aim to protect CSOs from the risk of being exposed to ML/TF, and to strengthen governance within their work.”
- “Implement a series of face-to-face and online training and awareness-raising sessions for CSOs about the adopted procedures and policies which aim to protect CSOs from the risk of ML/TF and to strengthen governance within their work.”

(20) Associations Registry - “Associations Governance Manual”, available at <https://bit.ly/33rQFLG>; Companies Control Department - “Nonprofit Companies’ Governance Manual”, available at; <https://bit.ly/3HfqCpc>.



