



Republic of Serbia  
Ministry of Finance  
Administration for the Prevention of  
Money Laundering



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in Prevention of Money  
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# AVOIDING TERRORIST FUNDING

## A DONOR'S GUIDE

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## Fundraising for charitable causes

Many good deeds are the result of the actions of the people who surround us every day, ordinary citizens who seek to help their fellow citizens. As a consequence, nonprofit organizations (NPOs) in Serbia are increasingly turning to the community as a source of funding for the activities. Charitable donations are an important source of funding for many organizations dedicated to promoting society. Unfortunately, in rare cases there are people and groups who pretend to raise money for charity but actually use it to fund various illegal activities.



Philanthropy in Serbia has a long and rich tradition since our society has traditionally nurtured values such as solidarity and altruism. In Serbia we are witnessing a resurgence in giving and as a consequence individual citizens have become the largest donors in the country through participation in donor campaigns and support for charitable work of various organizations, associations and endowments. In addition to citizens, the second most important donor is the business sector, followed by prominent individuals and private foundations.

Citizens most often raise funds to support initiatives related to health support for marginalized groups, education and poverty alleviation, as well as support for vulnerable areas affected by natural disasters, as was the case after the floods of several years ago. However, citizens are also increasingly prepared to support other programs, including various humanitarian and environmental initiatives around the world.

Significant amounts of funding are also raised in connection with other charity campaigns organized by media outlets, foundations founded by our celebrities or umbrella organizations such as the Serbian Philanthropic Forum. In addition, donations are most often collected at festivals and various events organized by NPOs or the business sector. Finally, charitable donations in Serbia are also often organized by traditional religious communities.

The importance of charitable work and philanthropic activities has also been recognized by the Government of Serbia, which in 2018 established the Philanthropy Council, with the aim of advancing public policies and the

legislative framework for giving in Serbia in order to further develop the infrastructure and culture of giving for the common good.

Fundraising accounts for a large portion of the total funds used by various organizations to fund their charitable activities. Moreover, the nonprofit sector is growing and is becoming a more prominent recipient of donated funds every year.

Given the current situation, it is likely that the trend of massive individual giving through campaigns will continue to grow, meaning that citizens will continue to be the most active donor type. Therefore, the non-profit sector can become the target of malicious groups trying to abuse their sense of solidarity and altruism to raise money to fund their illegal activities. Therefore, there is the need for donors to develop awareness of this possibility and to act to prevent it by ensuring that any donation they make to an organization is truly used to achieve the purpose for which they have decided to donate.

Of course, donors are not obliged to take upon themselves the work of government agencies, but it is always helpful to determine beforehand who the money is given for and for what purpose, or to make sure that your donation will be used exactly the way you wanted. This document was created to provide you with simple guidelines which are to help you in achieving this.

## Nonprofit sector and terrorism financing

The risk of misuse of NPOs for terrorist financing in Serbia is low, and almost the entire non-profit sector is actively working to constantly increase the transparency of its work. Nevertheless, world events over the past ten years show that there is a global trend of abuse of NPOs for financing of terrorism (FT). Although the Republic of Serbia is not a country in which this phenomenon is a significant problem, as a responsible member of the international community it is obliged to contribute to the suppression of terrorism. This also refers to the prevention of activities that would facilitate funding of the terrorist groups activities including the misuse of NPOs for the financing of terrorism.



Proven instances of terrorist involvement in the nonprofit sector in Serbia are extremely rare in comparison to the size of the sector, but are completely unacceptable given that it erodes the aim and purpose of both NPOs and more generally charitable donations. Despite increasing efforts of NPOs to prevent such occurrences through self-regulation, there is a reason to believe that funds that have been collected in Serbia might be used to finance terrorism or groups, who are known to use terrorism as a tool.

In some cases, non-profit organizations are at risk of being infiltrated by terrorists and / or elements that support terrorist activity from the outside, and then use the work of these NGOs for their own purposes. Such abuses can take many forms, but in most cases, this refers to situations in which funds are formally raised on behalf of a charity or charity, and then substantially used to support terrorist activities, with or without the knowledge of the charity.

Charities can also be diverted, during transfers between different accounts or physical locations, to terrorist groups before being made available to the intended target users by NPO. Nonprofits can also be used as a money laundering platform, a legitimate money transfer screen, or any other form of abuse to fund terrorist organizations' activities. This risk is increased if the internal financial controls of the charity are weak, especially in cases where the charities lack the human resources and capacity to ensure the application of sound accounting practices.

Finally, recipients themselves could misuse the funds, a risk that increases if proper due diligence checks are not carried out first on the recipient.

Terrorist activities may be hidden by or take place alongside additional, and otherwise legitimate, charitable activities. A charity may give financial or other support to an organization or partner that provides legitimate aid and relief. However, that organization or partner may also support or carry out terrorist activities.

Finally, international experience shows that terrorists may try to set up an organization as a sham, promoted as charitable but whose sole purpose is really to raise funds or use its facilities or name to promote or coordinate inappropriate and unlawful activities. This is a challenge that has been focused on for a long time internationally and nationally.

In Serbia, as in other countries, rules and laws have been introduced to prevent the transfer of funds or other support for the benefit of persons or organizations that support or engage in terrorism. Terrorist financing is defined by the Law on the Prevention of Money Laundering and Terrorist Financing as securing and collecting property, or attempting to do so, with the intention of using it, or in the knowledge that it may be used, in whole or in part:

- for the commission of a terrorist act;
- by terrorists and
- by terrorist organizations.

It also includes support in the provision or collection of property, whether or not a terrorist act has been committed or the property was used only to prepare the execution of a terrorist act that has not been committed.

Terrorism financing is a criminal offense. The punishment for this criminal offense in the Republic of Serbia is up to 10 years in prison including a fine. The terrorism financing offense has been laid down in Section 393 of the Criminal Code of the Republic of Serbia.

#### **Article 393 of the of the Criminal Code of the Republic of Serbia**

- (1) Whoever directly or indirectly gives or collects funds with the intention to use them or knowing that they will be used, fully or partially, for commission of criminal acts referred to in articles 391 to 392 hereof or for financing of persons, a group or organized crime group who intend to commit these acts, Shall be punished with imprisonment from one to ten years.
- (2) The means referred to in paragraph 1 of this Article shall be considered all assets, tangible or intangible, movable or immovable, regardless of the manner of acquisition and the form of a document or document, including electronic or digital, proving ownership or interest in relation to those assets, including bank loans, traveler's checks, money orders, securities, letters of credit and other assets.
- (3) The funds specified in paragraph 1 of this Article shall be seized.

In summary it is a criminal offence to:

- Transfer funds or other assets to persons, groups, organizations or enterprises that support or engage in terrorist acts

- Collect funds in favor of persons, groups, organizations or enterprises that support or engage in terrorist acts
- Make funds, other assets, banking services or other financial services, available to persons, groups, organizations or enterprises who support or engage in terrorist acts and
- Support projects that may indirectly be part of the establishment or operation of a terrorist group

So, to conclude, if a person raising money, for whatever purpose, charitable or otherwise, has reasonable cause to suspect that the money may be used for terrorist purposes, he or she will be committing a criminal offence. This could apply to trustees, the charity's fundraisers and volunteers.

These offences would also include someone who makes a donation to charity or for charitable causes, whilst knowing or suspecting that it will be used for the purposes of terrorism. To put it simply, for every single donor, ignorance of the law is not an excuse and the donors cannot escape liability for its violation simply because they were not aware of its contents. In order to prevent this situation, it is up to you to be careful and take simple precautions before deciding to donate money.



## What can you do about it?

Before we proceed, it is important to point out that the absolute majority of active NPOs are essentially very conscientious in providing charitable activities and are acting in a very responsible and transparent manner regarding management of the funds, which were entrusted to them. So, you should avoid generalizations or ungrounded refusal to support humanitarian work or projects to advance important social or local issues only because you have heard about rare negative examples.

This attitude is wrong, given that the most NPOs have put in practice a well-developed system of self-regulation and seek to interact very actively and openly with donors and the public regarding the activities implemented as part of their initiatives. However, this does not mean that as a donor you should not take the steps yourself to ensure that the donation will be used for the purpose you intended it. These steps basically imply the need for you to effortlessly study the information available from publicly available sources, that is, to search briefly as to remove any doubt to the specific donation you are planning.

Therefore, it is always advisable to take some time before donating in order to come up with essential, easily accessible information that can help to clear any doubts. As with any other money-related decision, it is never advisable to make it fast. The money you donate belongs to you and it is up to you to take the time to ultimately make the right decision and avoid the risk of being suspected of supporting terrorist financing activities. Donate only when you are sure that your contribution will help solve the problems you consider important or in the cases that matter most to you.



Majority of NPOs increasingly rely on an online (Internet) presence to achieve visibility and transparency, and to raise funds. Consequently, information about NPOs, and related internal and external actors, can often be accessed with relative ease. Open source information can be valuable in discounting the presence of risk of TF, as well as other forms of donation abuses. In addition to this, each donor should try to procure additional information by maintaining open and direct communication with individual representatives tasked with fundraising activities on behalf of a nonprofit organization.

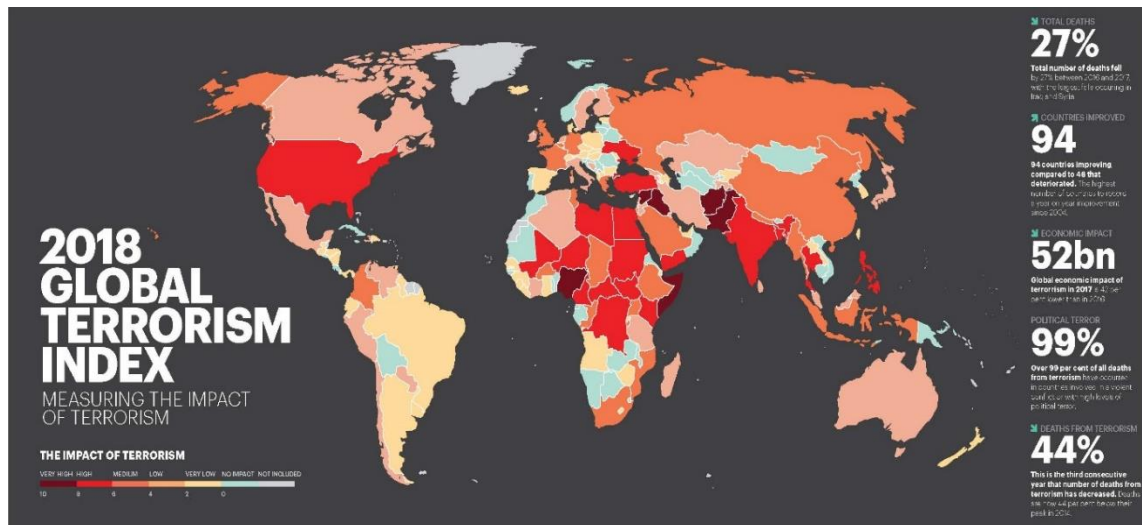
The most useful guidelines in regard to this include following:

- (1) To begin with, it is advisable to check the purpose, mission and goals of the organization to which you want to donate money. This means that you need to try to get basic information about its partners and leadership, as well as the reputation that the organization has, by browsing the Internet. In this regard you should be most interested in possible cases of proven misuse of donations and funding, but here you are looking for information only in verified sources. The mere fact that an organization has no proven cases of abuse or other reputational problems means that the level of risk is low but not nonexistent. If the organization you want to check does not have a website, the presentation of the Agency for Business Registers can find statutes of all registered organizations that always state the reasons why they were founded and why they exist (see <https://bit.ly/30OzT2M>). In the Registry you can check free of charge whether NPO is registered and get direct access to information about its goals. Certainly, freedom of association is guaranteed by the Constitution, which recognizes informal associations, just as some laws do (e.g., the Youth Act). Therefore, the fact that an organization is not registered should not be a reason to deny it support, but it is certainly a reason to communicate more with representatives of the association any questions that may interest you.
- (2) Another useful and completely free tool you can use is the Open Government Portal which includes open-format reports provided by NPOs (associations, foundations and endowments) which are operating in Serbia (see <https://bit.ly/2ZwaLRl>). These reports are created in order to improve transparency and availability of information on nonprofit sector and can provide useful insights into concrete NPO you are considering to donate to.
- (3) It is strongly recommended that specific NPO website is also checked to determine whether specific organization in question applies sound and transparent financial standards and reporting mechanisms (regular financial statements, annual strategies, activity reports, previous donor support reports, statute and other information on projects that were conducted by the organization). Compare the above-mentioned documents with those publicly available on the Business Registers Agency website and if you notice any disagreements, consider whether the NPO you are interested in donating to is conducting its operations in a transparent manner.
- (4) Social networks can also be a good method of verification. This means that you can always check the NPO accounts on social networks or the content that is posted on them. If you see content that positively highlights terrorist organizations and/or persons associated with terrorism, you may need to investigate further whether the donation can be linked to terrorist financing.
- (5) Consider whether the organization you want to donate to is acting or distributing assistance to countries and territories where terrorist groups are increasingly active and/or are operating unobstructed. To this end, useful information is provided by the Australian Institute of Economics and Peace, which regularly produces and updates information within the Global Terrorism Index, which is available on its website (see <https://bit.ly/2g5Ns8A>).
- (6) An additional form of control are the control questions for the individuals, which are collecting funds and obtain references that confirm their seriousness. This may include websites on the Internet, registration with the Central Coordinating Register for Legal Entities, accounts and results from projects realized earlier. Avoid making cash donations and use only licensed organizations to transfer funds both in and outside the country. In more practical terms this also includes the avoidance of informal transfer mechanisms (such as Hawala<sup>1</sup> system of informal banks and payment institutions) as well as usage of crypto currencies.

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<sup>1</sup> Hawala is a method of transferring money without any money actually moving. Interpol's definition of hawala is "money transfer without money movement." Another definition is simply "trust." Hawala is an alternative remittance channel that exists outside of traditional banking systems. Transactions between hawala brokers are made without promissory notes because the system is heavily based on trust and the balancing of hawala brokers' books.

For more detailed insight, you can consult the open Registry of licenses for money transfer institutions on the National Bank of Serbia website (see <https://bit.ly/32Ikq6h>).



- (7) Make sure that the organization and/or person supported by your donations is NOT on the UN consolidated list which includes all individuals and entities subject to measures imposed by the Security Council. The lists can be found on the UN website (see <https://bit.ly/2DpoLzy>). In addition, the check can easily be done via Serbian Ministry of Finance Administration for prevention of money laundering UN sanctions database, which is available free of charge (see <https://bit.ly/2Y5UOfX>).

РЕПУБЛИКА СРБИЈА  
МИНИСТАРСТВО ФИНАНСИЈА  
УПРАВА ЗА СПРЕЧАВАЊЕ ПРАЊА НОВЦА

Српски | Срpski | English

Претрага

Име/Презиме/Надимак (латинични унос користећи:ć,č,d,ž,š)

Датум рођења

Број пасоша

Датум измене

Националност

Поништи Претражи

- (8) Try to get additional details regarding the bank account you should deposit money into. All registered NPOs will certainly have neat bank account information that is publicly available for access to the Single Account Registry on the National Bank of Serbia website (see <https://bit.ly/2SwZx9u>). An additional mechanism for verification may also be the Register of Tax Identification Numbers, which can be accessed on the Tax Administration website (see <https://bit.ly/2GrAP5v>).
- (9) When communicating with NPO representatives asking for your donation, apply the general precautionary principles. This means first of all that it is useful to ask them before donating to explain the purpose of the donation and how it will be used. The person requesting your donation should also be able to provide you with all the details you want about NPO at the same time, so try to find out if organization has a phone number or a website where you can get more information before you make a statement. Of course, whenever possible, you can ask the organization to which you have donated to inform you of what was actually done with that donation, or to direct you to a report or other document, where you can see the details about undertaken activities for yourself.

- (10) Check thoroughly before making a donation. If you are in doubt about where your money is going or what it will be used for, wait before making a donation. Don't give in to pressure from fundraisers who insist that you contribute immediately. Ask for information and decide later. If something doesn't seem right, politely decline to give.
- (11) If you are making a donation decision as a representative of a donor organization or a private company, the situation is made easy by the fact that there are numerous examples of good practice relating to setting up a system for you to check an organization you are contemplating to donate to (see <https://bit.ly/33o1AS2>). Basically, this involves the need to check the internal capacity of the organization, its internal procedures and transparency before deciding to conclude a Grant Agreement. In this regard, it is always recommended that the donation itself be made only after you have drawn up a precise contract with the receiving organization that defines all the details related to that donation.

These processes take some time and at any time the donor has the opportunity to change the decision to award the grant if any doubt is raised about the organization's capacity to manage the funds allocated. Also, if a donor already has such a system in place, it is always useful to rely on guidelines and typologies to assess the risk of individual NPO abuse for terrorist financing (see <https://bit.ly/2MQ2CAr>).

**Lastly, it is important to remember that citizens, once when they are united, have a great power to change the community for the better and that you have the right to support this change in every way possible. In most cases the NPOs are the major driver of positive initiatives. Donation is one of the most important ways to help them to achieve this, and therefore such a move has also a strong social significance. However, in order to protect and maintain trust levels of NPO sector, it is certainly advisable to determine at a glance, before donation, to whom, how and for what purposes you give the money.**

If you still have concerns about NPO donations, or if you have additional questions about the particular organization you plan to donate to, or feel there is a risk that your donation will not be used for the purpose for which you donate it, you can always contact the Office for Cooperation with the Civil Society to get the additional information you need.

**Government of the Republic of Serbia**  
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In addition, if you have additional questions regarding the financing of terrorism related issues, you can get necessary information by contacting Administration for the Prevention of Money Laundering

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