



**PARTNERS**ALBANIA  
FOR CHANGE AND DEVELOPMENT

# TERRORIST FINANCING RISK ASSESSMENT METHODOLOGY FOR THE NPO SECTOR IN ALBANIA



2022

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Norwegian Ministry  
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Part ONE

TERRORIST  
FINANCING RISK  
ASSESSMENT FOR  
THE NPO SECTOR IN  
ALBANIA

Inherent Risk Report

## Abbreviation

AML/CFT	Anti-Money Laundering/Combating Financing of Terrorism
ASP	Albanian State Police
BoA	Bank of Albania
CFT	Combating Financing of Terrorism
CVE	The Coordination Center for Countering Violent Extremism in Albania
EED	Enhance Due Diligence
EU	European Union
FATF	The Financial Action Task Force
FIU	Financial Intelligence Unit
FSA	Financial Supervisory Agency
FTF	Foreign Terrorist Fighter
GDPML	General Directorate for the Prevention of Money Laundering
GDT	General Directory of Taxation
MER	Mutual Evaluation Report
ML	Money Laundering
MONEYVAL	The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
NPO	Nonprofit Organisation
NRA	National Risk Assessment
LEA	Law Enforcement Agency
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TF	Terrorist Financing

# A. INTRODUCTION

## Context for this Risk Assessment

1. The ongoing international campaign against terrorist financing identified typologies worldwide where terrorists and terrorist organizations exploit the NPO sector through: collection, consolidation/aggregation, transfer, dissemination and use of funds raised (what is also known as the funding cycle); providing logistical support; encouraging terrorist recruitment; otherwise supporting terrorist organizations and operations; creating sham charities; or engaging in fraudulent fundraising for these purposes.
2. The Financial Action Task Force (FATF) is the international standard setting body in the area of Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT). Two parts of the FATF standards refer directly to NPOs - these are Recommendation 8 and Immediate Outcome 10 (see Annex 1).
3. Both FATF Recommendation 8 and FATF Immediate Outcome 10 require that countries, as a first step, identify the subset of organizations that fall under the FATF's definition of NPOs, and use all relevant sources of information aiming 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.
4. Albania is a member of MONEYVAL (The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism), the FATF-style Regional Body for Europe. MONEYVAL prepared the first evaluation report for Albania in 2001, and since then the country has undergone five rounds of evaluations from FATF. The last Moneyval Mutual Evaluation Report (MER) of Albania on compliance with the FATF standards, was issued in July 2018<sup>1</sup>, followed by the relevant Follow-up Reports in 2019 (1st Follow-up Report – Enhanced) and in 2021 (2nd Follow-up Report – Enhanced)<sup>2</sup>.
5. The last MER rated Recommendation 8 as Partly Compliant and effectiveness under Immediate Outcome 10 as Moderate. The major issues identified were as follows:
  - » Analysis of the NPO sector has not identified the ones at risk of TF (terrorist financing) abuse, and the nature of threats posed.
  - » A review of legislation and measures from the perspective of TF has not been undertaken
  - » Albania has no clear, if any, policies to promote accountability, integrity, and public confidence in the administration and management of NPOs.
  - » Albania has taken limited outreach to the NPO sector and the donor community concerning TF issues.
  - » There is no best practice document developed by Albania with involvement of NPOs.
  - » Albania has not taken steps to promote targeted risk-based supervision or monitoring of NPOs. Supervisory powers of the GDT are limited and do not cover appropriately the CFT aspects.
6. On December 2019, MONEYVAL released the 1st Enhanced Follow-up Report<sup>3</sup>, and decided that Albania would remain in “enhanced follow-up” status and should continue to report back to MONEYVAL on further progress to strengthen its required implementation of AML/CFT measures. On this report, Recommendation 8 was rerated as Largely Compliant. The rerating was based on the following progress:

<sup>1</sup> Report “Anti-money laundering and counter-terrorist financing measures Albania, Fifth Round Mutual Evaluation”, July 2018 Report. [Online] <https://rm.coe.int/committee-of-experts-on-the-evaluation-of-anti-money-laundering-measur/1680931f70>

<sup>2</sup> All of them are public documents in CoE webpage.

<sup>3</sup> Follow-up report (Enhanced) “Anti-money laundering and counter-terrorist financing measures Albania 1st Enhanced Follow-up Report, December 2019”. [Online] <https://rm.coe.int/anti-money-laundering-and-counter-terrorist-financing-measures-albania/16809988c0>

- » Albania has conducted a second round of revision of the National Risk Assessment (NRA) of ML and TF, which included a general risk assessment of the vulnerabilities and threats of NPOs.
  - » Albania has also adopted new Instructions “On Supervision of Non-Profit Organizations In Function Of Prevention Money Laundering And Financing Of Terrorism” (the Instructions) enhancing inter-institutional cooperation between the General Directorate for the Prevention of Money Laundering (GDPML) and GDT with respect to supervision of the NPOs, which foresee the publication of an annual report on issues identified with respect to supervised NPOs and periodical re-assessment of the NPO sector. The Instructions also provide for the measures for targeted risk-based supervision and monitoring of NPOs by the GDT.
  - » In addition, Albania has introduced some important measures to promote accountability, integrity, and public confidence in the administration and management of NPOs through amendments to the Law on Tax Procedure and through Guidance “On Tax Procedures in the Republic of Albania”. These measures include an obligation for NPOs to have a bank account and to declare such account in the tax administration. This new requirement encourages NPOs to conduct transactions via regulated financial channels. The amendments to the Law on Tax Procedure also introduced sanctions for the failure to comply with registration or data updating obligations.
  - » With respect to the outreach to the NPO sector about the potential vulnerabilities of NPOs concerning TF issues, the GDT has conducted several meetings with representatives from the NPO sector to share and exchange relevant information on TF risks.
7. However, Albania still needs to develop relevant best practice document with the involvement of the NPO sector
  8. The last National Risk Assessment Report on AML and TF is prepared in 2019 from several state institutions under the coordination of the Albanian FIU<sup>4</sup> - it is not public.
  9. Regarding NPOs sector, to date, there is no specific NPO Risk Assessment Report for Albania.

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<sup>4</sup> Albanian FIU is DPPPP (General Directorate for the Prevention of Money Laundering)



# B. METHODOLOGY

10. The purpose of this risk assessment is to conduct a comprehensive review to understand the features and types of NPOs at risk of TF abuse and the nature of the threat.
11. The FATF standards “do not prescribe a particular method or format for assessing risk” of terrorist financing in NPOs.<sup>5</sup>
12. General best practices for risk assessments of the NPO sector are included in FATF’s Terrorist Financing Risk Assessment Guidance (FATF, 2019). Additionally, FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment (FATF, 2013) provides guidance on risk assessments in general.
13. This risk assessment is based as closely as possible on FATF requirements and guidance. Paragraph 8.1 of the FATF Methodology states that countries should:
  - (a) Without prejudice to the requirements of Recommendation 1, since not all NPOs are inherently high risk (and some may represent little or no risk at all), identify which subset of organizations fall within the FATF definition of NPO, and use all relevant sources of information, in order to identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse;
  - (b) identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs;
  - (c) review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified; and
  - (d) periodically reassess the sector by reviewing new information on the sector’s potential vulnerabilities to terrorist activities to ensure effective implementation of measures.
14. The methodology used by Albania for its NPO risk assessment is designed to meet this requirement as follows:

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

15. This risk assessment will be complemented by a separate assessment of the adequacy of mitigating measures. The additional assessment will “review[s] the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified” in line with paragraph 8.1(c) of the FATF Methodology.

<sup>5</sup> Terrorist Financing Risk Assessment Guidance (FATF, 2019)

16. The current risk assessment uses both qualitative and quantitative data and, in line with FATF guidance<sup>6</sup>, seeks to ensure that qualitative data is given its due weight. This is particularly significant given the lack of quantitative data on TF risk in the NPO sector in Albania.
17. The risk assessment was completed using a Methodology provided by Greenacre Associates. It was implemented by a Local Assessment Team, and supervised by a Supervisory Body of the NPO Risk Assessment Methodology comprising representatives from the following institutions and organisations:
- General Directorate for the Prevention of Money Laundering (GDPML)
  - General Directorate of Taxation (GDT)
  - General Prosecution Office (GPO)
  - Albania State Police (ASP)
  - Tirana District Court (NPOs Registry)
  - The Coordination Center for Countering Violent Extremism in Albania (CVE)
  - The State Committee of Cults
  - Interreligious Council of Albania
  - Albanian Muslim Community
  - Dorcas Aid International Albania
  - ARSIS, Initiative for Social Change
  - Light Steps Center
  - Science & Innovation for Development (SCiDEV) center

## Data and sources

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

**Data request and questionnaire.** Written requests for data on terrorist financing in the NPO sector, case studies, and surveyed perceptions of the TF risk, threats and vulnerabilities were obtained from representatives of the following agencies:

- General Directorate for the Prevention of Money Laundering (GDPML)
- General Directorate of Taxation (GDT)
- General Prosecution Office (GPO)
- Albania State Police (ASP)
- Tirana District Court (NPOs Registry)
- The Coordination Center for Countering Violent Extremism in Albania (CVE)
- The State Committee of Cults
- Bank of Albania
- Financial Supervisory Authority

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<sup>6</sup> “While quantitative assessments (i.e., based mostly on statistics) may seem much more reliable and able to be replicated over time, the lack of available quantitative data in the ML/TF field makes it difficult to rely exclusively on such information. Moreover, information on all relevant factors may not be expressed or explained in numerical or quantitative form, and there is a danger that risk assessments relying heavily on available quantitative information may be biased towards risks that are easier to measure and discount those for which quantitative information is not readily available. For these reasons, it is advisable to complement an ML/TF risk assessment with relevant qualitative information such as, as appropriate, intelligence information, expert judgments, private sector input, case studies, thematic assessments, typologies studies and other (regional or supranational) risk assessments in addition to any available quantitative data.” Paragraph 30-31, FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment. FATF (2013).

**Questionnaire.** Surveyed perceptions of the NPOs TF risk, threats and vulnerabilities were obtained from representatives of the Financial Institutions (7 banks and 8 not banks):

- Alpha Bank
- BKT
- Credins Banka
- Fibank
- OTP Bank
- Tirana Bank
- Union Bank
- EasyPay
- AK Invest
- Crimson Finance Fund Albania
- Final
- Fondi Besa
- Kastrati
- Micro Credit Albania
- Raiffeisen Leasing Albania

**Interviews:** Face to face interview with the Orthodox Church

**Survey:** A survey of 153 NPOs, out of 2,372 active NPOs registered at the GDT until May 2021, was conducted on perceptions of TF risk and the effectiveness of mitigating measures. The sample was selected randomly from the list of active NPOs provided by the GDT, and the contacts were extracted by Partners Albania' database of NPOs. Participation in the survey was based on their willingness to participate in the survey. The survey was carried out during July – August 2021 through telephone. The confidence level is 80% and the real value is within  $\pm 5\%$  of the measured/surveyed value.

#### Legal review

- Law no.8417, dated 21.10.1998, "Constitution of Republic of Albania", as amended<sup>7</sup>;
- Law no.7850 dated 29.7.1994 "Civil Code", as amended ("CC");
- Law no.9917, dated 19.5.2008 "On the prevention of money laundering and terrorist financing", as amended ('AML Law'<sup>8</sup>);
- Law no.8788 dated 7.05.2001 "On Non-Profit Organisations", as amended ('NPO Law');
- Law no.8789 dated 7.05.2001 "On the registration of non-profit organisations" and Law no.80/2021 dated 02.08.2021 "On the registration of non-profit organisations";
- Law no.119/2015 "On the establishment and functioning of National Council of Civil Society";
- Law no.112/2020 "On the Register of Beneficial Owners";
- Law no.154, dated 17.12.2020 "On the Central Register of Bank Accounts";
- Law no.9920 dated 19.05.2008 "On Tax Procedure Law", as amended;
- Law no.102/2014 dated 31.7.2014 "Customs Code", as amended;

<sup>7</sup> Article 46 "Freedom to Organization" of Albanian Constitution.

<sup>8</sup> Law no.9917/2008.

- Law no.8580, dated 17.2.2000 “On Political Parties”, as amended;
- Law no.9640, dated 9.11.2006 “On Chambers of Commerce and Industry”, as amended;
- Law no.7892, dated 21.12.1994 “On sponsorship”<sup>9</sup>,
- Law no.7895, dated 27.01.1995 “Criminal Code of Republic of Albania”, as amended;
- Law no.7905, dated 21.03.1995” Criminal Procedural Code”, as amended (‘CPC’);
- Law no.8391, dated 28.10.1998 “On the state intelligence service”, as amended<sup>10</sup>;
- Instruction of Minister of Finance 16/2009;
- Instruction of Minister of Finance 19/2019;
- Decision of Bank of Albania no.44/2009; and
- Other relevant legal provisions.

**19.** The following reports related to AML/CFT in Albania were consulted:

- Moneyval Mutual Evaluation Report for Albania 2018<sup>11</sup>
- 1st Enhanced Follow-up Report, December 2019<sup>12</sup>
- 2nd Enhanced Follow-up Report, April 2021<sup>13</sup>
- Assessment Report on Legal and Regulatory Framework on Anti Money Laundering for NPOs<sup>14</sup>
- Annual Report 2020 of Bank of Albania<sup>15</sup>
- U.S Department of State Country Reports on Terrorism 2020<sup>16</sup>
- EU Progress Report 2021<sup>17</sup>.

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

- The Interpretive Note to Recommendation 8 (see International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations 2012, updated 2016).
- The Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013).
- The International Best Practices: Combating the Abuse of Non-Profit Organisations (FATF, 2015).
- The Risk of Terrorist Abuse in Non-Profit Organisations (FATF, 2014).
- The Terrorist Financing Risk Assessment Guidance (FATF, 2019).
- Feedback from the FATF Private Sector Consultative Forum (Vienna, March 2016).

<sup>9</sup> Amended by Law no.9807, dated 20.09.2007.

<sup>10</sup> Law no.8391, dated 28.10.1998 “On the State Intelligence Service”, as amended, Article 9 provides: “The State Intelligence Service does not perform military or police activities. When SIS creates the conviction for a violation of the law, it informs the relevant institution, protecting the sources and methods of information”.

<sup>11</sup> <https://rm.coe.int/committee-of-experts-on-the-evaluation-of-anti-money-laundering-measur/1680931f70>

<sup>12</sup> <https://rm.coe.int/anti-money-laundering-and-counter-terrorist-financing-measures-albania/16809988c0>

<sup>13</sup> <https://rm.coe.int/moneyval-2021-2-fur-albania/1680a2982c>

<sup>14</sup> <https://partnersalbania.org/wp-content/uploads/2021/07/Assessment-Report-on-Legal-and-Regulatory-Framework-on-Anti-Money-Laundering-for-NPOs.pdf>

<sup>15</sup> [https://www.bankofalbania.org/Publications/Annual\\_Report\\_2020.html](https://www.bankofalbania.org/Publications/Annual_Report_2020.html)

<sup>16</sup> [https://www.state.gov/wp-content/uploads/2021/07/Country\\_Reports\\_on\\_Terrorism\\_2020.pdf](https://www.state.gov/wp-content/uploads/2021/07/Country_Reports_on_Terrorism_2020.pdf)

<sup>17</sup> [https://neighbourhood-enlargement.ec.europa.eu/albania-report-2021\\_en](https://neighbourhood-enlargement.ec.europa.eu/albania-report-2021_en)

# C. EXECUTIVE SUMMARY

21. This risk assessment was implemented in the framework of a Partnership Agreement between Partners Albania for Change and Development, General Directorate of Taxation, and GIZ. It was completed with support from Greenacre Associates and with funding from GIZ. It is in line with the commitment of the Government of Albania as a member of the Financial Action Task Force’s (FATF) Global Network<sup>18</sup> to combat the financing of terrorism.

22. The risk assessment meets the core FATF requirements in relation to Recommendation 8 and Immediate Outcome 10. Specifically, paragraph 8.1 of the FATF Methodology states that countries should:

8.1 (a) identify which subset of organizations fall within the FATF definition of NPO...;

(a) identify the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse;

(b) identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs.

23. The risk assessment identified the following 3 (three) types of NPOs as meeting the FATF definition of NPO.

	Type	Relevant law	Exclusively FATF NPOs
1	NPOs (including associations, foundations, centres, branches of foreign and international NPOs) registered in Albania <sup>19</sup> .	Law No.8788, dated 7.5.2001 on NPOs, as amended	Largely
2	Five religious communities established as legal entities through agreements with the Republic of Albania (ratified by the Albanian Parliament).	Law no. 8902 on the Agreement with the Holy Seat Law no. 9365 on the Procedures for the acknowledgement of the legal capacity of the legal entities of Catholic Church Law no. 10056_on the Agreement with the Albanian Muslim Committee Law no. 10057_on the Agreement with the Orthodox Church Law no. 10058 on the Agreement with the Bektashi community Law no. 10394 on the Agreement with the Evangelical Brotherhood	Yes
3	Albanian Red Cross	Law No.7864, dated 29.9.1994 on the Albanian Red Cross	Yes

<sup>18</sup> Albania is a member of MONEYVAL, the FATF-Style Regional Body for Europe

<sup>19</sup> NPOs which do not meet the following exclusions: a) Informal groups of people which do not meet the definition of legal arrangement; b) Legal persons or arrangements or organizations which are not established for ‘good works’, such as political parties, trade unions, or cooperatives which are primarily engaged in economic activities for the financial benefit of members; c) Legal persons or arrangements or organizations not engaged in the raising or disbursing of funds as a main purpose. This might include those sports clubs, social associations, or religious groups that do not or only incidentally engage in the raising or disbursing of funds.

24. Data used in this risk assessment included a survey of 153 NPOs; data submissions from the institutions (see Section A for the list); a questionnaire of 10 law enforcement and intelligence agencies (see Section A for the list); interviews with Orthodox church; a questionnaire of 15 financial institutions and reviews of laws, as well as other relevant literature. A combined qualitative and quantitative assessment was undertaken.
25. There are 4 known suspicions of terrorist financing abuse of NPOs under investigation in Albania.
26. The assessment considered:
- The size and nature of the overall TF threat in Albania;
  - Analysis of TF abuse of NPOs in other jurisdictions; and of other forms of financial abuse of NPOs in Albania;
  - Qualitative assessments of the likely nature of the risk from law enforcement, supervisory and NPOs officials.
27. Five possible TF threats to NPOs in Albania were identified.

**NPOs and NPO activities likely to be at increased risk of TF abuse**

1. NPOs with humanitarian aid and charity activity
2. Charity and/or educational activity of religious NPOs
3. Large sums of foreign funding from high-risk sources
4. Use of cash or alternative transactions outside of the formal banking system
5. Activities in remote areas

28. Four features, characteristics or activities were identified which increase the risk of TF abuse amongst NPOs in Albania.

**Likely TF Threat to NPOs in Albania**

1. Religious extremist groups (foreign)

How terrorists are likely to abuse NPOs

1. Foreign funding of local sympathisers associated with NPOs
2. Use of NPOs to disseminate extremist propaganda
3. Use of NPOs to recruit foreign terrorist fighters (FTF)

29. Overall, the risk assessment noted that there is no definitive evidence of the abuse of NPOs for terrorist financing in Albania, although there are four ongoing investigations. The perception of the risk varies, although it is notable that the authorities with direct responsibility for combatting terrorist financing consistently assess the risk as lower than other respondents. Whilst the overall assessment of the level of risk is not clear, there is more consistency on the specific risk factors (see above).

In this context, the overall inherent risk for terrorist financing abuse of NPOs in Albania was assessed as Low. For the majority of NPOs the risk is very low, while for the NPOs with humanitarian aid and charity activity, and religious organisations with educational and/or charity activity the risk is low-medium.

**Inherent FT Risk of NPOs in Albania**

**Low**

30. This risk assessment will be complemented by a separate Review of Mitigating Measures, which will review the adequacy of measures to mitigate the identified TF risks to NPOs and make recommendations for improvement.

# D. FATF NPOS

31. Paragraph 8.1(a) of the FATF Methodology states that countries should “identify which subset of organizations fall within the FATF definition of NPO”.
32. FATF defines the term NPO to cover “a legal person or arrangement or organization that primarily engages in raising or disbursing of funds for purposes such as charitable, religious, cultural, educational, social, or fraternal purposes, or for the carrying out of other types of “good works.”
33. This definition excludes:
- Informal groups of people which do not meet the definition of legal arrangement;
  - Legal persons or arrangements or organizations which are not established for ‘good works’, such as political parties, trade unions, or cooperatives which are primarily engaged in economic activities for the financial benefit of members;
  - Legal persons or arrangements or organizations not engaged in the raising or disbursing of funds as a main purpose. This might include those sports clubs, social associations or religious groups that do not or only incidentally engage in the raising or disbursing of funds.
34. FATF provides the following graph<sup>20</sup> to illustrate which NPOs should be covered by the risk assessment.

Figure 1: FATF NPOs



(Source: TF Risk Assessment Guidance, FATF).

## Identifying ‘FATF NPOs’ in Albania

35. On October 7th, 2021, the Local Assessment Team and an international consultant reviewed the guidance on “NPOs according to FATF” and the scope of Recommendation 8 for the risk assessments. The group identified which NPOs meet the FATF definition and should, therefore, be included in the framework of this risk assessment.
36. The activity of the local assessment team began by identifying all organizations in the country that are part of the non-profit sector, including those that:

<sup>20</sup> Figure 4.1, *Terrorist Financing Risk Assessment Guidance*, (FATF, 2019)

- are not commercial entities,
- are formed for a narrower and specific economic or political interest of their founders and members,
- are not acting for the promotion of “good works” or wider public interest.

The following categories were identified:

- Non-Profit Organisations regulated under Law no.8788 dated 7.05.2001 “On Non-Profit Organisations”, as amended, which are:
  - associations (including associations founded by foreign NPOs)
  - foundations (including foundations founded by foreign NPOs)
  - centres (including centres founded by foreign NPOs)
  - branches of foreign and international NPOs.
  - foreign NPOs performing activity in Albania without being registered for a time period not less than 30 consecutive days and no longer than 6 months (defined as temporary activity).
  - foreign NPOs performing activity in Albania without being registered<sup>21</sup> and in compliance to Albanian Constitution and legislation<sup>22</sup>.
  - informal groups of people who do not establish a formal membership organization.
- Social Enterprises, regulated under Law no.65/2016 “On Social Enterprises in the Republic of Albania”. These are NPOs regulated under Law no.8788 dated 7.05.2001 “On Non-Profit Organisations”, which have applied for and been granted additional benefits applicable solely to social enterprises.
- Religious communities established by specific agreements with the Albanian government. There are five such groups<sup>23</sup>, as follows:
  - Catholic Church (Law no.8902, dated 23.5.2002)
  - Orthodox Church (Law no. 10057, dated 22.1.2009)
  - Muslim Community (Law no.10056, dated 22.1.2009)
  - Bektashi Community (Law no. 10058, dated 22.01.2009)
  - Albanian Evangelical Brotherhood Community (Law no.10394 dated 10.03.2011).
- Branches of international religious groups and other religious groups which are organised under Law no.8788 dated 7.05.2001 “On Non-Profit Organisations”, as amended, but which are not recognised as Religious Community and do not have an agreement with the Albanian government.
- Red Cross, established according to the Law no.7864 dated 29.09.1994 “On the Albanian Red Cross”, as amended, and registered at NPOs Registry.
- Trade unions, regulated by special provisions included in the Labour Code (Law no.7961 dated 12.07.1995 “On the Labour Code in the Republic of Albania”, as amended).
- Political parties, regulated under Law no.8580 dated 17.2.2000 “On Political Parties”, as amended.
- Chambers of Commerce, regulated under Law no.9640 dated 9.11.2006 “On Chambers of Commerce”, as amended.
- Tenant associations, regulated under Law no.10112 dated 9.04.2009 “On Residential Condominium”, as amended
- Savings Credit Unions, regulated under Law no.52/2016 “On Savings Credit Unions”.
- Mutual Cooperation Organisations, regulated under Law no.8088 dated 21.03.1996 “On Mutual

<sup>21</sup> Foreign NPOs performing activity in Albania without being registered and in compliance to Albanian Constitution and legislation may perform activity regardless of the relevant legal provision (Article 11/1 para.2) stated in the NPOs Law. These foreign NPOs may operate through contracting employees or freelancers in Albania without having a legal presence in the Republic of Albania.

<sup>22</sup> Article 11/1 para.2 of Law no.8788 dated 7.05.2001, as amended.

<sup>23</sup> Albanian Inter-religious Council: [www.knfsh.al](http://www.knfsh.al)



Cooperation Organisations”, as amended.

- Agricultural Cooperation Organisations, regulated under Law no.38/2012 “On Agricultural Cooperation Organisations”.
- Unincorporated Business Improvement District (BID), regulated under Law no.63/2020 “On Business Improvement District (BID)”.
- Organisation of Employers, regulated by special provisions included in the Labour Code (Law no.7961 dated 12.07.1995 “On the Labour Code in the Republic of Albania”, as amended).
- Sport clubs and federations, regulated under Law no. 79/2017 “On Sports”, as amended, in the form of NPOs.
- Professional organizations regulated under the relevant special laws or under NPOs Law, such as National Bar of Attorneys, Notary Public, Mediators, Bailiffs, Auditors, Real Estate Appraisers, etc.
- Other Civil Society Organisations not mentioned above but recognised under the Law no.119/2015 “On the establishment and functioning of the National Council of Civil Society”.

## Analysis of all categories identified

37. The legal category of Non-profit Organisations under Albanian law on NPOs is broader than the FATF definition and includes some entities which are not FATF NPOs. However, the great majority of entities fit within the FATF definition, and for simplicity we will consider all NPOs as defined by the law as FATF NPOs. Categories excluded are the followings: (i) foreign NPOs operating short-term in Albania under state recognition without establishing a domestic legal presence (performing temporary activity); (ii) foreign NPOs operating through employees or freelancers in Albania without a legal presence are excluded as they are not legal entities or arrangements (i.e. simple association defined by article 1074 of Albanian Civil Code); (iii) informal groups of people that do not establish a formal membership organization; (iv) NPOs which are established to provide services for the own members and are not providing ‘good works’.
38. Religious communities established by specific agreements with government, branches of international religious groups, religious groups registered as NPOs fit within the FATF definition of NPOs. Unregistered religious groups are excluded as they are not legal entities or arrangements (i.e. simple association defined by article 1074 of Albanian Civil Code).
39. The Red Cross is established by a special law as a voluntary, mass, autonomous and independent humanitarian organization of the citizens. The humanitarian purpose and non-profit operation of this organization obviously meets the criteria of the definition.
40. Unincorporated informal arrangements, organisations and groups are excluded. The legal and regulatory system in Albania provides strong requirements for informal NPOs to formalise their status should they wish to engage in any meaningful raising or dispersal of funds. As a result, we have assessed informal NPOs do not raise or cannot disperse funds in any materially significant way without being duly incorporated and registered in Albania.
41. Trade unions, political parties, chambers of commerce, tenant associations, savings credit unions, mutual cooperation organisations, agricultural cooperation organisations and organisations of employers, organisations of professionals, and sports clubs & federations were excluded from the scope of the definition because they are formed for a narrower and specific social, economic or political interest of their founders and members, and not for the promotion of “good works” and wider public interest.
42. Contractual organisation ‘Business Improvement District (BID)’ and BID Organisations which are established and registered as NPOs, are excluded, as they combine both ‘good works’ and commercial interests.
43. Other Civil Society Organisations not mentioned above but recognised under the Law no.119/2015 “On the establishment and functioning of the National Council of Civil Society” are excluded as there is no evidence that there are other forms in practice.
44. To summarise, the following three categories include legal entities that are FATF NPOs.

Note: not all entities in these categories fall under the FATF definition of NPO.

*Table 1. NPOs in Albania that comply with the FATF definition.*

	Type	Relevant law	FATF NPO
1.	NPOs (including associations, foundations, centres, branches of foreign and international NPOs) registered in Albania.	Law on NPOs	Largely
2	Five religious communities established as legal entities through agreements with the Albanian government.	Agreements with government	Yes
3	Albanian Red Cross	Law on Albanian Red Cross	Yes

# E. PROFILE OF FATF NPOS IN ALBANIA

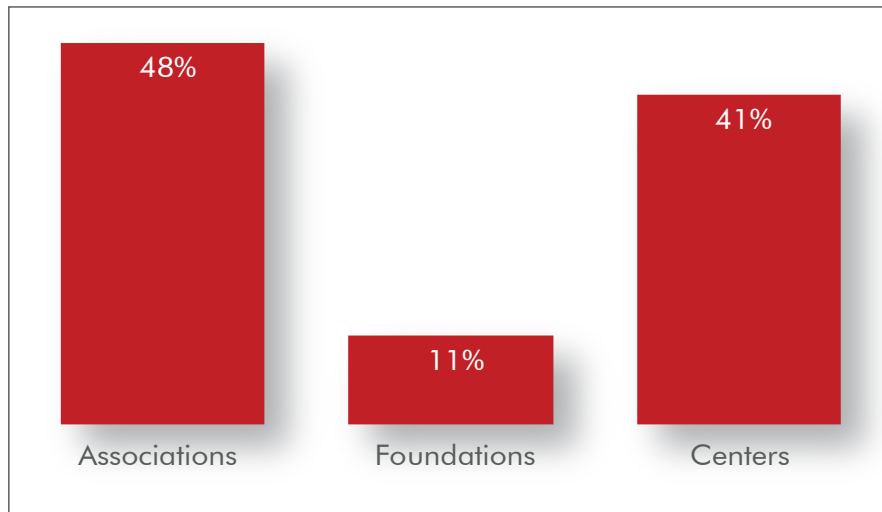
45. Three categories of organisation have been identified as FATF NPOs. These are:
1. NPOs (including associations, foundations, centres, and branches of foreign and international NPOs) registered in Albania according to the Albanian Law on NPOs;
  2. Five religious communities established as legal entities through agreements with the government.
  3. Albanian Red Cross.
46. By the end of 2020, there were 11, 962 NPOs in total registered at the NPOs Registry at Tirana Judicial District Court, the sole public authority entitled with the registration of NPOs in the country. Out of these, until May 2021, there were 5,295 organisations registered at the General Directory of Taxation (GDT), from which only 2,372 have an active status. These organisations are divided by the GDT, into three categories: religious, humanitarian, and charitable organisations (3.1%), political organisations (1.1%), and non-profit organisations (95.8%).
47. NPOs are governed by the main relevant existing legislation which includes, but is not limited to, the Albanian Constitution, as amended, Civil Code ('CC'), as amended, Law no.8788 dated 7.05.2001 "On Non-Profit Organisations", as amended ('NPOs Law') and Law no. 80/2021 "On the registration of non-profit organisations". Foreign NPOs perform their activities in Albania in compliance with the Albanian Constitution and to the legislation of non-profit organisations.
48. Currently, there are five religious communities established in Albania by specific agreements with Albanian government: These are Orthodox Church, Catholic Church, Muslim Community, Bektashi Community, and Albanian Evangelical Brotherhood Community. There are also, branches of international religious groups and other religious groups which are organised under Law no.8788 dated 7.05.2001 "On Non-Profit Organisations", as amended, but which are not recognised as Religious Community and do not have an agreement with the Albanian government.
49. The regulations in place do not require the registration or licensing of religious groups, but a religious group must register with the Tirana District Court as a non-profit organisation to qualify for certain benefits, including opening a bank account, owning property, and exemption from certain taxes; if registered, the religious non-profit organisation is subject to the relevant legal provisions as any other non-profit organisation duly established and registered in the Republic of Albania.
50. The Red Cross is established according to Law no.7864 dated 29.09.1994 "On the Albanian Red Cross", as amended, and registered at the NPO Registry.
51. The analysis in this section is based on a survey conducted with 153 NPOs, out of 2,372 active NPOs registered at the GDT (until May 2021). The sample was selected randomly from the list of active NPOs provided by the GDT, and the contacts were extracted by Partners Albania' database of NPOs used for the survey with NPOs for the preparation of the annual country report "Monitoring Matrix on Enabling Environment for Civil Society Development". Participation in the survey was based on their willingness to participate in the survey. The survey was carried out during July - August 2021 through telephone. The confidence level is 80% and the real value is within  $\pm 5\%$  of the measured/surveyed value.

52. One challenge faced was regarding the identification of contact information of religious organisations. Based on the list provided by GDT<sup>24</sup>, PA researched the online communication platforms of these organisation to identify some contact information. In most of the cases, the information provided was not accurate, did not match the organisation, or the number and the email addresses did not work. It was also noted lack of willingness to participate in the survey.

53. Observations from the survey with NPOs:

According to the legal form, 48% of surveyed NPOs are associations, followed by centres (41%) and 11% foundations.

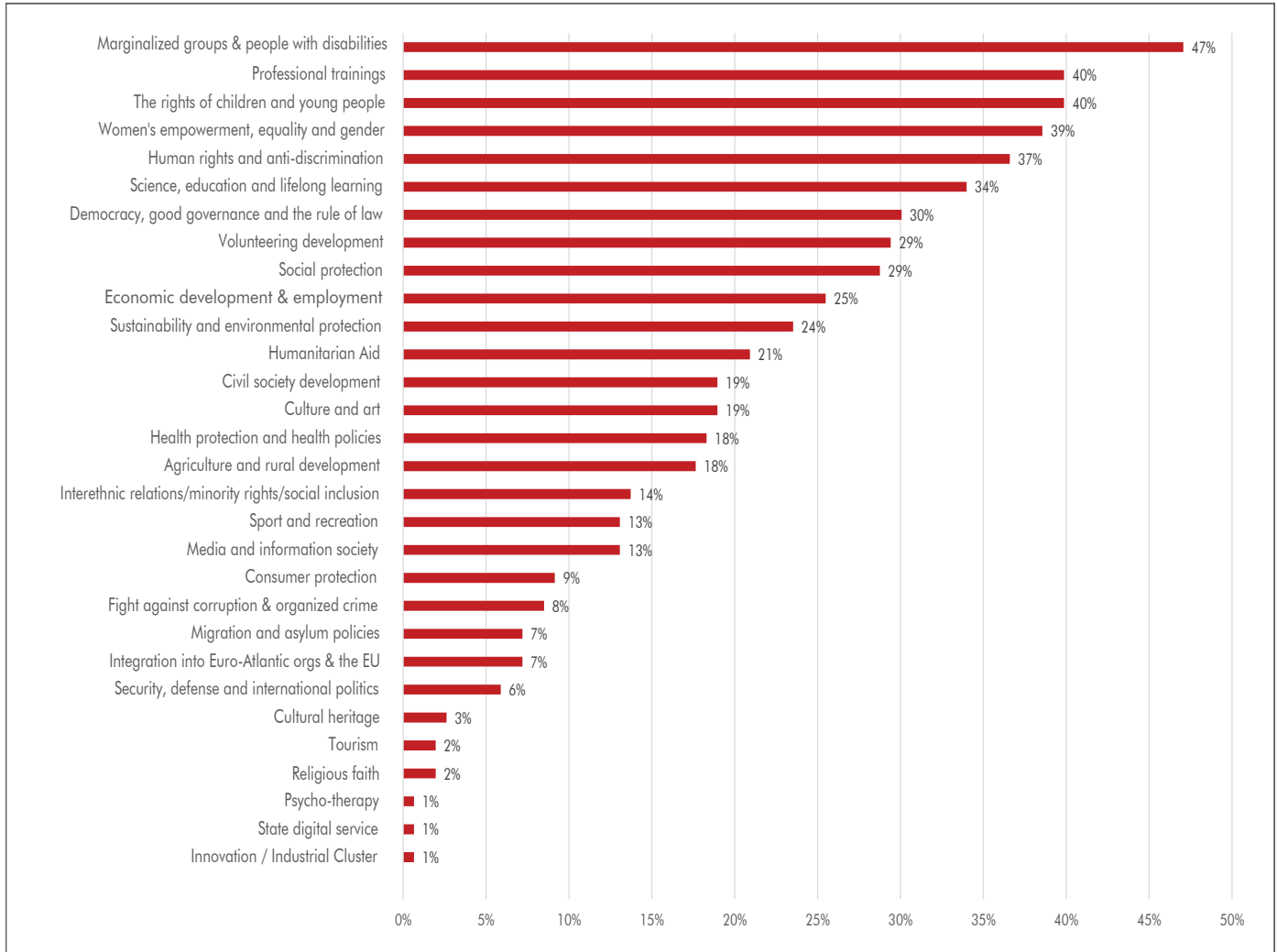
**Figure 2: NPOs by legal form (Source: NPO survey; no. = 153 NPOs)**



Providing assistance to marginalized groups and people with disabilities is the largest category of surveyed NPOs' activity. 47% of NPO respondents report it as an activity. The right of children and young people, as well as professional trainings activities, are reported by 40% of the respondents, while human rights and anti-discrimination is reported by 37%.

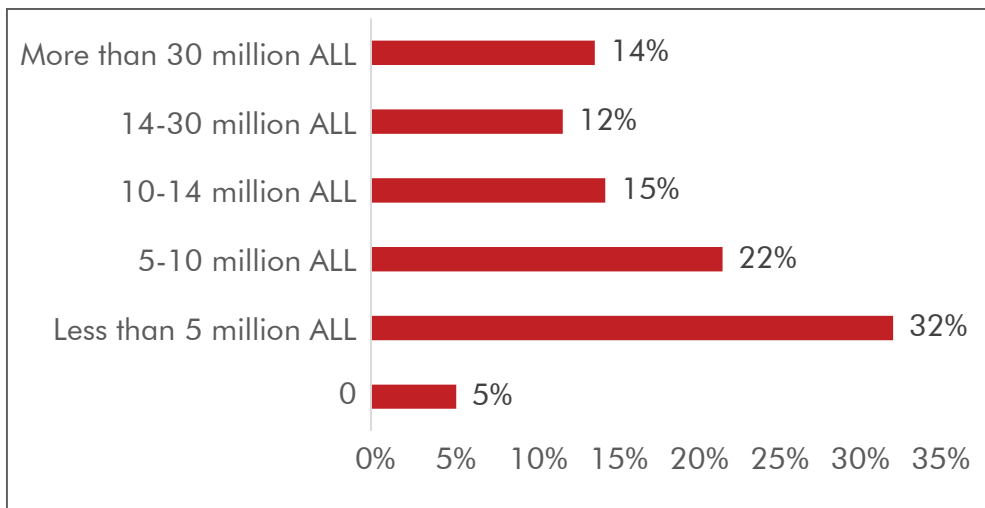
<sup>24</sup> Due to confidential issues, the contact information of NPOs such as telephone and email addresses were missing in the database provided by the General Directory of Taxation

**Figure 3: NPOs' activities (Source: NPO survey; no. = 153 NPOs)**



Most of the surveyed NPOs have reported incomes of less than 5 million ALL (approx. 41,000 EUR) in the last year (2020), while 8 NPOs report to not have received funding by any source of incomes for the last year (2020) to support their activities.

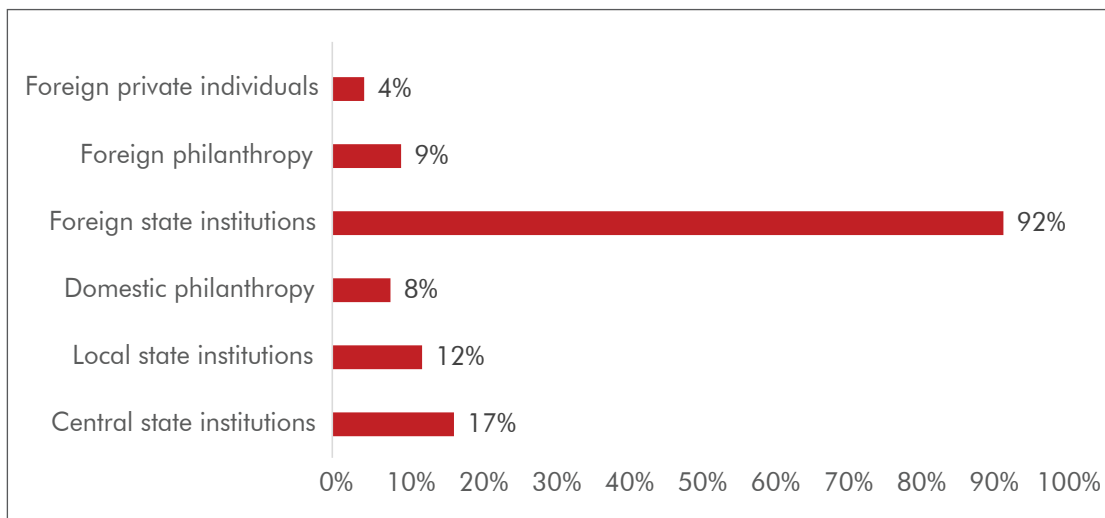
**Figure 4: NPOs by income band (Source: NPOs survey; no. = 153 NPOs).**



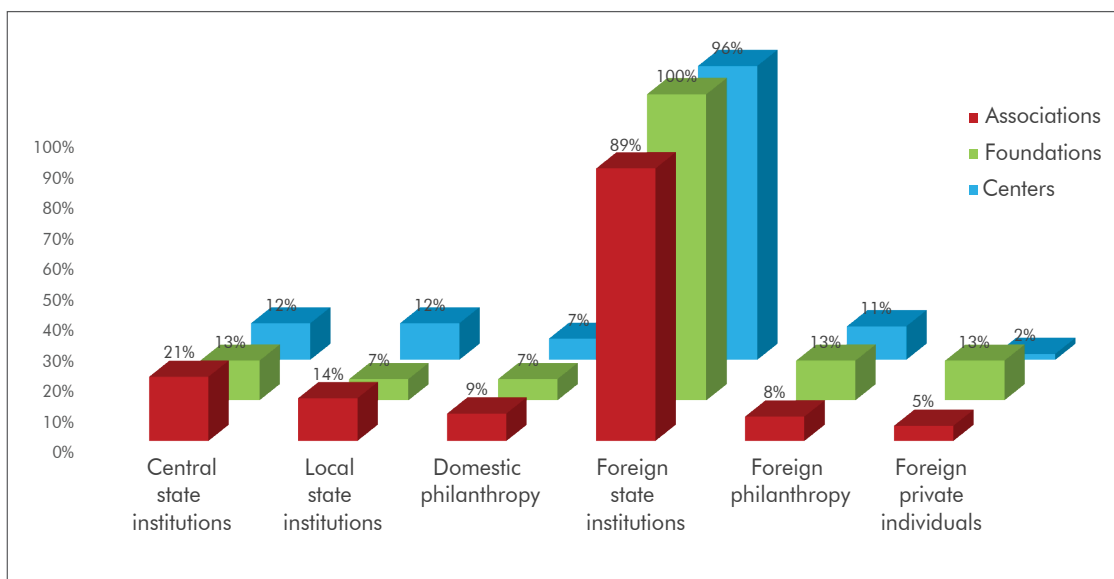
**Grants and agreements are the biggest source of incomes for NPOs.** When asked to select the sources of incomes that account for more than 5% of their total income, 90% of NPOs have selected grants or contracts. From this pool of NPOs, 92% of them received funds through grants and agreements with foreign state institutions. The

majority of NPOs that provide assistance for marginalized groups and people with disabilities, social protection, and humanitarian aid, report receiving funds from grants and contracts with foreign philanthropy and foreign private individuals, too.

**Figure 5: The provider of grants or contracts (Source: NPOs survey; no. = 138 NPOs)**



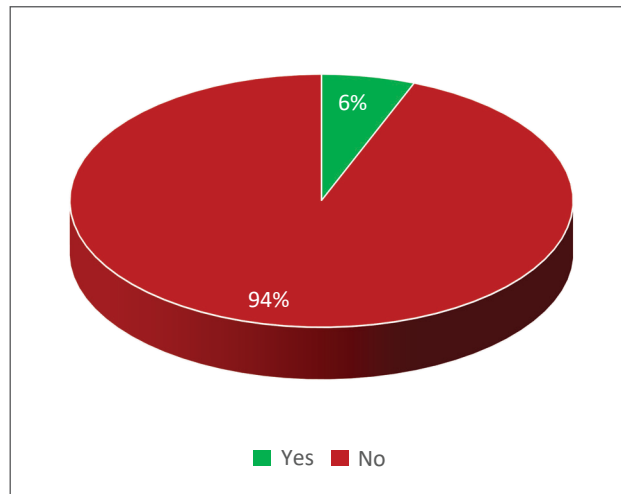
**Figure 6: The provider of grants or contracts, according to the legal form of NPOs (Source: NPOs survey; no. = 138 NPOs) \***



\*This result is calculated for 138 NPOs (66 associations, 15 foundations, and 57 centers) which report to have incomes from grants or contracts

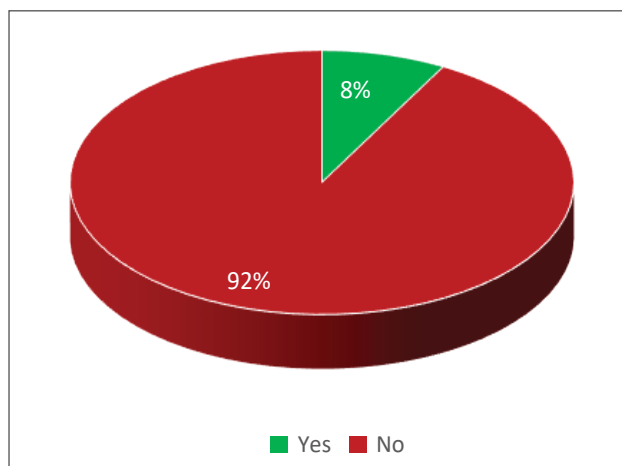
**Cash donations are rare.** Only 6% of surveyed NPOs report to receive cash donations which account for more than 5% of their total income. Private individuals are more likely to donate in cash, followed by corporation and NGOs.

Figure 7: Cash donations to NPOs (Source: NPOs survey; no. = 153 NPOs)



Referring to other sources of incomes it is observed that few NPOs have more than 5% of incomes coming from these sources, as follows: very few associations from the membership fee, 5% of surveyed NPOs from non-financial support, 3% of surveyed NPOs from sales of goods or services, and none of the surveyed NPOs from investments.

Figures 8: Source of incomes from membership fees (Source: NPO survey; no. = 73 NPOs)



**None of the surveyed NPOs report to receiving funds which account for more than 5% of their total income from non-banking, channels such as money service providers, or crypto-currencies.**

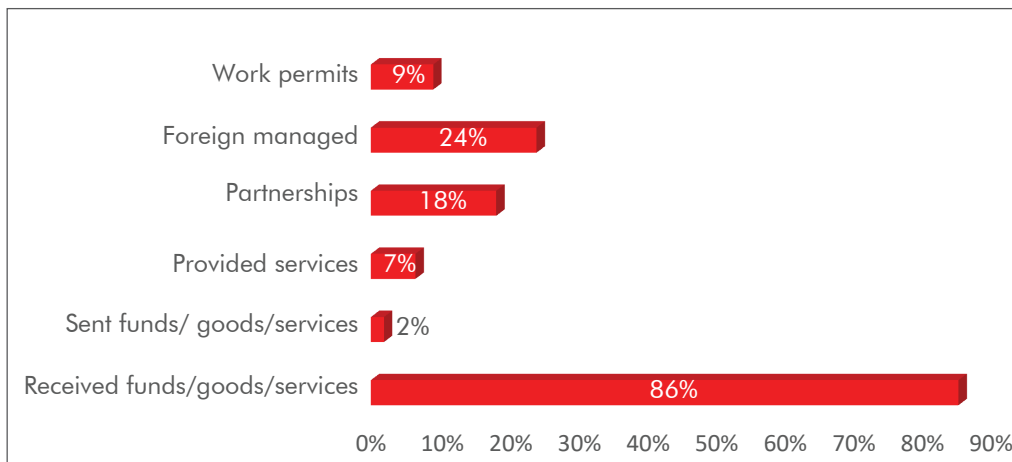
NPOs participating in the survey were asked to provide details on their foreign links. Specifically, they were asked if they:

- received funds, goods, or services
- sent money or goods directly to people in need
- provided services or run projects
- worked in partnership with NPOs in other countries
- was/is established, overseen, and/or managed by foreign citizens
- employs or has obtained work permits for foreign citizens

Survey data shows that Albania is a strong net importer of funds. A large majority of surveyed NPOs (86%) receive foreign funds, goods, or services from other countries. On the contrary, a very small minority (2% or 3 organisations) sent funds or provide services in other countries. These are all associations having different types of activities, such as women's empowerment, equality and gender policies, assistance for marginalized

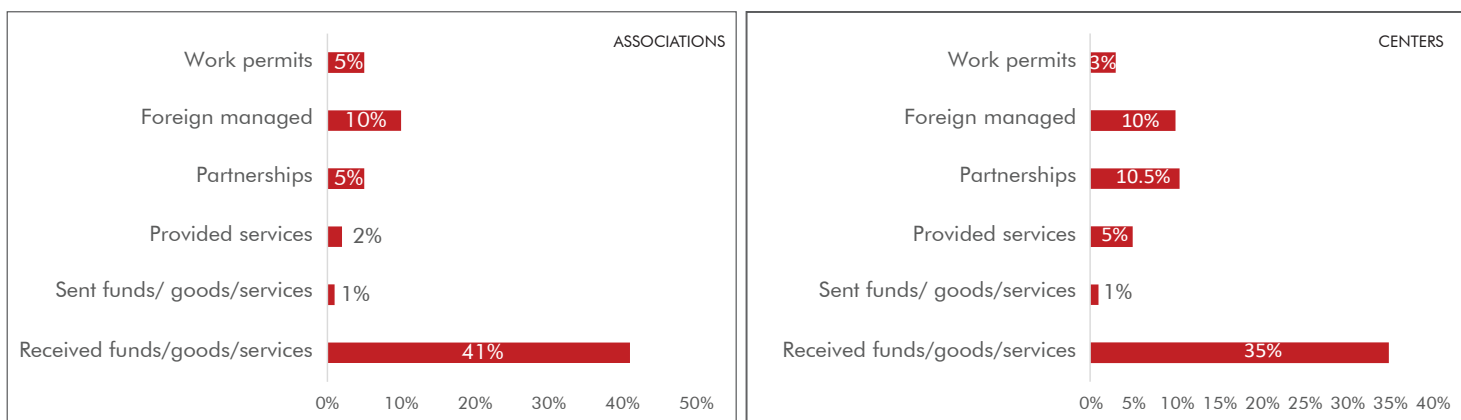
groups and people with disabilities, social protection, human rights and anti-discrimination, and educational and professional trainings. Two of them have been established, overseen, and/ or managed by foreign citizens. Two of them have an income of over 30 million ALL and only one has an annual income between 14 – 30 million ALL.

**Figure 9: Foreign links (Source: NPOs survey; no. = 153 NPOs)**



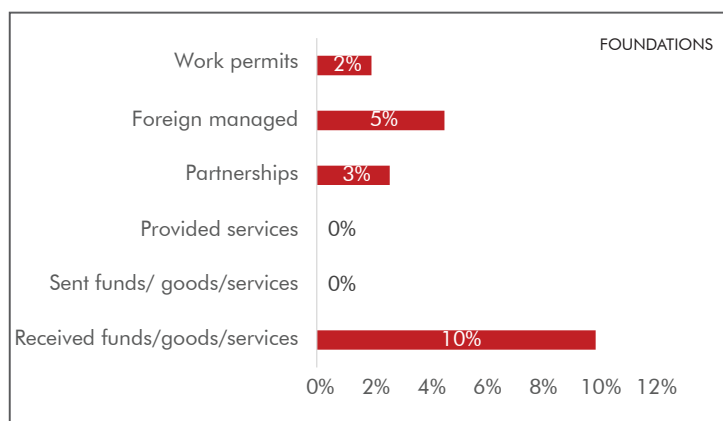
It is observed that centres and associations are more likely to have partnerships from abroad (10.5% / 10%), or to be found and managed by foreign citizens (10% / 10%).

**Figures 10 and 11: International dimensions of centres and association (Source: NPOs survey; no. = 63 centres and 76 NPOs).**



By contrast, very few foundations have partnerships or are created and managed by foreign citizens.

**Figure 12: International dimension of foundations (Source: NPO survey)**





# F. THE NATURE OF THE TF THREAT TO NPOS IN ALBANIA

54. Paragraph 8.1(b) of the FATF Methodology states that countries should “identify the nature of threats posed by terrorist entities to the NPOs which are at risk as well as how terrorist actors abuse those NPOs.”
55. This part of the risk assessment assesses the nature of the threat. This assessment combines quantitative data (evidence of that threat being manifest) and qualitative data (expert views on what the threat is likely to be).

## Albania and the Terrorist Financing Threat – Literature Review

56. Albania undertook its first National Risk Assessment (NRA) of money laundering and terrorist financing risks in 2012, the second one in 2015, and the last in 2019, which covers the NPO sector, too. The process was coordinated by the GDPML, with input from a range of public sector representatives including state intelligence, Law Enforcement Authorities (LEA), and supervisory authorities. The data used for the last national assessment covered the 2015-2018 period.
57. The NRA provides an analysis of risk-mitigating factors, risk-increasing factors (vulnerabilities), threats, and consequences of the use of each financial and DNFBP (Designated Non-Financial Business and Professions) sector. It also analyses overall threats and vulnerabilities using data on criminal offenses, activities of public sector bodies (e.g. border controls, police actions, international cooperation, prosecutions, confiscations), and open sources. The methodology used for the NRA was self-elaborated.
58. Albania classifies its TF risks as “low”, justifying this by the low level of terrorism threats in the country. However, according to the NRA (period 2010-2014), there was an increase of religious radicalism observed and there were cases of recruitment of FTFs (Foreign Terrorist Fighters) identified. There has been a limited number of successful counter-terrorism prosecutions and convictions, which include indictments in foreign fighting cases linked to the Syrian conflict since 2014. However, no prosecutions and convictions of TF (terrorist financing) offenses have occurred either as a stand-alone prosecution or as a part of a counter-terrorism prosecution. (MER 2018)
59. According to the authorities, the main terrorism-related threat in Albania is the phenomenon of religious-based extremism/radicalism manifested in either local or regional, isolated terrorist attempts or recruiting and financing persons travelling to take part in conflicts abroad (FTFs). Such activities benefit from different factors, such as the strategic geopolitical position of the country, the lack of language barriers in the neighbouring region, inadequate awareness in domestic religious communities, low economic level in certain groups of society that facilitates the dissemination and embracement of extremist doctrines and the lack of proper experience of domestic authorities in relevant field. (MER 2018)
60. According to the Mutual Evaluation Report of 2018, the TF risk assessments in the NRAs are very limited and contain limited analysis of TF risks. None of the NRAs have been published. Neither of the NRAs was followed by a written action plan or formal strategic document to address the identified risks.<sup>25</sup>

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<sup>25</sup> MER 2018 is referred to the NRAs of 2012 and 2015. While, according to the information from FIU, the NRA 2019 was associated with an action plan with concrete measures and deadlines. The measures were implemented during the 2021-2022 period.

61. The 2018 Mutual Evaluation notes that there have been no convictions for TF offenses in Albania. Albanian authorities have confirmed that there was only one case where criminal proceedings for TF had been registered during the evaluation period while the rest of the TF-related figures quoted in the NRA had apparently been wrong (they actually relate to separate acts of terrorism consisting of the destruction of electricity transmission towers without any related TF charges). The only criminal organisation that has ever been prosecuted and convicted in Albania for such crimes (Genci Balla case) had recruited 74 Albanian citizens who left the country from 2012 to 2014 to fight for the ISIS.
62. According to MER 2018, the number of STRs related to the suspicion of TF appears negligible to the total number of reports, although the figures show a steady increase. This is due to enhanced awareness of the REs and not because of the actual increase in TF-related transactions. Most of the STRs were made by banks.

### GDPML referrals of TF

	2011	2012	2013	2014	2015	2016	2017
TF-related STRs	1	3	4	8	6	29	2
TF-related referrals	0	1	1	3	2	8	3

63. The MER of 2018 noted the lack of a systematic approach to identifying and investigating financing aspects of terrorism-related offenses, and was concerned that financial aspects of terrorism-related offenses are not always properly investigated. In addition, it noted that the perception and understanding of TF-related risks do not seem to adequately address the characteristics of potential TF activities in the country and the region. Intelligence and LEAs appeared vigilant to terrorist risks but failed to demonstrate an adequate understanding of related financing risks.
64. The “U.S Department of State Country Reports on Terrorism 2020”<sup>26</sup> stated that the terrorism threat in Albania includes FTFs returning from Iraq and Syria and ISIS sympathizers’ attempts to radicalize Albanian youth to violence, as well as Iran’s state-sponsored activity directed primarily against the Iranian resettled opposition group Mujahedeen-e-Khalq, members of whom resettled in Albania. It notes that there were no reported terrorist incidents in Albania in 2020.
65. The “EU Albania 2021 Progress Report”<sup>27</sup> found that the perception and understanding of TF related risks do not seem to adequately address the characteristics of potential TF activities in the country and the region. It noted that religious radicalism and cases of recruitment of foreign terrorist fighters (FTFs) had increased in Albania in the covered period.
66. The Global Terrorist Impact 2021 ranks Albania as 93<sup>rd</sup> globally in the national occurrence of terrorist attacks, with “no impact”.

## The Terrorist Financing Threat to NPOs in Albania - Literature Review

67. As noted in FATF evaluations, the Albanian authorities have twice assessed the terrorist financing risks to NPOs.
- In 2012 the GDPML issued a document “Assessment of Non-Profit Sector in Albania”
  - In 2015 limited analysis of NPO sector risk was conducted within the scope of the NRA.

Neither of these two analyses identifies the subset of organisations that fall within the FATF definition of NPO.

<sup>26</sup> <https://www.state.gov/reports/country-reports-on-terrorism-2020/>

<sup>27</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021SC0289>

68. Further work was conducted in 2015-2016, separately from the two risk-assessment exercises mentioned above. The GDPML, involving the GDT and the SIS, initiated a one-year-long assessment of a certain number of NPOs involved in charitable activities from the prospective of combating TF. All the assessed NPOs were of Albanian origin. The SIS provided the GDPML with a list of NPOs considered to be exposed to TF risks, as per SIS criteria and data. The GDT provided respective data on these NPOs (e.g. data on the structure, donors, tax-related information). The GDPML performed a detailed analysis extending to bank information and full supervisory documentation from the GDT. Special attention was paid to the conduct of persons within the management (directors, administrators) of the NPOs. The assessment concluded that the analysed NPOs were not involved in TF. The outcomes of this exercise were shared only with the SIS.
69. An earlier Mutual Evaluation in 2015 noted suspicions of TF related to NPOs controlled by foreign entities (including those listed by the relevant UNSCRs) in the early 2000s. There were concerns that these NPOs served as hubs to channel money into Albania for the purpose of disseminating materials encouraging religious fundamentalism. As a result of governmental actions, most of the approximately 25 suspect NPOs ceased to exist or function in Albania by around 2010. Their financial support from existing radical religious groups (e.g. improvised mosques with self-proclaimed imams spreading extremism) received from abroad is now mainly carried out by cash couriers transporting small but steady sums of money. According to authorities, such support is not coming directly from actual terrorist organisations. In addition, money collected from unknown believers has also been used for TF purposes by organisers and recruiters of FTF.
70. The MER 2018 reports that according to the GDPML, there were 28 STRs in total, which were submitted by the REs on NPO activities during the evaluation period. Although these appeared to be STRs related to ML rather than TF cases, these statistics can be indicative of the role of the REs played as a gatekeeper. In addition, the GDPML reported 2 cases initiated based on the STRs received from the banks, in relation to NPOs being suspected of TF/radicalism/extremism over the period under consideration: 1 case in 2013 and 1 case in 2014. The case in 2013 was related to an incoming wire transfer in the amount of 16,701 EUR, from a country in the Middle East, from a sender involved in TF. The other case was related to the misuse of the NPO funds for the radicalisation purposes. Both cases have been transferred by the GDPML to LEAs for further investigations, which had not been completed at the time of the on-site visit.

## Quantitative Data

71. Written requests for data on terrorist financing in the NPO sector were sent to 10 government agencies and public institutions. These agencies and institutions were asked to provide data for the last five years, on:
- Convictions or prosecutions of NPOs for terrorist financing (TF);
  - Request for mutual legal assistance or similar requests (formal inter-governmental requests for information) related to NPOs;
  - Investigation of NPOs for TF;
  - National security/ intelligence actions of NPOs for TF;
  - Regulatory interventions of NPOs for TF;
  - Statistics for Suspicious Transaction Reports (STRs)/Suspicious Activity Reports (SARs) related to NPOs;
  - Exchange of information (supervisors, FIU, law enforcement) for TF to NPOs;
  - And other issues not covered above related to NPOs for TF.
72. The team received responses from nine (9) government agencies and public institutions.
73. Five (5) cases of conviction or prosecution of NPOs for TF were referred from the Albanian State Police (ASP). Four of these refer to NPOs under investigation, while the investigation for 1 NPO was terminated because of the lack of pieces of evidence and absence of proof. According to the information provided by ASP, the 4 NPOs are under investigation because NPOs have received a considerable or high amount of funds through banking channels from countries considered with risks as Qatar, Kuwait, Iran, Saudi Arabia, as well as from the United Kingdom (1 case). Their aim and activities are focused on education, particularly

of the young generation, encouragement, and promotion of Islam (3 cases) and Shia religions (1 case). Two of them are Albanian-owned while the other two are foreign-owned. The ASP reports having received as well as the exchange of information with the FIU authority for all cases.

74. Four (4) cases of NPOs suspected of tax evasion, with a value of 54,196,234 ALL have been referred for investigation by the General Directorate of Taxation (GDT). Three cases are referred for criminal offenses: Concealment of Income, as stipulated in article 180 of the Criminal Code of Albania. Characteristics of these NPOs and their activities are diverse, such as natural resource management, activities in the field of education and culture, nursing homes for the elderly and people with aggressive mental illnesses, and activities of associations, economic and employers' organizations.
75. GDPML reported that the number of SARs<sup>28</sup> referred by reporting subjects with suspicions of TF related to NPOs is very low compared to the total number of SARs. So, for the period of 2015-2018, only 10 out of 5,520 SARs were related to NPOs (0.18%). The same trend is observed for the period of 2019 – 2021, with about 2 -3 SARs per year related to NPOs. Being an intelligence unit, GDPML exchanges information on suspicions for TF with the Prosecution office, Albanian State Police (ASP), and the General Directorate of Taxation (GDT) as the NPOs' supervisory authority. The typology of these cases includes:
- Frequent withdrawal from the account of NPO that operates in Albania without a supporting or compelling document on the use of fund;
  - Transfers in the form of donations to NPOs from foreign donors without a supporting or compelling document;
  - Cash deposits in the account of the NPO form a funding source not supported with documents.

## Qualitative Data

76. In addition to a written request for data, a survey was conducted with the same government agencies and public institutions through which they were canvassed on their opinion on the TF threat's nature to NPOs in the country. A similar survey was conducted with financial institutions. The survey was sent to all financial institutions in the country (12 banks and 32 non-bank financial institutions). 15 responses were received: 7 banks and 8 non-bank financial institutions) (see Section A for details). The main findings related to the nature of the TF threat to NPOs are as follows:
77. Almost all financial institutions and most of the public institutions identified NPOs working on charity, humanitarian aid, and especially on the promotion of religious ideas as more at risk for TF.
78. ASP stated that NPOs may be exploited to spread radical ideas that do not fit with the traditional religious community. Cash flows used for radicalization purposes come from abroad and are channelled through branches opened in Albania with an Albanian or foreign administrator.
79. Transferring and use of funds on behalf of terrorist organisations or individuals related to these organisations are mentioned as a low-risk threat from the ASP, considering that there is no evidence of NPOs established in Albania that operate in conflict zones (related to terrorism) or their border areas, NPOs established in conflict zones (related to terrorism) or their border areas, or NPOs involved or with risk of person recruitment.
80. The TF threat to NPOs, according to GDT is related with exploitation of NPOs from terrorists and terrorist organisations that fund terrorism activities to raise funds, to offer logistic support, and to encourage or facilitate recruitment of terrorists. The last is also mentioned by a bank, which considers that the nature of TF risk can be of an economic nature, too. Provision of economic aid to poor people can be used to channel suspicious funds and recruit these local people to engage in terrorist acts. Working with marginalised groups, exposes NPOs to the threat of involvement in their daily activity of people and illicit financial flow. A high level of poverty is considered a threat by two banks.
81. The presence of a group of individuals such as mujahedeen, Afghan refugees, returnees from the war in Syria, and strong alliances with Western countries that are mainly the target of terrorism, are considered as a risk factors by a financial institution.

<sup>28</sup> Suspicious Activity Reports

## Identifying the Nature of the Threat

82. There is broad consensus in national risk assessments and external evaluations that the terrorism and terrorist financing threat in Albania are low. Despite some inadequacies noted in the risk assessments undertaken by the authorities as well as in the authorities' ability to detect or investigate TF, none of the external evaluations reviewed questioned this underlying assessment that the threat was likely to be low.
83. The perception survey with public authorities and financial institutions (and also the legislative response) stands in contrast to the conclusions of these assessments, with a widely shared opinion that NPOs have a higher risk for TF purposes, varying from low to medium from public institutions, and from medium to high from financial institutions. These may be a legacy of the challenges the authorities faced with religious radicalisation from 2000-2010.
84. Whilst there have been no terrorist incidences, the qualitative evidence revealed a small number of terrorist financing suspicions, with four investigations and a small number of STRs.
85. The threat assessments and qualitative evidence ultimately reveal a broad consensus that there is a potential threat from extremist influence on domestic religious groups. This may be manifested in three ways: funding of local radical actors by foreign groups; the dissemination of extremist materials; and support for foreign terrorist fighters.

## Conclusion

86. The lack of terrorist incidences and various risk assessments point to a low terrorist threat level. Nevertheless, ongoing and historic investigations as well as broader threat assessments point to a potential threat from religious extremist groups, particularly from abroad. However, the deficiencies noted in threat assessments to date and the lack of consistency in the responses mean that this conclusion is not presented with a high level of confidence.

### Likely TF Threat to NPOs in Albania

1. Religious extremist groups (foreign)

### How terrorists are likely to abuse NPOs

1. Foreign funding of local sympathisers associated with NPOs
2. Use of NPOs to disseminate extremist propaganda
3. Use of NPOs to recruit foreign terrorist fighters (FTF)

# G. IDENTIFYING NPOS POTENTIALLY 'AT RISK' OF TERRORIST FINANCING

87. Paragraph 8.1(a) of the FATF Methodology states that countries should “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”
88. This part of the risk assessment focuses on the common factors or features of TF risk in NPOs in Albania. What is the risk that an NPO could be abused for TF purposes? Are there particular types of NPO, or particular activities, which are inherently riskier? This assessment combines quantitative data (evidence of that risk being manifest) and qualitative data (expert views on what the risk is likely to be).

## Known incidences of terrorist financing in the NPO sector

89. Written requests for data on terrorist financing in the NPO sector were sent to 10 government agencies and public institutions. These institutions were asked to provide data on:
- Convictions or prosecutions of NPOs for terrorist financing (TF);
  - Request for mutual legal assistance or similar requests (formal inter-governmental requests for information) related to NPOs;
  - Investigation of NPO for TF;
  - National security/ intelligence actions of NPOs for TF;
  - Regulatory interventions of NPOs for TF;
  - Statistics for STRs/ SARs related to NPOs;
  - Exchange of information (supervisors, FIU, law enforcement) for TF to NPOs;
  - And other issues not covered above related to NPOs for TF.
90. As noted in part E, the team received responses from seven (7) government agencies and public institutions, out of eight (8) requests sent. The Special Anti-Corruption and Organised Crime Structure did not respond.
91. Five (5) cases of investigation for terrorist financing have been reported by the ASP. One of the cases has been suspended for lack of evidence, while the other four are still under investigation. All cases have been or are under investigation for receiving significant amounts of money through the banking system from foreign NPOs with suspicious for TF and ML, or from countries considered with risk of TF.

### *Case study 1 Anonymous*

The NPO is operating in Albania for 22 years. It is a charitable organisation and its main activities are related to constructions of mosques, madrasah, and houses for the poor, support for orphans, Islam education, etc. It operates in Elbasan, Kavaja, Shkodër, etc. It is a branch of a foreign organisation for which there have been suspicions that the activity implemented by the organisation is different from the charity activity, as well as for misuse of funds, for purposes other than the license was granted. From the results of the verification that the organisation has circulated a significant amount of money through the banking system. In 2005, the bank accounts of the organisation and school built by it, have been seized based on the criminal proceedings for the criminal act "Terrorist financing", foreseen in article 230/a of the Penal Code. The sanctions were suspended on 23.06.2015 for lack of evidences.

### *Case study 2 Anonymous*

The NPO is under investigation for a transaction received from an NPO established in the United Kingdom. The NPO aims to "promote and propagate the religious faith; the development and spread of the Muslim religion; educate public opinion and particularly the young generation in the spirit of knowledge of the Muslim religion and improve the spiritual life of Muslim believers". The NPO is Albanian owned.

### *Case study 3 Anonymous*

The NPO is under investigation for the transactions conducted through the banking system from Qatar. This NPO is a branch of a mother NPO based in Qatar, suspected to be used by the listed elements for issues of terrorist financing or money laundering. The NPO aims to "promote and propagate the religious faith, the development and spread of the Muslim religion, educate public opinion and particularly the young generation with the spirit of knowledge of the Muslim religion, and improve the spiritual life of Muslim believers." The NPO is foreign-owned.

### *Case study 4 Anonymous*

The NPO is under investigation for significant amount of money received from Iran, which is considered a threat due to the presence of Mujahideen community in Albania. The NPO is foreign-owned. The NPO aims to "Promote and propagate the Shia religious faith in Albania".

### *Case study 5 Anonymous*

The NPO is under investigation for receiving significant amounts of money from countries considered at risk as Qatar, Kuvajt, and Saudi Arabia. The NPO is Albanian-owned. Its activity is oriented toward promotion of Islam religious through the publication of books, courses, etc.

92. The GDPML reported that the number of SARs (suspicious activity reports) for suspicions of involvement of NPOs in TF is very low compared to the total number of SARs. For the period of 2015- 2018, a total number of 10 out of 5,520 SARs were sent with suspicions of TF related to NPOs (0.18%). The same trend is observed for the period 2019 - 2021, during which only 2 -3 RADs per year have been identified as suspicious for TF related to NPOs. Also, GDPML reported that they do not have data/indications for the presence of terrorist financing in the NPO sector.

93. Other cases of investigation not related to TF are reported by the GDT. Four cases of NPOs suspected of tax evasion, with a value of 54,196,234 ALL, and three cases of NPOs are referred for criminal offenses of concealment of income, as stipulated in article 180 of the Criminal Code of Albania. Characteristics of the NPOs and their activities are diverse, such as natural resource management, activities in the field of education and culture, nursing homes for the elderly and people with aggressive mental ill, and activities of economic and employers' associations and organizations.
94. One case of passive corruption was reported by the Albanian Court, involving an NPO whose purpose is to contribute to conflict resolution and other disputes, to prevent the phenomena of fratricide.
95. Based on the data received from interviews with public institutions, it can be concluded that the number of cases of NPOs suspected or investigated for TF is low. The main characteristics of abuse are transfer of significant amounts of money through the banking system from foreign NPOs or countries at risk. Other abuses reported include tax evasion, passive corruption, and concealment of income.
96. The other institutions did not report any data on the above issues.

## Literature review

97. Albania has made some attempts to assess ML/TF risks related to NPOs operating in the country. In 2012 the GDPML issued a document "Assessment of Non-Profit Sector in Albania" and in 2015 limited analysis of NPO sector risk was conducted within the scope of the NRA. Neither of these two analyses identifies the subset of organisations that fall within the FATF definition of NPO.
98. According to MER 2018, the NPO risk assessment conducted by Albania was limited, and the separate analysis of the sector did not reveal TF links for the analysed subset of the NPOs. Under the AML/CFT legislation, Albanian authorities treat all NPOs as posing a high risk of TF. Such an approach is explained mainly by the historical reasons. According to Albanian authorities, the religious radicalisation used to be a major problem from 2000-2010, with the self-proclaimed (illegal) communities being owned or controlled by, including those, listed in the relevant UNSCRs.
99. Overall, the assessment team for the MER 2018 noted that although Albania in general has an understanding of the ML and TF risks posed by the NPO sector as such, authorities failed to identify the subset of organisations that fall within the FATF definition of NPO or features and types of the NPOs which by virtue of their activities or characteristics are likely to be at risk of TF abuse. Albania applies enhanced measures to all NPOs using a "one size fits all" approach, which however does not ensure focus on the ones posing TF risks. Such approach fails also to ensure the effective distribution of resources and may disrupt the activities of the legitimate NPOs and have a discouraging effect on the legitimate ones.

## Qualitative assessment of the TF risk

100. Supervisory and law enforcement agencies were canvassed on their opinion on the size and nature of the TF risk to NPOs in Albania.
101. The TF risk of NPOs from these public institutions is considered low to medium. Five institutions, respectively, the Court, the CVE, the ASP, the GDT, and the FSA considers the risk Low, the GDPML considers it as low to medium, and the BoA considers it as medium.
102. The assessment of the GDT is referred to the exploitation of NPOs from terrorists and organisations that fund terrorism to collect funds, to ensure logistic support, to encourage or facilitate the recruitment of terrorists.



Mainly those NPOs that have activities out of one country, are big, and have donors (individuals, governments, businesses, etc.) from different countries, have a higher TF risk.

*General Directorate of Taxation*

103. The high number of NPOs, lack of supervision from one authority, donations from individual donors not resident in Albania, and the presence of some NPOs that use their funds to make propaganda for religious radicalisation, are provided as reasons for the evaluation of TF risk as medium.

There are no key factors that prove the link with TF risks, but a potential risk factor might be the location where these NPOs operate, especially if they are remote areas.

*General Directorate for the Prevention of Money Laundering*

104. Lack of pieces of evidence on NPOs established in Albania that operate in conflict zones or their border areas, or NPOs established in conflict zones or their border areas, or NPOs involved or with risk of person recruitment, caring out of enhanced vigilance toward NPOs by financial institutions, and changes and restrictions in the legislation are mentioned as factors for the evaluation of risk as low.
105. Financial institutions (banks and non-banks) were also canvassed on their opinion on the size and nature of the TF risk to NPOs in Albania.

Terrorist activities require financial support, and one way to ensure it is through raising funds that appear to be intended for humanitarian purposes, a typical activity for NPOs.

*Bank of Albania*

106. The TF risk of NPOs from these financial institutions is considered moderate to high. Six of them consider the risk high, six consider it medium, two low, and one non-bank financial institution consider that there is no threat to TF on NPOs. The assessment from financial institutions is mostly based on the existing legislation and regulations of the Council of Ministers and the BoA<sup>29</sup> and the international evaluation reports, rather than on the concrete experience with NPOs (none of them reported any case/experience related to TF on NPOs). Based on this, some of them have decided not to work with NPOs.

Even though based on legal requirements, NPOs are considered high risk subjects to TF or ML, we think that in general, considering our experience with NPOs, based on their activity and programs, organisational way and financing, the risk is moderate.

*Financial Institution - Bank*

107. The reasons provided by banks for their assessment are related with political instability, the level of corruption, unemployment, poverty rate, lack of monitoring from public institutions because of the high number of NPOs, informal cash transactions, and the higher public trust that NPOs carrying out humanitarian aid activities enjoy, making them a target of abuse.

<sup>29</sup> Regulation No. 44 dated 10.06.2009 "On prevention of ML and TF", Annex 1 "Guide for risk measurement from ML and TF", point 2, letter b.

We don't have any concrete case reported, but the existence of a relatively high number of NPOs that promote religious ideology, and operate as charitable organisations too, is a potential risk. The level of poverty is also a threat, so I consider the risk high.

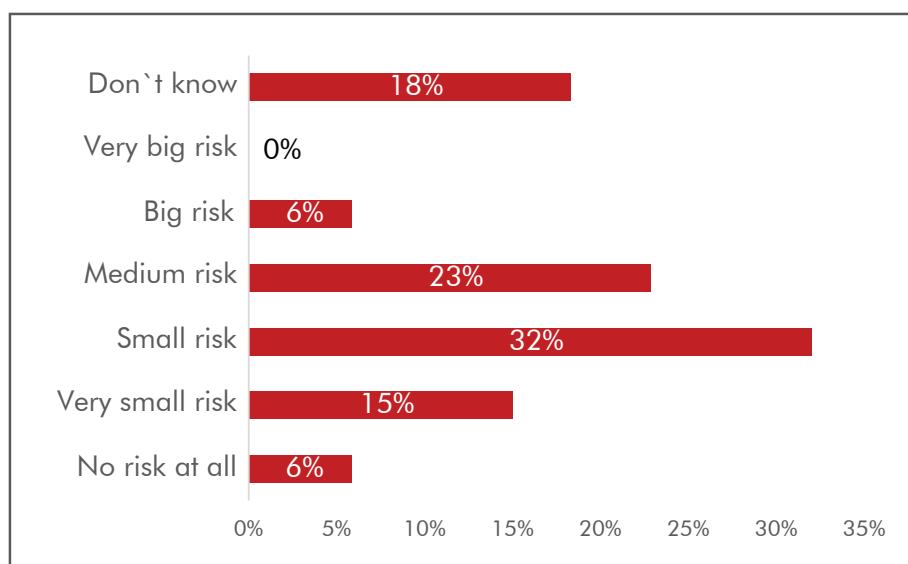
*Financial Institution - Bank*

NPO sector is diverse and for this reason the degree of exposure to TF risk varies depending on the organisational structure and field of operation of NPOs. NPOs in Albania might have a higher risk to TF when they use alternative services for money transfer or use cash for payment of services and supplies, when they engage individuals of other organisations to offer services without prior selection processes and are not in direct control of their programs and activities because of sub-contracting.

*Financial Institution - Non bank*

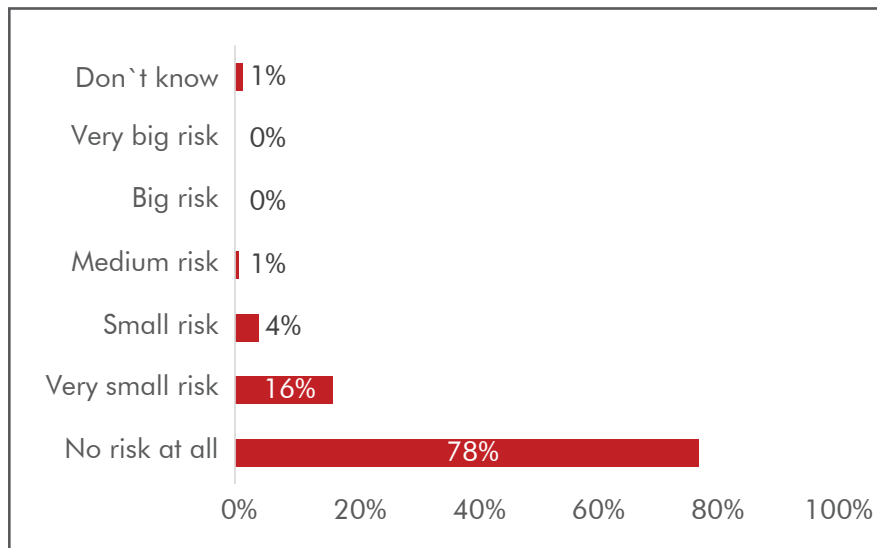
- 108. The vulnerability of NPOs to TF risk, according to non-banks is related with the trust of the public toward NPOs and wide presence of NPOs in the country.
- 109. The NPO survey as for NPO's perception of the terrorist financing risk. It revealed that NPOs perceive the risk of NPOs to be abused for TF as low, and for them as an organisation there is no risk to be misused for TF.
- 110. As shown in Figure 15, half of the surveyed NPOs consider the sector with a low risk to be misused for TF (15% very low risk; 32% low risk; and 6% no risk at all), while 18% of them don't have any perception on this.

**Figure 13: The risk that NPOs could be misused for TF (Source: NPO survey; no. = 153 NPOs)**



- 111. When asked on the level of risk in their organisation, most of them (78%) consider that there is no risk at all for them to be misused for TF, as shown in Figure 14.

Figure 14: The risk that the NPO could be misused for TF. (Source: NPO survey; no. = 153 NPOs)



112. There are no differences in online responses given by NPOs based on their legal form (centers, foundations, and associations) on the level of risk in the sector, while there is noticed a small difference in their responses on the level of risk on their own organisation. As shown in Figure 15, foundations tend to perceive themselves as being with very small risk to TF (35%), more than centres and associations (16% and 12% respectively).

Figure 15: The risk that NPOs could be misused for TF risk, according to the legal form of respondents (Source: NPOs survey; no. = 153 NPOs)

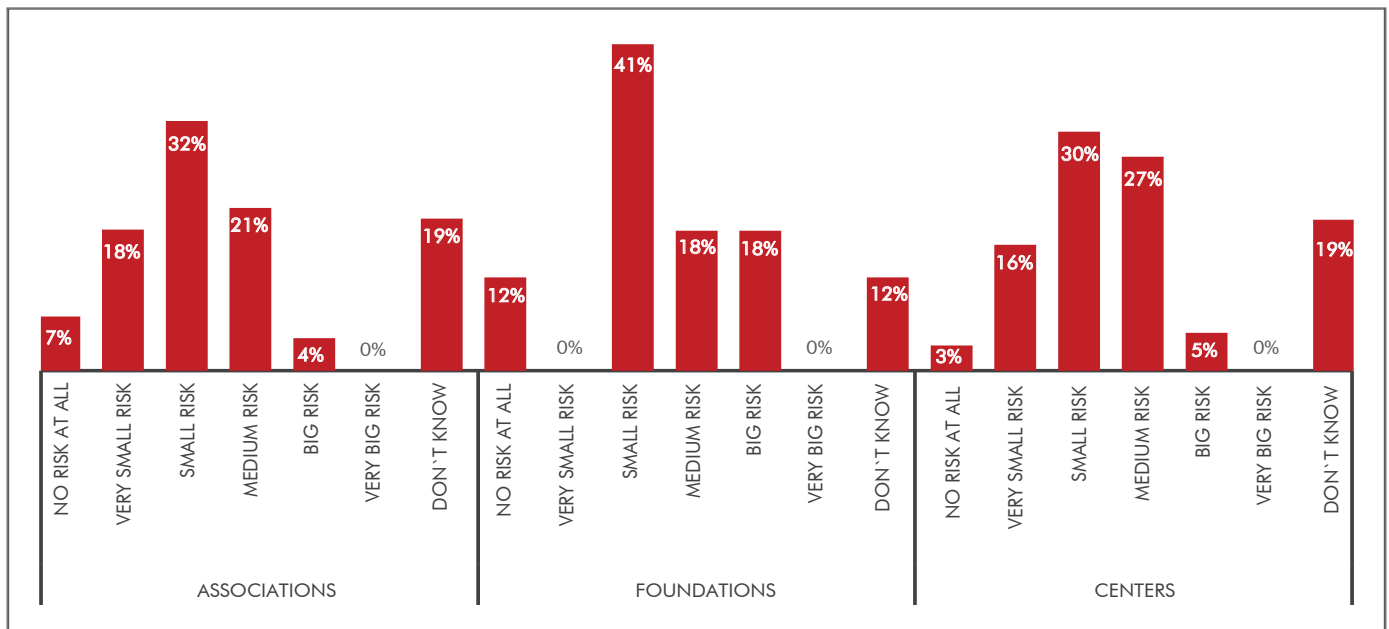
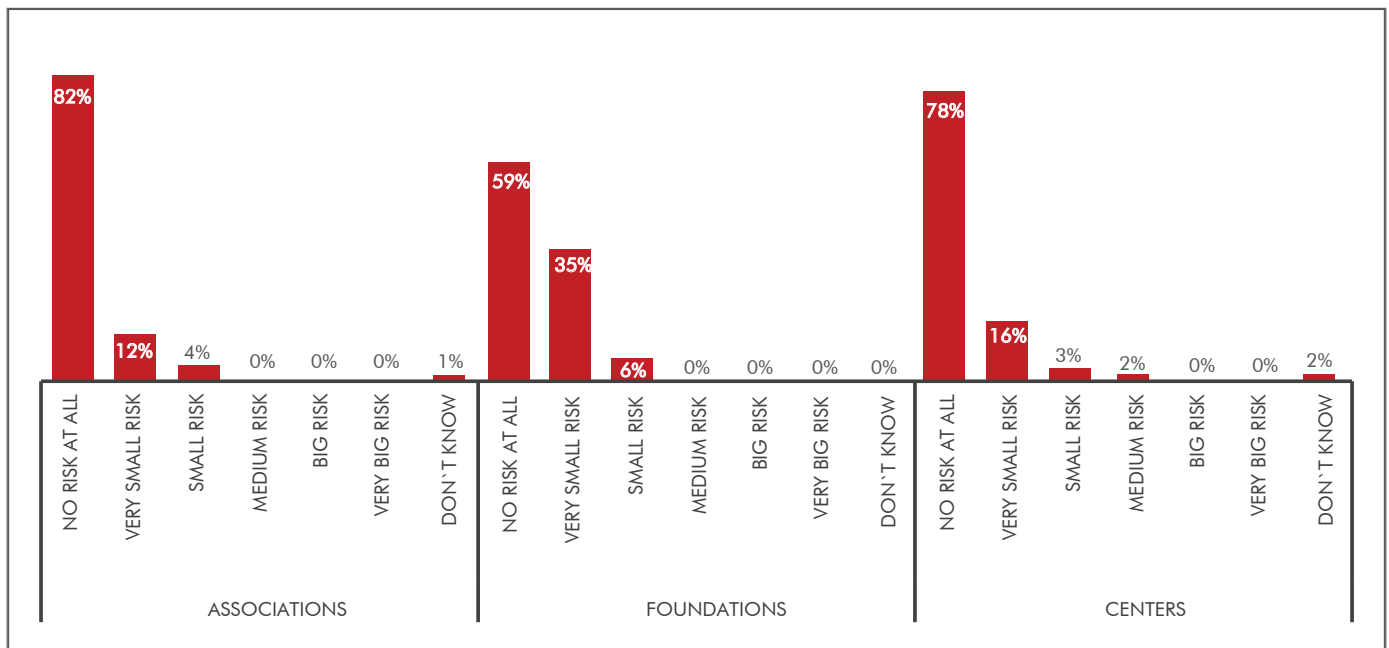


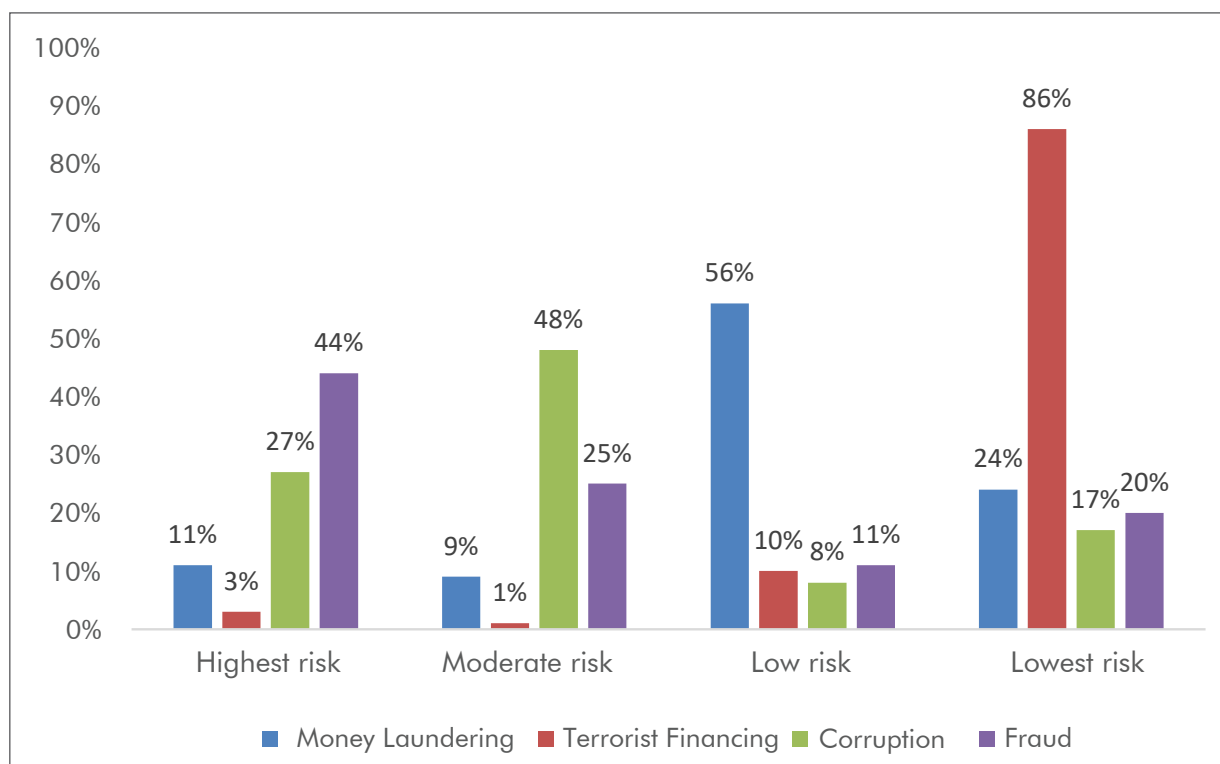
Figure 16: NPO perception of TF risk in your NPO (Source: NPOs survey; no. = 153 NPOs)



113. When asked to rate the following risks to their NPOs: Money Laundering, Terrorist Financing, Corruption, Fraud, the respondents considered fraud (44%) as the higher risk for their organization, followed by corruption (27%), while terrorist financing is considered as the lowest risk (86%), followed by money laundering chosen by 24% of the respondents.

114. Only 4 NPOs (out of 153) have ranked TF as the highest risk. All of them implement activities in the field of women's empowerment, equality and gender policies, and volunteering development. Their annual incomes are less than 5 million ALL (approx. 41,000 EUR), and the sources of funds that account for more than 5% are grants and agreements, and donations through formal banking.

Figure 17: Perception of fraud, corruption, money laundering, and terrorist financing (Source: NPOs survey; no. = 153 NPOs)



# The nature of any Terrorist Financing Risk to the NPO Sector

**115.** As described above, there are four cases of the investigation reported by the ASP for TF. The cases have some common elements/characteristics, as follows:

- All have been/are under investigation for transactions of significant amounts of money from foreign countries like the UK, Iran (considered as a threat due to the presence of Mujahedeen community in Albania), and Qatar through the banking system.
- All organisations have a religious activity, promoting and propagating Muslim religion.
- Are branches (two of them) of foreign organisations, one of which is a charitable organisation based in the UK suspected of misuse of funds and diversion of charitable, and the other is and NPO based in Qatar, suspected of being used by listed elements for issues of terrorist financing or money laundering.

**116.** In the absence of primary evidence, any assessment of which NPOs may potentially be at risk must depend on (1) secondary analysis by analogy (an analysis of cases which have one of the above features to identify any relevant common factors), and (2) qualitative assessment of experts and stakeholders (relevant government and NPO officials).

**117.** Analogous cases (1): TF in NPOs outside of Albania. The Council of Europe's Horizontal Facility for the Western Balkans and Turkey II Action against Economic Crime (HFII-AEC-REG) has written a technical paper to assess the regional risks of terrorist financing abuse of NPOs in the Western Balkans and Turkey<sup>30</sup>. At the time of writing the results had not been published. The risk assessment identified ten regional risks as follows:

- Religious/Ethnic/Cultural NPOs
- Humanitarian, Charitable, and Aid-Giving NPOs
- Foreign NPO Funding from High-Risk Countries or Unverifiable Sources
- Foreign NPO Funding that comes from the Diaspora
- Cash Fundraising
- Money-Transfer Services and Other Alternative Channels for Moving Funds, apart from the Formal Banking Sector
- NPOs that are Active in High-Risk Areas of their own Jurisdiction
- Foreign Terrorist Fighters that have Returned to their Home Country
- NPOs that are Used/Abused for Promoting Propaganda Intended to Radicalise Individuals Towards Extremism and Terrorism
- Illegal or Irregular Migration Through the Region.

**118.** Qualitative Assessment (1): Government officials. Supervisory bodies and law enforcement officials surveyed and interviewed were asked to identify what might be potential risk factors for terrorist financing in NPOs. The following themes were noted:

**Risk factor 1: Foreign funding (large sums).** Transaction of significant amounts of money coming from foreign countries through the banking system.

**Risk factor 2: Foreign funding (high-risk sources).** Suspicious, undeclared, and unidentified sources of funding, especially foreign funding coming from different countries, especially from conflict zones and where there is a terrorist activity.

**Risk factor 3: Religious activity.** NPOs promoting religious ideology involved with charity and humanitarian aid for people in need (regardless of their religion), are mentioned as being at risk to be misused for TF.

<sup>30</sup> Regional terrorism financing risk assessment of the not-for-profit (NPO) sector in the Western Balkans and Turkey – 2020/2021

**Risk factor 4: Branches of (suspicious) foreign organisations.** Based on data received, most of the organisations being under investigation for TF are branches of foreign organisations, being suspected in their country for misuse of funds.

**Risk factor 5: Location of the organisation.** NPOs working in areas known for terrorist activity, NPOs located in remote areas, or those that don't have a clear declared location are considered at risk of TF.

## Identifying features and types of NPOs likely to be 'at risk' of TF

**119.** In line with 'Identifying the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse (FATF Methodology 8.1(i)': Based on the risk factors identified as above, and the evidences from cases of investigation provided by state institutions, the following activities and characteristics of NPOs are likely to increase the risk of TF abuse.

### NPOs and NPO' activities likely to be at higher risk of TF abuse

1. NPOs with humanitarian aid and charity activity
2. Charity and/or educational activity of religious NPOs
3. Large sums of foreign funding from high-risk sources
4. Use of cash or alternative transactions outside of the formal banking system
5. Activities in remote areas

More details and analysis of these themes are provided below.

**120. NPOs with humanitarian aid and charity activity.** According to the information provided by the General Directorate of Taxation in May 2021, humanitarian, religious, and charity organisations represent only 3.1% out of 2,372 organisations registered at the GDT. On the other hand, according to the survey with NPOs, 21% of 153 surveyed organisations have reported providing humanitarian aid. Based on the interviews with state authorities and financial institutions, these organisations are considered more vulnerable and with a higher risk to be misused for TF abuse, because the humanitarian activities may be used as fundraising for terrorist activity, or the funds raised for charitable purposes, may be used for TF or other illegal activity. These organisations have a high level of trust in the community, which may be used by terrorist groups to finance their illegitimate activity.

**121: Charity and/or educational activity of religious NPOs.** These organisations are grouped by the GDT together with the humanitarian and charity organisation, representing 3.1% of all organisations registered at GTD. From the survey with NPOs, only 2% have reported the promotion of religious faith as their field of activity. The number of religious organisations selected from the GDT database of NPOs to participate in the survey was higher, but the response rate was low. According to the interviews with public authorities and financial institutions, the risk with this group of organisations relies on the exploitation to spread radical orientations. These organisations are considered to have higher fundraising abilities and may be related to terrorist organisations out of the country. All cases being under investigation for TF are from this category of organisations.

**122. Large sums of foreign funding from high-risk sources.** According the interviews with public authorities and financial institutions, financing of radical activities that promote some religious NPOs that are out of the control of the five religious communities in Albania, is done with foreign funds coming from countries known for terrorist activities. From the survey with NPOs, it results that a large majority of surveyed NPOs (86%) receive foreign funds, goods, or services from other countries, but most of these funds (92%) are coming from grants and contracts with foreign state institutions and are channelled through the banking system. All cases reported, are under investigation for suspicious transactions of large sums from high-risk sources (countries or organisations).

**123. Use of cash or alternative transactions outside of the formal banking system.** The existence of an informal cash-based economy in the country is believed by some of the interviewers to be a factor that helps terrorist groups who can take advantage of this to finance their activity. Based on the interviews with financial institutions, it is perceived that NPOs that raise funds in non-usual ways like cryptocurrencies, Paypal, etc., are at higher risk of TF. But, from the survey with NPOs, it results that **none of the surveyed NPOs report to receive funds from non-banking channels** such as money service providers, or cryptocurrencies.

**124. Activities in remote areas.** Some of state authorities and financial institutions interviewed consider this as a risk factor and relate it with the lack of a proper control by state authorities. There are no data available on the number of NPOs or their activities in remote areas.

**125. Table 2: Prevalence of the risk factors (sources listed)**

Risk factor	Prevalence	Source
1. NPOs with humanitarian aid and charity activity	Low to medium: Between 3.1% -21%	Tax authority database, CSO's Survey
2. Charity and/or educational activity of religious NPOs	Low: 2% - 3.1%	Tax authority database, CSO's Survey - response rate was low
3. Large sums of foreign funding from high-risk sources	Low: 3.17% of foreign funds coming from FATF jurisdictions under increased monitoring in 2021 <sup>31</sup>	Bank of Albania
4. Use of cash or alternative transactions outside of the formal banking system	Low-medium for cash None - other alternative sources	NPO Survey
5. Activities in remote areas	Unknown	None

**126. Table 3: Relevance of the risk factors (sources listed)**

Risk factor	Prevalence	Relevance
1. Humanitarian and charity NPOs	Low to medium: Between 3.1% - 21%	Medium-high
2. Charity and/or educational activity of Religious NPOs (including branches of foreign organisations)	Low: 2% - 3.1%	High
3. Large sums of foreign funding from high-risk sources	Low: 3.17%	High
4. (i) Use of cash (ii) Use of or alternative transactions outside of the formal banking system	(i) Low-medium (cash) (ii) Zero (alternative methods)	Low-medium
5. Activities in remote areas	Unknown	Unknown

<sup>31</sup> Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring. This list is often externally referred to as the "grey list". The FATF does not call for the application of enhanced due diligence measures to be applied to these jurisdictions but encourages its members and all jurisdictions to take into account the information in their risk analysis. Find here the list of jurisdictions under increased monitoring [http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=desc(fatf_releasedate))

- 127. Final Assessment of Inherent Risk of NPOs in Albania.** There is no definitive evidence of the abuse of NPOs for terrorist financing in Albania, although there are four ongoing investigations. The perception of the risk varies, although it is notable that the authorities with direct responsibility for combatting terrorist financing consistently assess the risk as lower than other respondents. Whilst the overall assessment of the level of risk is not clear, there is more consistency on the specific risk factors (see above).
- 128.** In this context, the inherent risk of terrorist financing abuse of NPOs in Albania is assessed as Low. For all NPOs the risk is Very Low, while for the organisations with humanitarian aid and charity activity, and religious organisations that perform educational and/or charity activity, the risk is assessed as Low-medium.

Inherent TF Risk of NPOs in Albania  
**Low**



# Annex 1: FATF Recommendations Relevant to NPOs

## *Recommendation 8 on Non-Profit Organisations*

### **“8. Non-profit organisations**

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

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

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

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

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

#### *8.1 Countries should:*

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

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

#### *8.2 Countries should:*

- (a) have clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs;
- (b) encourage and undertake outreach and educational programmes to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse;
- (c) work with NPOs to develop and refine best practices to address terrorist financing risk and vulnerabilities and thus protect them from terrorist financing abuse; and

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

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

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

8.4. Appropriate authorities should:

- (a) monitor the compliance of NPOs with the requirements of this Recommendation, including the risk-based measures being applied to them under criterion 8.3; and
- (b) be able to apply effective, proportionate, and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs.

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

8.5 Countries should:

- (a) ensure effective co-operation, co-ordination, and information-sharing to the extent possible among all levels of appropriate authorities or organisations that hold relevant information on NPOs;
- (b) have investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations;
- (c) ensure that full access to information on the administration and management of particular NPOs (including financial and programmatic information) may be obtained during the course of an investigation; and
- (d) establish appropriate mechanisms to ensure that, when there is suspicion or reasonable grounds to suspect that a particular NPO: (1) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; (2) is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or (3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations, that this information is promptly shared with competent authorities, in order to take preventive or investigative action.

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

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

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

## **Immediate Outcome 10**

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

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

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

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

1. Experiences of law enforcement, FIU and counter terrorism authorities (e.g., trends indicating that terrorist financiers are researching alternative methods for raising / transmitting funds; intelligence/source reporting indicating that terrorist organisations are having difficulty raising funds in the country).
2. Examples of interventions and confiscation (e.g; ... investigations and interventions in NPOs misused by terrorists).
- ...4. Information on NPO supervision and monitoring (e.g. frequency of review and monitoring of the NPO sector (including risk assessments); frequency of engagement and outreach (including guidance) to NPO sector regarding CFT measures and trends; remedial measures and sanctions taken against NPOs).”

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

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

- ...10. What is the level of licensing or registration for NPOs? To what extent is a risk-sensitive approach taken to supervise or monitor NPOs at risk from terrorist abuse and appropriate preventive, investigative, criminal, civil or administrative actions and co-operation mechanisms adopted?
11. How well do NPOs understand their vulnerabilities and comply with the measures to protect themselves from the threat of terrorist abuse?”

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

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

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

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

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

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

## Annex 2: Categorisation of countries by terrorist risk.

Using data from the Global Terrorism Index 2022: Measuring the Impact of Terrorism (Institute for Economics & Peace, GI, Sydney, March, 2022) Available from:

<https://reliefweb.int/report/world/global-terrorism-index-2022>

Very High Risk	Afghanistan, Iraq, Somalia, Burkina Faso, Syria, Nigeria, Mali
High Risk	Niger, Pakistan, Cameroon, India, Mozambique, Colombia, Egypt, Philippines, Democratic Republic of the Congo, Chile, Chad, Kenya
Medium	Yemen, Thailand, Turkey, Indonesia, Sri Lanka, Libya, Iran, United States of America, Greece, Israel, United Kingdom, Palestine, Germany, Nepal, France, Tanzania, Peru, Tunisia, Algeria, Bangladesh, New Zealand, Cote d'Ivoire, Burundi, Russia, Uganda, Venezuela
Low	Tajikistan, Canada, Ethiopia, Italy, Lebanon, Austria, Benin, Saudi Arabia, Spain, Ecuador, Argentina, Jordan, Switzerland, Australia, Mexico, Ukraine, Malaysia, Paraguay, Bahrain, Netherlands
Very Low	China, Belgium, Sweden, Senegal, Japan, Uruguay, Rwanda, South Africa, Togo, Morocco, Norway, Ireland, Romania, Finland, Brazil, Cyprus, Lithuania, Mauritania, Vietnam, Angola, Czech Republic, Denmark, Gabon, Kosovo, Sudan, Taiwan
No Impact	Albania, Armenia, Azerbaijan, Belarus, Bhutan, Bolivia, Bosnia and Herzegovina, Botswana, Bulgaria, Cambodia, Central African Republic, Costa Rica, Croatia, Cuba, Djibouti, Dominican Republic, El Salvador, Equatorial Guinea, Eritrea, Estonia, Georgia, Ghana, Guatemala, Guinea, Guinea-Bissau, Guyana, Haiti, Honduras, Hungary, Iceland, Jamaica, Kazakhstan, Kuwait, Kyrgyz Republic, Laos, Latvia, Lesotho, Liberia, Macedonia (FYR), Madagascar, Malawi, Mauritius, Moldova, Mongolia, Montenegro, Namibia, Nicaragua, North Korea, Oman, Panama, Papua New Guinea, Poland, Portugal, Qatar, Republic of the Congo, Serbia, Sierra Leone, Singapore, Slovakia, Slovenia, South Korea, South Sudan, Swaziland, The Gambia, Timor- Leste, Trinidad and Tobago, Turkmenistan, United Arab Emirates, Uzbekistan, Zambia, Zimbabwe





# Part Two

## Review of Measures to Mitigate TF Risks in NPOs in Albania

## Residual Risk Report

## Abbreviations

AML/CFT	Anti-Money Laundering/Combating Financing of Terrorism
ASP	Albanian State Police
BoA	Bank of Albania
CFT	Combating Financing of Terrorism
CVE	The Coordination Center for Countering Violent Extremism in Albania
EED	Enhance Due Diligence
EU	European Union
FATF	The Financial Action Task Force
FIU	Financial Intelligence Unit
FSA	Financial Supervisory Agency
FTF	Foreign Terrorist Fighter
GDPML	General Directorate for the Prevention of Money Laundering
GDT	General Directory of Taxation
MER	Mutual Evaluation Report
ML	Money Laundering
MONEYVAL	The Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
NPO	Nonprofit Organisation
NRA	National Risk Assessment
LEA	Law Enforcement Agency
SAR	Suspicious Activity Report
STR	Suspicious Transaction Report
TF	Terrorist Financing



# A. INTRODUCTION

## Context for this Review

1. The ongoing international campaign against terrorist financing identified typologies where terrorists and terrorist organizations exploit the NPO sector through the collection, consolidation/aggregation, transfer, dissemination, and use of funds raised (what is also known as the funding cycle); providing logistical support; encouraging terrorist recruitment; otherwise supporting terrorist organizations and operations; creating sham charities; or engaging in fraudulent fundraising for these purposes.
2. The Financial Action Task Force (FATF) is the international standard setting in the area of Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT). Two parts of the FATF standards refer directly to NPOs - these are Recommendation 8 and Immediate Outcome 10. Paragraph 8.1(c) of the FATF Methodology states that countries should:
  - 8.1 (c) *review the adequacy of measures, including laws and regulations, that relate to the subset of the NPO sector that may be abused for terrorism financing support in order to be able to take proportionate and effective actions to address the risks identified.*
3. Albania is a member of MONEYVAL (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism), the FATF-style Regional Body for Europe. In its 5th round of the Mutual Evaluation Report (MER), 2018, Albania was rated PC with R.8, based on the following deficiencies: the analysis of the non-profit organization (NPO) sector did not identify the NPOs at risk of financing of terrorism (FT) abuse, and the nature of threats posed; a review of the legislation and measures from the perspective of FT had not been undertaken; Albania had no clear, if any, policies to promote accountability, integrity, and public confidence in the administration and management of NPOs; Albania had taken limited outreach to the NPO sector and the donor community concerning FT issues; the absence of the best practice-document developed by Albania with the involvement of NPOs; Albania had not taken steps to promote targeted risk-based supervision or monitoring of NPOs; the supervisory powers of the General Directorate of Taxation (GDT) were limited and did not cover appropriately the countering of the financing of terrorism (CFT) aspects.
4. On December 2019, MONEYVAL released the 1st Enhanced Follow-up Report<sup>1</sup>, on which Recommendation 8 was re-rated as Largely Compliant, based on some progress as follows: Conducted the second round of revision of the National Risk Assessment (NRA) assessment of ML and FT, which included a general risk assessment of the vulnerabilities and threats of NPOs; Adoption of a new Instructions “On Supervision of Non-Profit Organizations In Function Of Prevention of Money Laundering And Financing Of Terrorism” (the Instructions) enhancing inter-institutional cooperation between the General Directorate for the Prevention of Money Laundering (GDPM<sup>2</sup>) and GDT with respect to supervision of the NPOs. The instructions foresee the publication of an annual report on issues identified with respect to supervised NPOs and periodical re-assessment of the NPO sector, and also provide for the measures for targeted risk-based supervision and monitoring of NPOs by the GDT; Introduction of some important measures to promote accountability, integrity, and public confidence in the administration and management of NPOs through amendments to the Law on Tax Procedure and through Guidance “On Tax Procedures in the Republic of Albania”. These measures include an obligation for NPOs to have a bank account and to declare such account in the tax administration. This new requirement encourages NPOs to conduct transactions via regulated financial channels. The amendments to the Law on Tax Procedure also introduced sanctions for the failure to comply with registration or data updating obligations.

<sup>1</sup> Follow-up report (Enhanced) “Anti-money laundering and counter-terrorist financing measures Albania 1st Enhanced Follow-up Report, December 2019”.

<sup>2</sup> Albanian FIU is the DPPP (General Directorate for the Prevention of Money Laundry).

5. With respect to the outreach to the NPO sector about the potential vulnerabilities of NPOs concerning FT issues, the 1st Enhanced Follow-up Report states that Albania still needs to develop relevant best practice document with the involvement of the NPO sector.
6. This NPO risk assessment methodology was implemented in the framework of a Partnership Agreement between Partners Albania for Change and Development, the General Directorate of Taxes, and GIZ. It was completed with support from Greenacre Associates and with funding from GIZ. It is in line with the commitment of the Government of Albania as a member of the Financial Action Task Force's (FATF) Global Network<sup>3</sup> to combat the financing of terrorism.

The risk assessment identified the following 3 (three) types of NPOs as meeting the FATF definition of NPOs.

	Type	Relevant law	FATF NPO
1.	NPOs (including associations, foundations, centres, branches of foreign and international NPOs) registered in Albania. <sup>4</sup>	Law on NPOs, as amended.	Largely
2	Five religious communities established in Albania through agreements with the Republic of Albania (ratified by the Albanian Parliament).	Agreements and other relevant laws and agreements ratified by law.	Yes
3	Albanian Red Cross	Law on Albanian Red Cross.	Yes

7. The purpose of this Report is 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 in order to be able to take proportionate and effective actions to address the risks identified” as required by R8.1(c) of the FATF Methodology.
8. The “subset of the NPO sector that may be abused for terrorism financing support” has been identified in the Terrorist Financing Risk Assessment for the NPO Sector in Albania, in line with ‘Identifying the features and types of NPOs which by virtue of their activities or characteristics, are likely to be at risk of terrorist financing abuse (FATF Methodology 8.1(i)). Based on the Inherent Risk Report, five features, characteristics, or activities of NPOs were analysed to assess if they were likely to put an NPO ‘at risk’ of terrorist financing. The analysis identified three of these risk factors are likely to be associated with a greater exposure to terrorist financing risks based on the cases under investigation, interviews with public authorities and financial institutions, and qualitative assessments by experts. Two areas were identified where further research is needed.

#### **NPOs and NPO activities likely to be at increased risk of TF abuse:**

1. NPOs with humanitarian aid and charity activity.
2. Charity and/or educational activity of religious NPOs.
3. Large sums of foreign funding from high-risk sources.

#### **NPOs and NPO activities where further research is needed:**

4. Use of cash or alternative transactions outside of the formal banking system.
5. Activities in remote areas.

<sup>3</sup> Albania is a member of MONEYVAL, the FATF-Style Regional Body for Europe.

<sup>4</sup> NPOs which do not meet the following exclusions: a) Informal groups of people which do not meet the definition of legal arrangement; b) Legal persons or arrangements or organizations which are not established for ‘good works’, such as political parties, trade unions, or cooperatives which are primarily engaged in economic activities for the financial benefit of members; c) Legal persons or arrangements or organizations not engaged in the raising or disbursing of funds as a main purpose. This might include those sports clubs, social associations or religious groups that do not or only incidentally engage in the raising or disbursing of funds.

9. The risk assessment also identified the nature of the TF threat to NPOs in Albania as follows:

**Likely TF Threat to NPOs in Albania:**

1. Religious extremist groups (foreign).

**How terrorists are likely to abuse NPOs?**

1. Foreign funding of local sympathisers associated with NPOs.
2. Use of NPOs to disseminate extremist propaganda.
3. Use of NPOs to recruit foreign terrorist fighters (FTF).

10. In conclusion, the assessment of the overall inherent risk noted that there is no direct evidence of terrorist financing in NPOs in Albania, but it recognised the presence of a terrorist threat and the potential for this threat to impact on NPOs.

11. In this context, the overall inherent risk of terrorist financing abuse of NPOs in Albania was assessed as LOW. For the majority of NPOs the risk is VERY LOW, while for the organisations with humanitarian and charity organisations and religious organisations with educational and/or charity activity, the risk is LOW-MEDIUM.

## B. METHODOLOGY

12. The FATF standards “do not prescribe a particular method or format for assessing risk” of terrorist financing in NPOs<sup>5</sup>. General best practices for risk assessments and reviews of the NPO sector are included in FATF’s Terrorist Financing Risk Assessment Guidance (FATF, 2019). Additionally, FATF Guidance: National Money Laundering and Terrorist Financing Risk Assessment (FATF, 2013) provides guidance on risk assessments and reviews in general.
13. Having reviewed the FATF guidance and the approach of selected countries<sup>6</sup>, two methodological approaches for this review were considered:
- I. The Case Analysis model: Assessing the effectiveness of only those mitigating measures that relate to the identified risk factors.
  - II. Gap Analysis: Assessing all mitigating measures to identify any possible vulnerability (rather than vulnerabilities to a specifically identified risk).
14. This methodology adopts the ‘case analysis’ approach, with the effectiveness of mitigating measures and the assessment of residual risk focussed on the activities and types of NPOs identified as ‘at risk’ in the inherent risk assessment, in line with 8.1(c) of the FATF methodology.
15. This review is an NPO-specific review. It does not aim to replicate the NRA, MER, or other reviews of AML/CFT measures, but it is informed by them. Its remit excludes analysis of AML/CFT measures which incidentally, rather than specifically, address NPOs. Hence, it will consider core specific measures that need to be taken in the NPO sector regarding CFT aiming for effective related remedies.
16. This review is based as closely as possible on FATF requirements and guidance. The relevant FATF requirements or guidance are highlighted in the text where relevant. Where there is no relevant FATF guidance on an issue, assessments are made based on the expertise and experience of the authors.
17. The review covers three areas: (1) laws and regulations; (2) policy measures and outreach; and (3) self-regulatory and self-governance measures.
18. The metrics used in this review are taken from R8 and other FATF documents. The primary tests are that the measures are ‘effective’, ‘risk based’, and ‘non-disruptive’:
1. ‘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<sup>7</sup>. Effective measures are properly resourced<sup>8</sup>.
  2. ‘Risk-Based and Targeted’. FATF states that a ‘Risk-Based Approach’ is the core principle for all FATF assessments<sup>9</sup>. The Interpretive Note (INR8) “requires” countries to adopt “proportionate measures”<sup>10</sup>, and adds that “A risk-based approach applying focused measures in dealing with identified threats of terrorist financing abuse to NPOs is essential”<sup>11</sup>. This principle is reiterated both in general terms and in relation to specific activities through the FATF documentation<sup>12</sup>.

<sup>5</sup> *Terrorist Financing Risk Assessment Guidance (FATF, 2019)*

<sup>6</sup> Examples from the UK, Canada, Australia, Saudi Arabia, Indonesia and the Philippines were reviewed.

<sup>7</sup> 4(c), Interpretive Note R8

<sup>8</sup> “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”.<sup>7</sup>, Interpretive Note

<sup>9</sup> See FATF Recommendation 1.

<sup>10</sup> 4(c), Interpretive Note R8

<sup>11</sup> 4(a), Interpretive Note R8.

<sup>12</sup> See also paragraphs 19, 21, 23, 24, 29, 32 and 35 of the Best Practices Paper.

3. 'Non-disruptive'. Ensuring the measures do not disrupt legitimate NPO activity<sup>13</sup>; that they are adapted to local circumstances<sup>14</sup>; that they are consistent with international human rights obligations<sup>15</sup>.

19. The review includes an assessment of 'Residual Risk' in the Executive Summary. Residual Risk is calculated as follows:

Inherent Risk<sup>16</sup> - Impact of Mitigating Measures = Residual Risk.

20. This review, including the assessment of Residual Risk, combines quantitative and qualitative assessments of the data and sources. The nature of the sources, the nature of the review process, and the lack of direct evidence of terrorist financing abuse of NPOs in Albania ensure that the assessment is largely qualitative.

21. The risk assessment was completed using a Methodology provided by Greenacre Associates. It was implemented by a Local Assessment Team. Partners Albania led the process of data collection and analysis with the expertise of a local expert and the technical assistance of Greenacre Associates.

22. The risk assessment was supervised by a Supervisory Body of the NPO Risk Assessment Methodology comprising representatives from the following institutions and organisations:

- General Directorate for the Prevention of Money Laundry (GDPML)
- General Directorate of Taxes (GDT)
- General Prosecution Office (GPO)
- Albania State Police (ASP)
- Tirana Judicial District Court (NPO Registry Office)
- The Coordination Center for Countering Violent Extremism in Albania (CVE)
- The State Committee on Religion
- Interreligious Council of Albania
- Albanian Muslim Community
- Dorcas Aid International Albania
- ARSIS, Initiative for Social Change
- Light Steps Center
- Science and Innovation for Development Center (SCiDEV).

23. Assessment of the effectiveness of mitigating measures was completed during a 1 (one) day workshop held in Albania on June 16, 2022. The workshop was attended by 10 representatives of the following public authorities and non-profit organisations, members of the Supervisory Body of the NPO Risk Assessment Methodology:

- General Directorate for the Prevention of Money Laundry (GDPML)
- General Directorate of Taxes (GDT)
- The State Committee on Religion
- General Prosecution Office (GPO)
- Albania State Police (ASP)
- Tirana Judicial District Court (NPO Registry Office)
- The Coordination Center for Countering Violent Extremism – Albania (CVE)
- Science and Innovation for Development Center (SCiDEV)

<sup>13</sup> "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), and Best Practices Paper paragraph 32(a).

<sup>14</sup> 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).

<sup>15</sup> 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. See also ibid 22, and Typologies 28.

<sup>16</sup> Minus.

- Dorcas Aid International Albania
- ARSIS, Initiative for Social Change.

## Data and sources

24. The primary information and data sources stated in the following items of this Report were used in this review.

25. Data from competent authorities.

- **Data request and questionnaire.** Written requests for data on terrorist financing in the NPO sector, case studies, and surveyed perceptions of the TF risk, threats and vulnerabilities were obtained from representatives of the following agencies:
  1. General Directorate for the Prevention of Money Laundry (GDPML)
  2. General Directorate of Taxes (GDT)
  3. General Prosecution Office (GPO)
  4. Albania State Police (ASP)
  5. Tirana Judicial District Court (NPOs Registry Office)
  6. The Coordination Center for Countering Violent Extremism in Albania (CVE)
  7. The State Committee on Religion
  8. Bank of Albania
  9. Albanian Financial Supervisory Authority (AFSA).

26. Surveyed perceptions from Financial Institutions.

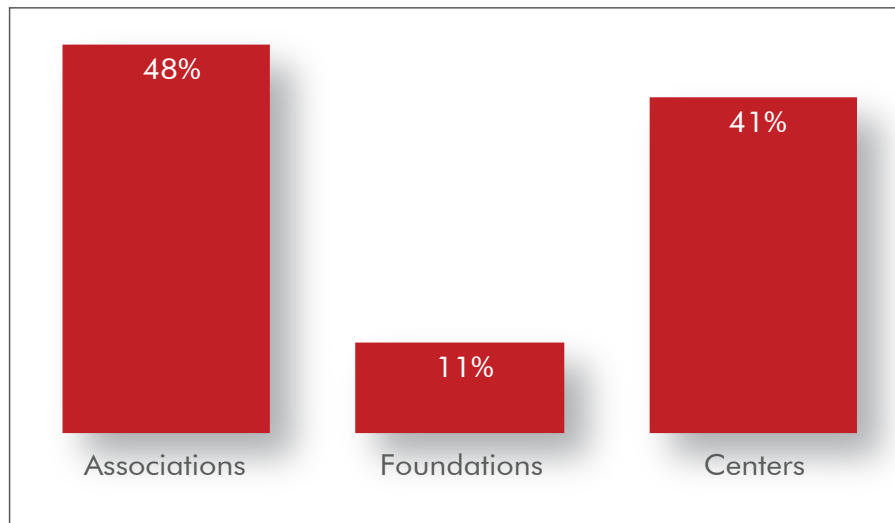
- **Questionnaire.** Surveyed perceptions of the NPO TF risk, threats and vulnerabilities were obtained from representatives of the Financial Institutions (7 banks and 8 not banks):
  1. Alpha Bank
  2. BKT
  3. Credins Bank
  4. Fibank
  5. OTP Bank
  6. Tirana Bank
  7. Union Bank
  8. EasyPay
  9. AK Invest
  10. Crimson Finance Fund Albania
  11. Final
  12. Fondi Besa
  13. Kastrati
  14. Micro Credit Albania
  15. Raiffeisen Leasing Albania.

27. Interviews with religious communities. Face to face interview with the Orthodox Church.

28. Survey with NPOs.

- A survey of 153 NPOs, out of 2,372 active NPOs registered at the GDT was conducted on perceptions of TF risk and the effectiveness of mitigating measures. The sample was selected randomly from the list of active NPOs provided by the GDT, and the contacts were extracted by Partners Albania' database of NPOs. Participation in the survey was based on their willingness to participate in the survey. The survey was carried out during July – August 2021 through telephone. The confidence level is 80% and the real value is within  $\pm 5\%$  of the measured/surveyed value.
- According to the legal form, 48% of surveyed NPOs are associations, 41% are centres and 11% are foundations.

Graphic 1: Survey response by legal form (Source: NPO survey, no. = 153 NPOs).



## 29. Legal review.

The following laws and regulations were reviewed, including relevant amendments, implementing regulations and notices. The review was supplemented by interviews with officials responsible for their implementation (see interviews above).

- Law no.8417, dated 21.10.1998 “Constitution of Republic of Albania”, as amended;
- Law no.7850, dated 29.7.1994 “Civil Code”, as amended (‘CC’);
- Law no.8788, dated 7.05.2001 “On Non-Profit Organisations”, as amended (‘NPO Law’);
- Law no.8789, dated 7.05.2001 “On the registration of non-profit organisations”, as amended and Law no.80/2021 dated 02.08.2021 “On the registration of non-profit organisations”;
- Law no.119/2015 “On the establishment and functioning of National Council of Civil Society”;
- Law no.112/2020 “On the Register of Beneficial Owners”;
- Law no.154, dated 17.12.2020 “On the National Register of Bank Accounts”;
- Law no.9917, dated 19.5.2008 “On the prevention of money laundering and terrorist financing”, as amended (‘AML Law’);
- Law no.9920, dated 19.05.2008 “On Tax Procedure Law”, as amended;
- Law no.102/2014 dated 31.7.2014 “Customs Code”, as amended;
- Law no.8580, dated 17.2.2000 “On Political Parties”, as amended;
- Law no.9640, dated 9.11.2006 “On Chambers of Commerce and Industry”, as amended;
- Law no.7892, dated 21.12.1994 “On sponsorship”;
- Law no.10140, dated 15.5.2009 “On the financing from the state budget of the religious communities that have entered into agreements with the Council of Ministers”;
- Law no.25/2018 “On accounting and financial statements”;
- Law no.7895, dated 27.01.1995 “Criminal Code of Republic of Albania”, as amended;
- Law no.7905, dated 21.03.1995 “Criminal Procedural Code”, as amended (‘CPC’);
- Law no.8391, dated 28.10.1998 “On the state intelligence service”, as amended; Law no.10091, dated 5.03.2009 “On the legal auditing, organisation of the profession of legal auditor and of the certified accountant”;
- Decision of Council of Ministers no.663, dated 17.07.2013 “On the approval of the Cross-Sectorial Strategy of the fight against organised crime, illegal trafficking and terrorism 2013-2020 and the Action Plan for years 2013-2016”, as amended;
- Decision of Council of Ministers no.1137, dated 16.12.2020 “On the approval of the Cross-sectorial Strategy of the fight against terrorism 2021–2025, and action plan 2021–2023”;
- Instruction of Minister of Finance 16/2009;
- Instruction of Minister of Finance and Economy 19/2019;
- Decision of Bank of Albania no.44/2009;
- Regulation of AFSA no.58, dated 30.06.2015 “On measures of due diligence and extended by the subjects of the law on prevention of money laundering and terrorist financing”, as amended<sup>17</sup>; and

<sup>17</sup> Amended by AFSA Board Decision no.97, dated 29.07.2020, and Board Decision no.199, dated 29.12.2020.

- “Supervision Manual for the Prevention of Money Laundering and Terrorist Financing” issued by AFSA;
- Decision no.1, dated 19.2.2020 on the establishment of the interinstitutional group Committee for Coordination of Fight against ML created for the follow up and completion of recommendations of FATF and ICRG;
- Other relevant laws, secondary legislation, and specific related legal provisions.

30. The following reports related to AML/CFT matters in Albania were consulted:

- MONEYVAL Mutual Evaluation Report for Albania 2018;
- 2019 Follow-up Report – Enhanced & 2021 2nd Follow-up Report – Enhanced<sup>18</sup>;
- Assessment-Report-on-Legal-and-Regulatory-Framework-on-Anti-Money-Laundering-for-NPOs<sup>19</sup>;
- Annual Report 2020 of Bank of Albania;
- Annual Report 2020 of AFSA<sup>20</sup>;
- US Department of State Country Reports on Terrorism 2020;
- EU Progress Report 2021.

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

- The Interpretive Note to Recommendation 8 (see International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation – the FATF Recommendations (2012, updated 2016)).
- The Methodology for Assessing Technical Compliance with the FATF. Recommendations and the Effectiveness of AML/CFT Systems (FATF, 2013).
- The International Best Practices: Combating the Abuse of Non-Profit Organizations (FATF, 2015).
- The Risk of Terrorist Abuse in Non-Profit Organizations (FATF, 2014).
- The Terrorist Financing Risk Assessment Guidance (FATF, 2019).

<sup>18</sup> All of them are public documents on CoE webpage.

<sup>19</sup> <https://partnersalbania.org/wp-content/uploads/2021/07/Assessment-Report-on-Legal-and-Regulatory-Framework-on-Anti-Money-Laundering-for-NPOs.pdf>

<sup>20</sup> [https://amf.gov.al/pdf/publikime2/raport/RAPORTI\\_VJETOR\\_SHQIP\\_final.pdf](https://amf.gov.al/pdf/publikime2/raport/RAPORTI_VJETOR_SHQIP_final.pdf).



# C. EXECUTIVE SUMMARY AND ASSESSMENT OF RESIDUAL RISK

32. The assessment of the Inherent Risk found that there is no definitive evidence of the abuse of NPOs for terrorist financing in Albania, although there are four ongoing investigations. The perception of the risk varies, although it is notable that the authorities with direct responsibility for combatting terrorist financing consistently assess the risk as lower than other respondents. Whilst the overall assessment of the level of risk is not clear, there is more consistency in the specific risk factors. In this context, the overall risk abuse of NPOs in Albania is assessed as LOW. For most NPOs the risk is VERY LOW. However, it identified five features, characteristics, or activities of NPOs likely to be associated with greater exposure to TF risk.
33. This Report assesses mitigating measures in relation to the following five (5) risk categories identified in the Risk Assessment.
1. NPOs with humanitarian aid and charity activity
  2. Charity and/or educational activity of religious NPOs
  3. Large sums of foreign funding from high-risk sources
  4. Use of cash or alternative transactions outside of the formal banking system
  5. Activities in remote areas.
34. This Report assesses the effectiveness of mitigation measures to potentially reduce the level of Inherent Risk for each of the five risk factors and provides some recommendations to minimise the residual risk.

## Key findings from the Report:

35. In overall, the legal and regulatory framework on NPOs in Albania, is considered as effective to mitigate the TF risk in the sector. It does not present any major problematic, nevertheless, there are some issues that need to be addressed by the authorities to ensure that NPOs are not misused for TF purposes and that the measures are risk-based, proportioned, and do not disrupt the legitimate NPOs' activity.
36. There is no systematic mechanism for ensuring targeted risk-based supervision or monitoring of NPOs for terrorist financing abuse, in line with 8.3 and 8.4 of the FATF Methodology. As a result, despite lack of cases and evidence, and a general acceptance by relevant state authorities that there is a low level of risk for NPOs to be abused for TF purposes, the legal and regulatory framework in place, considers all NPO as "high risk" for the TF purposes.
37. Measures for obtaining and sharing of information, investigations, and intelligence are adequate. Nevertheless, responsible authorities for registration and supervision of NPOs (tax authorities and the NPO Registry) have limited and not dedicated specialised human resources.
38. Due to some deficiencies in the legal and regulatory framework, the mitigating measures taken by the government are not penetrating some categories of NPOs whose characteristics and activities are exposing them to a higher TF risk than other categories of NPOs, for example, religious NPOs that are established outside of the control of religious communities having an agreement with the Government of Albania, or NPOs in rural areas.

39. There is a lack of NPOs outreach from state authorities about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks and the measures that NPOs can take to protect themselves against such abuse. Therefore, there is a low level of information and awareness of NPOs on the potential TF risk for NPOs, on legislation, policies, and measures to mitigate the TF risk in the NPO sector, and rules on terrorist financing for banks or financial institutions which affect NPOs, etc.
40. There is an increased awareness and engagement of NPOs to increase their efficiency, transparency, and accountability. The Code of Standards, introduced by Partners Albania, as a self-regulatory mechanism that promotes a culture of integrity and high standards within the NPO sector, is increasing its membership with NPOs that are committed to developing and maintaining high standards. Still, NPOs need to increase their capacities to better comply with rules and regulations, and perform due diligence of their donors, partners, and beneficiaries to avoid misuse for TF purposes.
41. The following table summarises the main findings of this assessment:

Section	Risk category	Adequacy of Mitigating Measures
E	NPOs with humanitarian aid and charity activity	Medium
F	Charity and/or educational activity of religious NPOs	Low
G	Large sums of foreign funding from high-risk sources	Low
H	Use of cash or alternative transactions outside of the formal banking system	Low to Medium
I	Activities in remote areas	Low to Medium

42. Effective mitigating measures reduce inherent risk to produce an overall residual risk:

$$(\text{Inherent Risk} - \text{Impact of Mitigating Measures}) = \text{Residual Risk.}$$

43. This Report assesses the effectiveness of mitigation measures for each risk factor, with effective measures potentially reducing the level or residual risk. The assessments are as follows:

Risk category	Inherent Risk	Adequacy of Mitigation	Residual Risk
NPOs with humanitarian aid and charity activity	Low to Medium	Medium	Low
Charity and/or educational activity of religious NPOs	Low to Medium	Low	Medium
Large sums of foreign funding from high-risk sources	Low to medium	Low	Medium
Use of cash or alternative transactions outside of the formal banking system	Low to Medium	Low to Medium	Low to Medium
Activities in remote areas	Low to medium	Low to Medium	Low to Medium

The Inherent Risk Assessment assessed the inherent TF risk for NPOs in Albania as 'LOW'. For most NPOs the risk is VERY LOW. A reduction to 'Very Low' risk for NPOs sector in Albania would require comprehensive and effective mitigating measures to be in place. The assessment of the residual terrorist financing risk to NPOs is 'LOW'

## Residual TF Risk of NPOs sector in Albania

LOW

### Recommendations

44. This Report provides specific recommendations for each risk factor included in this Report, which can be found at the end of each section, and some general recommendations that are included in this section, as below:
45. The legal and regulatory framework, specifically the Law No. 9917, dated 19.5.2008 For the prevention of money laundry and terrorist financing, provisions of BoA regulations and those of ASFA related legislation that classify all NPOs as “high-risk client” to which enhanced due diligence should be applied, should be amended to reflect the categorisation of the sector according to the NPOs sector risk assessments, in line with FATF methodology.
46. Categorization of NPOs according to their main field of activity in the online NPO registry should be considered as a priority by relevant responsible authorities during the preparation of the registration templates, as part of the work for the design of the online register of NPOs. This categorization is necessary to enable the implementation of a TF risk-based approach to NPOs.
47. A permanent joint inter-sectorial structure to identify and discuss issues related to TF risks in the NPO sector, and TF related policies affecting NPOs, should be established. The structure should include representatives from the NPOs supervisory and regulatory state structures, intelligence, law enforcement agencies, NPOs, financial sector, and donor community.
48. Authorities (GDPML, GDT, NPO Registry at the Court) should significantly expand their outreach programs on issues related to TF. These programs should include trainings with NPOs on best practices, including how they can identify potential TF risks, and how to identify the level of TF risk to their NPO; targeted guidelines, and trainings for NPOs with higher risk, including detailed explanations on their legal obligations, risk management, and due diligence. They should also include presentation of risk assessment reports to other institutions, NPOs, private sector, donor community, and the public.
49. An assessment of the capacities of public authorities with functional duties related to NPOs sector is needed to identify if they have the necessary resources to implement the related legislation and public outreach, followed by concrete measures to address the shortcomings identified. Some of the shortcomings are already identified in this report, and could serve as a bases for the assessment.
50. NPOs should increase their capacities, to better comply with legal requirements and reporting, to avoid being subject of abusive controls for TF purposes. The Code of Standards, as a self-regulatory mechanism for the sector, should be further promoted among the sector and recognised as an important initiative of the sector to improve governance, increase transparency and accountability of NPOs.
51. Continuation of the work to better understand the TF risk in the NPO sector, along with more research on the identified risks, for which little information is available, such as NPOs activity in the rural area, and cash fundraising.

# D. GAP ANALYSIS

52. In Albania there is a legal framework that regulates the establishment, registration, and activity of all NPOs. Therefore, an assessment of the entire related legal and regulatory framework applicable to NPOs, known as ‘Gap Analysis’ methodology as explained in Section A, above is done, to assess the effectiveness of the mitigating measures for the NPO sector, followed by an assessment of specific mitigating measures for each of the risk factors identified in the Inherent Risk Report.

## Gap Analysis

	Name of Law
Relevant law(s)	The main relevant laws are NPOs Law, NPOs Registration Law, Tax Legislation, Customs Code, and AML/CTF Law.
Nature of NPO	“Non-profit organization” means associations, foundations and centers, and branches of foreign or international NPOs which perform their activity (non-economic or economic activity) independently and without being influenced by the Albanian state.
Number (NPOs / total number)	Until the end of 2020, 11, 962 NPOs registered at the NPOs Registry at Tirana Judicial District Court. Until May 2021, 5,295 NPOs registered at the GDT. Out of these, 2,372 NPOs with an active status, and 2,923 NPOs with a passive status.
Supervisory agency	There is no state agency supervising the activity of NPOs in Albania. There are only public authorities that keep the public NPOs Register (information on NPOs), inspect, and control financial and fiscal performance of NPOs, and license. Without contradicting the above, the GDT has the authority to act as the supervisory body for the NPOs sector on AML/CTF issues.
Registration	Anyone has the right to organisation and to operate as an unregistered organisation without the need for the establishment and registration of an NPO. NPOs (centers, associations, and foundations) gain their legal personality after establishment and registration at the court. Branches of foreign or international NPOs are subject to the same registration procedures. Foreign NPOs may operate temporarily (not more than 6 months) in Albania, with prior consent of the state body with a same or similar field of activity as the foreign NPO, without registration. Temporary activities, lasting no more than 30 continuous days, do not need a temporary permit.

	Name of Law
<b>Obtaining expected information<sup>21</sup></b>	All information is collected upon registration and is held at the NPOs Registry and by the tax authorities. Data on beneficial owners of NPOs are obtained at the Beneficial Owner Registry administered by the National Business Center. <sup>22</sup> To date, the NPO's name, Tax Identification Number (in Albanian NUIS), address of the legal seat, and establishment date, is submitted to the NPOs Registry in hard copy; NPOs Registry will be online starting from January 2024. The scope of activity, annual financial statements, and bank accounts should be submitted respectively to the NPOs Registry and to the tax authorities.
<b>Publishing information<sup>23</sup></b>	The NPO's name, legal form, goal and scope of activity, duration (if fixed term), members of the governing bodies, identification information of the founders of the NPO (in the case of legal persons all the related information that identifies the legal person) and their electronic contact details, legal seat, establishment date, amount of initial/registered funds (in the case of foundations), signature specimen of the members of the governing bodies, tax Identification Number (in Albanian NUIS), and annual financial statements are to be submitted to the NPOs Registry. All the above information is to be public. However, to date, this information is not public online, and for the time-being, it can be retrieved only in hard copy.
<b>Maintaining information<sup>24</sup></b>	The legislation related to NPOs Registry, and the legislation related to Commercial Registry - National Business Centre (regarding the information about the NPOs' beneficial owners) provide that the information in these registries ought to be updated. Changes to organisational information and/or by-laws of the NPO is submitted to the NPOs Registry. NPOs are required to keep fiscal related information for at least 10 (ten) years <sup>25</sup> ; sensitive and state secret information is ruled by special legal provisions.  Verification and control structures of the tax administration, identify NPOs that operate in their territory and control periodically their registration with the tax authority, the update of relevant information, declaration of employees, and the economic activity according to the applicable legal provisions.
<b>Annual reporting</b>	NPOs must submit annual financial statements within 3 (three) months after the end of the previous fiscal year, such documents duly signed by the Executive Director and the designated registered accountant and certified auditor (if the latter is used or applied to the NPO).  Non-profit organizations that have asset values or income of more than ALL 5 million, submit all financial statements including financial position statement, activities' statement, and cash flow statement. All other NPOs that do not meet these criteria, apply accounting on a monetary basis and submit only the cash flow statement accompanied by explanatory notes related to the type of activities or services they offer.
<b>Accounts and audits</b>	Every year, the registered accountant (who may also perform the tasks of a Tax Filing Officer) of the NPO must present to the NPO decision-making bodies, to the NPOs Registry and tax authorities the annual financial statements. As a matter of practice, some NPOs audit their financial activity, following for analogy the requirements applicable to businesses (as provided by the Law on Certified Auditing and Registered Accountant <sup>26</sup> . Some other NPOs prepare audited annual financial statements when the auditing by certified independent auditors is required by the donors that are funding the activity of the NPO.

<sup>21</sup> In line with FATF's Interpretive Note to Recommendation 8, this covers the NPO's name, address, objectives, and governing document; and the name and address of the controllers, office holders and/or senior management. This section relates to information obtained and held by the regulator at registration.

<sup>22</sup> This information complies with the FATF's Interpretive Note to Recommendation 8. .

<sup>23</sup> Same information as above. This section relates to what information third parties have the right to access, either from the registrar or the NPO. There may be a fee for this service

<sup>24</sup> Same information as above. This section covers the mechanisms for ensuring this information is regularly updated.

<sup>25</sup> Law 25/2018 "On accounting and financial statements".

<sup>26</sup> Law no.10091 dated 5.3. 2009, as amended.

	Name of Law
Publication of financial information	<p>Existing Accounting Law provides for the obligation of the NPOs having the turnover over 30.000.000 ALL to publish their annual financial statements in their official webpage. They should also prepare and publish a performance report related to their activity.</p> <p>Tax authorities and the NPOs Registry do not publish the financial statements of NPOs. When active, the online NPOs Registry will publish this information.</p>
Inspections	<p>Annual Financial Statements submitted to the tax authorities may be reviewed by the relevant regional tax offices of Albanian GDT which analyse the sources of funds, the use of funds, the assets of the NPO, and the economic activity of NPO (if applicable).</p> <p>According to Tax Procedures legislation, the NPOs (as any other taxpayers in the Republic of Albania) are inspected ex-post for tax compliance purposes.</p> <p>According to the law, Tax Control Sector at the Regional Tax Offices exercises in-depth operational control for the cases that present a risk, based on the typology of risks in the relevant annex attached to Instruction of Minister of Finance no.16, dated 16.2.2009 “For the prevention of money laundry and counter-terrorist financing in the tax system”, and based on the indicators of annex 1 attached to Instruction of Minister of Finance no.19, dated 9.7.2019<sup>27</sup>.</p>
Vetting	<p>The law does not expressly provide for vetting of NPOs and/or the vetting of the Board members, etc. However, some sort of vetting applies to NPOs when:</p> <ul style="list-style-type: none"> <li>- One or more of their beneficial owners are Politically Exposed Persons (according to the provisions of the AML/CFT Law);</li> <li>- Funding application package of most foreign and local donors, and the Agency for Civil Society Support, requires the submission of clean criminal records.</li> </ul>
Due diligence	<p>The law does not expressly provide for CFT related due diligence of NPOs, because NPOs are not subject of the law, but clients of its subjects. Notwithstanding the above, based on the AML&amp;TF law, BoA Regulations and AFSA Regulations contain provisions on pre-approval due diligence for purposes of financial services and products provided to NPOs by the second-tier banks, non-bank financial institutions, and operators under the regulatory regime of AFSA.</p> <p>Regarding NPOs’ due diligence to reduce a possible terrorist financing risk, 42% of surveyed NPOs report that they are doing due diligence on beneficiaries, 35% of donors, and 47% of partners.</p>
Investigations and intelligence	<p>The tax authorities have a special directorate related to investigations and intelligence, including CFT matters, that assist also in the preparation of information/reports addressed to Albanian FIU.</p>
Sanctions and remedial powers	<p>The request for registration is refused by the court, if any of the founders or members of the decision-making bodies of the NPO are in the official blacklist prepared and available according to the legislation in place for measures against terrorist financing.</p> <p>If an organisation has declared false data or has not been registered in compliance to the NPOs Registration law within the deadlines, it is sanctioned with a fine. Before issuing the relevant judgement, the court informs the NPO to present the request for registration or correct the data within 30 days from the notice.</p> <p>Specific sanctions are also provided in the Law on Beneficiary Owner Registry for non-registration.</p> <p>Tax Procedure Law provides for specific sanctions if the NPO (as any other taxpayer) does not declare and submits within the legal deadlines the annual financial statements.</p>

<sup>27</sup> During such controls the followings are considered: records of source of funds, grants agreements, agreements for donations, documentation of membership fees, verification of declaration to the tax authority of the bank account where donations are done, verification if funds are kept in bank account and if the transfer or financial transactions related to these funds are channelled through the banking system; performance of duties from the highest decision-making body; if the organisations that have economic activity and generate profits use them to support their social mission.

	Name of Law
Information sharing	The GDT is empowered to share information relevant to money laundering or terrorist financing with any law enforcement agency or other relevant authority. There are also formal processes for receiving information from the Central Register of Bank Accounts and Register of Beneficiary Owners and for information sharing with state agencies, such as the GDPML, which has unlimited access to both registries, state police, special prosecution office against corruption and organised crime, etc.
Outreach	According to the Tax Procedures Law, the fiscal authorities have the tasks to inform the taxpayer on fiscal related matters, including but not limited on the matters related to AML & CFT. TF specific issues are often discussed during and identified in the reports following the tax inspections.
Regulatory capacity	The NPOs Registry has only 1 (one) officer who manages the Register of a total of 11, 962 NPOs. There are no staff dedicated only for NPOs at the GDT, but there are trained staff to supervise NPOs.
Risk-based targeted supervision	To date, the TF risk-based targeted supervision of NPOs is aimed but it is not formalized with specific legislation. The relevant Regional Tax Office should report (if evidenced) cases of financing that present risk according to the typology of risks presented in Annex 1 (List of indicators for suspicious activity) of Instruction of MoF no.16, dated 16.2.2009 "For the prevention of ML and CTF in the tax system" and indicators of Annex 1 of Instruction of MoF no.19, dated 9.7.2019 "For the supervision of NPOs related to AML/CTF", to the central unit at the GDT. After evaluating the case, the unit sends it to the GDPML.

## Assessment of adequacy of mitigating measures – Laws and regulations

53. As a generic consideration, the approval of new legislation is considered as effective to mitigate FT risk at the NPOs Sector. The following recent measures applicable to NPO sector, in general, are effective to mitigate the FT risk in this sector:

- ✓ Approval of two instructions of MoF (no.16/2009 and no.19/2019) regarding the requirements for the documentation related to NPOs financing.
- ✓ Approval of Amendment to the Tax Procedures Law (2019) regarding the mandatory requirement for NPOs to have at least 1 (one) bank account; any bank account of the NPO held in Albanian or abroad ought to be declared to the tax authorities.
- ✓ Approval of new NPOs Registration Law.
- ✓ Approval of Law on Beneficial Owners.
- ✓ Approval of Law on the Central Register of Bank Accounts.
- ✓ Approval of the legal requirements for the preparation and the publication of the performance report at the relevant website of the NPOs, such provided by the Accounting Law.
- ✓ Approval of the requirement for specific national accounting standards applicable to the NPOs enable the financial transparency of NPOs, including the transparency necessary for purposes of CTF.
- ✓ Approval of the law for the invoice and circulation monitoring system (fiscalization)
- ✓ Approval and amendments of the law on AML and CFT.
- ✓ Amendment of usual and in-depth diligence performed by AFSA over the subjects of the Law on AML and CFT (2020)<sup>28</sup>.

54. The registration and information requirements for NPOs are mostly in line with the requirements of parts 8.3 and 8.4 of the FATF Methodology, and with paragraph 6(b)(i), (ii), (iii), (iv), and (vi) of the Interpretive Note. Specifically, NPOs are required to:

<sup>28</sup> AFSA Board Decision no.97, dated 29.07.2020 and Board Decision no.199, dated 29.12.2020, amended the Regulation no.58, dated 30.06.2015 "On the measures of usual and in-depth diligence over the subjects of the Law on AML and CFT".

- register, and to maintain information on the purpose and objectives of their stated activities<sup>29</sup>;
  - maintain information on “the identity of the person(s) who own, control or direct their activities, including senior officers, board members, and trustees”<sup>30</sup>;
  - have appropriate controls in place to ensure that all funds are fully accounted for;<sup>31</sup>
  - produce annual financial statements that provide detailed breakdowns of incomes and expenditures;<sup>32</sup>
  - NPOs must maintain financial records for a period of at least 5 (five) years.<sup>33</sup>
55. Transparency is a key principle in the supervision of NPOs. The online NPOs Registry (and Commercial Registry (QKB) which administers the Register of Beneficiary Owners, including the relevant data received by the online NPOs Registry) is expected to introduce new measures to implement effectively the existing legal provisions to enhance the transparency of NPOs, including organisational and financial related transparency. It is expected that the information on the NPO’s scope of activity, identity of founders, decision-making bodies, legal representatives, and other financial information is published by NPOs Registry<sup>34</sup>, apart from the information on beneficiary owners that will be kept by the Register of Beneficiary Owners.
56. Public authorities and financial institutions consider that the legal framework, as well as the supervision and preventive measures implemented by law enforcement institutions in the fight against terrorist financing, are in line with international standards and conventions, and constitute a positive factor to mitigate the risk.
57. According to them, the effective implementation of the existing legislation is affected by the lack of monitoring capacities (human and technical capacities, lack of specialised structures), large number of NPOs in the country, and the level of communication, coordination, and collaboration between the existing structures. Another aspect affecting the effective implementation is the lack of trust between state authorities and NPOs.
58. Analysis of the law and interviews with officials suggest that measures for obtaining and sharing of information, investigations, and intelligence (8.5 and 8.6 of the FATF Methodology) are adequate. Some specific analysis is provided herein below.
59. Regarding 8.5.(a) of the FATF Methodology: Analysis of the law and interviews with public officials suggest that there is an effective system in place for sharing information between relevant agencies, mostly among GDPML, ASP, and the GDT as the supervisory body for NPOs.
60. Regarding 8.5.(b) of the FATF Methodology: Inspections and investigations from public authorities, the legal screening of NPOs from the banks and non-bank financial institutions (under the regulatory regime of BoA) and from the other financial operators (under the regulatory regime of AFSA) to date, show that there are no cases of FT violations in the NPOs sector, thus, suggesting that the measures are adequate. However, the lack of outreach and control of supervisory bodies all over the country and to all categories of NPOs prevents for a full evaluation of the adequacy and effectiveness of these measures.
61. Regarding 8.5.(c) of the FATF Methodology: The legislation related to the NPOs Registry and Commercial Registry (regarding the information about the NPOs’ beneficial owners), Tax Procedure Law, and Criminal Code, have the necessary sanction and remedial powers.
62. Declaration of false data on the NPO registry and failure to fulfil the obligation for registration (initial and other mandatory registrations) are considered as administrative offenses sanctioned with a fine. The level of fines varies from 0.1% to 1% of the annual income declared by the non-profit organisation. In any case, the amount of the fine, cannot be less than 30,000 (thirty thousand) ALL (around 260 EUR) with no maximum fine stipulated. These measures are not consistent with the requirements of FATF R8.4(b) that sanctions are proportionate, in particular, the lack of a maximum possible fine<sup>35</sup>. The provisions stated above allow for the imposing of different fine amounts levied for the same violation; the fine amounts depend on the income of

<sup>29</sup> 6(b)(i) and (ii), of the Interpretive Note to Recommendation 8.

<sup>30</sup> *ibid*, 6(b)(ii).

<sup>31</sup> *ibid*, 6(b)(iv).

<sup>32</sup> *ibid*, 6(b)(iii).

<sup>33</sup> *ibid*, 6(b)(vi).

<sup>34</sup> FATF ‘encourages’ this approach but does not require it. See *Interpretive Note to Recommendation 8*, paragraphs 6(b)(i) and 6(b)(ii).

<sup>35</sup> The Lack of a maximum amount of fines is also in contradiction with the Law no. 10279, dated 20.5.2010 On Administrative Offences, according to which the maximum and minimum limits of fines should be applied.



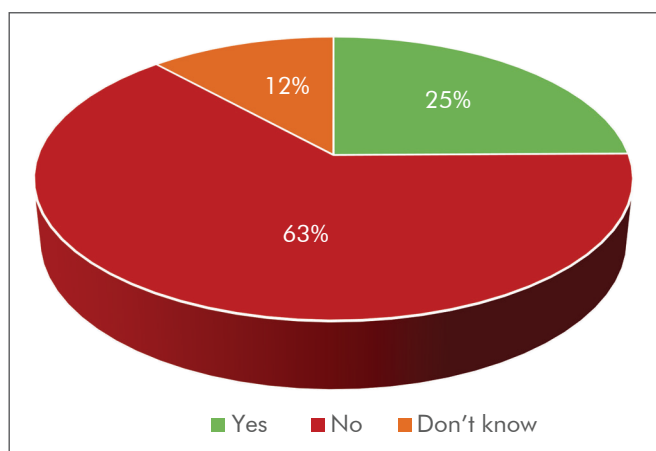
the NPO, and this is identified as a violation of the principle of parity, and as a violation of the relevant legal, constitutional and human rights.

- 63. There is no systematic mechanism for ensuring targeted, risk-based supervision or monitoring of NPOs for terrorist financing abuse, in line with 8.3 and 8.4 of the FATF Methodology.
- 64. Tax authorities have limited monitoring regimes over NPOs, consisting of financial audits and inspections (8.3 and 8.4 of the FATF Methodology). The scope is on verifying legal and financial compliance. In addition, neither the NPOs registry nor the tax authorities have a standardized categorization and risk-based targeting of NPOs; there is no measure focused on TF vulnerabilities or risks, based on any NPO risk methodology. The legislation provides for some risk-related indicators, that may be used by tax authorities while performing the in-depth control on NPOs (it implies that such control also includes the operational control).
- 65. Compliance with the requirements for the submission of annual financial statements to the NPOs Registry is low<sup>36</sup>; however, the NPOs largely comply with the requirement to submit these statements to the relevant regional tax office(s). Based on the information provided by the GTD, for the year 2021, there are 472 entities (only 5% of all active NPOs registered at the GDT) penalized for not declaring financial statements within the legal deadline with a value of 10,000 ALL, of which: 2 entities are religious, humanitarian and charity organizations; 6 political organization subjects; 464 non-profit organizations.
- 66. Low human resources capacities of relevant public institutions to deal with NPOs, i.e., NPO Registry has only 1 (one) officer, while Tax authorities lack dedicated inspectors for NPOs.

## Assessment of adequacy of mitigating measures – Outreach and NPO Measures

- 67. Outreach is the main mechanism through which governments can influence improvements in mitigating measures adopted by NPOs (see also paragraph 8.2 of the FATF Methodology). According to MER 2018, the GDT has conducted several meetings with representatives from the NPO sector to share and exchange relevant information on TF risks. However, Albania still needs to develop its own relevant best practice document with the involvement of the NPO sector at large.
- 68. TF measures by the government aiming at awareness and public outreach are not sufficiently penetrating the NPOs sector. From the survey with 153 NPOs, 63% report not being aware of the government measures concerning AML/CFT.

Figure 2: Awareness of government measures on AML/CFT (Source: NPO survey; no. = 153 NPOs)



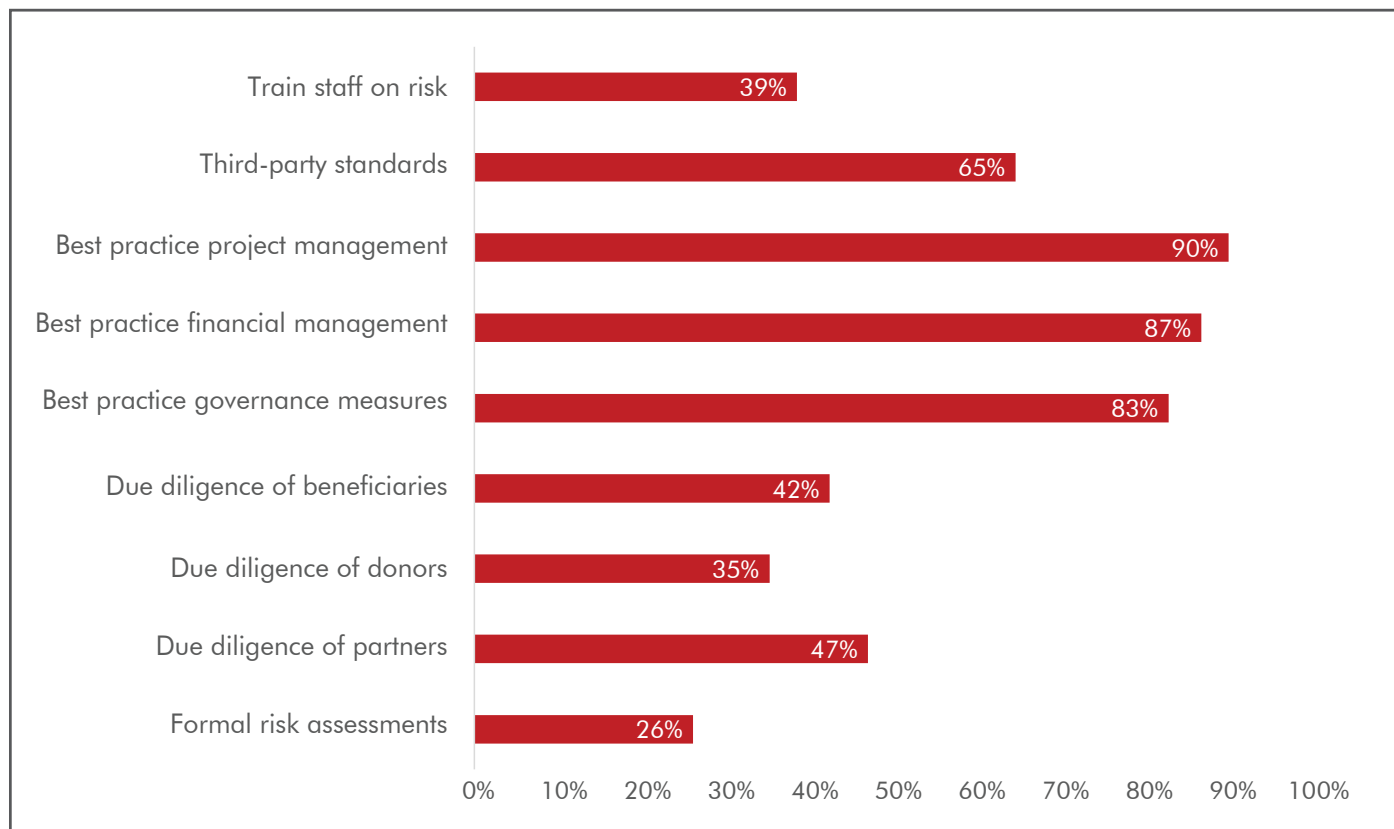
- 69. Out of 153 surveyed NPOs, only 38 of them (25%) are aware of measures and policies are taken by the government to reduce the terrorist financing risks for NPOs. When asked about the effectiveness of these measures, 18 NPOs out of 38 being aware of them, responded that the latest measures effectively reduce

<sup>36</sup> Less than 50%, according to an interview with the Registrar of Associations.

the potential terrorist financing risk is the truest statement, while 17 NPOs consider that these measures limit the ability of NPOs to work effectively.

70. Regarding NPOs measures, the NPO survey asked NPOs to self-report on nine best practices which are relevant to the reduction of TF risks. Most of the surveyed NPOs report applying best practices on project management systems (90 %), financial management systems (87%), and governance measures (83%). Regarding formal TF risk assessment, 26% reported doing such assessment.

Figure 3: Self-reported best practices in NPOs (source: NPO survey, no. = 153 NPOs)



71. In 2019, Partners Albania through its National Resource Center for Civil Society, started the implementation of the Code of Standards for NPOs (<https://standards4npo.al/>), based on best international models. The Code aims to improve the effectiveness of the NPO sector and increase supporters, beneficiaries, and other stakeholders' trust by enhancing good governance, transparency, and accountability of the sector. The Code is a self-regulatory mechanism undertaken with the free will of CSOs and an enabling mechanism for all CSOs that wants to advance the standards of their work. Since its launched in September 2020, its membership counts 21 NPOs all over the country, and 10 NPOs are currently going through the Assessment process.

## Overall assessment

72. There is a well-established and comprehensive legislative and regulatory system in place which provides the basis for the registration and maintenance of information on all NPOs, and for information sharing and investigation. This is largely effective, although there are some concerns about the level of human and technical resources in some areas, and compliance with reporting requirements could be improved. Recent developments should bring the expected additional transparency. The existing systems for classifying NPOs do not facilitate the identification and targeting of NPOs 'at risk' for TF purposes. There are insufficient measures or guidance for officials on targeted, risk-based supervision and monitoring for TF purposes. Current outreach measures are not sufficient.

73. The adequacy of mitigating measures for NPOs is assessed as Medium.

## Adequacy of Mitigating Measures: Entire NPOs Sector

### MEDIUM

74. Effective mitigating measures reduce inherent risk to produce an overall residual risk:

Inherent Risk – Impact of Mitigating measures = Residual Risk

Risk category	Inherent Risk	Adequacy of mitigation	Residual Risk
Entire NPO Sector	Low	Medium	Low

## Recommendations

75. The new online NPOs Registry ought to be equipped with the relevant legal basis and technicalities for the categorization of NPOs in the online system of NPOs Registry according to their field of activity; such categorisation would guide the implementation of a risk-based approach in the NPOs sector for CFT purposes.
76. The Law for the Registration of NPOs should be revised to address deficiencies identified by NPOs and presented to the legislators, including the disproportional level of fines for declaration of false data and or non-fulfilment of the obligations for initial registration, or other mandatory registrations.
77. The relevant secondary legislation implementing the Law on Registration of NPOs which is to be approved by the High Judicial Council (HJC) should introduce a formal system for the categorisation of NPOs (as guided also by the AML/CFT legislation), which will facilitate the identifying and scoring risks, including TF risks, by the relevant AML/CFT authorities (including tax authorities), and for ensuring in general that higher risk entities face additional scrutiny to be implemented by the relevant state authorities.
78. A strategic risk assessment system should be developed underpinning and cohere the individual elements of supervision at registration, reporting, and monitoring through annual financial statements, and inspections. Specifically, the system should include:
- A system for the categorisation of NPOs, according to their field of activity in the new online NPOs Registry. This should be considered in the preparation of NPO registration forms, for the establishment of the NPO online registry. Such categorisation would guide to the implementation of a risk-based approach in the NPO sector for CFT purposes.
  - A system for identifying the characteristics or activities that place NPOs at higher risk (continuing and building on the work of the NPO Risk Assessment Report);
  - A system for ensuring that these conclusions are integrated into the existing regulatory mechanisms (such as a scoring system for identifying NPOs which display high-risk characteristics);
  - A system of appropriate additional measures for identified higher risk NPOs (i.e. greater scrutiny through inspections);
  - A feedback mechanism, so that intelligence gained through additional monitoring is used to fine-tune the risk indicators.
  - The system needs to be based on objective criteria or requirements for scrutiny. It should avoid scope for human discretion, where senior officers wish to add or remove NPOs from additional supervision.
  - It should be supported by a formalized and standardized system based on objective criteria for monitoring annual financial statements to identify high-risk entities.
79. Human resources capacities of state authorities responsible for the registration and supervision of NPOs should be increased. The NPOs Registry ought to have sufficient number of officers to enable qualitative services by NPOs Registry; tax authorities ought to have dedicated, sufficient and trained staff to serve the specialised needs of NPOs so that their control does not focus only on issues related to fiscal evasion but includes also CTF related supervision. This should be based on some guidelines prepared for tax inspectors on how to exercise their function to FT in the NPOs sector. The guidelines may include specific questions,

perhaps through a separate questionnaire, to identify specific risk factors, such as transactions with high-risk jurisdictions, exposure to extremist influences, or use of alternative fund transfers.

80. NPOs Registry Office at Tirana Judicial District Court, GDT and GDPML should significantly expand their outreach programme. The programme should cover a range of TF relevant and TF specific topics for a broad audience. It should include:
- General awareness raising programmes targeting donors and the public on TF-relevant issues and pointing to where further advice is available.
  - General advice and/or training for NPOs on best practices, including how to identify possible TF and how to identify if the NPO is at higher risk.
  - Targeted advice, guidance and/or training for higher risk NPOs, providing detailed explanations of legal obligations, and best practice guidance on key issues such as governance, finance, project management, risk management, and due diligence.
  - Sharing of the Risk Assessment report and its key findings amongst government, NPOs and private sector stakeholders.
81. Communication, and collaboration between state agencies with NPOs, and other stakeholders should be improved, through the establishment of a standing joint structure to identify and discuss issues relating to TF, TF risks and TF policies including financial sector and NPO regulators, intelligence, law enforcement, and representative NPOs (including those from higher risk categories), major donors and financial institutions.

# E. NPOS WITH HUMANITARIAN AID AND CHARITY ACTIVITY

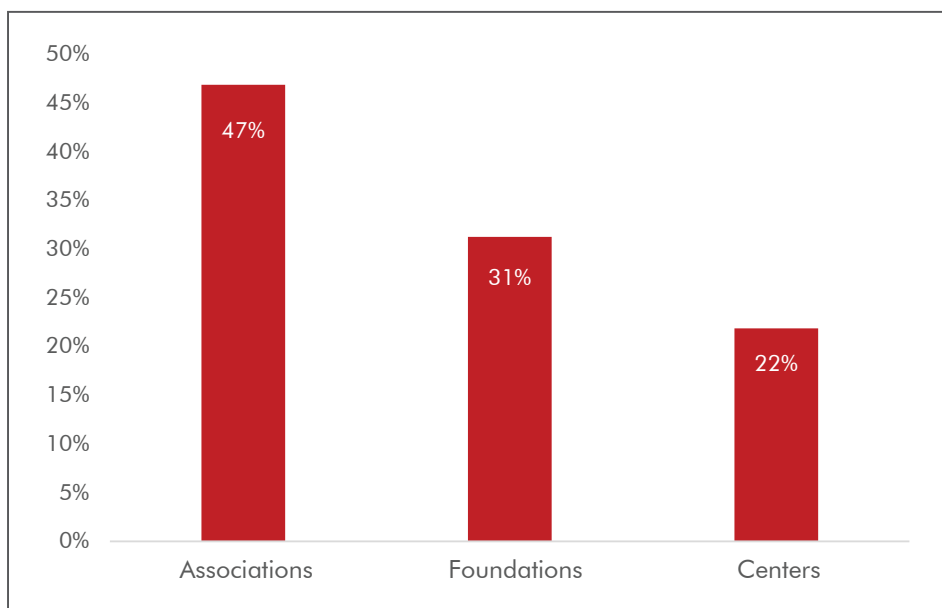
82. The Inherent Risk Assessment notes that there are no cases of humanitarian and charity organisations used for TF purposes identified in Albania. However, interviews with state authorities and financial institutions suggest that organisations with humanitarian and charity activity are considered vulnerable and with a higher potential risk to be misused for TF purposes, because their activities may be used as a fundraising opportunity for terrorist activity or other illegal activity. These organisations have a high level of trust in the community, which may be used by terrorist groups to finance their illegitimate activity.

According to the Inherent Risk Assessment, the Prevalence of this risk factor is **Low - Medium** and the Relevance is **Medium - High**

83. According to the information provided by the GTD in May 2021, humanitarian, religious and charity organisations represent only 3.1% out of 2,372 organisations registered at the GDT.

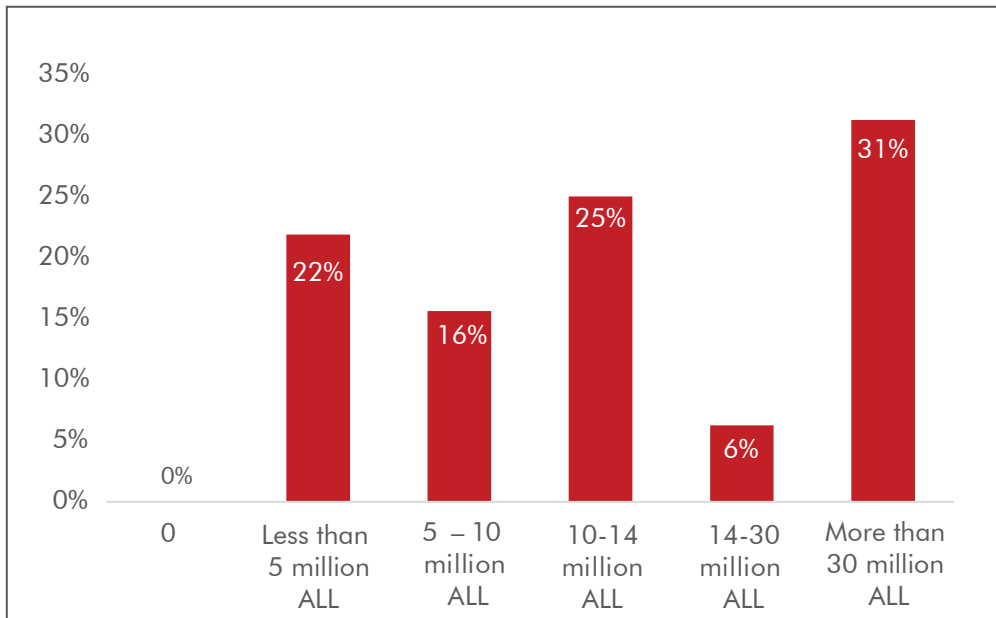
84. According to the survey with 153 NPOs, 21% of them (32 NPOs), have reported to provide humanitarian aid. According to their legal form of registration, 47% of these organisations are associations, 31% are foundations and 22% are centres.

Figure 4: NPOs by legal form reporting humanitarian aid as an activity (Source: NPO Survey; no. = 32 NPOs)



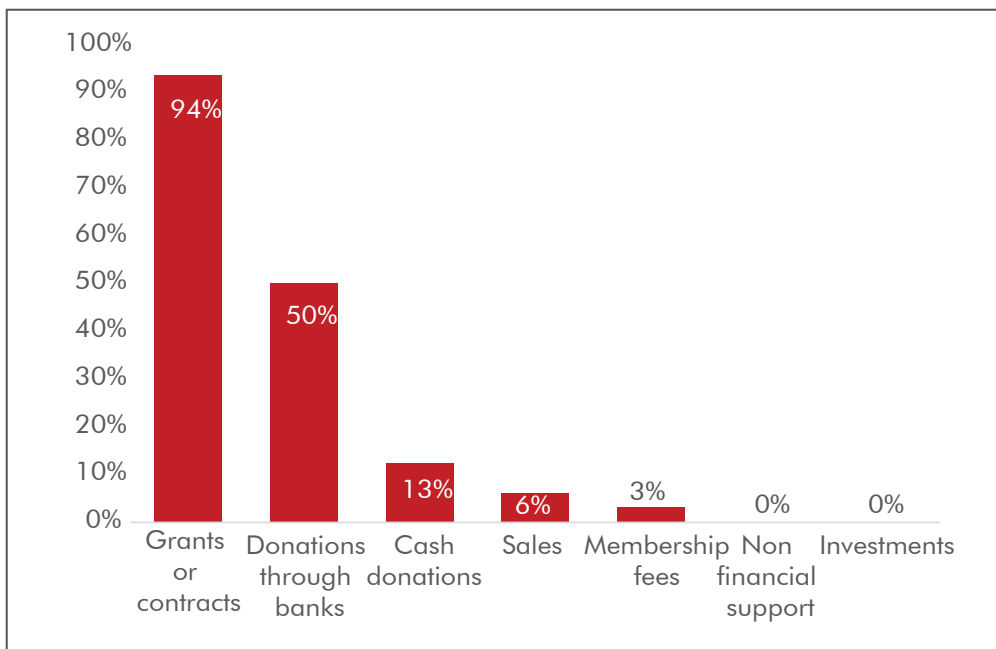
85. Only 1 (one) of these NPOs is based in Tirana, while all other 31 NPOs have their legal seat in other cities.
86. With regards to their annual income, 31% of this group of NPOs (10 NPOs) reported incomes of more than 30 million ALL, representing half of all surveyed NPOs that have reported a total annual income of more than 30 million ALL.

Figure 5: NPOs by annual income reporting humanitarian aid as an activity (Source NPO Survey, no =32 NPOs)



87. Regarding sources of funds, almost all of them, 94% or 30 NPOs providing humanitarian aid, report receiving funds from grants and contracts.

Figure 6: Source of funds of NPOs reporting humanitarian aid (Source: NPO survey, no. =32 NPOs, multiple choice)



## Assessment of adequacy of mitigating measures – Laws and Regulations

88. NPOs with charity and humanitarian aid activity are not subject to specific laws or regulations regarding their specific humanitarian activities. The legal framework applicable to this group is in most aspects the same as for all NPOs and is analysed in section D herein above stated. However, the following specific legislation or regulations applies specifically to this group of NPOs and are analysed herein:

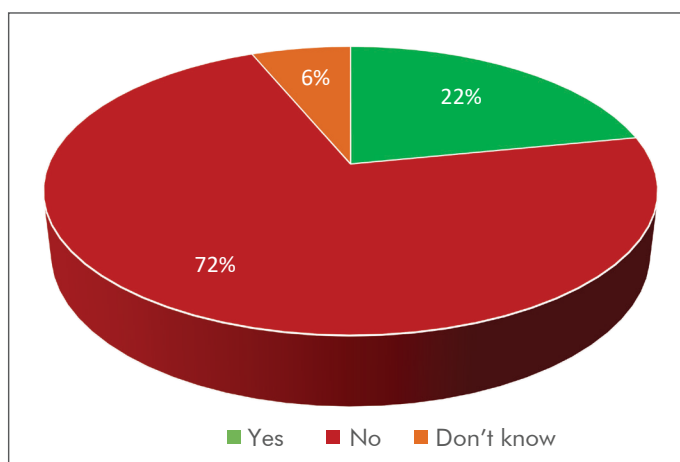
- ✓ Law no.92/2014 “On Value added Tax”, as amended.
- ✓ Law no.102/2014 dated 31.7.2014 “On the Customs Code of Republic of Albania”, as amended.
- ✓ Decision of Council of Ministers no.651 dated 10.11.2017 “On the implementing provisions of Law no.102/2014, Customs Code of Republic of Albania”, as amended.
- ✓ Other secondary legislation implementing the above stated laws.

89. The customs legislation provides for some exemption for goods imported into Albania for charity and philanthropic organisations, and the tax legislation provides that the humanitarian aid and charity related imports performed by humanitarian and charity organisations in Albania are exempted from customs duties and VAT on import; the tax legislation provides also that the rate of 0% is applied to exports performed by the humanitarian NPOs. The secondary existing legislation is not detailed sufficiently to avoid the discretion of the relevant tax and customs authorities over the NPOs performing humanitarian and charity activity and this increases the potentials for unnecessary and too extensive targeting of these NPOs for CFT purposes.

## Assessment of adequacy of mitigating measures – Outreach and NPO Measures

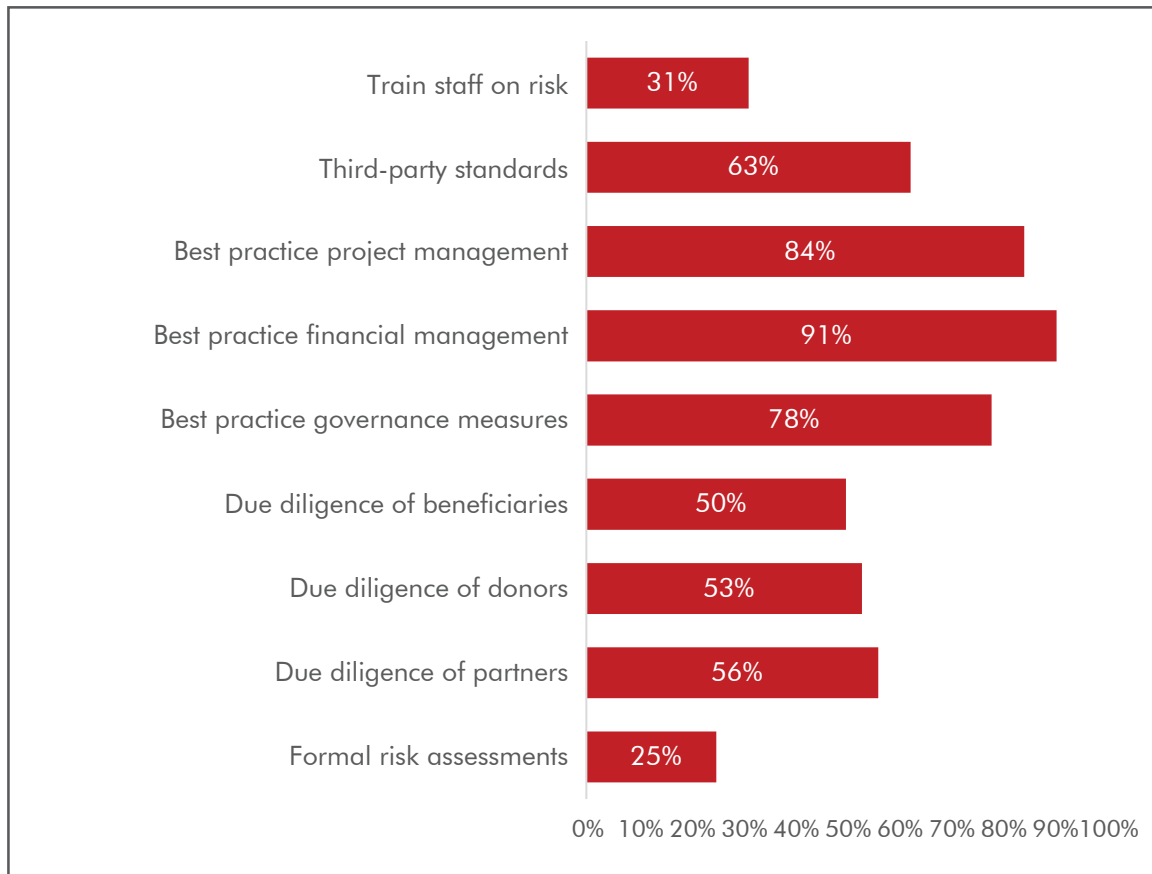
90. State outreach to NPOs with humanitarian aid/charity activity on TF issues, like for all other NPOs, is insufficient. This is supported by findings from the survey with NPOs, according to which 72% of this group of NPOs are not aware of any government measures concerning AML/CFT.

Figure 7: Awareness of government measures on NPOs reporting humanitarian aid activity (Source NPO survey, no. = 32 NPOs)



91. The NPO survey asked NPOs to self-report on nine best practices which are relevant to the reduction of TF risks. Regarding 32 NPOs reporting humanitarian aid activity participating in the survey, almost all of them (91%) reported the application of best practices in financial management, and (84%) in project management. Referring to best practices in terrorist financing, it is observed that a lower number report applying them, with only 25% (8 NPOs) reporting doing a formal TF risk assessment, and 31% (10 NPOs) reporting to training staff on TF risk.

Figure 8: Self-reported best practices in NPOs reporting humanitarian aid activity (source: NPO survey, no. = 32 NPOs)



## Overall assessment:

92. Organisations with humanitarian aid and charity activity are regulated by the same legislation (with some tax exemptions as above) that regulates the NPO sector in Albania. Therefore, the same assessment on mitigating measures and state outreach as in the Gap analysis (Section D) applies for this group of NPOs.
93. Regarding specific self-regulating measures related to NPOs with charity and humanitarian aid activity, the findings from the survey with 153 NPOs showed wide application of best practices on organisational management among this group of NPOs.
94. The adequacy of specific mitigating measures for charity and humanitarian NPOs is assessed as medium.

**Adequacy of Mitigating Measures: NPOs with humanitarian aid and charity activity**  
**MEDIUM**

95. Effective mitigating measures reduce inherent risk to produce an overall residual risk:

Inherent Risk – Impact of Mitigating measures = Residual Risk

Risk category	Inherent Risk	Adequacy of mitigation	Residual Risk
NPOs with humanitarian aid and charity activity	Low to Medium	Medium	Low-medium



## Recommendations

96. The existing secondary legislation related to tax and custom benefits applicable to charity and humanitarian aid activity of NPOs ought to be improved with specific legal provisions or regulations. First, this is important because, from the strict legal viewpoint, these organisations have the right to have effective benefits (several tax and custom exemptions and reliefs) which is transferred to the benefit of the target groups these NPOs dedicate their humanitarian aid and charity. Second, the approval of specific legal provisions and regulation in the secondary legislation will provide better guidance for the relevant authorities aiming to avoid the discretion of the public authorities, including tax and customs authorities, and less targeting of these NPOs for CFT purposes, while these authorities grant to these NPOs approvals for the tax and customs benefits. This also would further stimulate humanitarian and charity activity of NPOs in Albania.
97. Any new legislation that will be approved in Albania during transposition or approximation of the relevant EU legislation, which may introduce additional requirements and benefits for the charity and humanitarian aid activity of NPOs, ought to be completed also with secondary legislation which should be specific with clear requirements and procedures aiming to avoid any discretion by public authorities and less unnecessary control for TF purposes.
98. Relevant state authorities should increase outreach targeting NPOs with humanitarian and charity activity to increase their awareness and to discuss on the potential factors that could expose them to a higher risk of abuse for TF purposes, the mitigating measures to avoid them, and other relevant issues.

# F. CHARITY AND / OR EDUCATIONAL ACTIVITY OF RELIGIOUS ORGANISATIONS

99. The Inherent Risk Assessment notes that the risk with this group of organisations rely on the exploitation to spread radical orientations, by offering economic aid and financial support in the form of pensions for orphans and families in need, scholarships, sponsoring traveling to places of worship, etc. Religious organisations are considered to have higher fundraising abilities and potential risk for relations with terrorist organisations out of the country. All cases being under investigation for TF are under this category of organisations.
100. Constitution of Albania (Article 10) provides that: There is no official religion in the Republic of Albania. The state is neutral in matters of faith and guarantees the freedom of their expression in the public life. The state recognizes the equality of religious communities. The state and religious communities mutually respect each other's independence and cooperate for the benefit of each and all. The relations between the state and religious communities are regulated based on agreements concluded between their representatives and the Council of Ministers. These agreements are ratified by the Albanian Assembly. Religious communities are legal entities. They have independence in the administration of their assets according to their principles, rules, and canons, as long as the interests of third parties are not violated.
101. There are 5 (five) religious communities in Albania established through an agreement with the Republic of Albania, as follows: Catholic Church, Muslim Community of Albania, Orthodox Autocephalous Church of Albania, World Bektashi Order, and Evangelical Brotherhood Church of Albania. Based on these agreements, each of these communities may establish NPOs performing humanitarian, charity and / or education activities in the country.
102. In Albania do also operate other religious communities registered as NPOs, not having an agreement with the state.
103. The State Committee on Religion is the public authority with a mandate to establish relations between the state and the religious communities and any type of civil society organisations that pursue religious goals. It has 5 (five) officers responsible, who follow the relations and issues related to the 5 (five) main religious communities and other religious beliefs. One of them is also responsible for the relations with humanitarian-religious organisations.
104. The existence of religious NPOs performing humanitarian, charity, and/or education activities that are not established and are out of the control of the five religious communities that have an agreement with the Republic of Albania, is recognised and expressed as a concern by the religious communities themselves, and relevant public authorities.
105. Religious organisations are grouped by the GDT together with humanitarian and charity organisations, representing 3.1% of all organisations registered at GDT (see section above). From the survey with 153 NPOs, only 2% of them reported the promotion of religious faith as their field of activity.

According to the Inherent Risk Assessment,  
the prevalence of this risk factor is **Low**, and the relevance is **High**

## Assessment of adequacy of measures – Laws and regulations

- 106.** The legal framework applicable to religious NPOs that perform charity and/or educational activities is in many aspects the same as for all other NPOs. Those generic measures applicable to all NPOs are analysed in section D herein above.
- 107.** However, there is a specific legislations which provides exemptions, reliefs and/or obligations applicable to NPOs founded by any of the five religious communities, such different from the exemptions, reliefs and/or obligations applicable to all other NPOs. The agreements with five communities and the other specific related legislation are listed and analysed below:
- ✓ Law no.8902, dated 23.5.2002 “On the ratification of “Agreement between the Republic of Albania and the Holly Seat on the regulation of the mutual relationship”
  - ✓ Law no.9365, dated 31.3.2005 “On the procedures for the acknowledgment of the legal capacity of the legal entities of the Catholic Church”.
  - ✓ Law no.9865, dated 31.01.2008 “On the ratification of the “Agreement of RoA with Holy Seat for some economic and tax matters””.
  - ✓ Law no.10056, dated 22.1.2009 “On the ratification of “Agreement between Council of Ministers of Republic of Albania and Muslim Community of Albania for the regulation of mutual relationship””.
  - ✓ Law no.10057, dated 22.1.2009 “On the ratification of “Agreement between Council of Ministers of Republic of Albania and Orthodox Autocephalous Church of Albania for the regulation of the mutual relationship””.
  - ✓ Law no.10058, dated 22.1.2009 “On the ratification of “Agreement between Council of Ministers of Republic of Albania and World Bektashi Order on the regulation of mutual relationship””.
  - ✓ Law no.10394, dated 10.3.2011 “On the ratification of “Agreement between Council of Ministers of Republic of Albania and religious community” Evangelical Brotherhood Church of Albania” “On the regulation of mutual relationship””.
  - ✓ Law no.10140, dated 15.5.2009 “On Financing from state budget of Religious Communities that have signed agreements with Council of Ministers”.
- 108.** Regarding the legal form of the legal presence of religious communities in Albania, it is to be explained that each of the 5 (five) religious communities (and the unions - in Albanian ‘bashkime fetare’) are legal persons established by law as entities performing non-for-profit activity; they are not established in Albania as an NPO. However, these legal persons are registered at the NPOs Registry.
- 109.** Apart from the deficiencies identified in section D which are applicable to all NPOs, the following deficiencies are identified regarding the charity and/or educational activity performed by religious organisations:
- 110.** The obligation for financial and operational transparency applicable to the NPOs is not applicable to the religious communities (existing as legal persons based on the agreement with the Government of Albania) and the NPOs founded by them. Thus, the measures applicable to other NPOs, such as the obligation to keep accounting registrations and to submit and declare financial statements to the tax authorities, etc., are not applicable to the 5 (five) religious communities and the NPOs founded by them given the exemptions provided in the agreements between the five communities and Government of Albania.
- 111.** In particular, the NPOs founded by religious communities benefit from the exemptions that are granted through agreements with the Albanian Government (as ratified by law) to the relevant religious communities. Other NPOs founded by other private parties or religious organisations that do not have an agreement with the Albanian Government are not subject to (i.e. do not benefit from) the exemptions that are granted to religious communities and to NPOs founded by them.
- 112.** Considering these exemptions applied to religious NPOs based on the agreements between the religious communities and the Government of Albania, tax inspection authorities cannot effectively perform their right to monitor and inspect the activity and finances of religious organisations performing charity and/or educational activity.

113. The legislation does not provide guidance for the activities that are considered as charity and educational activities performed by religious organisations leaving room for discretion from the side of the relevant public authorities.

## Assessment of adequacy of measures – policy and outreach, and NPO measures

114. Considering the deficiencies in the legal framework regulating the activity of religious organizations, there is a perception from the public and supervisory authorities that all religious organizations are subject to the same legal regulation (exemptions applicable to those established by the 5 (five) religious communities, are applied to all religious NPOs) therefore, there is no outreach, and they are out of the state supervision.

115. Only 3 out of 153 NPOs that participated in the survey are religious organizations. As mentioned in the methodology part of the report, the number of religious organisations selected to be included in the survey was higher, but the survey team faced difficulties in reaching them, due to the inaccuracy of contact information provided on their official webpages, or lack of willingness to participate. The following data is therefore provided with the caveat that the very small sample size will limit our ability to make reliable assessments.

116. Two (2) of the religious NPOs participating in the survey are foundations and one (1) is a center. The three organizations have their premises outside Tirana. All of them reported an annual income of less than 5 million ALL.

117. Referring to the source of income from different channels, 2 NPOs reported receiving donations through banks. Other sources of income are grants or contracts (1 NPO), donations in cash (1 NPO), and non-financial support (1 NPO). The source of cash donations is from private individuals.

118. These NPOs carry out activities in areas of humanitarian aid, education and lifelong learning, assistance to marginalized groups and people with disabilities, and volunteer development.

119. The three surveyed religious NPOs report to apply best practice on governance measures and best project and financial management systems.

120. Only 1 (one) religious organization report to do formal risk assessment, due diligence of donors, and partners. It also declared that is aware of measures or policies taken by the government to reduce the terrorist financing risk for NPOs, general and specific laws, regulations, or policies on terrorist financing which also apply to the sector and the organization itself. The NPO reports that the measures enacted are effective in reducing the potential FT risk.

## Overall Assessment

121. The ratification by the Albanian Parliament of the agreements between religious communities and with Albanian Government (complemented by laws that are applicable similarly to all five religious communities, such as law no.10140, dated 15.5.2009, etc.) is a legal guarantee for the protection of the legal and constitutional rights of these communities and the exercise of their activity based on legal provisions.

122. The differentiated treatment of religious communities and NPOs established by them, through the application of exemptions provided in the relevant agreements with the Government of Albania, creates confusion and obstacles for state authorities to outreach and implement effective TF mitigating measures, not only to this group, but to all other religious groups and entities registered as NPOs.

**Adequacy of Mitigating Measures:  
Charity and /or educational activity of religious organisations  
Low**

Effective mitigating measures reduce inherent risk to produce an overall residual risk:

(Inherent Risk – Impact of Mitigating Measures) = Residual Risk

Risk category	Inherent Risk	Adequacy of mitigation	Residual Risk
Charity and /or educational activity of religious organisations	Low to Medium	Low	Medium

## Recommendations

- 123.** The approval of a Religious Beliefs and Communities Law in Albania to regulate all the relevant religious communities in Albania (i.e. to regulate all the religious communities including the ones that are present in Albania registered as NPOs given that these latter do not have the legal status of communities as they have not entered/ signed special agreement with the Albanian Government as the five legal communities in Albania).
- 124.** The legislation ought to comfort the necessity for transparency (financial and operational) of NPOs founded by the relevant religious communities, such as the submitting of annual financial statements, publication of operational and financial information, etc. These NPOs founded by the relevant religious communities ought to be subject to the same rules and obligation as any other NPOs that is not founded by the religious communities.
- 125.** The legislation ought to provide for the right of inspections authorities to have access also to the religious organisations performing charity and educational activity for effective monitoring of their activity. Simultaneously, the legislation ought to be clearly drafted to safeguard the relevant constitutional rights i.e. to set the balance between the constitutional right to religious belief, etc., versus the public interest for public safety.

# G. LARGE SUMS OF FOREIGN FUNDING FROM HIGH-RISK SOURCES

- 126.** The Inherent Risk Assessment notes that transaction of significant amount of money coming from foreign countries, is one of the themes noted as a potential risk factor for terrorist financing in NPOs. ‘High Risk sources’ may refer to the country of origin, or to the specific originator of the funds.
- 127.** Cases under investigation reported by the ASP, involve transaction of significant amount of money through the banking system from foreign countries and organisations considered as high-risk sources.
- 128.** Data show that foreign funding is the main source of incomes for the NPOs sector in Albania. From the survey with 153 CSOs, it results that a large majority of them (86%) receive foreign funds, goods or services from other countries. Most of these funds (92%) are coming from grants and contracts with foreign state institutions and are channelled through the banking system.
- 129.** According to data from the BoA, received officially from the GDT and provided for the preparation of this report in the frame of the MoU for the implementation of the NPO TF Risk Assessment Methodology, foreign funding (inflows) to NPOs in Albania<sup>37</sup> in the last 3 years result as follows:

Year	2019	2020	2021
Amount	154.69 mln EUR	162.34 mln EUR	183.11 mln EUR

The maximum amount of an incoming transfer is as follows:

Year	2019	2020	2021
Maximum Amount	3,799,985 USD	5,000,000 CHF	1,999,975 CHF

Referring to the country where these funds are coming from, it is observed that most of the foreign funds are coming from EU countries, like Germany, Italy, Austria, Belgium, France, etc., United Kingdom, and the United States of America. Percentage of funds coming from FATF jurisdictions under increased monitoring<sup>38</sup>, are as follows:

Year	2019	2020	2021
% of foreign funds coming from jurisdictions under increased monitoring	4.32%	26.49%	3.17%

<sup>37</sup> Based on secondary information provided to PA by some banks, the category of NPOs in the banking system includes: 1) NPOs registered in Albania according to the NPO law; 2) foreign aid agencies and projects implemented in Albania, like the UN agencies.

<sup>38</sup> Jurisdictions under increased monitoring are actively working with the FATF to address strategic deficiencies in their regimes to counter money laundering, terrorist financing, and proliferation financing. When the FATF places a jurisdiction under increased monitoring, it means the country has committed to resolve swiftly the identified strategic deficiencies within agreed timeframes and is subject to increased monitoring. This list is often externally referred to as the “grey list”. The FATF does not call for the application of enhanced due diligence measures to be applied to these jurisdictions but encourages its members and all jurisdictions to take into account the information in their risk analysis. Find here the list of jurisdictions under increased monitoring [http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?h-f=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?h-f=10&b=0&s=desc(fatf_releasedate))

It is to be noted that no funds are coming to the NPO sector in Albania from the FATF high-risk jurisdictions<sup>39</sup>.

**130.** Concerning NPO outflows, the situations is presented as below. As noted, there is a big difference between inflows and outflows of NPOs to other countries.

Year	2019	2020	2021
Amount	3.63 mln EUR	2.95 mln EUR	6.85 mln EUR

The maximum amount of an outgoing transfer is as follows:

Year	2019	2020	2021
Maximum Amount	972,190 CHF	402,468 EUR	5,000,000 USD

**According to the Inherent Risk Assessment,  
the prevalence of this risk factor is Low, and the relevance is High**

## Adequacy of mitigating measures – Laws and regulations

**131.** The legal system for NPOs that receive foreign funding from high-risk sources is in most aspects the same as for all NPOs, regardless of their activity and the legal form of registration, and this is analysed in section D herein above. However, the following specific legislation or regulations applies to this risk factor and are analysed in particular herein:

- ✓ BoA Regulations and AFSA Regulations;
- ✓ Special Instructions of Albanian FIU;
- ✓ Tax legislation and Customs legislation;
- ✓ NPO Law and NPOs Registration Law.

**132.** The NPO Law recognises as a source of income for the NPOs: the funds, grants and donations coming from local and foreign public and private entities.

**133.** Further, the legislation does clearly provide for the specific rights of the relevant inspection authorities to have access to the relevant organisations receiving large sums of foreign funding from high-risk sources for effective monitoring of their activity.

**134.** As a generic consideration, the approval of new legislation is considered as effective to mitigate FT risk in the NPOs Sector (please see above section D regarding the assessment of the adequacy of measures applicable to all NPOs).

**135.** Apart from the deficiencies which are applicable to all NPOs, the following deficiencies are identified specifically with the receiving of large sums of foreign funding from high-risk sources: Existing regulations of BoA require to enhance due diligence on ‘high risk’ transactions. Reports from NPOs suggest this is interpreted by financial institutions such that very many routine NPO transactions are subjected to enhanced due diligence (EDD), including low-value transactions and transactions from low-risk sources. Whilst it is considered probable that larger transactions or transactions from high-risk sources are more likely to face such measures, we do not have specific data to support this assumption.

<sup>39</sup> High-risk jurisdictions have significant strategic deficiencies in their regimes to counter money laundering, terrorist financing, and financing of proliferation. For all countries identified as high-risk, the FATF calls on all members and urges all jurisdictions to apply enhanced due diligence, and, in the most serious cases, countries are called upon to apply counter-measures to protect the international financial system from the money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks emanating from the country. This list is often externally referred to as the “black list”. Find here the list of high-risk jurisdictions [http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=-desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/?hf=10&b=0&s=-desc(fatf_releasedate))

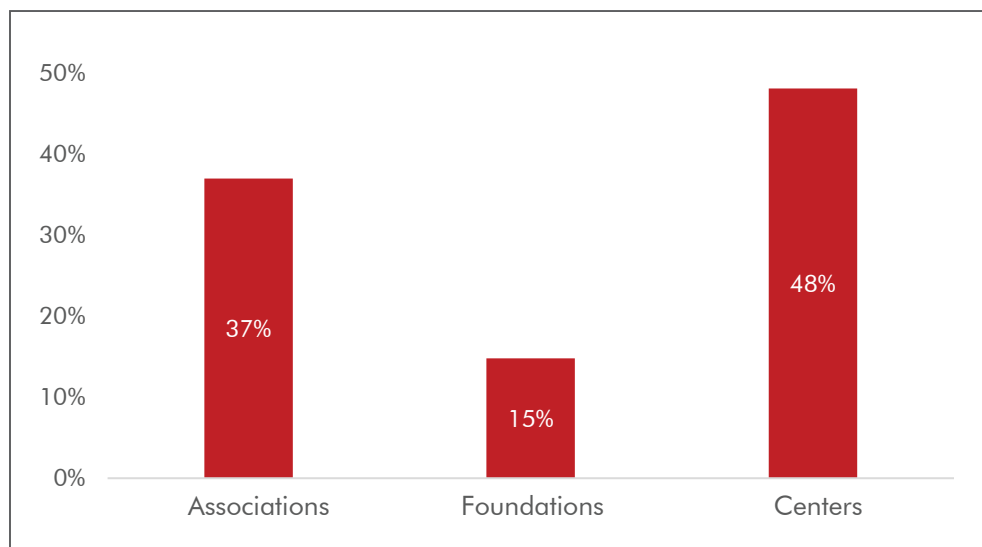
This has the practical effect of inhibiting legitimate NPO activity, which contravenes the requirements of Immediate Outcome 10.2; and would not be in line with the targeted, risk-based, and proportionate approach mandated under Recommendation 8. The potential negative impact of these measures is currently under examination by FATF as part of its 'Unintended Consequences' work stream.

## Assessment of adequacy of mitigating measures – Outreach and NPO Measures

**136.** The NPO Survey found that only 18 NPOs (12%) out of 153 NPOs surveyed were aware of rules on terrorist financing for banks and financial institutions that affect their organisation, and half of them (9 NPOs) report that the measures are effective in reducing the potential terrorist financing risk.

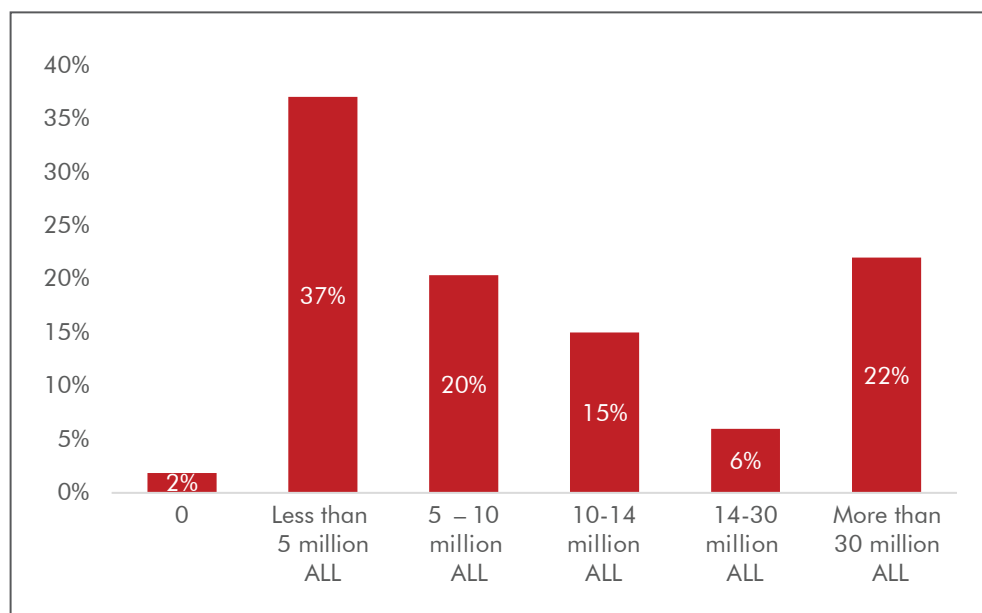
**137.** The NPO Survey found that only 35% of NPOs or 53 NPOs perform due diligence of their donors. Most from this pool of NPOs are registered as centres (48%).

**Figure 9: NPOs reporting due diligence of donors according to their legal form ( Source: NPO survey, no. = 54 NPOs)**



**138.** Regarding their annual income, 37% from this pool of NPOs that report to carry out due diligence to donors, report to have annual incomes of less than 5 million ALL, while 22% of them report to have annual incomes of more than 30 million ALL.

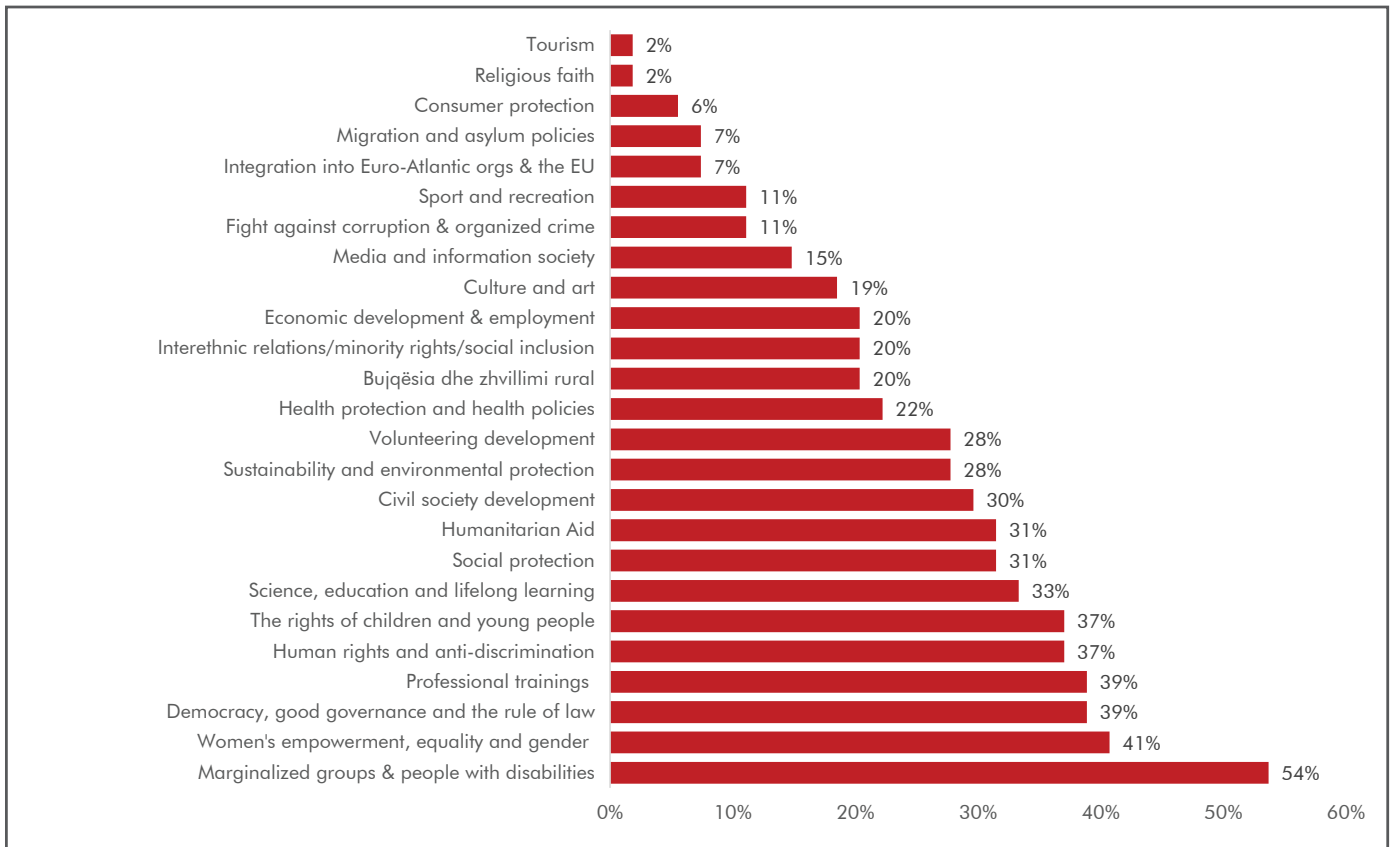
**Figure 10: NPOs reporting due diligence of donors according by their annual income (Source: NPO survey, No. = 54 NPOs)**





139. With regards to their activities, 54% of this pool of NPOs report to carry out activities in the field or marginalised groups and people with disabilities; 41% activities that aim toward women empowerment, and gender equality, and 39% of them report carrying out activities in democracy, good governance and rule of law and professional trainings.

Figure 11: Activities of the NPOs reporting due diligence of donors (Source: NPO survey, No. = 53 NPOs)



## Overall Assessment

140. There is some evidence to suggest that financial institutions, in line with BoA guidelines, are imposing control measures such as EDD too broadly, including on low value or low risk transactions. FATF's 'unintended consequences' workstream has examined the possibility that such controls may inadvertently increase risk by driving NPOs to use alternative higher risk funding vehicles, and/or may hamper legitimate NPO activity. All measures designed to mitigate TF risk must be risk-based, targeted and proportionate. It is not demonstrated that the current legislation and guidelines are consistent with these principles.

**Adequacy of Mitigating Measures:**  
**Large sums of foreign funding from high-risk sources**  
**LOW**

141. Effective mitigating measures reduce inherent risk to produce an overall residual risk:

$$(\text{Inherent Risk} - \text{Impact of Mitigating Measures}) = \text{Residual Risk}$$

Risk category	Inherent Risk	Adequacy of mitigation	Residual Risk
Large sums of foreign funding from high-risk sources	Low to medium	Low	Medium

## Recommendations

142. The Bank of Albania should advise relevant staff and all Financial Institutions within Albania of the conclusions of this risk assessment report.
143. The Bank of Albania, financial institutions, and representatives from the NPO sector (including representatives from entities 'at risk' of terrorist financing) should form a working group to revise the current BoA guidelines and regulations for financial institutions on identifying and mitigating potential TF risks in transactions involving NPOs. The guidance and regulations should be based upon the understanding of risk factors set out in this report and should be periodically reviewed to ensure that they remain consistent with the latest understanding of TF risk to NPOs in Albania.

# H. USE OF CASH OR ALTERNATIVE TRANSACTIONS OUTSIDE OF THE FORMAL BANKING SYSTEM

144. The Inherent Risk Assessment notes that the existence of an informal cash-based economy in Albania is believed to be a factor that helps terrorist groups who can take advantage of this to finance their activity. Internationally there are concerns about the use of cash, crypto, crowdfunding, and alternative financing mechanisms as they are intrinsically harder to verify, although there are few known cases involving the latter methods at global level. Even though some cash fundraising initiatives, such as crowdfunding, fundraising events, etc., are being used in Albania, the known cases of TF in Albania are not related to these factors as a feature and, as such, the relevance is rated as low-medium.
145. Based on the interviews with financial institutions, it is perceived that NPOs that raise funds in non-usual ways like cryptocurrencies, Paypal, etc., are at higher risk of TF. But, from the survey with 153 NPOs, it results that none of them report to receive funds from non-banking channels, such as money service providers or crypto currencies.

According to the Inherent Risk Assessment, the prevalence of this risk factor is **Low-medium** for use of cash and **Zero** for use of alternative transactions outside the formal banking system, and the relevance is **Low-Medium**

## Assessment of adequacy of mitigating measures – Laws and regulations

146. The legal framework applicable to NPOs that use cash or alternative transactions outside of the formal banking system is in most aspects the same as for all NPOs and is analysed in section D herein above stated. However, the following specific legislation or regulations applies to this risk factor and are analysed here:
- ✓ Regulation of BoA, including the regulations related to the specific financial services and products (such as credit card, e-money, etc.) that aim to avoid the use of cash in the Albanian market and that provide the due care that needs to be performed by relevant operators with regard to the proper identification of the clients of the banks and/or non-bank financial institutions;
  - ✓ Regulation of AFSA that promote the relevant financial services provided by the operators under the regulatory regime of AFSA and that provide the due care that needs to be performed by relevant operators with regard to the proper identification of their own clients;

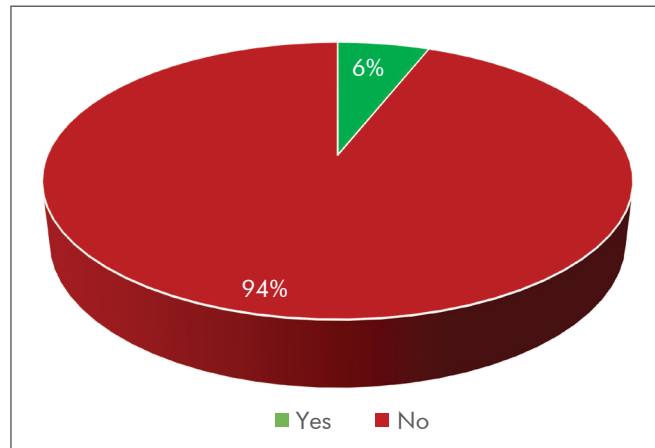
- ✓ Tax and customs laws and secondary implementing legislation regulating amongst others also the threshold of cash use in Albania and of the incoming cash into Albanian customs territory.
147. As a generic consideration, the approval of new legislation (as mentioned in the relevant above stated paragraphs in section D) are considered as effective measure to mitigate FT risk at the NPOs Sector.
  148. While there are prohibitions on cash transactions over 150,000 ALL between the taxpayers in Albania, there are requirements applicable to all the legal persons to have at least 1 (one) bank account and that any bank account(s) held by the taxpayers in Albania or abroad ought to be declared to the Albanian tax authorities.
  149. According to the recent amendments to the law on the prevention of money laundry and terrorist financing regarding any outgoing and incoming transfers, the money or value transfer service providers and virtual asset service providers, must obtain information on the first name, last name, address, document identification number or account number of the sender and beneficiary, as well as the name of the financial institution involved in the transfer.
  150. The tax law provisions and the new fiscalization system already approved and implemented, is expected to show positive impact also regarding the increased reporting of more cash-based transactions and a better control by authorities.
  151. However, yet there is an existent informality regarding the legal transactions between individuals and/or legal entities and vice versa and, therefore, it poses an obstacle for the competent authorities to have accurate information also on the cash money that potentially may be used for TF.
  152. The legal and regulatory framework related to the use of cash or of other alternative transactions outside of the formal banking system is specific: it specifically sets the limitations regarding the obligation of taxpayers, including NPOs, for bank transactions and through other banking services/products, such as debit/credit cards, etc., as well as for the maximum amount per year that can be used/transferred in cash, and the maximum amount of cash that can enter the Albanian customs territory without being declared at the border, etc.
  153. The legislation does not regulate expressly the donations in cash to the NPOs. However, BoA regulations provide that in the case that a bank client would deposit cash the client has to declare in writing that the cash originates from lawful sources. However, this requirement / legal provision should not encourage the rejection from the banks of the cash requested to be deposited by NPOs or religious institutions (churches, mosques).
  154. Based on the experience in other countries, forms of fundraising include newspaper appeals, mail shots, telephone appeals (cold calling), text appeals, e-mail appeals, online collections and crowdfunding, sponsorships, lotteries, fundraising events, and corporate partnerships. Although some of these forms are used also in Albania, there are no laws covering these forms of fundraising and the use of professional fundraising firms. Online collections and crowd funding in particular have been linked with known cases of TF abuse in other jurisdictions.
  155. The existing legal provisions that oblige the taxpayers, including NPOs to have at least 1 (one) bank account and to declare any bank account held by the Albanian taxpayer (regardless whether held in the banks in Albania or elsewhere) to the relevant tax authorities; the provisions related to the specific threshold for permitted cash transfers; the provisions regarding the maximum amount of cash that may enter Albanian customs territory without being declared at the border; obtaining detailed information for the sender and the beneficiary of cash for alternative transactions; the fiscalization of the invoice, etc., from the strict legal viewpoint are considered as effective legal measures to minimise the cash transfers or alternative transactions outside of the formal banking system.

## Assessment of adequacy of measures – Outreach, and NPO measures

156. The NPO Survey identified that the legal framework on fundraising that address terrorist financing risk are not known by NPOs; only 6 (six) out of 153 NPOs surveyed (4% of respondents) stated that there are aware of this legal framework. Of the respondents being aware of the laws, half of them (3 NPOs) are of the opinion that the measures are effective in reducing potential terrorist financing risks.

157. Cash donations are rare. Only 6% of surveyed NPOs report to receive cash donations which account for more than 5% of their total income. Private individuals are more likely to donate in cash.

Figure 12: Cash donations (Source: NPOs survey, No.=153)



## Overall Assessment:

158. Overall, the measures related to the approval and implementation / enforcement of laws and regulations, and those related to the NPO measures are assessed as effective, with some deficiencies as noted above, particularly in relation to cash and the use of alternative remittance systems. There is a gap in relation to new forms of fundraising, and some, such as crowdfunding, have been linked with TF concerns in other jurisdictions. There is evidence that these methods are employed in Albania, although no linkages with TF concerns have yet emerged. Outreach, like in all other areas, remains problematic with no actions from state authorities to provide information, increase awareness and provide guidance to NPOs concerning legal framework, and risks (including TF risks, best practice, or safe giving)<sup>40</sup>.

**Adequacy of Mitigating Measures: Use of cash or alternative transactions outside of the formal banking system**  
**LOW to MEDIUM**

159. Effective mitigating measures reduce inherent risk to produce an overall residual risk:

$$(\text{Inherent Risk} - \text{Impact of Mitigating Measures}) = \text{Residual Risk}$$

Risk category	Inherent Risk	Adequacy of mitigation	Residual Risk
Use of cash or alternative transactions	Low to Medium	Low to Medium	Low to Medium

## Recommendations

160. Tax authorities (including tax inspectors) and the law enforcement authorities, ought to implement the law and perform effectively aiming to maximise the use of bank accounts and financial services and products by the NPOs and to minimise the usage of cash and of the alternative transfers out of the banking system, without disrupting legitimate activity and operation of NPOs.

<sup>40</sup> 'Safe giving' campaigns refer to awareness-raising campaign that aims at the public to educate them on what to look for when it comes to giving to an organisation to ensure they know that their funds are being used for legitimate purposes. These reminders can be on TV or in newspaper advertisements or social media to educate the public on what safe or unsafe giving is and what it may look like.

161. The banks and non-bank financial institutions ought to distribute and increase the number of banking and financial services and products all over Albania aiming to decrease the existing potentials for the usage of cash and of other alternative manners outside the banking system.
162. Approval of regulations concerning cash fundraising campaigns is considered as necessary. Regulating cash fundraising in a proportionate and effective way requires carefully designed, locally appropriate solutions. Cash fundraising is by its nature informal and anonymous. Disaster appeals, by their nature, are not planned in advance. Regulations must accept the nature (and risks) of certain cash fundraising methods, and not render them impotent. Solutions will need to be tailored to the needs of the country and be developed in consensus with the NPO sector. It will likely require a package of measures, that impose some carefully targeted internal regulations from NPOs on the organisation and management of cash fundraising initiatives, along with promotion of self-regulatory practices, such as codes of conducts, best practices and awareness raising campaigns for both NPOs and the public.
163. Specific provisions are suggested to be added in the relevant BoA regulation(s) that would permit the depositing of cash originating from the cash campaigns organised by non-profit organisations and religious entities, if such organisations have the willingness to declare in writing that the money originated from cash fundraising campaigns organised by them.
164. New measures should be considered for other forms of fundraising, including those listed above, with a particular focus on online crowdfunding. Measures should be considered even if these practices are not yet present in Albania. From a TF perspective, some of these informal forms of fundraising are more vulnerable than others.
165. Given the lack of information, the range of issues involved and the complexity of the potential solutions, it is recommended that a separate review is conducted into cash fundraising practices and their oversight in Albania. The review should research current cash fundraising practices and levels; identify any criminality or other misconduct; review the effectiveness of current laws; consider developments in cash fundraising and its regulation by other jurisdictions; and propose a package of measures to mitigate potential risks.

# I. ACTIVITIES IN REMOTE AREAS

166. Supervisory bodies and law enforcement officials surveyed and interviewed were asked to identify what might be potential risk factors for terrorist financing in NPOs. Location of the organisation was one of the potential risk mentioned by them. Those considered that risk of TF includes NPOs working in areas known for terrorist activity, NPOs located in remote areas, or those that do not renovate their office address at the NPO registry.
167. GDPML declares that there are no data on NPOs registered in Albania operating in areas having potentials for conflict (civil conflicts).
168. There are no data available on the number of NPOs and their activities in remote areas, but reports on the development of the NPO sector in Albania through the years, show that there is a very low number of NPOs located and operating in remote areas.
169. Low level of NPOs' activity and high rates of migration in these areas indicate for low level of risk for NPOs in remote areas to be abused for TF purposes. Nevertheless, further research is needed to make an informed assesemnt on this risk factor.

According to the Inherent Risk Assessment,  
the prevalence of this risk factor is **Unknown**, and the relevance is **Unknown**

## Assessment of adequacy of mitigating measures – Laws and regulations

170. NPOs active in remote areas are subject to the same legal and regulatory regime as applies to all NPOs. The analysis and recommendations on the legal and regulatory framework applicable to all NPOs, as set out herein above in section D, will apply equally here.
171. It is noted that a feature of the current NPO registration is that the NPOs Registry is centralised in Tirana (Tirana Judicial District Court). It is a concern that this may dampen compliance with registration by civil society groups in remote areas and, therefore, it limits the authorities' ability to supervise a potentially riskier group of NPOs.
172. The registration of NPOs through the online platform (at the online NPOs Registry), provided in the recent law on registration of NPOs, will facilitate the registration in the NPOs Registry office of the NPOs operating in the remote areas of Albania, and will provide information for all NPOs, allowing for easy identification of the location of these organisations and of their activities.
173. The Regulations of BoA do not provide for the strict obligation of the second-tier banks to have branches in every urban and rural area of Albania; the location of bank branches is guided most of all by the relevant demand for banking products and services.

# Assessment of adequacy of mitigating measures – Outreach and NPO Measures

174. We have no specific data on the adoption of best practices by NPOs in remote areas.

175. We have no specific information on the penetration of relevant state authorities outreach to NPOs in remote areas. It seems likely that the remoteness of the population and the possibility of a lower registration rate means that any outreach measures are less likely to penetrate.

## Overall Assessment

176. In the absence of specific data on NPOs based or operating in the remote areas of Albania, our final assessment is provided with a higher degree of uncertainty if compared to other risk factors. It seems reasonable to conclude that the effectiveness of the mitigating measures for this group of NPOs is at best equal to the effectiveness of the measures for the NPOs sector as a whole, and may in practice be significantly less effective.

**Adequacy of Mitigating Measures: Activities in remote areas**  
**LOW to MEDIUM**

177. Effective mitigating measures reduce inherent risk to produce an overall residual risk:

$$(\text{Inherent Risk} - \text{Impact of Mitigating Measures}) = \text{Residual Risk}$$

Risk category	Inherent Risk	Adequacy of mitigation	Residual Risk
Activities in remote areas	Low to Medium	Low to Medium	Low to Medium

## Recommendations

178. Conduct further research into NPOs based or operating in remote areas of Albania, with a remit to:

- Identify the level of access of the Albanian population residing in remote areas to the NPOs registration process.
- Identify levels of compliance with laws and regulation, in particular with NPOs registration requirements.
- Identify any specific vulnerabilities to the abuse, including terrorist financing abuse.
- Assess their awareness about laws, regulations and best practices in general.
- Assess their awareness about the risks and mitigating measures related to potential terrorist financing abuse.
- Assess the level of adoption of the best practices in governance, financial management and project management of these NPOs.

179. BoA and AFSA should encourage respectively the banks (under the regulatory regime of BoA) and other non-bank financial operators (under the regulatory regime of AFSA) to open and provide services through their branches in the remote areas to facilitate the use of formal financial services and products by all the NPOs in Albania.



# J. REASSESSMENT POLICY

**180.** The FATF Methodology states that:

*“8.1 Countries should...:*

*(d) periodically reassess the sector by reviewing new information on the sector’s potential vulnerabilities to terrorist activities to ensure effective implementation of measures.”*

**181.** A risk assessment is a snapshot, based on available evidence and context present at that time. FATF is clear that understanding and reviewing the nature of the TF risk should be an ongoing and an evolving process.

**182.** Triggers for a full re-assessment of the inherent and residual risk are:

- a. An official assessment significantly changes its assessment of the TF risk to NPOs. Official publications might include the National Risk Assessment or Terrorist Financing Risk Assessment. The assessment may see the risk as higher or lower than this report.
- b. An official assessment significantly changes its assessment of the overall terrorist financing threat in Albania. This might be a significant change in the nature of the overall threat, or a change in the assessment in the level of the overall threat.
- c. An NPO is proved to be involved in the financing of a terrorist incident in Albania;
- d. Five years has passed since the last full risk assessment.

**183.** A partial re-assessment will look at one or more specific risk factors (inherent risk), and/or the adequacy of the mitigating measures in relation to that risk. Triggers for a partial re-assessment of inherent and/or residual risk are:

- a. A significant change in the legal or regulatory framework in relation to the risk factor;
- b. A terrorist financing incident occurs in which the risk factor is material;
- c. An official assessment re-evaluates a risk factor (either higher or lower).

# Annex 1: FATF Recommendations Relevant to NPOs

## *Recommendation 8 on Non-Profit Organisations*

### **8. Non-profit organisations**

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

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

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

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

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

#### *8.1 Countries should:*

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

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

#### *8.2 Countries should:*

- (a) have clear policies to promote accountability, integrity, and public confidence in the administration and management of NPOs;
- (b) encourage and undertake outreach and educational programmes to raise and deepen awareness among NPOs as well as the donor community about the potential vulnerabilities of NPOs to terrorist financing abuse and terrorist financing risks, and the measures that NPOs can take to protect themselves against such abuse;
- (c) work with NPOs to develop and refine best practices to address terrorist financing risk and vulnerabilities and thus protect them from terrorist financing abuse; and

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

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

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

8.4. Appropriate authorities should:

- (a) monitor the compliance of NPOs with the requirements of this Recommendation, including the risk-based measures being applied to them under criterion 8.3; and
- (b) be able to apply effective, proportionate, and dissuasive sanctions for violations by NPOs or persons acting on behalf of these NPOs.

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

8.5 Countries should:

- (a) ensure effective co-operation, co-ordination, and information-sharing to the extent possible among all levels of appropriate authorities or organisations that hold relevant information on NPOs;
- (b) have investigative expertise and capability to examine those NPOs suspected of either being exploited by, or actively supporting, terrorist activity or terrorist organisations;
- (c) ensure that full access to information on the administration and management of particular NPOs (including financial and programmatic information) may be obtained during the course of an investigation; and
- (d) establish appropriate mechanisms to ensure that, when there is suspicion or reasonable grounds to suspect that a particular NPO: (1) is involved in terrorist financing abuse and/or is a front for fundraising by a terrorist organisation; (2) is being exploited as a conduit for terrorist financing, including for the purpose of escaping asset freezing measures, or other forms of terrorist support; or (3) is concealing or obscuring the clandestine diversion of funds intended for legitimate purposes, but redirected for the benefit of terrorists or terrorist organisations, that this information is promptly shared with competent authorities, in order to take preventive or investigative action.

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

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

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

## Immediate Outcome 10

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

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

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

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

1. Experiences of law enforcement, FIU and counter terrorism authorities (e.g., trends indicating that terrorist financiers are researching alternative methods for raising / transmitting funds; intelligence/source reporting indicating that terrorist organisations are having difficulty raising funds in the country).
2. Examples of interventions and confiscation (e.g; ... investigations and interventions in NPOs misused by terrorists).
- ...4. Information on NPO supervision and monitoring (e.g. frequency of review and monitoring of the NPO sector (including risk assessments); frequency of engagement and outreach (including guidance) to NPO sector regarding CFT measures and trends; remedial measures and sanctions taken against NPOs).”

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

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

- ...10. What is the level of licensing or registration for NPOs? To what extent is a risk-sensitive approach taken to supervise or monitor NPOs at risk from terrorist abuse and appropriate preventive, investigative, criminal, civil or administrative actions and co-operation mechanisms adopted?
11. How well do NPOs understand their vulnerabilities and comply with the measures to protect themselves from the threat of terrorist abuse?”

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

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

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

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

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

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



# TERRORIST FINANCING RISK ASSESSMENT METHODOLOGY FOR THE NPO SECTOR IN ALBANIA



## CONTACT

### **Partners Albania for Change and Development**

Rruga e Elbasanit, Ndërtesa Park  
Gate, kati 10, Ap.71/73  
Tiranë

[www.partnersalbania.org](http://www.partnersalbania.org)  
[partners@partnersalbania.org](mailto:partners@partnersalbania.org)