

FATF RECOMMENDATION 8 UNINTENDED CONSEQUENCES ON NPO SECTOR

Recommendation 8 (R8) sets out a broad framework for regulation of the non-profit sector to prevent abuse by terrorists. The premise is that NPOs are seen as being particularly vulnerable to abuse for the financing of terrorism in a number of ways that FATF R8 sets out such as by being a conduit for funds, by obscuring diversion of funds and by being a front for terror organisations.

This broad brush tarring of the entire sector is contrary to the evidence base and has been criticised by the NPO sector. In addition, R8 has had numerous unintended consequences as several governments have tightened rules on the NPO sector [beyond what is under R8](#).

Cases of overregulation include difficulties faced in accessing and distributing financial resources, cumbersome registering and licensing laws, and increased state surveillance and regulation of the sector without any targeted and/or risk based approach. It has also given rise to fears of “policy laundering”, that is of states introducing surveillance/privacy-invasive measures to suit their agendas under the guise of implementing FATF standards and infringements on humanitarian aid, basic human rights, namely the right to freedom of expression and association, and the right to privacy have been reported.

As a result, the application of R8 in many cases meant the shrinking of the financial, operational and political space of NPOs in particular and civil society in general. Additionally, the parts of civil society that are most affected are most likely to be the organisations working in high risk and high need areas on development, conflict areas and human rights. This, ironically, is counterproductive to mitigating terrorist threats. One of the potential factors contributing to a greater risk of terrorist abuse is these very restrictive measures on NPOs, which force NPOs to potentially go underground or use less formal channels to continue with their work.

(For more information on FATF, please see the coalition website on FATF/NPO matters: <http://fatfplatform.org>).