



# **RISK ASSESSMENT OF NOT-FOR PROFIT ORGANISATIONS (NPOs) IN GHANA**



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## ACKNOWLEDGEMENTS

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## ACRONYMS AND ABBREVIATIONS

AML/CFT	:	Anti-Money Laundering and Countering the Financing of Terrorism
BNI	:	Bureau of National Investigation
DNFBP	:	Designated Non-Financial Business or Profession
DANIDA	:	Danish International Development Agency
EOCO	:	Economic and Organized Crime Office
FATF	:	Financial Action Task Force
FIC	:	Financial Intelligence Centre, Ghana
GRA	:	Ghana Revenue Authority
GIABA	:	Intergovernmental Action Group against Money Laundering in West Africa
GMC	:	GIABA Ministerial Committee
INPOs	:	International NPOs
KOICA	:	Korea International Cooperation Agency
LEAs	:	Law Enforcement Agencies
LNPOs	:	Local NPOs
ML	:	Money Laundering
MER	:	Mutual Evaluation Report
NRA	:	National Risk Assessment
NPOs	:	Non-Profit Organisations
NGO	:	Non-Governmental Organisation
RGD	:	Registrar General's Department
STR	:	Suspicious Transaction Report
TF	:	Terrorist Financing
TIN	:	Tax Identification Number
USAID	:	United States Agency for International Development
DFID	:	Department for International Development

## EXECUTIVE SUMMARY

In line with FATF's Recommendation 8 and its interpretative notes, which require countries to review the adequacy of laws and regulations that relate to Non-Profit Organizations (NPOs), a review of the NPO sector in Ghana was conducted to identify ML/ TF threats and vulnerabilities and its impacts in the NPO sector.

This report adopted an exploratory survey as well as qualitative and quantitative approaches. Given that risk is a function of identified threats and existing vulnerabilities, the exposure of these NPOs to the threats of ML /TF were assessed separately using some indicators to enable a targeted approach to risks within the NPO sector.

The assessment revealed that there is an effective system of incorporating NPOs by the RGD in Ghana. However, most of these NPOs do not obtain certificate from the DSW to regularize their operations. It was further revealed that some of the NPOs who obtained certificates from the DSW had not renewed their certificates and therefore were officially classified as inactive.

Thus the overall assessment of ML/TF threat and vulnerability for the sector was rated as Medium.

## 1.0 INTRODUCTION

Following the September 11, 2001, terrorist attacks, the Financial Action Task Force (FATF) introduced standards to address specific terrorist financing (TF) threats and vulnerabilities. Since then, the threat environment has evolved. However, Governments experience in implementing Recommendation 8 (R.8) *which require countries to review the adequacy of laws and regulations that relate to Non-Profit Organizations (NPOs)* has advanced (FATF Best Practices on R.8, June 2015).

A recent study conducted by the Centre for Global Counter-Terrorism Cooperation and the United Nations Counter-Terrorism Committee identified in its key findings that the level of understanding of the risk to the NPO sector was uneven globally. This finding further highlights the need for a more thorough examination of the threat posed to the NPO sector by terrorist entities in order to increase understanding and awareness of both the threat and risk mitigation best practices (FATF Report, June 2014).

In the West African sub-region, the source of funding for terrorist activities has equally been of concern. This phenomenon is underpinned by several factors, including the presence of large informal cash-based economies, political instability, ethnic and communal violence, pervasive corruption, widespread poverty, gross unemployment, and underemployment. Significantly, terrorist groups and their financiers drive funds from both licit and illicit activities, and move them through formal and informal channels to support their activities (FATF Report, Terrorist Financing in West Africa October, 2013). Due to the peculiar characteristic of NPOs receiving huge sums of money and logistical support from Donor Partners/ Sponsors to address some of the challenges outlined above, the NPO sector is susceptible to ML/TF abuse.

Ghana has also taken keen interest in the activities of NPOs due to the ML/TF risk posed by the sector. Although, Ghana has not recorded any abuse of the NPO sector for TF purposes, there is the need for the country to put in place preventive and mitigation measures to address any possible abuse.

### 1.1 Background

In 2009, Ghana was rated Non-Compliant to FATF's Recommendations 8 because the legal regime for the supervision of NPOs was limited in scope and required some revision to bring it at par with international best practices.

At the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) plenary at Niamey, Niger in 2014, the GIABA Ministerial Committee (GMC) directed all member states to conduct their respective National Risk Assessment (NRA) before the commencement of the Second Round of Mutual Evaluation in September, 2016. Following this directive, Ghana completed its NRA and published the report in April, 2016. The NRA assessed the ML/TF threats and vulnerabilities within specific sectors including the NPO sector. The NRA revealed that a number of measures had been undertaken to bring players in the NPO sector to comply with AML/CFT obligations. However, there was no legal framework to enforce compliance within the sector. Thus, the NPO sector was rated medium-high to ML/TF risks.



The second round of Mutual Evaluation Report which was adopted in May, 2017, also rated the NPO sector as Non-compliant due to the lack of a legal framework. Subsequently, in addressing these shortcomings, a detailed assessment was required to identify and mitigate the risks associated with the operations of NPOs in Ghana, hence this Risk Assessment.

## 1.2 Methodology

This assessment adopted an exploratory survey design and a combination of qualitative and quantitative approaches. The survey employed face to face interviews with relevant stakeholders to obtain first-hand information which was not readily available. Additionally, open and closed-ended questionnaires were developed and distributed to various stakeholders within the NPO sector.

Secondary sources were also obtained from the First Round of Mutual Evaluation Report (MER) on Ghana (2009), the National Risk Assessment Report (NRA) on Ghana (April, 2016), the Second Round of Mutual Evaluation Report (May, 2017), the FATF 40 Recommendations, FATF Best Practices Report, 2014 and 2015, GIABA publications and typologies of ML/TF and FIC Annual Reports (2012-2017).

Risk is a function of threats, vulnerabilities, likelihood of occurrence and impacts. The threat assessment explored the ML/TF abuse of the NPO sector in Ghana and its level of exposure to predicate offences. It also looked at some indicators such as sophistication of methods used, involvement of foreign criminals, targeting by serious organized criminals/terrorist groups.

The vulnerability assessment also considered the adequacy of the legal and regulatory framework, preventive measures, transparency and accountability of financial records of NPOs, national cooperation and coordination as well as links to high risk countries. The assessment further looked at the likelihood of ML/TF occurring and its impact on the NPO sector.

## 1.3 Limitations

The following limitations were encountered in the course of this Risk Assessment

- Literature on ML/TF issues within the NPO sector in Ghana was limited.
- Some respondents were unwilling to cooperate with the exercise and those who provided information did not do within the stipulated time.
- Data concerning classifications of NPOs on the basis of distinct features and activities was not readily available.
- Inadequate knowledge on ML/TF risks of the NPO sector by some stakeholders reflected in responses.

## 2.0 OVERVIEW OF THE NPO SECTOR IN GHANA

In Ghana the term Not for Profit Organisations (NPOs) or Non-Governmental Organisations (NGOs) are used interchangeably. NPOs are defined as voluntary organizations that are formed independently of the state but registered under required laws to obtain official

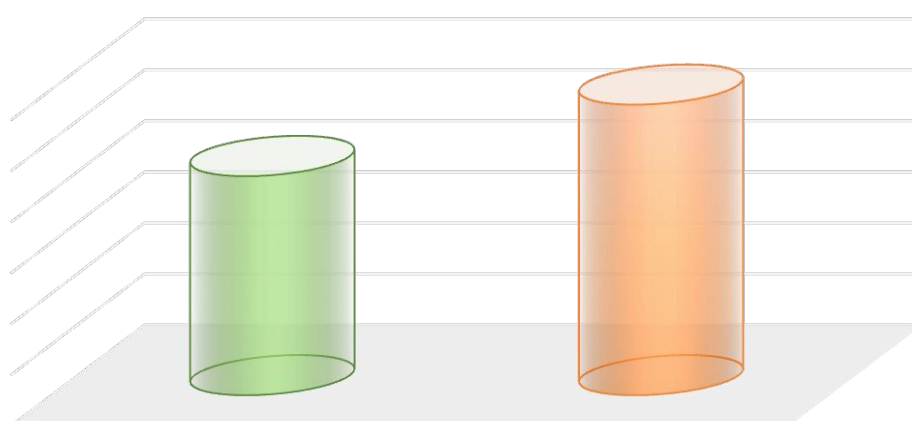
status to pursue purposes of public interest. The term ‘NPO’ encompasses a broad range of voluntary organizations such as associations, societies, foundations, political parties and religious bodies. Activities of NPOs in Ghana saw a rapid increase in the 1990s. Today, NPOs have become recognized partners of development with Government in a collaborative effort to improve the quality of life of citizens on issues such as health, education, anticorruption, environment, skill development, human rights and advocacy among others.

NPOs are expected to register first as Companies Limited by Guarantee with the Registrar General’s Department (RGD), under the Ministry of Justice and Attorney General’s Department (MOJAG) and secondly apply for operational certification from the Department of Social Welfare (DSW) under the auspices of the Ministry of Gender, Children and Social Protection.

As at December 2017, Twenty-Seven Thousand One Hundred and Twenty-Seven (27,127) NPOs were registered and incorporated with the RGD. However, only Seven Thousand Two Hundred and Thirty-Seven (7,237) had been certified by the Department of Social Welfare (DSW) to operate. The difference between the number of NPOs registered by the RGD and the number certified by the DSW can largely be attributed to the lack of legal framework to enforce compliance within the sector.

Out of the number that had completed certification processes with the DSW, three Thousand and Seventy (3,070) have renewed their certificates as at January, 2019 and are therefore considered to be active and in good standing. The remaining Four Thousand, One Hundred and Sixty-Seven (4,167) NPOs had not renewed their certificates as at January, 2019 and are thus not considered to be in good standing. This indicates that Fifty-Seven percent (57%) of registered NPOs in Ghana are considered officially inactive as shown in the figure 1 below. It is highly probable that NPOs which fall within this inactive group are still operating. However, it is difficult to establish the specific activities these dormant NPOs are currently involved in because information on these NPOs was not readily available.

**Figure 1: Distribution of certified NPOs in Ghana**



Source: DSW Database, 2019

## 2.1 LEGAL FRAMEWORK OF THE NPO SECTOR

### 2.1.1 The 1992 Constitution of Ghana

The activities of the NPOs in Ghana is enshrined in Article 37(2) (a) of the 1992 Constitution of Ghana which states that;

*“the state shall enact appropriate laws to assure the enjoyment of rights of effective participation in development processes including rights of people to form their own association free from state interference and use them to protect their interests in relation to development processes, rights of access to agencies and officials of the state necessary in order to realize effective participation in development processes, freedom to form organizations to engage in self-help and income generating projects, and freedom to raise funds to support those activities.”*

### 2.1.2 The Companies Act of Ghana 1963 (Act 179)

This law was enacted to incorporate all legal persons and arrangements including the NPOs. It articulates registration, operational procedures as well other regulation for all types of companies in Ghana including the companies limited by guarantee such as NPOs.

### 2.1.3 The Trust Bill of 2006

Similarly, in 2006, the Trust Bill was drafted by government with the intention to establish a trust commission and provide for the registration of trusts and NPOs in Ghana. However, this attempt failed. The Bill was prepared without the consultation of relevant stakeholders in the NPO sector hence its rejection by sector players.

### 2.1.4 The Anti-Money Laundering Act, 2008 (Act 749) as amended

Section 21 of Act 749 as amended designate NPOs as accountable institutions and therefore requires them comply with AML/CFT obligations.

## 3.0 INSTITUTIONAL FRAMEWORK

### 3.1 The Registrar-General’s Department (RGD)

The RGD is responsible for the incorporation of all legal entities in Ghana including NPOs. It is also tasked with the responsibility to regularly update and maintain current information on all registered companies in Ghana. The RGD conducts company inspections from time to time to ensure that companies file their returns and ensure that accurate and current information on their activities is maintained.

### 3.2 Registration Process of NPOs

All NPOs are registered as Companies Limited by Guarantee.

1. An Applicant in registering a Company Limited by guarantee conducts a name search and ensures that the company name is not already registered or likely to confuse the general public.
2. All officers and members of the company obtain a Tax Identification Number (TIN) from GRA.

3. The Applicant fills the prescribed incorporation forms indicating the name of the Company, the nature of business and principal activity, the business and postal addresses, particulars of the officers of the company (at least 2 Directors and a Secretary), the addresses and occupation of the Directors and Secretary, particulars of the Company's auditor, digital and email address.
4. The Company indicates its minimum capital of the Company, the authorized and issued shares of the Company, particulars of the shareholders (members) of the Company and a declaration Form signed by the Directors and Secretary of the Company confirming that all information provided is true and a consent letter from the Auditor appointed.
5. The Forms are submitted and payment is made at the RGD premises. The Forms are vetted and forwarded for approval. Approval is given within 3 working days if no query is raised.
6. A Certificate of Incorporation, Certificate to Commence Business and a Form 3 & 4 being a profile and declaration form are issued to the applicants.

NPOs in Ghana are required to file annual returns which include audited financial statements and annual reports to the Registrar-General's department each year under Section 122 of the Companies Act, 1963 (Act 179). Failure to comply usually attracts commensurate sanctions. However, the RGD maintains no statistics on income inflows and outflows by NPOs in Ghana.

### 3.3 The Department of Social Welfare

The Department of Social Welfare is a government statutory agency under the Ministry of Gender, Children and Social Protection (MoGCSP). The Department was first established in 1946 by Local Ordinance Order No. 66 as the Department of Social Welfare and Housing and later as the Department of Social Welfare in 1950. The DSW does not have the resources and manpower to support its monitoring and supervision activities. The DSW has been met with stiff resistance on numerous occasions in attempt to conduct onsite inspections because there is no legal backing to support its monitoring and inspection activities.

In 2011, all implementing functions and activities that are delivered to individuals and communities directly by the Department were passed on to the Local Government Service within the various districts in 2011 with the exception of the following:

- i. Registration, licensing and accreditation of individuals, agencies and organizations engaged in social welfare and development services;
- ii. Setting standards and operational policy guidelines on social development interventions;
- iii. Monitoring of the effective implementation of operational policy guidelines by all stakeholders nationally;
- iv. Provision for technical backstopping and professional advice to local and international institutions, individuals and groups on social development issues;
- v. Provision of protective services to individuals, families and communities in crisis situations;

- vi. Development and implementation of national social protection and development programmes/projects for the sector;
- vii. Development and enrichment of existing programs and services for children and youth, women, family and communities, single parents, the aged and persons with disabilities;
- viii. Make inputs into the formulation of social welfare and development policies for coordination by sector ministry.

The DSW is therefore responsible for certification and accreditation of all NPOs involved in enhancing social development and implicitly charged with coordination and monitoring of their activities.

### 3.4 Ghana Revenue Authority (GRA)

NPOs in Ghana are designated as accountable institutions and therefore are required to observe AML/CFT obligations. NPOs are classified as Designated Non-Financial Businesses and Professions (DNFBPs). The GRA is mandated to supervise the activities of the DNFBPs in compliance with AML/CFT provisions.

## 4.0 TYPES OF NPOs

A critical look at the workings of NPOs in Ghana suggests that they vary considerably in structure. According to Mostashari (2005) NPOs can be categorized under two groups, namely; Operational and Advocacy NPOs. Operational NPOs need to possess an efficient headquarters bureaucracy, in addition to the operational staff in the field while advocacy NPOs is not really characterized by such administrative burdens. Operational NGOs focus on delivery of services and welfare. Advocacy NGOs focus on knowledge, awareness and acceptance creation through lobbying and activism, hence, can also be termed as campaigning NPOs.

The differences between Operational and Advocacy NPOs is presented in table 1 below.

**Table 1: Differences between Operational and Advocacy NPOs**

Operational NPOs	Advocacy NPOs
Possess an efficient headquarters bureaucracy	Possess efficient decentralized local offices
Focuses on delivery of services and welfare	Focus on knowledge, awareness and acceptance creation through lobbying and activism
Deploys operational staff in the field	Mostly Administrative

Other scholars have also grouped NPOs into local and international NPOs. Local NPOs (L NPOs) are owned and run by locals of a particular jurisdiction; formed on local initiative rather than donors and driven by the desire to identify certain felt needs or experiences and find local solutions to the development problems according to Cornman, Cunt and Sujata (2005). Also, Malunga (2007) posit that International NPOs (INPOs) are those NPOs that receive funding from bilateral, multilateral, or foreign private-sector donors and whose policies and systems are from their headquarters based outside the country.

## 5.0 OPERATIONAL AREAS OF NPOS

NPOs work in many different fields; some are multi-purpose in terms of their diverse development activities, while others are single-purpose, involved basically in one major function. Another way to classify them is according to the focus of their primary objectives and functions: they include welfare NPOs, development NPOs, service NPOs, environmental NPOs, advocacy NPOs, human rights NPOs, women NPOs, and religious NPOs among others.

In the context of this report, NPOs in Ghana focus on a wide range of activities aimed at improving the lives of the deprived and vulnerable. Most NPOs in Ghana have adopted a multi-sectoral approach to development mainly in order to open themselves to diverse sources of funding according to Dugle, Akanbang & Salakpi (2015). Registered NPOs in Ghana can be grouped under sixteen (16) activity areas as depicted in the table 2 below.

**Table 2 Operational/Activity Areas of NPOs in Ghana**

No	Activity Area	Number of Registered NPOs	Percentage Distribution
1	Advocacy /Research /Policy	124	4.0%
2	Agriculture and Food Security	77	2.5%
3	Community Rural Development	317	10.3%
4	Democracy and Governance	27	0.9%
5	Disaster and Relief	121	3.9%
6	Education/Vocational Skills	805	26.1%
7	Environmental Protection	65	2.1%
8	Health, Population and Drug Abuse	548	17.9%
9	Human Rights	60	2.0%
10	Media	7	0.2%
11	Peace and Security	24	0.8%
12	Religion and Welfare Development	160	5.2%
13	Small-scale Enterprise Development	56	1.8%
14	Water and Sanitation	84	2.7%
15	Women and Children	412	13.4%
16	Youth and Culture	183	6.0%
<b>TOTAL</b>		<b>3,070</b>	<b>100%</b>

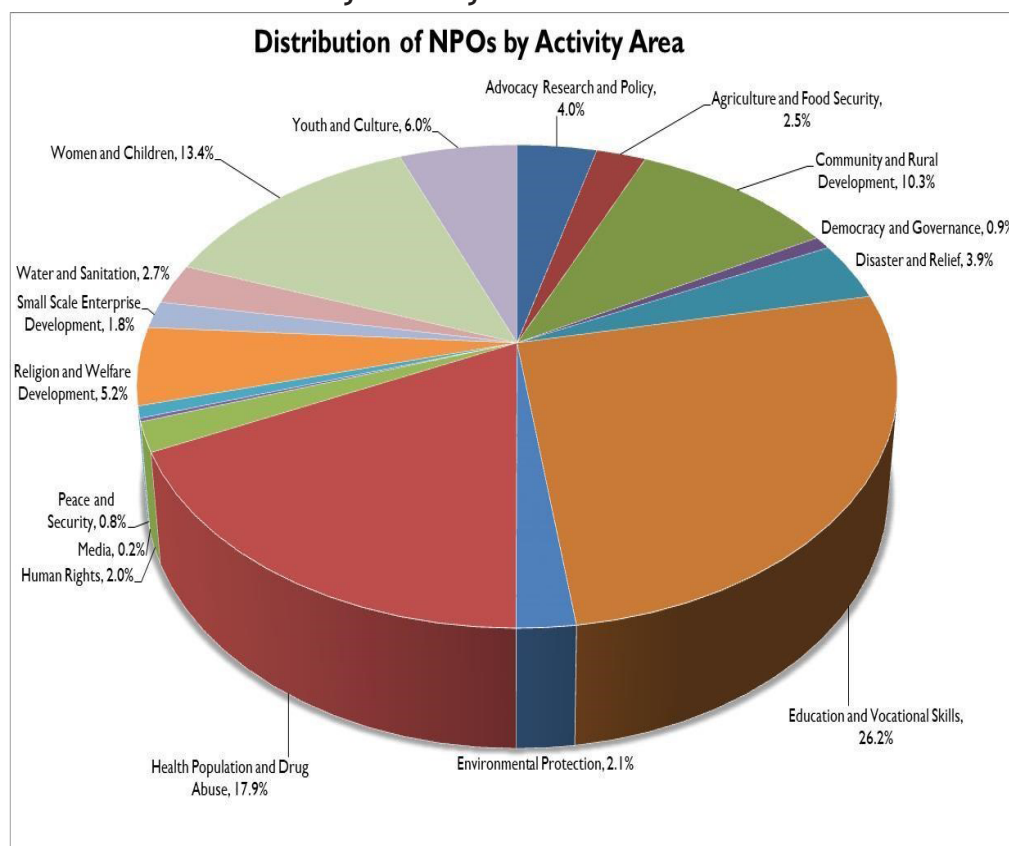
**Source: DSW Database, 2019**

As indicated in table 2, Education/Vocational skills, Health, Population and Drug Abuse, Women and Children, Community Rural Development, Religion and Welfare Development, Community Rural Development Youth and Culture and Advocacy /Research /Policy areas have very high numbers of NPOs operating in Ghana with percentage ratings of 26.1%, 17.9%, 13.4%, 10.3%, 6.0%, 5.2% and 4.0% respectively. The seven (7) key activity areas with



the highest number of NPOs registered in Ghana cumulatively make up 82.9% of all active NPOs in the country. This is illustrated in figure 2 below.

**Figure 2. Distribution of NPOs by Activity Area**



Source: DSW Database, 2019

## 6.0 GEOGRAPHICAL LOCATION OF NPOS IN GHANA

There are ten administrative (10) regions in Ghana and NPOs operate across the length and breadth of all the ten regions as indicated in table 3 below.

**Table 3 Geographical Location of NPOs in Ghana**

Regions	Number of NPOs Registered	Percentage Distribution
Ashanti	254	8.3%
Brong Ahafo	62	2.0%
Central	271	8.8%
Eastern	185	6.0%
Greater Accra	1,850	60.3%
Northern	160	5.2%
Upper East	62	2.0%
Upper West	30	1.0%
Volta	141	4.6%
Western	55	1.8%
<b>Grand Total</b>	<b>3,070</b>	<b>100%</b>

Source: DSW Database, 2019

## 7.0 FINANCING OF NPOs

### 7.1 Major Sources of Funds for NPOs

The basic sources of funds for NPOs are as follows;

1. **Individual donors** - An individual donor or individual supporter is one who believes in the mission of the developed or developing country to deliver great services to the most vulnerable and needy among other things, along with community service and providing relevant information to the masses.
2. **Donor Countries**- Funds available to finance the activities of most NPOs in Ghana are largely donor funds granted by International Donor Agencies affiliated to countries such as the USAID, DFID, DANIDA, KOIKA among others.
3. **International Organizations**- International Donors and development organizations assist countries to overcome their obstacles to socio-economic progress, providing financial support, together with a wide range of technical and administrative facilities. Example of international donors are the EU, FAO, UNICEF, World Bank among others.
4. **Foundations** - There are both private and public foundations that can be a regular source of funds. The typical types which support NPOs include:
  - a. **Family Foundations** - Foundations that receive endowments from families. example -Bill and Melinda Gates Foundation.
  - b. **Corporate Foundations** - Foundations that are set up by corporate entities. There is a trend where corporate foundations are moving back under the for-profit umbrella and becoming more directly linked to advancing corporate goals and corporate social responsibility. An example is the MTN Ghana Foundation and Vodafone Foundation.
  - c. **Community Foundations** - Community Foundations are typically associated with a specific geographic area and pool the donations of several donors who don't want to set up their own private foundation.

### 7.2 Delivery Channels of Funds

NPOs in Ghana primarily receive all funds from their donors for their various activities through the banks. The disbursement of funds at the local level for intended purposes is done predominantly through the Rural and Community banking system and also through Microfinance Institutions. In very rare cases funds are disbursed by cash. With the advent of electronic payment systems like mobile money some aspects of NPO financial transactions are now conducted through electronic platforms.

### 7.3 Beneficiaries of Funds

Target beneficiaries of NPO activities are usually individuals and society as a whole. NPOs usually focus on societal issues such as education, poverty reduction, human rights, health and wellbeing, religion among others, and so engage beneficiaries whether they are located in urban or rural areas of the country. NPOs are required to maintain records on beneficiaries as accountable institutions under the Anti-Money Laundering Act, 2008 (Act 749) as amended.



## 8.0 PATTERNS OF ABUSE OF NPOs

Examples of abuse of NPOs for purposes of terrorism financing (TF) include the following;

### 8.1 NPOs Raising Funds for Terrorist Organizations

In most countries with a significant diaspora population, members of an ethnic group establish charitable organizations to raise funds for their causes. Although the charities solicited funds to assist civilians affected by war, numerous investigations by intelligence agencies have found that a significant amount of the funds raised by charities were channeled to a designated terrorist organization for its military operations.

### 8.2 Registration of NPOs for the Purposes of Evading Tax

Companies limited by guarantee including NPOs are exempted from paying corporate taxes. Corporate taxes are taxes imposed on the net income of companies. Thus, it is a levy placed on the profit of a firm.

NPOs are also exempted from paying Value Added Tax (VAT). This is because Companies limited by guarantee do not have tradable goods and services that attract VAT. However, all Companies limited by guarantee are mandated to pay income taxes on the earnings of their employees.

Owing to the above, it is a common practice for people to register or set up NPOs alongside other businesses with the aim of comingling the activities of the NPOs with the profit making companies to evade or avoid income tax and VAT.

## 9.0 ASSESSMENT OF ML /TF RISKS OF THE NPO SECTOR IN GHANA

This section highlights ML/TF threats and vulnerabilities as well as its impact on the sector. The NPO involvement in ML/TF offences, Suspicious Transaction Reports (STRs), NPO exposure to ML/TF predicate offences, possible links to high risk countries, transparency and accountability of financial records within the sector are discussed below:

### 9.1 ML THREATS

***Money laundering threat for the sector is assessed as Medium.***

The key threats facing the NPO sector are largely fraud, forgery, theft, risk of receiving donor funding from high risk jurisdictions, suspected tax evasion through an NPO. In the case of suspected tax evasion, sham companies were incorporated as NPOs in order to avoid the payment of taxes. The assessment showed that ninety percent (90%) of the NPOs exploited for ML were service type NPOs particularly those involved in charitable, agricultural, educational and livelihood activities and ten percent (10%) belonged to the expressive NPOs category.

Data obtained from the Financial Intelligence Centre revealed that between 2010 and 2018, a total of twenty-two (22) STRs were filed on NPOs by the banks. This indicates that most of the funds received by the NPOs are channeled through the banking sector which has sufficient AML/ CFT controls.

The twenty-two (22) STRs on the NPOs sector were located in Greater Accra, Northern and Ashanti regions. The regional distribution of these NPOs was fifty percent (50%) located in Greater Accra, thirty (30%) percent in the Northern region and twenty (20%) percent in the Ashanti region.

Out of the twenty-two (22) STRs, nineteen (19) had completed the dual registration processes with the RGD and the DSW (Ghanaian owned), two (2) were international NPOs while one

(1) had forged documents.

These STRs were filled based on several ML risk indicators including the following:

- Indications that NPO operates as a Microfinance business
- Receipt of remittances inconsistent with NPO owners' business profile
- Fictitious NPO names
- Fraudulent company registration documents and bank statements

## 9.2 TF THREATS

***Terrorist financing threat for the sector is assessed as Medium.***

The assessment revealed that Ghana has not experienced any terrorism attack. That notwithstanding, the law enforcement agencies as part of their investigations on three (3) suspected terrorism cases investigated the source of funds of the subjects but did not find any linkages to NPO activities. The TF threat facing the sector is largely due to the presence of foreign NPOs originating from jurisdictions where persons/entities have been designated as terrorists, NPOs located in underdeveloped areas within the country and other service type NPOs including charitable, social development, humanitarian disaster relief and educational.

Data obtained from the Financial Intelligence Centre indicates that between 2010 and 2018, one (1) STR related to the NPO sector was filed on TF. This was related to suspected affiliations to known terrorist groups.

The following indicators were identified in the STRs filed:

1. Affiliation with known Terrorist groups
2. Receipt of huge and regular inflows from ML/TF non-compliant jurisdictions
3. Affiliation with indigene of a well-known ethnic conflict area with established Terrorist groups

**Table 4: ML/ TF threat assessment matrix**

Category of Threat	Money Laundering	Terrorist Financing
Sophisticated Methods used	2	1
Involvement of foreign Criminals	1	1
Targeting by serious organised crime/ terrorist groups (suspected or proven)	1	1
Number of STRs filed on ML/TF	2	1
Exposure to Predicate Offences for ML/ TF	2	2
<b>Average Score</b>	<b>1.6</b>	<b>1.2</b>

## 10.0 ML/TF VULNERABILITY

*Money laundering and terrorist financing vulnerabilities for the sector were assessed as Medium.*

Based on the threats identified within the NPO landscape as well as issues raised on the regulatory framework in Ghana the following ML vulnerabilities were identified. The vulnerabilities were assessed under the various categories; preventive measures, regulations, national coordination and cooperation, links to high risk countries, and transparency in accountability of the NPO sector. Below are the scores for the various categories:

**Table 4: ML/ TF threat Vulnerability matrix**

Category of Vulnerability	Money Laundering	Terrorist Financing
Preventive measures	2	2
Regulations	3	3
Transparency and accountability of financial records	2	2
National cooperation and coordination	1	1
Links to High risk countries	1	1
<b>Average Score</b>	<b>1.8</b>	<b>1.8</b>

### 10.1 Preventive measures

A number of mechanisms aimed at promoting transparency and accountability within the NPO sector in Ghana in order to mitigate the ML/TF risks exist. These include statutory financial Management standards, internal management practices, poor financial controls, insufficient due diligence on donors, beneficiaries and management of NPOs, insufficient mistake responsibilities and weak governance.

### 10.2 Regulations

The level of oversight and the capacity to effectively monitor and regulate the activities of the NPOs sector leaves much to be desired. This is because there is currently no legal framework to regulate the activities of NPOs within the sector. The RGD is responsible for the incorporation of all NPOs in Ghana and mandated to receive annual returns and audited accounts from all NPOs.

Additionally, the DSW issues certification to NPOs to regularize their operations although not mandated by law. The assessment revealed that a number of the NPOs only register with the RGD but do not obtain certification from the DSW due to a lack of legal framework to enforce compliance.

### 10.3 National coordination and cooperation

The capacity to proactively detect and disrupt terrorist financing activities associated with NPOs has been enhanced due to the effective institutional collaboration among the intelligence and security agencies including the FIC. Ghana has developed a counter terrorism strategy which includes measures to proactively detect and disrupt terrorism and terrorist financing activities. However, information exchange and cooperation between the law enforcement and national security agencies can be improved.

### 10.4 Links to high risk countries

One (1) STR filed to the FIC on an NPO established links to a high risk jurisdiction known for terrorism and terrorist financing activities. This suggests that the NPO may be vulnerable to attempted misuse by terrorist financiers or their associates.

### 10.5 Transparency and accountability of financial records

The nature of the NPO sector makes transparency and accountability of the end-to-end funding cycle extremely challenging, exposing NPOs to significant vulnerabilities. Although NPOs are required to file annual returns and audited financial statements to the RGD, the details of expenditure on donor funds received are usually not transparent due to some confidential clauses by donors. Therefore, most NPOs believe they are not accountable to any competent authority in terms of financial disclosures.

## 11.0 LIKELIHOOD

Likelihood is the probability of ML/TF risk occurring. The assessment revealed that due to the average scores for threats and vulnerabilities, the likelihood for ML/ TF risk occurring was **Medium**.

## 12.0 CONSEQUENCE

*The consequence of ML/TF in the NPO sector is assessed as moderate.*

Consequence is the impact or harm an ML/TF activity can cause to the NPO sector, financial systems, or the state as a whole. The most significant impact on ML/TF from the assessment was the direct abuse of NPOs and the possible diversion intended for designated beneficiaries to criminal of funds to criminals.

## 13.0 FINDINGS

Based on the comprehensive review of NPOs which was conducted through the administration of questionnaires, interviews and information gathered from relevant sources, the following findings were made;

### 13.1 Legal and Institutional Framework

The assessment revealed that there is an efficient system of incorporating NPOs by the RGD in Ghana although most of these NPOs do not obtain certificate from the DSW to regularize their operations. There were inconsistencies in the data received from the RGD and the DSW. It was further revealed that some of the NPOs who obtained certificates from the DSW had not renewed their certificates and therefore were officially classified as inactive. Although, the DSW has some mechanism in place to monitor the activities of the NPOs, this mechanism needs to be improved. Again, the stated objectives of some NPOs at the point of incorporation did not match with their actual operations.

### 13.2 Awareness Creation

The assessment revealed that sector players had low level of understanding of their AML/CFT obligations and as such are exposed to reputational and operational risks.

### 13.3 Transparency and accountability

NPOs are to submit audited financial report to the RGD annually. However, most of the NPOs do not disclose detailed financial records of funds received and expenditure incurred.

### 13.4 Activity Areas of NPOs

The assessment revealed that a significant number of NPOs were operating within the Education/Vocational skills, Health, Population and Drug Abuse, Women and Children, Community Rural Development, Religion and Welfare Development, Community Rural Development Youth and Culture and Advocacy /Research /Policy. This may possibly pose ML/TF threats within the sector because these service type NPOs activities are considered essential to the development of developing countries such as Ghana which give them easy access to donor funding for their activities.

## 14.0 ACTIONS BEING TAKEN TO ADDRESS THE CHALLENGES

1. The Trust bill which seeks to regulate the activities of the NPO sector is currently at the drafting stage.
2. A series of awareness creation and sensitization has been organized and executed for a cross-section of the NPO sector. This activity covered the Northern, Ashanti and Greater Accra Regions of Ghana. It involved one hundred and eighty-eight participants.

3. Ghana has received a number of technical assistance from international stakeholders including the World Bank in line with efforts to bring the NPO sector to comply with the AML/CFT regime in Ghana.

## 15.0 RECOMMENDATIONS

To effectively address the issues identified in this assessment, the following recommendations are proposed;

1. The Trust Bill which seeks to regulate the activities of the NPOs should be passed into law and designate a regulator for the NPO sector. This Bill would empower a designated regulator of the NPO sector to monitor and ensure compliance on AML/CFT provisions.
2. The FIC in collaboration with the Ministry of Justice and Attorney General's Department should put measures in place to share information on targeted financial sanctions and designated persons/ entities with the NPO sector.
3. Adequate mechanisms should be put in place to enable the NPOs collaborate effectively with competent authorities.
4. The DSW should keep accurate data on all NPOs in electronic format. This information should be updated regularly and made easily accessible to all competent authorities.
5. An administrative sanctions document and AML/ CFT guidelines should be developed for the NPO sector to ensure compliance.
6. The outcome of this risk assessment should be shared with the relevant stakeholders and the general public to understand the risk posed by the NPO sector and the mitigation measures in place.
7. The RGD and the designated regulator of the NPO sector should put mechanism in place to obtain beneficial ownership information on owners of NPOs. This information should be updated regularly and made easily accessible to competent authorities.
8. The Government should facilitate the effective supervision of the NPO sector. The regulator should apply focused and proportionate measures in line with Risk Based Approach (RBA) to the service type NPOs with the highest number of operators in the sector so as to protect them from ML/TF abuse.

## 16.0 CONCLUSION

This report identified categories of NPOs in Ghana and their susceptibility to being abused for ML/TF and other predicate offenses. The assessment revealed that the probability of NPOs being abused for ML/ TF purposes were medium.

The assessment also identified ways in which NPOs are criminally abused such as comingling of funds and activities for tax evasion and terrorist financing purposes. Potential risk and deficient areas in the NPO sector including lack of understanding of the AML/CFT regime by NPOs and inadequate transparency and accountability in the NPO sector were also identified.

However, there are a number of measures being implemented to mitigate the identified deficiencies to acceptable levels. These include strengthening of the legal and institutional frameworks of the NPO sector as well as continuous sensitization of players in the sector and the general public. The outcome of this assessment will be shared with all relevant stakeholders and general public to enable them identify potential risks posed by the activities of NPOs and how to spot red flags.

This assessment will be reviewed periodically to address and reflect the dynamic landscape, risks and vulnerabilities in the NPO sector.

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## APPENDIX I

### Threat Rating for ML/TF

Category of Threat	Money Laundering	Terrorist Financing
Sophisticated Methods used	2	1
Involvement of foreign Criminals	1	1
Targeting by serious organised crime/ terrorist groups (suspected or proven)	1	1
Number of STRs filed on ML/TF	2	1
Exposure to Predicate Offences for ML/ TF	2	2
<b>Average Score</b>	<b>1.6</b>	<b>1.2</b>

### Vulnerability Rating for ML/TF

Category of Vulnerability	Money Laundering	Terrorist Financing
Preventive measures	2	2
Regulations	3	3
Transparency and accountability of financial records	2	2
National cooperation and coordination	1	1
Links to High risk countries	1	1
<b>Average Score</b>	<b>1.8</b>	<b>1.8</b>

### Overall ML/TF Rating

Risk Assessment	Threat Rating	Vulnerability Rating	Consequences
Money Laundering	Medium	Medium	Medium
Terrorist Financing	Medium	Medium	Medium

### Rating Scale for Threat and Vulnerability

Scale for Threat	From	To	Scale for Vulnerability
1 - Low	0.00	1.00	1 - Low
2 - Medium	1.01	2.00	2 - Medium
3 - High	2.01	3.00	3 - Strong

### Rating Scale for Threat and Vulnerability

		Vulnerability	
Threat	Low (1)	Medium(2)	High (3)
Low (1)	Low	Medium	Medium
Medium (2)	Medium	Medium	High
High (3)	Medium	High	High



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