

Sectoral risk assessment of non-profit organisations

General description

This risk assessment uses the current recommendation of the United Nations ([UN Department of Economic and Social Affairs, 2018](#)) on the internationally standardised definition of non-profit organisations (NPOs). NPOs are defined as all

- organisations registered as legal entities,
- which are legally prevented from distributing any profits generated to members, managers or investors,
- are legally autonomous,
- are voluntary and
- are understood to belong to the private sector, i.e. are not controlled by the government.

In Austria (and many other countries), there is **no separate legal form** for NPOs; they can be associations, foundations, limited liability companies, co-operatives and even (in exceptional cases) public limited companies.

NPOs are often **charitable organisations**. In Austria, however, the concept of charitable status is primarily anchored in tax law. In special cases, where foundations and funds, the legislator mandates a charitable status.¹

The presentation of the Austrian sector is based on the following sources: the Fundraising Association's Donations Report 2023, the annual report of the Coordination Office of the Austrian Bishops' Conference, the Annual Report 2023 of the AG Globale Verantwortung (Global Responsibility), data on the non-profit sector from the NPO Competence Centre of the Vienna University of Economics and Business, the annual report of the Austrian Research Foundation for International

¹ NPO Competence Centre of the Vienna University of Economics and Business, <https://www.wu.ac.at/npocompetence/unsere-themen/der-nonprofit-sektor-und-die-zivilgesellschaft/>. Cf.

Development, the Austrian Development Agency's annual report, published annual and financial reports of individual NPOs, unpublished annual and financial reports of individual NPOs, analyses of official sources of the federal government (i.e. Cultural Report, Knowledge Report of the universities), evaluations of studies (in particular of the Vienna University of Economics and Business), evaluations of tax deductibility data from the Federal Ministry of Finance (BMF), evaluations of the BMF's list of organisations holding tax-deductible status for donations and estimates of the donation volume, the list of organisations that bear the Austrian Donation Seal of Approval, the list of ADA-accredited organisations and ECHO-certified organisations, publications of the Austrian Foundation for development research, data from the Chamber of Tax Consultants and Auditors (KSW), data from regular donor surveys in Austria and the risk survey forms of the Federal Ministry of Finance. A total of around 900 sources inform this sectoral risk assessment and the data sets on which it is based. The last fully analysed statistics date to the year 2022. There are also advanced statistical records for 2023. The survey of specific terrorist financing risks for NPOs was conducted in 2023.

There are around 135,000 NPOs in Austria, which cover a wide range of services. Associations are the main legal form for non-profit organisations, as they can be established easily and with minimal capital investment. In 2024, 132,138 associations were registered in Austria, i.e. over 95% of NPOs are associations.

The Austrian non-profit sector is characterised by diversity: A large number of small and exclusively locally or regionally active associations offer a broad field for civic engagement, community building and the cultivation of social capital. A much smaller number of large and highly professional NPOs primarily provide services in the areas of social welfare, health, education, etc. Data collected through a representative survey conducted by the Vienna University of Business and Economics in 2019/20² among NPOs in the Vienna metropolitan region (i.e. in Vienna and parts of Lower Austria and Burgenland) illustrate the picture. This is currently the most up-to-date and detailed representative data that can provide information on the entire sector. They were only collected in the capital city of Vienna, where a particularly large number of internationally active NPOs are based.

Meyer, Michael; Simsa, Ruth: *NPOs: Abgrenzungen, Definitionen, Forschungszugänge* in: Meyer, Michael; Simsa, Ruth, Badelt, Christoph (eds.): *Handbuch der Nonprofit-Organisation*, Stuttgart 2013, pp. 3-14

² Maier, Florentine, Michael Meyer, and Berta Terzieva. "Toward a better understanding of social origins theory: A historical narrative of Vienna's civil society organisations." *Global Perspectives* 3.1 (2022): 3657

For the following risk analysis, this means that the proportion of internationally active NPOs in Austria as a whole is estimated to be lower.

Most NPOs are small. In 2017, the year in which the sample for the survey cited here was drawn, there were around 22,000 associations, 282 non-profit organisations, 29 non-profit cooperatives and 121 non-profit foundations in Vienna. In other words, there was one NPO for every 116 inhabitants.

Sports, art and culture are the largest areas of activity in the sector. Other relatively large areas are social services, education and research, industrial and professional organisations (including trade unions) and leisure clubs. The sector is characterised by a high level of voluntary work. An exception to this is social services, which are predominantly staffed by full-time employees.

Many small - but also large - associations are strongly oriented towards their membership base and are characterised by a high degree of internal democracy in international comparison; for example, the election of chairpersons and association boards by the members is common practice. Accordingly, membership fees are the most important source of funding for NPOs overall. In more professionalised areas of activity (such as health, social services, education and research), sales revenue (including from service contracts with the public sector), government subsidies and donations play an important role.

Table 5. Sources of funding. (Source: CLC, n=334.)

	Average composition of funding at the level of organizations		Funding source as a share of total sector funding	
	All fields of activity	Health, social services, education, research	All fields of activity	Health, social services, education, research
membership fees	40%	38%	46%	4%
commercial revenue	21%	20%	20%	25%
government funding	17%	19%	23%	53%
private donations	12%	12%	5%	13%
donations from business	5%	6%	4%	3%
other funding sources	3%	2%	1%	1%
foundations	2%	2%	1%	1%

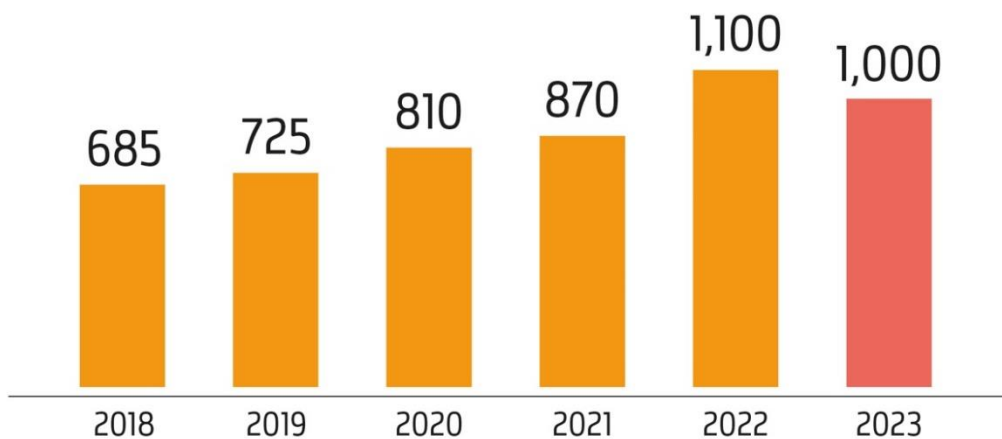
Source: Representative survey conducted by WU Vienna in 2019/20³

³ Maier, Florentine, Michael Meyer, and Berta Terzieva. "Toward a better understanding of social origins theory: A historical narrative of Vienna's civil society organisations." *Global Perspectives* 3.1 (2022): 36570.

The importance of charitable activities is reflected in the high level of donations. Around € 1,100 million of donations were made in 2022. Around 83% or € 920 million went to private, non-profit organisations. Around 15% or € 160 million went to state organisations such as universities, research institutions, federal museums and volunteer fire brigades. Around 2 % or € 23 million went to recognised churches. The significant increase in donations compared to previous years is due in particular to aid campaigns for Ukraine.

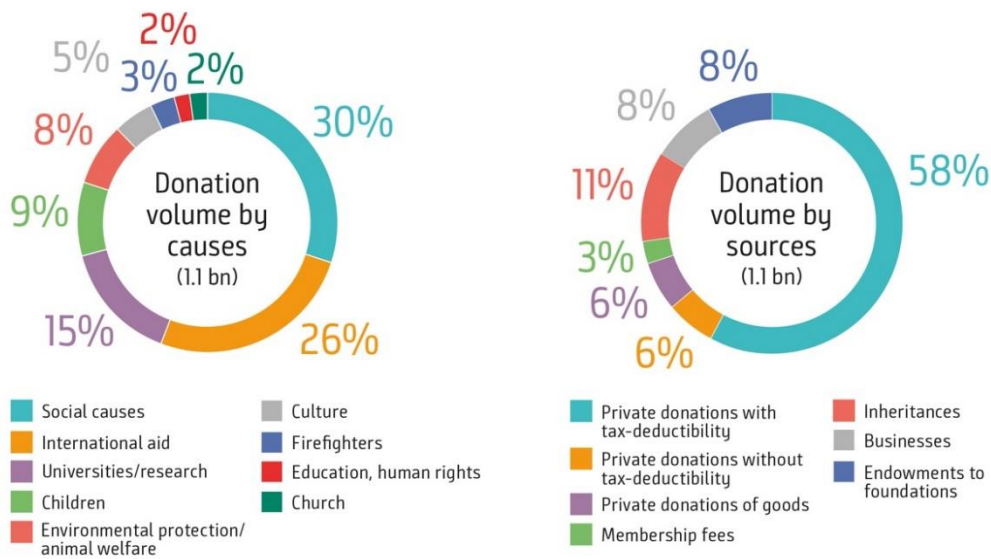
The donation purposes cover a broad spectrum. Around 65% of donations (just under 700 million) can be attributed to social projects in the broadest sense.⁴

Donation volume in Austria from 2018–2022 and projection 2023 in million €



Source: Fundraising Verband Austria, 2023

⁴ Service NPOs according to FATF terminology



Source: Fundraising Verband Austria, 2023

The societal breadth of charitable activity contrasts with a strong concentration of financial flows. In an international comparison, the volume of donations is much more focused on a few well-known organisations that have been audited by independent external bodies (Chamber of Tax Consultants and Auditors, Austrian Development Agency, European Commission). This is due to the recognition of the major brands, the relatively small market, tax deductibility and the specific fundraising opportunities available to large NPOs (e.g. the projects by the public broadcasting company ORF "Österreich hilft Österreich", "Nachbar in Not" and "Licht ins Dunkel").

This trend has become more pronounced in recent years and is continuing. In 2022, the 100 largest NPOs received €833 million or 91% of all donations made to civil society organisations. The largest Austrian NPO has a tenfold higher donation volume than the NPO in 20th place and a hundredfold higher donation volume than the NPO in 100th place. The high concentration of donations among a relatively small group of large, professionally structured and multi-audited NPOs is an important contextual factor for the sectoral risk assessment.

The majority of donations are spent on activities in Austria. The latest available figures from 2021 show that Austrian NPOs spent private funds totalling € 172 million on development and humanitarian aid in developing countries as well as on administration and educational and public relations work in Austria.

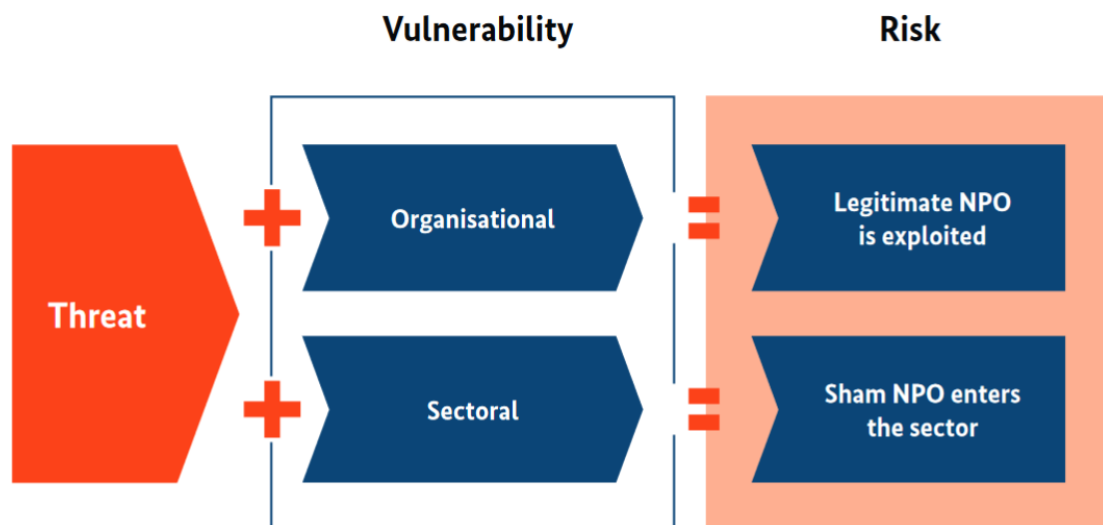
Structure of the sectoral risk assessment:

The survey and risk analysis follows the requirements of FATF Recommendation 8.

"Countries should identify the organisations which fall within the FATF definition of non-profit organisations (NPOs) and assess their terrorist financing risks. Countries should have in place focused, proportionate and risk-based measures, without unduly disrupting or discouraging legitimate NPO activities, in line with the risk-based approach. The purpose of these measures is to protect such NPOs 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."

"For the purposes of this Recommendation, NPO refers to a legal person or arrangement or organisation that primarily engages in raising or disbursing funds for purposes such as charitable, religious, cultural, educational, social or fraternal purposes, or for the carrying out of other types of "good works". Without prejudice to Recommendation 1, this Recommendation only applies to those organisations which fall within the FATF definition of an NPO. It does not apply to the entire universe of organisations working in the not-for-profit realm in a country."



Source: FATF Best Practices Paper on Combating the Terrorist Financing Abuse of Non-Profit Organisations

The sectoral risk assessment follows the FATF's differentiated approach and distinguishes between organisational and sectoral risks. Organisational risks affect, at least in the abstract, the overwhelming majority of NPOs that conduct their activities lawfully. Organisational vulnerabilities can lead to abuse and thus to the terrorism financing of such NPOs, especially in risk situations such as operating in unstable third countries. Sectoral risks are posed by NPOs that deliberately engage in terrorism financing.

Risk survey to assess the organisational risks:

The risk assessment followed the functional approach of the FATF definition. In doing so, it was able to draw on excellent data provided by the national tax deductibility system for NPOs.⁵ The definition of FATF-relevant NPOs corresponds to the national classification of NPOs that receive the SO and SV labels in the context of donation tax deductibility. This data is publicly available and was the starting point for the risk survey. To ensure data quality, the team compared the list with the members of the NPO umbrella organisations and conducted targeted online searches for charitable NPOs to find potentially relevant NPOs that were not included in the donation deductibility. This search revealed that all identified FATF-relevant NPOs also had tax-deductible status. Among the reasons are tax advantages, good accessibility and the legitimising effect vis-à-vis potential donors. Around 1,200 NPOs were identified through this process.

The next step in the risk analysis involved web research and a review of annual and activity reports to identify NPOs that fall outside the scope of Recommendation 8 or have an inherently low risk of terrorist financing (e.g. medical self-help groups, research institutions operating in Austria, organisations providing social services in Austria for public bodies such as the operation of kindergartens or social institutions). After this research, 450 NPOs remained. These NPOs were sent a questionnaire on their threats and risk mitigation measures in connection with terrorism financing.⁶ Due to the dynamic development of the NPO sector, ongoing measures to ensure data quality are necessary. Nevertheless, the risk survey allows a complete analysis of the legitimate sector.

⁵ A detailed description can be found in the next chapter.

⁶ It should be noted that larger NPOs in particular divide their activities between several legal entities, e.g. one organisation per federal state and one organisation for international projects. For the purposes of the risk survey and the sectoral risk assessment, the R.8-relevant activities of the NPOs were taken into account.

The response rate was very good at around 95%.⁷ At the end of the risk survey, 76 NPOs potentially exposed to risks were identified. This corresponds to around 0.06% of the entire Austrian NPO sector. 71 of these NPOs are organised as associations, while 5 NPOs are foundations.⁸ The results of the risk survey are presented in the next two chapters.

⁷ Many of the missing reports are due to the obvious inactivity of the NPOs.

⁸ In the case of NPOs consisting of several legal entities, it is the legal entity that carries out the potentially risky activities.

Threat

Organisational risks

In the summarised scenarios of the Supranational Risk Assessment, the threat of abuse for terrorism financing for NPOs that collect or transfer funds was classified as **moderately significant**. For NPOs that receive institutional funding, including from the EU or from Member States responsible for managing EU funds, the threat was assessed as **low**.

The threat situation with regard to organisational risks was assessed by the questionnaires sent to NPOs. The questionnaires also followed a functional approach and defined two risk groups:

- Risk areas identified by NPOs and
- countries on the FATF lists or the European Commission's high-risk third country list (due to the identified high ML/TF risk of these jurisdictions).

Large Austrian NPOs perform a very broad range of tasks, ranging from social counselling, care for the elderly, rescue services and hospitals in Austria to development projects and emergency humanitarian aid in third countries. Conversely, some smaller NPOs devote themselves entirely to development and humanitarian aid in third countries.

The risk areas identified by the NPOs coincided almost entirely with the FATF and European Commission lists (the exception was a small number of (post-)conflict areas in third countries). No NPOs reported risks in connection with projects in Austria. This assessment is in line with the threat analysis on terrorism financing in the National Risk Assessment 2021.

In conflict zones, NPOs are confronted with acute physical risks, including from terrorist groups. Identified terrorist financing risks did not occur in isolation, but were part of a range of other identified physical risks (often in combination with terrorist attacks and armed conflicts) and financial risks (primarily corruption).

Fraud and corruption are the most frequently identified financial risks. NPOs also mentioned attempts to influence tenders by militant groups (in a third country) and cyber risks. The NPOs did not report any specific attempts at terrorism financing (although these are often difficult to distinguish from diversion of funds for other purposes).

NPOs counter the identified risks in different ways. Smaller NPOs with a presence in risk areas tend to withdraw from the affected region and sometimes from the affected country altogether when physical risks are identified, which are generally associated with increased terrorist financing risks. This risk limitation reduces the overall threat to which they are exposed. Larger, professionally structured NPOs remain on the ground even if the local security situation deteriorates and the associated terrorist financing risks increase. It can be observed that these NPOs utilise a wide range of risk mitigation measures to manage their physical and financial risks. The risk mitigation measures are assessed in the next chapter.

Conclusio:

In general, the threat to the NPO sector can be categorised as low.

For those NPOs (approx. 0.06% of the sector) that

- **have identified terrorist financing risks in certain project areas or**
- **operate in countries on the FATF lists or the European Commission's high-risk third country list**

the threat is categorised as significant to very significant. This categorisation only applies to the NPO project areas, which fall under the two identified risk areas. For the other project areas, the threat is categorised as low.

Sectoral risks

In contrast to those associations that adhere to the legal requirements and run the risk of being misused for terrorism financing, this section covers risks emanating from

- NPOs that let themselves be used for terrorism financing,
- were set up specifically for the purpose of terrorism financing,
- accept organised crime, terrorism and thus also terrorism financing in their activities.

As already mentioned in the organisational section, it is primarily associations that are affected. The first two categories include donation and aid organisations, which may also attempt to obtain seals of approval under false pretences.

An increased threat is posed in particular by those NPOs that present themselves as charitable (but are deliberately misused) and do not restrict their presence and activities exclusively to the domestic market, but are – at least partially – financed from abroad (EU and/or third countries), or (also) receive donations from abroad and then subsequently forward them abroad (EU and/or third countries).

With such charitable organisations, there is a risk that funds or other donations in the form of collections of assets such as clothing, food or equipment will not go to those actually in need, but will be made available in whole or in part to terrorist or terrorism-related organisations. Such NPOs intentionally implement no or unsuitable control mechanisms for the distribution or its control mechanisms are circumvented. As a result, the distribution of donations of goods and money is not or only inadequately monitored, which means that uncontrolled distribution of goods - and thus a transfer to terrorist organisations/persons - can take place.

The third category includes so-called OMCGs (outlaw motor cycle gangs), i.e. organised motorbike gangs that have constituted themselves as associations. They therefore deserve special attention in connection with terrorism financing, as they are financed not only through membership fees, the sale of supporter clothing, work in the security industry, the red light sector or in tattoo shops, but also by committing criminal offences. They pose a threat to public safety through their radical extremist appearances.

It cannot be completely excluded that other non-profit organisations – not listed here – are also responsible for financing terrorism, in particular through the provision of infrastructure or training. However, the threat in this regard can be categorised as low.

Conclusion: To summarise, the sectoral threat in relation to the NPO sector as a whole can be classified as present but low.

Vulnerability

Organisational risks:

In the summarised scenarios of the Supranational Risk Assessment, the vulnerability of NPOs that collect or distribute donations to misuse for terrorist activities was classified as **moderately significant** risk. NPOs that receive institutional funding, including from the EU or from Member States responsible for the management of EU funds, are considered to have a **low** vulnerability to terrorism financing. Subsequently, the national vulnerability is to be derived.

(a) Risk potential:

Most of the activities of Austrian NPOs take place in Austria. Only a small part of the sector has an international presence, and an even smaller part of this group is active in countries that are exposed to increased terrorist financing risks (approx. 0.06% of the sector, see calculations below). The risk potential can therefore be categorised as low overall. As even relatively small sums can be used for terrorism, the risk potential in the small segment of the sector with activities in identified risk areas can be categorised as significant.

(b) Risk awareness:

Overall, the sector shows good and improving risk awareness.

The risk-mitigating measures were assessed as part of the BMF's risk survey in 2023. The catalogue of risk-mitigating measures included various measures. In addition to terrorist financing-specific measures, other risk management techniques that reduce financial risks and indirectly also terrorist financing risks were recorded.

Risk management in the area of terrorism financing:

- Risk analyses are carried out to assess terrorist financing risks in projects and measures are adapted to the identified risk (e.g. increased controls, closer reporting).
- Members of the Executive Board and employees are checked for their reliability to ensure that they are trustworthy. This is done, for example, by obtaining references, extracts from criminal records or a comparison with EU sanctions lists.
- In the case of project risks, the management and the employees involved in the project are aware of the risks and appropriate risk minimisation measures are taken.
- Training courses are organised for employees on the subject of "money laundering and combating terrorism".

- Partner organisations and the members of their governing bodies are regularly checked to ensure that they are not subject to applicable EU sanctions or belong to other terrorist organisations.
- The NPO sets out in writing strategies, controls and/or measures to prevent terrorism financing.
- The NPO clearly distances itself in its statutes or other binding directives from any support for terrorism, money laundering or other criminal offences.
- Depending on the identified risk of the project, the NPO has at least basic information about the target group (e.g. support for a hospital to treat local patients, funding for a school for children in a refugee camp).

Risk management and cooperation with partner organisations

- The NPO relies on long-term cooperation with proven partner organisations.
- There is a process for selecting partner organisations, which includes obtaining information from various sources (e.g. information from authorities, articles from reputable newspapers or research institutes, comparison with EU sanctions lists, obtaining information on beneficial ownership and trustworthy local informants).
- Transparent directives and written decision-making processes exist for the allocation of funding to partner organisations.
- Decisions on the allocation of funding to project partners are made by persons with the appropriate expertise.
- In the case of cooperation with partner organisations, there are specific legal agreements that regulate project activities and expenditure in a binding manner.
- Written agreements signed by the management bodies are available for all transfers of funds to foreign project partners.
- Project funding is supported by qualified personnel (country knowledge, language skills, project management skills).
- All project expenditure is documented and documented by the partner organisations in financial reports.
- Follow-up checks are carried out to ensure that the projects have been implemented as planned.
- Regular monitoring visits to partner organisations take place.
- Partner organisations adhere to the local legal framework.
- The NPO has a clear set of rules to prevent corruption (e.g. anti-corruption guidelines).

Documentation

- There is a financial report that contains a coherent and complete presentation of the source and use of funds.
- The NPO follows the formal principles of proper accounting (in particular compliance with the document principle, traceability of accounting transactions) and keeps appropriate records in accordance with its size.
- All checks, trainings and measures are documented and retained for an appropriate period of time.

Financial transactions

- There is a 4-eye or multiple-eye principle for transactions and the authorisation of transfers.
- International financial transactions take place via regulated financial channels.
- Financial flows are documented from receipt of the money to its use in the target project and this documentation is kept for an appropriate period of time.
- It is defined from the outset who can access how much money, when and under what conditions.
- There is a documented and verifiable approval process for transfers in accounting.
- The release of transfers in the accounting system takes place separately from the release in payment transactions.
- The NPO has a clear set of rules for procurement (e.g. procurement guidelines).

External audits

- Independent audits are carried out annually.
- The NPO has been awarded the Austrian Donation Seal of Approval and is subject to an annual audit by independent auditors or tax consultants.
- The NPO receives project funds from international donors (ADA, European Civil Protection and Humanitarian Aid Operations – ECHO and others), which require a documented statement of accounts against submitted budgets and project audits.
- The NPO is ADA-accredited and has undergone an ADA qualification check.
- The NPO is ECHO certified (EU Humanitarian Partnership Certificate) and has undergone a comprehensive assessment, which includes issues relating to money laundering and terrorism financing.

- Publicly funded projects are audited externally as a matter of principle or above a certain threshold to ensure compliance with the specified standards and the proper use of funds.
- Privately funded projects are audited externally to ensure compliance with the specified standards and the proper use of funds.

Additional measures put forward by NPOs were the forensic verification of digital signatures, the regular obtaining of account confirmations from the recipient bank regarding the account holder, emergency notifications via partner networks, the publication of project goals and project funds, the involvement of local communities in decision-making and dedicated whistleblower hotlines.

The evaluation of the risk mitigation measures did not follow a static tick-the-box approach. The risk mitigation measures were assessed in terms of whether they addressed the identified risks - the pure quantity of measures implemented was not the decisive factor. Analysing the questionnaires revealed a differentiation within the sector.

NPOs that carry the Austrian Donation Seal of Approval, hold ADA accreditation or ECHO certification or are members of the Coordination Centre of the Austrian Bishops' Conference implemented the overwhelming majority of the measures. The explanations of the measures showed a very good understanding of physical and financial risks and a well-developing understanding of terrorist financing risks.

NPOs outside of these networks generally apply several of the aforementioned risk-mitigating measures, particularly with regard to the general control of financial flows. The scope and intensity of the measures generally increase with the size of the NPOs. However, it can also be observed that some small NPOs demonstrate very solid risk-mitigating measures. These include, in particular, NPOs with employees from the financial sector who have relevant prior knowledge.

(c) Legal framework and supervision/governance:

The NPO sector is subject to a range of government measures, external and independent control mechanisms and self-regulatory initiatives.

1. Government measures

Examination of the deductibility of donations:

As voluntary donations, donations are generally not tax-deductible. However, by law, donations to the organisations listed in Art. 4a EStG are deductible as business expenses (if made from business assets) or as special expenses (if made from private assets) up to a limited amount. Since 1 January 2024, the option to deduct donations has been open to all charitable, benevolent, scientific and adult education purposes.

The organisation must apply for the granting of preferential treatment for donations using an official electronic form. This must be submitted by a professional party representative in accordance with the Public Accountants and Tax Advisors Act 2017 (WTBG 2017). The applicable legal basis of the organisation must be enclosed with the application. In order to maintain the tax deductibility of donations, the fulfilment of the requirements must be verified annually to the Austrian tax authority by legal professionals in accordance with the WTBG 2017. In the event of a change in the legal basis, the amended legal basis (association statutes, partnership agreement) must also be submitted.

In the case of legal persons that are subject to the obligation to have their annual financial statements audited by an auditor in accordance with the law or their articles of association, the fulfilment of the requirements and compliance with the applicable accounting regulations must also be confirmed by an auditor in accordance with Art. 268 et seq. of the Austrian Commercial Code (UGB) when the application is submitted and annually thereafter. The provisions of Art. 275 UGB apply accordingly. This confirmation must be submitted to the Austrian tax office annually within nine months of the balance sheet date by the party representative via FinanzOnline. In the event of a change in the legal basis, the amended legal basis (association statutes, articles of association, partnership agreement) must also be submitted. If an application is made for the first time for the granting of preferential treatment for donations, the current legal basis and the auditor's confirmations for the previous financial year must be submitted to the Austrian tax agency.

The Austrian tax agency must issue an official act confirming the fulfilment of the legal requirements for the initial granting of preferential treatment for donations and include the corporation in a list of beneficiaries of donations to be maintained by the Austrian tax office. In this list, the date on which the deductibility was granted must be published. The list must be published on the website of the Federal Ministry of Finance.

If the requirements are no longer met or if the annual reports on adherence to the requirements are not submitted despite a reasonable grace period being set, the donation authorisation must be revoked by official notice.

Of the largest 100 NPOs – which account for €833 million or 91% of all donations to civil society organisations – only 6 are not eligible for tax deductibility (animal welfare and church organisations; this number will fall further due to the extension of the tax deductibility of donations from 1 January 2024). However, they also require an auditor in accordance with other laws (e.g. Association Act, Private Foundation Act, Federal Foundation and Funds Act).

In addition, a further € 43 million (around 5% of all donations to NGOs) to smaller, non-auditable organisations (less than 1 million donations) are also audited as part of the tax deductibility process. Depending on their size, audits are prescribed for non-profit organisations in the Association Act, Private Foundation Act, Federal Foundation Act and Fund Act. These limits are significantly lower than in the commercial sector (see Art. 22 para. 2 of the Associations Act: "The management body of an association whose ordinary income or ordinary expenditure in two consecutive financial years exceeded EUR 3 million or whose annual income from donations collected from the public exceeded EUR 1 million in each of these periods must prepare extended annual financial statements (balance sheet, profit and loss account, notes) and also ensure that the annual financial statements are audited by an auditor in accordance with para. 4").

Federal and provincial foundations have their own supervisory authority in the form of the provincial foundation authorities (and in certain cases also the legal representative of the Federal Republic (Finanzprokurator)).

As already described, donations are increasingly concentrated in large NPOs, which are characterised by professional structures and the implementation of numerous risk-mitigating measures. 94% of the donations received by all civil society structures are audited by a chartered accountant who certifies the raising and use of funds, and 75% of all donations are subject to an in-depth audit for the Austrian Donation Seal of Approval.

Donation volume and audits in Austria 2022					
	Donations		Mandatory audits	Auditors	Vountary audits
NGOs	€ 920.000.000	83%	€ 867.000.000	Public accountants (Wirtschaftsprüfer)	€ 691.870.000
Public entities	€ 160.000.000	15%	€ 160.000.000	Courts of Auditors and others	Not possible
Churches	€ 23.000.000	2%	€ 23.000.000	Federal Chancellery - Office of Religious Affairs	Not possible
Sum	€ 1.103.000.000		€ 1.050.000.000		€ 691.870.000
NGOs only	100%		94%		75%
not audited			€ 53.000.000		€ 228.130.000

Comparison of the total volume of donations against mandatory audits as part of the tax deductibility and the audits carried out by the Austrian Donation Seal of Approval.

Risk survey by the Ministry of Finance:

The more than 450 questionnaires sent out were completed or forwarded by the management level of the NPOs and already served to raise awareness in this way. Some NPOs have already dealt intensively with their own terrorist financing risk and the questionnaires have led to an in-depth engagement with the topic in all NPOs.

Risk-based audits by the Austrian tax agency:

Based on the risk survey, the association-specific audit quota of the Austrian tax office is partially reallocated in order to carry out audits of NPOs with identified risk. These audits focus on cases with significant and highly significant risk. They relate to the fulfilment of legal requirements with regard to statutes and financial management. The auditors take into account an internal document with terrorism financing red flags.

Outreach by the Ministry of Finance:

The Federal Ministry of Finance offers all NPOs the opportunity to receive free feedback on the questionnaires submitted. The Federal Ministry of Finance has also set up a dedicated NPO mailbox for all questions relating to the prevention of terrorism financing and provides detailed information on its website on how NPOs can protect themselves from being misused for terrorist purposes. As part of the Public Private Partnership with the NPO sector (PPP NPOs) established in 2023, the Federal Ministry of Finance regularly exchanges information with umbrella organisations and interest groups in the NPO sector and provides information on activities, measures and legal requirements for the prevention of terrorism financing.

2. external, independent control mechanisms

Accreditation by the Austrian Development Agency (ADA)

In order to be able to implement ADA-funded projects in the humanitarian sector or Nexus projects, NPOs must be accredited by ADA in advance. The prerequisite is the fulfilment of strict quality

standards, among other things, applicant organisations must provide evidence of internal processes and control systems to prevent fraud, corruption, bribery, money laundering, terrorism financing and other forms of abuse.

EU Humanitarian Partnership Certificate 2021-2027 (DG ECHO)

As in the case of ADA, NPOs can pre-qualify as implementation partners for humanitarian measures with DG ECHO, which reports to the European Commission. In order to receive the EU Humanitarian Partnership Certificate from DG ECHO, the applicant organisations must, among other things, meet quality criteria that explicitly aim to prevent terrorism financing and money laundering: "The Organisation includes provisions in its procurement, sub-granting policies and contracts to ensure that its tenderers, implementing partners and contractors observe and uphold integrity rules and ethical standards, such as: i) avoidance of child labour; ii) respect of basic social rights and working conditions based on international labour standards and iii) respect of applicable law relating to anti-money laundering and combatting terrorism financing, in the execution of their contracts".⁹

Other measures

In addition to the measures mentioned above, other funding organisations also check the proper use of funds. For example, there is a statutory audit obligation for larger associations under the law on associations. The ADA carries out a standardised partner assessment for funding of EUR 100,000 or more and other public funding providers (e.g. federal states, ministries, EU/INTPA) also have their own audit procedures for their funding recipients.

3. self-regulatory measures

On the one hand, NPOs co-operate with each other in various associations and, on the other hand, compete for donations. The correct use of donations is a central argument in fundraising. As a rule, NPOs prominently emphasise the tax-deductibility of donations, the donation seal of approval or other measures for the appropriate use of funds.

The Austrian Donation Seal of Approval

The Austrian Donation Seal of Approval is awarded by the Austrian Chamber of Tax Consultants and Auditors (KSW). It proves that a donation organisation handles the funds entrusted to it care-

⁹ DG ECHO (o.D.): Terms of Reference for the ex-ante assessment. Available from: <https://www.dgecho-partners-helpdesk.eu/download/referencedocumentfile/91>

fully and responsibly and ensures that donations are used for their intended purpose and efficiently. All Donation Seal of Approval organisations voluntarily commit to fulfilling the comprehensive criteria of the Austrian Donation Seal of Approval and are audited once a year by an independent tax consultant or auditor – obliged entities under the WTBG.

The Donation Seal of Approval audit ("OSGS audit") includes 35 criteria from the following areas:

- Regularity of the accounting
- Internal control system in the respective development stage, as well as the separation of management and control tasks
- Statutory and proper use of donations, i.e. in accordance with the articles of association
- Compliance with the principles of economy and efficiency in the area of donations
- The organisation's financial policy on the use of donations
- Human resources of the organisation
- Fairness of advertising and regulation of responsibility for it; i.e. principles for correct and ethical fundraising

Every OSGS audit includes explicit risk-minimising measures with regard to money laundering and terrorism financing: "When accepting donations, the organisation must ensure that all underlying processes exclude the risk of money laundering and terrorism financing to the greatest extent possible through appropriate security measures" (criterion 27).

The Donation Seal of Approval is awarded by the Chamber of Tax Consultants and Auditors following an independent review of the criteria by one of its members. The criteria are continuously evaluated and further developed by the KSW in cooperation with representatives of the practice and experts.

80 of the 100 largest Austrian NPOs bear the donation seal of approval. € 730 million, or two thirds of all donations, were donated to NPOs with the donation seal of approval in 2022. In the development and humanitarian NPO sector, 83.4% of donations of private funds in 2021 are implemented by NPOs that bear the Austrian Donation Seal of Approval.

The Coordination Office of the Austrian Bishops' Conference ("KOO"):

The Coordination Office of the Austrian Bishops' Conference represents the interests of Catholic institutions and organisations in Austria that are involved in development cooperation, domestic development work or missionary cooperation, and is responsible for networking, coordination

and quality assurance. Currently, 35 organisations are members of the KOO network. The members of the KOO network follow a number of common rules and standards in their work. These include, firstly, the general regulations of the Austrian Bishops' Conference; secondly, their own specific directives for development work and, thirdly, external standards such as the Austrian Donation Seal of Approval.

Members of the KOO network are subject to episcopal supervision. In the event of violations and misconduct, the Austrian Bishops' Conference may impose sanctions up to and including expulsion from the network.

The Coordination Office of the Austrian Bishops' Conference operates a fraud warning system among its members, with which fraudulent project applications are shared in the network, centrally documented and analysed.

In 2022, the members of the KOO network donated private funds (funds from private sources of financing: Donations, fundraising, membership fees, self-taxation, inheritances, sponsorships, etc.) totalling € 89.6 million spent on development and humanitarian aid in developing countries and on education and advocacy work in Austria.

Training within the NPO sector:

Umbrella organisations and interest groups in the NPO sector contribute with numerous events and activities to informing and sensitising the sector to terrorist financing risks and measures that NPOs can take to protect themselves against these risks.

The **Fundraising Association Austria** organises 2-3 seminars a year on the subject of "Law and Taxes". Part of the content is also the basics of the topic. In the more comprehensive training programme for fundraisers, the two-semester diploma course "Fundraising Operations & Management" deals with the topic in detail.

In 2022, a webinar series on financial knowledge for NPOs was offered by the Interest Group for NPOs and in 2023 by the successor structure **Bündnis für Gemeinnützigkeit**. Eight webinars per year deal with the topic of "Financial skills", which also included topics on the prevention of money laundering and terrorism financing.

Furthermore, the following public events were organised by the **Austrian Donation Seal of Approval**:

- 2021: A webinar solely on the topic of money laundering took place on 4 November 2021.
- 2022: The free OSGS conference, the so-called Forum, took place on 13 May 2022 and a further webinar on 4 October 2022 (on all criteria).
- 2023: OSGS Forum on 11 May 2023, further webinars on 13 April and 13 September.

The target group for OSGS events are KSW members and NPOs with or (still) without a Donation Seal of Approval.

At the annual legal conference "Non-Profit Organisations 2022" organised by MANZ'sche Verlags- und Universitätsbuchhandlung, the Managing Director of the Fundraising Association gave a lecture on the topic of "Problems of fundraising and fundraising in practice". A large part of the lecture was dedicated to the topic of "Prevention of money laundering and terrorism financing".

International financial flows and risk mitigation measures

In 2021, Austrian NPOs spent private funds totalling € 172 million on development and humanitarian aid in developing countries (more than 90%) and on administration and educational and public relations work in Austria (less than 10%). Developing countries are those listed in the OECD Development Assistance Committee's list of recipient countries. This includes countries listed by the European Commission or the Financial Action Task Force, but also other countries without increased risk.

- 98.3% of the funds were used by organisations that are recognised as tax-deductible organisations by the Austrian Ministry of Finance and are therefore audited annually by independent, external auditors.
- Of the organisations that do not receive donations, at least a further third are audited as well. This increases the proportion of funds implemented by audited organisations to 98.9%.
- 83.4% of the funds were used by organisations that bear the Austrian Donation Seal of Approval and are audited annually by external, independent auditors on the basis of strict quality criteria - including criteria on terrorism financing and money laundering.
- 38.6% of the funds were implemented by organisations acting as implementation partners with the ADA and undergo a rigorous qualification process – including a review of terrorism financing and money laundering criteria.
- 25.7% of the funds were implemented by organisations that are certified as DG ECHO implementation partners and have undergone a strict DG ECHO audit procedure - including criteria relating to terrorism financing and money laundering.
- 89.0% of the funds were used by organisations that have either undergone the annual audit procedure for the Donation Seal of Approval or the procedure for obtaining ADA

accreditation or ECHO certification and have thus been checked by one or more external, independent bodies for compliance with criteria on terrorism financing and money laundering. In practice, ADA accreditation and ECHO certification tend to be designed for large, humanitarian NPOs.

	Private grants 2021 (in €)	Share of total
Total	172.002.728	
of which implemented by		
NGOs listed as beneficiaries of donations	169.041.392	98.3%
audited NGOs	170.081.841	98.9%
OSGS-certified NGOs	143.415.198	83.4%
ADA-accredited NGOs	66.379.513	38.6%
ECHO-certified NGOs	44.209.726	25.7%
OSGS-certified, ADA-accredited or ECHO-certified NGOs	153.051.757	89.0%

Source: AG Global Responsibility based on data from ADA, BMF, DG ECHO, KOO and KSW

Overall, it can be seen that 98.9% of international project funds are managed by NPOs that are subject to at least one and often several external audits. 89.0% of all funds are implemented by NPOs that are subject to one or even several audits by external, independent bodies (KSW, ADA, DG ECHO), which include criteria on money laundering and terrorism financing.

All of the above measures have a risk-minimising effect. The Austrian Donation Seal of Approval, ADA accreditation and ECHO certification have a particularly sustainable risk-reducing effect due to their comprehensive scope of testing and regular recertification measures by external bodies. The evaluation of the risk survey questionnaires also showed that NPOs that have one or more of the three certifications, have a very high level of risk awareness and have established comprehensive risk management systems. Their vulnerability can therefore be categorised as low. NPOs outside of these networks generally apply several of the aforementioned risk minimisation measures, in particular measures for the appropriate use of financial resources. The scope and intensity of the measures taken generally increase with the size of the NPO. However, it can also be observed that some small NPOs have very solid risk minimisation measures. Overall, the vulnerability of NPOs outside of these networks can be categorised as moderately significant to significant.

Conclusion: In general, the vulnerability of NPOs to being misused for the purposes of terrorism financing must be categorised in a differentiated way. The present risk assessment only applies to NPOs with identified risk factors (approx. 0.06% of the sector)¹⁰. However, many of the control measures mentioned are widespread in the NPO sector.

The vulnerability of NPOs to being misused for terrorism financing purposes is low for NPOs that hold

- the Austrian Donation Seal of Approval,
- ADA accreditation
- and/or ECHO certification.

The vulnerability of NPOs outside these networks can be categorised as moderately significant to significant.¹¹

¹⁰ Projects in countries listed by the European Commission or the Financial Action Task Force, as well as projects where NPOs have identified terrorist financing risks.

¹¹ This assessment represents an average value. The risk surveys found NPOs that also had low vulnerability due to extensive control systems. A very small number of NPOs had high to very high vulnerability due to weak control systems.

Sectoral vulnerability

The risks specific to legal forms are analysed in detail in the "Risk of legal entities and trusts" chapter of the National Risk Assessment 2021. The legal entities used for charitable activities (associations, private foundations, as well as public liability companies and limited liability companies) were assessed with a medium legal form-specific risk (cooperatives with a low risk).

For the NPO sector, it should be noted that the control mechanisms described above (mandatory audits above a certain amount and the funding organisations' own audits) apply. In addition, the donation behaviour of the population tends towards established NPOs that are subject to control mechanisms such as the deductibility of donations and the Austrian Donation Seal of Approval. As already described, the volume of donations is increasingly concentrated on large NPOs that are characterised by professional structures and the implementation of numerous risk-mitigating measures. 94% of donations from all civil society structures are audited by a chartered accountant who certifies the raising and use of funds, and 75% of all donations are subject to the in-depth audit for the Austrian Donation Seal of Approval. 98.9% of international project funds are managed by NPOs, which are subject to at least one and often several external audits.

It is therefore possible to simply set up an association, for example, but legal and factual obstacles make it difficult to misuse an NPO to realise larger sums.

Conclusion: To summarise, the vulnerability of the NPO sector to targeted terrorism financing by individual NPOs can be classified as low to moderately significant.

Total risk

Organisational risk:

In the summarised scenarios of the Supranational Risk Assessment, NPOs that collect or distribute donations were classified as **moderately significant** risk for misuse for terrorist activities. NPOs that receive institutional funding, including from the EU or from Member States responsible for managing EU funds, are considered to have a **low** vulnerability to terrorism financing. Subsequently, the national risk is to be derived.

In summary, this results in a differentiated categorisation of the overall risk:

In general, the risk for the NPO sector of being misused for terrorism financing purposes can be classified as low.

The risk of those NPOs with projects in identified risk areas (approx. 0.06% of the sector)¹² being misused for terrorism financing purposes is moderately significant if they hold

- **the Austrian Donation Seal of Approval,**
- **an ADA accreditation**
- **and/or an ECHO certification.**

The risk of NPOs outside these networks in projects in identified risk areas¹³ can be categorised as moderately significant to significant.¹⁴

This categorisation only applies to the NPO project area that falls under the two identified risk areas. For the other project areas, the risk is categorised as low.

Sectoral risk:

The risks of the NPO sector for targeted terrorism financing by individual NPOs can be classified as low to moderately significant.

¹² Projects in countries listed by the European Commission or the Financial Action Task Force, as well as projects where NPOs have identified terrorist financing risks.

¹³ Projects in countries listed by the European Commission or the Financial Action Task Force, as well as projects where NPOs have identified terrorist financing risks.

¹⁴ This assessment represents an average value. The risk surveys revealed NPOs that also have a medium risk due to extensive control systems. A very small number of NPOs have a high to very high risk due to weak control systems.

Recommendations

The recommendations are addressed to authorities and include suggestions on how to improve the prevention of money laundering and terrorism financing. Due to the density of controls by public authorities, external and independent control mechanisms and self-regulatory measures in the sector, no legal changes are currently required.

- Ensuring and improving data quality
- Carrying out the annual risk survey
- Continuation of government control measures
- Trainings and lectures for the sector