

Development and Humanitarian NGOs:

Strong External Control Mechanisms Minimise the Sector's Terrorism Financing Risk

BACKGROUND INFORMATION • 21.02.2024

Impressum

GLOBAL RESPONSIBILITY is the umbrella organisation of 36 Austrian non-governmental organisations active in the fields of development cooperation, humanitarian aid, development education, and policy work. Each year, our member organisations implement 1,000 projects in more than 120 countries worldwide, contributing to a decent life for all on a healthy planet.

Editor

Ilona Reindl
Vienna, 21 February 2024

Publisher

Global Responsibility – Platform for Development and Humanitarian Aid

OFFICE Apollongasse 4/9, 1070 Vienna **TELEPHONE** +43 1 522 44 22–0

EMAIL office@globaleverantwortung.at **WEBSITE** www.globaleverantwortung.at

FACEBOOK [globaleverantwortung](https://www.facebook.com/globaleverantwortung) **LINKEDIN** [globaleverantwortung](https://www.linkedin.com/company/globaleverantwortung)



Development and Humanitarian NGOs:

Strong External Control Mechanisms Minimise the Sector's Terrorism Financing Risk

We would like to thank the Austrian Development Agency (ADA) for providing the data and the Austrian Foundation for Development Research (ÖFSE) for its support. Our special thanks go to the Coordination Office of the Austrian Bishop's Conference (KOO), which collected, processed and analysed a substantial part of the data.

Outset

Development and humanitarian NGOs provide humanitarian aid worldwide in the event of disasters and make a sustainable contribution to reducing poverty and hunger through long-term projects. Because people's needs are often greatest where there are conflicts and/or weak state structures, some of the work of NGOs also takes place in these regions. The organisations' programmes in these regions aim to alleviate the suffering of the civilian population, for example by ensuring the supply of water or by implementing health-promoting measures and educational programmes. In this way, they contribute to creating the foundation for a more stable social and economic development in the long run.

The organisations clearly distance themselves from terrorist groups and make sure that they neither directly nor indirectly facilitate the financing of terrorism or money laundering in any way. They take a variety of preventative measures to minimise these risks. These include, for example, the use of regulated and controlled channels for financial transactions, the standard application of the 4-eyes principle for all financial decisions, comprehensive partner assessments and long-term cooperation with proven partners, as well as binding project agreements and extensive reporting and verification obligations for partners. At the same time, development and humanitarian organisations in Austria are subject to strong external control mechanisms (e.g. by their national and international donors) or submit to them voluntarily (e.g. as part of the Austrian Donation Seal of Approval (OSGS) or by being included in the list of beneficiaries of donations by the Federal Ministry of Finance).

Overall, this combination of internal management and external control measures significantly reduces the risk that funds from development and humanitarian NGOs could be misused for financing terrorism.

External Control Mechanisms

The most important external control mechanisms to which development and humanitarian NGOs in Austria are (or can be) subject and which minimise their risk of being misused for financing terrorism are listed below.

Beneficiaries of Donations (Ministry of Finance)

Organisations that are listed as beneficiaries of donations by the Ministry of Finance must have external, independent accountants to confirm once a year that they fulfil the legal requirements for being listed. This includes the auditing of accounts or annual financial statements.¹

¹ With the new rules for beneficiaries of donations from 2024, there is a simplified procedure in place. This report analyses data from 2021, so the text refers to the provisions in force at that time.



Development and Humanitarian NGOs:

Strong External Control Mechanisms Minimise the Sector's Terrorism Financing Risk

Austrian Donation Seal of Approval

Organisations that carry the Austrian Donation Seal of Approval (OSGS) voluntarily commit to meet the extensive criteria of the OSGS. They have undergone a strict admission procedure and are audited once a year by external, independent tax consultants or accountants to ensure that they fulfil the criteria.

The Donation Seal of Approval is awarded by the Austrian Chamber of Tax Advisors and Public Accountants (KSW) based on 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 practitioners and experts. In addition to extensive transparency and control requirements for the proper use of funds, every OSGS audit also includes explicit risk-mitigation 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 as far as possible by means of appropriate safeguards" (criterion 27).²

Accreditation by the Austrian Development Agency (ADA)

NGOs can be accredited by ADA for implementing humanitarian measures and Nexus projects/programmes.³ In order to be eligible for accreditation, they have to meet strict quality standards, e.g., applicant organisations must provide "proof of internal processes and control systems to prevent fraud, corruption, bribery, money laundering, terrorism financing and other forms of abuse".⁴

EU Humanitarian Partnership Certificate 2021-2027 (DG ECHO)

As in the case of ADA, NGOs 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 are explicitly aimed at preventing 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“.⁵

² Kammer der Steuerberater:innen und Wirtschaftsprüfer:innen (n.d.): Die Spendengütesiegel-Kriterien. Available: <https://www.osgs.at/fuer-prueferinnen/>, accessed on 06.02.2024

³ Austrian Development Agency (2021): Akkreditierungsverfahren für humanitäre Maßnahmen in der OEZA. Available: https://www.entwicklung.at/fileadmin/user_upload/Dokumente/HuHi/Merkblatt_Akkreditierungsverfahren2021.pdf, accessed on 06.02.2024

⁴ Austrian Development Agency (2021): Ansuchen um Akkreditierung für die Implementierung von Humanitären Maßnahmen im Rahmen der OEZA. Available: https://www.entwicklung.at/fileadmin/user_upload/Dokumente/HuHi/Akkreditierungsantrag_huhi2021.docx, accessed on 06.02.2024

⁵ DG ECHO (n.d.): Terms of Reference for the ex-ante assessment. Available: <https://www.dgecho-partners-helpdesk.eu/download/referencedocumentfile/91>, accessed on 06.02.2024



Development and Humanitarian NGOs:

Strong External Control Mechanisms Minimise the Sector's Terrorism Financing Risk

Further External Audits

In addition to the control mechanisms mentioned above, there are numerous other external audit procedures to which NGOs are (or can be) subject. For example, larger associations are obliged to undertake an external audit under the law on associations, the ADA carries out strategic audits of its strategic partners and other public funding bodies (e.g. federal states, ministries, EU/INTPA) also have their own auditing procedures for the recipients of their funds.

Data Basis

Each year, the Austrian Foundation for Development Research (ÖFSE) collects data on *grants from private organisations* on behalf of ADA. *Private grants* are funds from private financing sources (donations, fundraising, membership fees, self-taxation, inheritances, sponsorships, etc.) that private organisations (non-governmental organisations (NGOs), foundations and other private corporations) spend in a given calendar year on development and humanitarian aid in developing countries as well as on administration, educational and public relations work in Austria. Developing countries are those included in the DAC's list of recipient countries.⁶

For this analysis, we draw on the latest available data from 2021, which is based on reports from 118 organisations. Further background information on the 2021 data can be found in the ÖFSE publication on Austrian Development Policy 2023.⁷

Results

In 2021, Austrian private organisations spent private funds equal to €172,002,728⁸ on development and humanitarian aid in developing countries as well as on administration, educational and public relations work in Austria.⁹

- **98.3%** of the funds were used by organisations that are **listed as beneficiaries of donations by the Austrian Ministry of Finance** and are therefore audited annually by independent, external auditors.
- Of the organisations that are not listed, at least another 35% are also **audited**. This increases the proportion of funds implemented by audited organisations to **98.9%**.¹⁰
- **83.4%** of the funds were used by organisations that carry the **Austrian Donation Seal of Approval** and are audited annually by external, independent auditors based on strict quality criteria - including criteria on terrorism financing and money laundering.¹¹

⁶ OECD (2021): DAC List of ODA Recipients. Available: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-ODA-Recipients-for-reporting-2021-flows.pdf>, accessed on 06.02.2024

⁷ ÖFSE (2024): Österreichische Entwicklungspolitik 2023. Green Development Finance: From Climate Crisis to Global Justice? ÖFSE, Wien.

⁸ The total differs slightly (0.21%) from the total calculated by ÖFSE (€171,634,076) due to a data adjustment by KOO.

⁹ More than 90% of the funds flow into developing countries, with only a small percentage being spent on activities in Austria.

¹⁰ In particular, micro-organisations or local initiatives, such as schools, are not audited.

¹¹ For some NGOs, OSGS certification is of little relevance, for example because they only collect donations on a small scale or carry the German DZI Seal of Approval.



Development and Humanitarian NGOs:

Strong External Control Mechanisms Minimise the Sector's Terrorism Financing Risk

- **38.6%** of the funds were implemented by organisations that are **accredited as implementation partners with ADA** and have undergone a strict qualification process - including a review of criteria on terrorism financing and money laundering.¹²
- **25.7%** of the funds were implemented by organisations that are **certified as implementation partners of DG ECHO** and have undergone a strict DG ECHO reviewing process - including criteria on terrorism financing and money laundering.
- **89.0%** of the funds were used by organisations that have either undergone the annual auditing 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.

	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%

SOURCES: ADA, BMF, DG ECHO, KOO, KSW; own calculations

¹² ADA accreditation and ECHO certification is only possible for large humanitarian NGOs.



Development and Humanitarian NGOs:

Strong External Control Mechanisms Minimise the Sector's Terrorism Financing Risk

Conclusio

The development and humanitarian NGO sector in Austria is subject to strong external control mechanisms that minimise the risk of terrorism financing and money laundering. Our evaluation shows that 98.9% of all private funds are implemented by organisations that are audited annually by external, independent auditors. In addition, 89.0% of all private funds are implemented by organisations that are subject to one or several strict auditing procedures by external, independent bodies (KSW, ADA, DG ECHO), which include criteria on terrorism financing and money laundering.

Sources

Austrian Development Agency (n.d.): Humanitäre Hilfe. Available: <https://www.entwicklung.at/themen/humanitaere-hilfe>, accessed on 06.02.2024

Austrian Development Agency (2021): Akkreditierungsverfahren für humanitäre Maßnahmen in der OEZA. Available: https://www.entwicklung.at/fileadmin/user_upload/Dokumente/HuHi/Merkblatt_Akkreditierungsverfahren2021.pdf, accessed on 06.02.2024

Austrian Development Agency (2021): Ansuchen um Akkreditierung für die Implementierung von Humanitären Maßnahmen im Rahmen der OEZA. Available: https://www.entwicklung.at/fileadmin/user_upload/Dokumente/HuHi/Akkreditierungsantrag_huhi2021.docx, accessed on 06.02.2024

Austrian Development Agency (n.d.): Strategische Partnerschaften. Available: <https://www.entwicklung.at/akteure/zivilgesellschaft/strategische-partnerschaften>, accessed on 06.02.2024

Bundesministerium für Finanzen (n.d.): Liste spendenbegünstigter Einrichtungen. Available: https://service.bmf.gv.at/service/allg/spenden/show_mast.asp, accessed on 06.02.2024

DG ECHO (n.d.): Terms of Reference for the ex-ante assessment. Available: <https://www.dgecho-partners-helpdesk.eu/download/referencedocumentfile/91>, accessed on 06.02.2024

DG ECHO (n.d.): List of Non-Governmental Organisations certified as EU Humanitarian partners for the period 2021- 2027. Available: https://civil-protection-humanitarian-aid.ec.europa.eu/document/download/d57eb909-dca7-4c76-908a-b40d012aa022_en?filename=List%20of%20certified%20NGOs%202022.01.2024.pdf, accessed on 06.02.2024

Kammer der Steuerberater:innen und Wirtschaftsprüfer:innen (n.d.): Wer trägt das Spendengütesiegel? Available: <https://www.osgs.at/organisationen-finden/>, accessed on 06.02.2024

Kammer der Steuerberater:innen und Wirtschaftsprüfer:innen (n.d.): Die Spendengütesiegel-Kriterien. Available: <https://www.osgs.at/fuer-prueferinnen/>, accessed on 06.02.2024

OECD (2021): DAC List of ODA Recipients. Available: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/DAC-List-ODA-Recipients-for-reporting-2021-flows.pdf>, accessed on 06.02.2024

ÖFSE (2024): Österreichische Entwicklungspolitik 2023. Green Development Finance: From Climate Crisis to Global Justice? ÖFSE: Wien.