



GLOBAL NONPROFIT INFORMATION NETWORK 2. U.S. CHARITIES ARE NOT A SIGNIFICANT SOURCE OF TERRORIST FUNDRAISING

U.S.-based charities¹ don't fund terrorism; they fight the causes of terrorism. Despite the freezing of millions of dollars in charitable assets, no U.S. charity has been convicted for material support of terrorism. Rather than support the valuable role that charities play in fighting poverty, exclusion, and despair, the U.S. government imposes restrictions that hurt charities. Terrorists are financed by informal banking channels, smuggling, and overseas support. Fighting fear with facts, let's unshackle charities to do what they do best, and focus tough law enforcement on the real sources of terror financing.

The government policies that threaten charities are constructed on a false premise. The Treasury Department asserts that “A significant source of alleged terrorist support has been the use of charities and nonprofit organizations to raise money, move persons and materials, and provide logistical support for the international operations.”² Despite repeated requests from charitable organizations, Treasury has never documented its claims, instead referencing inconclusive and unsubstantiated “open source media reports” and its website, which provides no specific information. Nor have Congressional Committees charged with oversight of anti-terror efforts questioned the lack of hard evidence to back up these claims.

Out of 1.4 million 501(c)(3) public charities, private foundations and religious organizations in the U.S., only seven U.S.-based charities have been identified by the Treasury Department as possible supporters of terrorism. The government's claim that charities account for over fifteen percent of all U.S.-designated terrorist supporters or financiers³ is wildly misleading. Within the Treasury's Office of Foreign Assets Control (OFAC) Specially Designated Global Terrorist (SDGT) list, U.S.-based charities comprise only 1.4% of the 497 entities named.⁴

According to the *Terrorist Financing* staff monograph to the 9/11 Commission, extensive investigation “revealed no substantial source of domestic financial support,” including nonprofits. “[I]n many cases, we can plainly see that certain nongovernmental organizations (NGOs) or individuals who raise money for Islamic causes espouse an extremist ideology and are “linked” to terrorists through common acquain-

tances, group affiliations, historic relationships, phone communications, or other such contacts. Although sufficient to whet the appetite for action, *these suspicious links do not demonstrate that the NGO or individual actually funds terrorists* [emphasis added].”⁵

Terrorist organizations get funding from other sources, not charities. The 9/11 Commission suggested that terrorist increasingly rely on other informal methods to raise funds, including money transfers, cash couriers and sale of contraband.⁶ Charities involved in three high-profile cases brought by the U.S. Government were accused of sending less than \$16 million overseas – over a period of ten years – and even the government concedes that much of that sum was spent for legitimate charitable purposes.

In seven years, the U.S. government has never convicted any officer of a U.S.-based charity of intent to aid terrorists in a court of law. In February 2003 six charges were dropped, including those linking the Chicago-based Benevolence International Foundation with al-Qaida, but the director pleaded guilty to diverting funds for use by rebels in Chechnya and Bosnia and agreed to cooperate with the U.S. Government.

In January, 2008, three leaders of Massachusetts-based Care International, were convicted for “conspiring to defraud the United States and engaging in a scheme to conceal information from the United States government,”⁷ but not for supporting acts of terrorism. During a bail (pending appeal) hearing, U.S. District Judge F. Dennis Saylor IV wrote the case has “a significantly greater-than-average chance of resulting in a reversal.”

In October, 2007 a judge declared a mistrial in the trial of five executives of the case Holy Land Foundation for Relief and Development when a Dallas jury refused to convict them on any of the 197 counts brought by the U.S. Attorney. The government alleged that Holy Land supported the Palestinian organization Hamas by providing more than \$12.4 million (of \$57 million raised between 1992 and 2001) in hospital construction funding and aid to the poor in the Palestinian territories between 1996 and 2001. The government conceded that a “substantial amount” of money raised by the Holy Land Foundation went to worthy causes, but brought charges because the local Palestinian organizations who distributed the donations – which did not appear on OFAC’s list – allegedly had links to Hamas.

A recent indictment of the Islamic American Relief Agency and its former executive director alleged a transfer of \$1.4 million to Iraq, money used to support a hospital in a building owned by an alleged al-Qaida member. Prosecutors admit that none of the defendants are charged with materially aiding terrorists.⁸

Overreaction by the U.S. has ripple effects around the world. U.S. counterterrorism policies have become de-facto national policies for G-7 countries, the EU and eight other nations, through their membership in the Fi-

nanacial Action Task Force --- adding to the challenges faced by charitable organizations around the world. In addition to imposing ineffective regulatory burdens, adoption of U.S.-like regulations and vague procedures for designating charities as terrorist supporters allow nations to suppress dissent by simply labeling opposition organizations terrorist supporters.⁹

GNIN supports enforcement and a chance for charities to do what they do best. The possibility that terrorist organizations are using U.S. charities to raise money is troubling and real. But, by focusing on the wrong targets and exaggerating the dangers, the government takes resources away from fighting the central sources of terrorist funding, disrupts legitimate charitable work, and stimulates anti-Muslim sentiment that affects charities’ ability raise funds. The human cost is high, as well: lives and careers disrupted, years spent in jail and millions of dollars diverted to legal fees, in addition to the pain of those overseas deprived of medical care or schooling. A more realistic assessment of the threat would become the foundation of a more reasonable regulatory framework, one that allows charities to do needed work in desperate areas, without holding the threat of arbitrary prosecution and draconian punishments over their heads.

¹ “Charities” refers to direct service organizations, advocacy organizations, foundations, and organizations supporting social change.

² See Treasury Dept. May 21, 2007, Final Audit Report, “Screening Tax-Exempt Organizations’ Filing Information Provides Minimal Assurance That Potential Terrorist-Related Activities Are Identified” (Audit # 200610044).

³ Annex, Anti-Terrorist Financing Guidelines, 2006 version, at <http://tinyurl.com/5pwm6z>

⁴ See Department of the Treasury Specially Designated Global Terrorist (SDGT) list at <http://tinyurl.com/6dape8>.

⁵ Martin Weiss, “Terrorist Financing: The 9/11 Commission Recommendation,” Congressional Research Service, Order Code RS21902, updated February 2005.

⁶ Ibid.

⁷ See Department of Justice press release, “Former Officers of a Muslim Charity, Care International, Inc., Convicted,” January 11, 2008 (<http://tinyurl.com/6ryy27>).

⁸ <http://www.reuters.com/article/asiaCrisis/idUSN16377769>.

⁹ Urgent Action Fund, “Philanthropy and Post-9/11 Policy Five Years Out,” pp 10-11 (<http://tinyurl.com/6x9cvz>).

The Global Nonprofit Information Network (GNIN) was launched in March 2007 to foster information sharing focused on counterterrorism measures affecting charitable organizations and global civil society. The GNIN initiative is co-hosted by Grantmakers Without Borders (www.gwob.net), OMB Watch (www.ombwatch.org) and Urgent Action Fund for Women’s Human Rights (www.urgentactionfund.org).



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(This is part two in GNIN’s seven part series on charities and counterterrorism policy.)