



SOUTH AFRICA

**SOUTH AFRICAN NATIONAL
TERRORISM FINANCING
RISK ASSESSMENT**

24 JUNE 2024

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1. Introduction

South Africa is committed to combating all forms of terrorism, whether the threat is in the country or elsewhere in the world. A core component of this commitment is to ensure that South Africa and its institutions are not used to acquire, store or transmit funds or matériel used in terrorist activities or to support those who are engaged in those activities.

Terrorist activity as defined in the Protection of Constitutional Democracy Against Terrorism and Related Activities (Act No 33 of 2004) (POCDATARA Act), as amended, and amounts to any act of violence intended to intimidate or coerce a government or populace to do or refrain from doing anything. In line with South Africa's international obligations, Section 4 of the POCDATARA Act defines a range of crimes relating to acquiring, owning, trading, using and making available any property (including funds) knowing that it is intended for use in, or in support of, terrorist activities. Section 4(2) criminalises any act intended to facilitate transactions in any property intended to support terrorist activity.¹

Combating terrorism financing requires a high degree of vigilance from a wide range of role players in government and, critically, the private sector, particularly banks, authorised dealers in foreign exchange, providers of a range of financial services (cross-border payments platforms, providers of remittance services, and crypto currency dealers). It requires also the co-operation and oversight of Non-Profit Organisations (NPOs) that provide services in areas affected by terrorism, and whose systems are at risk of being abused to facilitate the transfer of goods or financing in support of terrorist activity.

To ensure greater awareness of the nature of the risks that exist, South Africa has recently completed its second Terror Financing National Risk Assessment (TF NRA 2024), which offers a comprehensive review and update of its 2022 TF NRA. The update reflects on the threats, vulnerabilities and possible impact of terror financing on South Africa's safety and stability, as well as those of its neighbours and countries further afield.² The TF NRA is meant to assist all stakeholders, including banks and financial institutions, NPOs and businesses defined by the Financial Intelligence Centre Act (Act No 33 of 2001) (FIC Act) as "accountable institutions", to identify risks and to develop appropriate mechanisms to reduce such risks and improve preventive, monitoring and enforcement mechanisms.

This TF NRA is the result of a Cabinet-approved Inter-Departmental, multi-agency, government-led process, which included the private sector as well as the Financial and Non-Financial supervisors and regulators. It helps all role players to identify, assess and mitigate the TF risks to which they are exposed, and enables national authorities to identify the specific actions required to be undertaken. The outcomes of this TF NRA inform revisions to South Africa's National Counter Terrorism Strategy and National Counter Financing of Terrorism Strategy.

In contrast to the 2022 TF NRA, which assessed a MODERATE TF risk, the updated TF NRA concludes that terror financing now presents a HIGH TF level of risk to the country.

More detailed findings of the TF NRA will be disseminated during awareness-raising engagements with relevant stakeholders in government, financial institutions (including the banks, supervisory bodies and non-financial stakeholders) and NPOs, as it is realised that the sharing of such will be held to ensure that adequate and appropriate mitigation measures can be implemented by the affected sectors.

¹ Readers are referred to the [POCDATARA Act \(Act No 33 of 2004\)](#) for precise legal definitions of terrorist activity and terrorist financing.

² TF NRA published on the Financial Intelligence Centre website: <https://www.fic.gov.za/wp-content/uploads/2023/11/2022.03-NRA-2022-Terrorist-Financing-National-Risk-Assessment.pdf>

2. What is Terrorism Financing?

Terror Financing is defined as the raising, moving, storing and use of both legitimate and illicitly acquired funds and other assets for the purpose of supporting an individual terrorist, a terrorist organisation, a terrorist operation, or a terrorist related activity, anywhere in the world, whether using the formal and/or informal economy. Importantly, in assessing South Africa's TF risk, risk consists of three distinct elements – threats, vulnerabilities and consequences.

TF threats are individuals and organisations that are engaged in terrorist activity and/or in the financing of that activity. TF vulnerabilities, refer to objective factors that threat actors might exploit in order to engage in TF. These factors might be structural and contextual facts about the environment (e.g. whether the country is close to territories in which terrorist activity takes place; whether there are communities of expatriates from such countries, etc.), or exploitable systems, processes and institutions that might create opportunities for threat actors to exploit (e.g. the existence of strong trade and financial relations with territories in which terrorist activity takes place, deficiencies in law enforcement capabilities, regulatory weaknesses relating to cross-border activity or NPOs, etc.).

The nature of the threats and vulnerabilities that exist, establish the likelihood and frequency with which TF activity may take place. The total TF risk is a combination of this and the consequences of TF activity by assessing what impact would result from the exploitation of TF vulnerabilities by TF threat actors.

3. Terror Threats

Terrorism remains a present, enduring and dynamic threat to international, continental, regional and domestic stability, peace and security. South Africa is a robust democracy located in a region and continent with active theatres of conflict in which terrorist activity occurs and which therefor vulnerable to regional and international threats. Since 1994, South Africa has endured a number of terrorist threats and experienced terrorist activity. To date, however, none of those attacks has been linked to, or directed by, international terrorist organisations. South Africa does have to ensure, however, that the territory is not used to fund or in any way support terror in other countries.

3.1 International threats

From a global and regional perspective, during the period under assessment, the activities of the Islamic State (IS) and its affiliates have seen them become one of the deadliest global terror groups. South Africa's current TF threat emanates predominantly from the IS, its affiliates, its supporters, and its ideology.

Following the demise of the IS Caliphate in Syria and Iraq, there has been a decentralisation of activities and solicitation of support, including fund-raising, to regions that were not previously affected, including Central and Southern Africa. IS-linked terrorism theatres in the Democratic Republic of Congo (DRC) and northern Mozambique are key areas of concern for South Africa's national security, particularly as there are links to IS supporters in South Africa. Similar security concerns exist regarding the activities and impact of al-Shabaab in East Africa, which thrives on illicit economic activities, including the leveraging of taxes to fund its activities.

The presence of active terror groups that exploit socio-economic challenges, the prevalence of natural resources, a nexus between organised crime and terror financing, as well as ongoing security and economic vulnerabilities, impedes the effectiveness with which countries in the region, including South Africa, regulate financial flows with a view to prevent terror financing.

South Africa is a destination for refugee and asylum seekers from other African countries and has large émigré and diaspora communities from countries associated with terrorism including the DRC, Mozambique and Somalia. The émigré and diaspora community footprint in South Africa includes elements committed to radicalisation, as well as the facilitation, recruitment and funding of terrorist activities.

Given South Africa's large émigré and diaspora communities from geographic areas associated with conflict and terrorism, the South African authorities consider that organisations, not necessarily identified in resolutions of the United Nations Security Council (UNSC) and thus not universally considered to be terrorist organisations and operate in contested geographical areas, pose a threat of raising and/or moving funds for terror related purposes in and through South Africa.

3.2 Domestic Threats

South Africa's constitutional democracy faces challenges from political actors who claim that there are illegitimate barriers to political change, which they claim justifies the use of violence. Such violence takes many forms, most of which does not meet the legal definition of a terrorist activity. There are, however, instances where acts of politically motivated violence and sabotage could amount to terrorist activity under the POCDATARA Act. Such acts include those intended to create a public emergency or insurrection, attacks on infrastructure intended to intimidate or coerce government, amongst others.

There are a number of channels used by violent political actors to finance their activities in South Africa. Predominantly, self-funding and diversion of legitimate political funding to illegitimate ends. There are also instances, however, where it appears that violent political actors have engaged in predicate crimes such as robberies and truck hijackings to generate financial resources to support their activities.

As a consequence of its history of racial domination and violence, South Africa also faces a right-wing extremist threat and can be regarded as a fertile breeding ground for white supremacist hate groups. In South Africa violent extremism, which includes the extreme right-wing groups remains a national security concern. The level to which global developments within right-wing terrorism have an impact on domestic extremist groups is unclear. There are, however, indications of possible ideological and financial links between domestic extremist groups and far right-wing groups abroad. Domestic right-wing supporters continue to engage with like-minded foreign actors to raise funds, share best practices, conduct quasi-military training and recruit members for their organisations. Crowdfunding, self-funding and the transfer of virtual assets are used for financing the day-to-day activities of the leaders of these groups and the propaganda effort directed against the South African government. In addition, given indications that right-wing extremists are generally self-radicalised, the possibility of lone actor attacks is a national security concern.

3.3 Organised Crime

The existence of a symbiotic relationship between transnational organised crime and terrorism is a concern, in part because, as has been shown, IS supporters have adopted some of the tactics of organised crime to raise funds such as through kidnapping for ransom, extortion and smuggling activities (commodities, drugs, etc.). The proceeds of these crimes are then utilised to support terror related activities. Funds generated by IS supporters in South Africa are largely used for sustaining activities of IS cells active in the country.

Although there are currently no known cases of financial flows generated by human trafficking to finance terrorist groups, South Africa is considered to be a hub or transit point for financial flows between terror suspects and terror groups in the region. It is assessed that terror finance generated in other countries in the region is transiting through South Africa from where it is redirected by IS sympathisers (nationals and foreign nationals) through informal and cash-based channels back to originating countries. By exploiting South Africa as a conduit country, terror groups in the region circumvent security scrutiny and counter measures in originating countries.

4. Vulnerabilities

Despite South Africa not currently being regarded as a primary target for attack, the country is implicated in the financing of terrorist activity that takes place beyond its borders, which contradicts the country's international obligations and presents a high reputational risk.

South Africa's terror financing risk factors stem from several environmental vulnerabilities that are exploited to facilitate TF. A number of key vulnerabilities were identified that require additional counter measures to mitigate a potential TF risk. These vulnerabilities include:

- Border insecurity and the exploitation of South African documentation, including the abuse of the country's refugee and asylum system.
- A large, cash-based, informal economy and an informal business sector relying on informal banking systems such as informal money remitters, illegal money value transfer services (MVTSSs) and the use of cash couriers to move funds in the region.
- The large number of remittances from émigré and diaspora communities in South Africa to their host countries, including jurisdictions in which terrorist organisations are active. It should be noted that the transfer of cash across borders is generally for licit and legitimate purposes, mainly the payment of remittances (outflows) and the purchase of goods from South Africa (inflows). The existence of these flows can, however, be exploited and misused by criminal and terrorist actors.
- Registration of NPOs in South Africa remains voluntary. A small number of them are exposed to an elevated risk of criminal and terrorist abuse as they process large amounts of cash and/or transmit funds to high-risk jurisdictions (often low income, developing, conflict ridden), where NPOs operate in less regulated environments with weak administrative and financial monitoring mechanisms. This risk needs to be mitigated and all NPOs that make donations or provide services outside South Africa are now required to be registered and to file information about their activities with the authorities.

- Banks and other financial institutions and financial services providers operating in South Africa are exposed to TF threats when providing services to potentially high-risk customers via MVTs, alternative remittance providers, crypto asset services providers and virtual platforms. The banking sector, through risk assessments conducted by the South African Reserve Bank's Prudential Authority, have identified specific customer types, jurisdictions, products and services and channels that pose heightened TF risk.
- South Africa's burgeoning fintech ecosystem with an active crypto asset community consisting of vendors, suppliers of crypto mining equipment, crypto ATMs, exchanges, meet-up groups, service providers, network infrastructures, protocols, users and wallets present TF risks. Many start-ups and established financial institutions are exploring blockchain technology and crypto assets, thus creating opportunities for firms in the crypto community to collaborate and provide services. TF linked funds (purchased as crypto assets) may move through or out of South Africa to wallet addresses that are associated with terrorist activity in foreign jurisdictions.
- Crowdfunding enables fund raising through the use of online platforms that extend the reach of fund raising to vast audiences with little effort and enables the direct collection and aggregation of funds. It also facilitates the rapid transmission of those funds to the intended recipients. Crowdfunding has had a number of different applications, ranging from the commercial to the charitable, but its vulnerability to exploitation for TF is clear.
- South Africa has high levels of all forms of proceeds-generating crime, including those where perpetrators are able to generate significant amounts of cash. Such crimes include business robbery, cash-in-transit heists and kidnapping for ransom. While these crimes are overwhelmingly committed for the purposes of personal gain, it is believed that a proportion of this may be in support of terrorist activity, both domestically and internationally.
- Weaknesses in South Africa's beneficial ownership transparency regime and customer due diligence practices of financial and non-financial businesses may be exploited for TF. Legislative changes are being implemented to mitigate this risk.

5. Risks

The likelihood that funds or other assets may be raised in South Africa and moved through, or out of, the country in support of terrorism is assessed to be HIGH given the range of vulnerabilities (including structural elements, materiality and sector-specific TF vulnerabilities), especially as South Africa's is a regional financial and trading hub. The use of funds for TF in South Africa is mainly linked to domestic violent extremism (including right-wing extremism) and for sustaining the activities of a small group of IS sympathisers.

The current understanding of TF risks in South Africa has taken into consideration several threats and vulnerabilities that could constitute TF risk factors. Over the past 10 years, some terrorist groups have solicited support in the country and several terrorist-related activities have been prosecuted in South African courts.

6. Conclusion

South Africa is committed to combating terrorism in all its forms and manifestations and to cooperate with other countries, regionally and internationally. It has undertaken several proactive legal, institutional and operational measures to counter TF. The country's primary counter-terrorism legislation, the POCDATARA Act, as well as related pieces of legislation has been amended as of January 2023 to reflect the evolving nature of the terrorist and TF threat domestically, regionally and internationally, as well as to address international obligations relating to the implementation of an effective counter terrorism financing architecture and regime.

The assessment of TF risks is an ongoing process, rather than a once-off product and should take into account continuous evolutions in threats and vulnerabilities which could arise due to new threat actors, changing *modus operandi* by existing threat actors, new actors or new vulnerabilities which may be exploited for the purpose of advancing TF. Effective inter-agency information sharing is considered most critical to ensure a holistic and accurate TF NRA. It is realised that all relevant stakeholders need to have a shared, holistic understanding of all the stages of TF, as well as a common understanding of the findings of the TF NRA, the National Counter Terrorism Strategy and the National Counter Financing of Terrorism Strategy to address and mitigate identified TF risks.

This updated TF NRA is forming the basis for updating the country's National Counter Financing of Terrorism Strategy and National Counter Terrorism Strategy.