اللجنة الوطنية لمكافحة غسل الأموال وتمويل الإرهاب
NATIONAL COMMITTEE FOR AML&CFT

Terrorism Financing Risk Assessment of the Non-Profit Sector

State of Kuwait

February 2025

Executive Summary

1. This document presents an analysis of the Terrorism Financing (TF) risks that Kuwait's Non-Profit sector is exposed to. The document should be read in conjunction with the National Terrorism Financing Risk Assessment 2025, which determines a medium-high TF risk exposure for Kuwait on the national level. The Terrorism Financing Risk Assessment for the NPO sector will examine whether this national TF risk exposure is also affecting the NPO sector in the same manner, or whether the TF risk exposure is higher or lower for NPOs than for other sectors in Kuwait.

2. Data sources for the purpose of this analysis include regulatory data provided by the Ministry of Social Affairs (MOSA), NPO and TF specific STRs and foreign requests processed by the Kuwaiti Financial Intelligence Unit (KwFIU), and statistics by the Ministry of the Interior (MOI) and Public Prosecution on domestic investigations and prosecutions as well as incoming MLA requests involving Kuwaiti NPOs.

3. The development of this document was supported through two workshops with the NPO sector. The first workshop was held on November 10, 2024, and was aimed at sourcing general risk perspectives, and TF related data, experiences and views from NPOs. The tools used to obtain such input was mostly in the form of questions posed and surveys completed by NPOs to provide their response. The second workshop was held on February 9, 2025, and served to provide NPOs with the preliminary findings from the TF risk assessment exercise, prior to the document's formal adoption. Both events had positive attendance and active participation, which substantially improved the quality of the final document.

4. Of the various types of non-profitable organizations in Kuwait, 84 Charitable Organizations and all 71 Mabarrah meet the FATF's functional definition of the term "Non-Profit Organization." Thus, it is those 155 NPOs that need to be risk examined from a TF perspective.

5. Kuwait has a long history of philanthropy and charitable giving. Charity organizations and initiatives play a pivotal role in addressing social needs, providing humanitarian assistance, and in supporting development projects both domestically and internationally. Over the last decade, the yearly donations in Kuwait ranged from 100-300 million KWD. The sector's importance for society is reflected in the fact that the right to form or join an NPO enjoys constitutional protection. Ministry of Social Affairs oversight measures mandate the collection of significant financial and governance data and information from each Charitable Organization and Mabarrah. An analysis of this data provides that in 2023, the combined revenue of Charities and Mabarrah was nearly 324 million KWD.

6. Historically, stringent regulatory controls were introduced following global concerns in the early 2000s regarding the potential misuse of non-profit organizations (NPOs) for terrorist financing. While these controls have significantly enhanced transparency, they have also been identified as being overly burdensome. Kuwait is now transitioning towards a more risk-based supervisory approach, in line with the recommendations of the Financial Action Task Force (FATF).

7. The assessment indicates that the terrorist financing (TF) threat within Kuwait's non-profit organization (NPO) sector is very low. No TF-related investigations, prosecutions, or international cooperation requests were recorded during the period 2022–2024. In addition, only a limited number of suspicious transaction reports (STRs) related to the sector were received, reflecting the absence of identifiable terrorist financing patterns within the sector.

8. Despite the low threat level, the inherent risk varies depending on the nature of the activities undertaken and the volume of funds handled. All assessed entities engage in humanitarian and charitable activities that are internationally recognized as falling within higher-risk categories from a terrorist financing perspective. In addition, donation flows are significant by regional standards, with only two charitable societies reporting annual revenues exceeding KWD 40 million. Conversely, the risks are mitigated by the sector's fully domestic governance structure, including the requirement that founders and board members be Kuwaiti nationals, which limits foreign influence and reduces exposure to external terrorist financing risks.

9. Kuwait's regulatory controls constitute a key mitigating factor in reducing terrorist financing risks within the NPO sector. Cash transactions are prohibited, and all financial transactions are conducted through domestic bank accounts. In addition, crowdfunding platforms are not permitted. Licensed electronic donation portals operate under the supervision of the Ministry of Social Affairs, resulting in low to medium risk associated with donation channels. Funding sources rely primarily on public donations, which present a medium level of inherent risk, while entities that receive direct government funding are assessed as presenting a low level of funding-source risk.

10. With regard to international activities, only charitable societies operate outside Kuwait. A total of **52 charitable societies** conduct activities internationally, including **40 societies** operating in countries listed in the **Global Terrorism Index**. However, the level of exposure remains limited, as only **three societies** spend more than **10% of their funds** in those countries. In addition, no adverse media coverage relating to terrorist financing has been identified over the past decade.

11. Accordingly, the inherent risk was assessed as medium to high for charitable societies and medium to low for charitable endowments (Mabarrah). Following the application of a comprehensive set of mitigating measures—including enhanced licensing requirements, prior approval for overseas activities, ongoing supervision and inspections, and the prohibition of non-compliant transactions—the assessment concluded that the residual risk for the NPO sector as a whole is medium-low.

12. The assessment concludes that the likelihood of the non-profit organization (NPO) sector in Kuwait being misused for terrorist financing remains low, despite the significant volume of funds handled and the limited extent of higher-risk international activities. This is attributable to the strength of Kuwait's regulatory and supervisory framework, the high level of transparency across the sector, and the country's ongoing transition towards a risk-based approach that is aligned with international standards.