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## **Terrorism Financing in Indonesia: Addressing the Vulnerability of Non-Profit Organisations**

*By Noor Huda Ismail*

### **SYNOPSIS**

*Terrorism financing in Indonesia used to be done through criminal activities. This has changed significantly with much of the funding now obtained through non-profit organisations, most of which are unregistered. This shift in the sources of terrorism financing is a major challenge to the authorities in countering terrorism.*

### **COMMENTARY**

In recent years, there have been cases of Indonesian terrorist groups using non-profit organisations (NPOs) as conduits to fund their activities. In some cases, these non-profits were shell companies masquerading as humanitarian, religious, or educational organisations. This covert financing of terrorism is one of the challenges that Indonesia faces in dealing with the scourge.

Indonesia boasts an extensive network of NPOs. However, a major headache for the authorities lies in trying to distinguish between those that are legitimate entities and those that operate in a legal grey area. Indonesia's Ministry of Religion has attempted to regulate this by introducing the *zakat* management regime, which was set up to oversee the collection, distribution, and utilisation of funds contributed by individuals. Unfortunately, this regulatory effort has its limitations.

Indonesia currently lacks accurate statistics on the number of Islamic charitable institutions in the country, and the *zakat* management regime covers only a small fraction of them. This leaves the vast majority of such institutions unregistered and therefore "non-legitimate". Being unregulated, they are vulnerable to exploitation by terrorist organisations.

## **The Vulnerable Grey Area**

Many NPOs in Indonesia operate in a legal grey area. The Central Jakarta District Court drew attention to this issue in March 2020 when it listed several individuals and NPOs on the domestic sanctions list, finding them affiliated with terrorist organisations such as Hayat Tahrir Al-Sham. Among these non-profits were the Abu Ahmed Foundation and Muslimah Bima Peduli. This highlighted the vulnerability of unregistered entities in contributing to the problem of terrorism financing.

In June 2020, the Central Jakarta District Court listed more individuals and NPOs connected to terrorism financing. Among them were organisations like Aseer Cruce Center, RQ Sama Taat, and GASHIBU, all of which were managed by supporters of the Islamic State of Iraq and Syria (ISIS).

The fact that unregistered NPOs are able to proliferate uncontrolled, with many operating in the shadows, making it difficult to distinguish between charitable work and terrorism financing, is partly due to the compassionate nature of the Indonesian people, who value philanthropy and charitable acts.

Despite countermeasures taken by the authorities, the problem of unregistered NPOs persists. According to a representative from Densus 88, a counter-terrorism unit of the Indonesian government, hundreds of NPOs were under surveillance for their involvement in terrorism as of December 2021.

## **Narratives Used in Terrorism Financing**

Terrorist organisations have become adept at crafting and disseminating narratives aimed at persuading individuals to donate. These narratives are circulated through various social media platforms and video lectures. Slogans such as “Donations should come from the heart”, and “Do you desire paradise? Let’s donate”, resonate with many Indonesians, especially Muslims. They tap into deep-seated cultural and religious values, emphasising the pursuit of divine rewards and good deeds.

To make their narratives sound more convincing, terrorist organisations go beyond words. Their members engage in tangible actions by presenting themselves as representatives of social organisations and visiting disaster-stricken areas, deploying search and rescue teams, aiding the oppressed, establishing affordable schools, and providing public healthcare services.

These posturing by the terrorist organisations are part of a larger strategy to mobilise people to donate funds for what they perceive as *jihad* (meaning a meritorious struggle or effort in Islam). They encourage women to “participate in the *jihad*”, mobilise women to demonstrate their inclusivity and to showcase their achievements.

## **New Strategy and Approaches**

Terrorism in Indonesia used to be funded by criminal activities. However, with the funding now coming from seemingly legitimate sources, detecting terrorism financing has become more challenging. Such funding includes donations collected by NPOs and contributions from their members. Moreover, the emergence of financial

technologies, including cryptocurrencies, and digital platforms such as PayPal, and E-money, hint at a looming problem.

The challenge facing the authorities goes beyond accounting for registered charitable institutions. It extends to the very heart of regulation, oversight, and accountability. The introduction of Indonesia's anti-terrorism financing law in 2013 was a significant step towards addressing this issue. However, it has not been wholly adequate and it needs to be reviewed and strengthened to deal with the newer ways of dodging official scrutiny and circumventing of safeguards against terrorism financing.

To address the problem of terrorism financing conducted through NPOs, a comprehensive approach is essential. For a start, the Financial Action Task Force (FATF) – an independent inter-governmental body initiated by the G7 that formulates and advocates policies to safeguard the global financial system against money laundering, terrorist financing, and the funding of the proliferation of weapons of mass destruction – has provided several recommendations for implementation.

The FATF recommends the development of a more nuanced understanding of the risks associated with NPOs that can be exploited for terrorist financing. There is also a need to intensify outreach to high-risk NPOs; the outreach to be promptly initiated upon the identification of such NPOs, along with measures to provide for supervision and the mitigation of associated risks. The process of identifying high-risk NPOs should also be refined to include a meticulous and systematic approach.

It is also important to promote the adoption of self-regulated organisational models among NPOs, hence encouraging them to adhere to robust internal governance structures and financial transparency practices. By enhancing the regulatory mechanisms and promoting a culture of proactive self-regulation, the vulnerability of NPOs can be significantly reduced.

In addition to the FATF approach, the authorities should not focus on categorising NPOs as either “legitimate” or “non-legitimate”. It is more important to assess their risk profile. Even registered NPOs can be manipulated to fund terrorist activities, provide logistical support, or facilitate recruitment. It is also important to understand the nature of their vulnerabilities, whether it is sectoral, which allows sham NPOs to penetrate unregulated sectors, or administrative, where the NPOs themselves fail in their verification of fund usage.

Through a combination of the measures recommended and a determined will to prevent abuse of the humanitarian and faithful goals of the non-profit vision, Indonesia can strengthen its resilience against the misuse of NPOs for terrorism financing, thus safeguarding its financial integrity and national security.

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