



FATF REPORT

TERRORIST FINANCING IN WEST AFRICA

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FINANCIAL ACTION TASK FORCE

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GIABA
Inter Governmental Action Group
Against Money Laundering in West Africa

The Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) was established by the Economic Community of West African States (ECOWAS) Authority of Heads of State and Government in the year 2000. GIABA is a specialized institution of ECOWAS that is responsible for strengthening the capacity of member states towards the prevention and control of money laundering and terrorist financing in the region.

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ACRONYMS

AML	Anti-money laundering
AQIM	Al Qaeda in the Islamic Maghreb
CFT	Combatting the financing of terrorism
DIA	Defence Intelligence Agency
ECOWAS	Economic Community of West African States
FATF	Financial Action Task Force
GIABA	Inter-Governmental Action Group against Money Laundering in West Africa
MNLA	National Movement for the Liberation of Azawad
MUJAO	Movement for Oneness and Jihad in West Africa
NGO	Non-Governmental Organisations
NPO	Non-Profit Organisations
PEP	Politically Exposed Person
SALW	Small Arms and Light Weapons
STR	Suspicious Transaction Report
FIU	Financial Intelligence Unit

EXECUTIVE SUMMARY

In West Africa, there is significant concern about the rise of terrorism. This is manifested by the number of terrorist attacks in some West African countries that have resulted in large human casualties and the destruction of property. The source of funding for terrorist activities has equally been of concern in the sub-region. The phenomenon is underpinned by several factors, including the presence of large, informal, cash-based economies, political instability, ethnic and communal violence, pervasive corruption, widespread poverty, gross unemployment, and underemployment. Significantly, terrorist groups and their financiers drive funds from both licit and illicit activities, and move them through formal and informal channels to support their activities. All of these factors have adverse effects on peace, security, and development in the sub-region.

The devastating effects of terrorism and terrorist financing have provoked strong interest among the authorities and national governments of the Economic Community of West African States (ECOWAS) on countering the threat, based on a clear understanding of the *modus operandi* of terrorist groups and their financiers. Accordingly, this typologies study aims to discover the methods used by terrorists, terrorist groups, and their supporters to collect, transfer, and utilise funds for their activities. It aims to provide a deeper understanding of the methods used by financiers to assist terrorists in carrying out acts of terrorism. The study also aims to provide information on terrorist financing methods to assist competent authorities and reporting entities in their responsibilities to combat terrorist financing. In this regard, the study provides case studies, from which key indicators and red flags have been generated to help policymakers and regulatory and enforcement authorities as well as reporting entities to understand better the nature and dynamics of terrorist financing in the sub-region.

As a prelude to this typology study, and recognizing the challenges of getting information on the subject matter in the sub-region, the Inter-Governmental Action Group against Money Laundering in West Africa (GIABA) commissioned five experts, one each in Burkina Faso, Mali, Niger, Nigeria and Senegal, to carry out a background study on terrorism and terrorist financing in their countries. These countries were selected based on the prevailing incidences of terrorism or its effects on them compared to other GIABA member States.

A workshop on terrorist financing in West Africa typologies was organised to review the reports of the experts and analyse the case studies gathered during the joint FATF/GIABA Expert Meeting on Money Laundering and Terrorist Financing Typologies organised in Dakar, Senegal from 26 to 28 November 2012. The workshop discussed, among others, the methods, and techniques employed by terrorists in collecting, transferring, and utilizing funds with reference to specific cases.

Analysis of the cases and questionnaires revealed a number of trends that may seriously threaten the security and stability of West Africa. Among these trends are:

- the upsurge in acts of terrorism and terrorist financing in the sub-region,
- emerging linkages between West African extremist groups and international terrorist organisations and provision of support by the latter to the former,

- the use of both legitimate and illegitimate means by terrorists and terrorist groups to raise funds for personal upkeep, recruitment, purchase of tools and equipment, the dissemination of propaganda, and
- the exploitation of formal and informal channels to move funds.

The use of Non-Governmental Organisations (NGOs) and charities as conduits for terrorist financing is also becoming more apparent.¹

A number of vulnerabilities were identified from the analysis of the experts' reports.

- Reporting institutions often lack the capacity to identify suspicious transactions related to terrorist financing.
- Terrorists, terrorist groups, and their supporters take advantage of the large informal, cash-based economy to fund their activities.
- Security and surveillance at various national borders are weak, compounded by numerous unofficial border cross points, thereby resulting in the infiltration of terrorists and illicit Small Arms and Light Weapons (SALW).
- Domestic inter-agency co-operation and collaboration, as well as information sharing among ECOWAS member States remain weak and thus providing an enabling environment for the illicit flow of cash and SALWs across borders without being detected.

Counter terrorism authorities' understanding of applicable laws is limited, which poses challenges for combating terrorist financing and terrorism.

As part of efforts to address terrorism and terrorist financing in West Africa, a number of recommendations were made to member States of ECOWAS, regional and international authorities, and development partners for implementation.

¹ FATF (2013a).

CHAPTER 1: INTRODUCTION

1.1 BACKGROUND

Following a protracted period of conflict, social unrest, and political instability, West Africa² has made considerable advances in democracy, economic growth, and development in the past decade. Notwithstanding these advances, there is concern about the rise of terrorism and its adverse effects on peace, security, and development in the sub-region. The frequency and lethal nature of attacks in some West African countries in recent years are an indication of the increasing sophistication of terrorist groups in the sub-region. Although not broken down by country, the United States' 2011 Country Report on Terrorism indicated, "Africa experienced 978 attacks in 2011, an 11.5% increase over 2010. This is attributable in large part to the more frequent attacks of the Nigeria-based terrorist group Boko Haram, which conducted 136 attacks in 2011 — up from 31 in 2010"³. In 2012, Boko Haram conducted 364 terrorist attacks, which killed 1 132 people.⁴

Compounding the situation is the rising radicalisation and the southward migration of terrorists and extremists, particularly members of Al Qaeda in the Islamic Maghreb (AQIM), through the Sahel towards Mali, Mauritania, and Niger. Indeed, there are indications that AQIM has operational bases in some West African countries and has forged tactical alliances with terrorist groups such as Boko Haram in Nigeria, the Movement for Oneness and Jihad in West Africa (MUJAO), the National Movement for the Liberation of Azawad (MNLA), and Ansar Eddine in Mali and Niger.⁵ These alliances have taken the form of AQIM's provision of training and logistical support to Boko Haram and other terrorist operatives. In addition, there is suspicion that Boko Haram has developed ties with the Somali militant group Al Shabaab.

More importantly, alliances and co-operation among Al Qaeda, AQIM, and West African terrorist groups, and the alleged provision of support by certain West African politicians and public officials to terrorist and likeminded groups in West Africa, underpin the seriousness of the problem and the associated negative effect it is having on the people and on the development of the sub-region. Boko Haram has suspected relationships with AQIM and Al Shabaab, and the sophistication of its attacks in particular has raised concerns about the group's capacity to attack non-Nigerian targets in Nigeria and throughout Africa.⁶

There are terrorist organisations based in the region and they carry out their operations in the region, and there are terrorist organisations not based in West Africa but who derive a significant amount of financing through their activities in the region. This is particularly evident in narcotics

² West Africa refers to Benin, Burkina Faso, Cape Verde, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Nigeria, Senegal, and Sierra Leone.

³ United States Department of State (2012).

⁴ United States Department of State (2013).

⁵ Tanchum, Michael (2012).

⁶ United States Congress (2011), pp. 1.

trafficking, which is often funnelled to Europe via pre-existing routes in West Africa and, at times, originating in South America.

West Africa is vulnerable to terrorism and terrorist financing for a number of reasons. The sub-region suffers from political instability, ethnic and communal violence, pervasive corruption, widespread poverty, and high rates of unemployment and underemployment, especially among young people. Terrorists and terrorist groups may exploit these negative conditions, especially with regard to young people. As an indication of the severity of the challenges to human development in the region, the United Nations Development Program (UNDP) in its 2011, Human Development report ranked 13 of the 15 ECOWAS countries as experiencing 'low human development'.⁷ In 2010, GIABA reported, "West Africa's economy is predominantly characterised by informal activity. [...] The informal economy is large. [...] A measure of between 60% and 70% of GDP is probably representative of the region".⁸ Poor governance and weak public institutions underpin most of the human development challenges in the region.

Most of the borders in West Africa are porous and there are many ungoverned spaces around the vast boundary lines. All the countries lack the capacity to effectively monitor the borders and boundary lines which is a vulnerability that can be exploited by terrorist groups to establish training bases for their members, and to transport and distribute weapons, across the sub-region.

The devastating effects of terrorism, including loss of life, destruction of property, insecurity, underdevelopment, and reputational damage, have attracted the attention of the authorities and national governments of ECOWAS on the need to act decisively to counter the threat. They seek not only to understand the nature and *modus operandi* of the terrorist groups involved, but more importantly, to devise means of countering their operations in the sub-region. To address this challenge, ECOWAS member States have enacted anti-terrorism and combating terrorist financing (CFT) laws, established institutional frameworks, strengthened investigative and prosecutorial capacities, and enhanced domestic inter-agency and international co-operation. In 2012, a regional Counter-Terrorism Action Plan was developed, with the support of many stakeholders, to strengthen regional efforts against terrorism. In addition, the Summit of Heads of State and Government of ECOWAS, held in Abidjan, Cote d'Ivoire from 27-28 February 2013, adopted the ECOWAS Counter-Terrorism Strategy and its Implementation Plan, as well as the Political Declaration on a Common Position against Terrorism. The Strategy and Implementation Plan in particular provide a framework for the fight against terrorism in West Africa.

1.2 RATIONALE FOR THE STUDY

Judging from the increasing manifestations and sophistication of terrorist activity in West Africa, more work has to be done to counter the problem. Terrorist groups have devised operational methods that have made it difficult for enforcement authorities to prevent attacks which have highlighted gaps in knowledge as it relates to understanding terrorist financing in West Africa. Specifically, among the key undermining factors in AML/CFT efforts in West Africa is the lack of

⁷ United Nations Development Program (2011).

⁸ Inter-Governmental Action Group Against Money Laundering West Africa [GIABA] (2010).

reliable knowledge on the methods and techniques terrorists and their supporters use to raise, move, and utilise funds for their activities.

To provide relevant and current information to help inform this typology project, GIABA commissioned five experts, one each in Burkina Faso, Mali, Niger, Nigeria, and Senegal to carry out a background study on terrorism and terrorist financing in their countries. These countries were selected based on the prevailing incidences of terrorism compared with other GIABA Member States. The studies were aimed at:

- Revealing the methods used by terrorists and terrorist groups to collect, transfer, and utilise funds for their activities;
- Deepening the understanding of methods and techniques used by terrorist financiers to assist terrorists in carrying out acts of terrorism;
- Highlighting the different typologies of terrorist financing prevalent in West Africa;
- Enhancing the knowledge and understanding of investigative and prosecutorial authorities of how illegal and legal funds are used for terrorist financing;
- Identifying relevant indicators and red flags to assist financial institutions and other reporting entities in decision making with regard to monitoring and reporting suspicious transactions on terrorist financing; and
- Assisting policy makers as well as legislative and judicial authorities to identify and close possible gaps in legislation on terrorism and terrorist financing.

Terrorists and terrorist organisations depend on funds for their personal, operational, and organisational needs. Detecting and cutting off their source of funding are critical steps in denying them the ability to operate. Apprehending, investigating, and prosecuting the financiers of terrorist groups and terrorist acts will serve as a deterrent to others. The freezing, confiscation, and seizure of terrorist assets will equally have a deterring effect. More importantly, understanding and addressing the issue of terrorist financing is critical because of the destructive effects of terrorism on peace, security, and development.

1.3 METHODOLOGY

As mentioned above, Burkina Faso, Mali, Niger, Nigeria, and Senegal were selected for the conduct of special studies in support of the typology project owing to the prevailing terrorism challenges in these member countries or its impact on them. Nigeria is of particular importance not only because of its size and position as the regional powerhouse, but also because of the far-reaching implications of terrorism-related insecurity for regional peace and security. The other four countries are of equal importance because of their location in or close to the terrorism-ridden Sahel region and the potential impact on regional security. The GIABA Secretariat engaged one expert in each of the five countries to conduct preliminary studies over a period of two months (September to October 2012). The experts reviewed relevant literature and administered two questionnaires (country level and

general population questionnaires) designed for government officials, law enforcement and judiciary personnel, civil society representatives, journalists, academics, experts, and reporting institutions in their respective countries. To a large extent, the results of the surveys and questionnaires confirmed the general understanding of terrorism in the aforementioned countries. The results also confirmed the cases presented by the experts. For instance, terrorist and terrorist groups rely on both legitimate and illegitimate sources of funding.⁹

Structured interviews were also carried out with experts and public officials dealing with issues of terrorism to reinforce some of the issues in the questionnaires. The responses were analysed and case studies were produced.

A joint FATF/GIABA Experts' Meeting on Money Laundering and Terrorist Financing Typologies was organised in Dakar, Senegal from 26 to 28 November, 2012. Various workshops, including one on terrorist financing in West Africa, were held to review progress on the typologies projects underway at that time. The workshop on terrorist financing discussed the methods and techniques employed by terrorists in raising, moving, and utilizing funds with reference to specific examples.

Each of the five national experts presented cases to illustrate the methods, techniques, and complexities of terrorist financing in West Africa. Considering the relatively high incidence of terrorist activity in Nigeria and the implications for its security and stability and that of West Africa, there were two additional presentations made by Nigerian authorities, one from the Defence Intelligence Agency (DIA) and the other by the Department of State Services (DSS). The US also provided a number of cases, including one that illustrates terrorist financing through transnational drug trafficking in West Africa and the Sahel region.

This report is divided into five (5) chapters:

- Chapter 1 provides background information on issues of terrorism and terrorism financing in the sub-region and describes the study's methodology.
- Chapter 2 reviews literature on terrorist financing with a focus on what can be found in West Africa.
- Chapter 3 highlights terrorist financing typologies based on the cases gathered during the study.
- Chapter 4 provides indicators and red flags for terrorist financing in West Africa.
- Chapter 5 provides a summary of study's findings and conclusions.

⁹ The individual country reports produced by the 5 experts were shared with all Project Team members and are available at the GIABA and FATF Secretariat.

CHAPTER 2: LITERATURE REVIEW

2.1 DEFINITIONS

Terrorist financing has been defined in various international counter-terrorism and counter-terrorism financing (CFT) instruments. According to the UN Convention for the Suppression of the Financing of Terrorism, the definition of terrorism—article 2 states:

Any person commits an offence within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out: (a) An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex; or (b) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organisation to do or to abstain from doing any act¹⁰

The World Bank and the International Monetary Fund (IMF) also define terrorist financing as “the financial support, in any form, of terrorism or of those who encourage, plan or engage in it”¹¹. Furthermore, the Financial Action Task Force (FATF) notes that it involves the financing of terrorist acts, and of terrorists and terrorist organisations.¹²

2.2 LOOKING FOR A MODEL

In conjunction with the above definitions, it is useful to consider frameworks that provide further understanding of how terrorist financing manifests itself. It is then possible to apply these frameworks to the particular case of West Africa. While there is no broadly accepted model of terrorist financing along the lines of the placement, layering, and integration model of money laundering, a number of studies propose approaches for the systematic analyses of terrorist financing. In the West African context, it is particularly important to note the limitations of considering terrorist financing in terms of “funds” or financial transactions alone, given the limited access to formal financial services in much of the region.

¹⁰ See United Nations (1999), Article 2.

¹¹ World Bank and International Monetary Fund (2003).

¹² FATF (2013b).

One study that contemplates a broader definition of terrorist financing is the Terrorist Resourcing Model published by the Integrated Threat Assessment Centre (2007).¹³ The main premises of the model are:

- 1) the purposes and processes of terrorist financing and related activities are fundamentally different from those of money laundering; and
- 2) “money is only one of a number of essentially interchangeable instruments that can be exchanged for one another” in order for terrorist groups to obtain the end-use goods and other resources they need.

Thus, the notion of terrorist “resourcing” can provide a more appropriate framework for assessing the economic activities of terrorist actors.¹⁴ The Integrated Threat Assessment Centre also argues that terrorist financing/resourcing is a non-linear process. The model thus consists of stages – acquisition, aggregation, transmission to organisation, transmission to cell, and conversion – that cover the process from end-to-end while accommodating a range of variations. The model provides a framework for analysis of all methods and means – from both licit and illicit origins – used by terrorist organisations to support their operations and infrastructure, given their different needs, capabilities, and mechanisms. While money or its equivalents are most often part of the process, these methods need not involve financial instruments or transactions at all, and could include the theft or smuggling of end-use goods, aggregations of donations, or direct provision of equipment to cells, to name a few.

An additional useful framework to take into account is the typology developed by Vittori.¹⁵ Her analysis categorises terrorist organisations – and draws inferences on their relative capability and autonomy – based on the methods and techniques in which they obtain and manage their resources. Vittori places terrorist groups within one of seven categories – lone wolf, state sponsored, franchise, bundled support, state sponsoring, shell state, and transnational corporation. These categories provide insight into a group’s reasons for employing particular resourcing methods (in addition to regional socio-economic considerations), and why given methods come to be associated with particular types of groups.

2.3 AMOUNT: MONEY/VALUE

One strand of the literature is focused on whether substantial amounts of money are required in carrying out acts of terrorism. It spells out three categories of terrorist financing. In particular:

- the funding of terrorist operations: providing money for the cost of carrying out actual attacks such as the cost of explosives, arms, and vehicles;
- logistical funding: providing money for individuals and groups for personal upkeep, travel, and accommodation; and

¹³ Integrated Threat Assessment Centre (2007).

¹⁴ Integrated Threat Assessment Centre (2007:6).

¹⁵ Vittori (2011).

- using terrorist funds to provide social services, particularly to deprived communities, and to build support for terrorist groups.

With regard to the third category, Iannaccone and Berman (2006) shed some light on how terrorist groups or religious extremists become critical suppliers of social services, political action, and coercive force in situations where governments and economies function poorly.

Large terrorist movements rely on both legitimate and illegitimate sources of funding and require vast sums of money for operational, organisational, and administrative purposes, despite the fact that conducting a specific terrorist operation is relatively inexpensive. By focusing merely on the cost of individual terrorist attacks, the large amounts required to maintain a terrorist organisation is grossly underestimated.¹⁶ Ashley (2012) notes, “the actual execution of a terrorist attack is only a tip of the iceberg... as it is simply the overt physical product of an extensive covert terrorist organisational infrastructure.”¹⁷ Specific sources of funding for terrorist groups, include “...an array of states, groups, fronts, individuals, businesses, banks, criminal enterprises and nominally humanitarian organisations”¹⁸; all of which can be seen in West Africa. Hence, specifically targeting the financial aspects of terrorist groups may not necessarily be an effective way of preventing terrorism.¹⁹

Underpinning the diversification of terrorist financing is the evolution of the nature of terrorist groups and the threat they pose over the past decade. Tighter border security, immigration control, and greater scrutiny of financial transactions have forced groups like Al Qaeda to decentralise their operational approach and to rely on affiliate groups around the world to conduct operations.²⁰ Although some of the groups and cells have close ties to Al Qaeda’s senior leadership, they largely depend on sources other than Al Qaeda core for their funding.²¹ These groups and cells focus on not only operations in the areas in which they are based, but also on developing and maintaining financial and logistical support networks. Accordingly, there are changes in the means by which funds are raised, stored, and, moved, with groups often sharing information on techniques and methods.²²

Levitt and Jacobson (2008) also attribute the evolution in financing sources to rapid globalisation and sustained technological advances, which have enabled terrorist groups to raise, store, transfer, and distribute funds for their operations with ease. In particular, the advent of new technology has spurred changes in how money is transferred, with mobile and online money transfers becoming more commonplace.

¹⁶ Arguilla *et al* (2001); 911 Commission (2004); Williams, Phil (2005) and Miguel del Cid Gomez, Juan (2010).

¹⁷ Thus, significant amounts of financial resources are required to plan attacks, recruit and train operatives, disseminate propaganda information, provide transportation, preserve communication channels, support offshoot groups, and provide for the upkeep of operatives and their families.

¹⁸ Levitt, Matthew (2002).

¹⁹ Gunaratna, Rohan (2002).

²⁰ Levitt, Matthew and Jacobson, Michael (2008).

²¹ Rollins, John (2011).

²² Cragin, Kim *et al* (2007).

2.4 SOURCES

There is consensus that state financing of terrorist groups has declined dramatically in the post-Cold War period, though it has not disappeared completely.²³ The decline in state sponsorship is partly attributed to international efforts to combat terrorist financing, including bilateral and multilateral economic sanctions against particular states suspected or known to be sponsors of terrorism.²⁴ Nonetheless, active and passive state sponsorship remain an important source of terrorist financing. For instance, according to Levitt and Jacobson (2008), while “active state sponsorship is increasingly rare, states [continue] to provide terrorist groups with a tangible service by simply allowing terrorists to have access to their territory, facilitating their travel, or by turning a blind eye to their activities within their borders”. Passas has noted that this can extend to minimal enforcement of oversight measures for financial transactions and charities.²⁵ States can directly fund terrorist groups, supply them with weapons, or provide them with military training.²⁶

The on-going international campaign against terrorist financing has demonstrated that terrorists and terrorist organisations exploit the non-profit organisation (NPO) sector to raise and move funds, provide logistical support, encourage terrorist recruitment, or otherwise support terrorist organisations and operations. NPOs possess characteristics that make them particularly attractive to terrorists or vulnerable to misuse for terrorist financing. They enjoy the public trust, have access to considerable sources of funds, and their activities are often cash-intensive.²⁷ NPOs may also have exposure to a large number of beneficiaries, some of whom may be vulnerable to radicalisation. Furthermore, they may have a global presence that provides a framework for transnational operations, including in insecure and conflict-affected areas, where terrorist groups may be present or seek to operate.²⁸

A number of case studies have highlighted the exploitation of NPOs as a means to support terrorism. Terrorists have abused NPOs by:

- diverting finances;
- diverting materials;
- using them as an intermediary to local partners that divert financing/materials;
- using them to facilitate travel and/or board travellers;
- using them as a front or cover for illicit activities, such as the transfer of arms;

²³ Giraldo, Jeanne and Trinkunas, Harold (2007); Hardoin, Patrick and Wiechhardt, Reiner (2003); Clunan, Anne L. (2006); Bantekas, Ilias (2003); Levitt, Matthew and Jacobson, Michael (2008).

²⁴ Bantekas, Ilias (2003); Clunan, Anne L. (2006).

²⁵ Passas, Nikos (2012).

²⁶ Byman, Daniel (2005); Wilkinson, Paul (2011); Quillen, Chris (2002).

²⁷ FATF Interpretive Note to Recommendation 8 (Non-Profit Organisations).

²⁸ Center on Global Counter-terrorism Cooperation et. al. To Protect and Prevent: Outcomes of a Global Dialogue to Counter Terrorist Abuse of the Non-Profit Sector, June 2013.

- openly using them to provide social services as a means to solicit public support;
- using them as a platform to distribute messaging as a means to gain political/ideological support;
- using them to radicalise and/or enlist individuals; taxing them for access to certain impoverished areas;
- kidnapping and ransoming employees;
- impersonating employees to obtain access to particular areas/people; and
- using an NPO's name to raise funds, without the NPO's knowledge.²⁹

There is an emerging nexus between terrorist financing and trade in that there is an increased likelihood of terrorist financiers using fraudulent trade-based practices to collect, transfer, and utilise funds and assets as well as the increasing reliance on trade-based money laundering by terrorist financiers.³⁰ Similarly, FATF (2006) notes the potential exploitation of the international trade system by terrorist financiers and criminal organisations by way of generating vast sums of money through false invoicing of imports and exports. Giraldo and Trinkunas (2007) note that by under-pricing a particular commodity, an individual seller or a company can transfer vast sums to a buyer who in turn sells it at high prices and uses the profit for terrorist financing. According to Levitt and Jacobson (2008), the transfer and distribution of money, often across borders, by purchasing and transferring commodities under the guise of legitimate business or humanitarian support, and the eventual sale of them for cash, is an effective technique for terrorist financing.

International trade diversion, in particular, as noted by de Kieffer (2008), is a sophisticated technique used to launder vast amounts of money not least because “unlike other techniques,...[it] relies upon hiding in the plain sight...[with] large transactions...disguised as legitimate, using well-known and respected firms to accomplish the transfer”.³¹ Trade diversion, de Kieffer argues, is “[not] only...difficult to detect, [but] also versatile in that it can allow funds to remain in numerous countries (including the United States) without prompting serious inquiry by the authorities.³² Accordingly, it “has important implications for terrorist financing in that it potentially enables terrorist groups to raise and hide funds while evading government scrutiny”.

The literature review also highlighted a link between terrorist groups and organised crime. It is clear that there are many types of tactical and strategic relationships between criminals and terrorists in West Africa and elsewhere. However, there is still significant debate among experts as to whether criminal and terrorist actors in the region are converging into a unified threat, or whether, as Wittig argues, that the “interaction between drugs, organised crime and terrorism is simply a function of the political-economic dynamics of the particular region.³³ Mullins reasons that

²⁹ Asia/Pacific Group on Money Laundering [APG] (2011).

³⁰ US Department of State (2003).

³¹ Like other organised criminal groups, terrorist groups also use this technique to fund their operations.

³² DeKieffer, Donald (2008).

³³ See, for example, Rollins, John (2011); Sanderson, Thomas M. (2004); Makarenko, T. (2004); Shelley, Louise and Picarelli, John (2005).

such alliances are for mutual benefit, where agreements are made purely for financial gain and/or to fund operations, without compromising ideology.³⁴ The direct involvement of terror groups in organised crime enables them to work together, in a basic customer-supplier relationship established to facilitate specific types of transactions or resource exchanges in order to achieve certain objectives.

There is evidence to suggest that terrorist groups and cells in West Africa and beyond rely on proceeds from drug trafficking and hostage taking for ransom.³⁵ This is particularly true in areas with limited government control, porous borders, and extensive trading networks. The extraction of funds from human trafficking, arms trafficking, stolen goods, credit fraud and other criminal activities have also become commonplace for several terrorist organisations.³⁶ Other Middle Eastern and Latin American terrorist and extremist groups are known to be heavily involved in the drug trade in the tri-border region of Latin America- where Argentina, Brazil, and Paraguay meet.³⁷ There is evidence that some South American drug cartels are shipping drugs to West Africa in order to access European markets. Such connections can be seen in Cases 4.1 and 4.2 presented in this report.

Indeed, terrorist groups and organised criminal groups employ similar methods in funding their activities.³⁸ The extraction of funds from the drug trade, arms trafficking, money laundering, and credit fraud have become commonplace for several terrorist organisations.³⁹ As Chester Oehme illustrated the intersection of criminal organisations, insurgents, and terrorists appears the strongest and most pronounced in kidnapping, money laundering, and fuel and oil scams.⁴⁰

Lacher (2012) attributes the growing presence of AQIM, MUJAO, and other groups in the region to the development of a highly lucrative kidnapping industry. Foster-Bowser and Sander (2012) support this view in their comprehensive assessment of security threats to the Sahel region. The author notes ransom payments are likely the most important source of funding for terrorist groups in the Sahel-Sahara region. Since 2003, AQIM alone has kidnapped dozens of foreigners and is believed to have received ransoms in the majority of the cases. According to Lacher, an estimated USD 40-65 million has been paid in ransoms to terrorist groups in the region and their appendages since 2008. LeSage has noted that the ransom for a single Western captive can be as high as USD 6.5 million,⁴¹ and there is evidence to suggest that the intensity of AQIM attacks increases in the wake of

³⁴ Mullins, Sam (2009).

³⁵ Billingslea, W. (2004); Roth, Michael P. and Murat, Sever (2007); Sanderson, Thomas M. (2004); Abuza, Zachary (2003); and Rollins, John (2011).

³⁶ Abuza, Zachary (2003); Billingslea, W. (2004); and Makarenko, T. (2004).

³⁷ Berry *et al.* (2002); Levitt, Matthew and Jacobson, Michael (2008:10).

³⁸ Schmidt, A.P. (1996); Shelley, Louise and Picarelli, John (2005); Makarenko, T. (2001); Roth, Michael P. and Murat, Sever (2007).

³⁹ Abuza, Zachary (2003); Billingslea, W. (2004); and Makarenko, T. (2004).

⁴⁰ Oehme III, Chester G. (2008).

⁴¹ Lesage, Andrew (2011).

suspected large ransom payments.⁴² AQIM and affiliated groups do appear to be increasingly involved in criminal activities such as kidnapping and smuggling.

Byman has also noted that states can facilitate terrorist financing unwillingly as well, in cases where state control is too weak to constrain the resourcing efforts of terrorist groups⁴³. The lack of stable institutions and governance in fragile states allow terrorists access to safe havens where they can exploit gaps in the global counter-terror finance regime, scant border controls and entrenched criminal activity to obtain the resources they require. As terrorist organisations move increasingly to the use of criminal activity to generate proceeds they will benefit even more than in the past from access to jurisdictions with an ineffective, corrupt, and/or minimally functioning government.

Corruption creates the conditions under which terrorist financing flourishes. GIABA (2010)⁴⁴ notes:

“a source of illicit funds derived from corrupt practices that stands somewhat apart from other forms of corruption – and is possibly the most significant area of alarm as regards corruption in West Africa – is the involvement of politicians and high-level officials in organised crime. In many of the jurisdictions, evidence suggests a degree of active and passive complicity in organised criminal activities such as the smuggling of drugs and other illicit goods among those occupying high public office. This is unsurprising given the level of immunity enjoyed among those in the higher echelons of government, in combination with the potential rewards that may be gained, both financially and partially, as a result, in terms of influence.”

2.5 CONDITIONS

Political and economic realities within states play a role in the close co-operation between criminal elements and terrorist organisations. There is agreement within the literature that criminal and terrorist organisations thrive in:

- weak, post-conflict states with ineffective laws and institutions;
- states with porous and poorly guarded borders;
- states experiencing widespread and systemic corruption; and
- states offering lucrative criminal opportunities.⁴⁵

2.6 CONCLUSIONS

In conclusion, much of what was found in the literature review mirrors the situation in West Africa. In particular, West African terrorist groups rely on diverse and private sources of funding and exploit globalisation and technological advances in collecting, transferring, and utilizing funds for

⁴² Pham, Peter J. (2011) p. 250.

⁴³ Byman, Daniel (2005).

⁴⁴ Inter-Government Action Group Against Money Laundering [GIABA] (2010).

⁴⁵ Oehme III, Chester G. (2008).

their activities. More importantly, West African terrorist groups seek to fund their activities through proceeds from organised criminal activities, including kidnapping and drug trafficking. The nexus between terrorist financing and trade is also readily apparent in West Africa.

CHAPTER 3: TYPOLOGIES AND CASE STUDIES

The following typologies were developed based on case studies presented by the aforementioned countries for the project. The typologies, which illustrate some of the methods and techniques employed by West African terrorists and terrorist groups to finance or support terrorist activities, also include additional cases submitted by the US.

There are four categories of typologies:

- i) terrorist financing through trade and other lucrative activities;
- ii) terrorist financing through NGOs, charity organisations, and levies;
- iii) terrorist financing through smuggling of arms, assets and currencies by cash couriers; and
- iv) terrorist financing through drug trafficking.

Additionally, there are two cases that illustrate terrorist financing through Politically Exposed Persons (PEPs) and one case that illustrates terrorist financing through alternative transfer system, particularly *hawala*.

Nineteen of the cases in this report were presented by Financial Intelligence Units (FIUs) and security services of the sampled countries. Through investigations, security services detected early plans to commit terrorist acts, interrogated individual suspects, and obtained their statements, which confirmed that they were members of terrorist groups, and found out the type of financing used by the latter.

A number of the typologies cases deal with the methods and techniques of terrorist financing used by Boko Haram, the main terrorist group based in northern Nigeria. The methods and techniques range from raising funds through the sale of goods (Case 1.1), extracting profits and deploying logistics (telephone sets and SIM cards) provided by a telecommunications company (Case 1.2), relying on voluntary or compulsory contributions from members of the group (Case 2.1), to begging or alms collection through the poor and needy (Case 2.3), extorting funds from civilians (Case 2.4), engaging in cross-border smuggling of arms (Case 3.1), and using female cash couriers and arms smugglers (Case 3.2).

Significantly, Boko Haram conducts terrorist financing activities outside of Nigeria as evidenced by the arrests of some members of the terrorist organisation by security forces in Burkina Faso (Case 3.3) and along the Nigeria-Niger border (Cases 3.4 and 3.5). In these last two cases, it is reasonable to conclude that funds seized by security officers may have been the result of ransom payments for the release of hostages. Case 3.5 in particular involved a Nigerien national travelling from northern Mali, where kidnapping for ransom payments by terrorists and terrorist groups is common.

Terrorist financing is also conducted through other forms of organised criminal activities. Cases 4.2 and 4.3 illustrate terrorist financing through illicit drug trafficking from Latin America through West Africa to Europe and the Middle East involving by AQIM, the Fuerzas Armadas

Revolucionarias de Colombia (also known as the Revolutionary Armed Forces of Colombia or FARC), and other criminal organisations.

TYPOLOGY 1: TERRORIST FINANCING THROUGH TRADE AND OTHER LUCRATIVE ACTIVITIES

Case 1.1: Sale of goods and other lucrative activities

In September 2012, Mr T, a confirmed member of Boko Haram, was apprehended by security operatives when conducting surveillance on possible targets of attack in Abuja. Upon interrogation, Mr T revealed that one of the ways through which Boko Haram funds its activities is by purchasing and sending items to its members in other locations. These items are sold at inflated prices and the proceeds are used to finance the activities of the terrorist organisation, including renting apartments and procuring Improvised Explosive Devices (IED) materials for their operations.

Source: Nigeria

Case 1.2: Business profits/logistical support (telecommunications)

In July 2011, security operatives apprehended Mr H, a member of Boko Haram and owner of a Nigerian telecommunications company, in northern Nigeria. Upon interrogation, he confessed to using part of the profit from his business to support the activities of Boko Haram. He also confessed to supplying pre-registered Subscriber Identity Module (SIM) cards and mobile phones to the group.

Source: Nigeria

Case 1.3: Real estate attempts to create fictitious companies in Senegal

Mr M is a Canadian citizen of Somali origin residing in Dakar. He established a real estate company, Company A in conjunction with Mr D, a Senegalese. An account was opened for Company A at a bank in Senegal. Shortly afterward, this account received a wire transfer of approximately USD 106 000 from Mr S, a Somali based in the United States. A financial institution based in Dubai executed the transfer.

Based on the suspicious circumstances of the transaction, including the country of origin of funds, lack of adequate information documenting the identity of the new customer, and the destination of the funds, Senegalese Bank APLHA filed a Suspicious Transaction Report (STRs) to the Senegalese FIU.

During the subsequent FIU investigation, it was revealed that Company A had no legal status in Senegal and was established specifically for laundering illicit funds through the sale of imported goods. Mr M, Mr D, and Mr S were in contact with extremist groups involved in terrorist activities in East Africa, North America, Europe, and Mauritania.

Mr M, Mr D, and Mr S established a related company, Company B, together with other Senegalese nationals, to import used goods, some of which were sold locally and the remainder exported to a third country for re-sale. The proceeds of these sales were sent to a number of terrorist groups

through different channels.

Source: Senegal

Case 1.4: **Importation of used vehicles**

In 2012, the US District Court for the Southern District of New York issued civil money laundering complaint and “in rem” forfeiture action involving a number of Lebanese financial institutions and exchange houses.

An investigation by the US Drug Enforcement Administration (DEA) and other federal law enforcement agencies discovered a scheme to launder money through the United States financial system and the US used car market. As part of the scheme, funds were transferred from Lebanon to the United States in order to purchase and ship used cars to West Africa for re-sale. The cash proceeds generated from the sales are subsequently transferred, along with the proceeds of narcotics trafficking and other crimes, to Lebanon. The cash is often moved through bulk cash smuggling.

Hezbollah members and supporters are involved at various points in the money laundering scheme. Hezbollah members and supporters facilitate the smuggling of cash, including proceeds from the sale of used cars exported from the United States and narcotics proceeds, from West Africa to Lebanon; they finance and facilitate the purchase of some of the used cars in the United States.

Source: United States

These case studies demonstrate that terrorists and terrorist groups are exploiting legitimate trade transactions in their bid to collect and transfer funds to support their activities and to support the larger terrorist organisation. The cases reveal the complex and transnational nature of terrorist financing through trade, as terrorists and their financiers conduct various trade transactions in different countries so as to disguise the identity and origin of the funds they receive. Importantly, it brings to the fore the need to strengthen international co-operation and collaboration against terrorist financing, and to strengthen the monitoring of international trade transactions

Case 1.2, highlights the reliance of terrorist groups on not only criminal proceeds, but also on proceeds from legal sources in funding their operations. It also explains the constant changing of SIM cards and mobile phones by the sect members to evade detection and arrest by security operatives. Furthermore, the case brings to light the ease with which legitimate businesses can be established in West Africa for the ultimate purpose of financing terrorism. Case 1.3, is indicative of the operational vulnerabilities associated with the weaknesses in registration of companies and highlights how terrorists can use fictitious companies to raise and move funds to terrorists and terrorist organisations across national borders.

There is an indication that the implementation of AML/CFT measures may have caused a tactical shift by terrorist financiers by way of their exploitation of non-traditional avenues for terrorist financing. Within this context, there is a need to review and tighten business and company registration processes in ECOWAS member States. The implementation of the UNSC Resolution 1373 through the establishment of country national lists has become a matter of urgency to help

security and defence forces, particularly financial institutions, in discharging their obligation of screening alleged terrorists and terrorist financiers. These cases demonstrate that the filing of STRs and the subsequent analysis conducted by FIUs are critical in prompting terrorist financing investigations by the appropriate authority.

TYOLOGY 2: TERRORIST FINANCING THROUGH NON-GOVERNMENTAL ORGANISATIONS/CHARITIES AND LEVIES

Case 2.1: Financing through the financial system

ZT, an international NGO/Charity organisation headquartered in the Middle East, sought to open an account in Bank A in Nigeria. While carrying out due diligence on ZT, Bank A discovered that the organisation and one of its directors had been indicted in a case involving terrorist financing in two countries. A Suspicious Transaction Report (STR) was immediately filed with the Nigeria Financial Intelligence Unit (NFIU). Analysis of ZT's bank statements and transactions established that ZT's transactions were inconsistent with the profiles of its accounts. There had been frequent cash deposits and withdrawals, including those from domestic ATMs, by individuals with no apparent connection to the charity and mostly in areas with a high incidence of terrorist activity within Nigeria.

The analysis further revealed that there had been transfers of funds from ZT's accounts into the accounts of individuals with whom ZT had no apparent relationship. Cash deposits were structured and made through multiple branches of the same bank. Funds transfers were from a foreign jurisdiction by a national of a country known to be state sponsor of terrorism; and there had been a series of transfers into the accounts by the charities headquarters in the Middle East.

Subsequent investigations established that ZT had operated in Nigeria for an extended period and had maintained multiple bank accounts in three different Nigerian banks. ZT was also affiliated with another NGO known to have supported terrorist groups, including Al Qaeda. Finally, it was established that ZT's charity operations supported Hamas, a Palestinian extremist organisation, and Gama'a al-Islamiyya, an Algerian terrorist group

The frequency of withdrawals from ZT accounts, especially in the states known for Boko Haram activities, raised concerns about the ultimate use of these funds. The promoters of ZT claimed to be paying the salaries of itinerant Islamic clerics in Nigeria.

Source: Nigeria

Case 2.2: Contributions (collections) from members of a terrorist group

In November 2012, security operatives in Nigeria arrested Mr B in one of the states known for terrorist activities in North-eastern Nigeria. Upon interrogation, Mr B confessed to being a treasurer for Boko Haram. He also confessed to being in possession of voluntary and mandatory donations made by members of the terrorist organisation in his area. Mr B further disclosed that, in addition to making voluntary donations of as little as NGN 50 or about USD 0.03, all members of Boko Haram were also expected to donate to the terrorist organisation. The compulsory donation was calculated based on the ability of each member. Funds raised from the donations were used to

support the activities of Boko Haram.

Source: Nigeria

Case 2.3: **Begging (alms collection) by vulnerable persons**

In October 2011, security operatives in Nigeria arrested Mr K in North-western Nigeria. Upon interrogation, Mr K confessed that Boko Haram uses “Al Majiris” (child beggars), the physically challenged, and the elderly to appeal for donations in order to raise funds in support of the group’s activities. According to Mr K, these beggars were positioned at strategic locations in major towns and were used as spies for the terrorist organisation.

Source: Nigeria

Case 2.4: **Extortion of civilians by means of intimidation**

In January 2012, security officers in Nigeria arrested Mr Y, a member of Boko Haram, in north-eastern Nigeria. Upon interrogation, Mr Y confessed that Boko Haram used subtle negotiations and intimidation to obtain protection fees. Even though one of the states refused to give in to this intimidation, some influential government officials of that state made “personal” donations to Boko Haram. Analysis of the bank statements of Mr Y showed monthly payments deposited into his account, representing the “protection fees”. The funds generated were used to support the operations of Boko Haram.

Source: Nigeria

Case 2.5: **Execution of works for an NGO by a construction company**

AZC is a construction company based in a regional capital of northern Mali. The manager DOD has a company account with a local bank, B1.

Between 11th January 2011 and 2nd April 2012, the account received several money transfers totalling CFA Francs (XOF) 514 697 772. One of the transfers, amounting to XOF 92 735 646, was from a financial company. This company ordered the transfer on 14th June to pay for services rendered under a public contract. The last of these transfers was on 2nd April 2012. It shows an international NGO paid a sum of XOF 142 497 125 for services rendered by the company.

In May 2012, DOD ordered his bank BI to transfer the sum of XOF 143 939 735, representing the balance in his account, to the account of company Y, which was opened on 24th April 2012 in bank B2, located in a neighbouring country.

According to information received from the neighbouring country’s Financial Intelligence Unit (FIU), company Y received four bank transfers on 3rd May, 2012 totalling XOF 298 750 000 from the same international NGO, just days after the first transaction with bank B2 on 23rd April 2012.

To justify the transfer order, DOD explained that his company wanted to temporarily transfer its activities out of the country and switch over to foodstuff business.

Company Y is a Malian company established in 2011. It is based in the same city as company AZC.

Mr HOM is the manager. This latter gave his bank B2 a deed of personal guarantee and solidarity established with bank B1 in Mali, but the document had every sign of a false document because it contained a name different from the one on Mr HOM's record when he was opening his bank account.

This ambiguity in the transfer order led the bank to file a suspicious transaction report to Mali's FIU, which in turn sent a report to the prosecutor to open a criminal investigation.

Signs of alleged terrorist financing:

- Company Y and its manager HOM are based in Mali but receive money in an account opened in a neighbouring country.
- The justification for a humanitarian NGO to pay such a huge sum of money for services rendered in company AZC's area of activity is implausible.
- The false document (a notarized deed of personal guarantee and solidarity) HOM sent to his bank B2 abroad seems to have been the pretext for DOD to order the transfer from his account in bank B1 in Mali.
- AZC and Y seem to be controlled by the same person (DOD). Some well-informed sources suspect DOD is supporting a rebel movement in Mali.
- Huge transfers are received in the AZC and SOAH accounts in both countries, received from the same international NGO which is no longer operating in the humanitarian sector.

Comments: This case illustrates the fraudulent use of Non-profit Organisations (NPOs) to finance the rebel movements in northern Mali through complex processes for international money transfers. The case brings to the fore the importance for Member States to implement measures relating to the monitoring and control of donations made to NGOs, and to sensitize Notaries on their AML/CFT obligations.

Source: Mali

As the above cases demonstrate, the exploitation of alms-giving in West Africa appears to be a common practice by terrorist organisations, especially Boko Haram. Boko Haram appears to be taking advantage of unsuspecting people, as well as those who are sympathetic to the organisation, to raise funds in support of their activities. Such cases reveal the need for relevant authorities to monitor the activities of street beggars, particularly in areas known for terrorist activities, in order to curtail this type of fundraising and ensure that terrorists do not exploit a vulnerable population.

Case 2.2 highlights how a terrorist organisation finances its activities through self-help/membership contributions and forced donations. As this method of terrorist financing is difficult to detect, the case reveals the need for relevant authorities to enhance their intelligence gathering capabilities and consider undercover operations as a way of obtaining information about terrorists and terrorist groups.

A number of case studies examined revealed the vulnerability of NGOs and charities and emphasized how terrorist organisations in West Africa are infiltrating this sector for their own gain.

Case 2.1 demonstrated the vulnerability of NGOs and charities to terrorist financing, particularly their potential role as conduits for moving funds in support of terrorist activities in various locations, and in hiding the financial trail of financiers. It brings to the fore the need to regulate and monitor the activities and transactions of NGOs and charities for terrorist financing in the sub-region.

Case 2.4 illustrates how funds could be raised through intimidation of government officials and wealthy individuals. The Boko Haram sect exploits the security challenges in the north to coerce some governors to co-operate in exchange for peace in their states. The case also reveals the need to enhance the personal security of government officials who may be intimidated and exploited by terrorist groups for protection fees.

Case 2.5 illustrates the fraudulent use of Non-profit Organisations (NPOs) to finance the rebel movements in northern Mali through complex processes for international money transfers. Upon examining this case further, signs of alleged terrorist financing emerged:

- The company and its manager were based in Mali but receive money in a bank account opened in a neighbouring country;
- The justification for a humanitarian NGO to pay such a large sum of money for services rendered in company AZC's area of activity was implausible.
- The false document (a notarised deed of personal guarantee and solidarity) Mr HOM sent to his Bank 2 abroad seemed to have been the pretext for DOD to order the transfer from his account in Bank 1 in Mali.
- AZC and company Y appear to have been controlled by the same person (DOD) who was suspected of supporting a rebel movement in Mali.
- Large transfers were received in the AZC accounts in both countries, received from the same international NGO, which is no longer operating in the humanitarian sector.

The cases bring to the fore the importance for Member States to implement measures relating to the monitoring and control of donations made to NGOs, and to better educate notaries on their AML/CFT obligations.

TYOLOGY 3: TERRORIST FINANCING THROUGH SMUGGLING OF ARMS, ASSETS AND CURRENCY (CASH COURIERS)

Case 3.1: Arms smuggling at the Nigerian border

Security operatives in Nigeria arrested Mr D, a member of the Boko Haram. Upon interrogation, Mr D confessed that proceeds from arms sales were often donated to Boko Haram. He also confessed that arms were sent to the terrorist organisation for their operations free of charge. Mr D disclosed that Boko Haram members involved in arms smuggling are allied with terrorists and terrorists groups outside Nigeria who either supply or facilitate the process for acquisition of the illicit small arms and light weapons.

Source: Nigeria

Case 3.2: Women cash couriers and arms smugglers in Nigeria

In June 2012, Mr Q, a courier for Boko Haram, was arrested in north-western Nigeria. Upon interrogation, Mr Q disclosed that the terrorist organisation frequently uses women to deliver arms, ammunitions, and cash to their members. Mr Q stated that women are preferred because security personnel at roadblocks generally do not search them as the majority of security personnel are Muslim men and Islamic tenets forbid them from having any physical contact with women who are not their wives.

Boko Haram exploits this reality, according to Mr Q. He further confessed that where male couriers are used, they pretend to be commercial drivers moving goods and commuters to their destinations.

On arrival at points of destination, calls are put through to recipients (members of Boko Haram) to meet the couriers at designated points for collection.

Source: Nigeria

Case 3.3: Cash couriers and arms smugglers (between Burkina Faso and Nigeria)

Two individuals from Niger were apprehended at the Burkina-Niger border while on their way to Nigeria. The two were in possession of weapons, ammunition (about 80 000 cartridges), and CFA Franc 8 000 000. These persons were charged with trafficking in weapons and ammunition, and under interrogation, they disclosed that they had ties to Boko Haram. The case is currently before the courts and additional charges related to terrorist financing may be added.

This case involved a private arms dealer in Burkina Faso who allegedly provided these weapons and ammunition without the approval of the authorities.

Source: Burkina Faso

Case 3.4: Cash couriers (between Niger and Nigeria)

In June 2012, a Nigerian national was apprehended in Yassane, Niger and interrogated by border police. He was carrying a large amount of cash in different denominations and two USB flash drives each with 4G capacity

The individual came to a police checkpoint without identification papers or luggage. The police were suspicious and proceeded to search him and his property. After sorting through the information stored on the flash drives, the security officers found two letters from the Emir of AQIM addressed to the leader of Boko Haram, Aboubacar Shekau. The individual was also carrying large sum of money in his underpants. In trying to trace the origin of the EUR 35 000, the police found that the bank notes had an alphanumeric identification code.

The individual was transferred to Nigeria, under the provisions of the Cooperation Agreement between Police Chiefs of ECOWAS Member States, and this made it possible to dismantle an extensive network of Boko Haram in their country.

Source: Niger

Case 3.5: Cash couriers in possession of explosive devices (between Niger and Nigeria from the North of Mali)

In July 2012, security personnel at the border police post in Yassane, Niger, apprehended a Nigerien national travelling from northern Mali. The individual, who was without identification papers, arrived at the border post with four pressure cookers. His demeanour raised suspicion and the individual was searched. Security personnel found large sums of different cash currencies in addition to the pressure cookers. The individual subsequently admitted that he had stolen the money from a market.

A State Prosecutor, recalling he had once heard about terrorists using pressure cookers to make explosives, asked that the individual be placed in custody. The individual was brought before judge and legal proceedings are under way.

Source: Niger

Case 3.6: Hostage taking by AQIM Jihadists in the North of Mali

In 2011, European citizens were kidnapped by a terrorist organisation in Mali. One month later, two suspected accomplices, Mr H and Ms M, were arrested in Gao and in Bamako respectively. Upon interrogation, law enforcement officials established that Mr H and Ms M were part of a small group, which organised the kidnapping of Europeans. Both individuals received CFA 60 000 and CFA 700 000 respectively from their group partners to travel within northern Mali to locate European targets. Mr H had also received money to purchase kidnapping supplies and other items in Bamako as well as being promised a vehicle. Most of the members of the kidnapping team were either identified to be, or believed to be affiliated with the terrorist organisation.

Comment: The two accused are being held in custody while legal proceedings are on-going.

Source: Mali

Case 3.1 highlights the challenge of small arms/light weapons trafficking across porous borders and collaboration among violent groups across the sub-region and beyond. Intermediaries who arrange the purchase and delivery of the weapons facilitate this. Similarly, there is need for ECOWAS Member States to strengthen their responses against illicit trade in small arms and light weapons in West Africa, including strengthening cross-border co-operation and collaboration.

Case 3.2 illustrates the insidious means used by terrorist groups to move funds and other materials/equipment intended for use in attacks. It highlights the need for security officials to be creative by thinking ahead of the terrorists. It also shows the influence of culture and religion and how they can inadvertently come into conflict with security measures.

Case 3.3, though yet to be concluded, highlights the need for ECOWAS governments to increase cross-border co-operation against arms and cash smuggling, strengthen security at their national borders, and address corruption within public institutions.

Case 3.4 highlights the problem of identifying persons often travelling without luggage or identity cards and with huge sums of foreign currency. This case also illustrates the importance of training staff to detect the tracking of bank notes derived from the payment of ransoms being transported by

travellers. It demonstrates the implementation of the ECOWAS Convention on police co-operation within the framework of the West African Police Chiefs Committee (WAPCCO).

Case 3.5 highlights the need for and importance of training on investigation techniques and experience of prosecution authorities in dismantling terrorists and their sources of funding.

Case 3.6 highlights the utilisation of various material and financial resources to carry out hostage taking and details how the kidnappers are funded and assisted by accomplices including security officers. The case also highlights that kidnapping for ransom is not just an act of terrorism but also a significant source of financing. This case illustrates the weakness of member States to grapple with the phenomenon of corruption and frequent payments system for goods and services using foreign currencies (Euro and dollar), which then facilitate the criminals' activities.

TYPOLGY 4: TERRORIST FINANCING THROUGH DRUG TRAFFICKING

Case 4.1: Drug Trafficking by AQIM and FARC

In March 2012, Mr O, a Malian citizen, was sentenced to 57 months in prison by a US federal court in Manhattan for conspiring to provide material support to a foreign terrorist organisation. Three months earlier, Mr O and two other men were charged with agreeing to transport cocaine through West and North Africa with the intent to support the drug trafficking activities of Al Qaeda, AQIM, and the Fuerzas Armadas Revolucionarias de Colombia (FARC).¹ Mr O was arrested in Ghana in December 2009, and subsequently transported to the Southern District of New York, where he pled guilty on November 15, 2011, to providing material support to the FARC.

From September 2009 through December 2009, Issa and two other defendants who are all from Mali, agreed to provide the FARC with services, including logistical assistance and secure transportation for a shipment of cocaine across Africa, false identification documents, and other material support and resources, knowing that the FARC was engaged in terrorist activity. The defendants also agreed to provide material support and resources, including property, currency, and monetary instruments to Al Qaeda and AQIM, knowing that these groups were engaged in terrorist activities.

1. Organised as a military group, the FARC actively engages in narcotics trafficking as a financing mechanism, and has evolved into the world's largest supplier of cocaine. For at least the past five years, the FARC has been responsible for violent acts committed against U.S. persons and commercial and property interests in foreign jurisdictions – including in Colombia – in order to dissuade the United States from continuing its efforts to disrupt the FARC's cocaine manufacturing and trafficking activities.

Source: United States

Case 4.2: Triangular drug trafficking involving Latin America, Africa and Europe

In 2011, Ayman Joumaa was charged with drug-trafficking and money laundering in the Eastern District of Virginia. Joumaa's drug-trafficking organisation transports, distributes, and sells multi-ton bulk shipments of South American cocaine through West Africa. Joumaa and his organisation operate in Lebanon, West Africa, Panama, and Colombia, and launder proceeds from their illicit activities, as much as USD 200 million per month, through various channels, including bulk cash smuggling operations and Lebanese exchange houses. Joumaa's organisation uses, among other

things, Hezbollah couriers to transport and launder narcotics proceeds. Joumaa's organisation pays fees to Hezbollah to facilitate the transportation and laundering of narcotics proceeds.

In addition, the US Treasury Department identified Lebanese Canadian Bank (LCB) as an entity of primary money laundering concern under Section 311 of the USA PATRIOT Act, noting that Ayman Joumaa used accounts of various exchange houses at LCB to launder hundreds of millions of dollars in proceeds of narcotics trafficking. These exchange houses and other companies related to Joumaa originated over USD 66 million in wire transfers from Lebanese banks since January 2006, with approximately one-half of the wire transfers and approximately 94% of the funds originating from LCB, indicating that LCB is the favoured bank for these Joumaa-related entities, particularly for illicit banking activity.

Source: United States

Case 4.3: **Drug Trafficking Triangle Involving Latin America, Africa and Europe**

In February 2011, Maroun Saade and a number of other defendants were charged with conspiring to provide various forms of support to Drug Enforcement Administration (DEA) confidential sources whom they believed to be representatives of the Taliban in Afghanistan. Some of these defendants agreed to receive, store, and move ton-quantities of Taliban-owned heroin through West Africa. For example, Saade, a narcotics trafficker operating in West Africa, agreed to receive and store Taliban-owned heroin in Benin and transport that heroin to Ghana with the understanding that portions of those shipments would be sold in the U.S. for the financial benefit of the Taliban. Other defendants involved in this conspiracy were known cocaine traffickers and arms traffickers. The defendants engaged in this conduct knowing and intending to provide something of monetary value to a person and organisation that engages in terrorism and terrorist activity.

Source: United States

Case 4.4: **Hezbollah fundraising in four West African countries**

In June 2013, four Lebanese individuals were designated by the U.S. Treasury Department under Executive Order 13224, which effectively blocked the designated individuals from the U.S. financial system by freezing their assets and prohibiting U.S. entities from doing business with them. The four men were aiding Hezbollah in its efforts to extend its influence throughout West Africa. The designation was part of a multi-year effort to expose and undermine linkages between South American drug traffickers and Middle Eastern militant groups.

The designated individuals organised fundraising efforts for Hezbollah, recruited members, and in some cases styled themselves as ambassadors of Hezbollah's Foreign Relations Department. Ali Ibrahim al-Watfa, Hezbollah's permanent liaison to Sierra Leone, co-ordinated the transfer of funds from Sierra Leone to Hezbollah in Lebanon through the Hezbollah Foreign Relations Department. Abbas Loutfe Fawaz, Hezbollah's leader in Senegal, used supermarkets that he owned and operated in Dakar, Senegal, to raise funds for Hezbollah and attract supporters. He also led secret meetings to devise ways to increase Hezbollah's fundraising efforts. Ali Ahmad Chehade, the Hezbollah Foreign Relations Department official for Cote d'Ivoire, co-ordinated travel for Hezbollah members from Senegal to Cote d'Ivoire and acted as a recruiter assisting Specially Designated Global Terrorist Abd

Al Munim Qubaysi. Hicham Nmer Khanafer, an active and influential Hezbollah member in The Gambia, held weekly Hezbollah fundraising and recruiting drives at a local mosque.

Source: United States

Case 4.5: **West African trade-based money laundering facilitated by Lebanese exchange houses**

In April 2013, two Lebanese exchange houses, Kassem Rmeiti & Co. For Exchange (Rmeiti) and Halawi Exchange Co. (Halawi), became the first non-bank financial institutions to be named as foreign financial institutions of “primary money laundering concern” under Section 311 of the USA PATRIOT Act. Rmeiti and Halawi were facilitating a money laundering network previously operated by Ayman Joumaa, Lebanese Canadian Bank, and two other exchange houses prior to actions taken against those entities in 2011 (see Case 4.2).

Rmeiti provided at least USD 25 million in payments between 2008 and March 2011 to U.S.-based car dealers and exporters associated with the Joumaa narcotics and money laundering network, and between March 2011 and October 2012, Rmeiti facilitated the movement of at least USD 1.7 million for Benin-based and Lebanese money launderers and drug traffickers.

Halawi facilitates transactions for a network of individuals and companies, which launder money through the purchase and sale of used cars in the United States for export to West Africa. As of late 2012, Benin-based money launderers were using Halawi to wire transfer money to U.S. car suppliers in support of their trade-based money laundering scheme. Additionally, Halawi has laundered profits from drug trafficking and cocaine-related money laundering networks for a leading Hezbollah official and narcotics trafficker, and Halawi has also been routinely used by other Hezbollah associates as a means to transfer illicit funds.

Source: United States

These cases support the findings of the FATF 2008 Terrorist Financing Report, which discusses terrorist groups raising funds from criminal activity. The report noted:

“During the last decade, drug trafficking organisations have increasingly used countries along or near the West African coast as trans-shipment hubs for importing massive quantities of narcotics, particularly cocaine from South America, to be later distributed in Europe or elsewhere within Africa. Through a combination of privately owned aircraft and maritime vessels, these organisations, predominantly based in Venezuela and Colombia, have transported hundreds of tons of cocaine, worth billions of dollars, to West African nations such as Benin, Sierra Leone, and Togo. Drug trafficking was found to be an attractive source of funds for terrorist organisations, enabling them to raise large sums of money.”

It should be noted that drug trafficking was found to be an attractive source of funds for terrorist groups, enabling them to raise large sums of money. Given this reality there is a need for West African governments to strengthen measures against drug trafficking in the sub-region.

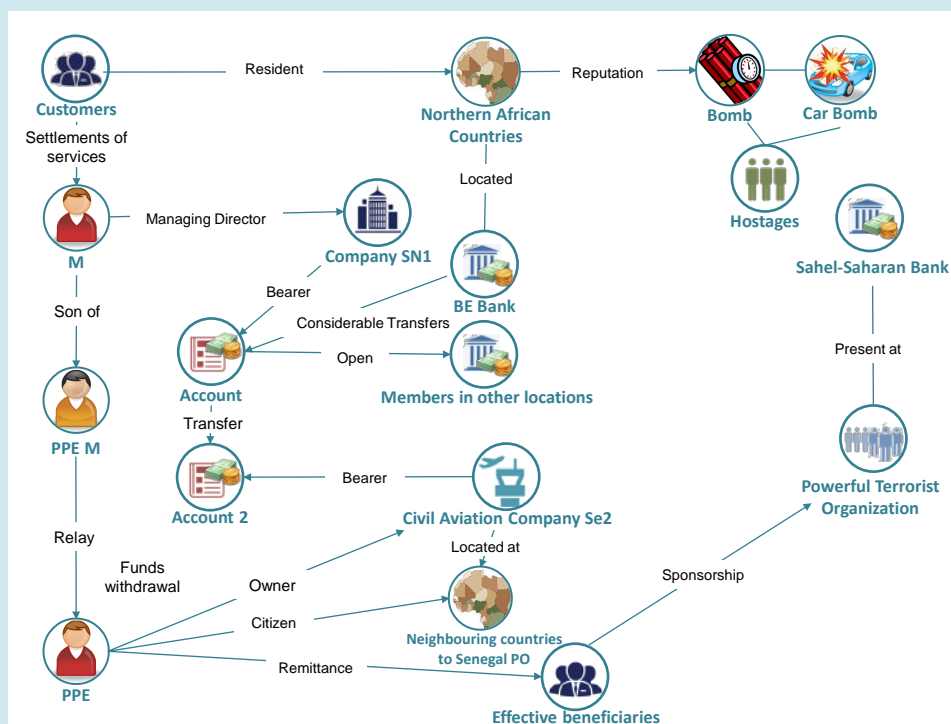
OTHER CASES

Case 1: **Financial Contributions of Political Leaders (Boko Haram)**

Mr X, a former Boko Haram spokesperson, was arrested by a Nigerian security agency. Upon interrogation, Mr X mentioned names of local politicians whom he claimed were funding the terrorist group, including Mr M, a legislator. Both Mr X and Mr M hail from north-eastern Nigeria, the operational base of Boko Haram. Mr X disclosed that Mr M was responsible for scripting threatening text messages for the group members to send to various politicians and public officials.

Based on information provided by Mr X, Mr M was investigated and subsequently arrested by the Nigerian security agency. Examination by the agency of Mr M's telephone records, revealed constant communication between him and Mr X. Consequently, Mr M was charged with concealing information on attacks being planned by Boko Haram, providing telephone numbers of public officers to Boko Haram, and failing to disclose the identity of Mr X to the appropriate authorities.

Source: Nigeria

Case 2: **Using Political Leaders to Channel Funds**

Mr Q, a son of a local PEP in Senegal, opened an account at a local bank on behalf of Company X, of which he is the Chief Executive Officer (CEO). A large amount of money was wired into the account from an account of Company K located in a North African country. Upon receipt of the money, Mr Q immediately issued a transfer order to his bank to transfer the money into the account of Company P, located in a neighbouring country. Mr R, the CEO of Company P, claimed that the payment was for services provided to Company K. Mr R is also a son of a PEP in the neighbouring country.

Based on the amount involved, the profile of the client, the origin and final destination of the funds,

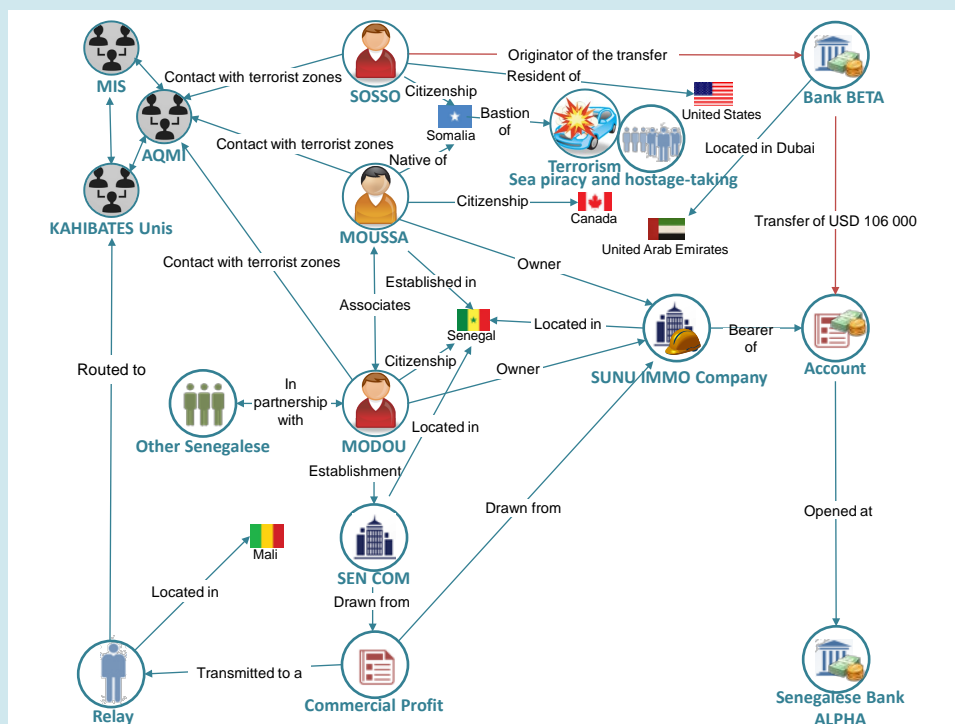
the transaction which appears to be between persons who have no apparent relationship, and the unconvincing explanations provided by Mr R, the bank filed an STR to the FIU. Mr R is suspected of being linked to a powerful terrorist movement in the Sahel-Saharan region.

Investigations by the FIU revealed the following:

- Mr R, the CEO of Company P, recently graduated from the university and was acting at the behest of his father.
- This was the first transaction into the account of Company P.
- There was no apparent linkage between the client who issued the transfer order from Company K in North Africa and the recipient Company X in Senegal and its CEO, Mr Q.
- The North African country is well-known for terrorist activities and is used as a corridor for the payment of ransoms to kidnapers in the Sahel-Saharan area.
- Mr Q served as an intermediary for Mr R, who in turn was responsible for dispatching the funds to the true beneficiaries.

Source: Senegal

Case 3: Alternative Remittances (Hawala between Jihadists et Katibats)



Three nationals of a North African country, travelled to Senegal in the hope of obtaining Kenyan visas from the UK embassy in Dakar. The embassy represents the interests of Kenya in Senegal.

The individuals paid for the trip to Senegal out of personal funds. Upon obtaining their visas, they

travelled to Kenya where their contact person in that country then transported them to the Somalia border. They were subsequently arrested and repatriated to Senegal. The three individuals then attempted to travel to Somalia via the Democratic Republic of the Congo (DRC) but were arrested again by law enforcement officials.

The investigation revealed that all three were recruited to go to the foreign “Jihadist” camps in Somalia and all had received funds equivalent to CFA Franc 5 000 000 through *hawala* from one of their fellow citizens who was established as a trader in Senegal. The ordering party was a member of a Salafist movement, based in these individual’s country of origin, and acting on behalf of the recruiting agent in Somalia. The three individuals were in permanent contact with the leaders of these terrorist groups in their country of origin, in Kenya and especially in Somalia.

Comments: This case illustrates the use of hawala for terrorist financing purposes.

Source: Senegal

Cases 1 and 2 reveals how PEPs often use the financial system and front companies to fund and support terrorist activities within the West African sub-region. These cases highlight an emerging nexus between politics and terrorism/terrorist financing, notwithstanding the decline in state/government sponsorship of terrorism over the years. It shows willingness of corrupt politicians to use terrorism as a tool to further and protect their interests. Importantly, Boko Haram’s ability to sustain and conduct sophisticated terrorist attacks may be partly attributed to the alleged support provided to it by some PEPs.

CONCLUSION

All of the typologies presented above highlight a number of methods involved in terrorist financing in West Africa. First, the lack of security in the Sahel region, particularly northern Nigeria, Niger, and Mali, is permitting unfettered smuggling of cash, arms and ammunitions, as well as other resources required by terrorist organisations. There appears to be an increased reliance on the legitimate businesses and trade transactions for the purpose of terrorist financing.

From the twenty-one cases presented by experts at the workshop, four (Cases 1.3, 2.1, 3.2, and 3.3) were most illustrative of the complexities of terrorist financing in West Africa. More specifically, in order to raise, move and distribute funds and carry out terrorist activity, terrorists and terrorist groups are exploiting existing political, socio-economic, and security challenges, such as:

- poverty, deprivation, violence and political instability,
- corruption and bad governance,
- weak border surveillance and porous national borders,
- weak inter-agency co-operation amongst domestic competent authorities and inadequate international co-operation.

Analysis of the various cases lends support to the view that substantial amounts of money are required to carry out terrorist activities. While carrying out individual operations requires small amounts, maintaining terrorist organisations, including providing for the upkeep of members and their families and the purchase of weapons and other materials, require considerable amounts.

The handling of the aforementioned cases, particularly from Burkina Faso, Niger and Nigeria, reveals several major issues in West Africa with regard to the fight against terrorism and terrorist financing. First, the possession of large amounts of cash and weapons reveals the prevalence of cash and weapons smuggling in the sub-region. It also reveals the weakness of border security, as terrorists and terrorist groups move and operate across borders without detection or hindrance.

These various cases reveal the lack of co-operation and collaboration, including information sharing, among competent authorities in the region.

RAISING FUNDS

Terrorist financing is underpinned by the need for terrorist organisations to provide for the personal upkeep of their members and their families, purchase weapons and logistics, preserve communication channels, and adopt self-protection measures. Accordingly, terrorists and terrorist groups in the sub-region employ both legitimate and criminal means to raise funds. Based on the cases presented, funds are commonly raised through donations/alms giving/compulsory levies, misuse of trade proceeds, and organised criminal activities including widespread kidnapping for ransoms, extortion, robberies, smuggling of cash, and other valuables.

There is an exploitation of the *zakat*, one of the five pillars of Islam, which obliges all Muslims to give 2.5% of their annual earnings to charity. Children, the physically challenged, the elderly, and the poor are used to beg for alms. Donations received are used to support terrorist activities. It is extremely difficult to detect begging related to support for terrorism especially as begging is an accepted social practice in West African societies, not least because of widespread poverty, unemployment, and underemployment. Piousness and generosity of many West Africans also underpin the culture of begging.

In addition, when examining the cases provided for this study, 9% of funds for terrorism are raised through corrupt PEPs and misuse of trade accounts. Given the small sample size, this may not be statistically relevant; however, it does point to the need to strengthen CFT measures, including use of risk-based approach to address trade-based TF.

Furthermore, the provision of equipment, SIM cards, and materials to terrorists, by legitimate businesspeople, as illustrated by one of the cases, enables terrorists and terrorist organisations to effectively evade detection and arrest by security operatives. Reliance on this technique is reflective of and underpinned by a major vulnerability in West Africa, namely, the prevalence of vast informal economies and the weak regulation and supervision of business operations.

Also, among the major methods and techniques from the cases are extortions, robberies, illegal oil bunkering, misuse of NGOs/Charities, and human trafficking. Collectively, these criminal activities account for 27%. Thus, there is growing evidence, although drawn from a small sample, of a nexus between terrorist financing and criminal activity – whether organised or small-scale.

FUNDS MOVEMENT

The case studies demonstrated that terrorists use various formal and informal ways, techniques, or mediums to move their funds, including:

- **Smuggling** - Weak security at national borders, ports and checks points in the selected countries facilitate smuggling of cash and small arms and light weapons across borders. Terrorists and terrorist groups are particularly aware of and exploit porous national borders, weak border surveillance, lack of domestic inter-agency co-ordination and collaboration, and cross-border co-operation. Furthermore, the lack of effective currency declaration systems at borders, prevalence of informal and unregulated economies, and the predominance of cash transactions in West Africa facilitates easy smuggling of cash and weapons. Terrorist organisations are also exploiting Islamic tenets that forbid men from having any physical contact with women they are not married to, by using women as cash and weapon couriers in Islam-dominated areas.
- **Bank/Wire transfers** – Financial institutions, especially the banks, were used to transfer funds in support of terrorist activities in other locations. This was observed in the cases involving PEPs and charity/NGO. In some instances, terrorists use proxy accounts to transfer funds to their members. Most often, these funds are withdrawn using the Automated Teller Machine (ATM).
- **Misuse of the NPO Sector** - Compromised NGOs/Charities use the cover of humanitarian work to avoid detection by serving as a conduit for moving funds to terrorists and/or terrorist organisations. This technique often involves the movement and distribution of funds by way of purchasing and transferring tangible items under the guise of legitimate business, and the eventual sale of them for cash. Monies accrued from such transactions are often used to provide logistical support to terrorists.

INSTRUMENT/ MECHANISM

The main instrument used in almost all the terrorist financing case studies presented is cash. This reflects the cash-based nature of the sub-region's economy. The key mechanism is the physical movement of cash (locally and across national borders). Another common mechanism is NGOs/charities and legal entities/enterprises. The increasing use of the DNFBPs may be attributable to improved implementation of the AML/CFT regime in the financial sector. This brings to the fore the issues of regulation and monitoring for AML/CFT. The third mechanism is through trade-based channels, and a fourth is the financial institution sector.

It is important to mention that some of the cases presented are still at various stages of investigation or prosecution and very few of the cases originated as STRs from reporting institutions. This shows a gap in reporting as well as difficulties in the identification of terrorist financing related STRs and the prosecution of terrorism and terrorism financing related cases. Difficulties in identification may be due to the inadequacy of capacity, lack of guidance, and weak inter-agency co-operation, especially in terms of information exchange amongst competent authorities and between reporting entities and AML/CFT regulators.

CHAPTER 4: INDICATORS AND RED FLAGS

A number of indicators and red flags were identified based on analysis of cases presented by experts. In this case, indicators and red flags differ in terms of the degree of likelihood of occurrence of TF. While the indicators represent events that may or may not be indicative of TF, the red flags represent events that provide greater certainty that TF may have been carried out.

INDICATORS:

- Purchase, transfer, and eventual sale of tangible items for cash particularly in areas with a high incidence of terrorist and criminal activities;
- Voluntary or mandatory donations by individuals, businesses, or state officials to religious/radical groups in crime and terrorism-ridden areas, especially after the occurrence of what may be considered a trigger event (religious/tribal clashes for example, local or remotely with possibility of influencing local events);
- Frequent cases of participation of terrorist/radical groups in organised criminal activities;
- Frequent carrying of large sums of cash to and from countries embroiled in conflict, instability, and large-scale criminal activities;
- Arrest of cash couriers or seizure of money and weapons by law enforcement officials in terrorism-prone areas;
- Structured cash deposits into an account by different individuals at multiple branches of a particular bank;
- Transfer of large sums of money to and from accounts of individuals or newly established companies with no apparent business relationships;
- Frequent cash deposits into or withdrawals from charity accounts by different individuals with no apparent relationships;
- Unexplained transfer of funds from foreign jurisdictions with high incidence of terrorist activities into the accounts of individuals and companies;
- Presentation of little, incomplete, or unverifiable information about the identity of account holder or destination of transfer;
- Transactions on individual and company accounts that is not consistent with account profiles;
- Preference for cash transactions;
- Travellers without luggage or identification papers; and
- Currency transactions in the informal sector.

RED FLAGS:

- Constant changing of mobile phones and SIM cards by individuals and groups known to have radical or anti-government views, especially after a terrorist group has been attacked by law enforcement;
- Establishment of companies by nationals of terrorism-prone countries and frequent international money/value transfers to and from the accounts of the companies;
- Extortion of money from the public by known members of a violent/terrorist group;
- Frequent visits to key and vulnerable targets by terrorist sympathisers or suspected terrorists;
- Collection of alms and donations by unknown persons or groups, particularly in areas that have high incidences of terrorist-related activity; and
- Frequent exchange of cash through informal channels by suspected sympathisers of terrorist groups.

CHAPTER 5: CONCLUSION AND RECOMMENDATIONS

CONCLUSION

Despite the limitations of this study in terms of the case study-based methodology, the prevalence of terrorism and its financing in the West African sub-region is indisputable, with negative consequences on the security, stability, and development of the sub-region. The insecurity and instability within West Africa is providing an enabling environment for extremism and terrorism to thrive. Both legal and illegal channels, traditional (banks for example) and non-traditional (for example, trade, arms dealing), are being utilised to raise money or move them to the hands of terrorist groups and individuals. This is why there is an urgent need for all stakeholders to collaborate and co-operate in combating terrorism and terrorist financing in West Africa.

In summary, the following are the findings of the study:

- Terrorists and terrorist organisations use both legitimate and illegitimate means to raise funds. The funds raised are used to provide for the personal upkeep of members and their families, purchase of tools and equipment, recruit new members, and disseminate propaganda to attract sympathy/support to assist in carrying out terrorist acts;
- Formal and informal channels of cash movement are exploited by terrorists to move their funds around;
- There is weak capacity for identifying STRs relating to terrorism financing by reporting institutions;
- Security and surveillance at various national borders are weak, resulting in the infiltration of terrorists, small arms, and light weapons. In addition, there are numerous unofficial border-crossing points that cannot be adequately patrolled by State officials;
- NGOs and charities are vulnerable to exploitation by terrorist organisations. This study found that terrorist organisations are not only targeting NGOs and charities, but also the most vulnerable members of society (the elderly, beggar children, the infirm) in an effort to raised funds and hide their true intent;
- Law enforcement and regulatory agencies, security and intelligence services and the judiciary lack the requisite capacity to effectively address the challenge of terrorism and terrorism financing;
- The inability and unwillingness of national competent authorities to effectively co-operate and collaborate, especially in information sharing, is partly responsible for the deteriorating security and increasing terrorist financing in the sub-region;

- Sub-regional co-operation and international co-operation between member states and other countries, especially in terms of information sharing is weak, resulting in the infiltration of terrorists and the free flow of terrorist funds and small arms/light weapons across national borders;
- The proliferation of extremist groups and their linkages to known international terrorist organisations as well as the growing tendency of religious extremism within the region is a potent threat to the security and development of the region; and
- The predominance of the informal sector coupled with the cash-based nature of the region's economies facilitates currency exchange by terrorists and other criminal groups.

RECOMMENDATIONS:

The following recommendations are proffered based on the findings of the study:

WEST AFRICAN COUNTRIES

- Put in place an effective mechanism to implement the relevant UN and FATF provisions for countering terrorist financing; especially the generation, movement and utilisation of funds within each country.
- Effectively monitor the activities of street beggars, fund raisers at religious sites particularly in areas known for terrorist activities, in order to curtail this type of fundraising and ensure that terrorists do not exploit the general population.
- Enhance intelligence gathering capabilities and consider the use of undercover operation and co-operating insiders as a way of obtaining credible information about terrorists and terrorist groups.
- Put in place effective regulatory and monitoring mechanisms to ensure effective supervision of the activities and transactions of NGOs and charities without retarding their important functions, including the adoption and implementation of standard guidelines and procedures for the monitoring and supervision of the operations of NGOs and charities, covering those operating internationally, in order to ensure that they are not being used as conduits for terrorists financing.
- Review and put in place effective business and company registration management processes.
- Implement measures relating to the monitoring and control of donations made to NGOs, and to better educate notaries on their AML/CFT obligations.
- Enhance training on investigation techniques and experience of prosecution authorities in dismantling terrorists and their sources of funding.

- Implement the ECOWAS Convention on police cooperation within the framework of the West African Police Chiefs Committee (WAPCCO) as well as the Regional Counter Terrorism Action Plan.
- Strengthen the responses of ECOWAS Member States against illicit trade in small arms and light weapons in West Africa, including strengthening cross-border co-operation and collaboration.
- Deepen the implementation of AML/CFT measures, especially customer identification and reporting of suspicious transactions to effectively combat terrorist financing.
- Collect quantitative and qualitative information on terrorist financing and terrorist activity in order to gauge the scope of the issues and to identify trends. This should also include the sharing of information within the region in order to identify regional trends or shifts in activity.
- Enhance national inter-agency collaboration and international co-operation in information sharing.
- Improve border surveillance and security at national borders and develop synergy with neighbouring countries.
- Examine the social support system structure of terrorism in its cultural and social context, especially by security agencies in order to develop specific responses to specific terrorist financing situations.
- Establish formal operational co-operation mechanisms to exchange information between customs authorities and security agencies to monitor cross border trade.
- Devise policies and programs aimed at integrating both the formal and informal sectors aimed at regulating and monitoring the activities of money launderers and terrorist financiers. This should also include deliberate policies aimed at reducing preference for cash transactions and eventually creating cashless payment systems from which potential terrorism-related transactions and money laundering could be detected, investigated, or prevented.
- Strengthen human and institutional capacities in order to improve on investigation, prosecution and adjudication for cases of terrorist financing.
- Take practical steps to address the issues of corruption within security agencies that could hinder the detection and effective investigation and prosecution of terrorist financing cases, including, as necessary, the adoption of internal oversight and institutional framework to enhance integrity in law enforcement.
- Establish early warning systems within security and intelligence services to serve as vigilance tool in identifying and countering potential and real

threats of terrorist financing, especially in countries with large religiously sensitive population.

- Review and amend, where necessary, legislations and regulations relating to terrorism and terrorist financing in order to ensure effective deterrence, and to provide the maximum co-operation possible to other jurisdictions in order to effectively combat the threats;
- Involve the civil society, religious groups and the private sector more effectively in terrorist financing prevention efforts; and

REGIONAL / INTERNATIONAL AUTHORITIES AND DEVELOPMENT PARTNERS SHOULD:

- ECOWAS should integrate terrorism and terrorist financing in its regional conflict and disaster early warning system to monitor and assess terrorists funding and sympathisers (Community anti-terrorism Vigilance System), in collaboration with national, academic and civil society bodies.
- Develop regional training platforms by institutions such as GIABA to facilitate experience sharing among relevant authorities actors and to strengthen operational capacities;
- Increase technical assistance to national specialised agencies, including FIUs. In particular, support the development of specific courses on terrorist financing, financial analysis, organised crime, financial investigations to enhance the investigative, prosecutorial, and intelligence-gathering capacities of specialised personnel.
- Support sub-regional initiatives for capacity building and increase regional and international co-operation, including arrangements for sharing of information on continuous basis.

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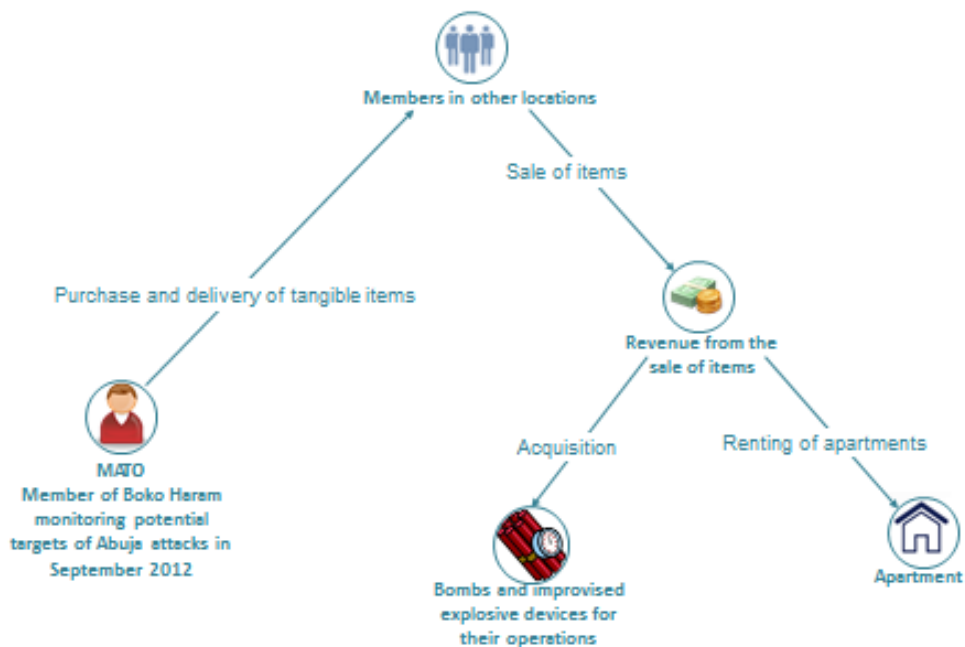
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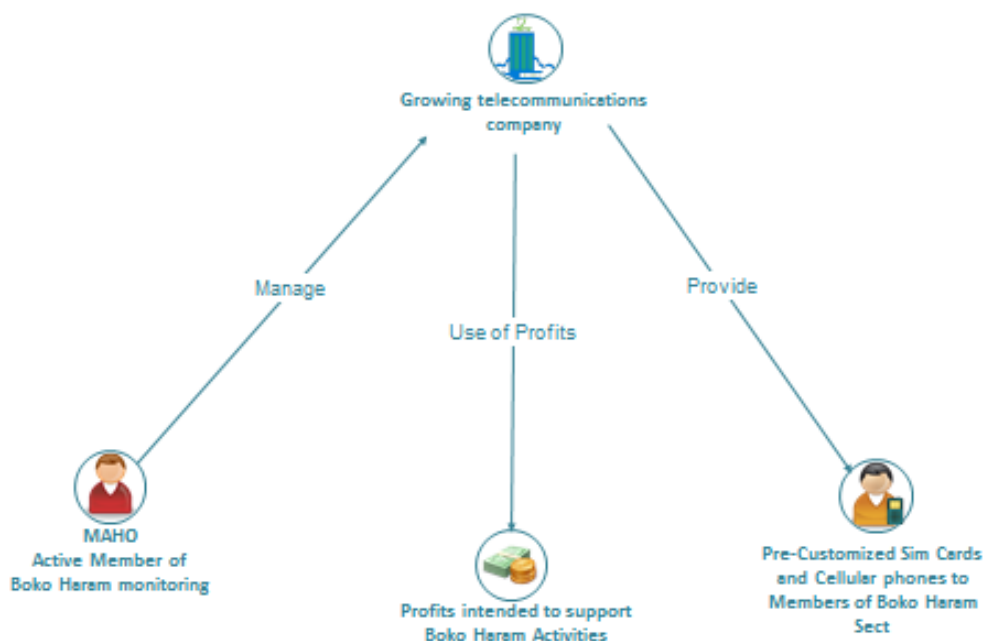
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APPENDIX

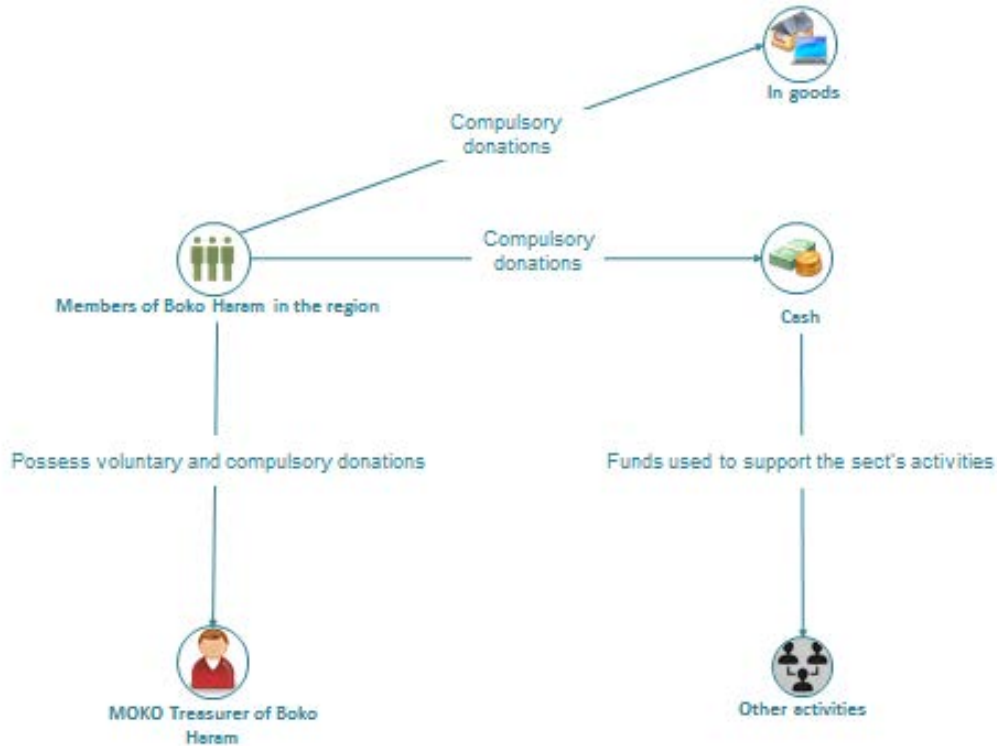
CASE 1.1 SALE OF GOODS AND OTHER LUCRATIVE ACTIVITIES



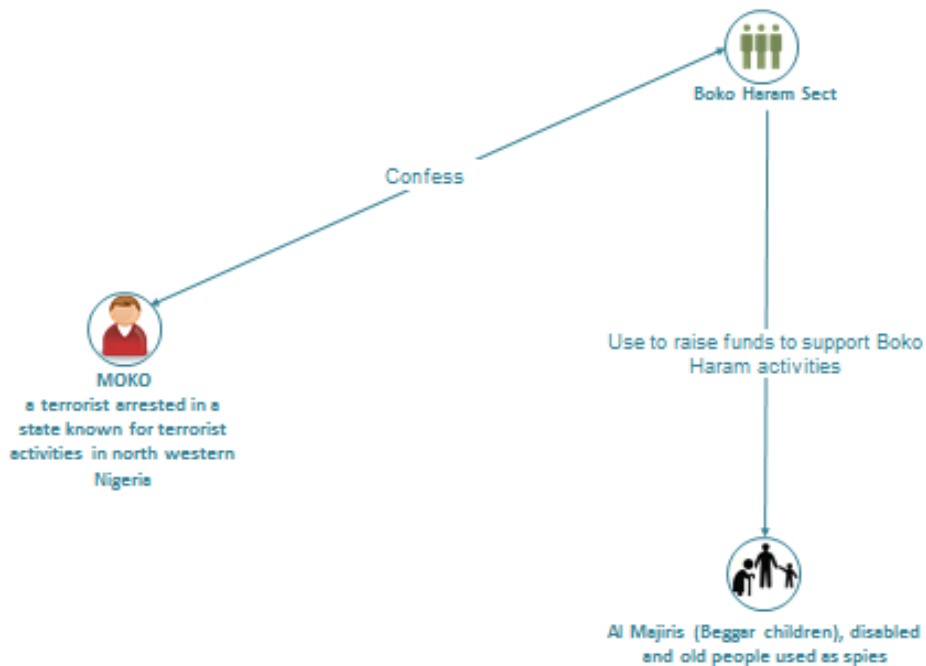
CASE 1.2: BUSINESS PROFITS/LOGISTICAL SUPPORT (TELECOMMUNICATIONS)



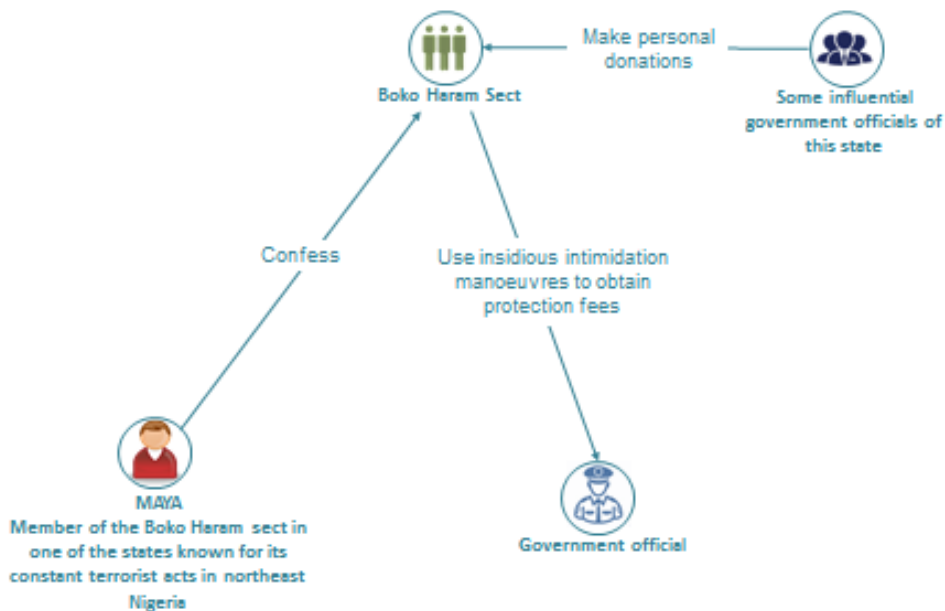
CASE 2.1: FINANCING THROUGH THE FINANCIAL SYSTEM



CASE 2.3: BEGGING (ALMS COLLECTION) BY VULNERABLE PERSONS



CASE 2.4: EXTORTION OF CIVILIANS BY MEANS OF INTIMIDATION



CASE 3.1: ARMS SMUGGLING AT THE NIGERIAN BORDER

