

**THE ROLE OF THE UNITED NATIONS  
SECURITY COUNCIL IN COMBATING  
TERRORISM FINANCING SINCE 2001:  
PROSPECTS AND CHALLENGES**

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**THIS DISSERTATION IS SUBMITTED TO THE  
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## DECLARATION

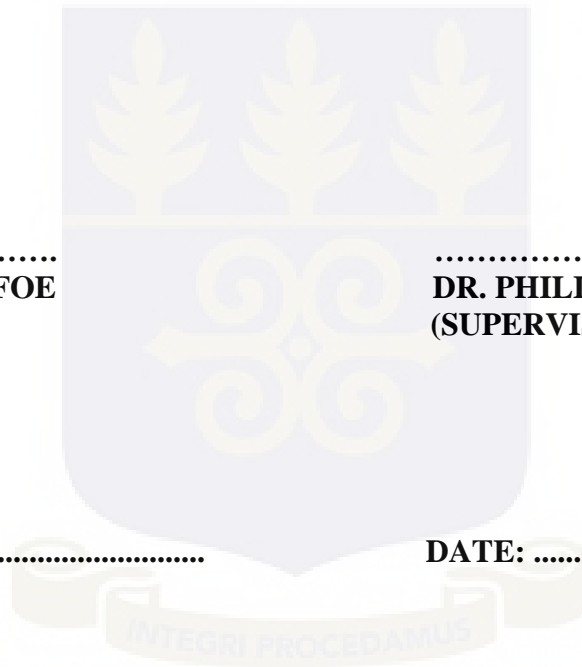
I, Esther Esi Baffoe, author of this dissertation, do hereby declare that this is the result of an original research conducted by me, under the supervision of Dr. Philip Attuquayefio, during my period of stay at the Legon Centre for International Affairs and Diplomacy (LECIAD) for the award of a Master of Arts in International Affairs degree, and that no part of it has been submitted anywhere else for any other purpose. Additionally, all references in the work of other persons or bodies have been duly acknowledged.

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## DEDICATION

*I dedicate this work to the Almighty God and to the indelible memory of my dear parents.*



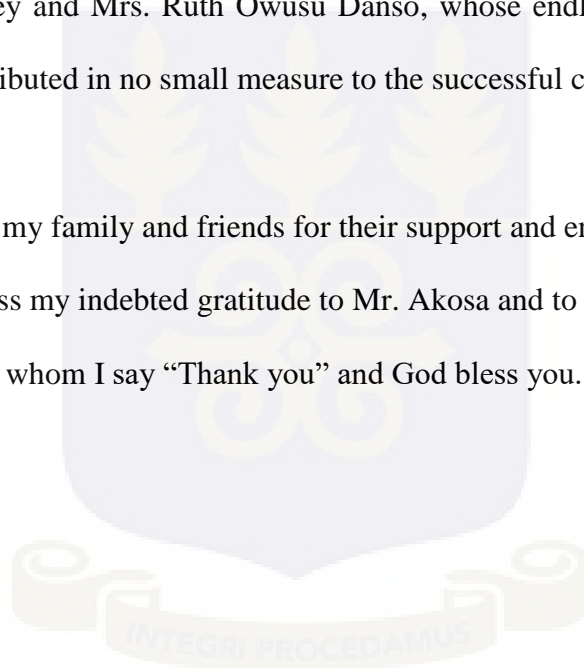
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## LIST OF ABBREVIATIONS

9/11	-	September 11
ANF	-	Al-Nusra Front
AU	-	African Union
CNN	-	Cable News Network
CTF	-	Counter Terrorist Financing
CTITF	-	Counter-Terrorism Task Force
EU	-	European Union
GCTF	-	Global Counterterrorism Forum
IMF	-	International Monetary Fund
ISI	-	Intelligence and Security Informatics
KYC	-	Know Your Customer
NAFO	-	Northwest Atlantic Fisheries Organization
NATO	-	North Atlantic Treaty Organization
NGOs	-	Non-Governmental Organizations
U.K	-	United Kingdom
UN	-	United Nations
UNSC	-	United Nations Security Council
US	-	United States
WTC	-	World Trade Centre

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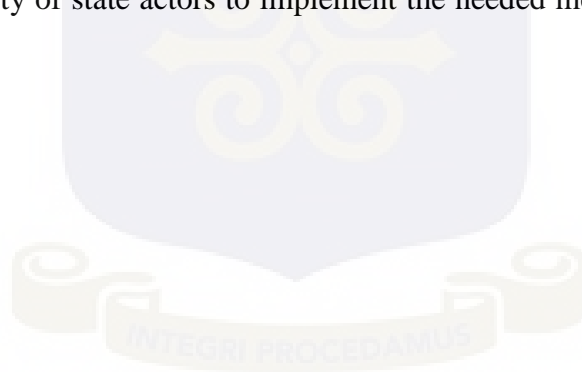
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## ABSTRACT

The study sought to examine how terrorism is financed in the world and the efforts being made by the UNSC to prevent terrorism financing. The study relied on both scholarly literature and key UN documents, especially UNSC resolutions adopted by the UN from the year 2001 to 2015 to analyze and discuss how terrorist activities are financed, the efforts by the UNSC in combating terrorist financing and the prospects and challenges in the efforts by the UNSC in combating terrorist financing. The study determined that terrorist activities are financed through legal and illegal activities. The legal activities are through donations, charities, fund raising, honey production and State sponsored activities. The illegal means are through criminal proceeds, kidnapping and ransom seeking, invading oil fields to trade, illegal charcoal trade, drug trafficking and money laundering. The study further found that the UN has undertaken significant measures to combat terrorism financing; among these are the adoption by the UN of international conventions for the suppression of terrorism financing, curtailing of money laundering, preventing direct donations to terrorist groups to support their activities, and limiting fundraising by terrorist groups. Finally, the study noted that, the efforts by the UN to combat terrorism financing are often hindered by peculiar challenges, among which are innovation and technological challenges, lack of international cooperation among relevant state actors, lack of intelligence sharing and the sidelining of the private sector and civil society organizations. In order to promote UN efforts in this regard, it is recommended, among others, that international cooperation among relevant global players is improved as well as enhancing the capacity of state actors to implement the needed mechanisms to curtail this menace.



## CHAPTER ONE

### INTRODUCTION

#### 1.0 Background to the Research Problem

One of the enduring challenges to national, regional and global security in the last two decades has been terrorism.<sup>1</sup> On September 11, 2001 (9/11),<sup>2</sup> two hijacked aircrafts were flown into the towers of the World Trade Centre (WTC) and the Pentagon (which is the heart of the US military establishment), which caused painful destructions to many lives and properties. The CNN reported that “nineteen men hijacked four US commercial airplanes which were bound for destinations at the west coast.”<sup>3</sup> It is indicated that “a total of 2,977 persons were killed in Washington, DC, New York City and the outside of Shanksville, Pennsylvania.”<sup>4</sup> It is important to note that 2,753 people perished at the World Trade Centre (WTC) where two airlines (American Airlines Flight 11 and United Airlines Flight 175) crashed. Out of the 2,753 persons who perished, 343 of the victims were firefighters from New York City, 23 from the New York Police Department and 37 officers from the Port Authority. The victims, who perished during the 9/11 attack ranged between the ages of 2 - 85 and almost 75-80% of the victims were men while the remaining were women.<sup>5</sup>

The total in terms of the lives, economy, infrastructural destruction arguably places the 9/11 attacks at the vanguard of one of the worst terrorist incidents in the history of the world. Since then terrorists’ actions and attempts to counter them have featured prominently in discussions on global peace and security.

Since the United Nations (UN) was established in 1945, it has always had an uncertain relationship with regards to the activities of terrorist organizations.<sup>6</sup> A Section of the UN firmament has viewed terrorism as a social phenomenon. However, scholars and experts outside the UN view terrorism quite differently. The UN's stance on the definition of terrorism is that there must be a uniform definition of terrorism because without a uniform definition of terrorism, member states will find it a hurdle to unite and fight against the menace, since terrorism may mean differently to people at different times. Although there has been difficulty drafting a precise definition, some experts have agreed that terrorism is a "means-a weapon."<sup>7</sup> To them (UN), terrorism is not a political movement in and of itself, but a tool used by various movements. According to the Vice President of the UN Task Force on fighting terrorism, terrorism is used to achieve a group's political or social objective; it's generally intended to intimidate or coerce government, individuals or groups to modify their behavior or policies.

It is important to establish that before the 9/11 attack, the UN had confronted the issue of terrorism at the UN General Assembly. However, after the 9/11 attack, the United Nations Security Council (UNSC) and other committees within and outside the UN were tasked to handle the issues of terrorism.<sup>8</sup> There have been six committees and other UN bodies with elaborated conventions to address the issues of terrorism and how they are financed in the world. The UN realized that the fight against terrorism and how they are financed can only be won through some comprehensive and pragmatic measures by the UN charter and international laws.

The UNSC has been tasked to counter terrorism by the implementation of the UN Resolution 1373 of 2001.<sup>9</sup> The conventions address the handling of nuclear materials,

plastic, explosive, aviation, maritime navigation, protected persons, and hostage-taking. Going forward, “the General Assembly established an ad hoc committee to elaborate an international convention for the suppression of terrorist bombing. Subsequently, the committee was charged to elaborate new international conventions for the suppression of acts of nuclear terrorism and a comprehensive legal framework for dealing with international terrorism. The General Assembly has renewed the committee’s mandate every year since then, and the committee has issued annual reports since 1997.”

The Security Council weighed in on terrorism and became the locus of action. That the larger world’s unwillingness to agree on a definition of terrorism or condemnation of terrorism in all circumstances became irrelevant, or if not irrelevant, a symptom of political disagreement all could understand. As a preliminary stage to combat the scourge, the Security Council adopted Resolution 1368. The resolution unequivocally condemned the terrorist attack of September 11, called on all states to “work together urgently to bring to justice the perpetrators, organizers and sponsors “of the attack and called on the international community to “redouble their efforts to prevent and suppress terrorist acts by increased cooperation and full implementation of the relevant international anti- terrorist conventions and Security Council resolution. Resolution 1373 followed shortly after Resolution 1368. In the resolution, the council decided to adopt a number of binding obligations on states in an attempt of combating terrorism. They required states to prohibit both passive and active support for terrorists. Hence, not only must states impose sanctions on financial transaction, freezing the assets of terrorist and their support on behalf of terrorist act but also to build up state capacity, and work to enhance the international cooperation against terrorism. Since Resolution 1368, the UN has become an active hub for deliberations on combating terrorism in its various manifestations.<sup>10</sup>

With regards to the resolutions on countering terrorism, substantial progress has been accomplished in understanding the phenomenon for terrorism financing and articulating and implementing the measures to address it since it strikes to be the pivot that fuels the acts. The fight against terrorism involves economic components that would be needed to prevent the activities of terrorist organizations. On the other hand, terrorist organizations depend on aggressive monetary measures to execute their tasks successfully. This is what scholars (Freeman, 2011, Weintraub, 2002) have termed terrorism financing. “The international community has observed the use of progressively sophisticated method to move illicit funds through financial system across the globe and has acknowledged the need for improved multi-lateral cooperation to combat these criminal activities.”

A variety of definitions have been offered in respect to terrorism financing. The World Bank and the International Monetary Fund (IMF) have defined terrorism financing as “*the financial support, in any form, of terrorism or of those who encourage, plan or engage in it.*”<sup>11</sup> As there are variations in the definitions of terrorism, so it is when defining terrorism financing. The UNSC has also exhibited in the various resolutions on how to deal with terrorism financing. It is against this backdrop that the study examines how terrorist organizations finance their activities and investigate the efforts by the UNSC in combating terrorism financing after the 9/11 incidence.

### **1.1 Statement of the Research Problem**

The aftermath of the 9/11 attacks caused numerous scholars, both in the developed and developing countries, to investigate the activities that underpinned the painful event where several lives were lost (Toohey, 2008). With the attempts made by scholars (Freeman, 2011) and organizations to combat terrorism and how they are financed, little research have been carried out using the UNSC resolutions to examine how terrorism is financed.

Furthermore, few studies have been able to explore the efforts made by the UNSC in combating terrorism financing in the world.

Discussions on terrorism have revolved around how terrorists are financed to carry out their activities and the role of the UNSC which represents a vibrant hub in combating terrorism financing. It is in this regard that the UNSC in the year 2001, passed Resolution 1373 and 1377 where resolutions “called on states to complement international cooperation by taking additional measures to prevent and suppress, in their territories through all lawful means, the financing and preparation of any acts of terrorism”. Subsequent to this, a number of UNSC resolutions have sought to address the challenge of terrorism financing.

Seeking inter alia; “the need to combat by all means, in accordance with the Charter of the United Nations, threats to international peace and security caused by terrorist acts, calling on States to work together urgently to prevent and suppress terrorist acts, including through increased cooperation and full implementation of the relevant international conventions relating to terrorism.”

In spite of these efforts and measures, thus, the adoption and implementation of resolutions, conventions and the imposition of sanctions, it is still not clear whether the fight against terrorism and its financing has been won or closer to a win. Instead, activities of terrorist groups, particularly those with a global reach, continues with so much impunity, outwitting the efforts and measures of the UNSC to combat the scourge. This study examines the mandate of the UNSC in effectively combating the financing of

terrorism, the extent of its prospects and the challenges the council have encountered so far and the way forward.

## **1.2 Research Questions**

In order to address the above stated problem, the following questions will be answered:

- How is terrorism financed?
- What are the efforts of the UNSC in combating terrorism financing after the 11<sup>th</sup> September, 2001 attack on the US?
- What are the prospects and challenges that confront the UNSC's efforts to combat terrorism financing after 11<sup>th</sup> September 2001?

## **1.3 Research Objectives**

- To examine how terrorism is financed.
- To examine the efforts of the UNSC in combating terrorism financing after 11<sup>th</sup> September, 2001 attack on the US.
- To review the prospects and challenges that confront the UNSC's efforts to counter terrorism financing after 11<sup>th</sup> September 2001.

## **1.4 Scope of the Study**

The study focuses fundamentally on the aftermath of 11<sup>th</sup> September, 2001 since then the UNSC has passed over fifty resolutions relating to terrorism financing .This study does a synthesis of the various resolutions aimed at identifying the prevailing trends ,themes and strategies in UNSC resolution.

### **1.5 Rationale of the Study**

The research focuses on the UNSC efforts in combating terrorism financing and critically analyses it from the perspective of the aftermath of 11 September, 2001. The sponsoring of terrorists to engage in terror acts is never in doubt. It is hoped that the findings of the research will be beneficial for academia and policy makers and also provide more information for further research.

### **1.6 Conceptual Framework**

This study is situated within the concept of international security. International security, also called global security, refers to the merger of measures taken by states and international organizations, such as the United Nations, European Union, and others, to ensure mutual survival and safety. These measures include military action and diplomatic agreements such as treaties and conventions. International and national security are invariably linked. International security is national security or state security in the global arena.

With the end of World War II, a new subject of academic study focusing on international security emerged. It began as an independent field of study, but was absorbed as a sub-field of international relations.<sup>12</sup> Since it took hold in the 1950s, the study of international security has been at the heart of international relations studies.<sup>13</sup> It covers labels like "security studies", "strategic studies", "peace studies", and others.

The content of international security has expanded over the years. Today it covers a variety of interconnected issues in the world that affect survival. It ranges from the traditional or conventional modes of military power, the causes and consequences of war between states, economic strength, to ethnic, religious and ideological conflicts, trade and

economic conflicts, energy supplies, science and technology, food, as well as threats to human security and the stability of states from environmental degradation, infectious diseases, climate change and the activities of non-state actors.<sup>14</sup>

While the wide perspective of international security regards everything as a security matter, the traditional approach focuses mainly or exclusively on military concerns.<sup>15</sup>

Edward Kolodziej has compared international security to a Tower of Babel<sup>16</sup> and Roland Paris (2004) views it as "in the eye of the beholder".<sup>17</sup>

Walter Lippmann (1944) views security as the capability of a country to protect its core values, both in the sense that a state needs not sacrifice its core values to avoid war, but has to maintain them and win a war.<sup>18</sup>

Barry Buzan (2000) views the study of international security as more than a study of threats, but also a study of which threats can be tolerated and which require immediate action. He sees the concept of security as not either power or peace, but something in between.<sup>19</sup>

The concept of an international security actor has been extended in all directions since the 1990s; from nations to groups, individuals, international systems, NGOs, and local governments. Traditional approaches to international security usually focus on state actors and their military capacities to protect national security. However, over the last decades the definition of security has been extended to cope with the 21st century globalized international community, its rapid technological developments and global threats that emerged from this process. One such comprehensive definition has been proposed by

Nayef Al-Rodhan. What he calls the "Multi-sum security principle" is based on the assumption that "in a globalized world, security can no longer be thought of as a zero-sum game involving states alone. International security, instead, has five dimensions that include human, environmental, national, transnational, and transcultural security.

Each of these five dimensions refers to a different set of substrates. The first dimension refers to human security, a concept that makes the principle referent object of security the individual, not the state. The second dimension is environmental security and includes issues like climate change, global warming, and access to resources. The third substrate refers to national security, defined as being linked to the state's monopoly over use of force in a given territory and as a substrate of security that emphasizes the military and policing components of security. The fourth component deals with transnational threats, such as organized crime, terrorism, and human trafficking which are of much relevance to this work. Finally, the integrity of diverse cultures and civilizational forms tackles the issue of transcultural security. According to this multi-faceted security framework all five dimensions of security need to be addressed in order to provide just and sustainable international security. It, therefore, advocates cooperative interaction between states and peaceful existence between cultural groups and civilizations. To enhance international security against potential threats caused by terrorism and organized crime, there has been an increase in international cooperation, resulting in transnational policing. The international police Interpol organization (INTERPOL) shares information across international borders and this cooperation has been greatly enhanced by the arrival of the Internet and the ability to instantly transfer documents, films and photographs worldwide.

The focus of international security is “incredibly “relevant to this work given that the UNSC is an important organ of the UN which since its foundation in 1945, was conceived as an instrument to face the most relevant global challenges emerging in the international system. Its structure and functioning was designed to curtail the negative effects of globalization, such as the spread of transnational threats, like terrorism, and to grant peace and security.

Given that the rise of terrorism derails states from enjoying such peace and security, it falls within the mandate of the UNSC to cooperate and collaborate with both state and non-state actors to curtail this menace, not forgetting that the UN looms uniquely largely in the arena of peace and security since its inception. The UNSC measures to curb the scourge of terrorism in all its forms fall within the mandate of safeguarding international security.

Despite the fact that the UN’s commitment to deal with international questions has been outstanding, nowadays its system reveals some important weaknesses. Firstly, the new contemporary global challenges are jeopardizing its solidity and effectiveness. An example comes from the spread of security threats, such as transnational terrorism and illicit arms trade. These phenomena have highlighted the limits of the Security Council’s action, and, in general, of the UN’s security system to assure peace and international stability. Although all seems good a concept to combat the financing of terrorism, scholars, however have criticized this concept of international security based on assumptions.

Notable among these scholars include, Arnold Wolfers (1952) who argues that "security" is generally a normative term. It is applied by nations "in order to be either expedient—a rational means toward an accepted end—or moral, the best or least evil course of action".<sup>20</sup> In the same way that people are different in sensing and identifying danger and threats, Wolfers argues that different nations also have different expectations of security. Not only is there a difference between forbearance of threats, but different nations also face different levels of threats because of their unique geographical, economic, ecological, and political environment. While it can be argued that no sovereign state is an island and as such, absolutely safe from future and unforeseen attacks, it will, however, be unreasonable to contend that a state like Canada in the present times is threatened to the same extent as states like Yemen, Syria and Iran of today.

It can also be argued that, since states are not constantly faced with the same degree danger or threats, a uniform approach to maximize global security will not always be effective. Let us be mindful that there is no one prescription or cure to all diseases. States may embrace threats to security on different levels at different times, what may be deemed as a threat may be regarded by another as a normal security issue. With hindsight it is sometimes possible to tell exactly how individual states take rational reaction to the actual state of danger existing at a time. Undisputedly states with nuclear capacity and well trained forces are in better position to react to the least threat in a form of security dilemma to their security.

In sum, it can be argued that the concept of international security, somewhat, interferes with the will of states to focus and address security matters as it wills them especially

when they are weak states unlike the stronger states. This to an extent impairs the national security which happens to be the core of all living states.

### 1.7 Literature Review

With regards to the scholarly works done in past and present times, not too many works have been conducted concerning the challenges and prospects of the UNSC. Nevertheless, with the studies that have been on terrorism financing, few classic and contemporary literature have addressed the “challenges faced by the international community in responding to the financing of terrorism”. It is in this light that this section of the study reviews the literature by scholars to indicate how they contribute significantly to the theme under study. This section also identifies some gaps in literature that this study attempts to fill.

The work by Sarah Leonard and Christian Kaunert, “*Combating the financing of terrorism together? The influence of the United Nations and the European Union financial sanctions regime*”, opined that the devastating attack of 9 /11 on the World Trade Centre necessitated international corporation “both at the global and regional levels within the bodies such as the UN and EU. They (Sarah Leonard and Christian Kaunert) observed that the conduct of terrorist attacks does not necessarily require large amounts of money but, however, it is evident that the preparations towards the attack and other activities of terrorists, like recruitment, training, propaganda and the promotion of terrorist causes necessitated a higher level of funding. Therefore, the need to prevent terrorist access to funds represented a fundamental way to disrupt their activities and to prevent unforeseen attacks from occurring.”<sup>21</sup>

In addition to Sara Leonard and Christian Kaunert view on terrorism financing, Freman (2011) has asserted that terrorism can be funded legitimately or illegitimately. Legitimate funding may include “monies raised by charities, donations and the proceeds of other forms of fund-raising whereas illegitimate funding referred to proceeds of criminal activities such as money laundering, drug trafficking and illegal arm trades”. These proceedings irrespective of its purpose and destination would be frozen and seized even if it was not purported to finance terrorism. On the contrary, some legal funds are bound to be seized and frozen if it is intended in part or full to support or finance the activities of terrorism.

Moreover, terrorism can be funded by the state or private actors. As there has been significant decrease in the number of states financing terrorism over the last few years, the role of private actors in the financing of terrorism is on the rise. In this regard, the diversity of actors and activities in terrorism is also reflected in the range of CTF measures which addresses the “raising of funds, holding funds, moving or transferring funds and dispersing funds to commit terrorist acts”. In the aftermath of 9/11, the EU has been a catalyst for the development of EU’s CTF policy, although some CTF measures had already been adopted previously like the sanctions against Osama Bin Laden. The EU CTF policy, namely financial sanction measured against suspected terrorist has been influenced by the UN. These financial sanctions against individuals are measures that oblige states to:

- a) “Freeze the funds and other financial assets or economic resources of the targeted persons.
- b) Ensure that these persons do not have direct or indirect access to other funds, financial assets or economic resources.”<sup>22</sup>

Similarly, the literature by “Joseph J Norton and Heba Shams” in their work: *“Money Laundering Law and Terrorist Financing: Post September 11 responses-Let us step back and take a deep breath?”* expressed that the 9/11/2001 occurrence was the day the US community joined the rest of the globe to observe and experience the tragic and painful demise of the loved ones of America on its home soil due to the terrorist attacks on twin towers of the World Trade Centre. The happening of September 11, 2001 is said not to be just a crime but one of the most unprecedented crimes the American society had known throughout its history. In response to such an attack, the US Executive and Congress took an action whose result landed on the “enactment of the uniting and strengthening America by providing appropriate tools required to intercept and obstruct Terrorism act.”<sup>23</sup> The act is designated by the acronym, USA PATRIOT, “and called upon the patriotism of every American to play his part in fending against terrorist threats”. The response vibrantly assumed a global concern since the US legal policy was evident not only within its domestic jurisdiction but also in the front of international arena and fora. Collective effort was mobilized as it was realized that going after terrorist money was a key instrument in the war against terrorism. This collective effort translated into duties and obligations on financial institutions around the world. Money laundering prevention became a pivotal approach to curtailing crimes and a principal rule to international banking standards. It is to be noted, nonetheless, that prior to 9/11, there was in existence of money laundering regimes by the US, both at the domestic and international arena, targeting the financial resources of terrorists and their affiliated organizations. However, the US money laundering prevention regime has expanded significantly over the decades both at the local and international levels, to target a much wider notion of ‘criminality’ since regimes like certain laws lacked behind facts for future exploration.

Before September 11, 2001, the US authorities came to the realization that a banking organization's best protection against criminal activities depended largely on its own internal control system, which consist of policies and procedures formulated to identify and understand those it conducted business with, its ability to identify suspicious clients and activities and also to coordinate with appropriate governments, agencies and officials about suspicious crimes and activities in furtherance of the Basel committee's money laundering principles and substantive regulatory and supervisory guidance issued by the US banking authorities. The latter provided a comprehensive guide for banking organizations which sought to enforce anti-money laundering programs in specific areas focusing on:

- a) Know your customer rule (KYC)
- b) Enhancing due diligence on private banking activities;
- c) Reviewing relationships with non-US correspondent banks and shell banks
- d) Monitoring wire transfers for pattern of money laundering activities.

In furtherance, the UNSC after seven days of the attack adopted "resolution 1373 affirming its condemnation of the attack and elaborating steps and strategies to be adopted for the purpose of combatting terrorism."<sup>24</sup>

While the term terrorism undoubtedly lacks a definite definition, In "Jean –Marc Sorel's work, *"Some Questions about the Definition of Terrorism and the Fight against Its Financing"*(2003) is concerned with the efficiency of the conventions enforced to eliminate the funding of terrorist activities in the world. It is important to note that the UN Convention of 1999 was adopted to deal with the issues of terrorism funding in the world.

Indeed the “UN conventions permit punishment of an offence as well as the intention to commit or complicity in an offence (Article 2).” Comparing the current UN conventions to that of the previous conventions, it can be seen that the current convention enforces ‘tight control’ of all the characters in every possible way so as to prevent them from escaping justice.

Specifically, article 8 of the UN convention focuses more on the core issues of terrorism financing. It is stated that: “the state should take all necessary measures in order to freeze, seize, and detect the origins of funds which could support terrorism, and demanding that domestic legal principles be adapted to the framework of the Convention.” Article 18 gives more precise measures in fulfilling these.

What the UN convention seeks to establish is that feasible measures have been put in place to prevent terrorism financing in the world.<sup>25</sup> Measures such as “identification of traders, cross-border transportation (which makes it unorthodox) and the conservation of archives” have been recognized to deal with terrorism financing.

It appears in article 15 that a State cannot act if it considers that the request for extradition for offences or for mutual legal assistance has been made for the purpose of prosecuting a person on account of the individual’s “race, religion, nationality, ethnic origin or political opinion.”

Sorel (2003) opines that there have not been any clear and accepted definitions of terrorism financing hence the definition of terrorism financing can be interpreted in many

ways. Sorel (2003) further argues that the UN convention must be considered as a framework in defining or giving meaning to terrorism financing.

The war on terror, according to Zachary Abuza, “has been well executed in the Southeast Asia, as stated in his article” “Funding Terrorism in Southeast Asia: the Financial Network of Al Qaeda and Jemaah Islamiya.” Over 160 Jemaah Islamiya –linked militants since December 2001 have been arrested hence disrupted the operations of terrorist activities. However, there is a grave cause for concern since the group is rebuilding its capacity to attack soft targets. The conspicuous exceptions to “the success in fighting terrorism has been on the financial front where mechanism for funding terrorism have continued intensively in southeast Asia , hitherto no terrorist assets or funds have been seized in the region.” Although two leading members of Jemaah Islamiyah had their assets blocked by the United States under executive order, it is also recounted that as of 2003, only US\$113 million in Al-Qaeda-linked assets had been frozen. In early 2003, the US Department of treasury’s office of foreign asset control drew up a list of 300 individuals, charities and corporation in Southeast Asia believed to be Al-Qaeda and Jemaah Islamiya funders. The head of terrorism financing tracking unit at the Federal Bureau of Investigation asserts that, with the crackdown on Middle Eastern funding mechanism, especially the financial centre in Abu Dhabi and other parts of the United Arab Emirates, al Qaeda has increasingly relied on Southeast Asia to move its money and hide its assets. Al Qaeda’s financial network is very sophisticated and complex dating back 1980’s to early 1990’s where Osama Bin Laden set out to establish an organization that would be self-sustaining over time; thus one part self –reliant another part reliant on the Ummah, the Muslim community’ built on layers and redundancies’ al-Qaeda’s financial backbone.

The aim of counter terrorism, according to Matthew Levitt, “should be to constrict the environment on which terrorists operate,” including their logistics and financial support networks which will intend to deny terrorist the means to travel ,communicate, procure equipment and conduct attacks. But this happens to be a difficult hurdle to jump on the war of terror, since terrorist organizations use myriad ways to fund their operations, legal or illegal, overt or covert. Tracking this funding was also never a priority for law enforcement and counterterrorist officials. The financing of terrorism was considered as a secondary agenda to primary agenda in its self. He argued that although attempts have been made to form a multi-lateral solutions to combating terrorist funding in Southeast Asia, such attempts proved weak and inconsistent leaving only six ASEAN states to sign the International Convention for the Suppression of the Financing of Terrorism, but with only three ratifying it.<sup>26</sup>

The *CTITF Working Group*, in its report entitled “Tackling the financing of Terrorism” intimated that “Substantial progress has been achieved in understanding the phenomenon of terrorism financing and in articulating and implementing the measures necessary to address it. It argued that, terrorism financing incorporates the distinct activities of fund-raising, storing and concealing funds, using funds to sustain terrorist organizations and infrastructure, and transferring funds to support or carry out specific terrorist attacks. Funds used to support terrorism may be generated through legal or illegal means, and legitimate humanitarian or business organizations may be used knowingly as a means for financial or other logistical support to terrorism.”

The banks and other financial transactions can yield treasured intelligence that may be unavailable from other areas. However, detecting illicit financial activity, including terrorism financing, is difficult in the formal financial system and even more difficult

outside of it to them. “Targeted financial sanctions (including, in particular, the freezing of assets) against persons and entities suspected of providing financial support to terrorism have proved effective, but they need to be balanced with the need to track terrorist funds movements to gather intelligence on the scope of the terrorist network.”

Additionally, “combating the financing of terrorism (CFT) measures have raised legal, institutional, political and human rights issues that are not fully resolved. This is perhaps best illustrated by recent court rulings that have called into question the procedural safeguards in the designation of persons for financial sanctions. Finding solutions to these issues remains central to maintaining the effectiveness of the system in the long run. They suggested that, Authorities should exercise caution not to introduce laws or regulations denying private and public sector stakeholders in the name of countering the financing of terrorism without sufficient evidence or typologies that the burden is proportionate to the risk.”<sup>27</sup>

Researchers have found out that “Regional vulnerabilities, trends and priorities have an impact on the way in which the international standards are implemented and recommended that international community should afford greater recognition and deference to the work of the regional bodies in supporting and mediating the implementation of the international standards to the local context, in particular in the determination of risks and vulnerabilities of a country to terrorism and the financing of terrorism.”<sup>28</sup>

## **1.8 Sources of Data and Research Methodology**

Data for this study mainly relied on secondary sources. Secondary data sources such as research publications, journals, articles, chapters of books on terrorism, reports and

magazines assisted in organizing Chapter one and Chapter two of this study. More importantly, the study used the UNSC resolutions on terrorism financing to analyze and discuss how terrorism is financed and to explain the efforts made by the UNSC in fighting terrorism financing. Specifically, the study used the resolutions adopted from the year 2001 to 2015.

Regarding the methodology of the study, the researcher applied the qualitative approach as appropriate for the study. This was because of the kind of research problem, objectives and questions the researcher addressed in the study. The problem and objectives of the study required an in-depth explanation and discussions to the issues indicated in the study. Themes were developed out of the objectives and the analysis was done qualitatively.

### **1.9 Organization of Chapters**

The research comprises four chapters. Chapter One constitutes the Introduction. Chapter Two presents an overview of terrorism financing in the 21<sup>st</sup> century. Chapter Three focuses on the role of the UNSC in combatting terrorism financing since 2001: prospects and challenges. The final Chapter, which is Chapter Four presents the summary of findings, conclusions and recommendations.

## Endnotes

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- <sup>2</sup> <http://edition.cnn.com/2013/07/27/us/september-11-anniversary-fast-facts/index.html>
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## CHAPTER TWO

### AN OVERVIEW OF TERRORISM FINANCING SINCE 2001

#### 2.0 Introduction

The subject of terrorism financing has received great interest since the attacks of September 11, 2001. This chapter presents an overview of terrorism financing since 2001. It focuses on the concept of terrorism financing, highlighting varying views on the concept. It also looks at the actors involved in financing terrorism, sources of terrorism finance, and the various ways by which terrorism is financed.

#### 2.1 The Concept of Terrorism Financing

Terrorism is expensive, according to Freeman (2001) and requires money. Smith (2002) argues that terrorism is “*the lifeblood*”<sup>1</sup> of the various terrorist groups in the world. Without money it will be difficult for the terrorist groups to conduct their operations as organizations. Though, Enders and Sandler (2004) have indicated that the cost of some operations in terrorism may not require large funds in order to function. However, the aftermath of the attack on the 11<sup>th</sup> September, 2001 has changed the dynamics on the issues concerning financing terrorists.

The World Bank and the International Monetary Fund (IMF) have defined terrorism financing as “*the financial support, in any form, of terrorism or of those who encourage, plan or engage in it.*”<sup>2</sup> This definition, given by the World Bank and the IMF, has not been agreed to by the international community because it does not have a provision for the effective global combat of terrorism.

However, Dalyan (2008)'s contribution to terrorism financing indicates that terrorism financing is the processing of funds, provision of financial supports from states, organizations or Individual's to terrorist groups to enable them conduct their activities. "Financing is required not just to fund specific terrorist operations, but to meet the broader organizational costs of developing and maintaining a terrorist organization and to create an enabling environment necessary to sustain their activities."<sup>3</sup>

Over past decades, there have been alleged State sponsors of terrorism, namely Libya, Syria, Sudan and Iran, who effectively stopped financing terrorist groups to commit acts of terrorism. All of these states, in one way or another, were under unilateral and Security Council-based sanctions throughout the 1980s and 1990s as a result of their association with terrorist groups.

"Maintaining a terrorist network, or a specific cell, to provide for recruitment, planning, and procurement between attacks represent a significant drain on resources. A significant infrastructure is required to sustain international terrorist networks and promote their goals over time. Organizations require significant funds to create and maintain an infrastructure of organizational support, to sustain an ideology of terrorism through propaganda, and to finance the ostensibly legitimate activities needed to provide a veil of legitimacy for terrorist organizations."<sup>4</sup>

Factually, the financing of terrorism took "*a hand to mouth existence approach*"<sup>5</sup> and was largely funded by states sponsors and donors. However, it is appropriate in the 21st century that, terrorist groups sought to rely on themselves for fundings since most states have been obliged to desist from funding terrorism.<sup>6</sup>

In this regard, terrorist groups have resorted to ways and means of generating their own funds without solely depending on states and donors. This has necessitated the need for the establishment of a level of financial dependency where they are required to move away from external dependency of funds to internal dependency.

The internal dependency which explains that, terrorist groups generate their own funds for the conduct of their activities makes it so difficult for states and institutions to track down or disrupt the activities of terrorists. For the growth and sustainability of the terrorist group, it is necessary that the group finds a reliable source of financing based on the territory of operation, targeted population and required resources to aid the conduct of activities.<sup>7</sup> Also, it is worthy of note that, terrorist groups differ in diverse ways and also operate at different levels. Thus, some groups operate domestically whereas other groups operate internationally. However, their source of funds is somehow a determinant of their level of operation since these groups have unequal fundings, different funding source, dissenting interests and, most importantly, varying expenditure.

To understand how terrorist groups generate revenues, knowledge about their groups operations and maintenance expenses is of great importance. Without this understanding, counter terrorism financing measures will be ineffective. With a universal renovation to eliminate the funding of terrorism, organizations are encouraged and required to constantly think ahead of their combatants and doing so in secrecy.<sup>8</sup>

## **2.2 Actors in Financing Terrorism**

Individuals and organizations whose actions and inactions influence the financing of terrorism are called actors in the financing of terrorism. They play major roles in the

financing of terrorism all over the world. Cahn (2013) posits that actors of terrorism financing can be formal or informal organizations, groups or individuals who influence the formation and the execution of terrorism activities. Several actors are involved in financing terrorism. The actors may also include state actors and non-state actors.<sup>9</sup> Blures (2012) has submitted that there are state and private actors in the financing of terrorism.

### **2.2.1 State Actors**

State actors are the accredited representatives of countries who act on behalf of their governments. State actors do not act on their own accord but on behalf of their governments. Concerning terrorism financing there are state and organizations which act to influence the financing of terrorist activities. There are groups especially in the Middle East, which support the financing of terrorist activities.

Example of state actors in the financing of terrorists activities in the world are Saudi Arabia, Syria, Qatar, among others.<sup>10</sup> The state actors which sponsor terrorist activities have government support to engage in terrorist acts. Pakistan, according to Baloch (2012) still sponsors terrorist groups through funding, arming them against war and training them and that the world's most active sponsor of terrorism is Pakistan.<sup>11</sup> Pakistan has been a direct threat to the U.S as far as terrorist activities are concerned for a longer time.<sup>12</sup> The KHAD of Afghanistan is believed to be one of the secret groups that had conducted terrorist bombing in the North-West of Pakistan in the early 1980s.<sup>13</sup> In view of this the U.S State Department blamed a group called WAD, one of the secret agencies in Afghanistan for bombing cities in Pakistan.<sup>14</sup>

Moreover, on the state actors, which are involved in the financing of terrorist activities, India, according to Baloch (2012), cannot be left out. As a matter of fact, Pakistan and Sri

Lanka have accused India of supporting terrorism and “*undertaking economic sabotage*” in Pakistan and Sri Lanka respectfully.<sup>15</sup>

Apart from India which has been accused of financing terrorist activities in the past, Iran has also been known for its state-sponsored terrorism. The Islamic revolutionary Guards Corps of Iran has been indicted of being instrumental in funding, supplying and training an international terrorist group called Hezbollah.<sup>16</sup> Based on this, the U.S, U.K, Yemen and Israel have all accused the government of Ahmadinejad of supporting terrorism in their country or against their country.<sup>17</sup>

Moreover, Libya, after the overthrow of the King Idris in the year 1969, the Libyan government supported terrorist activities through training, supplies of weapons and providing finances.<sup>18</sup> However, in the year 2006, the U.S removed Libya from the list of countries that fund terrorist activities.<sup>19</sup>

### **2.2.2 Non state Actors**

Nevertheless, non-state actors do not just act on their own accord or behalf but they also use their resources to influence the activities of terrorism; they from time to time contribute essential ideas, influence the political scene, influence political agenda and suggest methods and action in financing terrorism.<sup>20</sup> The non-state actors who influence the financing of terrorism include religious groups, transnational terrorist groups, and interest groups, among others. However, Pollard (2012) has stated that these non-state actors in the financing of terrorism are illegitimate by the international system.

### **Transnational Terrorist Groups**

One of the objectives of “transnational terrorist groups is to influence outcomes in the international system via wielding diplomatic, economic, political, social and at times military tools.”<sup>21</sup> A transnational terrorist group, which is a non-state actor in the financing of terrorism, organizes crime groups and terrorist movements. They exercise a considerable amount of power and influence the international community. Transnational terrorist groups operate through bribery, corruption, coercion, violent attacks among others.<sup>22</sup>

Transnational network without the consideration of state patrons offer criminal entrepreneurial opportunities to terrorist groups to develop and provide forbidden services to the international community.<sup>23</sup> It is important to know that transnational terrorist group’s violent culture and values that undermine the international legal framework that provides effective winning credibility to the international community. Transitional terrorist groups makes it difficult to promote democracy, free trade and ideas. Again, due to the activities of transnational groups it becomes burdensome to promote peace in tourism and trade.

### **Religious actors**

There are also religious actors in the financing of terrorism. One of the core ingredients in the financing of terrorism is religious extremism.<sup>24</sup> In recent years, there have been growth and virulence of religious groups’ mostly Islamic sponsoring terrorism.<sup>25</sup> The religious actors in supporting terrorism had its roots in the 1980s and the early 1990s Cold War. During this period, religious extremism provided the radical motivation for terrorist activities in the world.<sup>26</sup> “Terrorist groups, such as the Palestine Liberation Organization

(PLO) and the Irish Republic Army (IRA), operated with agendas with religious components.”<sup>27</sup> Religious extremism was evoked in Iran during the 1970s that sought to achieve religious goals. A group like the Lebanon’s Hizb’allah, which was operating from a religious perspective was one of the tools that were operating Iran’s foreign policy.<sup>28</sup>

### **Financial and non-financial organizations**

The literature by Bures (2012) has submitted that in actual terms financial organizations like banks, investment and insurance companies in one way or the other give financial support to terrorist groups. Some banks though against international law knowingly render financial support to terrorist groups. There have been some banks mostly in the Arab countries that have been exposed of financing terrorism. Islamic financial institution like Islamic Bank of Bangladesh and the National Commercial bank have been donating part of their banks profit in the form of zakat as an act of charity to support terrorist groups. Other banks such as the “Al Shamal Islamic Bank, Al Rajhi Bank, Arab Bank among others have been suspected of supporting financially terrorist organisations.”<sup>29</sup>

Barry Johnston and Ian Carrington on “*Protection the Financial System from Abuse*” have indicated that some banks have been suspected of financing terrorism and have been fined by the UN Counter-Terrorism Committee and other regulatory agencies. Examples of these banks have been shown in the table below:

**Table 1: Banks Suspected of Financing Terrorists**

<b>Name of Bank</b>	<b>Date of fine</b>	<b>Details</b>
<b>ABN-AMRO Bank (U.S.)</b>	2005	“Fined\$80 million for failing to implement an effective anti-money laundering program”
<b>Arab Bank (U.S.)</b>	2004	“Fined\$24 million for failing to implement an effective anti-money laundering program”.
<b>AmSouth Bank (U.S.)</b>	2004	“Fined\$50 million for failing to implement an Effective anti-money laundering program”.
<b>Commercial Bank of Syria and its subsidiary Syrian Lebanese Bank</b>	2004	“Designed as “financial institutions of primary money laundering concern” by U.S. authorities, no business with U.S. FIs”
<b>Riggs Banks (U.S.)</b>	2004	“Civil penalties\$25 million and criminal penalties of\$16 million for failing to implement an effective anti-money laundering program. Later” it was taken over by a PNC bank
<b>Citigroup (U.S., Japanese Branch)</b>	2004	Japanese regulators ordered the bank to close its private “operations due to concerns about failure of AML internal system controls. The value of the company’s shares declined by 2.75 percent the week following the announcement”
<b>The Northern Bank (UK)</b>	2003	“Fined £1,250,000 for failures to comply with existing anti-money laundering regulations”

Source: Barry Johnston & Ian Carrington 2006

Moreover, there are non-financial organizations like law firms, guarding companies, casinos and high value goods dealers, which are also suspected of supporting terrorist activities.<sup>30</sup>

### **2.3 Sources of Terrorism Financing**

An issue of great concern in the field of financing terrorism has been the question of the sources of terrorist financing? Terrorist may be financed in two diverse ways; by licit

means or illicit means.<sup>31</sup> That is to indicate that terrorist can be financed through legal or illegal activities. Though other scholars have indicated several sources of financing terrorism, this study brings together all the other sources of financing terrorism into legal or illegal activities.

### **2.3.1 Legal Activities**

Legal activity is one of the sources of financing terrorism. Legal means of financing terrorism indicate that the actors who finance terrorist activities do not use dubious ways of financing terrorist activities. It, however, implies that actors who finance terrorist activities use appropriate ways to generate support for terrorist activities. Some individuals and organization that are involved in legal businesses use their proceeds to fund their activities.

The legal means of funding terrorism according to scholars (Giraldo & Trinkunas, 2007) is quite difficult to counter due to the fact that their operations are legitimate and they do not depend on money laundering or any illegal means to finance their activities. There is wide varying of businesses in the world that are legitimate and have members that are linked to the activities of terrorism. Among the businesses that are linked with terrorism financing are banks, investment companies, farming, fishing, the production of honey among others.

It is important to note that legal businesses in supporting terrorist organizations “exist in the areas that do not require formal trainings and where start-up capital to start a business is not substantial.” For instance, prison cell in developed countries running small trades, like the provision of home repairs, car repairs hire operatives that come from areas that are in conflict.

In this session, legal activities such as donations, charities, fund raising, honey production and State sponsored activities are discussed.

### **2.3.2 Direct Donations**

Countries where dominant “terrorist groups such as al Qaeda, ISIS” and the other terrorist groups exist are oil producing countries and for that have wealthy individuals and organizations in those countries. In countries that support terrorist activities, direct contributions are raised through charities and financial enablers to fund terrorist activities.<sup>32</sup> A strong pillar in the Islamic faith is “*zakat*” (charity). In view of that Muslims are mandated to contribute yearly of about 2.5 percent (%) of their income to charitable causes. Zakat is usually provided in cash or in kinds. These donations are made to trusted leaders or institutions in the Islamic communities or communities that support the giving of alms. This shows that donations have been going on in the communities and “these practices are unaudited, usually undocumented and, however, are easy to be abused by groups like the terrorists.”<sup>33</sup> Moreover, with zakat, there are infaq and shadaqah (voluntary donations) by many Islamic societies. It is important to note that many Islamic governments do not receive taxes from their subjects but are done through zakat and sadaqah, which serve as social welfare.<sup>34</sup> For instance, in Indonesia, the government has made zakat a tax, which is deducted from individuals for charitable donations.

It is important to note that with donations, terrorist groups like the Al Qaeda and ISIS continue to raise funds for their activities through direct donations from wealthy individuals who support their activities and through charities. Some of the donors who donate to support these activities know their contributions are going to support the jihadi’s purpose. Other donors too trust that their contributions may be used to support humanitarian activities, such as, those who need medical services and also to support

education. Sakharova (2011) has observed that majority of the donors networks were designed at the end of the “1980s and the early 1990s by bin Laden and Azzam” who had personal relations “with Saudi Arabians charities and wealthy donors. At the initial stage these networks were supporting the fight against the Soviet troops in Afghanistan. In view of that, the UK, US, Saudi Arabia and other Muslim States were encouraged to establish these donation networks. The donations raised were used to support mujahedin fighters to establish training camps,” for travelling expenses of young Muslims who had the interest to join the war against the Soviet troops.

### **2.3.3 Charities**

Charities serve as a large source of funds for terrorist organizations or groups. A number of charitable organizations have been indicted of supporting terrorist activities. Government in one of the terrorist State, Saudi Arabia for instance has observed the great impact of charities on terrorist organizations. In view of the magnificent role charities play in the funding of terrorist activities. The Government of Saudi Arabia and other terrorist States like Philistines has lower or reduce the legal effect of funding terrorist through charities. The Saudi Government has reduced the sanctions that apply to individuals or organizations who/which support terrorist groups through charities. There have been some amendments to the sanctions that affects groups or individuals who support terrorist groups through charities.<sup>35</sup> It is important to establish that popular terrorist groups like Hezbollah and Hamas have been benefiting greatly from the charity support from individuals and organizations.<sup>36</sup>

Researchers have indicated that individuals and organizations that give out resources as charity sometimes inadvertently, end up serving other purposes of which terrorist activities

are part. In other words, donors who give donations are unaware that their donations are used for things other than their intended purposes. After the 9/11 attack, some charity organizations and individuals were accused of having links with terrorist groups. Some of the charity organizations are the Afghan Support Committee in Pakistan, which was accused of having ties with terrorist organizations in Afghanistan. The Al-Haramain Foundation in Saudi Arabia was also accused by the US State Department of having ties with the Guantanamo convict “Jamal Muhammad Alawi Mar’I”

#### **2.3.4 Fund Raising**

Most of the areas terrorist organizations operate have fundraising potentials. Individuals who operate in the terrorist organizations or groups have been trained and are skilled in the raising of funds. Terrorist groups have several mechanisms of raising funds. According to scholars (Simon et al., 2014) one of the ways or mechanisms through which terrorists adopt to raise funds in support of their activities is through social media (Facebook and WhatsApp, among others) to alert people to raise funds in support of terrorist activities.

Through networks, terrorist organizations have been able to raise funds, over millions of dollars through regular fundraising events or programmes. Cohen (2014) has reported that terrorists raise funds at the homes of those who are affiliated to them and sometimes at the mosques. Mostly through the social media networks, terrorist groups have been able to raise funds through wire transfers, hawalas and couriers mostly in Syria.<sup>37</sup> According to the US Federal Bureau of Investigations, “Benevolence International Foundation” was reported of raising funds to fund the world Trade Centre bombing which occurred in 1993.<sup>38</sup> “The Holy Land Foundation for Relief and Development” has been reported for raising funds to support the activities of Hamas on November 2004.<sup>39</sup>

### **2.3.5 Honey Production**

The production of honey is seen as one of the legal means of financing terrorist activities in the world. Several honey production companies were reported in Yemen during 2001 as having links with terrorist organization. Yemen is one of the best countries with the best honey production companies in the world, which sells expensive honey, with other products such as incense, spices and perfume. A Business man owning some of these companies, Al Nur Honey Press Shops and Al Hamati Sweets Bakeries was recognized as one of the fighters in Afghanistan and Bosnia and was reported to be supporting terrorist operations. Due to that “he was arrested in Saudi Arabia in 1998 for planning terrorism”. There are other businesses in the U.S and other developed countries that support terrorist activities.<sup>40</sup>

### **2.3.6 Al Qaeda Companies**

There is also a reported Al Qaeda company in Turkey that sponsors the activities of Al Qaeda. “The company, known for providing travelling services as well as import and export services, was suspected of supporting al Qaeda operations. Due to the support given to the said al Qaeda’s company in Turkey, al Qaeda operatives would normally pass through Turkey while passing between Afghanistan, Sudan, and Europe.”<sup>41</sup>

Moreover, “a number of front businesses were founded in Southeast Asia by al Qaeda workers. Green Laboratory Medicine was established in Malaysia in 1993 with its Director, Yazid Sufat, who was educated in biochemistry in the US and was recruited by al Qaeda though in Pakistan. However, Sufat was arrested when he arrived in Malaysia from his al Qaeda training session in Afghanistan in 2001. His business was arranged by

al Qaeda to acquire about 21 tons of ammonium nitrate for use in operations in Singapore.”

### **2.3.7 State Support**

Going on it was alleged that some states were sponsors or financiers of certain groups for diverse reasons. States which shared in the idiosyncrasies of terrorist groups threw in their supports in the forms of providing funds, equipment's and necessary materials for the conduct of activities. This source of financing was predominant during the cold war era where it was alleged that the Soviet Union, Cuba and North Korea supported and financed the Marxist groups to carry out targeted attacks.

In Afghanistan, the Mujahedin and the Contras located in Nicaragua can be seen as terrorist groups allegedly sponsored by the United States. Countless of “Arab States financed the Palestine Liberation Organization (PLO), providing at least US\$100million per year during its early years, and possibly upwards of US\$250million a year in the 1970s and 1980s”. In the 1980s, it is said that, Libya gave aid and financial support to many groups, including Abu Nidal, the Red Brigades, the IRA, the PLO, the Euskadi Ta Askatasuna (ETA), the Japanese Red Army, and Baader-Meinhof.<sup>42</sup>

Iran has been labeled as a state sponsor of terrorist organizations during the 1980s, the country has continued in its terrorist-linked activities up to date. It is important to establish that Palestine has also been labeled as a terrorist state. It operates through Hizballah, which is known by the Palestinians as the “party of God” by providing them supports to operate. Hizballah and other terrorist groups in Palestine operate in Gaza, Iraq and other States in the Middle East.

Iran has increased its supports over the years to Iraq by increasing its support to groups such as “Kata’ib Hizballah (KH).” KH is a United States terrorist organization that has made pragmatic efforts to fight the “Islamic State of Iraq and the Levant (ISIL) in Iraq and bolster the Assad regime in Syria.”<sup>43</sup> It is important to note that Iran has been consistent in providing sophisticated weapons and equipment, organizing training and funds to terrorist group in Bahrain, Shia militants in Bahrain. Through this support by Iran to Bahrain, the Bahrain Government in 2015, “raided, interdicted, and rounded up numerous Iran-sponsored weapons caches, arms transfers, and militants. This includes the Bahraini government’s discovery of a bomb-making facility with 1.5 tons of high-grade explosives in September.”<sup>44</sup>

In terms of providing weapons, training, and funding to Palestinian terrorist organizations and Hamas, Iran has a long history to that. Not only to Palestinian terrorist groups and Hamas do Iran extend its support, to but also to “Palestine Islamic Jihad and the Popular Front for the Liberation of Palestine-General Command.”

It is important to note that the Palestinian terrorist organizations have been supporting a number of death attacks from the West Bank and Gaza. Even though Hamas has some level of ties with Tehran, but its relations with (Tehran) were “strained due to the Syrian civil war”. However, “both sides took steps in 2015 to repair relations.”

Concerning State support, “Iran has continued to open its support for “Palestinian terrorist groups due to its hostility to Israel in 2015. The Supreme National Security Council Secretary, Admiral Ali Shamkhani, sought to frame a series of individual Palestinian

attacks on Israeli Security Forces in the West Bank as a new Intifada in a speech on November 25.”

The end of the 2006 Israeli-Hizballah conflict in 2006 caused Iran to assist in rearming Hizballah, in direct violation of UNSCR 1701. Iran has provided hundreds of millions of dollars in support of Hizballah in Lebanon and has trained thousands of its fighters at camps in Iran. These trained fighters have used these skills in direct support of the Assad regime in Syria and, to a lesser extent, in support of operations against ISIL in Iraq. They have also carried out isolated attacks along the Lebanese border with Israel. Iran and Syria has on one hand, clamped on certain groups, like Al Qaeda, and on the other hand still sponsored groups like Hamas and Hizballah insisting that they were not terrorists but a national liberation movements. It is, However, prudent to know that there is no official state responsible for the sponsoring and financing of terrorism, but certain states per reports of international institutions and vigilante states have designated some states like Cuba, Iraq, Iran and Libya to be sponsors and financiers of terrorism due to the active hub they represent in the support of the conducting of hostilities.

Syria also sponsors terrorist activities. Syria provides “weapons, safe havens, and financial support to Hezbollah and seven other groups on the U.S. State Department’s list who have headquarters in Syria, including Hamas and Palestinian Islamic Jihad”. The Pakistan’s Inter-Services Intelligence (ISI) Agency backs the Afghan Taliban, as well as groups that are “fighting for Pakistani control of Kashmir, including the Lashkar-e-Taiba, Harakat ul-Mujahidin, and the Hizbul Mujahideen.”

In Africa, there have also been some reports of State sponsored terrorist activities. For instance, Sudan was labeled as a “State Sponsor of Terrorism in 1993 due to concerns about support to international terrorist groups like the Abu Nidal Organization, Palestine Islamic Jihad, Hamas, and Hizballah.”

Moreover, in the middle of the 1990s, Sudan was chosen as a meeting place and centre for terrorist groups training, refuge, and training hub for global terrorist organizations, such as Al Qaeda and other terrorist groups. It is important to submit that Usama bin Laden was kept safe in Sudan for about five (5) years until the information got international attention and he was expelled by the government of Sudan in 1996. Sudan’s support to Al Qaeda has ceased but elements of as Al Qaeda, ISIS and Boko haram remained active in Sudan in 2015.

To a larger perspective, it appears to terrorists that State sponsorship is beneficial to them because of the amount of money a state can provide and the ease and simplicity at which terrorists may receive the money for the conduct of such hostilities. On the contrary the disadvantage of a state sponsorship outweighs its advantages. Regards to that, states can decide to stop sponsoring terrorists when its policy changes, or may control the organization’s business, expecting the organization to act as a proxy for the state’s interests.

Moreover, “the State may attempt to constrain the terrorist group, or force it to escalate its efforts, or require it to change its tactics. Consequently, the organization may be forced to engage in activities that it would not otherwise undertake”. Taking a vivid look back into the dissolution of the Soviet Union in the early 1990’s when the Marxist groups lost their

funding's due to the policy change and break away of the Soviet group. With all these short comings, it's evident that state sponsorship is no longer reliable as it used to be and also because of the impositions of sanctions and embargo's on states designated to be sponsors of terrorism.

## **2.4 Illegal Activities**

Illegal activities refer to actions or inactions which when committed are in violation of law and the consequences of conviction by the individuals or groups involved is liable to punishment by the law court. Illegal activities are unlawful activities relating to violence, crimes, offense. Violation of morality can also be seen as illegal activity.<sup>45</sup> It is important to note that the international community and especially the UN has considered the activities of terrorist organizations illegal because of the barbaric and negative impact it inflicts on humanity and the environment.

More importantly, researchers have indicated that most terrorist organizations fund their activities through legal means. However, terrorism itself is an illegal activity. Among the illegal activities that terrorist groups depend on to fund their activities are through criminal proceeds, ransom kidnapping, invading oil fields to trade, illegal charcoal trade, drug trafficking and money laundering.

### **2.4.1 Criminal Proceeds**

After 9/11, al Qaeda and other terrorist groups were pressed with financial troubles and logistic support as their donors stopped to provide them support.<sup>46</sup> These caused them to be involved in criminal activities to support their organizations. Rollins, Wyler, and Rossen have posited that terrorists groups and criminals work hand in hand. They use

similar dubious plans and methods. Since terrorists are involved in criminal activities, their agenda rotates from petty crime and low-level fraud. Terrorist organizations adopt the use of “credit card cloning and skimming” to support their activities. In the literature, “*Modern Jihad: Tracing the Dollars Behind the Terror Networks*”, the author of the study argues that terror groups and criminals use credit cards and skimming to fund their organizations. Cloning’s are done through the internet. Skimming is a technique that demands the use of actual cards to defraud stores and restaurants. Credit cards details are obtained or bought from the black market and are used to steal funds from peoples account.

In recent times, ISIS and al Qaeda depend heavily on these methods. For example, in the year 1997, an Algerian cell detected in Britain that over \$200,000 dollars have been raised in six months.<sup>47</sup> A special camp has been established according to Gunaratna “in Afghanistan to provide training and financial fraud services which credit card counterfeiting are included”. These days, terrorists groups have become creative in using criminal ways in raising money. For instance in Germany, three people who were involved in insurance fraud tried to steal an amount of \$6.3 million dollars from nine insurance policies.<sup>48</sup> Other countries have also recorded similar activities as a result of fraud.

#### **2.4.2 Ransom Kidnapping**

The issue of kidnapping has been reported mostly of late. Kidnapping occurs when an individual is carried away by a person or group through force or fraud. “Ransom kidnapping refers to a situation in which the overriding purpose for the act is a payment (usually a sum of money) for the release of the hostage and the enrichment of the perpetrators.”<sup>49</sup> Ransom kidnapping “is a serious crime which is not committed only for

economic losses but also to inflict pain and suffering on the victims. Ransom kidnapping brings post-traumatic stress disorder and depression to victims and family.”

Recently, the Boko Haram terrorist group was reported by the CNN in May 2014 to have abducted over 230 school girls in the Northern part of Nigeria. The schools girls, who were abducted were as young as 12 years to play wifely roles such as performing house chores and performing sexual services in the terrorist group’s camp.<sup>50</sup> The Boko Haram girls’ abduction was carried out by the terrorist groups due to the demands they had made to the Government of Nigeria.

#### **2.4.3 Invading Oil Fields to Trade**

Terrorist groups also carry out activities like the invasion of oil fields to fund their activities. Almohamad and Dittmann (2016) have reported that the activities of terrorist groups have risen due to the sale of oil and gas in Syria which has become the most important components in the Syrian economy. Since Syria supports terrorist activities, about 80% of the fields with a production of 65,000 barrels a day is used to finance military and civilian activities to which activities of terrorism are inclusive. Moreover, an extensive network of middlemen in neighboring terrorist countries are established with the aim of trading crude oil for cash and other important resources.

#### **2.4.4 Illegal Charcoal Trade**

According to the United Nations Environment Programme (UNEP), one of the sources of generating revenue in support of terrorism has been the illegal charcoal trade, which is popular for many people in Africa. People engage in illegal logging to fund or support their activities. There is also unregulated and illicit charcoal trade in Africa which has

contributed to the loss of about 1.9 billion dollars yearly in most countries in Africa. Examples of countries in Africa that are involved in the charcoal trade are Somalia and Ghana. Revenues the charcoal business generates is reported by Ward (2014) as the main source of income for the al-Shabaab terrorist group in Somalia. A critical look at the charcoal trade in Somalia shows unusual and disturbing interests among parties which the terrorist organization in Somalia and that country's Armed Forces are included.

#### **2.4.5 Drug Trafficking**

Drug trafficking and terrorism move together. The link between drug trafficking and financing of terrorism is evident and clear according to UN Security Council (UNSC).<sup>51</sup> The Individuals and guerrillas who are into drug trafficking have common ideologies in terms of drug production and trade. The World Drug Report in 2007 indicated that the total value of Afghanistan's drug traffickers have reached about 3.1 billion US dollars in the year 2007. Moreover, the US Treasury Department indicated in April 2013 that there was a link between Hezbollah and drug trafficking and the money exchange of two Lebanese houses. As in the case of Hezbollah, the Taliban has also been reported to be linked with drug trafficking.<sup>52</sup>

#### **2.4.6 Money Laundering**

The laundering of money is the term given to the criminalized act of disguising money of illegal business by making it look as if it were coming from legal sources. The laundering of money appears to be derived from the Chicago "mafia", where money gotten from criminal activities would be attributed to legitimate funds derived from legal businesses. According to Zdanowicz (2004), money laundering; "implies the use of international trade to move money, undetected, from one country to another and is one of the oldest

techniques used to circumvent government scrutiny. Either overvaluing imports or undervaluing exports can achieve this transfer.”

The issues about “money laundering and terrorist financing are grounded on the analysis of past or historical price data”. According to Zdanowicz (2004), terrorist groups had been able to move US\$2,220,978,718 from Malaysia in 2001, \$ 564,597,632 from Indonesia, \$468,669,248 from Saudi Arabia, \$232,737,819 from the United Arab Emirates and \$ 148,085,489 from Egypt. These countries listed above are top five Al Qaeda money laundering countries.

## **2.5 Modes of Terrorism Financing**

There are various mechanisms for financing terrorism. The “Financial Action Task Force (FATF) has posited on terrorism financing and indicated three main modes of financing terrorism. They are international trade, physical movement of the money and financial system. Apart from these methods other modes, like the alternative remittance systems (ARS)”, business, charities and smuggling are used to finance terrorism.<sup>53</sup>

### **2.5.1 Financial System**

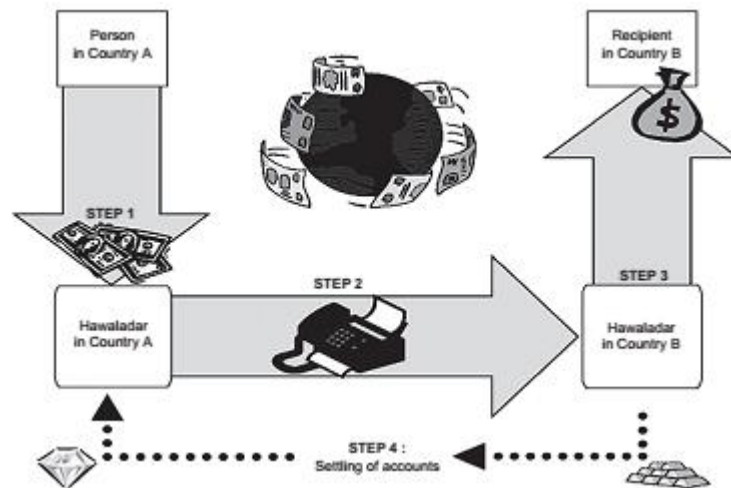
Preceding the September eleventh (9/11) attack, al Qaeda depended mostly on the “financial system to transfer funds”. Through the financial system, banks such as shell banks, commercial banks, charities, financial service businesses were used to transfer money around the world.<sup>54</sup> As a matter of fact, the international banking system was used by Al Qaeda top operatives, like Bin Laden, who had bank accounts around the world. For some time now, “Al Qaeda has targeted areas with negligent financial regulations and anti-money laundering rules and inefficient banking errors.”

Oversights of the banking systems, which are supposed to operate with international standards in the Middle East have often avoided anti-money laundering regimes. As pointed out, “funds for the tried assassination of President Mubarak went through the National Commercial Bank (NCB), the biggest bank in Saudi Arabia. Over billions of dollars was transferred to al Qaeda’s accounts through corresponding banks in the New York and London.”

### **2.5.2 Alternative Remittances System (ARS)**

“Terrorists are attracted by Alternative remittance systems (ARS)” due to its convenience, reliability and availability. ARS can be available for “24 hours and are usually not subject to severe regulatory oversight. Because of the rapidity and anonymity of these systems, they are one of the favorable means of sending funds by terrorist groups. The key characteristic of ARS is the ability to transfer funds without the *physical movement of currency*”. Hawala is known as the most widespread network for informal transfers of funds. The word hawala comes from the Arabic language meaning the transfer of funds or remittance. Similar words are used in Pakistan (hundi), Somalia (xawilaad) and Philippines (padala). Hawala is “fast and cost effective way to transfer funds to those who are beyond the traditional system” of transferring finances.<sup>55</sup>

Figure of hawala is shown in the figure 1 below:



**Figure 1: Hawala Transaction**

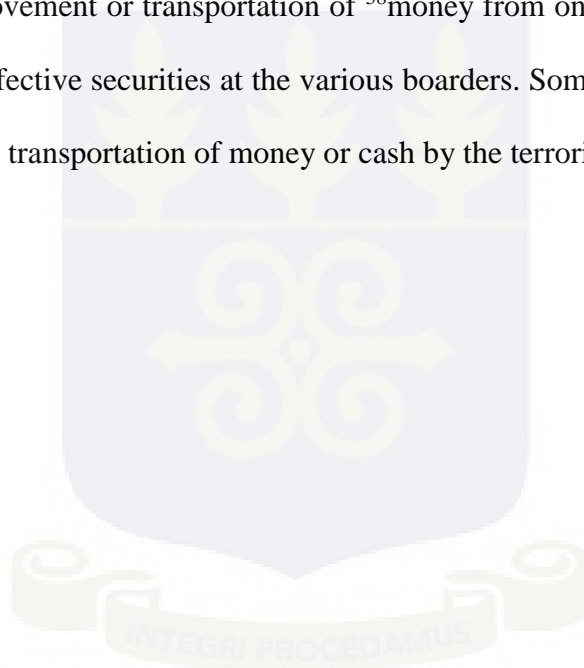
Source: Sakharova 2011

### 2.5.3 International Trade

The international trade system is also considered as one of the modes of financing terrorism. The international trade system has wide vulnerabilities that criminals use to exploit the activities of terrorists.<sup>56</sup> Scholars and experts in terrorism financing have indicated that millions of dollars have been laundered and exploited by terrorist organizations.<sup>57</sup> Normally, the international trade's mode of financing terrorism is mostly through money laundering. Through international trade, terrorist organizations take the occasion to "over- and under-invoice of goods and services, multiple invoicing of goods and services, over- and under-shipments of goods and services, and falsely describing goods and services". For instance, an individual who belongs to any of the terrorist organization and wants to launder money or an important resource to a foreign country may ship for example: "1 million widgets worth \$2 each, but invoices a domestic importer for 1 million widgets at a price of \$1. Therefore, the exporter launders \$1,000,000 abroad, as the importer pays \$1,000,000 and receives the shipment worth \$2,000,000, which is then sold in the domestic market."

#### **2.5.4 Physical Transport**

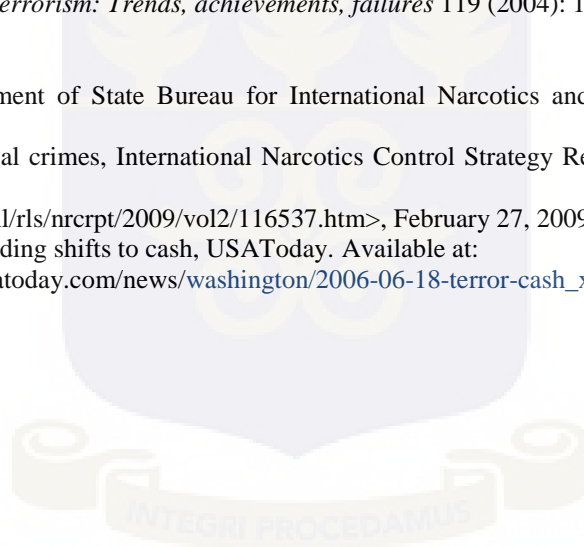
It is important to note that physical transport in terrorism financing deals with the movement of money from one country to the other. It can also be seen as the movement of assets from one destination to the other. The assets may be in the form of precious stones, and rich minerals, such as gold and diamond. Why are terrorists very much interested in these minerals? This is because they are highly valuable, very easy to conceal, convertible and can be easily transported from one place to the other. The physical movement of cash from one country to the other is widespread countries in Africa, Southeast Asia and the Middle East. The movement or transportation of <sup>58</sup>money from one country to the other is always aided by ineffective securities at the various borders. Sometimes they are not able to detect the physical transportation of money or cash by the terrorist organizations.<sup>58</sup>



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## CHAPTER THREE

### COMBATING TERRORISM FINANCING: PROSPECTS AND CHALLENGES OF THE UNSC'S EFFORTS

#### 3.0 Introduction

The scourge of terrorism has continued over the years with so much impunity and a pivotal vacuum needs to be filled as a way of deterring and disrupting the conduct of such terror activities. It is undisputed that the availability of finances plays a crucial role in terrorism. For this reason the UNSC has had an ambivalent role to combat the financing of terrorism in all its manifestations. In attempts to combat the scourge, one cannot overemphasize that the source from which terrorists are financed in carrying out their daily activities is major threat which needs to be crippled. The funding of terrorism has proven quite difficult to counter due to the fact that some of the terrorist groups' operations use legitimate channels, while others do not. Also, other terrorist groups do not only depend on money laundering and other illegal means to finance their activities since they operate through a genuine and legal means. This Chapter focuses on the second and the third objectives of the study which dwells on the efforts being made by the United Nations Security Council (UNSC) to combat terrorism financing in the world. The chapter tackles efforts made by the UNSC in combating the sources of financing terrorism discussed in Chapter two of the Study. It also examines the challenges faced by the UNSC in the combating of this menace. This section also uses the UNSC Resolutions on terrorism financing passed from the year 2001 to date to analyse and discuss the efforts being made by the UNSC in combating terrorism financing in the world and the challenges they face.

### **3.1 Why the United Nations Security Council (UNSC)?**

The UNSC is the international - governmental organization fighting global financial terrorism because terrorism financing is a global issue that threatens the member States of the UNSC. It must be noted that the UNSC sees to all the security and defense related issues of all UN member States. Due to the composition of the UNSC, it has been positioned strategically on all sides to combat how terrorist activities are financed. UN currently has 193 members as at June 2016.<sup>1</sup> However, the UNSC as an organ of the UN is made up of 15 members with 5 permanent members such as China, France, Russia, United Kingdom (UK), and the United States (US).<sup>2</sup>

Why is finance the main issue here? Currently, money or the issue of finance is deemed as the “life blood” of almost everything done in this generation. However, when the issue of finance is tackled, it will in one way or the other make the terrorist organizations incapacitated to operate.

Terrorism financing undermines economic development and financial stabilities of countries. Since the activities of terrorist organizations affect tremendously the members that belong to the UNSC, the international body has also placed pragmatic measures to stop the flow of funds to terrorist organizations.

### **3.2 Efforts made by the UNSC in Combating Terrorism Financing**

Regarding the efforts being made by the UNSC to combat terrorism financing, the researcher through classic and contemporary literature on the UNSC found the following:

- That the UN had adopted an international convention for the suppression of terrorism financing;

- The UNSC has deployed efforts to fight money laundering, especially with respect to the prevention of direct donations and fundraising to support terrorist activities.

### **3.2.1 The International Convention for the Suppression of Financial Terrorism**

As indicated above, one major effort by the UNSC in combating terrorism financing is the adoption of the international convention for suppressing or reducing the financing of terrorism. It may be recalled that the UN General Assembly in resolution 54/109 in the year 1999 adopted the international convention for suppressing the financing of terrorism in the world.<sup>3</sup>

The main goal of the “International Convention for the Suppression of the Financing of Terrorism”, according to the Special Treaty Event by the UN on April 2009, is to “enhance international cooperation among States in devising and adopting effective measures for the prevention of the financing of terrorism, as well as for its suppression through the prosecution and punishment of its perpetrators.”<sup>4</sup> It further aims at encouraging member states to adopt strategies to prevent terrorist financing as well as to come out with sanctions against individuals or organizations who commit that offence.

It is important to note that the UN Convention considering that the financing of terrorism is a matter of grave concern to the international community as a whole.”<sup>5</sup>

Based on the above indication from the UN International Convention, it can be observed that the issue of terrorism financing is a matter that concerns the international community hence the need for measures and plan how it can be stopped.

More specifically, the UNSC resolution 1373 in 2001 charged the UN member states to implement the following obligations:

- a) Criminalize actions that finance terrorism;
- b) Prevent and suppress terrorist financing, freeze funds, and other financial assets or economic resources of persons who commit or attempt to commit terrorist acts;
- c) Prohibit active or passive assistance to terrorists; and
- d) Cooperate with other countries in criminal investigations and share of information with regard to planned terrorist acts.”<sup>6</sup>

These obligations indicated in the international convention for the suppression of financial terrorism are the four (4) main guiding principles that must be noted by all member countries in dealing with the issues of terrorist financing. These major provisions in the UNSC convention must be appreciated immensely by member countries and various institutions in the world and it must be seen as a great effort by the UNSC in combating financial terrorism and terrorism in general. With the principles and standards set in the international convention for preventing financial terrorism, funds that are intended for terrorist organizations or activities would be criminalized. Moreover, financial services, assets, and funds for terrorist organizations can be prohibited with the orders by the UNSC. Accounts and assets by terrorist organizations can also be suspended and through the help and the powers of the UNSC, reports and information regarding the procedures through which terrorist activities operates can be revealed.

Operationalizing the principles stated in the UNSC convention for suppressing terrorist financing, the Ex-President of the US, President George W. Bush, according to the CNN report posted on September 25, 2001 gave an executive order for financial institutions to

cut the financial “lifeblood” of Osama bin Laden and other terrorist networks, which include terrorist organizations and individuals involved in terrorist activities. President Bush further charged overseas banks and other financial institutions to freeze the funds and accounts of terrorist individuals and organizations as well.<sup>7</sup>

### **3.2.2 UNSC Effort on Money-laundering**

Another illegal activity the UNSC and other international arrangements have purposed and made efforts to combat is money laundering. Scholars (Zdanowicz, 2004; Mitsilegas and Gilmore, 2007) have indicated in literature that most money-laundering involves cross-border movements of funds, and that terrorism finance tends to transcend national and international frontiers. However, it must be noted that combating “terrorism finance and criminal money-laundering is predicated to a considerable extent on information sharing and collaboration among various jurisdictions and their intelligence and law enforcement agencies.” Groups like the “Egmont Group” and other international bodies are involved in the combating of money-laundering and to promote the sharing of information through financial intelligence so as to combat financial terrorism.<sup>8</sup>

In his address at the UN Security Council at its 7587 meeting, Mr. Ban Ki-Moon, the former UN Secretary-General stated that:

“Just as terrorist groups are innovating and diversifying, the international community must stay ahead of the curve to combat money-laundering and the financing of terrorism.”

This assertion by Mr. Ban Ki-Moon at the UNSC meeting 7587 shows the eagerness of the UNSC in fighting money laundering. From the UN Secretary General’s statement indicated above, it appears that Mr. Ban Ki-Moon is encouraging all member states of the UN and the international community in general to adopt innovative ways in detecting how

terrorist organizations transfer money from one country to the other. This may also imply that various financial bodies in the world must technologically equip their financial base in order to fight money laundering.

In a resolution (2129) adopted by the Security Council at its 7086<sup>th</sup> meeting on December 17, 2013, registered its concern:

“regarding the connection, in some cases, between terrorism and transnational organized crime and illicit activities such as drugs, arms and human trafficking, and money-laundering, and emphasizes the need to enhance coordination of efforts on national, sub regional, regional and international levels in order to strengthen a global response to this serious challenge and threat to international security.”<sup>9</sup>

From resolution 2129, it can be seen that the UNSC expressed deep concern on the issue of money laundering and other illicit activities such as arms and human trafficking and drugs. In the effort to combat money laundering, based on resolution 2129, the UNSC has called for the international community especially its member states to coordinate its efforts and strengthen their mechanisms in fighting money laundering.

Based on what has been revealed in the UNSC resolution 2129 and what Mr. Ban Ki-Moon has indicated about money laundering, there appear to be some link with what Zdanowicz (2004) reported about money laundering. According to Zdanowicz (2004), money laundering “implies the use of international trade to move money, undetected, from one country to another and is one of the oldest techniques used to circumvent government scrutiny. Either overvaluing imports or undervaluing exports can achieve this transfer.” It is due to this demonstrated linkage that there is the need for UN member states come together and fight against money laundering and other illegal financing mechanisms.

### 3.2.3 UNSC Effort on Preventing Direct Donations

Direct donation was identified in the Chapter Two of this study as one of the sources of funding terrorism. However, scholars like Freeman (2011), have considered this medium legitimate or legal. In the UNSC effort to combat financial terrorism, the organization on 12<sup>th</sup> February 2015 on their 7379<sup>th</sup> meeting adopted resolution 2199 where the issue of donation by organizations or individuals to terrorist organization were also deliberated upon.<sup>10</sup>

Concerning resolution 2199, member states were briefed that oilfields and infrastructure like dams, power plants which are operated by individuals and terrorist organizations like Al-Qaida are generating large sums of income for terrorists.

More importantly and related to this study, the resolution 2199 revealed that there are private foreign donations which are made to terrorist organizations. These donations or support by foreign individuals and organizations help terrorist organization in their recruitment of members to join them and that strengthened their operational capacities against attacks.

It is important to note that paragraph 18 of the UNSC resolution 2199 under “Kidnapping for Ransom and External Donations” reaffirmed the Council’s:

“condemnation of incidents of kidnapping and hostage taking committed by ISIL, ANF and all other individuals, groups, undertakings and entities associated with Al -Qaida for any purpose, including with the aim of raising funds or gaining political concessions and expresses its determination to prevent kidnapping and hostage -taking committed by terrorist groups and to secure the safe release of hostages without ransom payments or political concessions, in accordance with applicable international law.”

From the above it can be deduced that the UNSC condemns and expresses its dissatisfaction on donations. This is against the backdrop of the funds that are raised and donations that are given by individuals and organizations to the various terrorist groups. Most of the donors are oil producing countries and for that there are wealthy individuals and organizations in those countries. In countries that support terrorist activities, direct contributions are raised through charities and financial enablers to fund terrorist activities.

A strong pillar in the Islamic faith is “zakat” (charity). In view of that Muslims are mandated to contribute yearly of about 2.5 percent (%) of their income to charitable causes. Zakat is usually provided in cash or in kinds. These donations are made to trusted leaders or institutions in the Islamic communities or communities that support the giving of arms. This shows that donations have been going on the communities and “these practices are unaudited, usually undocumented and however are easily to be abused by groups like the terrorists.”<sup>11</sup>

#### **3.2.4 UNSC Effort on Fundraising**

Majority of the areas various terrorist groups operate have fundraising potentials in that they are able to raise funds to support their activities. Terrorist organizations have also taken advantage of social media to raise funds through Facebook, WhatsApp among other to alert people to raise funds to support terrorist activities.

Regards to the efforts made by the UNSC in combating terrorism, the UN Secretary General, Mr. Ban Ki-Moon opined in the UN Security Council 7587 meeting in the year 2015 that:

“We must join forces to prevent them from acquiring resources to do further harm.”<sup>12</sup>

This admonition by the UN Secretary General shows that terrorists have taken advantage of the weaknesses in the financial regulation systems to raise funds and taken dubious means to avoid detection.

It is important to note that in the UNSC conventions, there are conventions or articles that criminalize terrorist activities like fundraising and the financing of terrorism in general.

Indeed the UNSC resolution 1373 paragraph 1 (b) calls on UN member states to:

“Criminalize the willful provision or collection, by any means, directly or indirectly, of funds by their nationals or in their territories with the intention that the funds should be used, or in the knowledge that they are to be used, in order to carry out terrorist acts.”<sup>13</sup>

It can be observed from the UNSC resolution 1373 paragraph 1 (b) that the UN discourages and criminalizes the willful provision and collection of funds directly and indirectly by nationals or individuals who are used to support terrorist activities in the world. Section (d) of paragraph 1 of the UNSC 1373 resolution further indicate that countries in the world should prohibit any organization or individual from raising funds or using its financial assets to support terrorist activities. This is indicated below:

“Prohibit their nationals or any persons and entities within their territories from making any funds, financial assets or economic resources or financial or other related services available, directly or indirectly, for the benefit of persons who commit or attempt to commit or facilitate or participate in the commission of terrorist acts, of entities owned or controlled, directly or indirectly, by such persons and of persons and entities acting on behalf of or at the direction of such persons.”<sup>14</sup>

### **3.3 Prospects by the UNSC to Counter Terrorism Financing**

Some scholars would regard the response after the 9/11/2001 as a positive response to counter terrorism financing in the world. Some of these responses which are regarded as prospects to the efforts by the UNSC in countering terrorism financing are indicated as

follows: globally recognized legal framework, cooperation and coordination and determination to prevent terrorist kidnapping.

### **3.3.1 Globally Recognized Legal Framework**

After passing the Security Council resolutions, the UN realized that there was the need to adopt a legal approach that would enhance the global legal response to terrorism financing locally and globally. The UNSC has been able to adopt the various conventions in the UNSC resolutions that various member countries have been encouraged to implement these regulations by the UNSC.

It has been observed in the UNSC 2255 that:

“Recognizing that, notwithstanding the evolution of the situation in Afghanistan and progress in reconciliation, the situation in Afghanistan remains a threat to international peace and security, and reaffirming the need to combat this threat by all means, in accordance with the Charter of the United Nations and international law, including applicable human rights, refugee and humanitarian law, stressing in this regard the important role the United Nations plays in this effort”<sup>15</sup>

It can be deduced from the UNSC resolution 2255 that the UN is focused on combating financial terrorism by any means possible in accordance with the Charter of the UN and international law.

### **3.3.2 Corporation and Coordination**

In the UNSC effort to combat terrorism financing, the Security Council of the UN has adopted a strategy to explicitly cooperate and coordinate bilaterally and multilaterally through technical support and financial assistance to States that would not be in the position to combat financial terrorism with their technical and monetary assistants.<sup>16</sup>

### **3.3.3 Determination to Prevent Kidnapping**

In its desire to eradicate or at least reduce terrorist financing, the UNSC has in resolution 2255 of 2015 put measures in place to prevent kidnapping, which terrorist organizations depend on for ransom. In view of that the UNSC has set up the Global Counterterrorism Forum (GCTF) to deal with the issue of kidnapping as a means of raising funds by the terrorist organizations to support their illicit activities in the world.<sup>17</sup>

In view of the GCTF established by the UNSC, it has indicated in resolution 2133 of 2014 that:

“Algiers Memorandum on Good Practices on Preventing and Denying the Benefits of Kidnapping for Ransom by Terrorists strongly condemning incidents of kidnapping and hostage -taking committed by terrorist groups for any purpose, including with the aim of raising funds or gaining political concessions, expressing its determination to prevent kidnapping and hostage.”<sup>18</sup>

From the UNSC resolution 2133 of 2014 indicated above, it is seen that the UNSC has made efforts in condemning the incidence of kidnapping which are intended for funds in supporting terrorist activities in the world.

## **3.4 Challenges that confront the UNSC’s efforts to counter terrorism financing**

The challenges in combating financial terrorism are one of the main objectives of this study. Having examined the efforts by the UNSC in combating financial terrorism, another important issue is the challenges organizations and individuals face in combating financial terrorism. Below reveals and discusses some of the challenges by the UNSC in its efforts to combat financial terrorism after the 11<sup>th</sup> September, 2001 incidence.

### **3.4.1 Lack of implementation of resolutions**

One of the major issues raised at the 7587<sup>th</sup> meeting of the UNSC on December 2015 was the issue of the implementation of the UNSC resolutions in the conventions which are

aimed at suppressing financial terrorism. It must be noted that implementation of major UN Security Council resolutions remain very weak. The UNSC has observed the non-implementation of some of the resolutions, especially resolutions 1267 of 1999, resolution 1889 of 2011 and resolution 2199 of 2015. Due to the lack of implementation of the UNSC resolutions by member countries, the council (UNSC) has encouraged member countries to implement the resolutions and policies they implement. The council charged member countries that:

“Move vigorously and decisively to cut the flows of funds and other financial assets and economic resources to individuals and entities on the ISIL (Da’esh) and Al-Qaida Sanctions List”<sup>19</sup>

It appears that some member states are not implementing resolutions in the UN conventions and the Council has charged those countries to work vigorously and decisively to prevent the flow of funds and cease assets intended to support terrorist organizations.

The representative from Russia at the 2015 UNSC meeting also affirmed that there is implementation challenge to the UNSC resolutions on the suppressing of financial terrorism. According to the representative, though member countries have made commitment to combat financial terrorism, the obligations in the conventions are not being implemented by every member state.

### **3.4.2 Innovation and Technology**

Innovation and technology are now ruling the world. When it comes to innovation and technology it appears the terrorist organizations are ahead and faster in terms of this. Technology is transforming the delivery of many services to which financial services is one of them. Sometimes terrorist organizations take advantage on technology to transfer

money from one country to the other at the blind side of the UNSC. More importantly, terrorist organizations rely more on internet technology to raise funds and receive donations and other support from individuals and organizations.<sup>20</sup> This is why Simoon et al., (2014) indicated in their literature that terrorists use social media like Facebook, WhatsApp, among others, to alert people to raise and receive funds to support terrorist activities.

It is important to establish that terrorist organization like Al Qaeda, are a determined and a sophisticated terrorist group that continues to look for new ways and means to fund their activities.

Due to the innovation and technological now how terrorist groups, the UN Secretary General indicated this in his speech at the UNSC meeting in December 2015:

“Just as terrorist groups are innovating and diversifying, the international community must stay ahead of the curve to combat money-laundering and the financing of terrorism.”<sup>21</sup>

It can be deduced that terrorist groups are very innovative and technologically sound in that they are able to outsmart the international community over the use of technology and other technical services.

### **3.4.3 International Cooperation**

In combating financial terrorism some member states, inability to fully cooperate with the UNSC stance on terrorism financing has become a challenge.

However, some countries have at least in theory, have accepted to join and to cooperate in the fight against terrorism financing but in actual fact or in practice it is not so. Some

countries have not been able to establish structures or frameworks that will aid the effective fight against terrorist financing.

For example the Palestinian community and other countries in Africa have been reported to have some linkage with terrorist organizations, however; the countries find it difficult to comply with what are indicated in the UNSC resolutions.

There are some African countries which are members of the UN but do not have either the political will or the wherewithal to implement some of the provisions and policies in the UNSC resolutions.

The US Department of State report in 2015 stated this on Africa:

“Burundi is not a member of a Financial Action Task Force-style regional body; however, it is an observer of the Eastern and Southern Africa Anti-Money Laundering Group. While the government has created counterterrorist financing laws, it has yet to commit funding, provide training, or implement policies. Burundi has laws that criminalize terrorist financing, but it does not implement these laws consistently. No terrorist assets were frozen in 2015.<sup>22</sup>

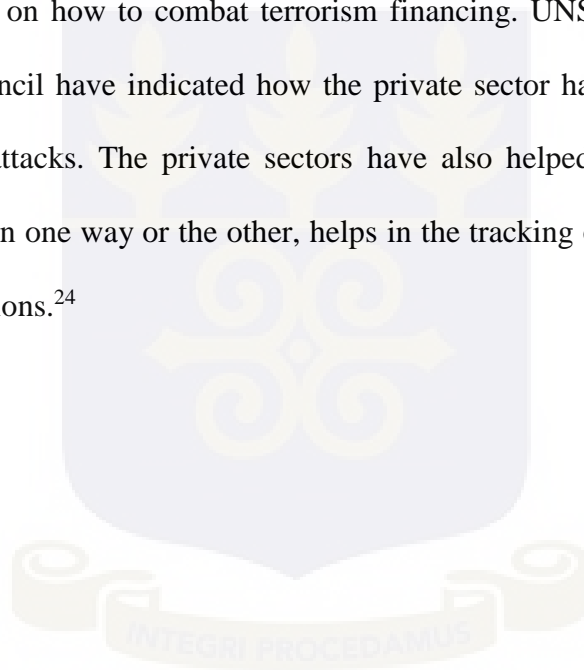
Though the UNSC has decentralized the task force that ensures anti-terrorism financing, however, a country like Burundi, Burkina Faso among others are not part of the task forces that ensure and monitor the implementations of the provisions in the terrorism financing convention by the UNSC. The international inability to cooperate in terms of policy implementation regards to terrorism financing is a major challenge that must be looked at.<sup>23</sup>

Due to inadequate coordination among member countries of the UN, most countries are not able to reaffirm individuals or organizations that are involved in committing, organizing and supporting terrorist organizations. Moreover, countries are not able to hold

accountable, persons involved in terrorist activities due to inadequate cooperation and coordination.

#### **3.4.4 Private Sector and Civil Society organizations are left out**

Another challenge identified is that the private sector and civil society organizations are left out when the UNSC are making decisions or policies concerning terrorism financing. The private individuals and organizations also have insightful contribution to the successful implementations of the UN resolutions. Civil society organization may have adequate knowledge on how to combat terrorism financing. UNSC members on various meetings on the council have indicated how the private sector has helped to track down terrorists in recent attacks. The private sectors have also helped in providing financial intelligence, which, in one way or the other, helps in the tracking of the financial dealings of terrorist organizations.<sup>24</sup>



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<sup>1</sup> [http://www.un.org/apps/news/story.asp?NewsID=54350#.WUiL5tyS\\_-w](http://www.un.org/apps/news/story.asp?NewsID=54350#.WUiL5tyS_-w)

<sup>2</sup> Ibid.

<sup>3</sup> <https://www.unodc.org/documents/treaties/Special/1999%20International%20Convention%20for%20the%20Suppression%20of%20the%20Financing%20of%20Terrorism.pdf>

<sup>4</sup> [http://www.un.org/apps/news/story.asp?NewsID=54350#.WUiL5tyS\\_-w](http://www.un.org/apps/news/story.asp?NewsID=54350#.WUiL5tyS_-w)

<sup>5</sup> <http://www.un.org/law/cod/finterr.htm>

<sup>6</sup> UNSC Resolution 1284

<sup>7</sup> United Nations, Press Release SC/7158: “Security Council Unanimously Adopts WideRanging Anti-Terrorism Resolution. Calls for Suppressing Financing, Improving International Cooperation” (28 October 2001). Available at <http://www.un.org/News/Press/docs/2001/sc7158.doc.htm>

<sup>8</sup> <http://edition.cnn.com/2001/US/09/24/inv.investigation.terrorism>

<sup>9</sup> Egmont Group, Information Paper on Financial Intelligence Units and the Egmont Group (September, 2004), p. 3

<sup>10</sup> UNSC resolution 2129

<sup>11</sup> Ibid.

<sup>12</sup> Hizbollah Ally Charged with Embezzlement,”Financial Times [London], 12 September 2009;Tariq Alhomayed, “Is He the Imad Mughniyeh of Finance?”Asharq Alawsat, 6 September 2009; Robert Fisk, “Lebanon’s Madoff’ Bankrupted after Bouncing\$200,000Cheque to Hizbollah,”The Independent[London] <https://www.un.org/press/en/2015/sc12168.doc.htm>

<sup>13</sup> <https://www.un.org/press/en/2015/sc12168.doc.htm>

<sup>14</sup> UNSC resolution 1373 number 1 (b)

<sup>15</sup> UNSC resolution 1373 number 1 (d)

<sup>16</sup> UNSC 2255.

<sup>17</sup> Ibid.

<sup>18</sup> Ibid.

<sup>19</sup> Resolution 2133 of 2014

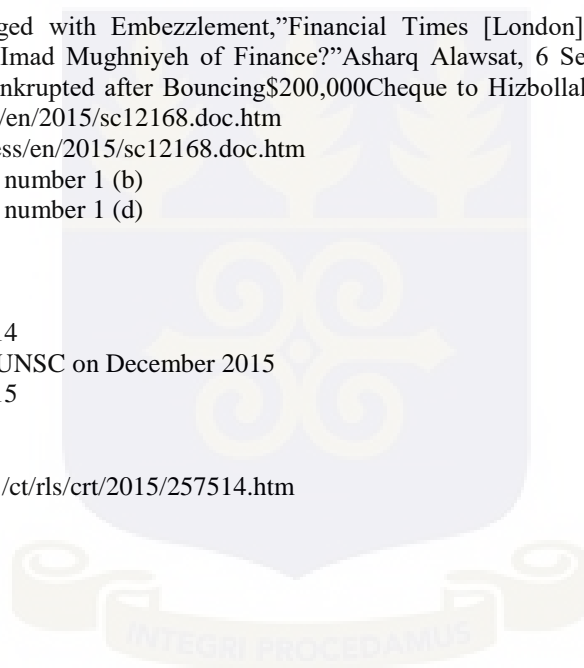
<sup>20</sup> 7587th meeting of the UNSC on December 2015

<sup>21</sup> Resolution 2199 of 2015

<sup>22</sup> Ibid.

<sup>23</sup> Ibid.

<sup>24</sup> <https://www.state.gov/j/ct/rls/crt/2015/257514.htm>



## **CHAPTER FOUR**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **4.0 Introduction**

This is the concluding chapter of the research. It summaries the research findings, draws conclusion of the research and makes policy recommendations.

#### **4.1 Summary of the Findings of the Study**

The study examined how terrorism is financed in the world and the efforts being made by the UNSC to prevent terrorism financing. The study relied on both scholarly literature and UN documents, particularly UNSC resolutions that have been adopted from the year 2001 to 2015, to analyze and discuss how terrorist activities are financed, the efforts by the UNSC in combating terrorist financing, and the prospects and challenges being encountered by the UNSC in combating terrorist financing. Based on these, the following findings were made:

Regarding the financing of terrorist activities, it was revealed that terrorist activities are financed through legal and illegal activities. The legal activities through which terrorist activities are funded are donations, charities, fund raising, honey production and state sponsored activities. The illegal means or activities through which terrorist activities are funded are criminal proceeds, ransom kidnapping, invading oil fields to exploit oil, illegal charcoal trade, drug trafficking and money laundering.

It was revealed from the study that some efforts have been made by the UNSC in combating terrorism financing. Some of these include the adoption by the UN of

international conventions for the suppression of terrorism financing, curtailing of money laundering, preventing direct donations to terrorist groups and the prevention of fundraising by terrorist groups to support their activities.

With regard to the prospects by the UNSC to counter financial terrorism, it was revealed in this study that the UNSC has been able to adopt a globally recognized framework to combat terrorism financing, which has seen cooperation from the relevant stakeholders. For instance, there have been a lot of successes with regard to the determination in preventing kidnapping for ransom.

On the challenges that confront the UNSC in its efforts to counter terrorism financing, it was revealed in the study that lack of implementation of the UNSC resolution is a challenge. Innovation and technological challenge, international cooperation and the discrimination against the private sector and civil society organizations are the challenges revealed in the study.

#### **4.2 Conclusion of the Study**

The study has unraveled how the UNSC combat terrorism financing through the various resolutions the organization has adopted. It has also examined the prospects and challenges by the UNSC in combating terrorism financing. The above has been established through fair analysis of the relevant UNSC resolutions and study of the existing literature on the topic by scholars. Indeed, the research objectives and questions have been duly addressed in the study.

It can therefore be concluded that terrorist activities are financed through legal and illegal activities. The legal activities are through donations, charities, fund raising, honey production and State sponsored activities. The illegal means are through criminal proceeds, ransom kidnapping, invading oil fields to trade, illegal charcoal trade, drug trafficking and money laundering.

Efforts have been made in combating terrorism financing. They are the adoption of the UN international convention for the suppression of terrorism financing, UNSC effort on money laundering, UNSC effort on preventing direct donations by terrorist groups in the world and UNSC efforts on fundraising to support terrorist activities.

The prospects by the UNSC in combating financial terrorism are that the UNSC has been able to adopt a globally recognized framework to combat terrorism financing, there have been sort of corporation and coordination and the UNSC has shown determination in preventing kidnapping for ransom.

The challenges faced by the UNSC in combating financial terrorism in the world are innovation and technological challenge. Others also include the lack of international cooperation, especially in times of political interference as far as state powers are concerned. Again, there is the sidelining of the private sector and civil society in the efforts to address the challenge of terrorism financing.

#### **4.3 Recommendations of the Study**

In view of the analysis and the discussions in the preceding chapters of the study, the following recommendations are offered as suggestions to address the challenges being faced by the UNSC in combating terrorism in the world.

#### **4.3.1 Effective Implementation of the UNSC Resolutions**

It was found out that one of the major challenges by the member countries of the UN is implementing the policies or the resolutions adopted by the UNSC. In this regard, it is recommended that the membership of the UN must ensure that their financial obligations to the world body are promptly honoured to enable the organization implement its responsibilities.

#### **4.3.2 Innovations and Technology**

It appears terrorist organizations are ahead in terms of intelligence and technological innovation in the area of organizing financing for their activities. It is recommended that the UNSC should adopt new ways or create new ways through innovation and technology to combat terrorism financing. From time to time the UNSC should refresh the methodology to which they adopt to face terrorist groups regarding terrorist financing. The UNSC must acquire more technological devices to detect how terrorist groups transfer funds from one region to the other. More importantly, the UNSC should improve on their approach on internet technology since majority of the terrorist organizations rely on the internet for their activities.

#### **4.3.3 International Cooperation**

The issue of cooperation among states should be enhanced to promote efficiency of UN efforts in addressing terrorism financing. There are some states, which have unfriendly relations with each other due to their foreign policies which are mainly triggered by their national interest alone and not by enlightened national interest. In view of that they have shown hesitation in the implementation of the resolutions concerning the combating of

financial terrorism. If nations should come together and decide to pursue a policy or resolution, it may lead to the achievement of the goals of the UNSC.

#### **4.3.4 Intelligence Gathering and Sharing**

Membership of the UN must collaborate in intelligence gathering and sharing. There is evidence that the developed countries have made enough progress in these areas and should be willing to divulge such assistance to developing countries in the effort to combat international terrorism.



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