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Ana Núñez Cifuentes\*

The Sahel and terrorist financing: diversity  
and financial system opportunities

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## *The Sahel and terrorist financing: diversity and financial system opportunities*

### *Abstract:*

*This document groups the various sources of funding used by Sahelian terrorist groups according to their illicit nature. It shows how terrorist organizations have developed a rapid capacity to adapt to a local environment of informal economies while at the same time evolving and taking advantage of the opportunities offered by the global financial system. It is here that terrorism takes on a transactional dimension, requiring the adoption of sanctions and restrictive measures at international level in the field of Anti-money Laundering and Terrorist Financing.*

### *Keywords:*

*Sahel, terrorist financing, informal economies, trafficking, Money Laundering, financial system, AQIM, Boko Haram, Daesh.*

### *How to quote:*

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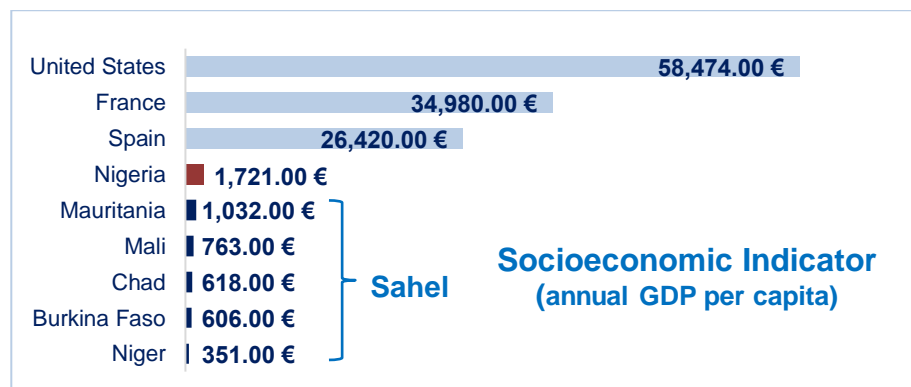
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## The Sahel, a combination of opportunities for violence.

Known as the "Belt of Africa", the Sahel is a 5,000 km semi-arid territory which stretches from the Atlantic Ocean to the Red Sea. Although it covers a geographical extension of a dozen countries, institutionally speaking the Sahel only groups the five sub-Saharan countries and French colonies constituted in 2014<sup>1</sup> as the G5 Sahel Organization<sup>2</sup>: Mauritania, Mali, Niger, Burkina Faso and Chad.

The Sahel is a complex territory, a combination of factors that contribute to the formation of armed groups and terrorist activities. The five States are in a socio-economic crisis because of political and democratic instability, entrenched corruption in governments and institutions, regional ethnic differences, and very low per capita income, ranking in first positions in the world in terms of extreme poverty<sup>3</sup>.



**Figure 1. Annual GDP per capita.** Source. Own elaboration. "Datos-Macro Expansión", 2018 data

We also find here a demographic and environmental crisis. According to the United Nations (UN), the Sahel has very high fertility rates, estimating an increase in its

<sup>1</sup> Convención para la creación del G5 Sahel, 2014. Available at:

<http://www.g5sahel.org/images/convention.pdf>

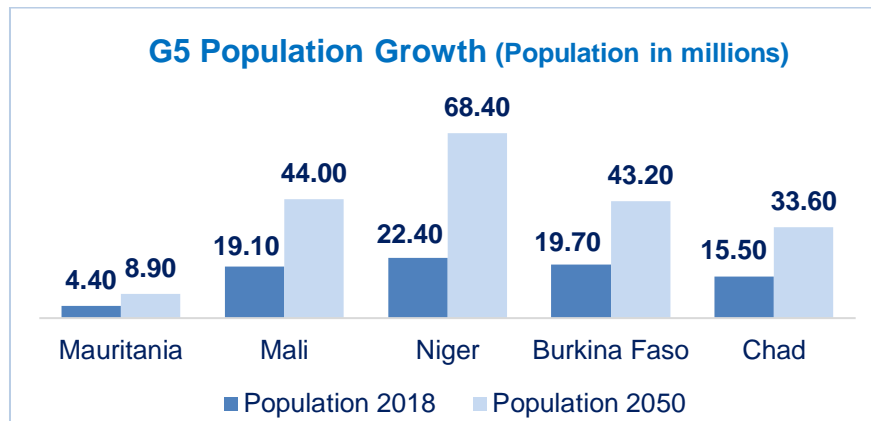
<sup>2</sup> Dpto. de Seguridad Nacional, Gobierno de España – Fuerza Conjunta del G5 Sahel, 2019. Available at:

<https://www.dsn.gob.es/es/actualidad/sala-prensa/fuerza-conjunta-del-g5-sahel>

<sup>3</sup> CIDOB, Barcelona Centre for International Affairs – El Sahel de las gentes: Más allá del síndrome de la seguridad, 2019. Available at:

[https://www.cidob.org/es/publicaciones/serie\\_de\\_publicacion/monografias/monografias/el\\_sahel\\_de\\_las\\_gentes\\_mas\\_alla\\_del\\_sindrome\\_de\\_la\\_seguridad](https://www.cidob.org/es/publicaciones/serie_de_publicacion/monografias/monografias/el_sahel_de_las_gentes_mas_alla_del_sindrome_de_la_seguridad)

population from 75 million people to almost 200 million in 2050<sup>4</sup>. This exponential growth combined with the scarcity of rainfall in the region aggravates food supply capacities<sup>5</sup>. Consequently, a migration crisis due to migratory flows trying to reach Europe in search of "a better life" or fleeing from areas hit by terrorism.

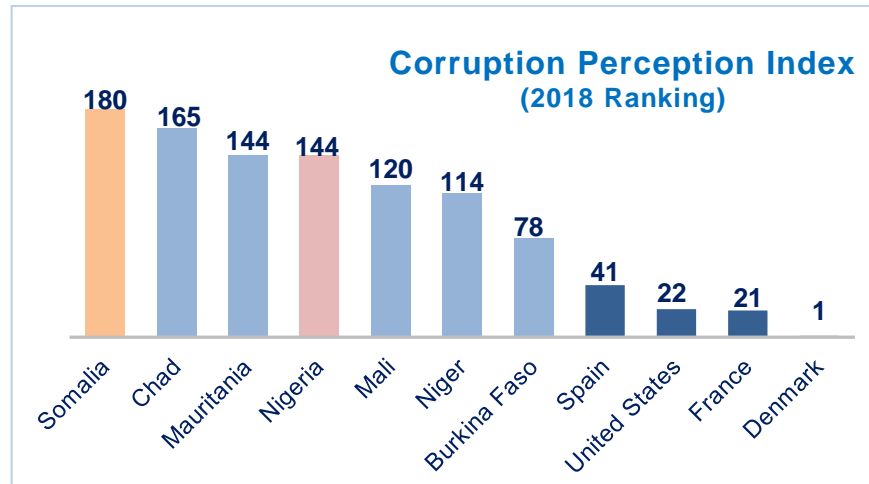


**Figure 2. Population growth in the five countries.** Source. Own elaboration. "Datos-Macro Expansión" and UNDOC, 2018 data.

The lack of economic resources and governments unable to guarantee security, causes a symbiosis between extremists and the young population, who find in terrorism a solution to their precarious situation. Meanwhile, terrorists take advantage of the situation to gain followers and strengthen their control capacities.

<sup>4</sup> IEEE, Instituto Español de Estudios estratégicos – Sahel: un tsunami demográfico, 2018. Available at: <http://www.iecee.es/publicaciones-new/documentos-de-analisis/2018/DIEEEA03-2018.html>

<sup>5</sup> EuropaPress – La ONU da la voz de alarma ante el impresionante aumento de la inseguridad alimentaria en el Sahel, 2020. Available at: <https://www.europapress.es/internacional/noticia-onu-da-voz-alarma-impresionante-aumento-inseguridad-alimentaria-sahel-20200203172729.html>



**Figure 3. Corruption Perception Index.** Source. Own elaboration. “Datos-Macro Expansión”, 2018 data.

### The Sahel, a scene of diversity for terrorist financing

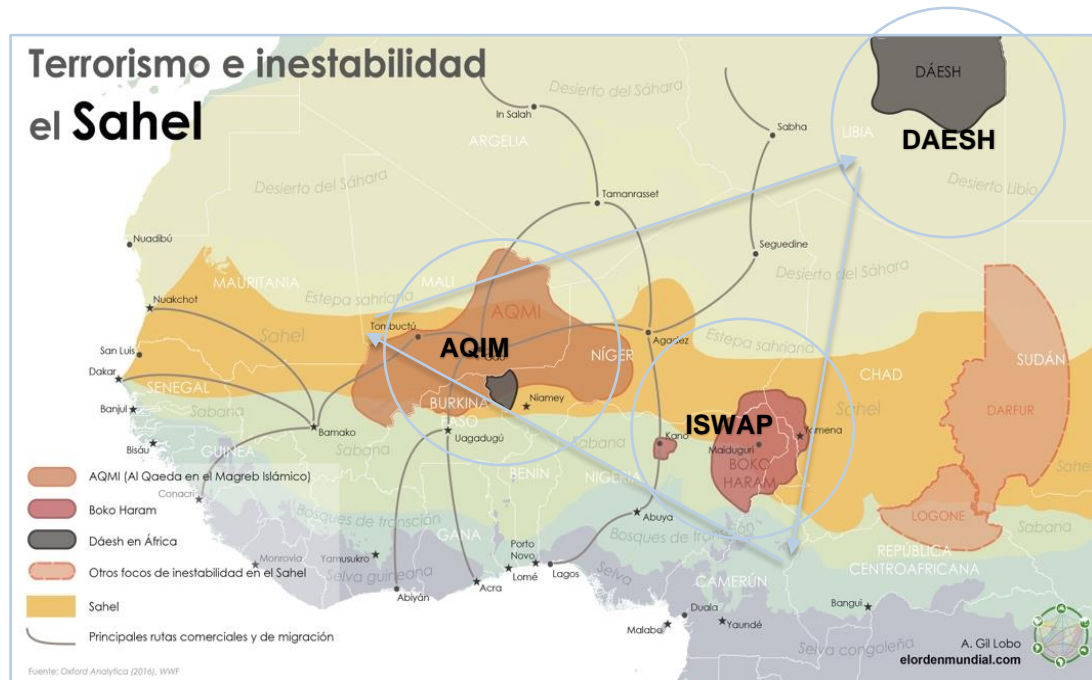
Different terrorist organizations operate in the Sahel, which are constantly evolving as they converge or integrate with each other<sup>6</sup>. However, terrorist attacks and the economic control of their activities is mainly attributed to Al-Qaeda Islamic Maghreb (AQIM), Daesh (Islamic State) and Boko Haram (BH or ISWAP, Islamic State's West Africa Province since 2015)<sup>7</sup>.

As any other company, a terrorist group needs economic income to maintain its costly propaganda and to achieve its objectives. But when we talk about Financing of Terrorism (FT), it covers both economic and logistical means, because terrorists require weapons, ammunition, vehicles and fighters willing to fight for their cause.

<sup>6</sup> IEEE, Instituto Español de Estudios Estratégicos – La propaganda y narrativa yihadista de los grupos del Sahel, 2020. Available at:

[http://www.ieeee.es/Galerias/fichero/docs\\_investig/2020/DIEEEEINV01\\_2020\\_DALBEN\\_Propaganda\\_y\\_narrativa\\_yihadista...\\_08ENE2020.pdf](http://www.ieeee.es/Galerias/fichero/docs_investig/2020/DIEEEEINV01_2020_DALBEN_Propaganda_y_narrativa_yihadista..._08ENE2020.pdf)

<sup>7</sup> Observatorio Internacional de Estudios sobre el Terrorismo – Actividad yihadista en el Magreb y el Sahel Occidental, 2020. Available at: <https://observatorioterrorismo.com/analisis/observatorio-de-la-actividad-yihadista-en-el-magreb-y-el-sahel-occidental-de-enero-2020/>



**Figure 4. Terrorism and instability. The Sahel.** Source: modification on EOM cartography.

For this purpose, AQIM, Daesh and BH, establish border points for the exchange of weapons, people, cash and information. This is a triangle of Maghreb-Sahel collaboration. For example, after the 11S attacks in 2001, Al-Qaeda sent £1.8 million to BH<sup>8</sup>, and in Niger in 2012, a man was arrested carrying €35,000 and a USB drive with two letters from the Emir of AQIM addressed to the leader of BH<sup>9</sup>.

From a local perspective, terrorists use many different means of finance. A report by the Organization for Economic Cooperation and Development (OECD), estimates that more than €40.5 billion are lost annually in illicit flows for terrorist financing in West Africa<sup>10</sup>.

<sup>8</sup> FATF – Terrorist Financing in West and Central Africa 2016 – Chapter 2. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>

<sup>9</sup> GAFI – Financiamento do Terrorismo na África Ocidental 2013. Caso Estudio 3.4. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/FT-na-africa-occidental.pdf>

<sup>10</sup> El País – El comercio ilegal arruina África, 2018. Available at: [https://elpais.com/elpais/2018/02/25/africa\\_no\\_es\\_un\\_pais/1519578914\\_727964.html](https://elpais.com/elpais/2018/02/25/africa_no_es_un_pais/1519578914_727964.html)

Terrorist financing sources according to their illicit nature		
Illicit Trafficking	Natural Resources	Finance System
<ul style="list-style-type: none"> <li>• Drug trafficking</li> <li>• Arms trafficking</li> <li>• Human trafficking</li> <li>• Kidnapping</li> <li>• Robbery and smuggling</li> <li>• Extorsion and donation</li> </ul>	<ul style="list-style-type: none"> <li>• Gold and minerals</li> <li>• Oil and gas</li> <li>• Livestock</li> <li>• Fishing</li> <li>• Agriculture</li> <li>• Fauna and flora</li> </ul>	<ul style="list-style-type: none"> <li>• Cash couriers</li> <li>• Hawala Banking</li> <li>• Transfers</li> <li>• Shell Companies</li> <li>• TBML and MVTS</li> <li>• Cryptocurrencies</li> </ul>

**Table 1. Grouping of funding sources according to their illicit nature.** Source. Own elaboration.

### ***Sources of funding by illicit trafficking: classic methodology***

The economic development of the Sahel has historically been based on trans-Saharan trade through freight and slave routes. The routes still remain today, and their control plays a fundamental role as economic support for terrorist groups. For the transit of goods, terrorists impose a transport tax or "transit tax"<sup>11</sup>. The mafias guarantee protection and arrival at destination, and the terrorists benefit economically.

Which illicit activities generate the most profit?

West Africa is the preferred subregion for drug trafficking to Europe. Corrupt customs controls at ports and airports - when goods arrive mainly from Latin America -, make it easier to establish the main "concentration and distribution" points of goods. Although drug trafficking involves a variety of substances such as cannabis, heroin or synthetic drugs, cocaine remains the star product in the sales catalogue.

Worth highlighting is the 2009 "Air Cocaine" case, a scorched plane that appeared in Mali having transported 10 tons of cocaine from Colombia. Recently in 2019, the police intercepted a fish truck with 800Kg of cocaine in Guinea Bissau and arrested an advisor to the parliament of Niger<sup>12</sup>. Nigeria is also a reception and distribution spot for drugs

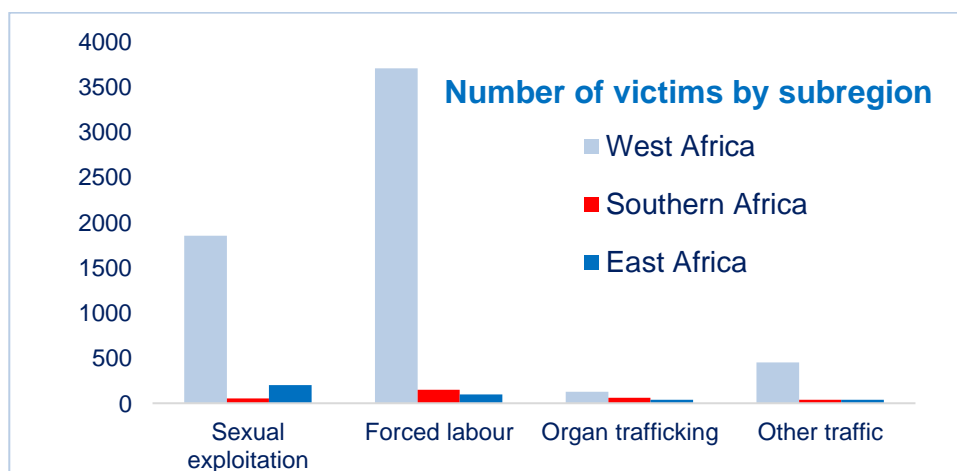
<sup>11</sup> Center on Sanctions & Illicit Finance – Al-Qaeda in the Islamic Magreb, 2017. Available at: [https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/CSIF\\_TFBB\\_AQIM.pdf](https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/CSIF_TFBB_AQIM.pdf)

<sup>12</sup> REUTERS – Adviser to Nigger official arrested in Guinea Bissau cocaine bust, 2019. Available at: <https://www.reuters.com/article/us-bissau-drugs/adviser-to-niger-official-arrested-in-guinea-bissau->

which inevitably pass through the Sahel<sup>13</sup>. In addition, part of the merchandise received remains at origin as payment from the cartels to the terrorists. The drugs will be resold for consumption by the local population, creating a black market for hundreds of vulnerable young people.

Although it's difficult to specify the real volume that "narcoterrorists" handle, it is estimated that the price per kilo of cocaine in Africa is between €27,000 and €34,000. In other words, if a terrorist attack is worth between €27,000 and €30,000, the Madrid 11-M attack in 2004 would have cost €23,000<sup>14</sup>.

On the other hand, human trafficking is increasing between borders with different levels of development, such as Europe and West Africa. Terrorists know this and take advantage of the people who decide to cross. Different studies report on the direct or indirect collaboration of AQIM and MUJAO to facilitate migrants gaining ground in exchange for compensation<sup>15</sup>. In addition, poor border controls make it difficult to identify when an individual is voluntarily moving or being trafficked.



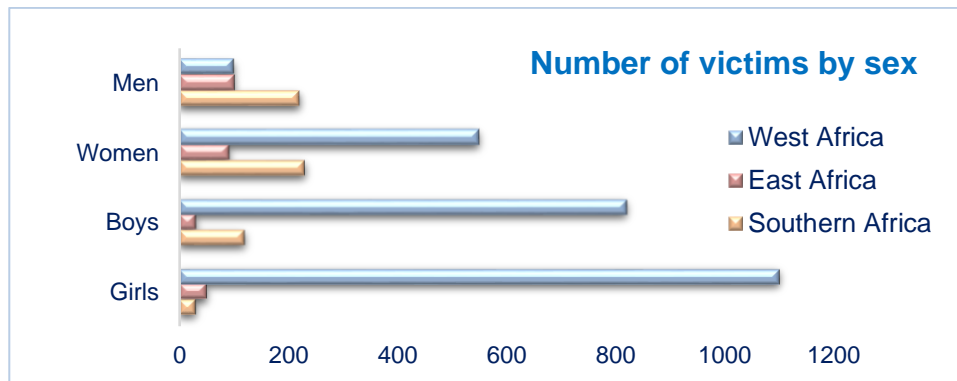
[cocaine-bust-idUSKBN1QS2CF](#)

<sup>13</sup> UNODC, Oficina de Naciones Unidas contra la droga y el delito – World Drug Report, 2019. Available at: [https://wdr.unodc.org/wdr2019/prelaunch/WDR2019\\_B1\\_S.pdf](https://wdr.unodc.org/wdr2019/prelaunch/WDR2019_B1_S.pdf)

<sup>14</sup> La Vanguardia – ONU advierte del riesgo terrorista por un mayor tráfico de drogas en África, 2018. Available at: <https://www.lavanguardia.com/politica/20180707/45736436455/onu-advierte-del-riesgo-terrorista-por-un-mayor-trafico-de-drogas-en-africa.html>

<sup>15</sup> FATF – Terrorist Financing in West and Central Africa, 2016. Chapter 4. Smuggling of Migrants. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>





**Figure 5. Number of victims by region.** Source. Own elaboration. UNODC, 2018 data.

As can be seen from the above graph, the Sahel has the highest concentration of traffic and exploitation. Women and girls are the most affected victims. Specifically, in Niger, 117 trafficking-related vehicles were intercepted in 2015 and more than 7,000 irregular migrants were repatriated. In 2016 in Mali, the authorities uncovered a network of sexual exploitation and released 30 girls<sup>16</sup>.

Finally, terrorism itself is the cause of thousands of forced migrations throughout the region. In fact, Burkina Faso - which borders six countries - is currently the global epicenter of Islamist insurgency. As the crisis grows in the country, it could generate 900,000 displacements according to the Norwegian Refugee Council<sup>17</sup>.

West Africa is swamped with small arms and light weapons forming a black market for arms trafficking. There are approximately 639 million weapons in circulation, 7 million of which transit the Sahel<sup>18</sup>. Fragile borders are again responsible for the exchange between smugglers and terrorist groups. For example, in Mali in 2012 a man was arrested while carrying pressure cookers for the manufacture of explosives. In Niger in 2012, two individuals were arrested carrying weapons and 80,000 cartridges of ammunition for BH<sup>19</sup>. Most recently in 2019, the joint UN/Interpol operation named

<sup>16</sup> UNODC – Sahel Programme. Results and Activities. Progress Report, 2017. Available at: [https://www.unodc.org/documents/westandcentralafrica/UNODC\\_Sahel\\_Programme\\_Results\\_and\\_Activities\\_-\\_June\\_2017.pdf](https://www.unodc.org/documents/westandcentralafrica/UNODC_Sahel_Programme_Results_and_Activities_-_June_2017.pdf)

<sup>17</sup> Financial Times – Governments are failing in the fight against jihadis in the Sahel, 2020. Available at: <https://www.ft.com/content/1ccc58b4-41f0-11ea-bdb5-169ba7be433d>

<sup>18</sup> El País – Las armas de África Occidental en el punto de mira de la Unión Europea, 2016. Available at: [https://elpais.com/elpais/2016/05/31/planeta\\_futuro/1464698392\\_675397.html](https://elpais.com/elpais/2016/05/31/planeta_futuro/1464698392_675397.html)

<sup>19</sup> GAFI – Financiamento do Terrorismo na Africa Ocidental, 2013. Caso 3.5. e 3.3. Available at:



KAFO1 seized dozens of weapons and ammunition in Burkina Faso, Côte d'Ivoire, and Mali<sup>20</sup>.

In relation to this, Libya has been a key supplier of arms material to the Sahel. In 2015 alone, with the fall of the Gaddafi regime, 12,200 weapons were exchanged between Libya and Mali to a value between €14,000,000 and €28,000,000<sup>21</sup>. In fact, several AQIM members were intercepted in Niger in vehicles coming from Libya carrying arms and ammunition worth €539,000<sup>22</sup>.

What are other common practices exist?

Since 2003, kidnappings of Westerners - tourists, aid workers, diplomats or employees of multinationals - have been a major source of income for terrorists. Westerners are worth millions of euros, which is why, over the last 15 years many European countries have paid millions of dollars for the release of their hostages. Between 2008 and 2013 it's estimated that AQIM was able to raise \$100,000,000 for kidnappings. The case of the French multinational AREVA in Mali is an example of how the figure of \$40,000,000 was reached for the release of the hostages<sup>23</sup>.

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<https://www.fatf-gafi.org/media/fatf/documents/reports/FT-na-africa-occidental.pdf>

<sup>20</sup> INTERPOL – Una operación conjunta destapa patrones y rutas del tráfico de armas en África Occidental, 2019. Available at: <https://www.interpol.int/es/Noticias-y-acontecimientos/Noticias/2019/Una-operacion-conjunta-destapa-patrones-y-rutas-del-trafico-de-armas-en-Africa-Occidental-routes-across-West-Africa>

<sup>21</sup> Center on Sanctions & Illicit Finance – Al-Qaeda in the Islamic Magreb, 2017. Available at: [https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/CSIF\\_TFBB\\_AQIM.pdf](https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/CSIF_TFBB_AQIM.pdf)

<sup>22</sup> FATF – Terrorist Financing in West and Central Africa 2016. Chapter 4, case study 18. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>

<sup>23</sup> The New York Times – Paying Ransoms, Europe Bankrolls Qaeda Terror, 2014. Available at: <https://www.nytimes.com/2014/07/30/world/africa/ransoming-citizens-europe-becomes-al-qaeda-patron.html>

KIDNAPPINGS	PAYING COUNTRY	\$ MILLION	HOSTAGES
2010-2013	France	40,4	4 France
2010-2011	France	17,7	1 France 1 Togo 1 Madagascar
2011-2012	N/A	10,8	1 Italy 2 Spain
2009-2010	Spain	5,9	3 Spain
2009	Switzerland	12,4	2 Switzerland 1 Germany
2008-2009	N/A	1,1	2 Canada
2008	Austria	3,2	2 Austria

**Table 2. Profits from the release of hostages.**

Source: own elaboration. The New York Times, 2014 data.

On other occasions, kidnappings serve as a negotiating method for terrorist groups for the release of their own imprisoned members. In fact, in Mali in 2015 AQIM stormed into a hotel holding 170 people in exchange for their imprisoned fighters.

It is also known that AQIM and BH actively perpetrate robberies and looting in villages, farms, police stations and barracks. In some cases, they act for weapons or sustenance, and in others for the appropriation of goods to be resold in an inflationary manner. For instance, in Chad in 2015 the authorities dismantled a network of motorbike sales articulated by BH, which sold about thirty bikes per month at €610 each. In Nigeria, a BH member was arrested with stolen jewelry worth €15,000<sup>24</sup>.

Cigarette and medicine smuggling also fatten the terrorists' coffers, not to mention the loss of tax revenue for governments and multinationals<sup>25</sup>. In fact, several individuals with a salary of \$130 were arrested in Burkina Faso for trafficking with the drug Rivotril which had been bought in local pharmacies. Let us recall the case of Mokhtar Belmokhtar nicknamed "Marlboro man" or "Emir of Sahel" as the main smuggler and funder of millions of dollars for AQIM<sup>26</sup>.

<sup>24</sup> FATF – Terrorist Financing in West and Central Africa, 2016 – Chapter 3, Chapter 4. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>

<sup>25</sup> OECD – Illicit Financial Flows. The economy of illicit trade in West Africa. Tobacco. Available at: [https://www.giaba.org/media/f/1048\\_IFF-THE%20ECONOMY%20OF%20ILLICIT%20TRADE%20IN%20WEST%20AFRICA.pdf](https://www.giaba.org/media/f/1048_IFF-THE%20ECONOMY%20OF%20ILLICIT%20TRADE%20IN%20WEST%20AFRICA.pdf)

<sup>26</sup> El Confidencial – Mokhtar Belmokhtar, el Bin Laden del Sáhara, 2017. Available at: [https://www.elconfidencial.com/mundo/2017-07-27/yihadismo-mokhtar-belmokhtar-sahel-estado-islamico-al-qaeda-atentados\\_1420039/](https://www.elconfidencial.com/mundo/2017-07-27/yihadismo-mokhtar-belmokhtar-sahel-estado-islamico-al-qaeda-atentados_1420039/)

Extortion of civilians and officials is commonplace by AQIM and BH. Through a tax or "protection fee", terrorists receive a percentage and traders can continue operating. In other occasions, officials or politicians are intimidated in exchange for money and information. In fact, in 2012 an arrested BH member confessed that members of the government were making "personal" donations to the terrorist group. Indeed, the investigation of his bank accounts showed numerous representative payments for such protection "fees"<sup>27</sup>.

Additionally, donations and Zakat are a very profitable form of exploitation. By Islamic decree, Muslims are required to donate 2.5% of their annual income to charity, but a large part of this income - collected from mosques or by representative collectors - is used for FT. In Niger, in particular, terrorists raise funds from merchants and sympathizers. In 2013 in Mali, a member of MUJAO who was acting as an intermediary between families and terrorists for fundraising in the form of "Zakat"<sup>28</sup> was arrested. Even in Chad in 2015, a religious representative was arrested for collecting food and youth sent by the families themselves as a contribution to BH.

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<sup>27</sup> GAFI – Financiamento do Terrorismo na África Ocidental, 2013. Caso 2.4. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/FT-na-africa-ocidental.pdf>

<sup>28</sup> FATF – Terrorist Financing in West and Central Africa, 2016 – Chapter 3, case study 2. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>

RAPID ACTION GROUPS, SURVEILLANCE AND INTERVENTION IN THE SAHEL							
GAR-SI SAHEL RESULTS		MAURITANIA	MALI	NIGER	BURKINA FASO	SENEGAL	TOTAL
<b>WEAPONS</b> Controls and entries	White weapons	40	10	22		73	145
	Fire Weapons	62	2		1		65
	Shoulder Blades	194	1	1	3	12	211
	Ammunition	503		2 boxes		3,500 cartridges	4,003 + 2
<b>EXPLOSIVES</b>	Dynamite			26 cartridges			26
	Detonating cord			35 m			35 m
	Detonators			43			43
	Precursors		40 kg				40 kg
<b>PEOPLE</b>	Arrests			11	165	131	307
	Immigrants	211			173		384
	Controls	10,989	53	58	1,928	6,525	19,553
<b>VEHICLES</b> Controls and entries	Cars	5,190	1,904	275	44		7,413
	Motorcycles				563		563
	Trucks				30		30
	Other			99	3	1,886	1,988
<b>DRUGS</b>	Hashish	89 grs.	600 kg			300 gr	600,389 kg
	Canabis					800 gr	800 gr
	Other			131 amphetamines		60 kg tramadol	131a + 60 kg
<b>SMUGGLING</b>	Coal	10 Tn				8 bags	10 Tn + 8 bags
	Gasoline	400 L				8.240 L	18,260 L
	Diesel	820 L					820 L
	Other	14 medical boxes		16,072 capsules			14 + 16,072
<b>CURRENCIES</b>	Euros	15.760					15,760
	Ouguias	8,800,000					8,800,000
	Francs	1,000,000		370,710		427,000	1,797,410
<b>OTHER</b>	Missions	7					7
	Deployments	22					22

**Table 3. Rapid Action Groups in the Sahel.** Source: Interview granted by the Chief Director of the GAR-SI SAHEL project. November 2019<sup>29</sup>.

### ***Natural resources as means of finance: a booming practice***

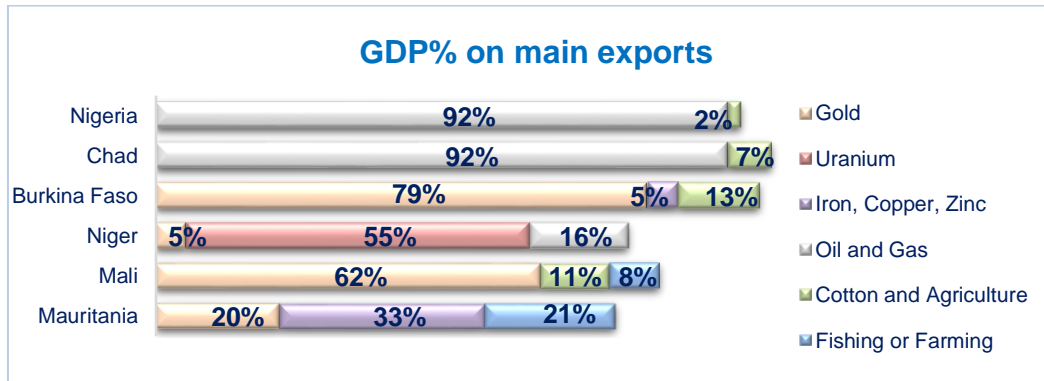
The African continent is suffering from the well-known "natural resource curse". ECOWAS has several of the richest countries in natural resources including Mali, Niger, Burkina Faso and Nigeria. However, the cause of their poverty is to a great extent the richness of their own natural resources<sup>30</sup>.

The Sahel generates great geostrategic interest in energy. Many multinationals in the

<sup>29</sup> "La contribución española actual a la lucha contra el terrorismo en el Sahel", *Real Instituto Elcano*, 2018. Available at: [http://www.realinstitutoelcano.org/wps/portal/rielcano\\_es/contenido?WCM\\_GLOBAL\\_CONTEXT=/elcano/elcano\\_es/zonas\\_es/terrorismo-internacional/ari116-2018-altuna-contribucion-espanola-actual-lucha-terrorismo-sahel](http://www.realinstitutoelcano.org/wps/portal/rielcano_es/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_es/zonas_es/terrorismo-internacional/ari116-2018-altuna-contribucion-espanola-actual-lucha-terrorismo-sahel)

<sup>30</sup> La Vanguardia – El África de los recursos naturales, 2019. Available at: <https://www.lavanguardia.com/vanguardia-dossier/20191127/471857314619/recursos-naturales-africa-minerales-industria-agricultura.html>

extractive sector operate in the region competing for control of its energy resources. Examples include "Semafo" and "Barrick Gold" for gold mining in Burkina Faso and Mali, Orano for uranium mining in Niger<sup>31</sup>, and the oil companies CNPC and ExxonMobil in Chad.



**Figure6. Percentage of GDP over main exports.** Source: own elaboration. The Observatory of Economic Complexity, 2020 data.

Which extractive industries generate the highest profits?

The extractive sector is affected by weak regulation and supervision of illegal artisanal mining. In addition, the boom in recent years increases the illicit traffic with minerals and fossil fuels in any part of the chain: extraction, sale or export<sup>32</sup>. At any of these stages, armed gangs and terrorist groups find an opportunity for economic gain

Gold is the metal with the greatest potential today. Between Mali and Burkina Faso alone, more than 30 tons of illicit gold are exported annually for €832,000,000<sup>33</sup>. Specifically, 10 tons worth €143,000,000 were seized in Burkina Faso and two shipments of 64kg and 151kg were seized in Mali for €511,000 and €1,895,236, respectively. Routes for illicit flows of gold are also known to exist between Niger and

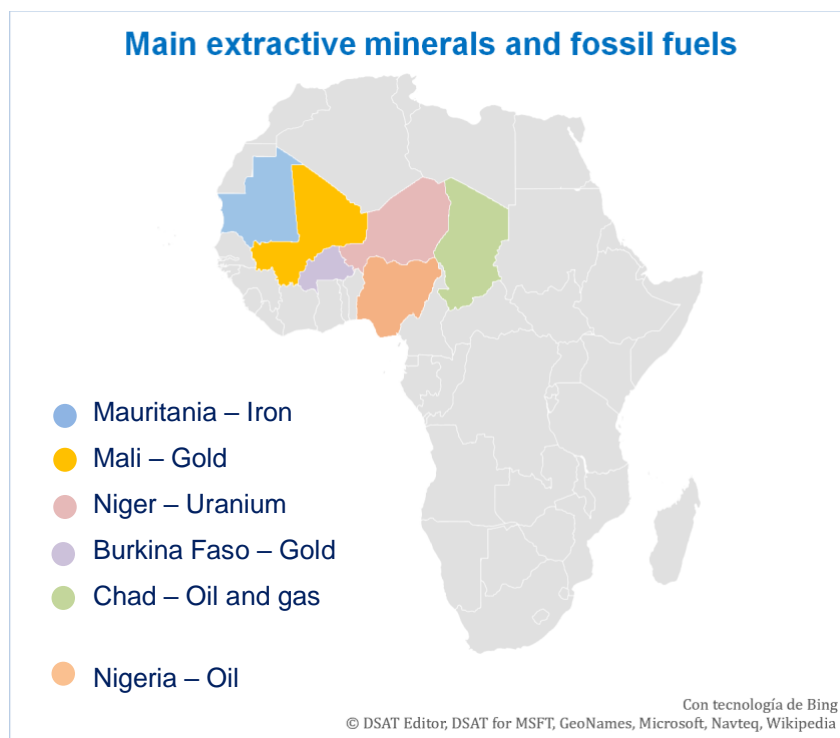
<sup>31</sup> El Orden Mundial – Níger, atrapado en el uranio, 2018. Available at: <https://elordenmundial.com/niger-atrapado-en-el-uranio/>

<sup>32</sup> GIABA – Branqueamento de Capitais e Financiamento do Terrorismo associados à Indústria Extrativa e ao Setor Mineiro na África Ocidental, 2019. Capítulo 1, 2, 3. Available at: [https://www.giaba.org/media/f/1105\\_pkbat\\_41745%20Portugaise%20-ML%20-%20TF%20IN%20EXTRACTIVE%20\(1\).pdf](https://www.giaba.org/media/f/1105_pkbat_41745%20Portugaise%20-ML%20-%20TF%20IN%20EXTRACTIVE%20(1).pdf)

<sup>33</sup> ENACT, Enchancing Africa's response to transnational organized crime – Combating criminal consortia in the African artisanal and small-scale gold mining and trade sector, 2019. Available at: <https://enactfrica.org/research/research-papers/pulling-at-golden-webs-combating-criminal-consortia-in-the-african-artisanal-and-small-scale-gold-mining-and-trade-sector>

Chad.

The mining areas are unprotected from AQIM and its affiliates (JNIM or ISGS) <sup>34</sup>, in fact, in Niger in 2017 the government closed several mines as a result of the excessive violence. Regional governments use their capacities to control the terrorists themselves by delegating the security of the sites to regional actors (e.g. in Mali the "Dozos" and in Burkina the "Kowlweogo"). This situation leads miners or local actors to pay terrorists in exchange for security. In addition, gold can easily be used as a bargaining chip or exchanged for other goods



**Figure 7. Main extractive minerals.** Source. Own elaboration. Al Jazeera, 2016 data.

Quarries are also a logistical financing opportunity. Jihadists use them to spread Islam and recruit sympathizers from communities near mines, and explosives used for on-site extraction could be used to commit attacks. For example, in Mali and Burkina Faso, gold mining allows ammonium nitrate to be the main element in the manufacture of

<sup>34</sup> EuropaPress – La minería del oro en Burkina Faso, en el punto de mira de los yihadistas, 2019. Available at: <https://www.europapress.es/internacional/noticia-mineria-oro-burkina-faso-punto-mira-yihadistas-20191109102452.html>

explosives<sup>35</sup>.

The main oil extraction plants are concentrated between Niger and Nigeria<sup>36</sup>. However, it is estimated that the theft of oil amounts to 150,000 barrels per day, causing annual losses of over €4,600,000,000<sup>37</sup>. The Niger Delta's oil infrastructure suffers from theft and bribery and oil tankers in the Gulf of Guinea are exposed to piracy and sabotage. Refinery employees themselves exchange the crude oil for money and ships are attacked during transit or refuelling (oil bunkering).

It is difficult to quantify the total amount of oil stolen by terrorist groups, but it is known that much of it ends up in their hands. Nigerian security forces have discovered large reserves of refined oil used by BH for refuelling vehicles, machinery, or subsequent illegal traffic. Al Qaeda and the Islamic State also resort to the exploitation of strategic resources such as oil, sulphur, phosphorus, and phosphate to finance their activities, sometimes through the disruption of police services themselves.

How do they take advantage of the fisheries, agriculture and livestock sector?

The agricultural sector and extensive livestock farming are of vital importance to regional economies in the Sahel. In Chad and northern Nigeria in particular, agriculture, livestock and fisheries are the main income generators for the population. However, since BH's insurgency, the Nigerian authorities have reported a significant increase in livestock theft.

Terrorists turn to the sale of agricultural products, livestock, and fish in local markets to obtain financing, and develop commercial networks through front men to provide related services such as nail cutting, street vending or water supply. Yet again, the porosity of borders and commercial transactions in cash make it difficult to control and trace the products or animals in circulation.

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<sup>35</sup> EuropaPress – La fiebre del oro en el Sahel ayuda a financiar el terrorismo yihadista, 2019. Available at: <https://www.europapress.es/internacional/noticia-fiebre-oro-sahel-ayuda-financiar-terrorismo-yihadista-20191117104535.html>

<sup>36</sup> El Orden Mundial – La maldición del petróleo en Nigeria, 2020. Available at: <https://elordenmundial.com/nigeria-y-el-oro-negro/>

<sup>37</sup> OECD – Illicit Financial Flows. The economy of illicit trade in West Africa, 2018. Illicit resource extraction. Available at: [https://www.giaba.org/media/f/1048\\_IFF-THE%20ECONOMY%20OF%20ILLICIT%20TRADE%20IN%20WEST%20AFRICA.pdf](https://www.giaba.org/media/f/1048_IFF-THE%20ECONOMY%20OF%20ILLICIT%20TRADE%20IN%20WEST%20AFRICA.pdf)



For example, in Chad 7,000 cows were stolen by BH and 1,300 hides were found. In Niger, 20,000 head of livestock were sold for €9,000,000 and a network of illicit trade was dismantled, which resold 25-50 cows per day at €95. Also, around 500-1,000 horses, sheep and goats were resold by BH in a local market. In Nigeria, a terrorist was arrested with €3,200 from the sale of cola nuts, and several individuals were arrested with 463 bags of fish worth €71,000 for BH<sup>38</sup>.

Terrorists seek to control agricultural land, appropriating the raw material to feed their members or for subsequent resale of the goods. In some cases, BH imposes monthly charges on villagers as if it were a feudal tax. They have also paid out cash loans for Chadian villagers to finance the cultivation of onions, potatoes, and other vegetables that the jihadists would then sell in local markets<sup>39</sup>.

How is wildlife trafficked in West Africa?

The European Commission<sup>40</sup> has issued warnings about FT through charcoal or trafficking in wildlife among others, causing annual losses of around €23,000,000,000. Illegal logging or poaching top the list of environmental crimes in West Africa. Corruption, poor regulation, irregular licensing, and poaching contribute to irreparable losses in ecosystems and millions in profits for local actors: hunters, officials, and terrorists. In fact, the illicit trade in flora and fauna in the region is estimated to be the fourth most lucrative activity after trafficking in drugs, arms, or human beings.

Terrorists exterminate animal colonies. In Mali, for example, herds of elephants are passing through the country, and in recent years the advance of Islamism has threatened their survival. Elephant tusks are worth about 1,200 EUR/Kg and rhino horns 61 EUR/Kg, thereby making ivory trade one of the most profitable sources of income for

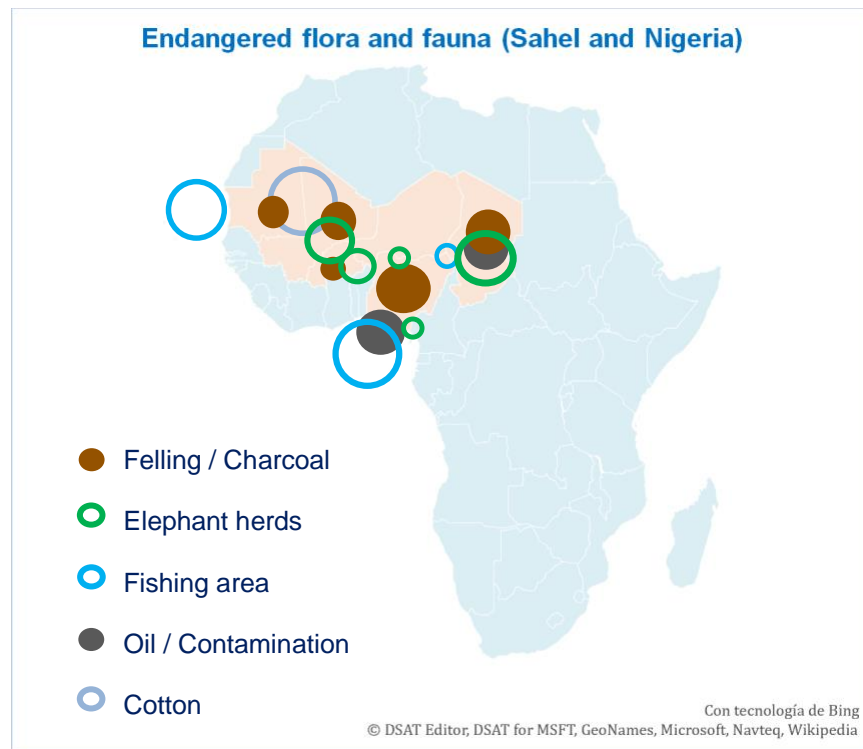
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<sup>38</sup> FATF – Terrorist Financing in West and Central Africa 2016. Chapter 3. Cattle/Livestock Rustling. Case studies. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>

<sup>39</sup> GAFILAT, Grupo de Acción Financiera de Latinoamérica – Informe del ejercicio de tipologías sobre la financiación del terrorismo en África Central, 2016. Capítulo 5. Available at: <http://www.gafilat.org/index.php/es/biblioteca-virtual/otros-organismos/documentos-de-interes-19/tipologias-19/344-gabac-ft-rapport-122016-sp-espagnol/file>

<sup>40</sup> Comisión Europea. Plan de acción de la UE contra el tráfico de especies silvestres, 2016. Available at: [https://ec.europa.eu/environment/cites/pdf/WAP\\_ES\\_WEB.pdf](https://ec.europa.eu/environment/cites/pdf/WAP_ES_WEB.pdf)

armed groups linked to the Islamic state and Al Qaeda<sup>41</sup>. Likewise, in Chad, several poachers were intercepted in possession of wildlife, including several terrorists from the Lord's Resistance Army (LRA).



**Figure 8. Endangered flora and fauna.** Source. Own elaboration. UNEP e Interpol, 2016 data.

Hunted game is often seized in neighboring ports such as the Ivory Coast or Guinea. Customs officials themselves do not give much thought to the illegal trade in wildlife. The same applies to timber exports. Various investigations show that excessive tree felling, and subsequent illegal sale are being done under the complicit gaze of police and officials. Nigeria in particular has a high level of environmental trafficking due to its central position in relation to other countries, particularly in ivory and timber<sup>42</sup>.

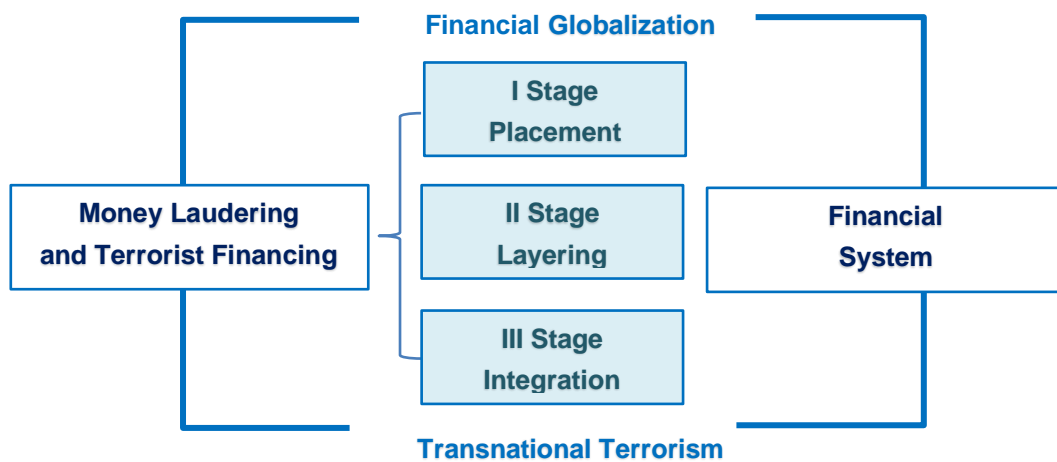
<sup>41</sup> La Vanguardia – Así es como la muerte de miles de animales financia el terrorismo, 2016. Available at: <https://www.lavanguardia.com/natural/20160303/40169644665/terrorismo-animales-protegidos.html>

<sup>42</sup> OECD, Illicit Financial Flows. The economy of illicit trade in West Africa, 2018. Flora and Fauna. Available at: [https://www.giaba.org/media/f/1048\\_IFF-THE%20ECONOMY%20OF%20ILLICIT%20TRADE%20IN%20WEST%20AFRICA.pdf](https://www.giaba.org/media/f/1048_IFF-THE%20ECONOMY%20OF%20ILLICIT%20TRADE%20IN%20WEST%20AFRICA.pdf)

### **Sources of Financing by the Financial System: Money Laundering**

Money Laundering (ML) is the cover-up of the nature of funding obtained through illicit activities<sup>43</sup>. From a technical point of view, it consists in introducing an amount of cash (placement), mainly fractionated (smurfing method), into the financial circuits, and then dispersing it through financial operations (layering). The aim is to move the money away from its true illegal origin and hinder Financial Institutions (FIs) from detecting it. Finally, the money is incorporated into economic flows with a legitimate appearance (integration)<sup>44</sup>.

Currently, the ML is closely linked to the FT. As a result of financial globalization, a terrorist organization or "lone wolf" could send or obtain financing from anywhere in the world like any other user of the banking system, thanks to the transactional speed of the financial system, technological advances and the liberalization of capital movements. All of this means that, in the absence of border barriers, terrorism takes on a transnational dimension<sup>45</sup>, and therefore a problem that must necessarily be fought jointly at an international level.



<sup>43</sup> BOE – Ley 10/2010, de 28 de abril, de prevención del blanqueo de capitales y de la financiación del terrorismo – Capítulo I. Artículo I. Disposiciones generales. Available at: <http://www.cpbce.tesoro.es/sites/default/files/boe-a-2010-6737-consolidado.pdf>

<sup>44</sup> Registradores de España – Fases del Blanqueo de Capitales. Available at: <http://registradores.org/blog/fases-del-blanqueo-de-capitales/>

<sup>45</sup> Naciones Unidas – Informe de la Conferencia de Alto Nivel de las Naciones Unidas contra el Terrorismo, 2018. (página 4). Available at: <https://www.un.org/counterterrorism/ctif/sites/www.un.org.counterterrorism.ctif/files/Report-UN-High-Level-Conference-Counter-Terrorism-ES.pdf>

**Figure 9: Transnational Terrorism.** Source. Own elaboration.

What are the main economic flows in the Sahel like?

The main problem facing the countries of the Sahel is the existence of informal economies. These countries conduct their commercial transactions mainly in cash and interfere minimally with the financial system<sup>46</sup>. This means that, along with the corruption of authorities, the Financial Intelligence Units (FIUs) have difficulty in tracking capital because they do not have a record of the operation either on paper or in a computer system.

In addition, the precarious socio-economic situation of the population encourages the existence of underground economies. For the vast majority of people, access to the banking system is both expensive and complex. Moreover, there is no legislation in the territory that requires the declaration of the amount transported or when crossing a border. This makes it difficult for governments to control money in circulation or intended for FT. This situation directly benefits terrorist groups such as AQIM, which can obtain most of their income in cash and anonymously.

An informal money transmission system is the Hawala Banking or "flying money". The operation is based on trust and ethnic ties established between communities. The "Hawaldars" (or guarantors) are individuals who are part of a certain network and charge a fee for transferring the amount<sup>47</sup>. Another similar operation is that of cash couriers, transporting money in vehicles, parcels or on their own bodies. Women are usually used to transport money or weapons. Women, due to Islamic principles, cannot have physical contact with men other than their husbands, thus avoiding being searched at border controls.

Research shows that AQIM operates throughout the Sahel using cash couriers who communicate via mobile phones to coordinate progress. For example, in 2015 in Burkina Faso, a citizen was intercepted with €46,000, a mobile phone and five SIM

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<sup>46</sup> ENACT – African illicit financial flows, 2019. Available at: <https://globalinitiative.net/african-illicit-financial-flows-designing-and-prioritising-responses/>

<sup>47</sup> EUROPOL – Terrorism situation and trend report (TE-SAT 2019). Page 17. Available at: <https://www.europol.europa.eu/activities-services/main-reports/terrorism-situation-and-trend-report-2019-te-sat>

cards. Researchers concluded that the phone was linked to AQIM members. In Niger, a man who was stopped on his way to Chad carrying more than \$1.2 billion in foreign currency, was identified by authorities identified as a BH cash courier<sup>48</sup>.

False billing or TBML (Trade Based Money Laundering)<sup>49</sup> is also common in informal economies. It consists of disguising a commercial exchange often with over- or under-invoicing of the value and quantity of goods. The real estate, automotive and extractive sectors are very vulnerable to this practice. For example, smuggled gold between Uganda and the Republic of Congo is exchanged for goods such as cars, construction materials or motorcycles<sup>50</sup>. These practices are increasing from the Sahel to Southern Africa as capital controls are tightened by FIs.

How is the financial system used for FT?

Financial institutions can be used for the ML and the FT. Specifically, the banking institutions - at the commercial or retail banking level - are the "regulated entities"<sup>51</sup> with the highest concentration of suspicious operations. Depending on the phase in which the "launderer" is at, he will make use of the banking system in different ways: in the placement stage the offender opens current accounts, makes cash deposits or physically transfers the capital to a country with a less strict financial framework. In the placement stage, the "launderer" tries to move the capital away from its illicit origin and transform it into "legal money" by means of financial instruments.

It should be noted that the financial structure of the Maghreb, and specifically Morocco and Algeria, have a better regulated banking system, which limits AQIM's financial operations northward<sup>52</sup>. This means that the G5 countries are looking southward when it

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<sup>48</sup> FATF – Terrorist Financing in West and Central Africa, 2016. Chapter 5. Case Study 27. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>

<sup>49</sup> FATF – Trade-Based Money Laundering, 2006. Available at: <https://www.fatf-gafi.org/publications/methodsandtrends/documents/trade-basedmoneylaundering.html>

<sup>50</sup> ENACT – African illicit financial flows, 2019. Moving IFF: money laundering. Page 9. Available at: <https://globalinitiative.net/african-illicit-financial-flows-designing-and-prioritising-responses/>

<sup>51</sup> BOE – Ley 10/2010, de 28 de abril, de prevención del blanqueo de capitales y de la financiación del terrorismo – Capítulo I. Artículo II. Sujetos Obligados. Available at: <http://www.cpbce.tesoro.es/sites/default/files/boe-a-2010-6737-consolidado.pdf>

<sup>52</sup> Center on Sanctions & Illicit Finance – Al-Qaeda in the Islamic Magreb, 2017. Available at: [https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/CSIF\\_TFBB\\_AQIM.pdf](https://s3.us-east-2.amazonaws.com/defenddemocracy/uploads/documents/CSIF_TFBB_AQIM.pdf)

comes to intervening in financial flows. Kenya and South Africa - with their high crime rates - are the main financial centres for Africa, Nigeria plays a key role because of its proximity to the Sahel when it comes to talking about FT through the financial system<sup>53</sup>.

Numerous investigations conducted by FIUs and reflected in the FATF annual reports, show how AQIM and BH use a variety of financial instruments to obtain funding throughout the territory, not only through transactions between regional entities, but also using the international financial system.

Which are the financial instruments most used by terrorists?

Bank transfers are used to transfer money between accounts, highlighting a common type of customer: non-governmental or non-profit organizations (NGOs), individuals with senior or Politically Exposed Persons (PEPs) and Shell Companies. The following investigations carried out by various FIUs in the region serve as examples:

A Middle Eastern NGO with an account in a Nigerian entity reflected “smurfing” as regular banking transaction in the territory of BH. Given there was evidence of FT, the entity submitted a communication to the Nigerian FIU concluding that the NGO supported several terrorist groups such as AQIM<sup>54</sup>. In 2015, a Nigerian bank submitted to its FIU a report on a customer holding 9 accounts who was a shareholder of several companies and also qualified as a PEP. International transactions were conducted without justification and also movements between family business accounts. After analysing the parties involved, it was found that one of them was a terrorist identified by the UN and Interpol and that the amounts withdrawn were intended for FT<sup>55</sup>.

The creation of a Shell Company is one of the main problems facing the banking system. As a result of "gatekeepers or figureheads" (individuals at the head of the company with an "alleged" corporate position), entities have difficulty identifying the actual owner. For example, an NGO with an account in a Nigerian bank received

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<sup>53</sup> GAFI – Financiamento do Terrorismo na Africa Ocidental, 2013. Capítulo 1. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/FT-na-africa-ocidental.pdf>

<sup>54</sup> GAFI – Financiamento do Terrorismo na Africa Ocidental, 2013. Capítulo 3. Caso estudio 2.1. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/FT-na-africa-ocidental.pdf>

<sup>55</sup> FATF – Terrorist Financing in West and Central Africa 2016. Case Study 30. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>

several transfers over two years amounting to \$2 million from the United States, thanks to an import-export company set up by the directors of the organization themselves. However, information received from customs revealed that the company had never imported or exported anything<sup>56</sup>.

Money Value Transfer Systems (MVTs) allow the transfer of money via mobile or the internet. As the banking system is complicated and expensive for most of the population, the use of "direct money" services is a fast and accessible method for millions of people. Kenya's M-PESA mobile instant money transfer system is a clear example of "mobile money" being used by millions of Kenyans<sup>57</sup>. However, it is a critical and complex area for FIUs to monitor given the difficulty in identifying both the customer and the nature of the transaction.

Cryptocurrencies or virtual currencies are an innovative method which allows the transfer of "virtual money" without the need of intermediaries. They are not issued by any banking institution or public body and allow the identity of the users to be concealed<sup>58</sup>. For terrorist groups, it is a way of receiving donations from anywhere in the world that is difficult to trace. All you must do is create a Bitcoin address and start receiving "digital funds"<sup>59</sup>.

Which patterns are common in International Money Laundering?

Triangulation between countries is common to transfer money to tax havens. It also allows terrorist groups to withdraw capital or to blur its trail from a third country with a less demanding financial framework. E.g.: A PEP with an account in Senegal, received a transfer from North Africa. The amount was transferred to a third entity in a neighbouring country. The investigation determined that the individual was financing

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<sup>56</sup> FATF – Terrorist Financing in West and Central Africa 2016. Case Study 11. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/Terrorist-Financing-West-Central-Africa.pdf>

<sup>57</sup> ENACT – African illicit financial flows, 2019 – Money laundering and IFF's typologies. Available at: <https://globalinitiative.net/african-illicit-financial-flows-designing-and-prioritising-responses/>

<sup>58</sup> EUROPOL, Terrorism situation and trend report (TESAT 2019). Terrorist and violent extremist activities – Financing of terrorism (page 17). Available at: <https://www.europol.europa.eu/activities-services/main-reports/terrorism-situation-and-trend-report-2019-te-sat>

<sup>59</sup> The New York Times – Los terroristas ahora se financian con Bitcoin, 2019. Available at: <https://www.nytimes.com/es/2019/08/21/espanol/negocios/bitcoin-terrorismo.html>



terrorism by acting as an intermediary between the Maghreb-Sahel region<sup>60</sup>.

Through Correspondent Banking (intermediary banks) or Correspondent banking services, terrorists manage to cover up the origin of funds. For example, the owner of a real estate agency in Senegal received a transfer from the United States of \$106,000, previously authorized by the correspondent entity in Dubai. Given the absence of customer identification and justification of the capital, the final beneficiary entity decided to inform the relevant FIU. The investigation concluded that the real estate agency was illegal and was created for the ML and FT of different terrorist groups in East Africa, Europe and Mauritania<sup>61</sup>.

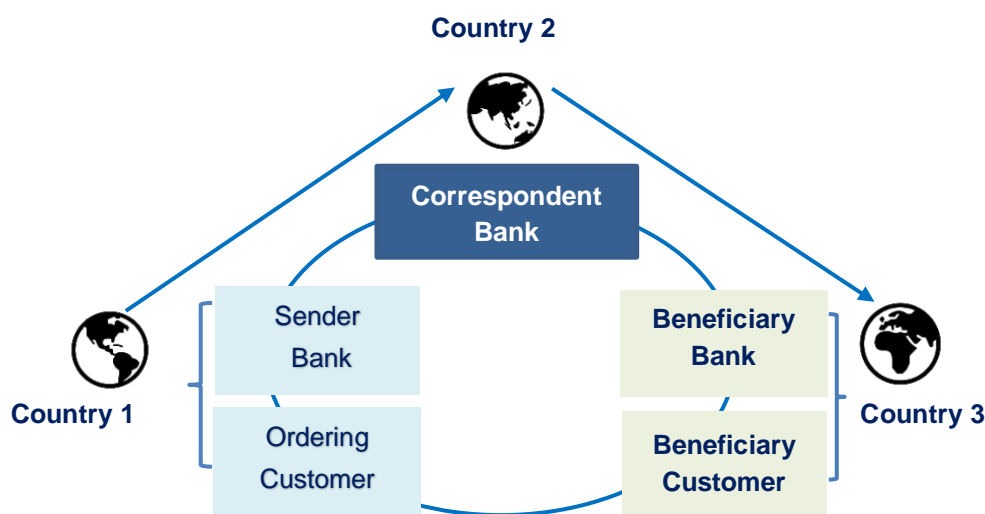


Figure 10. Triangulation between countries. Source. Own elaboration.

## Regional and International Action in relation to AML/CFT

The most important intergovernmental body in relation to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT), is the Financial Action Task Force (FATF/GAFI). Its mission is the creation, promulgation and implementation of rules and preventive measures against ML/FT at international level, considering the administration and legal framework of each country<sup>62</sup>.

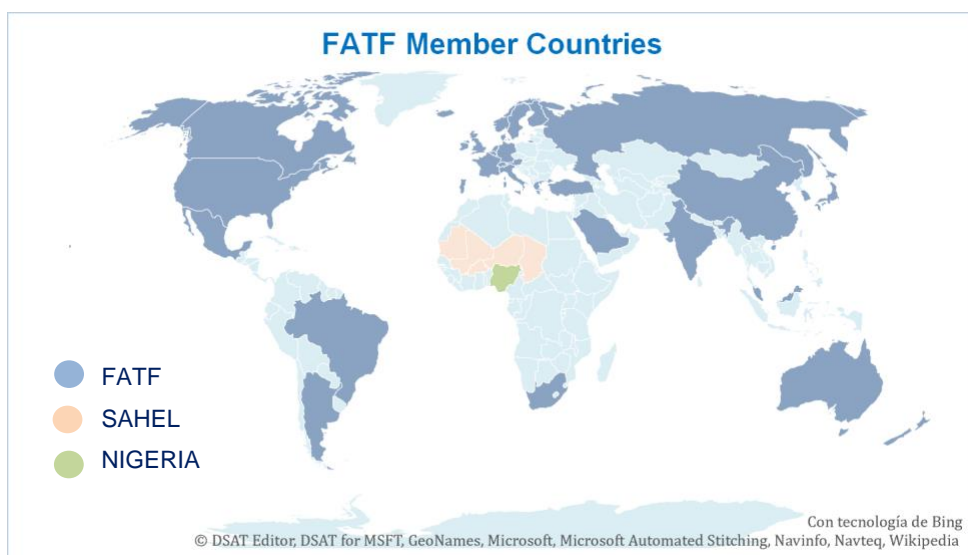
<sup>60</sup> GAFI – Financiamento do Terrorismo na Africa Ocidental 2013. Capitulo 3. Caso 2. Caso1.3. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/FT-na-africa-ocidental.pdf>

<sup>61</sup> GAFI – Financiamento do Terrorismo na Africa Ocidental, 2013. Caso 1.3. Available at: <https://www.fatf-gafi.org/media/fatf/documents/reports/FT-na-africa-ocidental.pdf>

<sup>62</sup> Les Recommandations du GAFI: Normes Internationales sur la lutte contre le blanchiment de capitaux et le financement du terrorisme et de la prolifération, 2019. Available at: <http://www.fatf->

The FATF standards establish the rules which the “obliged subjects” must comply with when processing any financial operation or identifying their clients. As a result, two key concepts arise from these FAFT measures: the “country risk” in relation to the level of risk and “Customer Due Diligence” (CDD) alluding to the obligation of the client’s identification.

No West African country complies with the requisites to be a FAFT member so added to the deficiency of the financial systems, the sociopolitical and democratic instability, organized crime gangs and terrorism, these are classified as high-risk countries. It’s therefore necessary that the “obliged subjects” from European countries intensify their “CDD” controls and increase the detection processes of alerts on them.



**Figure 11. FATF member countries.** Source. Own elaboration. FATF, 2020 data.

Additionally, the FATF follows up on jurisdictions which have not developed preventive measures or do not comply with international standards in their fight against ML and FT (the grey list). It also warns the International Community about those countries with serious strategic deficiencies and the need to intensify controls over them (the blacklist). None of the Sahel countries, nor Nigeria - highly vulnerable to terrorism - appear on the

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[gafi.org/fr/publications/recommandationsgafi/documents/recommandations-gafi.html?hf=10&b=0&s=desc\(fatf\\_releasedate\)](https://gafi.org/fr/publications/recommandationsgafi/documents/recommandations-gafi.html?hf=10&b=0&s=desc(fatf_releasedate))

“grey list” or “blacklist” of monitored countries<sup>63</sup>.

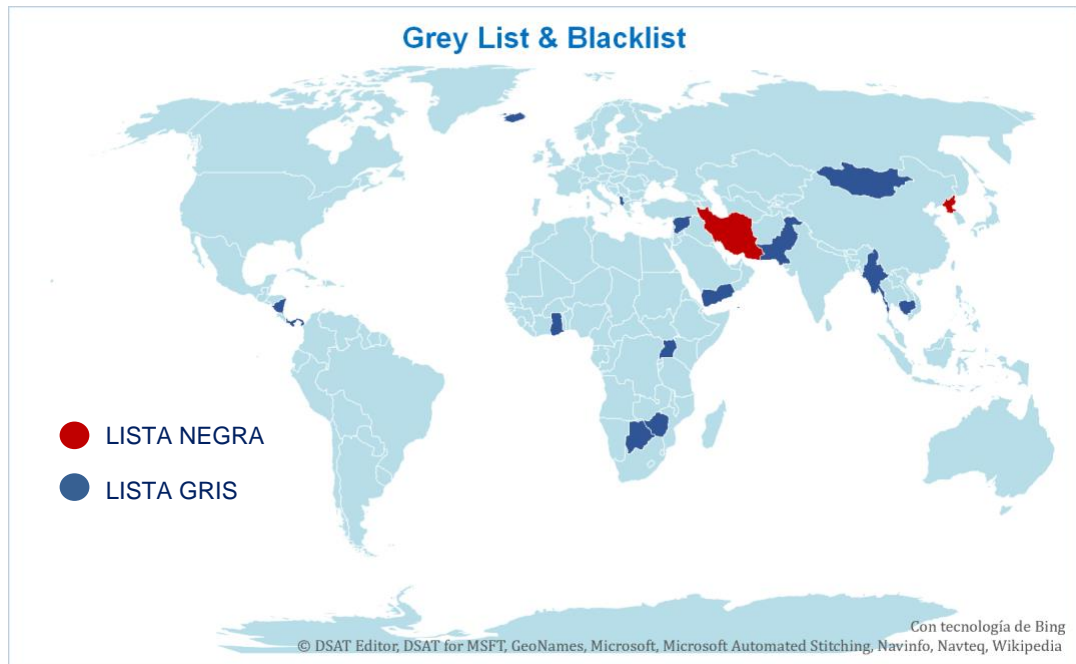


Figure 12. Countries on the "grey list" and "blacklist". Source. Own elaboration. FATF, 2020 data.

### ***International Action Organizations***

The authorities and governments of the Economic Community of West African States (ECOWAS) are aware of the devastating effects of terrorism on the regional economy. For this reason, in West Africa, there are several associated agencies (FATF-Style Regional Body, FSRB) in the position of FATF collaborators, to help the competent authorities and financial entities in their fight against ML and FT<sup>64</sup>.

ECOWAS has created the Intergovernmental Group against ML and FT in West Africa (GIABA)<sup>65</sup>, but there is also the Action Group against Money Laundering in Central

<sup>63</sup> GAFI – Juridictions à hauts risques et juridictions sous surveillance, 2020. Available at: [http://www.fatf-gafi.org/fr/publications/juridictions-haut-risques-et-sous-surveillance/?hf=10&b=0&s=desc\(fatf\\_releasedate\)](http://www.fatf-gafi.org/fr/publications/juridictions-haut-risques-et-sous-surveillance/?hf=10&b=0&s=desc(fatf_releasedate))

<sup>64</sup> EuropaPress – Los líderes del África Occidental comprometen 1.000 millones para combatir el terrorismo, 2019. Available at: <https://www.europapress.es/internacional/noticia-lideres-africa-occidental-comprometen-1000-millones-combatir-terrorismo-20190915142610.html>

<sup>65</sup> GIABA, Grupo Intergovernamental de Acção contra o Branqueamento de Capitais na África Occidental. Available at: <https://www.giaba.org/?lng=por>

Africa (GABAC)<sup>66</sup> and the Financial Action Group for the Middle East and North Africa (MENAFATF/GAFIMOAN)<sup>67</sup>. These are three regional organizations that guarantee compliance with the FATF standards, the implementation of UN Security Council (UNSC) resolutions and measures, as well as the cooperation in AML/CFT matters between FIs at international level.

COUNTRY	GAFI	GABAC	GIABA	GAFIMOAN
MAURITANIA	✗			✓
MALÍ	✗		✓	
NÍGER	✗		✓	
BURKINA FASO	✗		✓	
CHAD	✗	✓		

Table 4. Compliance measures. Source. Own elaboration.

### ***Regional Action Financial Intelligence Units***

A Financial Intelligence Unit is the centralized national body that receives suspicious reports and analysis detected by financial entities, for an in-depth investigation and possible communication to the corresponding national authorities.

MALÍ	•CENTIF-Mali:National Financial Intelligence Processing Unit
NÍGER	•CENTIF:National Financial Intelligence Processing Unit of Niger
BURKINA FASO	•CENTIF-BF:The National Financial Information Processing Unit
CHAD	•ANIF: Agence Nationale d'Investigation Financière du Tchad

Table 5. Financial Intelligence Units. Source. Own elaboration.

<sup>66</sup> GABAC, Groupe d'Action contre le blanchiment d'Argent en Afrique Centrale. Available at: <http://spgabac.org>

<sup>67</sup> GAFIMOAN, Groupe d'Action Financière du Moyen-Orient et de l'Afrique du nord. Available at: <http://www.menafatf.org>

The Sahel countries have their corresponding FIUs which have been adhering to the structure of the Egmont Group (international group of 164 FIUs)<sup>68</sup> with the objective of exchanging information and cooperating on ML/FT matters at international level.

### ***Is the Sahel making progress on AML / CFT?***

FSRBs are essential to guide countries on their way to correct their deficiencies in ML/FT. The GIABA, for example, helps the G5 to continue striving for them and subjects their countries to mutual evaluation processes which forces the implementation of measures of progression<sup>69</sup>. FSRBs receive information from FIUs which, in turn, receive analysis from financial entities.

Specifically, Mali and Burkina Faso have just completed a first round of follow-ups by GIABA. However, the presence of terrorist organizations and their level of transnational organized crime, means that both underwent a second evaluation for 2019 pending examination and approval. Both must centralize efforts in the effective management of their borders and the growing terrorist threat in the territory. Niger made significant progress on AML/CFT after completing its first round in 2018, however, it must prepare itself for a second assessment in 2020. Its border deficiency and active terrorist groups in its neighbouring countries increase the risk of illicit trafficking and FT.

On the other hand, Nigeria is also making progress on AML/CFT, mainly with the approval of the "Nigerian Financial Reporting Unit Law on 11th July 2018" and the lifting of the Egmont Group suspension. The country has also completed its first round and must continue to correct deficiencies to combat terrorism, corruption and organized crime. Nigeria aspires to become a member of FATF, having started its accession process at the FATF plenary session in early 2019.

### ***Are there sanction mechanisms at international level?***

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<sup>68</sup> Egmont Group – List of Members. Available at: [https://www.egmontgroup.org/en/membership/list?field\\_region\\_value=All](https://www.egmontgroup.org/en/membership/list?field_region_value=All)

<sup>69</sup> GIABA – Relatório anual 2018. Capítulo 2. Available at: [https://www.giaba.org/media/f/1103\\_pkbat\\_41739%20-%20PORT%20-%202018%20Relatorio%20anual%20\(200ex\).pdf](https://www.giaba.org/media/f/1103_pkbat_41739%20-%20PORT%20-%202018%20Relatorio%20anual%20(200ex).pdf)

The UN Security Council can apply measures to contribute to the maintenance of international peace and security (United Nations Charter, Chapter VII) <sup>70</sup>. Among these preventive actions, there are restrictive measures that do not imply the use of armed force (art.41), but rather cover sanctioning areas in economic, financial and commercial matters. Thus, one of the strategies established by the International Community in its fight against ML/FT is through the inclusion in the "International Sanction List".

Firstly, the United Nations Consolidated List<sup>71</sup> makes a list of all the people and entities subject to controls imposed by the UNSC and that all member states must apply. The European Union<sup>72</sup> also updates its own list of individuals, groups and entities related to terrorism by taking action against them. Finally, we will mention the OFAC (Office of Foreign Assets Control)<sup>73</sup> list formulated by the United States Department of the Treasury.

Inclusion to the list implies financial sanctions such as: freezing of funds or financial assets, prohibitions on travel or access to a jurisdiction, including total or partial restrictions on activities or sectors of a country. In some cases, listing is adopted as a reinforcing measure for the police and judicial cooperation.

However, out of the 30 sanctions regimes<sup>74</sup> established by the United Nations, only Mali is included in the list, being the restrictions on freezing funds or prohibitions on travel of various individuals. Instead, 14 packages of sanctioning measures are established for individuals, legal entities, vessels, terrorist groups or organizations such as Al-Qaida and Daesh.

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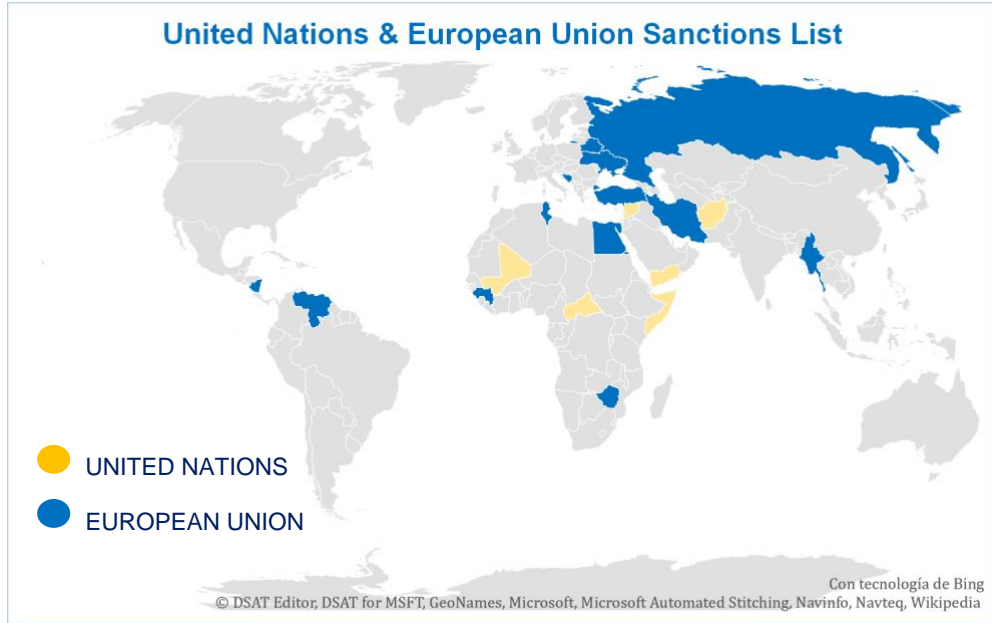
<sup>70</sup> United Nations – Chapter VII. Action with respect to threats to the peace, breaches of the peace, and acts of aggression. Available at: <https://www.un.org/en/sections/un-charter/chapter-vii/index.html>

<sup>71</sup> United Nations Security Council – United Nations Security Council Consolidated List. Available at: <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>

<sup>72</sup> European Council and Council of the European Union – EU terrorist list. Available at: <https://www.consilium.europa.eu/en/policies/fight-against-terrorism/terrorist-list/>

<sup>73</sup> Office of Foreign Assets Control – Specially Designated Nationals and Blocked Persons List, March 26, 2020. Available at: <https://www.treasury.gov/ofac/downloads/sdnlist.pdf>

<sup>74</sup> United Nations Security Council – Sanctions. Available at: <https://www.un.org/securitycouncil/sanctions/information>



**Figure 13. Sanctions List.** Source. Own elaboration. EU Sanctions Map, Thematic Restrictions adopted by United Nations and European Union, 23 March 2020.

Neither has the European Union, a regional actor of relevance due to its proximity, included either Nigeria or any of the Sahel countries in the list. Instead, the Union adopts controls over physical or legal persons, financial entities, or terrorist groups, but not over sectoral activities or the jurisdiction itself<sup>75</sup>.

COUNTRY	UN LIST	EU LIST	OFAC LIST
MAURITANIA	✗	✗	✗
MALÍ	✓	✗	✓
NÍGER	✗	✗	✗
BURKINA FASO	✗	✗	✗
CHAD	✗	✗	✗

**Table 5. Sanction lists.** Source. Own elaboration.

<sup>75</sup> EU Sanctions Map – Thematic Restrictions adopted by European Union, 23 March 2020. Available at: <https://www.sanctionsmap.eu/#/main>



### ***How do Financial Institutions apply Sanction Lists?***

In compliance with the inclusion measures in the List, all the “obliged subjects” must apply controls which allow the detection of crimes related to ML/FT. It translates into implementing an alert verification system that allows effective and adequate control to be made to the transaction speed of the financial system, guaranteeing rapid decision-making and the maximum possible accuracy. It will be the task of the national FIU to establish measures on how to implement these controls depending on the nature of the FIs (e.g.: "SEPBLAC Good Practices"<sup>76</sup>).

For example, in relation to international transfers, financial institutions may perform a computerized crossing of the data contained in the transaction (Swift messaging)<sup>77</sup>: intervening parties, country of origin/destination, nature of the operation, and ordering/beneficiary entity, as well as correspondent bank that being the case. Any data that coincides with inclusion in the List would generate an alert subject to analyses by indication of ML/FT.

Let us suppose that a Spanish financial institution receives a transfer from Chad, the ordering name being "Mustapha Chad". An alert is automatically generated at random with an individual included in the List: “Mustapha Chad” included in the OFAC List for terrorism linked to Boko Haram<sup>78</sup>. The transfer would be classified as high risk due to total or partial coincidence with the list and, in turn, due to being a high risk-country of origin, be pending payment and investigation by AML/CFT analysts from the corresponding department<sup>79</sup>.

In short, when an individual or legal person, organization or group, vessel or country coincides when intervening in the financial system, the “obligated subject” must apply

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<sup>76</sup> SEPBLAC – Buenas Prácticas SEPBLAC, 2015. Available at: [https://www.sepblac.es/wp-content/uploads/2018/03/aplicacion\\_de\\_listas\\_de\\_personas\\_y\\_entidades\\_sujetas\\_a\\_sanciones\\_y\\_contra\\_medidas\\_financieras\\_internacionales.pdf](https://www.sepblac.es/wp-content/uploads/2018/03/aplicacion_de_listas_de_personas_y_entidades_sujetas_a_sanciones_y_contra_medidas_financieras_internacionales.pdf)

<sup>77</sup> Medios de Pago Internacional – Mensaje Swift y sus Tipos. Available at: <http://www.mediosdepagointernacional.es/mensaje-swift>

<sup>78</sup> U.S. Department of the Treasury – Resource Center. OFAC, Specially Designated Nationals List Update. Available at: <https://www.treasury.gov/resource-center/sanctions/OFAC-Enforcement/Pages/20151201.aspx>

<sup>79</sup> Dow Jones Risk & Compliance. Dow Jones – Watch List. Available at: [http://factiva.com/en/cp/collateral/files/djwl\\_brochure\\_es.pdf](http://factiva.com/en/cp/collateral/files/djwl_brochure_es.pdf)

the criteria of inclusion in the list: category of “country risk” and compliance with due diligence. After pertinent analysis, in the case of real coincidence or indications of ML/FT, a communication would be made to the corresponding FIU. who will finally report the crime to the judicial authority in question and its proposal for a new listing or application of exceptional measures<sup>80</sup>.

## Conclusion

Terrorist financing in the Sahel, as well as the economic and logistical support between AQIM, Boko Haram and Daesh as dominant organizations is indisputable. They use both legitimate means (the financial system) and informal channels to obtain financing. The funds obtained are used for the maintenance of the members and their families, the provision of logistical resources, the recruitment of new members, the dissemination of their propaganda and the accomplishment of terrorist attacks. Any of these sources of financing previously exposed generates devastating consequences on the stability and development of the Sahel. In order to interrupt its feedback, it is necessary to root out the source of its criminal activities.

We start from the basis of informal economies and economic cash flows, which, added to border weakness facilitates the exchange of cash, weapons, people and the infiltration of terrorists. Control over the mapping of the Sahel is essential in order to destroy transnational criminal networks of illicit trafficking. The primary sector also allows the creation of networks for the sale of agricultural and livestock products, contributing to TF and reducing the subsistence capacity of the population. Although terrorists do not have direct control over activities related to the trafficking or exploitation of natural resources, they benefit anywhere in the chain, from its extraction to sale or export.

On the other hand, access to the banking system is expensive and complex for the majority of the population. The granting of credit is low due to the risk of non-payment and only a minority is a user of credit cards. Therefore, in a population "unbanked" the use of mobile telephony and direct payment systems are rapidly advancing throughout

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<sup>80</sup> European Council and Council of the European Union – Adoption and review procedure for EU sanctions. Available at: <https://www.consilium.europa.eu/en/policies/sanctions/adoption-review-procedure/>

the region. It's in this area, the financial system, that regional and international institutions must dedicate a great deal of effort in their fight against ML/FT.

Financial globalization has meant that terrorists take advantage of obtaining financing from anywhere in the world like any traditional bank user. Most of the suspicious communications and investigations carried out by the FIUs in the region correspond to clients qualified as PEP, senior officials and non-profit entities, with the usual operations being the creation of shell companies, transfers between accounts or false billing. This demonstrates the weak capacity on the part of obligated entities to identify the real ownership of the companies and the identity of the ordering parties and beneficiaries. In short, the difficulty in relation to the application of FATF measures.

Nevertheless, the application of the provisions of the United Nations and the FATF must be guaranteed. Sub-regional and international cooperation between all states is essential for the exchange of information, in addition to joint venture between police and financial intelligence agencies to identify the scope of FT. In this aspect, the Egmont Group could contribute with interregional cooperation. With regards to the inclusion in Sanction Lists, the operational restrictions on the Sahel countries and Nigeria should be intensified, beyond the freezing of assets and visas on individuals. Nigeria in particular, due to the high degree of involvement in informal flows and money laundering for terrorist financing throughout West Africa.

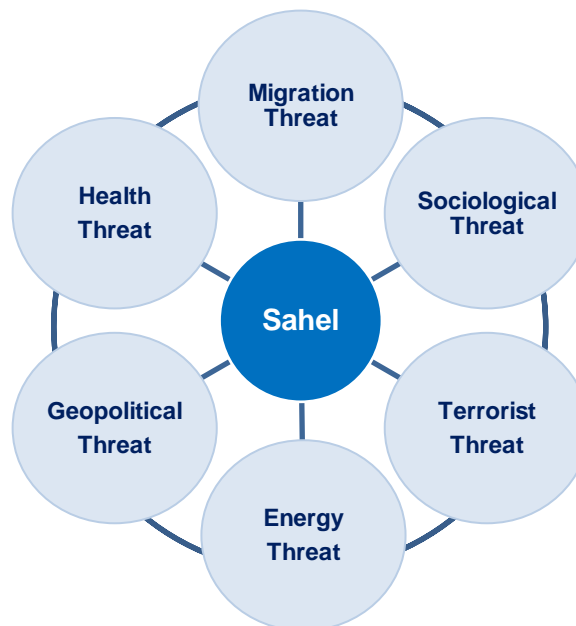


Figure 14. Threats from the Sahel. Source. Own elaboration.

The Sahel represents multiple threats to the international community. Their situation is deteriorating by leaps and bounds, the accomplishment of attacks continues, and the formation of terrorist groups increases every year. The local threats that we face take on a global dimension, and the financial system constitutes a key element for AML/FT. For this reason, the commitment to the Sahel must be tangible and permanent and in no way can it be unilateral. If we want to slow down the collateral damage that the Sahel derives from us, the response must be multidimensional and multilateral. Let us not forget that by controlling the local situation, the international one is managed.

*Ana Núñez Cifuentes\**  
Master in International Relations  
Comillas Pontifical University