Check Against Delivery

Remarks at the
Joint Open Briefing of the Counter-Terrorism Committee and the 1267/1989/2253 ISIL (Da'esh) and Al-Qaida Sanctions Committee on "ISIL in Africa: Nature of Threat and Responses"

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Chair, Excellencies, Esteemed Colleagues,

Thank you to Security Council Counter-Terrorism Committee and the 1267/1989/2253 ISIL (Da'esh) and Al-Qaida Sanctions Committee for the organization of today's joint open briefing and the invitation to the Global Center on Cooperative Security to reflect on the financing of ISIL-affiliated terrorist groups in Africa, especially in relation to minerals and other extractives.

Based on our programming and partnerships across the African continent, three key observations can be made in relation to general financing trends of ISIL-affiliated terrorist groups in Africa:

Firstly, ISIL cells and affiliates are **self-financing**. Financial support from ISIL core to affiliates on the African continent has predominately come in the form of seed funding at the start of their operations. There are select instances of peer-to-peer fund dissemination between ISIL affiliates, but this is typically as a bail out at a time of dire need.

Secondly, ISIL affiliates seek out financing opportunities that are **sustainable, expedient, and accessible**. Terrorists will exploit whatever economic activities are within their reach; for ISIL cells on the African continent, this involves taking advantage of both illicit and legal activities and using formal as well as informal channels to move funds.

And thirdly, there are **avenues for detection and disruption at each financing stage** – raising, storing, and moving. However, as long as the private sector is not meaningfully and effectively engaged, our efforts to counter the financing of terrorism will have limited success.

ISIL has demonstrated effectiveness with self-contained fundraising and spending infrastructure – where they both raised and spent funds in their so-called state. On the African continent, ISIL affiliates are similarly seeking to establish areas of control to generate and secure sources of revenue.

I use control as a shorthand – it can mean physical control of a city, of key resources and assets, or of transit points and lucrative smuggling routes. It can also refer to instances where ISIL exerts strong influence over populations and can thereby either direct or forcibly compel certain actions. Notwithstanding how brief or elongated these periods of control are, they present the greatest opportunity for revenue.

Sustainable, Expedient, and Accessible

ISIL affiliates on the African continent seek out financing opportunities that are sustainable, expedient, and accessible.

Starting with **sustainable**, these groups are interested in financing their long-term activities –not only raising funds for immediate attacks, but sustaining wider operational costs like recruitment, salaries, and policing controlled territories. Therefore, many have opted to make investments in income generating businesses within their area of “control” or in neighboring locales. These exploits are meant to provide stable sources of funding, while also offering opportunities to store or obscure funds. They include investments in commercial properties and real estate, car dealerships, transportation, and construction companies.

But sometimes, **expedient** financing is needed, for example in the wake of displacement due to military action, internal conflicts, or when cash is running low or stored funds cannot be accessed. In these cases, terrorists are seen to exploit anything and everything at their disposal: petty crimes such as theft through fishing or livestock, sponsoring hawkers, as well as more strategic efforts such as exploitation of zakat, extortion raids, and kidnapping for ransom.

Thirdly, the ability of ISIL affiliates to raise funds depends on what is **available and accessible** to them at the lowest risk of detection and disruption. Within controlled territories, we have seen robberies of financial institutions, taxation and extortion of businesses and the local population, poaching of wildlife, and protection rackets for organized crime syndicates, particularly in migrant and drug trafficking. For example, as ISIL affiliates in Africa move closer to the coastal cities of the Gulf of Guinea, we can expect them to increasingly access fishing grounds that represent 4% of global fish production, seek opportunities relating to maritime assets and cargo piracy, and take control over illegal transnational transit points.

Financial Exploitations by ISIL affiliates in Africa in Relation to Minerals and other Extractives

While the exploitation of **oil and gas** by ISIL has attracted significant attention over the last years, it is important to note that they had control over the full infrastructure needed to produce and refine oil. In the African context, unless a considerable amount of territorial control is secured, or there is an existing ecosystem and infrastructure in place, it is unlikely that terrorist groups will have the resources or skills to exploit oil or gas in territories where they are present.

We have seen strategic exploits in precious metals and stones, in particular **gold**, which is present in at least 34 out of 54 African countries alongside other precious stones such as diamonds. Gold is attractive given its high and stable value, portability, and the cash intensive nature of the gold trade.

Artisanal gold mining has boomed since 2012, producing up to 2 billion US dollars’ worth annually. It has drawn attention more recently as a source of terrorism financing, with considerable activity reported in Central and West Africa.

Gold has particular vulnerabilities given the limited anti-money laundering and countering the financing of terrorism (AML/CFT) measures and controls in place across the continent. ISIL affiliates are able to extort artisanal miners, mine gold themselves, and refine, sell, or tax legally and illegally traded gold. Due to their remote location, gold mines often serve as both a "hideout and a treasure trove."

Gold: An Example

I will provide you with a practical example of the ways in which gold can be exploited and the importance of the private sector capitalizing on opportunities for detection and disruption. While generalized, this example draws from real-life cases and known typologies.

Through extortion tactics, an ISIL affiliate obtains gold from artisanal gold miners in several unregistered mines in a remote location where it exerts influence. The ISIL cell engages smugglers to move the gold from the mining sites to trade points via cars and buses.

Some of the gold will likely be kept by the group for later financing use, but a percentage of it will be sold to gold traders either in the same country or a neighboring nation (via a porous border), or transited via existing smuggling routes to an international gold trading hub.

In the case where the ISIL affiliate sells the gold directly, it typically takes payment in cash, which is then smuggled back via cash couriers, transferred via hawala, or potentially in cryptocurrency and cashed out through mobile money. In other cases, the cell may use gold traders as middlemen to further obscure their involvement in the illicit gold trade.

There are several points in this process where detection and disruption are possible. However, this requires proactive actions by the private sector and robust public-private partnerships. As a general rule, the more reliance on external and regional exports, the more opportunities to disrupt the chain.

At the source (the mine): If the artisanal miners and mines are licensed and regulated, it would make extortion more difficult and therefore less attractive for the ISIL affiliate. This would provide more opportunities for authorities to detect and protect the miners from criminal extortion.

During transit: Law enforcement efforts to disrupt smuggling routes are key. Equally important is the ability of border control authorities to detect and scrutinize the cross-border transfer of funds and assets. In many countries, border officials are obligated to file a report when suspicious activity is identified. This applies to both the inbound and outbound authorities.

During the sale: Gold traders and dealers should be licensed and registered and need to receive AML/CFT training. They are obligated to (1) not engage in this transaction after conducting a customer due diligence effort and sanctions screening, and (2) at the very least, submit a suspicious transaction report to authorities after identifying red flags in order to start an official investigation.

Return, movement, and storage of funds: If the sale does go through, final detection opportunities exist in the return, movement, and storage of funds. Regardless of the platform or entity used, they are subject to similar licensing, registration, reporting, and other controls that should prevent, trace, and notify authorities regarding the transaction.

Conclusion

The examples make clear that both the detection and disruption of ISIL financing in Africa, especially through the exploitation of minerals and other extractives, are contingent on the public and private sector's ability to detect and trace illicit transactions. ISIL's self-financing model presents challenges to the existing CFT architecture, as the emphasis is on the prevention of illicit and terrorist funds from entering the financial system, but this can be especially difficult when the sources of funds are legitimate businesses or when there is limited information regarding the criminal or terrorist nature of the client (e.g., no designation by the United Nations or domestic sanctions regime).

It is especially critical to engage non-financial businesses and professions in sectors such as real estate, virtual assets, mobile money, and precious metals and stones, who are at higher risk to terrorism financing. Private sector entities are at the frontlines of detecting and preventing terrorism financing – especially in self-financing ecosystems. Challenges in dialogue and coordination between the private and public sector hinder the ability of a country to manage risks from emerging technologies and affects the effectiveness of detection frameworks and the exchange of operational information.

While ISIL affiliates continue to find new ways to fund their operations, it is critical that countries across the African continent and their international partners improve AML/CFT efforts and public-private partnerships. AML/CFT approaches need to be proportionate and risk-based to ensure that supervision, regulation, and risk mitigation measures do not stymie sector growth, infringe upon human rights, or constrain financial inclusion.

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