



UNITED NATIONS  
*Office on Drugs and Crime*

**CHECK AGAINST DELIVERY**

**Terrorist Financing Conference**

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Ladies and Gentlemen,

It is a pleasure for me to take part in this conference.

Because we have already had the benefit of hearing a number of excellent presentations, allow me to focus on a specific topic namely the international regulatory framework for the suppression of terrorist financing. In particular I will give you an idea of what the UN is doing to address this global problem.

### ***Counter Terrorism at the United Nations***

Almost exactly two years ago bombs exploded on commuter trains in Madrid, killing 191 people. This was Europe's 9/11.

One year later, in the same city, UN Secretary General Kofi Annan, outlined five "D"s that should be key elements to counter terrorism:

- to dissuade groups from choosing terrorism as a tactic to achieve their goals;
- to deny terrorists the means to carry out their attacks;
- to deter states from supporting terrorists;
- to develop state capacity to prevent terrorism;
- and to defend human rights in the struggle against counter terrorism.

These elements have gained wide support among Member States.

In a few weeks' time, as part of the follow-up to the 2005 World Summit, the Secretary-General will provide enhanced elements of the strategy to serve as a basis for the UN General Assembly's deliberations.

The UN's future counter-terrorism work will build on the existing framework of international commitments. Let me explain a bit what this is.

### ***International Commitments***

There are 13 UN global instruments pertaining to international terrorism, which define and criminalize terrorist acts, including hijacking of aircraft and endangering airport security, unlawful handling of dangerous materials, taking hostages and financing terrorism.

These instruments cover specific sectors. It should be noted that there is no single overall international convention against terrorism.

That is not the case for drugs. There are three UN Conventions that set out a global drugs control regime. Recently two global conventions and three protocols have been adopted on transnational organized crime and corruption. So an international, legally binding platform exists to control drugs, crime and corruption. My office, the United Nations *Office on Drugs and Crime*, is the guardian of these instruments. The missing piece is a corresponding global instrument on terrorism.

Still, there is enough of a legal framework to guide our work, for example in the area of preventing and suppressing the financing of terrorist acts.

The 1999 UN convention on Suppression of Financing of Terrorism already has 150 States parties. UN Security Resolution 1373 required all states to freeze funds and assets of persons who commit or attempt to commit terrorist acts. Three UN resolutions [1267, 1333 and 1390] imposed sanctions on the Taliban, Al-Qaida and their associates.

On paper the commitments are there. The key is to generate the political will necessary to translate these into practice, especially in states with greater needs. We will not succeed under conditions where there are weak criminal justice systems, porous borders, corrupt officials, and poorly trained police. Now enter UNODC.

### ***Building State Capacity***

The UN *Office on Drugs and Crime* is active in enhancing state capacity. We help States to develop and maintain efficient criminal justice systems to counter the threats posed by drugs, crime, corruption and terrorism.

In all of these issues – and particularly through our 21 field offices – we:

- assist States to become parties to and ratify the universal legal instruments;
- help them to incorporate these provisions into their national legislation;
- assist in the creation or enhancement of law enforcement mechanisms and provide training;
- promote regional co-operation;
- conduct research to ensure policy-making is based on real evidence;
- carry out comparative analysis of legislation and activities to identify best practices.

But building national capacity is not enough. States need to work together.

## ***Stronger Counter-Terrorist Networks***

Terrorists rely on networks. We need to show that our multi-lateral networks are even better, and more powerful, because they have a solid moral basis backed up by the rule of law.

The UN is pooling its resources and improving internal coordination. The Secretary-General has created a Counter-Terrorism Implementation Task Force to gather relevant bodies in the UN system.

The UN is working with regional organizations like the OAS and OSCE to improve implementation of global instruments, improve co-operation and build capacity. UNODC has just brokered an agreement to establish a Central Asia regional intelligence sharing centre in Almaty. Modelled on Europol, the Centre will facilitate intelligence-sharing and joint operations among Central Asian countries to counter drug trafficking from Afghanistan. We are looking to establish similar regional centres in other parts of the world.

Without this kind of co-operation, states risk being out-gunned and out-smarted by people with better networks and more money.

For example, Afghanistan produces most of the world's opium and some of the revenue is channelled into funding international terrorism. Afghanistan's border guards are doing their best, especially considering that they make only twenty dollars a month. But how can border guards catch criminals who use satellite telephones, drive 4 by 4 trucks, and tote the latest weaponry when they have only a pick-up truck and a hand gun?

Money talks, especially in the criminal world. We therefore *have* to cut off the sources of terrorist financing.

## ***Identifying and Suppressing Terrorist Financing***

Terrorists require financial support for their activities.

We need to de-mystify their work. They are not some sort of hidden hand. They are usually groups and networks that operate in ways that can be identified, categorized and tracked.

Sources of terrorist funding include:

- sponsorship from governments or parts of government;
- private (individual or corporate) contributions;
- diaspora, ethnic, charitable and religious financing;
- revenue from drug trafficking and other forms of criminal activities like fraud, bank robbery, kidnapping and extortion.

To talk about terrorist financing is too generic. We need to break it down, to understand where the money comes from and where it is going.

First, there are the large paramilitary groups that need millions of dollars in revenue to keep their militias together, provide food and housing to their families, and pay for arms and equipment. Think of some of the groups in Colombia, or the Shining Path in Peru, Afghanistan's Taliban regime, the Tamil Tigers or other groups in South East Asia. Their funding was, or in some cases still is, usually generated by large-scale illicit economic activity – like drug cultivation and trafficking – in conjunction with trans-national organized crime.

Second there are the terrorist networks. At the international level, the obvious example is al Qaeda and its offshoots. At the national level you could consider the IRA or ETA. Such networks need to finance the activities of cells that fight for a common cause, but through decentralized operational groups. Funding is derived from diaspora groups, sympathetic regimes, political and religious supporters. Now that these sources are being targeted by the international community, funding is being increasingly sought through major criminal sources.

A third group are the low-budget terrorists. As we saw last year in London, young men with backpacks full of explosives can wreak havoc. Similar attacks have been seen in recent years in Spain, Turkey, and Morocco. In such cases the level of funding is relatively minor and therefore off the radar screens.

Concerning the first groups – the paramilitaries – the key is to curb drug cultivation and to cut the trafficking routes. Lately, there has been tremendous success in intercepting cocaine shipments. We used to be happy to get seizures of a few hundred kilos. Now – in many parts of the world – we are busting shipments of tens of tons.

In terms of the second category, there is increased vigilance of suspicious transactions, more rigorous due diligence, financial investigations, and a stronger emphasis on enhanced intelligence and information sharing. It is becoming harder

for terrorists and their backers to raise and move money through formal institutional channels.

However, I fear that this is forcing them to use methods that are harder to monitor. We therefore need to devote more attention to the use and abuse of cash couriers, the *hawala* and diversion of forms of legitimate revenue.

The third group – the splinter groups or loners – are the hardest to suppress because the amounts of money involved are limited. Here the emphasis has to be on preventing young people from becoming nihilistic foot-soldiers of terror in the first place as opposed to going after the sources of terrorist financing.

### *Casting the Net*

On balance, I would say that we are making progress in suppressing and preventing the financing of terrorism. With the international regulatory framework and the work of the Financial Action Task Force (of which I am a founding father) numerous countries have adopted new laws, regulations and procedures enabling them to better identify and deter terrorism financing, and to take action against those responsible. The monitoring of financial and banking transactions is excellent.

However we also face a different kind of problem. Drug trafficking, organized crime, corruption, money laundering and terrorism are inter-linked.

We need to go after the sharks – the warlords, the militias, insurgents, international traffickers, cartel bosses, corrupt officials and criminal leaders. If, in the process, we catch or deter smaller but equally nasty terrorist operators – call them the piranhas – so much the better.

To conclude, to counter diverse and evolving methods of terrorist financing international co-operation and public-private partnerships are vital – between governments, international organizations and financial institutions.

The UN can and should do more, also in partnership with others. Your expertise and ideas are most welcome to enable more effective action in countering terrorist financing.

Thank you for your attention.