

## Executive Summary

With an estimated one billion in circulation worldwide, of which only 16 percent are in the hands of security and defence forces, the proliferation of small arms and light weapons (SALW) across the globe is a source of deep concern to local, regional, and global stability. Widespread circulation of SALW has given rise to an increase in global armed violence and caused more impediments to conflict resolution. SALW continues to fuel conflict, crime and terrorism, and in the long-term impacts sustainable peace and security.

While existing research has predominantly focused on the acquisition and direct use of SALW by terrorist groups in preparing and perpetrating attacks, this ICCT report takes a different approach. Exploring how terrorist organisations cash in on guns, it investigates the nexus between SALW and terrorist financing. As such, this report contributes to raising the awareness and understanding of these linkages, and assesses the existing legal and policy frameworks to counter them. In this context, the study aims at enhancing our understanding of the use of SALW as a source of terrorism financing by answering the following series of **research questions**: (1) What are the characteristics of SALW possession and acquisition by terrorist organisations? (2) How do terrorist organisations use SALW to finance their activities? (3) What can be done to combat this phenomenon? In order to answer these questions, this study has selected the cases of the Middle East and West Africa. The research was based on an extensive review of earlier studies, combined with primary data collected through a series of interviews with both local and international experts.

With regard to SALW **possession** by terrorist organisations active in the Middle East and West Africa, the types of weapons seem to be quite similar in both regions, despite the large variety in groups and local contexts. The majority of these weapons consist of assault rifles, in particular AK-pattern weapons, as well as handguns and rocket-propelled grenade (RPG) launchers. A difference between the regions may lie in the ratio between SALW and heavy weaponry, with West African groups having access to a limited set of heavy weapons as compared to some violent extremist groups operating in the Middle East, especially IS in Syria and Iraq.

Terrorist groups' **acquisition** of SALW is found to occur most often through diversion. Terrorist groups have obtained weapons in both regions through battlefield capture, theft, armed raids and attacks of national stockpiles. The types of diversion do however seem to slightly differ between the two regions. While corruption seems to play a role in diverting weapons to terrorist groups in West Africa, many interviewees underlined that it most likely represents a marginal source as compared to arms captured through attacks. Modes of acquisition were different in the Middle East, where state-sponsored diversion is very common. Moreover, conflicts, past or present, are a strong source of SALW flows in both regions.

In response to the second question, this report makes a distinction between the direct and indirect use of SALW as **source of terrorist funding**. Considering SALW as trading commodities, the former entails trading in SALW and facilitating others in SALW trafficking in exchange for money or other commodities. By contrast, the indirect use refers to the instrumental use of SALW as means allowing terrorists to carry out lucrative (criminal) activities to obtain funding. Considering several sources, the report finds that the use of SALW as a source of terrorist funding seems to be predominantly indirect in both the Middle East and West Africa. While some experts and stakeholders interviewed mentioned instances in which terrorist organisations may have directly engaged in SALW trafficking, evidence that would point to a structural involvement of such actors in illicit arms trade is lacking for both regions. However, apart from proceeds derived from the direct sale of SALW, this report identifies a great number of other ways of 'cashing in on guns'. Both in West Africa and the Middle East, SALW provides violent extremist actors with the coercion power required not only to carry out various criminal activities, such as kidnapping for ransom or robberies, but also to establish and maintain their control over territories. This provides them with opportunities to extort local populations and levy taxes on the movements of goods and people within areas under their control. These findings also relate to

the emerging research on the so-called “crime-terror nexus”. This report finds that in both regions, the nexus is prevalent but not necessarily always easy to identify. In some cases, terrorist groups and criminal networks might incidentally cooperate out of opportunism, whereas in other situations the nexus is more structural and can be viewed as a tactical marriage of convenience.

Having created an overview of SALW as a source of financing, this research also addresses the suitability of **DDR processes** to reduce the trafficking and possession of SALW by terrorist groups. It observes that in many countries, DDR programmes have not been focussed on disarmament or the reduction of the flow of weapons, nor have they always achieved this, as these processes have focussed primarily on the reduction of violence, and increasingly also on the demobilisation and reintegration of individuals into society. Another limitation exists in the fact that DDR programmes are open only to the signatories of peace agreements, something which groups often are not if they have been designated as terrorist by the UN Sanctions Committee or the EU. Hence, it is suggested that transitional weapon management can be an effective tool prior to, during, or instead of DDR programmes. Although the aim is not necessarily to reduce the flow of weapons, but to reduce violence, through various temporary measures ranging from documenting and marking the weapons, storing weapons securely, deactivating weapons that are not ‘needed’, it can thus reduce the number of weapons in circulation.

Moreover, the report assesses the **existing legal and policy frameworks** in place at the international and regional levels, including within the EU, but also across the Middle East and West Africa. In the absence of frameworks specifically designed to target the use of SALW as a source of terrorist finance, the report takes an interdisciplinary approach consisting in exploring perspectives from arms control, criminal justice and organized crime, as well as countering terrorist financing (CTF).

Based on its findings on the illicit proliferation of SALW, the report considers the implications for Europe. A prominent **short-term consequence** is the increase in terrorist groups’ capacity to organise and execute attacks on European nationals and interests. These may occur in West Africa and the Middle East, as well as on European soil. A concrete example of this is IS, which used its SALW to control large territories in Iraq and Syria and to finance its activities – including the November 2015 Paris attack and the November 2016 Brussels attack which were coordinated by IS in Syria. In the **long term**, the illicit proliferation of SALW has a conflict-igniting effect, especially in polarised societies. The easy access to these – generally easy to use – weapons contributes to the risk of an outbreak of violence, but also tends to intensify and sustain existing armed conflicts and violence. Furthermore, the continued presence of SALW in post-conflict situations also threatens these fragile environments by increasing the risk of returning to conflict and violence. In addition, there is an increased risk that some of these weapons will eventually be trafficked back into Europe. Law enforcement agencies such as Europol already noted that conflicted countries such as Syria, Libya and Mali have emerged as “major” sources of illegal firearms to the European black market. Those benefitting from it are terrorist groups and organised criminal organisations alike.

In its concluding chapter, the report puts several of its findings in a broader perspective and reflects on overarching themes such as the prominence of different types of intentional and unintentional diversion within terrorist organisations’ arms procurement strategies, the ways in which continued SALW presence contributes to a greater risk of violent relapse in post-conflict societies, the above-mentioned crime-terror nexus, and the grown importance of the digital sphere in arms trafficking. The significance of SALW as means of terrorist financing being underlined throughout this report, this chapter ends by listing ten policy recommendations to the European Union, in order to identify, detect, prevent and address this linkage. The areas covered by the recommendations vary from strengthening European arms export policies to reduce unauthorised retransfers, to capacity building of countries in the Middle East and West Africa to improve the management of national stockpiles, the mitigation of risks posed by IEDs, and the strengthening of capabilities to carry out financial investigations.