

The World Bank

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Year of Establishment: 1944

CTITF Working Group Membership:

- Tackling the Financing of Terrorism (co-chair)

The World Bank is a specialized agency of the UN, established along with the International Monetary Fund (IMF) at the 1944 Bretton Woods Conference. The World Bank aims to promote social and economic development by providing a combination of financial resources, technical support, advice and analysis, training, and coordination of development assistance.¹⁹⁵

The World Bank is made up of two unique institutions: the

International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA). They are supported by complementary work undertaken by the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). Together, these institutions aim to fight poverty by offering development assistance to middle- and low-income countries. This takes the form of low-interest loans, interest-free credits, and grants for investments in areas such as education, health, public administration, infrastructure, financial and private sector development, agriculture, and environmental and natural resource management.

The World Bank comprises 187 member states and is managed by a Board of Governors and twenty-four executive directors, representing the five largest shareholders (France, Germany, Japan, the United Kingdom, and the United States) and twenty other member countries.

Through its efforts to assess worldwide compliance with international standards of anti-money laundering (AML) and countering the financing of terrorism (CFT), and by promoting stronger institutional capacities and governance in developing countries, the World Bank focuses primarily on Pillars II and III of the UN Global Counter-Terrorism Strategy. These pillars address states' obligations to prevent and combat terrorism and to develop stronger capacities to do so.¹⁹⁶

The World Bank's provision of technical assistance and policy research also contribute to these strategic objectives.¹⁹⁷ To this end, the World Bank has performed hundreds of technical-assistance missions on a country or regional basis. These missions have focused on developing measures to combat money laundering and financing of terrorism, building capacities of financial-intelligence units, and improving oversight of the financial sector and its players.¹⁹⁸ An example of a common way in which the World Bank contributes to states' efforts to implement Pillars II and III of the Global Strategy took place in Honduras in 2003; the Bank conducted an analytic review of Honduran counterterrorism legislation and contributed recommendations to improve their legal framework for counterterrorism.

Despite these efforts, three main challenges confront the World Bank in its attempts to address the financial components of terrorism, as pointed out by banking regulatory expert Paul Allen Schott.¹⁹⁹ First, there is the unresolved question of an international definition for “terrorism”, which makes it difficult to combat “terrorist financing.” The 1999 United Nations *Convention for the Suppression of the Financing of Terrorism* does offer a definition, however, which has become the standard adopted by most countries in their CFT efforts.²⁰⁰ Second, the use of alternative remittance systems like hawala in regions where people have relatively limited access to more formalized and affordable financial transfer mechanisms is difficult to monitor and regulate. Third, the secretive nature of money laundering and terrorist financing do not lend themselves to external analysis or documentation. Consequently, reliable estimates of the size of money-laundering and terrorist-financing challenges on a global scale are hard to come by.²⁰¹

Although the World Bank focuses primarily on Pillars II and III of the Global Strategy, certain components of the Bank’s work also focus on the Pillar I, which urges states to address the “conditions conducive to the spread of terrorism.”²⁰² In particular, the 2011 World Development Report published by the World Bank focuses on the interrelationships between conflict, security, and development, and argues that strengthening legitimate national institutions and governance in order to provide citizen’s with security, justice, and employment is vital to breaking the cycle of armed and criminal violence.²⁰³

The World Bank serves as the co-chair of the Counter-Terrorism Implementation Task Force’s Working Group on Tackling the Financing of Terrorism. The World Bank was the lead author of the working group’s report *Tackling the Financing of Terrorism* and as a follow up to that report published three issues papers: *New Technologies, New Risks: Innovation and Countering the Financing in Terrorism*; *Alternative Remittance Systems and Terrorism Financing Issues in Risk Management*; and *Nonprofit Organizations and the Combating of Terrorism Financing, A Proportionate Response*.²⁰⁴ These delve into several key topics covered by the working group: emerging technological innovations, informal value transfer systems,

and nonprofit organizations. The papers provide both an overview of the types of risks involved and provide recommendations on how countries can mitigate the risks while ensuring other public goods (access to finance, the development of new technologies, a flourishing civil society, etc.) are not unduly affected.