

Al-Qa`ida's Finances: Evidence of Organizational Decline?

By Matthew Levitt

SPEAKING BEFORE CONGRESS in February, Director of National Intelligence (DNI) Michael McConnell commented that during the previous 12-18 months the intelligence community noticed that "al Qaeda has had difficulty in raising funds and sustaining themselves."¹ In early April, Undersecretary of the Treasury Stuart Levey echoed the DNI's assessment, adding that the government's efforts to combat terrorist financing "are more integrated than ever before" and have enabled the government to disrupt or deter some sources of al-Qa`ida financing and make "significant progress mapping terrorist networks."² A Philippine military official, for example, recently disclosed that lack of funding was a major factor hindering the al-Qa`ida-linked Abu Sayyaf terrorist group from carrying out major attacks, the last of which was conducted in 2005.³

Despite being short on cash, however, al-Qa`ida and like-minded global jihadist terrorist groups still pose an acute threat. Authorities have foiled recent terrorist plots in Germany, the United Kingdom and Spain; counter-terrorism officials in France neutralized seven operational cells in the past year and officials there stress that France remains "at the top of the list" of al-Qa`ida targets;⁴ and the director of the National Counter-Terrorism Center recently warned that "the al Qaeda threat still looms large."⁵

1 "Annual Worldwide Threat Assessment," Hearing of the House Permanent Select Committee on Intelligence, February 7, 2008, pp. 16-18.

2 "Under Secretary for Terrorism and Financial Intelligence Stuart Levey Testimony Before the Senate Committee on Finance," U.S. Department of Treasury, April 1, 2008. See also Dennis M. Lormel, "Combating Terrorist Financing at the Agency and Interagency Levels," *CTC Sentinel* 1:4 (2008).

3 "Official: Leadership, Funding Problems Hamper Attacks by al-Qaida-linked Group," Associated Press, April 3, 2008.

4 Personal interview, French security and intelligence officials, March 25, 2008.

5 "Looming Challenges in the War on Terror," Remarks Presented to The Washington Institute by Michael Leiter, Acting Director, National Counter-Terrorism Center (NCTC), February 13, 2008.

The means that al-Qa`ida and affiliated groups use to raise, move and store funds present an ever moving target, as the methods of financiers and cells evolve in response to counter-measures. There are, however, some discernable trends in al-Qa`ida financing. Usama bin Ladin's personal wealth has not been a factor since the mid-1990s, and terrorists are increasingly raising funds through criminal activity and moving money via cash couriers. The abuse of charities to raise and move funds continues to be a preferred terrorist tactic, and major individual donors and organized facilitation networks remain critical sources of al-Qa`ida funds.

The Local Jihadists

In part, the terrorist threat persists because the internet provides a cheap, fast, efficient and relatively secure means of communication, effectively creating a conveyor belt for self-radicalized foot soldiers who connect and communicate with like-minded jihadists through chat rooms and online message boards. These budding, local terrorist cells

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are increasingly self-funded through the proceeds of criminal activity, use of personal funds, or government welfare benefits. Some of these cells have connections to al-Qa`ida's senior leadership but are independently and locally funded; others operate on their own in "leaderless" communities with only virtual connections to al-Qa`ida. Today, however, some plots are still funded by al-Qa`ida's leaders based along the Pakistan-Afghanistan border. In some cases, terrorists are suspected of using the internet to obtain logistical and financial support for their operations.⁶ This is part of a broader shift toward the utilization of technology in global commerce, from the

6 "Declassified Key Judgments of the National Intelligence Estimate 'Trends in Global Terrorism: Implications for the United States' Dated April 2006," Office of the Director of National Intelligence.

use of cell phones as vehicles to transfer payment, to the transfer and storage of funds via online entities such as Cash-U or E-Gold.

The case of the July 7, 2005 London subway bombers offers a perfect example of a locally-funded cell. British authorities concluded that the attacks—which were estimated to have cost less than £8,000—were self-financed. Investigators found "no evidence of external sources of income" and stressed that the group raised the necessary funds "by methods that would be very difficult to identify as related to terrorism or other serious criminality." One cell member provided the majority of the funds, defaulting on a £10,000 personal loan and overdrawing on his multiple bank accounts.⁷ In contrast, Dhiren Barot, a terrorist operative eventually sentenced to 30 years in prison on charges of conspiracy to murder, reached out to senior al-Qa`ida leaders abroad seeking some £60,000 for a bombing plot he concocted involving limousines packed with explosives.⁸

There is no question, however, that terrorist cells are increasingly exposing themselves to potential law enforcement scrutiny by engaging in criminal activities to raise funds. In some cases, acts of petty crime—such as welfare fraud—raise limited amounts of money for small operations. In others, brazen crimes raise significant sums. In France, one cell netted about €1 million when a cell member whose job was to restock ATMs simulated robberies on several machines. In another case in France, a cell blew a hole in the wall of a cash distribution center and would have walked away with €4 million had the hole not been too small for them to enter.⁹

Tried and True Finance Methods

Even with the proliferation of local and self-led terrorist cells, traditional methods of terrorist financing—such as the abuse of charities, individual major donors and organized facilitation and financial support networks—remain a mainstay of al-Qa`ida financing.

7 *Terrorist Financing*, Financial Action Task Force, February 29, 2008, p. 14.

8 Personal interview, UK counter-terrorism official, March 6, 2008.

9 Personal interviews, French intelligence officials, March 25, 2008.

Charities

According to the Financial Action Task Force (FATF), “the misuse of non-profit organizations for the financing of terrorism is coming to be recognized as a crucial weak point in the global struggle to stop such funding at its source.”¹⁰ While Treasury reports that many of the charities al-Qa`ida has relied on in the past as a source of funds have been disrupted or deterred from continuing such activity,¹¹ the department has also noted that charities serving as fronts for terrorist groups often open up under new names soon after they are shut down.¹² According to the Justice Department, intelligence indicates that terrorists continue to use charities as sources of both financial and logistical support.¹³ British officials concur. According to a joint UK Treasury/Home Office report, a “significant proportion” of terrorist finance investigations in the United Kingdom during 2006 included analysis of links to charities. The report found that “the risk of exploitation of charities is a significant aspect of the terrorist finance threat.”¹⁴

Individual Major Donors

Speaking in the Gulf, Treasury Undersecretary Levey noted that “terrorist organizations and al Qaeda raise money in the Gulf by going to individual donors and through charities.”¹⁵ This was evident in 2006, when Treasury designated as a terrorist financier Abd al-Hamid al-Mujil, executive director of the Eastern Province office of the International Islamic Relief Organization (IIRO), described by fellow jihadists as the “million dollar man” for his support of Islamic militant groups. According to declassified information underpinning his designation, al-Mujil boasted a long history of financing al-Qa`ida and its Southeast Asian affiliates, the Abu Sayyaf Group and Jemaah

Islamiyah.¹⁶ In January 2007, Treasury designated Farhad and Junaid Dockrat, two South African al-Qa`ida financiers. Farhad funded al-Qa`ida and the Taliban through an al-Qa`ida charity on the UN 1267 committee’s terrorism list, and

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Junaid raised \$120,000 for then-al-Qa`ida operations chief Hamza Rabi’a.¹⁷ In January, the United Nations listed three Kuwaitis—Hamid al-Ali, Jaber al-Jalamah and Mubarak al-Bathali—as al-Qa`ida financiers. Designated a year earlier by the U.S. Treasury Department, the three actively recruited and financed al-Qa`ida activities, including the group’s activities in Kuwait, Iraq, Afghanistan and Pakistan.¹⁸

Organized Support Networks

In the period following 9/11, multiple support networks were identified, in Europe in particular, that supplied logistical and financial support to the September 11 plot. The tactic of positioning organized networks of facilitators in key locations continues to be employed by al-Qa`ida today, especially in providing support for al-Qa`ida in Iraq (AQI). In February, the Treasury Department designated four members of a key terrorist facilitation and finance network operating out of Syria for supporting AQI. Treasury reported that the “Abu Ghadiyah” network, named for its leader Badran Turki Hishan al-Mazidih (known as Abu Ghadiyah), controls the flow of much of the money, weapons, personnel and other material through Syria into Iraq for AQI. According to the Treasury Department, the network “obtained false

passports for foreign terrorists, provided passports, weapons, guides, safe houses and allowances to foreign terrorists in Syria and those preparing to cross the border into Iraq.” Indeed, Badran reportedly received several hundred thousand dollars from his cousin, another member of the Abu Ghadiyah financial and logistical facilitation network, with which he supported insurgent activity targeting the U.S. military and facilitated the travel of AQI foreign fighters.¹⁹

Senior Leaders Low on Funds?

Despite these various means of raising funds, recent cases suggest that the al-Qa`ida senior leadership is lacking funds. In Bahrain, for example, a five-member cell was convicted in January for terrorist activities, including receiving explosives and weapons training, engaging in terrorism overseas and terrorism financing targeting “friendly countries.” According to Bahraini investigators, several of the cell members traveled from Bahrain to training camps in Afghanistan via Iran. One of the individuals who returned to Bahrain was successfully prosecuted after acknowledging that he had traveled to Afghanistan to fight coalition forces. Cell members also twice delivered funds to al-Qa`ida operatives in Afghanistan, according to Bahraini officials. The funds appear to have been self-generated, totaled only a few thousand dollars, and were sent not from al-Qa`ida’s leadership to a terrorist cell abroad, but from a budding terrorist cell to al-Qa`ida leaders in Afghanistan.²⁰

The reverse directional flow of funds appears to support the assessment that the al-Qa`ida leadership is increasingly unable to fund itself. Indeed, anecdotal evidence that has come to light sporadically during the past few years suggests that the al-Qa`ida leadership has been impecunious for some time. In his July 2005 letter to Abu Mus`ab al-Zarqawi, Ayman al-Zawahiri humbly asked the leader of al-Qa`ida in Iraq if he could spare “a payment of approximately one hundred thousand” because “many of the lines have been cut off.” Similarly, in May 2007, al-Qa`ida leader in

10 *Terrorist Financing*, Financial Action Task Force, February 29, 2008, p. 11.

11 “Under Secretary for Terrorism and Financial Intelligence Stuart Levey Testimony Before the Senate Committee on Finance,” U.S. Department of Treasury, April 1, 2008.

12 David R. Sands, “Iran Uses Fronts to Evade US Sanctions,” *Washington Times*, June 13, 2007.

13 Glenn R. Simpson, “Islamic Charities Draw More Scrutiny,” *Wall Street Journal*, February 23, 2008.

14 *The Financial Challenge to Crime and Terrorism*, HM Treasury, February 28, 2007, p. 52.

15 “Millions of Dollars May Fund Terrorism,” *Gulf Daily News*, February 27, 2008.

16 “Treasury Designates Director, Branches of Charity Bankrolling Al Qaida Network,” U.S. Department of Treasury, August 3, 2006.

17 “Treasury Targets Al Qaida Facilitators in South Africa,” U.S. Department of Treasury, January 26, 2007.

18 “Treasury Designations Target Terrorist Facilitators,” U.S. Department of Treasury, December 7, 2006.

19 “Treasury Designates Members of Abu Ghadiyah’s Network Facilitates Flow of Terrorists, Weapons, and Money from Syria to al Qaida in Iraq,” U.S. Department of Treasury, February 28, 2008.

20 Personal interviews together with Michael Jacobson, Bahraini law enforcement officials, January 30, 2008.

Afghanistan Shaykh Sa`id Mustafa Abu'l-Yazid highlighted the group's desperate need for funds:

As for the needs of the jihad in Afghanistan, the first of them is financial. The mujahidin of the Taliban number in the thousands, but they lack funds. And there are hundreds wishing to carry out martyrdom-seeking operations, but they can't find the funds to equip themselves. So funding is the mainstay of jihad. They also need personnel from their Arab brothers and their brothers from other countries in all spheres: military, scientific, informational and otherwise...And here we would like to point out that those who perform jihad with their wealth should be certain to only send the funds to those responsible for finances and no other party, as to do otherwise leads to disunity and differences in the ranks of the mujahidin.²¹

In a recent case in Saudi Arabia, a taped message from Ayman al-Zawahiri distributed via cell phones asked for "donations for hundreds of the families of captives and martyrs in Pakistan and Afghanistan." Saudi authorities subsequently arrested some 56 individuals suspected of belonging to al-Qa`ida who were using the recording to raise funds.²²

Investigations in Europe and Asia offer other examples of local cells raising funds for themselves as well as sending funds to Pakistan. In Spain, for example, authorities see Pakistani jihadists involved in petty crime through which they not only finance their activities in Spain, but also send millions of dollars back home, some of which is suspected of financing extremist groups there.²³ In Singapore, a "self-radicalized" cell leader collected contributions from fellow cell members with the intent of sending the money as a donation to support violent causes abroad.²⁴

21 Evan Kohlmann, "Al Qaida Leader in Afghanistan Begs for Cash Donations," Counterterrorism Blog, May 25, 2007, available at www.counterterrorismblog.org.

22 "Saudi Says Arrests Qaeda Suspects Planning Attacks," Reuters, March 3, 2008.

23 Elaine Sciolino, "Terror Threat From Pakistan Said to Expand," *New York Times*, February 10, 2008.

24 "Jemaah Islamiyah (JI) and Moro Islamic Liberation

Financial Indicators of a Changing al-Qa`ida?

When it comes to financing al-Qa`ida and its affiliated components of the global jihadist movement, much has changed even as much has stayed the same. For instance, a recently declassified August 1993 report, "The Wandering Mujahidin: Armed and Dangerous," written by the State Department's Bureau of Intelligence and Research (INR), described several

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trends that remain issues of serious concern today, including some of the same streams of financial support that continue to finance today's militant Islamist groups. To the present-day reader, who would digest this 1993 report with an eye toward the conflict in Iraq, perhaps the most disturbing analytical judgment is the following:

The war-era network of state sponsors and private patrons which continues to support the mujahidin has no rigid structure and no clearly defined command center, but receives guidance from several popular Islamic leaders and financial support from charitable Islamic organizations and wealthy individuals. Key figures who have emerged as the mentors of the mujahidin provide one another with the contacts and conduits needed to keep the militant groups they support in business.

The network circa 1993 was not an exact parallel to today's combination of al-Qa`ida operatives (a smaller, but no less committed cadre) and like-minded followers of a virtually-networked, leaderless jihad. Yet, the 1993 warning of an unstructured network of jihadists moving from their current area of operations to other battlefronts could

Front (MILF) Detention and Restriction Order Cases," Singapore Ministry of Home Affairs, January 28, 2008.

have been written today. What remains to be seen is whether the al-Qa`ida senior leadership's lack of funds degrades the core group's power to control activities and direct operations. Without the power of the purse, would local terrorist cells still need the al-Qa`ida core as much as that core would need these cells? Part of what drew the Salafist Group for Preaching and Combat in Algeria into the al-Qa`ida fold, according to intelligence analysts, was the financial dividend of such a relationship.²⁵ Should this trend continue, it could lead to the further degeneration of the al-Qa`ida core and the devolution of al-Qa`ida's organized global insurgency into a more localized—and controllable—terrorist threat. Toward that end, and in light of recent successes disrupting and deterring al-Qa`ida's finances, constricting the terrorist operating environment—with an eye toward al-Qa`ida's financial streams in particular—should remain a strategic priority.

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25 Personal interviews, Mideast intelligence analysts, July 9, 2007.