

Saudi Funding of ISIS

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Jun 23, 2014

ABOUT THE AUTHORS



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Brief Analysis

Significantly undermining ISIS's financial base would require rolling back the group's access to local Syrian and Iraqi income sources.

On June 13, U.S. Treasury Department officials stated that Saudi Arabia sees "eye to eye" with the United States on the importance of halting activities by the Islamic State of Iraq and al-Sham (ISIS), the former al-Qaeda affiliate currently waging jihad in Iraq and Syria. Yet questions continue to arise about Saudi financial support to the group. Addressing these questions requires a better understanding of three issues: the scope of official Saudi government support to ISIS, if any; government allowance of private donations to the group; and the relative importance of Saudi donations compared to the group's other sources of income.

GOVERNMENT FUNDING?

At present, there is no credible evidence that the Saudi government is financially supporting ISIS. Riyadh views the group as a terrorist organization that poses a direct threat to the kingdom's security. The Interior Ministry formally designated ISIS as a terrorist entity in March, along with Jabhat al-Nusra, the Muslim Brotherhood, Yemen's Houthi rebels, and Saudi Hezbollah. The designation outlawed various forms of support to the group by residents of the kingdom.

To be sure, many governments in the region and beyond sometimes fund inimical parties to help achieve particular policy objectives. Riyadh has taken pleasure in recent ISIS-led Sunni advances against Iraq's Shiite government, and in jihadist gains in Syria at Bashar al-Assad's expense. Nevertheless, official financing of the group may be precluded by Riyadh's perception that the ISIS terrorist threat is immediate and serious (though it would not be surprising to learn of limited, perhaps indirect contact, logistical coordination to further Sunni positions in Syria and beyond, or leaking of funds and materiel from Saudi-supported rebels to ISIS).

An Interior Ministry statement in early May underscored Saudi perceptions of the ISIS threat at home. In it, officials accused Saudi ISIS members in Syria of encouraging fellow citizens to assassinate leading religious figures and

security officials inside the kingdom and plot attacks against government installations and foreign interests. Some of the individuals involved in these domestic plots allegedly had contacts with ISIS and the Yemen-based group al-Qaeda in the Arabian Peninsula (AQAP) -- the kingdom's most acute terrorist threat. At the time of the announcement, police had arrested fifty-nine Saudi citizens and three foreign nationals in the case and were still searching for forty-four additional suspects.

PRIVATE DONATIONS

There is a misconception that the kingdom does not get in the way of private Saudi financing of terrorist groups operating in Syria, including ISIS. Yet one of Riyadh's most observable counter-terrorism financing activities is its monitoring of the country's formal financial sector in order to block suspect donations. Indeed, social media fundraising campaigns highlight the challenges of sending such funds from Saudi Arabia to Syria. To ensure that their contributions actually reach Syria, Saudi donors are encouraged to send their money to Kuwait, long considered one of the most permissive terrorism financing environments in the Persian Gulf.

Riyadh's concern about blowback -- namely, the belief that allowing citizens to support terrorist groups hostile to the al-Saud monarchy will eventually spawn attacks on Saudi soil -- helps drive the kingdom's counterterrorism approach. In the mid-2000s, the country suffered a series of dramatic al-Qaeda attacks linked to Saudis returning home from the jihad in Afghanistan, and that experience was important in shaping the current mindset. As mentioned above, Riyadh formally outlawed private donations to ISIS and other groups when it designated them as terrorist organizations in March. That move may have been connected to increasing government concern about Saudi membership in foreign terrorist groups, and may have coincided with the investigation of the domestic ISIS-linked cell announced in May.

Today, Saudi citizens continue to represent a significant funding source for Sunni groups operating in Syria. Arab Gulf donors as a whole -- of which Saudis are believed to be the most charitable -- have funneled hundreds of millions of dollars to Syria in recent years, including to ISIS and other groups. There is support for ISIS in Saudi Arabia, and the group directly targets Saudis with fundraising campaigns, so Riyadh could do much more to limit private funding. U.S. officials have hinted that a combination of politics, logistics, and limited capabilities have impeded more effective Saudi efforts to counter terrorism financing. One particularly difficult problem is how to monitor cash transfers, a method common among Saudi donors.

RELATIVE IMPORTANCE OF SAUDI FUNDING

Although Saudi donors and other private contributors were believed to be the most significant funding source for the original forerunner to ISIS, the importance of such donations has been marginalized by the group's independent sources of income. This income, which is now estimated to overwhelmingly exceed private donations, is generated by activities such as smuggling (of oil, weapons, antiquities), extortion (e.g., the group levies around \$8 million per month in "taxes" on local businesses), and other crimes (e.g., robberies, counterfeiting). The group's June 11 seizure of Mosul's central bank alone netted tens of millions of dollars (though U.S. officials note that the \$400 million figure often cited in connection with the heist is not accurate).

U.S. POLICY IMPLICATIONS

Recent ISIS gains in Iraq present an opportunity for Washington to tighten counter-terrorism financing cooperation with Saudi Arabia and other Gulf states, whose concerns about ISIS terrorist threats on their soil are deepening. Treasury Secretary Jack Lew's visit last week to Saudi Arabia and the United Arab Emirates -- the closest U.S. partners on this issue in the Gulf -- is a positive step. Another constructive move would be to gauge the potential for altering Washington's contentious dynamics with Kuwait and Qatar regarding terrorism financing. There are signs that ISIS "successes" may fuel higher levels of private Saudi and other Gulf support to a variety of Sunni

extremist groups operating in Iraq and Syria, which would be important to counter.

At the same time, the current reality -- that of ISIS acquiring major independent sources of income -- demands a counter-terrorism financing approach that shifts away from focusing on private donations made by residents of Saudi Arabia and other Gulf countries. Significantly undermining ISIS's financial base would now require rolling back the group's access to local Syrian and Iraqi income sources.

Lori Plotkin Boghardt is a fellow in Gulf politics at The Washington Institute. ❖

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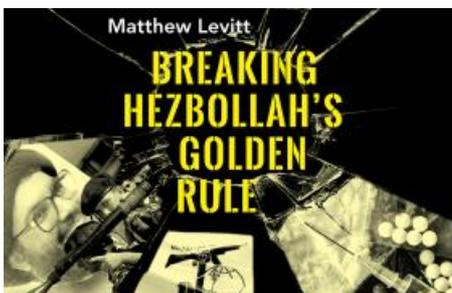
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