

Charity Begins in Riyadh

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Since June, intermittent reports have suggested Riyadh was on the verge of taking firm action against terror financiers among the Saudi elite. After a series of unexplained delays, a U.S. delegation visiting the Saudi capital in December finally secured Saudi agreement to shut the offices of the al Haramain Foundation in Indonesia, Kenya, Tanzania, and Pakistan, and take action against senior al Haramain officials in Saudi Arabia. Specifically, the Saudis were expected to announce criminal proceedings against the foundation's recently fired director of 13 years, Sheikh Aqel al Aqel, who according to well-informed sources was caught transporting millions of dollars out of the country via couriers.

This week, when the much anticipated press conference was finally held, the closure of a few more al Haramain branches proved anticlimactic in the glaring absence of any action against al Aqel or any of the other prominent Saudis bankrolling terror.

Officials had reason to hope for more. Despite recent United Nations and U.S. General Accounting Office reports highlighting the difficulty of combating terror financing, and the central role Saudi Arabia plays in this continuing problem, the Saudis had made significant, if limited, progress in the war on terror in the wake of al Qaeda attacks in Riyadh in May and November 2003. Moreover, the agreement to make an example of al Aqel had reportedly been reached with Crown Prince Abdullah himself, which suggests that Interior Minister Prince Nayef and/or other senior princes vying for power may have played a role in derailing action against al Aqel.

Despite continued resistance from some Saudi officials and most religious authorities, U.S. officials note a "consolidation" around Crown Prince Abdullah's reformist agenda since the November attacks. Saudi authorities have arrested hundreds of terrorist operatives, begun educational reforms, removed collection boxes from mosques, arrested radical clerics, and pulled others from their pulpits. In the United States, Saudi diplomats have waived their diplomatic immunity and provided authorities investigating financial irregularities full access to their financial accounts. And a joint U.S.-Saudi task force, set up in the wake of the November attacks, was described by a senior U.S. official as "totally cooperative" (though the same official conceded that the Americans had requested only low-level information and were wary of issuing requests that might not be answered). Another positive development is that the Financial Action Task Force on money laundering has been allowed to conduct a review process in Saudi Arabia, which should be completed in late January or early February.

Nonetheless, problems persist. For example, while the Saudi Arabian Monetary Agency (SAMA) passed impressive money laundering and terrorist financing regulations in May, these have yet to be enforced. U.S. officials praise the agency's capabilities. Unfortunately, SAMA remains unempowered. In fact, many terrorist-financing responsibilities are assigned to other ministries and agencies, not SAMA.

Saudi Arabia also still lacks a financial intelligence unit. Eighty-four such units are operating worldwide, including the U.S. Treasury Department's Financial Crimes Enforcement Network. According to U.S. and European officials, the Saudi unit exists on paper but is not yet functioning. Even on paper, it is slated to operate under the Ministry of the Interior, headed by Prince Nayef and known to be intimately tied to the royal family, not under the more independent and professional SAMA.

After the May bombings, the Saudis announced the establishment of the Saudi High Commission for Charities. This would be a step forward, as there are currently many ministries and agencies that have a hand in dealing with terror financing within the kingdom. However, several official and academic inquiries produced no evidence the commission actually exists.

Institution building aside, Saudi officials have yet to reeducate their society regarding the fact that a charity supported in fulfillment of a religious duty can be used for nefarious purposes. Nor has there been any effort to instill a sense of personal responsibility concerning where charitable donations end up.

Overall, Saudi efforts to combat terror financing are still hindered by a lack of both transparency and political will. For example, proposed budgets and staffing numbers for the announced Saudi financial intelligence unit and High Commission for Charities are unavailable. For that matter, Article 25 of the 1981 Charitable Organizations Charter, the law that would theoretically regulate how charities are run and overseen, explicitly excludes all charities associated with the royal family--that is, almost all Saudi charities. It remains to be seen whether any of the thousands of princes or the charities with which they are associated could be held accountable for terror financing under Saudi law. While the May 2003 money laundering restrictions are among the most comprehensive, authorities lack the means to enforce them.

U.S. officials' priority, then, is to get the Saudis to do what they've already promised to do. The Washington Post has reported, for example, that the Islamic Affairs Bureaus in Saudi embassies worldwide were going to be closed after several investigations tied these bureaus to terrorism. Jaafar Idris, a Sudanese national who held Saudi diplomatic credentials and was affiliated with the Islamic Affairs Bureau in Washington, was recently expelled from the United States, and German authorities tied the Islamic Affairs Bureau in Berlin to terrorist financing. An unidentified Saudi official was quoted in the Post as saying, "We are going to shut down the Islamic Affairs section in every embassy." Meanwhile, the Saudi Press Agency quoted Saudi minister for Islamic affairs Sheikh Salah Al Sheikh as insisting, "This news item is incorrect. The centers are working and they are a part of the kingdom's message."

In a similar case, even as Saudi officials were negotiating the closure of the four al Haramain branches shut this week, a Saudi official insisted that "al Haramain cannot spend a penny outside Saudi Arabia." Then, apparently contradicting himself, he added, "If Indonesia thinks that al Haramain is active there, then Indonesians must take action and not us the Saudis."

The crucial test of Saudi efforts to curb terror financing is the willingness to hold elites accountable. Will the Saudis crack down on the terror financing conducted by prominent members of their business class, elites tied to the royal family, charities, and banks? As early as June 2003, U.S. officials indicated the Saudis were about to take concrete action against members of the Jeddah merchant class closely tied to members of the royal family, at least one Saudi Bank, and foundations like al Haramain. U.S. officials hoped the early January firing of al Aqel would herald further actions targeting Saudi elites involved in promoting radical Islam and funding terrorism. They were disappointed.

Beyond al Aqel, U.S. officials point to the al Raji Bank, with its affiliated organizations, individuals, and charities, as an example of a Saudi institution implicated in criminal terrorist investigations, yet not subject to scrutiny by the Saudi authorities. Similarly, though Crown Prince Abdullah officially withdrew the kingdom's support for Hamas in early 2002, special accounts called "Accounts 98," which the government created to funnel money to Palestinian organizations, continue to function and fund groups like Hamas. In fact, ten months after the crown prince withdrew his support for Hamas, the group's leader, Khaled Mishal, was an honored guest in Saudi Arabia at the annual conference of the World Assembly of Muslim Youth.

Finally, U.N. and U.S. officials both note that Wael Jalaidan, an al Qaeda founder and "designated terrorist entity," still works with suspicious charities and handles large sums of money. There have been no arrests of prominent Saudis or closures of financial institutions in the kingdom. Very few accounts have been frozen, and the Jalaidan case suggests those few have been frozen in name only. In short, evidence that Riyadh is serious about drying up the funding for terror remains thin indeed.

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