

Money troubles

The financial woes of Al-Qaeda's leaders

Al-Qaeda's finances are at their weakest point in years due to a successful campaign to close off major sources of funding. **Matthew Levitt** examines the options left to the group, which is increasingly turning to a model of low level threats from individuals, rather than spectacular orchestrated attacks

KEY POINTS

- Bin Laden was an important fundraising symbol for Al-Qaeda whose death is a significant blow to Al-Qaeda's ability to raise money around the world.
- Its donors must be worried that their names, bank accounts, or addresses may appear in spreadsheets seized in the Abbottabad raid.
- Dwindling financial avenues for Al-Qaeda's core and rising homegrown extremism means it's radicalized loners and regional extremists must also now be monitored.

In an interview soon after the 2 May 2011 US special forces raid on Osama bin Laden's safe house in Abbottabad, Pakistan, Stuart Levey, the former US undersecretary for terrorism and financial intelligence in the US Department of the Treasury, highlighted the significance of Bin Laden's death for Al-Qaeda's ability to finance its global terrorism campaign. Beyond whatever hands-on role he may or may not have played in the group's fundraising campaigns, Levey stressed that Bin Laden "was a very important fundraising symbol for Al-Qaeda" whose death is a "significant blow to Al-Qaeda's ability to raise money around the world". The implication was clear: without Bin Laden, Al-Qaeda would find it increasingly difficult to convince donors to continue funding the organization.

In fact, while the death of Bin Laden marked the most significant setback for Al-Qaeda, it was by no means the only one. Taken together, leadership losses, targeted sanctions, sustained international pressure, and the recent Arab

Spring have undermined Al-Qaeda's already shaky financial stability. As early as October 2009, US authorities assessed that measures against the group's financial networks have made it increasingly difficult for it to hide and transfer money. By 29 June 2011, John Brennan, the assistant to the US President for Homeland Security and Counterterrorism, said Al-Qaeda's finances were at their "weakest point in years".

Yet even then US authorities were quick to add they were not "taking any victory laps", since new donors were still likely to step in. While money is still trickling in to the Al-Qaeda core through a small number of remaining funding streams, much of the threat today – and financing for them – has largely shifted away from this core towards increasingly independent regional terrorist cells or homegrown violent extremists, who are inspired by Al-Qaeda, but remain autonomous.

Intelligence from Abbottabad

News that US special forces had seized hard drives, thumb drives and other types of electronic media from Bin Laden's safe house must have shaken Al-Qaeda's financiers, supporters and networks. Speaking to the Washington Institute for Near East Policy on 12 May 2011, Thomas Donilon (National Security Advisor to US President Barack Obama) revealed just how extensive an intelligence bonanza the raid turned out to be. Donilon noted: "As a result of this raid, we now have the single largest trove of intelligence ever collected from a senior terrorist leader. The intelligence community says it is equivalent to a small college library worth of material. It is remarkable: based on what we know now, we have tens of thousands of video and photo files, and millions of pages of text."



Document exploitation specialists tasked to sift through this material found evidence of notional Al-Qaeda plots, including aspirational plans (made public by US security officials on 5 May) to target the US rail system. It is conceivable that the files also include actionable intelligence related to Al-Qaeda's logistical and financial support streams. On 8 May 2011, David Cohen, current undersecretary for terrorism and financial intelligence at the Department of the Treasury, told CNN that major donors from the Gulf States remain the key sources of funding for the Al-Qaeda core. These donors must be under significant stress, worrying that their names,



Al-Qaeda in Iraq (AQI) carried out a suicide bombing attack targeting the Central Bank of Iraq in Baghdad on 13 June 2010. Baghdad security spokesman Major General Qassim al-Moussawi told Reuters that Iraqi forces came under sustained fire from gunmen in what appeared to be an armed robbery attempt. An unnamed central bank official also told reporters: "This was a robbery."

bank accounts, or addresses may appear in the spreadsheets seized in Abbottabad.

This is no baseless conjecture. In March 2002, Bosnian authorities raided the Sarajevo offices of the Benevolence International Foundation, a charity designated by the US Department of the Treasury on 19 November 2002 as an Al-Qaeda front organization. Among the material found on the seized computers during the raid was an Al-Qaeda memorandum from 1988 or 1989 listing 20 Saudi financial backers described by Bin Laden as the "Golden Chain", so named because they were a reliable source of funding for his organization. According to the 9/11 Com-

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mission Report published in July 2004, the Golden Chain was put together mainly by Bin Laden’s financial backers in Saudi Ara-

bia and other Gulf states. But even if the files seized in Bin Laden’s Abbottabad safe house do not include explicit references to the next golden chain, they will likely contain information that could help shed light on Al-Qaeda’s current balance sheets and expose the money trail sustaining Al-Qaeda’s senior leadership (AQSL). In particular, they may point to the funding sources responsible for covering Bin Laden’s significant personal expenses, which likely included the costs of feeding his 18-person entourage, the salaries of his bodyguards and couriers, the expense of building and renovating his compound, and the cash that may have been needed to

bribe Pakistani authorities not to look too closely at his fortified villa.

Leadership hit hard

In June 2011, Brennan noted that in the previous two years “virtually every major Al-Qaeda affiliate has lost its key leader or operational commander”. In fact, he claimed “more than half of Al-Qaeda’s top leadership has been eliminated”. Several key leaders in Al-Qaeda’s ranks met their demise in the months following Bin Laden’s death. Daniel Benjamin, the coordinator for counterterrorism at the Department of State, noted in December: “The top leadership of the organization [was] hit hard in 2011.” Leaders killed during this time included Atiyah Abu Abd al-Rahman (alias Sheikh Attiyatallah), Al-Qaeda’s second in command, in August and Anwar al-Awlaki, a US national of Yemeni decent and seen as chief of external operations for Al-Qaeda in the Arabian Peninsula (AQAP) in Yemen.

These successive body blows directly hit Al-Qaeda’s bottom line, giving the appearance of a weak and vulnerable organization, thereby lessening its appeal to potential donors looking to underwrite jihadist powerhouses. Moreover, several strikes specifically targeted key financial officers within Al-Qaeda’s hierarchy, including Mustafa Abu al-Yazid, Al-Qaeda’s number three official, who was killed in a US drone strike in Miramshah, North Waziristan, on 22 May 2010, and Abu Zaid al-Iraqi, who took over the management of Al-Qaeda’s financial operations in Pakistan from Abu al-Yazid and was killed in a drone strike on an Al-Qaeda safe house in South Waziristan on 20 February 2011.

These leadership losses have compounded Al-Qaeda’s financial woes. In fact, at a September 2011 conference, David Cohen said: “[As of early 2010] Al-Qaeda not only was stressed financially, it was struggling to allocate funds to plan and execute terrorist attacks against the US homeland and Western interests.” As the Al-Qaeda core has weakened, Cohen warned that the group’s “increasingly precarious financial situation would not only impair its ability to operate, but also would likely send Al-Qaeda and its affiliates in search of new sources of funding”.

As terrorists seek out new funding opportunities and financial conduits, continued and targeted financial actions by the Treasury

aim to restrict Al-Qaeda’s access to traditional sources of funding, as well as disrupting these new funding schemes. On 7 September 2011, the Treasury designated three senior Pakistan-based Al-Qaeda leaders identified as: Younis al-Mauritani, a senior leader in charge of external operations; Hassan Ghul, an Al-Qaeda facilitator and operator involved in establishing logistical and financial support networks between the Gulf States and Pakistan; and Abu Yahya al-Libi, currently Al-Qaeda’s most senior commander in Pakistan who is a key player in the group’s media operations.

While the death of Bin Laden marked the most significant setback for Al-Qaeda, leadership losses, targeted sanctions, sustained international pressure, and most recently the Arab Spring have further undermined Al-Qaeda’s already shaky financial stability

Despite these targeted actions, other pillars of financial and logistical support remain. In July 2011, the Treasury exposed Iran’s continued support by targeting six members of an Iran-based Al-Qaeda financial network. Yassin al-Suri (alias Izz al-Din Abd al-Aziz Khalil), a prominent facilitator, recruiter and financier for the group, headed a network that moved money and operatives from across the Middle East to Al-Qaeda central in Pakistan. Testifying before the Senate Committee on Banking, Housing, and Urban Affairs in October 2011, Cohen explained: “Al-Qaeda’s core financial pipeline which runs from Kuwait and Qatar, through Iran, to Pakistan depends upon an agreement between Al-Qaeda and the Iranian government to allow this network to operate within its borders.”

On 22 December 2011, the Department of State followed up on the Treasury’s designation by offering a reward of up to USD10 million for information on the whereabouts of Suri. This marked the first time the department’s Rewards for Justice Program offered a reward for information on a leading terrorist financier, a sign of

Suri’s importance to Al-Qaeda. At a briefing on the reward offer, state and treasury department officials stressed Suri’s close ties to Iran and his acumen as a financial conduit for Al-Qaeda. “Al-Suri is a senior Al-Qaeda facilitator and operates in Iran under this agreement between Al-Qaeda and the Iranian government. Iranian authorities maintain a relationship with Suri and have allowed him to operate within Iran’s borders since 2005,” they said. Using Iran as a sanctuary, Suri “funneled significant amount of money through Iran to Al-Qaeda’s leadership in Afghanistan and Iraq” and also “moved terrorist recruits through Iran to Al-Qaeda leaders in Pakistan and in Afghanistan”.

As Al-Qaeda’s core weakens under sustained financial and physical pressure, its leaders are likely to look increasingly to state sponsors, tribal protection and alliances with other groups and individuals for safe haven and logistical and financial support.

Rise of the affiliates

The overall terrorist threat has metastasized well beyond the Al-Qaeda core. Whereas the group directly funded and controlled operations from its base in Afghanistan before the 11 September 2001 attacks, Al-Qaeda franchises and homegrown extremists are now typically self-financed.

Today’s terrorist threat is far more decentralized and does not depend on funding from Al-Qaeda’s central command as used to be the case. Jemaah Islamiyah (JI) operatives robbed jewelry stores to help finance the Bali bombings, because the contribution from the Al-Qaeda core was too small to cover the costs of the operations. Al-Qaeda in the Islamic Maghreb (AQIM), the group’s North African branch, raises significant funds through kidnapping and other types of organized crime. AQAP, now based in Yemen, has worked hard to develop its own network of major donors. For example, in September 2009, Saudi security forces discovered a video clip of AQAP leader Saeed al-Shihri in which he made an appeal to supporters to provide the group with funding.

In July 2011, Al-Qaeda in Iraq (AQI) militants lamented the state of the group’s dire financial situation on a jihadist forum launching an urgent plea for new fundraising ideas. Seif Saad, the website’s administrator, called for wealthy Iraqi families and businessmen to

pay annual zakat or face fines. Saad also recommended disrupting the operations of international companies to extort funds from foreign investors, while another website visitor, citing AQIM's successful campaign, suggested kidnapping company executives for ransom. AQI has funded previous operations by robbing government run banks, offices, and investment centers. For instance, the group claimed responsibility for carrying out a suicide bombing attack targeting the Central Bank of Iraq in Baghdad on 13 June 2010. According to security officials cited by Reuters, Iraqi forces came under sustained fire from gunmen in what appeared to be an armed robbery attempt.

Given this tough financial environment, Al-Qaeda and its affiliates have explored non-traditional sources of fundraising, including a variety of criminal activities, to generate additional resources. Most alarming, and lucrative, has been AQIM's successful kidnapping for ransom operations. According to US officials, AQIM has raised "tens of millions of dollars" since 2008 through kidnap for ransom operations. "We've seen that their donors have been less dependable and we're seeing them turning more to kidnapping as a way of keeping the money coming in," Representative Dutch Ruppersberger told the House Intelligence Committee in June 2011.

Despite sometimes strained relations between AQSL and its North African affiliate, Ayman al-Zawahiri, Al-Qaeda's new leader, may reach out to AQIM for financial support given the group's successful kidnapping campaign, which it carries out without the guidance of AQSL. Several precedents for this type of request exist. In 2005, Zawahiri sent a letter to Abu Musab al-Zarqawi, then the head of AQI in which he asked Zarqawi for 100,000 (without specifying a currency), noting that "many lines [of support] had been cut off".

More recently, Al-Qaeda has received assistance from Lashkar-e-Tayyiba (LeT), its powerful and dangerous affiliate in South Asia. On 1 July 2009, the Department of the Treasury designated four individuals involved in providing direct support to Al-Qaeda and the LeT, as well as facilitating terrorist attacks. Among these individuals was Arif Qasmani, the "chief co-ordinator" for the group's dealings with other terrorist organizations. According to the Treasury, Qasmani has provided a wide vari-



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ety of financial and other support to Al-Qaeda since 2001, including facilitating travel for its members and providing supplies and weapons. In exchange, Al-Qaeda provided Qasmani with operatives who helped the LeT carry out the 2006 Mumbai train bombings and the 2007 attack on the Samjota Express in Panipat, India. Links between Al-Qaeda core, affiliates and like-minded groups can be expected to increase as terrorist groups seek ways around the financial constraints of increasingly effective global counter-terrorism measures.

Some early signs indicate that AQIM, suddenly awash in funds, may already be supporting other radical Islamic groups on the African continent in this manner. The 26 August 2011 attack on the UN headquarters in Abuja, Nigeria, carried out by the group Boko Haram (not a recognized Al-Qaeda affiliate) signaled its willingness to execute attacks against high profile targets using traditional Al-Qaeda tactics. AQIM has been transparent in its efforts to expand its reach in sub-Saharan Africa and strengthen other terrorist groups, including Boko Haram. In a June 2010 interview with Al-Jazeera, AQIM leader Abdelmalek Droukdel

promised that his group would provide Boko Haram with weapons, training, and other support. Five months later, Algeria's deputy foreign minister announced that "intelligence reports" demonstrate there is co-ordination between Boko Haram and AQIM.

Homegrown violent extremism

The financial barriers that may have existed for earlier recruits into the global jihad largely do not apply to homegrown violent extremists, since the costs associated with individual acts of terrorism are comparatively insignificant. This dynamic not only alters the threat environment; it also marks what could amount to a paradigmatic shift in the nature of terrorist financing if, as seems likely, the trend of homegrown violent extremist terrorism continues to rise. In a 16 August 2011 interview with CNN, President Obama stressed that pressure has left Al-Qaeda "a much weaker organization with much less capability than they had just two or three years ago". As a result, he outlined, spectacular attacks are less likely, but small scale attacks may be more frequent: "The most likely scenario that we have to



Al-Malahem / IHS Jane's.

In its November 2010 issue of *Inspire*, Al-Qaeda in the Arabian Peninsula's official magazine, reported that the group's "cargo plot" cost USD4,200 to plan and (attempt to) execute. The ability of affiliate groups and individual extremists to raise the relatively small quantities of money required to carry out attacks means that counter-terrorism financing officials cannot focus only on the fundraising activities of organized groups such as Al-Qaeda.

guard against right now ends up being more of a lone wolf operation than a large, well co-ordinated terrorist attack."

Radicalization and recruitment has changed so significantly that, according to Mark Giuliano, FBI assistant director for counterterrorism, "thousands of extremist websites promote violence to a worldwide audience predisposed to the extremist message, and more of these websites and US citizens are involved in internet radicalization." And the environment in which people are predisposed to extremist ideology is geographically and demographically diverse. "We have seen internet radicalization in individuals as young as 14 years old," Giuliano noted at the Washington Institute on 14 April 2011.

Some radicalized US citizens and residents have traveled abroad – to Somalia, Pakistan or Afghanistan, primarily – to join the global jihad, while others derived inspiration, direction, or training from abroad to plan attacks at home. Others have been involved in schemes to provide material and financial support to terrorist groups. Mohammad Younis, for instance, a Long Island resident, was indicted in September 2010 for providing thousands of dollars in

cash to Faisal Shahzad, who then attempted to detonate a car bomb in Times Square (and was sentenced to life imprisonment on 5 October 2010). Prosecutors said that Younis arranged for USD7,000 to be delivered to Shahzad through hawala, an unlicensed money-transfer operation. Younis pleaded guilty in August 2011 to one illegal banking charge and not guilty to the two other charges against him – operating an unlicensed money-transmitting business and conspiracy. Since the government conceded that Younis had no prior knowledge of the bomb attempt, he was sentenced to three years of probation and fined USD2,000, serving no time in jail.

In April 2010, Wesam El-Hanafi, a Brooklyn resident, was accused of conspiring to give computer advice, buying seven digital wrist watches, and undertaking other tasks to help "modernize" Al-Qaeda. An indictment issued by the Southern District of New York alleged that El-Hanafi traveled to Yemen to meet with unnamed Al-Qaeda members in February 2008. While there, the indictment continues, terrorists "instructed him on operational security measures and directed him to perform

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tasks for Al-Qaeda". His visit culminated in his taking "an oath of allegiance to Al-Qaeda". In May 2010, El-Hanafi was charged with one count of conspiracy to provide material support to a foreign terrorist organization, and if convicted, he faces up to 15 years in prison.

Financial sector vulnerabilities

Al-Qaeda remains adaptive and resourceful despite its declining capabilities, making it all the more critical to plug remaining gaps and vulnerabilities within the formal and informal financial sectors. For example, a recent scheme known as "remote toll fraud" netted terrorist fundraisers in the Philippines

a reported USD2 million from unsuspecting US telephone customers. In November, members of Jemaah Islamiyah (JI) hacked into the accounts of AT&T business customers to divert funds for the group. Investigations launched by a Philippine law enforcement agency and the FBI revealed that the hacking began as early as 2009. According to Philippine police, the hackers, arrested in raids across Manila, reportedly worked for a group that helped fund the terrorist attacks in Mumbai, India, in November 2008.

Exploiting new technologies and new payment methods provides opportunities for Al-Qaeda to store and move funds outside the formal financial system. Prepaid cards, mobile payments, and internet funds transfers, create new vulnerabilities in illicit finance, according to Daniel Glaser, deputy assistant secretary for terrorist financing and financial crimes at the Department of the Treasury, because new payment methods are not covered by anti-money laundering/combatting the financing of terrorism (AML/CFT) regulations. Digital currencies, hawalas and other informal remittance systems remain areas of concern for the authorities, and the Treasury is currently attempting to impose reporting requirements on all cross-border wire transfers above USD1,000 in an effort to bring greater transparency to global financial transfers within the formal banking system as well.

The loss of Bin Laden

Much of Al-Qaeda's funding has in the past originated from its ability to access a large network of wealthy Gulf donors and move funds through the formal financial system. However as Tim Geithner, the US Secretary of the Treasury, noted at the Counter-Terrorism Financing Symposium on 8 September 2011, financial intelligence and analysis has "succeeded in deterring donors across the globe" and limited the pool of money available to fund terrorists operations. According to Stuart Levey, Al-Qaeda's donor-driven fundraising will become more difficult and complicated following the death of Bin Laden, particularly in Gulf countries where fundraisers must "authenticate that they are actually representing Al-Qaeda". The loss of Bin Laden may itself prove costly for Al-Qaeda. Cohen reasonably posits: "Bin Laden was a symbolic and galvanizing figure for Al-Qaeda's fundraising efforts, and Al-

Qaeda's donor base will likely be less willing to contribute to an Al-Qaeda that has lost its founder, not knowing who is in charge or how their money might be used."

While it is now clear Zawahiri has taken command of Al-Qaeda, donors are still likely to have concerns about how their money might be used under the new leadership.

Fostering such uncertainty among Al-Qaeda's donors demands continued progress building and strengthening international cooperation. To this end, the US remains focused on training foreign security services and engaging Saudi and Gulf state partners, according to Brennan, to shut down Al-Qaeda's "financial pipelines". In recent years, Saudi Arabia has established financial controls on charitable funds to ensure money does not support terrorist activity. In May 2010, Saudi Arabia's highest religious authority, the Council of Senior Ulema, issued a fatwa against terrorist financing. The fatwa, according to Glaser's testimony on 6 September 2011, "is emblematic of the Saudi political will to address terrorist financing concerns". He emphasizes the need to encourage other countries, Qatar and Kuwait in particular, to follow Saudi Arabia's lead.

As access to donors in Saudi Arabia becomes more restricted, Cohen worries that Kuwait and Qatar have emerged as "permissive environments for extremist fundraising". In a Mutual Evaluation Report released in September 2011, the International Monetary fund (IMF) identified Kuwait as the only Gulf country not to criminalize terrorist financing. The report, which evaluates AML/CFT measures in Kuwait, emphasized the country's rapidly growing banking sector assets could be exploited by terrorist financiers. Two members of the Iran-based Al-Qaeda facilitation network designated by Treasury in July 2011 are located in Kuwait and Qatar, and have "provided hundreds of thousands of dollars in financial support to Al-Qaeda".

Conclusion

The Arab Spring has repudiated Al-Qaeda's claim that the only way to affect change is through violence. Al-Qaeda might be left on the sidelines of profound change in the Middle East, but Brennan warns: "Terrorist organizations and nations that support them will seek to capitalize on the instability that change can some-



Al-Qaeda's North African affiliate AQIM released a video via its media wing Al-Andalus on 21 April 2011 showing French hostages – Pierre Legrand, Daniel Larribe, Thierry Dol and Marc Furrer (pictured) – captured by the group in northern Niger in September 2010. According to US officials, AQIM has raised "tens of millions of dollars" since 2008 through kidnap for ransom operations.

times bring." A broader, flatter, more regionally focused coalition of geographically centered Al-Qaeda affiliates and homegrown violent extremists may actually foster the group's ability to capitalize on the instability of change.

In places such as Egypt, Islamist radicals might have greater success painting their violent extremist message in more local terms – even as they promote the ideal of the global Muslim ummah (nation) over Egyptian or any other type of Western-inspired nationalism. And in the West, Al-Qaeda can count on homegrown extremists to keep up the pressure with periodic plots as groups like AQAP take the time to devise their own attacks. And these may be considered successes even when they fail. Indeed, AQAP reported in its November 2010 issue of *Inspire*, its official magazine, that its October 2011 "cargo plot" (in which the group attempted to send explosive-laden packages on cargo planes bound for the US) cost just USD4,200. While the packages were detected in the UK and the United Arab Emirates, and the bombing averted, the plot still cost the West many millions of dollars in lost revenue and security expenditures. Increasingly, a central goal of terrorist plots is not just to kill as many people as possible but to bleed the West financially as well.

Clearly then, the West cannot afford to sit on its laurels and bask in the success of its

efforts to counter Al-Qaeda financing to date. While the Al-Qaeda core lacks funds, its affiliates have found revenue of their own. And while the Al-Qaeda brand still matters – suggesting the loss of Bin Laden could hamper future fundraising – the rise of homegrown extremism means counterterrorism officials cannot focus only on the fundraising activities of organized groups, but must also monitor radicalized loners and regional extremists.

The Abbottabad raid marked a watershed in the struggle against violent extremism; it may yet prove to be the beginning of the undoing of Al-Qaeda. Much of its success may be judged not by the impact on the Al-Qaeda core alone, but on the rise or fall of affiliates and homegrown extremists. Stemming funding to terrorists at each of these levels will be critical to their continued decline. ■

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