

Staying solvent

Assessing Al-Qaeda's financial portfolio

With Al-Qaeda's leaders on the defensive and the group's popularity declining, **Michael Jacobson** and **Matthew Levitt** investigate how operational setbacks have affected Al-Qaeda's long-term funding efforts.

In a speech in Washington, DC in August 2008, Ted Gistaro, then the United States national intelligence officer for transnational threats, painted a picture of a resurgent Al-Qaeda core, with an increasingly secure safe-haven in Pakistan's tribal areas. Al-Qaeda had, in Gistaro's view, "maintained or strengthened key elements of its capability to attack the United States over the past year", despite the deaths of a number of its key figures.

Little more than a year later, Al-Qaeda's leadership appears to be in disarray. During 2008, Al-Qaeda lost 10 of its most senior leaders, including three of the chiefs of its external operations branch – individuals responsible for directing terrorist attacks against the West. According to Denis Blair, the US Director of National Intelligence (DNI), these deaths have taken a serious toll on the organisation's capabilities, "forcing [Al-Qaeda] to draw upon younger, less experienced individuals to fill some critical positions". The remaining Al-Qaeda leaders now spend much of their time in hiding, attempting to avoid being targeted by the unmanned drones that have killed so many of their fellow terrorists over the past year.

This situation has taken its toll, not only on the Al-Qaeda core's ability to direct and plan operations, but also on the organisation's financial health, which is critical to its long-term survival and capabilities. Long before its current problems, Al-Qaeda had turned away from its longstanding model of funding the near-term activities of international cells as it planned its own long-term, spectacular attacks. Today, Al-Qaeda affiliated terrorist cells increasingly raise their own funds. Instead of being funded directly

by the Al-Qaeda core, cells on the periphery today are more likely to send funds they have raised themselves back to Al-Qaeda leaders in Afghanistan and Pakistan.

Effect on the financial state

With Al-Qaeda leaders on the defensive, both in terms of their physical security and their message, and with the group's overall popularity on the decline, it is hardly surprising that the organisation's financial state has been hurt as well. Although no concrete and reliable figures are available about Al-Qaeda's current budget, it certainly has fallen a long way from the pre-11 September 2001 era when, according to the National Commission on Terrorist Attacks upon the US (9/11 Commission), their annual budget was in the USD30 million (GBP18 million) range. In fact, in an October 2009 speech, David Cohen, assistant secretary for terrorist financing and financial crimes at the US Department of the Treasury (DoT), assessed "Al-Qaeda [to be in] its weakest financial condition in several years, and that, as a result, its influence is waning".

While Al-Qaeda's expenses have also diminished, they still have substantial costs. Even in the tribal areas of Pakistan and Afghanistan, they must pay for food, housing, salaries for their members and their families, training, travel, security, and video production costs.

Mustafa Abu al-Yazid, the head of Al-Qaeda in Afghanistan and the former chief of Al-Qaeda's finance committee, has been blunt about the group's financial struggles, making repeated public calls for contributions. In a June 2009 video statement, Abu

KEY POINTS

- Al-Qaeda's financial troubles are largely attributable to the increased international focus on cracking down on the group's activities since 2001.
- While Al-Qaeda directly funded and controlled operations from its base in Afghanistan prior to 11 September 2001, the decentralisation of the Al-Qaeda threat since then means that the group's central command is not funding operations as it has previously.
- In spite of its serious financial problems, Al-Qaeda is still able to raise significant funds, particularly from private donors and charities in the Persian Gulf.

al-Yazid indicated that they were short on equipment and supplies, and urged followers to step up their contributions: "In Afghanistan, we have a severe supply deficit. The main reason for weakness in operations is insufficient supplies. Many mujahideen sit and wait and cannot fight for lack of supplies... If a holy fighter does not have the money to get weapons, food, drink and their materials for jihad, he cannot fight jihad. Fear Allah and be ambitious in waging jihad through donating goods."

While the frequent pleas for money certainly suggest that Al-Qaeda is suffering financially, they may also indicate that Al-Qaeda is concerned that the overall level of support for the group is dropping as well. As Richard Barrett, the head of the UN Al-Qaeda and Taliban Monitoring Team, noted in a speech in September 2009: "Constant refrain [in Al-Qaeda's messages is that] if you can't fight, send money." This is not merely because they need the funds, in Barrett's view, it's also because they are looking for "buy-in" and they recognise that "if you send money to something, you're much more likely to support it".

Why the financial troubles?

Al-Qaeda's financial troubles are largely attributable to the increased international focus on cracking down on the group's activities since 2001. The US government has been at the forefront of these efforts,

using an aggressive, multifaceted strategy to combat terrorist financing. The DoT has used its enforcement powers to freeze the assets of terrorist financiers and support networks, while the Department of Justice (DoJ) has used the “material support” statute to prosecute numerous individuals and entities for supporting terrorist organisations. Beyond the enforcement arena, the US has also engaged in vigorous efforts to track terrorist financing. In July 2006, Stuart Levey, under-secretary for terrorism and financial intelligence at the DoT, emphasised that “counter-terrorism officials place a heavy premium on financial intelligence” in part because “money trails don’t lie”.

Other countries have taken similar steps to improve their counter-terrorist financing capabilities. In early 2007, the UK government unveiled a comprehensive strategy to combat terrorist financing and money laundering. This included the establishment of a “Terrorist Asset Freezing Unit” within the Ministry of Finance to work closely with UK law enforcement and intelligence agencies. Additionally, the UK could now use classified information in the asset freezing process for the first time. In a speech in October 2006, then-Chancellor of the Exchequer Gordon Brown described this effort as a “modern Bletchley Park with forensic accounting of such intricacy and sophistication in tracking finance and connections that it can achieve, for our generation, the same results as code breaking at the original Bletchley Park did 60 years ago”.

Many countries have also passed legislation criminalising terrorist financing and developed systems to freeze terrorists’ assets. Perhaps most importantly, a number of Persian Gulf countries have taken steps to crack down on Al-Qaeda’s financing. Many of the Gulf countries, including Bahrain, Qatar and United Arab Emirates (UAE), are trying to establish themselves as major international financial centres, and recognise that terrorism – and terrorist financing more specifically – could put these efforts at risk.

Even Saudi Arabia – long the major source of funding for Al-Qaeda – has begun to crack down on Al-Qaeda financing.

In late 2007, Sheikh Abdulaziz al-Sheikh – the most senior Wahhabi cleric

in the kingdom – released a rather surprising religious edict. In his fatwa, Sheikh addressed potential donors to terrorism for the first time, urging them “to be careful about where [their money is] spent so it does not damage young Muslims”. After years of refusing to acknowledge that Saudi Arabia is a source of terrorist financing, or that Saudi counter-terrorism efforts were inadequate, this statement proved to be a major step forward.

More recently in August 2009, the Saudi authorities announced that 330 individuals had been convicted of terrorism charges in the first trials involving the kingdom’s new specialised terrorism court. Although few details about these cases were released, it

“ Even where terrorists have travelled to Pakistan or Afghanistan for training, Al-Qaeda has not been providing these recruits with funding for the actual operations ”

is notable that the charges included terrorist-finance-related offenses, an indication that Riyadh may have begun to consider terrorist financing as “real terrorism”, as Levey described it during an interview in September 2007.

Sponsored by the US government, Saudi Arabia was recently admitted to the Egmont Group, the international network of Financial Intelligence Units, and is reportedly co-operating and sharing information actively with their counterparts in the group. According to a September 2009 US Government Accountability Office (GAO) report on terrorist financing in Saudi Arabia, the kingdom’s financial regulatory agency, the Saudi Arabian Monetary Agency (SAMA), also maintains fairly strong oversight over banks operating in the country, and bank executives are now more aware than in the past of their counter-terrorist financing obligations. In fact, bankers throughout the region regard SAMA as the most serious and professional banking-sector regulator in the Gulf.

Two international organisations – the UN and the Financial Action Task Force (FATF) – also deserve considerable credit for the scale of the global response since 2001 against Al-Qaeda financing.

The UN first took on Al-Qaeda and the Taliban prior to the 11 September 2001 attacks, passing resolution 1267 in 1999 to pressure the Taliban to evict Al-Qaeda from Afghanistan. While the Taliban resisted, the fact that Al-Qaeda and the Taliban were already blacklisted certainly helped the US build international support quickly after 11 September. There are now hundreds of Al-Qaeda and Taliban members and entities on the UN’s ‘1267 list’. All UN members were required to freeze the financial assets and restrict the travel and arms trade of designated entities. The UN also passed Resolution 1373 in late September 2001, creating a Counter-Terrorism Committee (CTC) and calling on all countries to improve their capabilities to combat terrorist financing.

FATF, a technocratic and relatively obscure Paris-based organisation, which seeks to set global standards on combating money laundering and terrorism financing, has also played an important role in the global efforts to crack down on Al-Qaeda financing. Launched by the G7 in 1989, FATF includes 34 member countries. In response to the 11 September attacks, FATF added combating terrorist financing to its mission in October 2001 and laid out nine broad “special recommendations”, including criminalising terrorism financing, developing a system of freezing terrorist assets, and adequately overseeing non-profit organisations and the informal financial sector, among other measures.

Finally, the private sector’s role and importance in the global efforts to combat terrorist financing has increased. While the private sector in most countries – in line with the Egmont recommendations – has an obligation to file suspicious activity reports (SARs) with the government, the number of these reports filed since 2001 has increased exponentially. In the US, these reports have often proven valuable for counter-terrorism investigations. In a February 2008 speech, Patrick O’Brien, then-

The number 30 bus in Tavistock Square, London, which was destroyed in a terrorist attack on 7 July 2005. While several members of the terrorist cell responsible for the attack travelled to Pakistan for training and met up with Al-Qaeda, they were left to raise funds for the operation themselves

assistant secretary for terrorist financing and financial crimes at the DoT, stated that there is a 20 per cent correlation between SARs and open FBI investigations. In the UK, the private sector's potential value in counter-terrorism was illustrated in the aftermath of the 7 July 2005 attacks in London, when the most critical information in the first few days after the attack came from UK banks.

Shift from central control

The dramatically increased focus on Al-Qaeda by the US and the international community after the 11 September attacks also affected how the group ran its terrorist operations. Before 11 September, Al-Qaeda directly funded and controlled operations from its base in Afghanistan. The group provided funding for the East Africa embassy bombings in Nairobi, Kenya and Dar es Salaam, Tanzania in 1998, the attack on the USS *Cole* in Yemen in 2000, and the 2001 attacks in New York and Washington, DC. According to a 2004 Staff Report to the 9/11 Commission on Terrorist Financing, Al-Qaeda continued to provide the money for operations even in the period after 11 September, such as the USD30,000 (GBP18,000) it furnished for the 2002 Bali bombings.

Today, the terrorist threat is far more decentralised, and Al-Qaeda's central command is not funding operations as it has previously. Even in cases where prospective terrorists have travelled to Pakistan or Afghanistan for training, Al-Qaeda has not been providing these new recruits with funding for the actual operations. While some of the shift is undoubtedly attributable to Al-Qaeda's diminished financial state, the tighter international border security, document control and financial tracking efforts are also a factor, convincing Al-



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Saeed al-Shihri, a leader of Al-Qaeda in the Arabian Peninsula (AQAP), appears in this image taken from video posted on a militant-leaning website on 23 January 2009. In September 2009, Saudi authorities discovered a video recording in which Shihri called on Al-Qaeda supporters to provide the group with funding

Al-Qaeda that it would be more effective if it began to rely more heavily on local groups to conduct the attacks. Some of these cells have connections to the Al-Qaeda senior leadership but are independently and locally funded. Others operate on their own in “leaderless” communities with only virtual connections to Al-Qaeda.

The terrorists who carried out the 7 July 2005 attacks in London are a good example of this new phenomenon. While several members of the cell travelled to Pakistan for training, and met up with Al-Qaeda, they were left to their own devices when it came to the funding for the attack. One cell member provided the majority of the funding, defaulting on a GBP10,000 (USD16,000) personal loan and overdrawn from his multiple bank accounts. The cell also obtained funding through credit card fraud.

According to an FATF report of February 2008, UK investigators ultimately 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”. The 2004 Madrid train bombings and the 2002 Bali bombings (which was financed

Al-Qaeda has at times resorted to more creative means of fundraising, including complicated internet transactions and phone solicitations

largely through a jewellery store robbery) are other good examples of local cells funding local attacks.

A rare exception to this new pattern was the 4 September 2007 Glasvej case, during which the Danish Security and Intelligence Service (Politiets Efterretningstjeneste: PET) raided 11 addresses in and around Copenhagen, detaining eight men suspected of planning a terrorist attack. In testimony to the US Senate Foreign Relations Committee in October 2009, Al-Qaeda expert Marc Sageman stated that the alleged perpetrator, Hammad Khurshid, reportedly received USD5,000 (GBP3,000) from Al-Qaeda core to conduct the operation. Khurshid and his Afghan accomplice Abdoulghani Tokhi were both convicted of preparing a terrorist attack on 21 October 2008 and sentenced to 12 and seven years in prison respectively.

Al-Qaeda fundraising today

While Al-Qaeda is having serious financial problems, they are still able to raise significant funds, particularly from private donors and charities in the Persian Gulf. As Levey noted during a February 2008 trip to the region, millions of dollars are still being raised and sent to terrorists in the Gulf. Although there has been some progress since that time, Cohen warned in a speech in October 2009 that officials were not “taking any victory laps”, because there were still likely new donors willing to step in to replace those no longer funding the terrorist group. Cohen warned that the international efforts and recent success might only be temporary, since “we have not yet dissuaded nearly enough donors from wanting to give in the first place”.

Despite making significant progress over the past several years, Saudi Arabia remains one of Al-Qaeda’s most important sources of funds, as highlighted in a September 2009 GAO report. According to this report, US government officials remain particularly concerned about several individuals and charities in Saudi Arabia supporting terrorism outside of the kingdom, many of which have been designated by the both the US DoT and the UN 1267 sanctions committee.

Al-Qaeda also continues to receive much-needed funding from individuals and charities in Kuwait. A US Department of State report on International Narcotics Control released in 2007 noted that terrorist financing “through the misuse of charities continues to be a concern” – perhaps in part because terrorist financing is still not a crime in Kuwait. In September 2009, according to Barrett, several couriers were detained in Kuwait carrying tens of thousands of dollars destined for Al-Qaeda. In Barrett’s view, this demonstrates that it is still possible to raise funds for Al-Qaeda “relatively easily”.

As well as the public pleas for money, Al-Qaeda has at times also resorted to more creative means of fundraising, including complicated internet-based transactions and cell phone solicitations. In 2008, Saudi authorities discovered a taped message from Zawahiri distributed through cell phones in which the Al-Qaeda deputy leader asked for “donations for hundreds of the families of captives

and martyrs in Pakistan and Afghanistan". Saudi police subsequently arrested 56 people for trying to raise funds using this recording. In September 2009, the Saudi security forces found a video clip of Saeed al-Shihri – one of the leaders of Al-Qaeda in the Arabian Peninsula (AQAP) – on the cell phone of a suspected terrorist. In the video recording, Shihri made a pitch for money to help "jihad to keep going," calling the need for funding "the core of life and the core jihad."

Due to the increased international scrutiny, Al-Qaeda has also become far more security conscious in its fundraising activities. Gharib al-Haeli – a self-proclaimed Al-Qaeda supporter – recommended on the "Al-Fallujah" forum that Al-Qaeda members who interact directly with donors specialise exclusively on finance-related activities. Doing so, in Haeli's view, would reduce their vulnerability to detection and arrest by government security services.

Another extremist on Al-Fallujah suggested avoiding detection by governments and counter-terrorist authorities by employing more complicated means of fundraising on the internet. He warned that governments are carefully monitoring electronic payment methods, and through this have been able to identify jihadists and eventually unravel entire networks.

While individual donors and charities are still the most important source of funds for Al-Qaeda, the group is also soliciting funding from individual recruits. Recruits are often being asked to bring funds with them to the training camps to cover their expenses. A case in Bahrain is one such example. In January 2008, five members of a Bahraini-based cell were convicted of terrorist activities, including receiving explosives and weapons training, engaging in terrorism overseas, and terrorist financing. An interview (conducted by the authors of this article) with Bahraini law enforcement officials in January 2008 revealed that during his interrogation one of the individuals acknowledged that he had travelled to Afghanistan to engage in combat against coalition forces. According to these officials, several members of the cell travelled from the kingdom to Afghanistan via Iran. Al-Qaeda facilitators passed the cell members

along from "person to person" until they arrived in training camps in Afghanistan. Two of the suspects admitted giving funding to pay for their expenses (one cell member provided EUR3,000, while a second gave thousands of dinars to his handler).

European security services uncovered a similar pattern in Europe in 2008. In December, Belgian and French counter-terrorism authorities arrested 14 individuals with ties to core Al-Qaeda. Six members of this group – four Belgians and two French nationals – had travelled to the Federally Administered Tribal Areas (FATA) in Pakistan to connect with Al-Qaeda. The individuals from this group were instructed to bring EUR2,000 with them to pay the costs of being smuggled in through Iran to the FATA, and were subsequently asked to pay EUR400 for the costs of the training courses (which included housing) and a further EUR900 for equipment and weapons.

At times, Al-Qaeda has also turned to its affiliates for support. This is, of course, a dramatic change from how Al-Qaeda has operated historically, when the core was providing funding to the affiliates, largely in an effort to build closer ties with these groups, and to refocus their terrorist activities on the external targets. The best-known example of this new phenomenon occurred in 2005, when Zawahiri sent a letter to Al-Qaeda in Iraq (AQI) leader Abu Musab al Zarqawi requesting that the Iraq branch provide Al-Qaeda core with 100,000 (no currency specified).

More recently, Al-Qaeda has received assistance from Lashkar-e-Tayyiba (LeT), its powerful South Asia affiliate. On 1 July 2009, the US DoT designated four individuals – Fazeel-A-Tul Shaykh Abu Mohammed Ameen Al-Peshawari, Arif Qasmani, Mohammed Yahya Mujahid, and Nasir Javaid – for allegedly supporting Al-Qaeda and the LeT. According to a DoT press release, Qasmani, described as the "chief co-ordinator" for the group's dealings with other terrorist organisations, has allegedly provided a wide variety of financial and other support to Al-Qaeda since 2001, including facilitating Al-Qaeda members' travel, and providing supplies and weapons. In exchange, the DoT states that Al-Qaeda gave Qasmani opera-

tives to help the LeT carry out the 2006 train bombing in Mumbai, India and the 2007 attack on the Samjota Express in Panipat, India. All four individuals had previously been added to the UN 1267 sanctions committee's list of individuals and entities associated with Al-Qaeda in June 2009.

Conclusion

The fact that officials report that Al-Qaeda is under greater financial stress today than ever before is certainly good news for counter-terrorism practitioners, but it is no death knell either for Al-Qaeda or the pan-Islamic jihad. As Zawahiri's request for financial assistance in 2005 demonstrates, Al-Qaeda has recovered from periods of financial distress in the past. Al-Qaeda is a resilient adversary, made more so by its success in building regional franchises and inspiring like-minded followers with no more than virtual connections to Al-Qaeda itself.

That said, an Al-Qaeda core that lacks access to funds and is increasingly dependent on contributions from its affiliates and supporters is a weaker Al-Qaeda than one with easy access to funds and the ability to finance (and therefore maintain more control of) the activities of its affiliates and supporters. Should this trend continue, it could lead to still further degeneration of the Al-Qaeda core and the devolution of Al-Qaeda's internationalised insurgency into a more localised, and likely less lethal, terrorist threat. ■

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