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STRATEGIC SECURITY ANALYSIS

The Criminal-Jihadist: Insights into Modern Terrorist Financing

by Dr Christina Schori Liang

1 Introduction

Terrorism is proving to be an enduring global security threat. Since the late 1990s terrorist groups have become more lethal, networked, and technologically savvy. The world is currently dealing with two global terrorist groups – al-Qaeda and IS – that have recruited affiliates across the globe. In 2014 the lives lost due to terrorism around the world increased by 80 per cent compared to the previous year.[1]

Several terrorist groups currently have the ability to control land and hold entire cities hostage. The growing power of terrorist groups is linked to their ability to generate revenue from numerous criminal activities with almost complete impunity. Without funding, terrorist groups can neither function nor carry out attacks. To strip terrorists of their power, world leaders and the international community must work together to combat related crime and to implement and enforce global mechanisms for preventing terrorist financing.

This paper provides a snapshot of how modern terrorist groups finance their organisations and operations. It will identify the key issues that are driving the growing nexus of terrorism and organised crime. The paper will also explore the various working relationships between terrorist and criminal groups, outlining under what conditions and to what extent they cooperate. This will help to identify existing and potentially new countermeasures to dry up terrorist funding, and to dismantle and destroy terrorist-criminal networks in the future.

KEY POINTS

- Criminal-terrorist networks are weakening states by eroding state structures, undermining the rule of law, and creating illegitimate governments. They rule over large swathes of territory, where they are able to govern with impunity.
- Criminal-terrorist networks and relationships have enabled al-Qaeda and the Islamic State (IS) to broaden the scope of their power by increasing the numbers of their affiliates and partners across parts of West, East, and North Africa and Southeast Asia.
- Criminal-terrorist networks have been able to capture certain public spaces, including prisons, urban areas, and the internet, to spread propaganda, recruit, train, acquire funds, and plan cyber attacks.
- The international community should proactively map criminal and terrorist financing networks and find innovative solutions to counter them as part of an integrated strategy to combat terrorism.

About the author

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1 Institute for Economics & Peace, Global Terrorism Index 2015, "Executive Summary", p.2, <http://economicsandpeace.org/wp-content/uploads/2015/11/Global-Terrorism-Index-2015.pdf>.

2 Crime and Terror: The Hidden Links

Transnational criminal networks exist in almost all countries in the world. According to a United Nations Office on Drugs and Crime (UNODC) estimate, total criminal earnings across the globe were USD 870 billion in 2011.[2] While transnational crime is ubiquitous, it remains heavily concentrated in "fragile states" beset by conflict, poverty, and low social cohesion, which can lead to a climate of corruption, injustice, impunity, and inequality.

The Sahara is a region containing many states of this kind. Historically an area known for smuggling and trafficking, recent developments in the Sahel and Maghreb have created the perfect environment for criminal operations. Enriched and strengthened terrorist and armed rebel groups in the region aim not only to make money, but also to consolidate power by taking urban centres and setting up their own mini-states.

In 2006 the political weakness of the government of Guinea-Bissau – the fifth poorest nation in the world – enabled Colombian drug traffickers to take control of parts of the country. Together with neighbouring Guinea, Guinea-Bissau has become a transit hub for the cocaine trade from Latin America to West Africa, then up to the Maghreb and into Europe. The drug trade through West Africa has increased local incomes by USD 10-20 million and has enriched a number of Sahel-Saharan states, especially Algeria and Libya. The drug trade also impacted Mali, causing political turmoil and leading to the 2012 coup d'état, which contributed to uprisings in the north led by militias and terrorist groups.

In 2011 the fall of Muammar Qaddafi in Libya created a spill-over effect in the Sahel and Maghreb, creating lawless sanctuaries where terrorists can operate with complete impunity, expanding their smuggling and trafficking operations dramatically. When the Qaddafi regime collapsed it is estimated that 250,000-700,000 arms from the Libyan arsenal fell into the hands of traffickers and, subsequently, terrorist groups. The value of the arms trade in Libya is estimated at USD 4-15 million. The increased availability of weapons has strengthened terrorist groups operating in Mali, Nigeria, and Libya, including al-Qaeda in the Islamic Maghreb (AQIM), al-Mourabitoun, Ansar al-Dine, Boko Haram, and Ansar al-Sharia.

The wider instability in the region and its environs, including the wars in Iraq and Syria and growing insecurity in the Horn of Africa, has made migrant smuggling a big business for militia groups and terrorists in Libya and other transit countries. According to a study by the Global Initiative Against Transnational Organised Crime, smuggling is the most lucrative source of income in Libya: the study estimated that the annual income of the trans-Saharan migrant trade had increased from USD 8-20 million in 2010 to USD 255-323 million in 2015.[3]

Smuggling has become such a lucrative business that IS has become interested in it. IS is not moving people itself, but is taxing those who are.[4] There are reports that IS is deliberately orchestrating attacks on civilians in refugee camps in western Syria to increase the flow of migrants and subsequently profits from taxation revenues. Several criminal groups and armed militias are in the business of trafficking refugees and migrants from Syria and sub-Saharan Africa through Lebanon and Egypt. Figure 1 shows some of the many trans-Saharan smuggling networks.

The economic importance of smuggling routes through Libya has led to fears that the country may become a new staging ground for IS.[5]

2 UNODC, *Estimating Illicit Financial Flows Resulting from Drug Trafficking and Other Transnational Organized Crimes*, Vienna, UNODC, 2011, p.38.

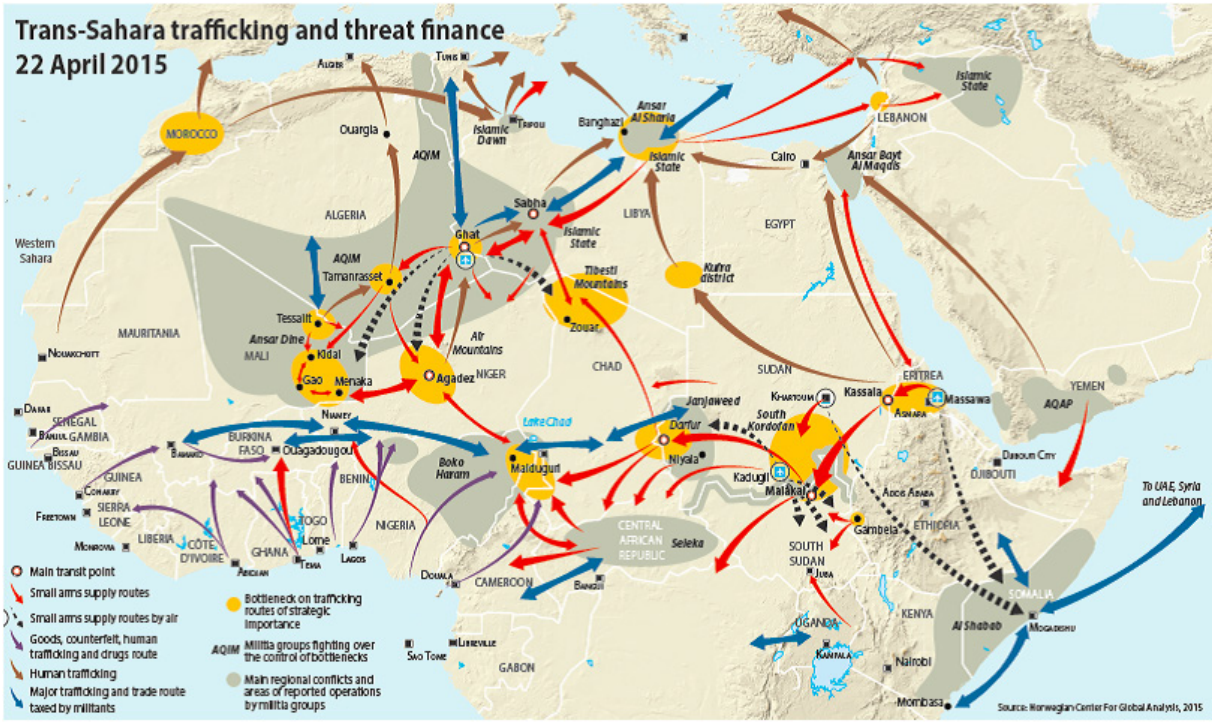
3 Cited in O. Crowcroft, "Isis: People Trafficking, Smuggling and Punitive Taxes Boost Islamic State Economy", *International Business Times*, 16 June 2015, <http://www.ibtimes.co.uk/isis-people-trafficking-smuggling-punitive-taxes-boost-islamic-state-economy-1506473>.

4 Global Initiative Against Transnational Organised Crime, "Smuggled Futures: The Dangerous Path of a Migrant from Africa to Europe", May 2016.

5 UN, *Final Report of the Panel of Experts on Libya Established Pursuant to UN Security Council Resolution 1973* (2011), S/2016/209 of 9 March 2016.

Figure 1.

Trans-Saharan smuggling networks and routes.



Source: Global Initiative Against Transnational Organised Crime in cooperation with the Norwegian Centre for Global Analysis, "Libya: A Growing Hub for Criminal Economies and Terrorist Financing in the Trans-Sahara", Policy Brief, 11 May 2016, p.2.

3 Gaps in State Power

The opportunistic ability of criminal-terrorist groups to take over geographic areas is due to declining state power in some regions. In the Middle East and North Africa, for example, the instability in the wake of the Arab Spring has undermined state control in several countries, resulting in weak services, chronic conflict, lawlessness, and increasing poverty. This has created an opportunity for radical religious extremists, terrorists, and criminal groups to prosper. Several states in the region can now no longer fully control and contain criminality and violent terror within their borders, especially in prisons, urban areas, and cyberspace.

3.1 Prison networking

State power has retreated in prisons, which should constitute one of the pillars of a functioning state's criminal justice system. Currently, prison has become the place where terrorists and criminals meet, plan, plot, and recruit. The most prominent example is Abu-Bakhr al-Baghdadi, the leader and self-declared caliph of IS, who spent formative time at Camp Bucca, a US-controlled prison in Iraq. Camp Bucca provided an extraordinary opportunity for senior Islamist extremists to meet in private, which would have been too dangerous on the outside. At Camp Bucca, Baghdadi met Samir Abd Muhammad al-Khlifawi, a former colonel in the intelligence service of Saddam Hussein's air defence forces. Better known by his nom de guerre, Haji Bakr, he was the architect of the IS strategy for the takeover of towns, focusing heavily on surveillance and espionage. In prison, terrorists had valuable time to organise, appoint leaders, design operations, launch attacks, and make plans to reconnect once they were released. The Iraqi government estimated that 17 of the 25 most important IS leaders spent time in US prisons in Iraq, where they planned the creation of IS and its ideology.[6]

6 M. Chulov, "ISIS: The Inside Story", *The Guardian*, 11 December 2014, <https://www.theguardian.com/world/2014/dec/11/-sp-isis-the-inside-storys>.

In the West, prisons have also become a networking and learning environment where terrorists and criminals can share tradecraft. A large percentage of terrorist recruits – some estimates are as high as 80 per cent – have criminal records varying from petty to serious crimes.[7] The recruitment of criminals provides terrorists with the necessary skill sets needed to succeed: a propensity to carry out violent acts, as well as access to criminal markets for weapons and bomb-building resources. A study conducted on extremists who plotted attacks in Western Europe found that 90 per cent of the cells studied were involved in income-generating criminal activities and half were entirely self-financed: only one in four received funding support from international terrorist organisations.[8]

For many Islamist extremist groups prison has become an important recruitment location, where they especially target young petty criminals with Middle Eastern backgrounds. In an interview in IS's online magazine *Dabiq*, Franco-Tunisian Salafist Boubacar al-Hakim stated that putting Muslims in prisons is actually serving IS's cause, because it gives it an opportunity to spread its message.[9]

This strategy seems to have borne fruit. Charlie Hebdo attackers Amedy Coulibaly and Cherif Kouachi met while serving prison sentences. They also met with al-Qaeda's top operative in France, Djamel Beghal, who was serving a prison sentence for attempting to bomb the US Embassy in Paris in 2001. Abdelhamid Abaaoud, the mastermind of the Paris plot, and Salah Abdeslam, his co-conspirator, also followed a trajectory from petty crime to armed robbery, both ending up in prison. There they were in contact with and were radicalised by Fouad Belkacem, the former leader of the Brussels terrorist recruiting organisation Sharia4Belgium.

3.2 Cities

State power is also progressively being weakened in large cities. Some urban centres are becoming lawless enclaves that are increasingly exploited by criminals, terrorists, militants, and bandits. In so-called feral cities such as Mogadishu, Caracas, Ciudad Juárez, Raqqa, and Mosul, governments have lost their ability to govern or maintain the rule of law.

Such areas are conducive to criminal-terrorist joint enterprises. At a market situated behind Brussels' main railway station, Kalashnikov assault rifles can be bought for under USD 1,000. The Charlie Hebdo attackers are thought to have sourced their guns there, while some 4,000 machine guns are thought to be in circulation just in the banlieues (suburbs) of French cities.[10]

In order to build up more resilience in cities, the UN launched the Strong Cities Network in September 2015 in New York. Managed by the London-based Institute for Strategic Dialogue, its purpose is to create an innovative platform to help empower civil society and municipal bodies to counter the challenge of violent extremism.

3.3 Cyberspace

Terrorists and militants have created insecurity in the real world for decades. However, in the last 15 years there has been a paradigm shift, and these actors are now also engaged in military, criminal, and psychological operations in the world's greatest open space: the internet. For example, a group calling itself the Syrian Electronic Army gained control of the Associated Press Twitter account and published a hoax message about an attack on the White House that caused the Dow Jones stock exchange index to fall by 1 per cent, wiping USD 200 billion off the market. Al-Qaeda's Electronic Army and the Tunisian Cyber Army have also attacked the US Office of Personnel Management.[11]

Cyberspace is used for economic gain and to attract new supporters. IS uses the digital environment to create an idealised version of itself, a reality show that is designed to find resonance and meaning among its diverse supporters. For the adventure seeker, it broadcasts its military power and bloodthirsty violence; for those looking for a home, job, refuge, religious fulfilment, or meaning in life, it uses this medium to present an idyllic world by depicting the caliphate as a peaceful, benevolent state committed to helping the poor. For the fence sitters, IS actively engages recruiters who are generously compensated for their services online and offline.

7 EUROPOL, "Changes in Modus Operandi of Islamic State Terrorist Attacks", EUROPOL Public Information, 18 January 2016, <https://www.europol.europa.eu/content/changes-modus-operandi-islamic-state-terrorist-attacks>.

8 E. Oftedal, *The Financing of Jihadi Terrorist Cells in Europe*, Oslo, Norwegian Defence Research Establishment, 6 January 2015.

9 Dabiq, No. 8, pp.61-62.

10 C. Freeman, "Inside the 'Ant Trade' – How Europe's Terrorists Get Their Guns", *The Telegraph*, 23 November 2015.

11 B. Berton and P. Pawlak, "Cyber Jihadists and Their Web", European Union Institute for Security Studies, 30 January 2015.

IS has a successful media wing, al-Furqan, which includes over 36 separate media offices with affiliates in West Africa, Libya, and Afghanistan. Together they produce hundreds of videos in over six languages, as well as *Dabiq*, IS's glossy online propaganda magazine. IS's multimedia products receive as many as two million mentions per month on Twitter.

IS's growing global influence marks the first time in history that a terrorist group has held sway in both the real and virtual worlds. In cyberspace, extremist groups' greatest success is their ability to use propaganda in a strategic way to entice fighters to Syria. More than 40,000 foreign fighters from over 120 countries have flooded into Syria since the start of the country's civil war, including 6,900 from the West, the vast majority of whom have joined IS.[12]

3.3.1 Cybercrime and fraud

With its skill at using the internet for propaganda and recruiting, it is no surprise that IS has also been successful at using cybercrime to fund itself. One IS supporter created a guide on how to use Dark Wallet, a dark web app that claims to anonymise bitcoin transactions. IS advises fighters on how to transfer funds, bringing it money through money service businesses, pre-paid debit cards, AppleWallet, informal money transfer systems (*hawala*), and cash couriers.

IS is not only dependent on hackers, but also on recruits from Europe for significant funding. It advises aspiring fighters to raise funds before leaving to join IS. The greater the funding, the higher their status is upon arrival in the caliphate. European recruits' moneymaking schemes include petty theft, as well as defrauding public institutions and service providers. Amedy Coulibaly, who attacked the kosher grocery market in Paris, took out a EUR 6,000 bank loan. British foreign fighters committed large-scale fraud by pretending to be police officers and by targeting UK pensioners for their bank details, earning more than USD 1.8 million before being apprehended.[13]

IS also instructs its followers to use the internet to acquire weapons. While guns are easily obtainable in the areas being held hostage by IS, cells planning attacks in Europe are increasingly turning to the dark web to obtain weapons: 57 people were arrested in France in 2015 for buying firearms over the internet.[14]

3.3.1 Cyber terror

The internet is becoming a tool to mount attacks against governments and institutions. IS recently united five distinct hacking groups into a "United Cyber Caliphate". Its purpose is to build a cyber army and create forums to provide followers with the tools they need to wage cyber-terror campaigns. Al-Qaeda has urged cyber jihad as a sacred duty for every Muslim in one of its documents entitled "The 39 Principles of Jihad".

IS is working with criminal hackers who provide it with resources. A Kosovan, Ardit Ferizi, was accused of stealing personal information on over 1,350 US military and government personnel. To avoid detection, IS coaches its followers and provides them with a 34-page security manual containing guidelines on how to keep e-mails private and how to use the anonymous browser Tor to avoid detection.[15]

The most disturbing feature is that, if criminal or terrorist groups do not have the necessary in-house hacking talents, they can buy these skills on the dark web. Everything is for sale, from zombie computers that can swamp a network with traffic to sophisticated cyber malware – including the services of criminal hackers.

12 A. Kirk, "Iraq and Syria: How Many Foreign Fighters Are Fighting for ISIL?", *The Telegraph*, 24 March 2016.

13 M. Ranstorp, "Microfinancing the Caliphate: How the Islamic State Is Unlocking the Assets of European Recruits", *CTC Sentinel*, Vol.9(5), May 2016, p.13.

14 C. Freeman, "Inside the 'Ant Trade' – How Europe's Terrorists Get Their Guns", *The Telegraph*, 23 November 2015.

15 The guide was originally written in 2014 by Cyberkov, a Kuwaiti cyber-security firm, for journalists and activists in Gaza as a guide to protecting their security.

Today, IS will only needs to use a fraction of its wealth to buy largely inexpensive cyber weapons. Stuxnet, which is believed to have been designed to attack Iranian nuclear facilities, cost approximately USD 100 million to develop; a recent malware program, IceFog, designed to attack government agencies in Japan and South Korea, cost a mere USD 10,000 to develop. Malware is used to conduct advanced, persistent attacks on critical national infrastructure and financial systems that were previously designed and financed by governments for exorbitant fees. Today cyber weapons are cheap and accessible, not only for states, but for non-state actors as well.[16]

In order to stop this terrorist-criminal hacker threat, governments are investing heavily in their cyber defences. The UK announced its total cyber spending to be more than GBP 3.2 billion.[17] Several governments, including those of the UK, the US, and Japan, believe that IS has the organisational capacity to carry out a cyber attack that could physically disrupt, damage, or destroy critical infrastructure. So far IS's cyber achievements have been limited, although Caitlin Durkovich, US Assistant Secretary for Infrastructure Protection, has maintained that IS has recently launched cyberattacks on the nation's electricity grid.[18]

16 D. Gilbert, "Cost of Developing Cyber Weapons Drops from $100M Stuxnet to $10K IceFog", *International Business Times*, 6 February 2014, <http://www.ibtimes.co.uk/cost-developing-cyber-weapons-drops-100m-stuxnet-10k-icefrog-1435451>.

17 A. Blake, "U.K. Ramps up Cyber Plans amid Post-Paris Attack Panic", *Washington Times*, 17 November 2015.

18 J. Marks, "ISIL Aims to Launch Cyberattacks on U.S.", *Politico*, 29 December 2015, <http://www.politico.com/story/2015/12/isil-terrorism-cyber-attacks-217179>.

19 AQIM was paid ransoms by Austria, Britain, France, Germany, Italy, the Netherlands, Spain, and Sweden.

4 Criminal-Terror Relationships

There is a clear convergence between terrorists and criminal groups, but it is usually a marriage of convenience or a strategic partnership, perhaps even a cohabitation, but in most cases it is an open marriage that allows both parties a great deal of room to manoeuvre. This paper argues that three main types of relationships characterise terrorist groups' links with criminal enterprises and organised crime: direct involvement between terrorists and criminal groups; strategic alliances with criminal groups; and exploitative authority over vulnerable groups and businesses.

4.1 Direct involvement

A number of terrorist groups engage directly in criminal activities with criminal groups. Kidnapping for ransom is a key source of funding for AQIM, al-Qaeda in the Arabian Peninsula (AQAP), the Abu Sayyaf Group, and Boko Haram. Al-Qaeda and its affiliates obtained at least USD 125 million though kidnapping for ransom since 2008. Al-Qaeda leader Ayman al-Zawahiri has called for supporters worldwide to kidnap Westerners, most recently in 2014, maintaining that they could be exchanged for jailed jihadists. Some groups engage in the kidnapping of local officials and their families, which involves small and quickly paid ransoms. Kidnapping for ransom earned IS USD 45 million in 2014: it has a special department dedicated to this activity. Kidnapping serves as a source of income, a resource for obtaining new recruits, and a way of securing women for its fighters.[19]

At times terrorist groups work in close cooperation with criminal groups who carry out the kidnapping and then exchange the hostages for a percentage of the profits. In Yemen, locals work for AQAP by searching for foreigners to abduct in Sana'a. AQAP, AQIM, and al-Shabaab have coordinated their efforts and established a common kidnapping protocol.

Organised criminals and terrorists are also active in the illicit trade of counterfeit goods, which is the largest black market, larger than the global narcotics trade.[20] Contraband tobacco is a USD 1 billion trade in North Africa, run directly by terrorists who find it highly profitable and very low risk. Mokhtar Belmokhtar's extensive trade in contraband earned him the sobriquet "Mr Marlboro". Experts maintain that the profits from cigarette smuggling fuel other criminal activities, including drug-, oil- and human-trafficking activities that often use the same distribution networks. The Taliban are also actively involved in cigarette smuggling, which is second only to their heroin trade.

4.2 Strategic alliances

A second type of relationship occurs in the form of strategic alliances with criminal groups. Although terrorist groups are eager to capitalise on criminal proceeds, not all groups are willing to engage full time in criminal activities. This has led terrorists to form strategic alliances, allowing them to profit from criminal activities by buying and selling goods through crime groups or by taxing the transport of goods across areas under their control.

An example of such an alliance is al-Shabaab's involvement in the illegal wildlife trade in East Africa. Al-Shabaab obtains significant revenue from elephant poaching, but this is a resource-intensive activity that detracts from the group's primary objectives. Al-Shabaab thus only leverages the business. A report by the UN and INTERPOL assesses the illegal wildlife trade to be worth up to USD 7-23 billion per year.[21] This illegal market is shared by militias and terrorist and criminal groups.

Illegal logging is another example of such an alliance. According to the UN, the annual spoils of the illegal logging market amount to USD 100 billion. In Somalia, charcoal exports are a significant source of revenue for al-Shabaab. In 2012 this was recognised by UN Security Council Resolution 2036, which banned the import and export of charcoal from Somalia. Despite the ban, the UN has estimated the annual earnings of the Somali charcoal trade at more than USD 250 million. The UN Environment Programme (UNEP) estimates that al-Shabaab earns USD 38-68 million a year from charcoal sales and the taxes it collects on the transport of the illegal commodity.[22]

4.2 Exploitative authority

A third way in which terrorists are profiting from organised crime is by taxing and extorting individuals who are under their control or by joining forces with corrupt government officials. Abu Musa'b al-Zarqawi, the former head of al-Qaeda in Iraq (AQI), received most of his funding from criminal activities. In Anbar province, Zarqawi and Abu Omar al-Baghdadi were part of several smuggling rackets. In 2006 a leaked US intelligence assessment reported in the New York Times estimated that insurgents in Iraq raised USD 70-200 million a year from oil smuggling in collusion with corrupt Iraqis and USD 36 million from kidnapping for ransom. The report presciently stated that this capital would allow the organisation to be self-sufficient and could be used to support other terrorist organisations outside Iraq.[23]

IS was also founded on criminal revenue. Prior to declaring an Islamic caliphate, Baghdadi's organisation raised money through extortion, collecting funds from Shia and other minorities through protection rackets, gaining control of oil fields, and blackmailing companies. IS had already exercised a criminal hold on Mosul long before seizing it. IS members acted like "mafias managing organised crime and controlling all economic resources of the province", according to an Iraqi parliamentary inquiry into what led to the city's fall.[24]

20 P. Krassén and K. Lallerstedt, "How Leading Companies Are Affected by Counterfeiting and IP Infringement: A Study of the NASDAQ OMX 30 Stockholm Index", *Black Market Watch*, May 2015, <http://www.svensktnaringsliv.se/migration_catalog/Rapporter_och_opinionsmaterial/Rapporter/omx30_english_webbpdf_617515.html/BINARY/OMX30_English_webb.pdf>.

21 C. Nellemann et al. (eds), *The Rise of Environmental Crime: A Growing Threat to Natural Resources, Peace, Development and Security*, UNEP-INTERPOL Rapid Response Assessment, UNEP and RHIPTO, 2016, <http://unep.org/documents/itw/environmental_crimes.pdf>.

22 Ibid.

23 J.E. Burns and K. Semple, "US Finds Iraq Insurgency Has Funds to Sustain Itself", *New York Times*, 26 November 2006.

24 Inquire, "Islamic State 'Mafias' Made $11 Million per Month in Iraq Province", *Agence France-Press*, 20 August 2015.

IS has become the richest and most violent terrorist group in modern history, with an estimated wealth in 2015 of over USD 2 billion from oil sales, smuggling, sale of stolen goods, extortion, and looted banks and antiquities.

IS branches are also filling its coffers. IS's "Khorosan" branch, which emerged in Afghanistan in mid-2014, is earning revenue from its control of heroin trading and processing, as well as timber smuggling. IS currently earns over half of its income from taxation, imposing levies on everyone and everything that crosses its territories and from expropriating real estate and property from those who have fled. IS taxes education, the provision of service, and agriculture, and fines what it considers to be unacceptable social behaviour; see Table 1.

It imposes road taxes and custom taxes on vehicles crossing its territory, as well as taxes on the smuggling of drugs, people, and goods. Table 2 shows IS's principal sources of income.

IS has also acquired an estimated USD 500 million-1 billion from pillaging banks in the territory it controls.

For more information on a selection of Salafi-jihadist terrorist groups and their sources of funding, see Table 3.

Table 1.

Islamic State's multiple levels of taxation.

A Snap Shot of some of the taxes and fines imposed by the Islamic State

	Tax or fine	Fees
Social behaviour	Shaved beard	USD 100
	Trimmed beard	USD 50
	Not wearing properly the Izar (traditional dress)	USD 5
	Women revealing her eyes	USD 10 or 1 gram of 24 carat gold
	Possessing a pack of cigarette	USD 46 (man); USD 23 (woman)
	Woman wearing a tight cloak	USD 25
Education	Enrolment in elementary school (Nineveh)	USD 22
	Enrolment in secondary school (Nineveh)	USD 65
Agriculture	Sheep carrying a bell	Confiscation of the sheep
	An irrigated hectare of farmland in Raqqa area	USD 46 per year
Policing	Forging personal ID card	USD 46
	Not carrying an ID card	USD 5
	Attempted escape from Hisba patrol control	USD 23 and 39 lashes
	Driver carrying violators in his car	USD 23 for each passenger
	Car not carrying official IS plate (Kirkuk and Nineveh)	USD 43
	Leaving Raqqa (exit fee)	USD 800
	Failing to return to Raqqa within 15 days	Property confiscated
	Leaving Manbij (exit fee)	USD 183
Provision of Services	Electricity and water for household (Raqqa)	USD 18 per month
	Electricity and water for shops (Raqqa)	USD 90/180 per month (depending on locations and size of the shop)
	Cleaning services	USD 9 per shop
	Cleaning services (Mosul)	USD 2 per household, USD 4 per shop

Sources: IHS Social Media Monitoring, Raqqa is Being Slaughtered Silently, al-Masalah, al-Akhbariya News Agency, Mosul Eye, Bahzani.net, al-Sumaria TV, Shihan News, HawarNews

Table 2.

Islamic State's principal sources of income.

Source	Estimated Annual Income (USD)
State levies, fines, and taxes	1 billion
Tax on drug trafficking (from Afghanistan)	1 billion
Oil sales	309 - 600 million
Antiquities trafficking and taxation	22 - 55 million (possibly up to 100 million)
Kidnapping for ransom	20 million
Smuggling and human trafficking	N / A
Total annual income	**2.35 - 2.68 billion**

Tax and fine information as tracked and collected by IHS Jane's Information Group.

Table 3.

Sources of funding of terrorist organisations.

Name	Location	Main Sources of Funding
AQAP; Ansar al-Sharia	Southeastern Yemen, eastern Libya	Oil; bank robberies and looting; drug trafficking; phony charities; kidnapping for ransom; donors from Gulf states
AQIM; Ansar al-Dine; Movement for Unity and Jihad in West Africa (MUJAO)	Algeria, Chad, northern Mali, Mauritania, Libya	Drug trafficking; kidnapping for ransom; alleged financing from Qatar
Jabhat al-Nusra	Syria	Support from AQI; high-profile hostage taking; oil sales; alleged financing from Saudi Arabia and Gulf States
Islamic State	Northern Syria, western Iraq; franchises in Egypt, Yemen, Libya, Pakistan, Afghanistan, Uzbekistan, Indonesia, Australia	Oil and gas; antiquities; kidnapping for ransom; bank robberies and looting; control of industries and utilities; donors from Saudi Arabia, Qatar, Iraq; extortion and taxation; fraud and money laundering
Bayt Ansar al-Maqdis/ IS's Sinai Province	Egypt	Smuggling of arms, ammunition; oil and gas; building and raw materials; alleged financing from IS in Syria
Boko Haram - now IS's West African Province	Northern Nigeria	Local and international financing; taxation; kidnapping for ransom; slave trade
Al-Shabaab	Southern Somalia, Yemen	Charcoal and ivory trade; piracy; international financing; drug trade (*khat*)

5 The Way Forward

Important work still needs to be done to understand exactly how modern terrorist and criminal groups cooperate in both the real and virtual worlds. As has been demonstrated by the longevity of groups like Hezbollah, the Taliban, the Farc, and the Provisional Irish Republican Army, terrorist groups who engage in criminal funding can be extremely resilient and long lasting. Even the French military presence in the Sahel region has had a limited effect in preventing criminal-terrorist cooperation. Despite the fact that with Operation Barkhan France was able to negotiate an agreement to strike jihadist terror groups in five Sahel countries, it has been unable to stop Mokhtar Belmokhtar from conducting his business (see above). Al-Marabitou, AQIM, and MUJAO are still benefitting from their links to drug cartels and criminal groups engaged in kidnapping for ransom and smuggling. It is therefore essential that anti-terror strategies address the nexus of crime and terror, and terrorist financing.

5.1 At the international level

Countering terrorist financing is not a linear problem: it can only be understood by compiling and continuously updating a comprehensive intelligence picture, and this needs information sharing and international cooperation. It is important to meet the challenge with a shared global response, as underlined in recent UN Security Council resolutions (see Table 4). The work and recommendations of the Financial Action Task Force (FATF) should also be included. Finance ministers should focus their work on preventing IS from accessing the international financial system. Currently, IS is still able to move payments for smuggled oil and antiquities through the banking system. According to a 2015 FATF report, 20 Syrian financial institutions continue to operate in IS-held territory and IS continues to use banks just outside the territories it controls. Forty countries are still able to finance IS, including G20 members.[25]

5.2 At the national level

Countering terrorist financing must also be addressed at the national level. In December 2015 the Central Bank of Iraq (CBI) banned 142 money-exchange houses from participating in the bank's currency auctions. IS was exploiting these auctions to obtain cash on exchange and to send and receive electronic transfers. In November 2015 the Wall Street Journal reported that IS was using these exchange auctions to gain access to US dollars. The US Federal Reserve responded by suspending currency shipments to Iraq in 2015.[26] The CBI instructed financial institutions in Iraq to prevent wire transfers to and from banks located in areas under IS control. The US Federal Reserve, together with the CBI, has put in place information exchanges and safeguards to protect banks and exchange houses alike from abuse and deny IS access to US banknotes.[27]

The US and members of the Global Coalition are actively launching air strikes against IS's oil infrastructure and cash storage sites. The US Treasury maintains that IS oil revenues are down by 30 per cent.[28] However, the global coalition's response of using military power against IS by targeting "cash collection and distribution points" and oil trucks should not be seen as a long-term solution. IS will simply find new ways of earning money by taxing the eight to ten million people in the areas that it controls or by selling cement, wheat, phosphates, cotton, and oil to its neighbours. As long as the UN Security Council cannot agree to an embargo that punishes those who are conducting business with IS, the latter will continue to acquire funds.

5.3 At the global financial level

At the global financial level it is important to enforce global governance regimes that do not allow criminal states or kleptocracies to function with impunity. Sewall has stated that we "must do more than simply buttress a government in order to legitimise a state. [We] must buttress multiple failing state structures to legitimise the interstate system."[29]

25 Financial Action Task Force, *Financing of the Terrorist Organisation Islamic State in Iraq and the Levant (ISIL)*, FATF Report, February 2015, <http://www.fatf-gafi.org/media/fatf/documents/reports/Financing-of-the-terrorist-organisation-ISIL.pdf>.

26 E. Glazer and J. Hilsenrath, "U.S. Cut Cash to Iraq on Iran, ISIS Fears", *Wall Street Journal*, 3 November 2015.

27 Ibid.

28 Y. Torbati, "Islamic State Revenue Halved to 250 Million, US Official", Reuters, 11 May 2016.

29 S. Sewall, "Why Counterterrorism Needs Countering Violent Extremism (CVE): How Human Rights and Good Governance Help Prevent Terrorism", Remarks by Sarah Sewall, Under Secretary for Civilian Security, Democracy and Human Rights, Columbia Law School, New York, 22 September 2015.

States near IS-controlled areas should help to prevent money transfers from the Persian Gulf countries through Turkey and Lebanon and should work harder to prevent IS operatives from accessing their banks. However, preventing backdoor banking is difficult when bank branches remain connected to jurisdictions that are weak or non-existent and that do not yet criminalise financing an individual for a purpose unrelated to committing a terrorist act. Reclaiming "black holes", as counter-terrorism officials hope to do, is difficult when financing remains mostly siloed and highly restricted by domestic data-protection and privacy laws. In 2015 the Global Coalition initiated Operation Tidal Wave II, an air campaign to strike IS oil and gas sectors and infrastructure. However, the coalition is also hampered by humanitarian concerns over destroying ordinary civilians lives and livelihoods. It cannot bomb banks knowing that this will undermine or destroy the livelihoods of millions of people in urban centres such as Mosul and Raqqa. For a more detailed overview of the various operational responses to threat financing, see Table 4.

6 Conclusions

As Forest has argued, terrorism does not emerge in a vacuum, but is the result of complex interactions among individuals, organisations, and environments.[30] Terrorist and criminal groups cooperate in complex environments that are marked by their ambiguity, uncertainty, and fluidity. They survive in trans-regional, decentralised, and ungoverned spaces populated by people who no longer trust or even hope to receive services from any type of governance structure. The significant gaps in legislative, law enforcement, and criminal justice systems help to sustain these groups' criminal markets worldwide. Only by closing the gaps that smugglers, traffickers, and terrorists are exploiting can there be any real reduction of their illegal trade and financial power.

The recent increase in global terrorism can be explained by several converging factors: war, religious and ethnic conflict, corrosive governments, weak and failing states, and the growth of information technology. However, one of the most important developments is the increasing collaboration of criminal and terrorist networks. This new hybrid threat has brought both types of networks historically unparalleled wealth and power. The consequence of this expanding threat can be measured by the way in which both al-Qaeda and IS have increased their sphere of influence worldwide. In the span of 18 months IS has amassed 34 affiliates worldwide and from June 2014 to December 2015 has conducted or inspired at least 50 terrorist attacks in 18 countries.[31]

While criminals used to focus only on revenue generation and terrorists were driven by political motives, we are witnessing a convergence of terrorism and crime, because these new hybrid groups are driven by both revenue generation and political motives, resulting in terrorist groups with historically unprecedented resources and transgressive aims.

Despite countless global summits, international task forces, working groups, special enquiries, UN Security Council resolutions, and research, fundamental flaws remain in our understanding of crime and terror. In order to bridge this divide the international community, regional actors, states, and corporates must work closer together to prevent threat financing and recognise the important inter-linkages between terrorism and crime. While drying up terrorist finance will not eradicate terrorism altogether, it will effectively stem the growth and global reach of the unprecedentedly successful terrorist groups that are currently plaguing the world.

30 J.J.F. Forest, *Confronting the Terrorism of Boko Haram in Nigeria*, JSOU Report, Florida, JSOU Press, 2012, p.4.

31 E.M. Lederer, "UN Chief: 34 Groups Now Allied to Daesh Extremists", *Military.com*, 6 February 2016, <http://www.military.com/daily-news/2016/02/06/un-chief-says-34-groups-now-allied-to-islamic-state-extremists.html>.

Table 4.

Operational Responses to threat financing.

International Level

Actors	Responses
Global Coalition (67 partners committed to defeating IS)	• Target revenue streams and sources of income • Prevent IS use of international financial systems and share financial intelligence • Operation Tidal Wave II (coalition air campaign initiated in 2015 to strike IS oil and gas infrastructure, refineries, transport, and collection points) • Destroy IS cash store houses • Enforce the work of the Small Group of the Global Coalition
Counter-ISIL Finance Group (40 countries participating)	• Share intelligence and best practices • Share intelligence on exchange houses and money changers • Sanction financial facilitators
G20	• Share more information on tackling terrorist financing
Financial Action Task Force (FATF)	• Design strategies to enhance "operational information sharing" to counter terrorist financing • Facilitate information sharing within jurisdictions, between agencies, and between jurisdictions and the private sector
Egmont Group	• Share information between financial intelligence units and domestic agencies
United Nations	Adopt and implement: • UN Security Council Resolution (UNSCR) 2253 (2015), constituting the UN al-Qaeda/Taliban sanctions regime, recently added IS. It encourages asset freezes, travel bans, arms embargoes, and expeditious information sharing • UNSCR 2199 (2015) focuses on degrading IS-, al-Nusrah Front-, and al-Qaeda-associated groups' financial support networks, and halting oil smuggling, kidnapping for ransom, and illicit trade in antiquities • UNSCRs 1267 (1999), 1989 (2011), and 2253 (2015) obligate all UN members to freeze the assets and ban travel of IS- and al-Qaeda-associated individuals • UNSCR 2170 (2014) focuses on the abuse of oil trafficking • UNSCR 2178 (2014) focuses on expanding criminal investigations and bolstering laws to track the foreign fighters phenomenon
INTERPOL	• Encourage member states to use global databases of foreign fighters, lost travel documents, and information notices on suspected terrorists and criminals through the Counter-Terrorism Fusion Centre's Foreign Terrorist Fighter Project
Europol	• Strengthen the European Union's response to terrorism with the European Counter Terrorist Centre
UN Educational, Scientific and Cultural Organisation (UNESCO)	• Cooperate with INTERPOL and UNODC to implement UN resolutions and cut off extremist funding from cultural racketeering
UNEP	• Prevent the illicit trade in plants and animals
UNODC	• Address the legal aspects of countering the financing of terrorism through the Terrorism Prevention Branch

International Level, continued

Actors	Responses
NATO	• AWACS support of reconnaissance operations of IS • Support EU Naval Operations in the Mediterranean to stop trafficking and smuggling
Global Counterterrorism Forum (GCTF)	• Provide police and criminal justice actors with training and tools to counter transnational organised crime and terrorism with the International Institute for Justice and Law
UN Interregional Crime and Justice Research Institute (UNICRI)	• Strengthen countries' ability to protect youth • Implementation of the GCTF's "Rome Memorandum on Good Practices for the Rehabilitation and Reintegration of Violent Extremists Offenders" and Algiers Memorandum on preventing and denying benefits of kidnapping for ransom by terrorists
Trans-Sahara Counterterrorism Partnership	• Monitor and counter the financing of terrorism
Economic Community of West African States (ECOWAS)	• Mobilize law enforcement and regional cooperation against drug trafficking and organised crime • Support the West African Coast Initiative (WACI) that implements the ECOWAS action plan to address trafficking
Association of Southeast Asian Nations (ASEAN), Asia-Pacific Economic Cooperation, and Organisation of American States	• Support ASEAN Kuala Lumpur Declaration on trafficking people, wildlife and timber • Support ASEAN Treaty on Mutual Legal Assistance on Criminal Matters
Organisation for Security and Cooperation in Europe (OSCE)	• Address criminal justice responses to terrorism and cyber security through the Action Against Terrorism Unit

National level

Legal measures	• Focus on illicit flows of natural resources, tracking illicit funds earned from environmental and wildlife crimes as well as stolen artefacts and antiquities • Ensure that new payment systems and virtual currency platforms are covered by anti-money laundering directives • Criminal justice and intelligence agencies should share information on exploitive terrorist financing practices, identifying disguises and fronts used by terrorists, criminals, and traffickers • Build and support public-private partnerships • National financial institutions should follow FATF rules and regulations on terrorist financing and money laundering, and share information with both law enforcement and cyber-security experts
Technical measures	• Design fusion centres to help share relevant information across jurisdictions: police, justice, and intelligence agencies • Enforce the integrity of financial systems, by strengthening and expanding anti-money laundering and counter-terrorism financing procedures • Monitor and take action against illegal money- or value-transfer operations • Invest in technology, advanced analytics and ICT innovative software • National financial institutions should improve cyber defences and build cyber defence alliances (e.g. CERT and Cyber-Security Info Sharing Partnerships)
Individual measures	• Dry up terrorist and criminal proceeds by raising awareness about criminal products and markets • Criminalise illegal products or services that could fund terrorism, in order to reduce demand • Ensure donations to aid agencies and charities are not supporting terrorism • Empower youth by giving them a proper education (critical thinking tools) and a sense of purpose (employment)

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