



## (U) Al-Shabaab's Exploitation of Alternative Remittance Systems (ARS) in Kenya



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**(U) Al-Shabaab's Exploitation of Alternative Remittance Systems (ARS) in Kenya***Key Findings*

- (U) Kenya maintains the largest Somali expat and refugee community in the world, according to the 2005 United National High Commission on Refugees (UNHCR) *Statistical Yearbook*
- (U) Somali refugees and expats living in Kenya are a key source of cash funds for family members who remain in Somalia, exploiting Kenya's mostly ungoverned informal financial markets
- (U) Al-Qaida is suspected of using Kenya's ungoverned, informal ARS networks to deliver the funds needed to acquire the material and technology, and develop the training needed to manufacture improvised explosive devices (IEDs)
- (U) Al-Qaida could exploit emerging criminal networks, smuggling routes, and black market transit points in Kenya and surrounding countries to support future IED operations
- (U) More research is required to identify the possible effect of Kenyan ARS networks on al-Qaida IED operations in Somalia

*(U) Summary*

(U) Al-Shabaab, an al-Qaida ally, relies on a broad range of funding sources to support its terrorist and paramilitary operations in Somalia. However, little comprehensive information is available on the character and extent of this funding network within the large communities of Somali expats in Kenya. Existing reports suggest that alternative remittance systems (ARS), especially *hawaladars*, are a reliable source of income for Somalis still living in Somalia. Expat family members living in Kenya rely on these systems to transfer money to their relatives in Somalia. Recent reports suggest al-Shabaab is a beneficiary of these services<sup>1</sup>. Al-Shabaab could exploit current and future *hawaladar* networks in Kenya to transit funds to support IED operations against US or allied humanitarian or military operations. Thus, networks of undocumented and unmonitored *hawaladars* within the country could pose a threat to future counterterrorism or humanitarian operations in the region. Further study of the role of ARS in Kenya in the funding of al-Shabaab operations is recommended.

*(U) Al-Shabaab Funding*

(U) Al-Shabaab leadership exploits the broad and entrenched network of expatriates, refugees, and sympathizers located in Eastern Africa, the Persian Gulf, and Western countries. This has been the *modus operandi* for the group since its early progenitors, Al-Itihaad al-Islamiya (AIAI) and Islamic Courts Union (ICU). In the past, leadership appealed to sympathetic funders across the region, exploiting every available method of fund raising and money transfer. Since 11 September 2001, news reports and counterterrorism and anti-money laundering (AML) operations have highlighted the strategic importance Kenya plays in providing funding and logistical support to al-Qaida operations in Somalia. It is possible that al-

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<sup>1</sup> (U) See Brown, M. "The wired money that funds terror," *The National*, May 5 2009.  
<http://www.thenational.ae/article/20080505/FOREIGN/338019604/1017/NEWS&Profile=1017>

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Shabaab could turn to this trusted network of funders if directly challenged through military action, relying in part on Kenya's ungoverned ARS networks to transit funds in the development and execution of IED operations. However, there are no comprehensive reports documenting the extent, character or potential of the ARS networks in supporting Al-Shabaab's IED operations.

(U) In September 2001, the U.S. Treasury Department placed AIAI on the Terrorism Exclusion List (TEL)<sup>2</sup>. It also placed Hasan Dahir Aweys, former AIAI leader, on the list of Specially Designated Global Terrorists<sup>3</sup>. In November 2001, Kenyan authorities arrested 50 people suspected of "business links" with al-Qaida. Most of the suspects were later released, but the operation suggests that al-Qaida could have been exploiting a broad network of fund raisers and money transfer agents inside Kenya.<sup>4</sup>

(U) A 2006 *BBC News* report noted that despite the designation, Aweys was "able to travel abroad quite freely - to Saudi Arabia and Dubai, without being arrested."<sup>5</sup> The report suggests he was there to secure funds and garner support for his group. According to a 2006 report in the *Somaliland Times*, Aweys sought funding in Karachi, Pakistan just before 11 September 2001 and laundered a large amount of cash through legitimate businesses based in Dubai<sup>6</sup>. In 2007 there was a report that the ICU leadership was exploiting a "Saudi 'Golden Chain' of al Qaeda financiers [that] has funded the Islamic Courts to the tune of \$200 million since last spring."<sup>7</sup> Since the 2008 ICU's leadership split between Aweys and Sheikh Sharif Sheikh Ahmed, Somalia's elected president, it is unclear how much support the group maintains from established Gulf-based sources.

(U) *Kenya's Criminal Networks Rising*

(U) Various recent reports note Kenya's increasing role in narcotics and human trafficking and regional organized crime. It points to an increasingly hospitable environment for terrorist financing and logistical support that could be used in current and future IED operations.

(U) In a March 2009 report on the global narcotics trade, the State Department notes that Kenya is "developing into a major money laundering country..." and key transit point in the narcotics trade in the region. The report also identifies Nairobi's Eastleigh Estate as "an informal remittance hub for the Somali Diaspora, transmitting millions of dollars every day from Europe, Canada and the U.S. to points throughout Somalia."

(U) Narcotics and human trafficking, black market networks and smuggling routes that transit Kenya could be exploited for current and future Al-Shabaab IED operations along with use of ungoverned *hawaladar* networks to provide key funding at the operational cell level. All of these elements represent unknown potential for current and future support of Al-Shabaab IED

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<sup>2</sup> (U) Office of Foreign Assets Control, US Department of Treasury. "Recent OFAC Actions." 11/07/2001. <http://www.treas.gov/offices/enforcement/ofac/actions/20011107.shtml>

<sup>3</sup> Ibid.

<sup>4</sup> (U) Kyama, R. "The Threat of Terrorism to Kenya," *Terrorism Monitor* (4:19), October 5, 2006

<sup>5</sup> (U) Winter, J. "Profile: Somalia's Islamist leader," *BBC News*. 30 June 2006,

<http://news.bbc.co.uk/2/hi/africa/5120242.stm>

<sup>6</sup> (U) Noor, R. "Hargeysa Judicial Court Acquits 'Hassan Dahir Aweys' Of Terrorism." *Somaliland Times*, Issue 256. <http://www.somalilandtimes.net/sl/2006/256/2.shtml>

<sup>7</sup> (U) Roggio, B. "Somalia's Islamist Courts regroup." *The Long War Journal*. (February 3, 2007), [http://www.longwarjournal.org/archives/2007/02/somalias\\_islamist\\_co.php](http://www.longwarjournal.org/archives/2007/02/somalias_islamist_co.php)

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operations.

### (U) *Cultural Perspective*

(U) A 2005 report noted that Somali ARS, commonly known as *hawilda* services, transfer money from Western expats through Jeddah and Dubai.<sup>8</sup> The report also identifies a lack of reliable financial systems in Somalia and a cultural distrust of governmental systems in general as key causes for the common use of ARS in these populations.

### (U) *Conclusion*

(U) Kenya has the largest Somali expat and refugee community outside of Somali and is a suspected source of funding and logistical support for the al-Qaeda's linked group al-Shabaab. The extent of that support, its scope and makeup are unknown. Available information sources are of mixed reliability, and often based on regional news reporting and hearsay. However, there are two general conclusions from existing open source media. First, Kenya's networks of unregulated ARS services could be a reliable source of unregulated fund transfers to al-Shabaab and its cells. Second, emerging networks of criminal gangs, organized crime, narcotics and human trafficking create social instability and a regional criminal environment that al-Shabaab could exploit to support current and future IED operations.

(U) In order to develop a more accurate picture of al-Shabaab's regional network of support, four primary areas for further research have been identified:

1. (U) Is it possible to identify specific individuals or ARS services al-Shabaab relies on inside Kenya? What resources do these individual or ARS services rely on?
2. (U) What are the ultimate sources of the funds moving through Kenya ARS networks? Who are the ultimate recipients? What resources do these funding sources rely upon and of those, which are critical to the funding sources existence?
3. (U) Are there any other characteristics to these networks, such as currencies or social patterns, that can help us understand the network? For instance, are there specific tribes and clans who are offering ARS services?
4. (U) What role are black markets and other smuggling and trafficking routes playing in al-Shabaab current operations?

(U) Reporting suggests that al-Shabaab exploits networks of informal ARS services throughout Kenya to fund its ongoing operations inside Somalia. These same informal ARS networks could pose future threats to military and humanitarian operations as a source of funding for IED operations. However, current information is incomplete, giving an incomplete picture of the group and its regional sphere of influence.

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<sup>8</sup> (U) De Montclos, M P, "Diasporas, Remittances and Africa South of the Sahara: A Strategic Assessment." Published in *The Dark Side of Diaspora Networking Organised Crime and Terrorism*, (March 2005).