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ABS Fellow - Counter Terrorism Financing Project

**Link between Charitable Organisation and Terrorist
Financing**

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Table of Contents

1. EXECUTIVE SUMMARY	3
2. INTRODUCTION - MONEY AND TERRORISM	4
3. INSIGHTS INTO CHARITABLE ORGANISATIONS	5
a. Historical background of Charitable Organisations.....	5
b. Nature of Charitable Organisation.....	6
c. Responses of Charitable Organisation.....	7
4. IMPLICATION OVER FINANCIAL SECTOR	9
5. GOVERNMENT INITIATIVES.....	10
a. Pre 9/11 attacks on America	10
b. Post 9/11 attacks on America	11
c. Post May 2003.....	11
6. CONCLUSION.....	13
7. APPENDIX - CASE STUDIES	14
a. Global Relief Fund (GRF)	15
b. Benevolence International Foundation (BIF)	16
c. Al Haramain Islamic Foundation (HIF)	17
d. International Islamic Relief Organisation (IIRO).....	19
e. KOMPAK	20

1. Executive Summary

Islamic charitable organisations have been in existence for more than 70 years. Charity, in its true nature, is one of the main pillars in Islamic faith, devoted to providing humanitarian aids to Muslims worldwide. These charitable organisations pass millions of dollars to needy children and family throughout the world every year.

The historical events such as the Iranian revolution, Soviet invasion into Afghanistan have given rise to the jihadist movement in Saudi Arabia in particular, to preserve its belief on Wahhabism. Massive fund raising activities were taking place and gave way to Islamic radicalism across the Muslim world. The rich and poor continued to respond with donations for those regions where Muslims were oppressed, such as Algeria, Bosnia, Kashmir, West Bank and Gaza.

Due to the lack of control over its operations, charity organisations, either wittingly or unwittingly, were channelling the funds into the financing of terrorist groups. They have become the primary source of funding to the terrorist groups, among other sources such as commercial organisations.

There are three different points in time, in which different governmental focus was given over the terrorism financing. Due to the long history of charitable organisations and their links with Saudi royal family as well as government, its effort to cooperate to curb the terrorism financing was only visible after the Riyadh bombing in 2003.

This report includes an appendix section that provides overview of Islamic Charities in Middle East and Southeast Asia, and how their funds were channelled into supporting terrorism causes globally.

2. Introduction - Money and Terrorism

The key activities of a terrorist organization are grouped into two levels, namely organisational and operational level. Organisational level refers to those activities that relates to terrorism planning, recruitment, communication, propaganda, travel, training and so on, while Operational level refers to those activities relating to a particular attack such as procurement of explosive materials, reconnaissance and the attack itself.

In order to carry out the attack (operational) and sustain the lifespan (organisational), funding plays critical role.

Historically, it was believed that Osama Bin Laden supported Al Qaeda through his personal fortune or network of businesses. Prior to 9/11, CIA estimated \$30-40 million budget per year for al Qaeda ¹, and all these money are raised from witting and unwitting donors through non-governmental organisations such as Charities as well as its front business organizations.

Since 9/11, the disruption of al Qaeda's infrastructure has made funds less available and their movement more difficult and at the same time Al Qaeda's expenditures have decreased, as it no longer supports its host countries such as Sudan and Taliban government and its training camps. However Al Qaeda still appears to have the ability to fund terrorist operations, and a great amount of funding still comes from charitable organisations.

Similarly, from financial perspective, United States has attempted to curb the funding capabilities of Al Qaeda and other financial criminals by passing strict money-laundering/Banking Secrecy Act regulations. The Executive order 13224, the International Emergency Economic Powers Act (IEEPA) and US Patriot Act 2001 were introduced to address the issue of terrorist financing. However as we see today, the success in blocking funds are only achieved in United States and to a certain extent in Europe.

Al Qaeda is still reportedly raising over USD 46 million a year from financiers in North Africa, Middle East, Europe and Asia. The report also suggests that these funds are often transferred from accounts in developed markets, which was then converted into untraceable assets such as gold, precious metals and gems. ²

¹ Comras V, Terrorism Financing & State Responses in Comparative Perspective Conference Report Monterey, CA, November 4-5, 2004

² Basile M, Going to the source: Why Al Qaeda's financial network is likely to withstand the current war on Terrorist Financing, Taylor & Francis,

3. Insights into Charitable Organisations

a. Historical background of Charitable Organisations

It is important to understand the background history on the support of Islamic charity, especially in Saudi Arabia, to see why Saudi is so committed into funding its belief of Wahhabism. The Wahhabism belief sees a strict interpretation and enforcement of certain Koranic beliefs. This belief has limited attraction outside Saudi Arabia.

The Iranian revolution in the 1970s, which led to fear of radical Iran being the leader of Muslim world, Soviet invasion of Afghanistan in 1979, and the takeover of grand mosque in Mecca by militants in the same year, made Saudis began to aggressively spend to promote Wahhabism. From 1975 until recently, Saudis have spent over US\$ 70 Billion in foreign aid. These official charities also became the primary source of funds for the fast growing jihad movement. In some 20 countries, the money was used to run paramilitary training camps, purchase weapons, and recruit new members.

Osama bin Laden and his associates were also actively raising funds during that time. In Afghanistan, the Saudi and US governments raised up some US\$ 3.5 billion to fund the Afghan mujahideen, to fight against the Soviet Union, and joined forces with other Saudi charities, whom many of them had already moved aids to the fighters. In 1984, Maktab il Khidmat (MAK) or Afghan service bureau was set up to facilitate the funding and other logistics matters. This bureau changed its name to Al Qaeda, under the leadership of Osama Bin Laden in 1988. Among other organisations, there was also Muslim World league, which set up office in Peshawar, Pakistan and led by Abdullah Azzam, who was Bin Laden's mentor, during the Afghan war.

By the time the Soviets left Afghanistan, Al Qaeda moved to Sudan in 1991 and by then storm of Islamic radicalization was picking up across the Muslim world. Then in 1996, Al Qaeda moved to Taliban controlled Afghanistan until October 2001.

Saudi charities opened offices around the globe. These charities were strongly endorsed and supported by the Royal family as well as Saudi government. They funded many humanitarian projects, including orphanages, hospitals, religious schools and also provided food, clothing and medicine to the refugees. With no control on how the money was spent, substantial amount of money was channelled to terrorist groups, to fund their operational and organisational expenses.

By the middle to late 1990's, Al Qaeda has established strong network with other groups globally, including those prominent groups in Southeast Asia such as, Abu Sayyaf and MILF in Philippines, as well as Jemaah Islamiyah.

Prior to the 9/11 attacks in America, terrorism was not seen as the prominent threat, as it is today. In many of the jihad struggles areas, such as Kashmir and Bosnia, US had a neutral stance.

After the 9/11 attacks, US officials confronted the Saudis on financing terror, as well as their backing of fundamentalists and jihadists overseas. An US-based magazine, US News, found that for more than 2 decades, Saudi has been the single greatest force in spreading Islamic fundamentalism, while its huge, unregulated charities funnelled hundreds of millions of dollars to jihad groups and al Qaeda cells around the world.

b. Nature of Charitable Organisation

The financial resilience of terrorist organization such as Al Qaeda was well supported by institutions such as charitable organisations. While a number of Islamic charities based in US which were supporting Al Qaeda had been shut down and their assets were frozen, those in Middle East continues to run and are not constrained by US law. These charities are not only presenting uncontrollable source of funding but also stable source of funding.

Zakat or charitable giving is one of the pillars in Islamic faith. Zakat has a broader meaning than the western ideas of charity, as it also functions as a form of income tax, educational assistance, foreign aid, and political influence. The Western world sees civic and religious duty as two separate matters, while in Islamic culture, this separation does not exist.³

Muslims are expected to donate 2.5 percent of their net revenue to charity or Zakat. In many communities, zakat is often provided in cash to prominent, trusted community leaders or institutions, which then commingle and disperse the donated moneys to persons and charities they determine to be worthy.

The objectives of charitable organization are typically pure and noble, with justifiable activities such as providing humanitarian aid, education assistance, food, shelter and orphanage, therefore shutting them will create serious problems for local beneficiaries. On the other hand, there are charities which themselves are infiltrated by terrorist groups and are willing to accept donations. This clean money are unlike illicit financing sources and does not need to be laundered.

The case against Benevolence International Foundation (BIF), an US-based Islamic charity uncovered the ability of Al Qaeda to pull funds from the charity organization and then launder it to its operational cells in parts of the world. The documents recovered from BIF office in US, also revealed list of 20 financiers funding for 9/11 cell.

Over the past decade, according to a 2002 report to the United Nations Security Council, al Qaeda and its fellow jihadists collected between \$300 million and \$500 million, which most came from Saudi charities and private donors.

In Southeast Asia, based on Indonesian Intelligence source, 15 – 20 percent of Islamic charity funds in Indonesia were diverted to terrorist groups, while in Philippines the estimate was around 50-60 percent⁴. Globally, the overall estimates

³ National Commission on Terrorist Attacks upon the United States, Monograph on Terrorist financing

⁴ Abuza. Z, Funding Terrorism in Southeast Asia, The financial network of Al Qaeda and Jemaah Islamiyah, December 2003

are that Saudi charities have disbursed more than \$10 billion around the world, much of which promotes a Wahhabi-Islamist agenda.

Understanding the different roles of charitable organisation as discussed earlier, it is therefore important to view charitable organisation from three different perspectives. Firstly, a charitable organization can be seen as an entirely legitimate organisation that aim to devote its resources in humanitarian causes, by serving civilians in impoverished and war-torn regions of the world, such as Chechnya, Afghanistan, Kashmir or West Bank.

Secondly, a charitable organization is legitimate organization, which is misused by its own people supporting and sympathising with the terrorism cause. Portions of the humanitarian relief funds are channelled into the financing of terrorist groups activities, such as recruitment, purchasing of weapons and so on.

Thirdly, there are also charity organisations, which have transformed into terrorist organisation. Charity is set up as a shell or front company for the terrorist organisation to raise funds from unwitting donors. The terrorist organisation inserted some of its senior operatives into the charity itself among other related shell companies, allowing proximity of operations, the control of funds distribution and management of relationships with other similar ill-purposed charities. Since 9/11 attacks, many Al Qaeda's legitimate businesses have been exposed, but it continues to run businesses in developing parts of the world.

Due to the increased control over Charity organizations, especially in US, there is a need to focus on individual donors or financiers as well. As mentioned in earlier section, Al Qaeda still manages to raise some \$46 million per year, from such source amid the tighter control and supervision. The reason behind this is due to problematic application of regulations outside USA, especially in those areas with weak financial regulations on financial institutions and charities. The later section will illustrate a different level of cooperation from Saudi Arabian government itself, after Riyadh bombing in 2003, on terrorism financing especially on charitable organization.

Today, it remains extremely difficult to detect the irregularities that would provide indicators to financial sector, in combating Terrorism Financing. Freezing assets of a charity organisation could disrupt the financial network of terrorist groups on one hand, but on the other hand, it also means opportunity lost for humanitarian causes.

c. Responses of Charitable Organisation

Charitable organisations acknowledge the deficiencies and problem areas, such as financial transparency and accountability. Friends of Charity Association⁵ is a trade group composed of some of the largest Islamic charities in the world, with members based in both Middle East and Europe. and initiated Transparency project to develop mutual understanding, financial accountability and to provide unified platform to maintain educational, humanitarian and social services toward expression of compassion, peace and non-violence.

⁵ www.foca.net

In response to US department of Treasury's Anti Terrorist Financing guidelines for US Based charities introduced in December 2005, FOCA believes that charity or any other organisation is not immune from being misused and will continue to seek further consultation with government sector on the workable guidelines. They believe that the current anti-terrorist financing regulation discourages charitable giving and keeps humanitarian aid from reaching the needy ones. The enforcement or threat of enforcement action against Islamic charities, including FINCEN designation and inquiries, has resulted in more individual donors making direct cash contributions, hence creating more opportunities for terrorists to exploit.

4. Implication over Financial Sector

This section looks into the implication of the resiliency of Charity Organisation against Terrorist Financing and/or anti-money laundering rules from financial perspective.

US regulations and legislations have allowed its government to freeze terrorist assets kept in those institutions under US jurisdictions, however it still has limited capabilities outside US financial system.

The solution to this is not as simple as imposing same rules to other jurisdictions outside USA, due to different legal and regulatory structures of other foreign financial markets. Today, the financial transfer regulations between different markets are not designed to identify terrorist funds, especially with the different payment platforms being used today globally, such as SWIFT, CHIPS, UID and others.

Despite all the US efforts to attack terrorist financial network, the impact of such attack has been minimal. The reasons are:

- Al Qaeda's strong network of financiers and operatives. As a result, their finances are often hidden in legitimate and illegitimate businesses and disguised as commodities and cash
- Al Qaeda has learned to effectively leverage the global financial system of capital markets. Small financial transfers, under regulated Islamic banking network and informal transfer systems make it almost impossible to stop AQ from moving money
- Al Qaeda has built significant base of Islamic charities in Saudi Arabia with international divisions that have not been scrutinized or controlled by the regime, hence it is able to sustain international efforts to disrupt it.⁶

Given the level of resiliency, legislations, guidelines and information sharing process are three key factors that have to be improved. From financial industry standpoint, it is important to improve the internal procedure or guideline on Counter Terrorist Financing and anti-money laundering.

The key vulnerably point of a Terrorist-infiltrated Charity organisation is its entry point to the banking network and that is the point of account opening process. Similarly to anti-money laundering procedures, it is important that a Financial institutions do carry out the proper Customer identification process and Customer due diligence process. This includes knowing who the organisation is all about, who are the key shareholders, their nature of operations, their beneficiary and their typical method of transactions. Good understanding over these normal behaviour will allow the banks to detect any kind of irregularity within this type of organisation.

It is also important for financial industry to understand that increasingly terrorist organisation has to go through criminal activities to raise funds, as opposed to previous state-sponsors. Increasing links to criminal activities should bring the

⁶ Basile M, Going to the source: Why Al Qaeda's financial network is likely to withstand the current war on Terrorist Financing, Taylor & Francis,

terror financiers and operatives to closer watch by law enforcement agencies, and they will also have to launder their money through formal banking channel.

5. Government Initiatives

This section looks into Saudi and US government actions from 3 different period of time, such as pre 9/11 attacks on America, post 9/11 attacks on America and post May 2003.

a. Pre 9/11 attacks on America

Prior to 9/11 attacks, US intelligence dedicated few resources to collect financial intelligence on Al Qaeda, hence resulting in an incomplete understanding of Al Qaeda's method of raising, moving and storing money and ineffective counter terrorism strategy.

By 1996, US intelligence officials knew about Saudi Arabia's role in funding terrorism, however for years US did almost nothing to stop it. Examining the Saudi role in terrorism, a senior intelligence analyst says, was "virtually taboo." Even after the embassy bombings in Africa, moves by counterterrorism officials to act against the Saudis were repeatedly rebuffed by senior staff at the State Department and elsewhere who felt that other foreign policy interests, such as Oil Trade, outweighed fighting terrorism.⁷

There are other reasons behind the political unwillingness in linking Saudi with terrorism and terrorism financing. Even after the fall of Berlin Wall, US intelligence was still focusing on cold war and did not expect religious jihadists from third world as serious threat. Other include the strong economic relationships with Saudi government, where there was some 600 billions worth of investment in US stock market and banks. These contributed to a broader strategic failure to raise alarm on the rise of the global jihad movement.

For years, individuals and charities based in Saudi Arabia have been the most important source of funds for Al Qaeda and for years, Saudi officials have turned a blind eye to this problem. They did not make tough decisions or undertake difficult investigations to make sure that the charity organisations were not misused.

Saudis did institute "Guidelines for Preventing Money Laundering" in 1995 and "Regulations on Charitable Organisations and Institutions" in 1990, however they have very loose rules whose enforcement was doubtful. The regulations only covered domestic charities, which exempted all charities set up by royal decree.⁸

Some of the reluctance factors of Saudi government, prior to May 2003 are as follows:

- Al Qaeda was not viewed as a domestic threat
- For many years, all charity activities are delegated to religious establishment and Saudi government was reluctant to challenge the group

⁷ Kaplan D, The Saudi Connection – How billions in oil money spawned a global terror network

⁸ National Commission on Terrorist Attacks upon the United States, Monograph on Terrorist financing

- Lack of technical capabilities to stem the flow of funds to terrorists from charities in Saudi

b. Post 9/11 attacks on America

After the 9/11 attacks, the intelligence community including the FBI has created entities, which focus on both limiting funds available to terrorist organisation such as Al Qaeda and using financial information as a powerful investigative tool. Two prominent charity organisations based in Illinois, USA, were closed down, after the discovery of links to terrorist groups.

Shortly after, US government also introduced US Patriot Act 2001, whose financial provisions include actions to address vulnerabilities in the financial system, and to make sure that US financial system is not manipulated for the funding of terrorists.

Similarly in Southeast Asia, it was only after 9/11 attacks, when Al Qaeda top ally, Jemaah Islamiyah was targeted. By that time, the global financial network had been extremely strong. Al Haramain foundation, one prominent Saudi-based charity organisation, dispensed about \$50 million annually to its offices worldwide for both humanitarian as well as terrorism financing. Al Haramain was the key financial provider in Southeast Asia with strong ties with local groups and their governments.

In the case of IIRO (International Islamic Relief Organisation), it was allowed to remain open for long simply because of the following factors:

- Intense diplomatic pressure from Saudi Arabia on the Philippines
- IIRO was politically well connected, with supporters including Saudi royal family. Saudi Ambassador was one of the board members of IIRO
- Saudi is considered as the most important source of income, where it provides several hundred thousand of jobs to Filipinos⁹

c. Post May 2003

Despite a slow start, the cooperation of Saudi Government with the US on Al Qaeda financing problem emerged after the bombing in Saudi Arabia in May and November 2003. Saudi authorities accepted that terrorist financing is a serious issue and are making progress in addressing it. US made a clear message that Saudis must do everything within their power to eliminate Al Qaeda financing by Saudi sources, and in return US continues to provide intelligence and necessary training to Saudis.¹⁰

Since the bombing in 2003, Saudis have arrested more than 200 people, broken up dozen al Qaeda cells, and begun sharing intelligence proactively. They also closed down all Al Haramain's offices overseas.

⁹ Abuza. Z, Funding Terrorism in Southeast Asia, The financial network of Al Qaeda and Jemaah Islamiyah, December 2003

¹⁰ National Commission on Terrorist Attacks upon the United States, Monograph on Terrorist financing

Since May 2003, Saudi government has imposed the following guidelines for charity organisation, which include:

- Removal of collection boxes in mosques, shopping malls
- Prohibition of cash contributions at mosques
- All charitable accounts are maintained in Saudi Riyals
- Enhancement of customer identification process for charitable accounts
- Consolidation of charity banking activity into 1 principal account, with sub-accounts permitted but for deposits only, with all withdrawals and transfers serviced through the main account
- Prohibition of cash disbursement from charitable accounts with payments allowed by cheque payable to the first beneficiary and deposited into a Saudi bank
- Prohibition of the use of ATM and credit cards by charities
- Prohibition of transfers from charitable organisations outside Saudi¹¹

The other requirement includes reporting for carrier of cash in excess of \$16,000 transiting Saudi borders.

In December 2005, US Department of Treasury revised its Anti Terrorist Financing guidelines on US based charities, in its attempt to improve the governance, practice and accountability of such organisations.¹²

¹¹ Ibid

¹² http://www.treasury.gov/offices/enforcement/key-issues/protecting/docs/guidelines_charities.pdf

6. Conclusion

Today, it remains extremely difficult to draw and prove links between charitable organisation and terrorism financing.

In fact, most charitable organisations seek to do nothing more than relieve the hardships of their coreligionists and others suffering throughout the world. However due to the lack of control or unanimous nature, they are misused by the terrorist organisations.

Assuming an accurate designation of a charitable organisation as supporter of a terrorist organisation, leading to the freezing of its assets and funds, the time taken between freezing the assets and unfreezing the assets could be long, pending further investigations and other legal proceedings. The issue that must be considered is what happens to the real intended recipients, who have suffered from the social effect of the closing down of that charitable organisation. In addition to that, the process of re-transferring the frozen aid to the final recipient is also not available.

Government authorities must not assume that charitable organisations provide a major source of income to terrorist organisations and have been abused by terrorist organisations. Instead, they should coordinate efforts with other key stakeholders to improve the legislation, practices, communication and procedures, in the effort to combat terrorism financing. For example, the intelligence community should include financial institutions, which have the information and expertise to detect money laundering, but lack the information and expertise to detect terrorist financing. Financial Institutions can play their role by obtaining accurate customers information and provide them to government authorities in their investigation.

7. Appendix - Case studies

Much of the funding of terror network, such as Jemaah Islamiyah, comes from charities. One of the main reasons is that JI inserted top operatives into leadership positions in several SEA charities, especially in the late 1990s. Although most of the donations to Islamic charities go to legitimate social work, such as constructions of mosques and cultural centres, a significant amount is diverted to terrorist network.

This report will discuss further two of the most important Saudi charities operating in Southeast Asia and an Indonesian based Charity organization with regional links. They are Islamic International Relief Organisation (IIRO), Al Haramain Islamic Foundation (HIF), a local Indonesian Charity Organisation named Kompak, and two other Saudi Based charity organisations located in US, which were closed down after 9/11 attacks.

There is an interesting indication of overlapping memberships between Charity organisation especially those operating in Southeast Asia with the regional terror networks, supporting the evidence that terrorist organisation inserted top senior operatives in the charity organisation and took control over their finances. One example is Agus Dwikarna being a Jemaah Islamiyah member and regional head of Al Haramain charity organisation.

This appendix includes several cases on the role of charitable organisation in terrorism financing.

a. Global Relief Fund (GRF)

Shortly after 9/11 attacks, US Federal Government accused GRF of providing financial support to Al Qaeda and international terrorism. GRF was then shut down and its flow of funds overseas, were stopped.

Based in Illinois - USA, GRF was a non-profit organisation devoted to provide humanitarian relief aid to the Muslims in strife-torn regions. It had raised millions of dollars in the United States in support of its mission. However U.S. investigators had long believed that GRF was devoting a significant percentage of the funds to support Islamic extremist causes and jihadists with substantial links to international terrorist groups, including Al Qaeda.

GRF had operations in 25 countries around the world and began operating with USD 700,000 in cash. By 2000, it reported more than \$5 million in annual contributions. According to its Internal Revenue Service (IRS) filings, GRF sent 90 percent of its donations abroad between 1994 and 2000.

The evidences that GRF was doing more than providing humanitarian aid were gathered through the following intelligence actions:

- Review of their trash, physical surveillance, telephone request, revealed copies of newsletter which advocated militancy and armed jihad
- Pictures of communication gear, valuable to set up a military communication network were found
- Findings on pro jihad books and literature
- The link with various terrorist groups, such as Egypt-based Al Gamaa Al Islamiya, Algerian Armed Islamic Group, Kashmiri Harakat Al-Jihad El-Islam, as well as the Al Qaeda. Al Gamaa Al Islamiya is associated with Blind Sheikh – Sheikh Omar Abdel Rahman, who planned to bomb NY city tunnels and landmarks
- GRF had been affiliated with the Mektab Al Khidmat (MAK), which was co-founded by Abdullah Azzam and Osama Bin Laden in 1980s
- GRF had also been affiliated with Al Khifa refugee centre, which facilitated movement of jihadist fighters in and out of Afghanistan. A number of persons who was involved in the first World Trade Centre bombing as well as the Blind Sheikh were associated with this centre.

Although majority of GRF funding goes to legitimate causes, a significant percentage is diverted to fund extremist causes. Their supports include purchase and shipment of large quantities of sophisticated communications equipment, provision of humanitarian cover documentation to suspected terrorists and fund raising for terrorist groups.

b. Benevolence International Foundation (BIF)

BIF was another Illinois-based non-profit organisation with offices in at least 10 countries around the world that raised millions of dollars in the United States. It publicly described itself as an organisation devoted to relieving the suffering of Muslims around the world. BIF received more than \$15 Million in donations between 1995 and 2000.

The case against Ennam Arnaout who was the head of BIF, showed evidence of the ability of Al Qaeda to pull funds from Charity organisation. Funds were allocated and accounted for community development and charitable activities. Then a small percentage was skimmed off the charity account and passed to Al Qaeda operatives, who in turn transfer the money into other cells in other parts of the world. The move to shut down BIF operations was only possible after 9/11 attacks.

Similar to GRF, early investigation involves surveillance and going through its trash. Telephone bills, detailed daily report and its activities, bio-terrorism articles.

Law enforcement officials had concluded that both BIF and GRF had substantial and very troubling links to al Qaeda and the international jihadist movement. Government agents had little doubt that the leadership of these organisations endorsed the ideology of armed jihad and, in many cases, supported an extremist and jihadist ideology. Both of these organisations raised large amounts of money in the United States, which they sent overseas, often to or through people with jihadist connections. When the money went overseas, it became virtually untraceable, since it could be converted to cash and sent anywhere in the world.

c. Al Haramain Islamic Foundation (HIF)

Al Haramain or HIF is one of the most important and prominent Saudi charities. It had been under US government watch-list, as a potential terrorist financier since mid to late 90s, when US government started to develop evidence that certain employees and branch offices might be supporting al Qaeda and related terrorist groups. It promotes Wahhabi Islam by funding religious education, mosques, and humanitarian projects around the world.

Al Haramain had a presence in at least 50 countries, to facilitate the distribution of charitable funds. With annual budget range from 30 to 80 Million, it claimed to have constructed more than 1,299 mosques among other works. HIF also provided meals and assistance to Muslims around the world, distributed books and pamphlets, paid for potable water projects, set up and equipped medical facilities, and operated more than 20 orphanages. To date, it spent some 300 million on humanitarian work overseas.

In 1996, U.S. intelligence community began to gather intelligence that certain branches of HIF were involved in financing terrorism. Later, the U.S. intelligence community began to draw links among HIF, the 1998 East Africa bombings, jihad actions in the Balkans, Chechnya, and Azerbaijan, and support for al Qaeda generally.

HIF was one of the prominent charity organisations operating in Southeast Asia. Besides its close ties with Saudi Government where some government ministers had supervisory roles over HIF, it also had close ties with local government. For example, in 2000, it signed formal memorandum of understanding with the Indonesian Ministry of Religion that allowed it to finance educational institutions. It funded the development of various pesantrens or Islamic Boarding schools, such as Darul Istiqamah al Haramain in Makassar, Al Irsyad, in the central Javanese town of Salatiga, and Gontor in East Java.

Since March 2002, the United States and Saudi Arabia had jointly designated eleven branches of HIF based on evidence of financial, material and/or logistical support to the al Qaeda network and affiliated organisations, and

In October 2004, Saudi Ministry of Islamic affairs dissolved Al Haramain and dismissed its personnel. Its international operations and assets were folded into new Saudi national Commission for Charitable Work abroad.¹³ The overseas branches closed down, include Afghanistan, Albania, Bangladesh, Bosnia, Ethiopia, Indonesia, Kenya, the Netherlands, Pakistan, Somalia, and Tanzania, as well as other designated individuals.¹⁴

In January 2004, Saudi Arabia and the United States made a joint request to the UNSCR (United Nations Security Council Resolutions) 1267 Sanctions Committee to designate the Kenya, Pakistan, Tanzania and Indonesia branches of the al

¹³ AlJazeera, Saudis Shut down charity, 06 October 2004 (<http://english.aljazeera.net/NR/exeres/E358AE91-FAEC-407C-BDE9-31E80C0BA37B.htm>)

¹⁴ US Department of Treasury, US Based Branch of Al Haramain Foundation Linked to Terror, 9 September 2004 (<http://www.ustreas.gov/press/releases/js1895.htm>)

Haramain Islamic Foundation as a supporter of terrorism.

In Southeast Asia, HIF was linked with the regional terror network, Jemaah Islamiyah (JI). JI's previous Mantiqi 2 structure was set up as an operational epicentre, not only running its military arms, but also setting up important liaisons with Al Haramain.

Omar Al Faruq, a top Al Qaeda operative in Southeast Asia, in his interrogation report before Indonesian intelligence body, revealed Al Haramain as the primary channel of Al Qaeda funding into Southeast Asia. He was also the co-founder, along with Agus Dwikarna of JI's Military arm or Laskar Jundullah. Faruq was arrested in Bogor, Indonesia in June 2002 and then managed to escape from Afghanistan in July 2005. His whereabouts remain unknown.

Faruq also revealed that the Head of Al Haramain's headquarters in Saudi Arabia, Sheikh Bandar was a frequent visitor to Indonesia. He was known to have delivered briefcases of money on his visits to Indonesia, to Ahmed al Moudi, head of Al Haramain branch in Jakarta.

Another key personnel was Agus Dwikarna, key financiers of Jemaah Islamiyah terror network, who was also the regional head of Al Haramain. He was also the key leader of KOMPAK, an Indonesian based charity organization, which was financing sectarian violence in Maluku and Sulawesi. Agus Dwikarna was arrested in Philippines in 2002, for possession of explosives.

In Southeast Asia, HIF personnel were involved in various meetings on the planning of operations such as Bali Bombing and the planned bombings of US embassies across Southeast Asia.

d. International Islamic Relief Organisation (IIRO)

IIRO is another Saudi-based humanitarian non-governmental organisation. It has branches throughout the world, including Asia. IIRO was used extensively by Saudi intelligence services to channel Saudi, US and Gulf state funding to the Afghan Mujahideen. Its mission statement is to “Provide relief and aid to Muslims as peoples and groups wherever they are should they face disasters endangering their being, their religious beliefs or their freedom; provide funds to protect Muslims from disasters and elevate their living standards in general with the aim of preserving their entity; and care for Muslim minorities and develop their societies through education and other means.”

Along with Muslim World league, IIRO received substantial funds from Saudi government and members of the royal family and made use of Islamic affairs offices of Saudi embassies abroad.

From 1986 to 1994, IIRO was headed by Mohammed Jamal Khalifa, who is Osama Bin Laden’s brother in law, and established several other charities and Islamic organisations in the Philippines, such as a branch office of IIRO, a branch office of MERC International, Islamic Wisdom World-wide, Daw’l Immam Al Shafee Center for charity and religious work, Al Maktum University in Zamboaga, and other front companies. All projects and activities were located in MILF zones and allowed him to operate under minimum scrutiny and regulation.

The other important charity established by Khalifa was International Relations and Information Center (IRIC). The charity was run by Abu Omar, Khalifa’s brother-in-law, an Islamist activist and supporter of MILF. IRIC was the primary fund provider for Khalid Sheikh Mohammed, Ramzi Yousef and Wali Khan Amin Shah, who were the mastermind of Bojinka Plan.

IIRO was used by bin Laden and Khalifa to distribute funds for the purchase of arms and other logistical requirements of the Abu Sayyaf and MILF. Only 10 to 30 percent of the foreign funding goes to the legitimate relief and livelihood projects and the rest go to terrorist operations. Till today, MILF and Abu Sayyaf run training camps that provide training for terrorist operatives in Southeast Asian region, such as Jemaah Islamiyah members.

Despite the closure of IIRO’s offices in the Philippines, it is believed that the charity is still active, where IIRO was renamed into the Islamic Mercy Foundation with 2 offices in Mindanao, and continues to channel funds to carry out recruitment process.

e. KOMPAK

Kompak (action committee for crisis response) was a Muslim charity established in 1998, to assist Muslims affected by natural disasters, sectarian conflicts and poverty. Top leaders of KOMPAK include, Aris Munandar, the right hand man of alleged JI leader Bashir, and Agus Dwikarna as the financier. Agus Dwikarna was the regional head of a Saudi charity, Al-Haramain Foundation, which was the single largest source of Al Qaeda funds into Indonesia at that time. At its peak, Kompak had about 30 staff in its Jakarta office and branches in 13 provinces within Indonesia.

Kompak also established ties with a variety of Middle Eastern charity organisations, such as Muslim Aid – London, Al Haramain – Saudi Arabia, International Islamic Relief Organisation and Mulhaqini. Other than these, Kompak had ties with other terrorist organisations as well as political parties in Indonesia.

The link with Al Haramain was made clearer through the investigation of Reda Seyam, believed to be the most senior Al Qaeda financier in Southeast Asia, where investigators found significant evidence of financial dealings on his computer.

Apart from its genuine assistance to Muslim flood victims, which drew support from the government, Kompak also became an important source of funds for the purchase of arms, and producer of recruiting videos on Ambon and Poso used for JI recruitment purposes. Between 1998-2001, it disbursed about USD 800,000, where majority of the funds were used to purchase weapons and to recruit operatives to fight in the sectarian conflict areas like Maluku and Poso.

Dwikarna also created Militia group, which was deeply involved in the Poso fighting, and set up military style training camp near Poso. He also dispatched fighters for training with other Muslim militants in the southern Philippines. He was the commander of Laskar Mujahidin and Laskar Jundullah, which were the military arms of KOMPAK, tied to a wave of bomb attacks against churches and businesses in Indonesia from December 2000 to late 2002.

Agus Dwikarna was arrested at Manila airport in 2002 with C4 explosives in his bag and sentenced to 10 years in prison. As a commander of Laskar Jundullah, a Poso, Jakarta based extremist militant group, Dwikarna also worked with Parlindungan Siregar, and Indonesian national who recruited mujahideens in Spain to be sent to terrorist-military training camps in Afghanistan, Bosnia and Indonesia. He is believed to have links to Bali bombing suspects.

Other key terror operatives include, Omar Al Faruq - main Al Qaeda top operatives in Southeast Asia, Haris Fadillah - leader of Laskar Mujahidin, active militia group in Maluku, and Abu Zubaydah – leader of Al Qaeda's external operations.

Another key personnel in Kompak was Abdullah Sunata, who was the head of its Ambon representative. His activity started in 1999, where he was collecting information of the Muslim refugees in strife torn Ambon. The role of Kompak Ambon at that time was also to deliver logistical aids to muslims, such as foods and medicines, running medical clinics and Islamic preaching. Sunata along with other

sixteen Kompak members were arrested in mid 2005. He had links with many JI operatives who are still on the run, such as Noordin M Top, Umar Patih, Dulmatin and many others. He was also aware of the money flows from Saudi donors, the sending of operatives for training in southern Philippines, the purchase of weapons from Philippines and their dispatch to Ambon.

An intelligence report documented a June 2000 visit to Indonesia by Ayman-Al-Zawahiri and Mohammed Atef. They visited conflict areas like Ambon, West Papua and Aceh and were impressed by the lack of security, support and the extent of Muslim population and the cover provided by the density of the forests. Their guides were Agus Dwikarna and Al-Faroq.