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# Al-Qaeda in the Arabian Peninsula

## Financial Assessment



# Al-Qaeda in the Arabian Peninsula

## FUNDING LEVEL<sup>1</sup>



## KEY AREAS OF ACTIVITY

- Yemen, particularly in the center of the country and along the southern coast<sup>2</sup>



## FINANCIAL OVERVIEW

Al-Qaeda in the Arabian Peninsula (AQAP) remains well-funded despite a sharp decrease in revenue following the loss of the Yemeni port city of Mukalla. It is also likely to see its income rise by exploiting the instability and sectarianism brought by Yemen's civil war. At present, AQAP is likely making in the low- to mid-tens of millions of dollars per year,<sup>3</sup> funding itself mostly through criminal opportunism and donations. However, when the group controls major economic centers, taxation becomes its most lucrative funding source. For example, when AQAP held Mukalla from mid-2015 to mid-2016, it brought in roughly \$60 million in looted cash from the central bank and garnered an estimated \$2 million per day in port taxes.<sup>4</sup> The income earned in the past few years is likely enough to sustain the group for some time. Yemeni officials estimate AQAP needs about \$10 million per year to operate.<sup>5</sup> Given the surplus the group earned in Mukalla from taxes and bank looting, it is likely that the group maintains considerable cash reserves.

## BACKGROUND

In the late 1980s, North Yemen President Ali Abdullah Saleh welcomed Yemenis and others who fought the Soviets in Afghanistan, resettling them with \$20 million from Osama bin Laden<sup>6</sup> and using them to counter Marxists in South Yemen and unify as one state.<sup>7</sup> These militants formed al-Qaeda in Yemen (AQY) in 1998 and carried out the USS Cole bombing two years later.<sup>8</sup> The U.S. worked in concert with Yemen to degrade AQY. Though largely destroyed by 2003,<sup>9</sup> a 2006 prison escape fueled AQY's resurgence.<sup>10</sup> In January 2009, AQY merged with al-Qaeda forces in Saudi Arabia to form AQAP,<sup>11</sup> launching several attempted attacks on the U.S. from 2009-10.<sup>12</sup>

In the spring of 2011, AQAP captured territory in Yemen for the first time, ruling according to a strict interpretation of *sharia* and declaring an emirate.<sup>13</sup> President Saleh stepped down due to Arab Spring protests in late 2011,<sup>14</sup> which helped stoke a civil war. Months later, U.S.-backed forces pushed AQAP out of its land holdings.<sup>15</sup> In early 2015, AQAP took responsibility for the Charlie Hebdo attacks in Paris.<sup>16</sup> Saudi Arabia's involvement in Yemen's civil war later in 2015 gave AQAP space to expand amidst the chaos,<sup>17</sup> capturing the large port city of Mukalla in April 2015.<sup>18</sup> In early 2016, AQAP operated freely in Yemen's largest province,<sup>19</sup> and held much of the country's coastline.<sup>20</sup> Saudi and UAE forces joined Yemeni troops<sup>21</sup> to recapture Mukalla in April 2016,<sup>22</sup> but they have occasionally tolerated<sup>23</sup> AQAP elements also fighting Iran-backed Houthis.<sup>24</sup>

AQAP often rebrands<sup>25</sup> to dissociate from al-Qaeda (AQ),<sup>26</sup> and teams up with local tribes.<sup>27</sup> AQAP has clashed with the Islamic State (IS) in Yemen,<sup>28</sup> but is stronger despite some defections.<sup>29</sup> AQAP often stokes Shiite-Sunni sectarian tensions to gain recruits.<sup>30</sup> Former President Saleh, though mainly supporting the Houthis,<sup>31</sup> has allegedly used AQAP operatives to weaken his successor, President Abdrabbuh Mansur Hadi.<sup>32</sup> AQAP calls for attacks against the U.S.,<sup>33</sup> which it sees as its main enemy.<sup>34</sup>

## ACTION POINTS (for additional details, see page 6)

1. Expand prohibition on ransoms from G8 to EU. Refuse ransom settlements negotiated by Gulf states.
2. Pressure Gulf countries to aggressively enforce international AML/CFT regulations and police charitable donations.
3. Pressure the Hadi government to fully reject AQAP, and provide intelligence and air support to pro-Hadi forces fighting AQAP.
4. Undermine AQAP's ability to endear itself to local communities and to reemerge post-civil war.



# Al-Qaeda in the Arabian Peninsula: Main Sources of Funding



## OIL AND GAS SALES

- AQAP earns money on oil mostly through taxation and some direct sales.
- Yemen's government rejected an AQAP request to share profits on exported oil in 2016.



## TAXATION AND EXTORTION

- AQAP earned \$2 million per day from taxes on "goods and fuel" while in control of the port city of Mukalla.



## SMUGGLING AND TRAFFICKING

- AQAP facilitates local sex trafficking through forced marriages.
- In 2015, AQAP smuggled oil from areas it controlled around Yemen and sold it.



## LOOTING AND SPOILS

- Most of AQAP's armament has been looted from Yemeni security forces.



## KIDNAPPING FOR RANSOM

- AQAP told AQ partners that ransoms provided half of the group's funding in 2012.
- The group netted \$30 million in ransoms from 2011-13.



## CASH FROM THE BANKING SYSTEM

- AQAP has looted numerous banks across Yemen.
- The group stole roughly \$60 million from the central bank branch in Mukalla in 2015.



## DONATIONS

- Fake charities and other donations were a major source of funding at least through 2015.



## EXTERNAL ASSISTANCE

- Other AQ branches have supported AQAP with arms and fighters.

## Significant Financial Events

2010

Osama bin Laden instructs AQIM to support AQAP financially.<sup>35</sup>

May 2011

AQAP seizes millions of dollars from a provincial bank in Zinjibar.<sup>36</sup>

2011-13

AQAP makes roughly \$30 million from ransoms, fueling the group's offensives.<sup>37</sup>

April 2015

AQAP seizes the port city of Mukalla, looting roughly \$60 million from the city's central bank branch.<sup>38</sup>

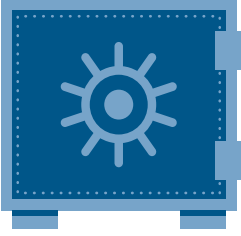
April 2015-April 2016

AQAP earns up to \$2 million per day from port taxes in Mukalla.<sup>39</sup>

April 2016

AQAP loses control of Mukalla,<sup>40</sup> but still profits from smuggling and taxing oil along the southern Yemeni shore.<sup>41</sup>

# Al-Qaeda in the Arabian Peninsula



## ACCESS TO BANKING SYSTEM

AQAP has acquired substantial funds from conventional banks in territory it held, but the group probably moves money mostly through Yemen's money exchange sector. AQAP seized roughly \$60 million from the Yemeni central bank in Mukalla,<sup>42</sup> but conventional banking systems are not available throughout Yemen; in 2010, only roughly four percent of Yemenis had bank accounts.<sup>43</sup>

Even so, AQAP compensated the victims of one of its attacks with checks, made out in Yemeni rials, cashable "at a bank in Aden."<sup>44</sup> Fearing seizure of their assets, many banks closed once AQAP came into control in parts of Yemen.<sup>45</sup> Some money exchanges, however, stayed open and did business with the group, holding accounts and transferring Saudi riyals to pay fighters on AQAP's behalf.<sup>46</sup> When AQAP held Mukalla, three banks and three exchange houses capable of processing international transactions remained open.<sup>47</sup> For example, the al-Omgly Money Exchange, an exchange with 95 offices across Yemen, had an account on behalf of AQAP that controlled money the group had raised through extortion and taxation. AQAP used the exchange to pay its fighters around Yemen.<sup>48</sup> AQAP also levied a 10 percent surcharge on transactions done through the exchange. This relationship led the U.S. government to designate the exchange for sanctions in 2016.<sup>49</sup>

Additionally, a June 2016 Camstoll Group report noted that AQAP-linked entities, including charities, had publicized their accounts at Yemeni financial institutions to raise funds.<sup>50</sup>



## STRATEGIC STRENGTHS

- The Saudi-led military operation in Yemen prioritizes the Houthi threat over AQAP, giving AQAP room to grow.<sup>51</sup>
- AQAP has adapted its strategy in recent years, pushing for a more gradual adoption of *sharia*, and building better rapport with locals by providing order and public goods, and obscuring the group's identity by adopting a local brand.<sup>52</sup>
- AQAP's connection to al-Shabaab and the broader AQ network gives it access to funding pipelines and weaponry.<sup>53</sup>
- AQAP often pays fighters better and more consistently than pro-government forces, prompting some defections to the group.<sup>54</sup>
- The sectarian element of Yemen's war has encouraged some Sunni tribes to ally with AQAP to halt the Houthi advance, allowing AQAP to stretch its resources and influence.<sup>55</sup>
- AQAP's extensive Yemeni connections allow fighters to blend in with tribes, which are often wary of Yemeni government forces.<sup>56</sup>



## STRATEGIC VULNERABILITIES

- Kidnapping revenue is inconsistent and dependent upon countries' willingness to pay ransoms.
- Looting is one of AQAP's largest sources of income, but is nonrenewable and is less likely without territorial expansion.
- AQAP's looting also risks alienating the population, to which AQAP is especially sensitive as it seeks to develop local support.
- AQAP's ability to expand services and infrastructure is weak compared to its government adversaries. The local Yemeni government now in control of Mukalla has invested in providing better services than AQAP, and the UAE has assisted the reconstruction and helped provide security, which has boosted shipping commerce. The model has proven successful thus far and will likely undermine AQAP's base of support in the community.<sup>57</sup>

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## U.S. GOVERNMENT COUNTER-MEASURES

The Treasury Department designated AQAP as a terrorist organization in 2010.<sup>58</sup> Former Yemeni President Saleh<sup>59</sup> was a “fickle” partner in the fight against AQAP,<sup>60</sup> occasionally cooperating with the group.<sup>61</sup> From 2012-14 – after Saleh’s departure – the U.S. provided Yemen with roughly \$750 million in aid of all types.<sup>62</sup> In 2017, the U.S. gave \$49 million in humanitarian aid and nearly \$14 million in arms sales and military and police aid.<sup>63</sup> The U.S. has also provided Saudi Arabia with arms and training, though those resources have largely been used to fight Houthi rebels.<sup>64</sup>

The U.S. conducted 160 airstrikes in Yemen, many from drones, from 2011-2016,<sup>65</sup> including one that killed U.S.-born propagandist Anwar al-Awlaki.<sup>66</sup> U.S. Special Forces have operated alongside Gulf soldiers to fight AQAP, including supporting Yemeni and Emirati forces fighting to recapture Mukalla in April 2016.<sup>67</sup> In early 2017, the U.S. designated parts of Yemen as “areas of active hostilities,” allowing for more expansive U.S. involvement,<sup>68</sup> and stepped up airstrikes considerably, hitting AQAP 80 times from January to May 2017.<sup>69</sup> U.S. special operations teams in April 2017 increased their intelligence-gathering activities in Yemen.<sup>70</sup> Some analysts contend that civilian casualties associated with U.S. drone strikes and “reckless” Saudi air strikes<sup>71</sup> have helped galvanize AQAP’s fundraising and recruitment efforts<sup>72</sup> and have not effectively diminished the group’s abilities.<sup>73</sup>

## U.S. OFFICE OF FOREIGN ASSETS CONTROL (OFAC) SANCTIONS

# 5 organizations, 19 individuals

Of the five organizations and 19 individuals affiliated with AQAP and designated by OFAC (as of June 23, 2017), two organizations and seven individuals are also designated by the United Nations. For a detailed listing of designees, please see the *Terror Finance Briefing Book Appendices, available on FDD’s website.*<sup>74</sup>

## NOTABLE DESIGNATIONS



### **‘ABD AL-WAHHAB MUHAMMAD ‘ABD AL-RAHMAN AL-HUMAYQANI**

This Yemeni national was designated for using his network of charities<sup>75</sup> to fundraise for AQAP,<sup>76</sup> and for traveling around the region on the group’s behalf. Humayqani was an AQAP emir in a Yemen governorate in 2011, and serves as secretary general of a political party he helped create to serve as a front for AQAP.<sup>77</sup> Yemeni President Hadi met with Humayqani after his designation – as did then-secretary general of the UN, Ban Ki-Moon – and refuses to extradite him.<sup>78</sup> He has not been sanctioned by the UN as of July 2017.<sup>79</sup> His current presumed location is Yemen or Saudi Arabia.<sup>80</sup>



### **ABDALLAH FAYSAL SADIQ AL-AHDAL**

Since 2010, Yemeni national Al-Ahdal has allegedly used his charity, Rahmah Charitable Organization, to fundraise for AQAP. Al-Ahdal is reportedly part of an AQAP “banking network” that has laundered money for the group.<sup>81</sup> He is accused of having used the al-Omgly Money Exchange, a sanctioned entity referenced in the above “Access to Banking” section, to transfer money for foreign fighters.<sup>82</sup> He has not been sanctioned by the UN as of June 2017.<sup>83</sup> His current presumed location is Yemen.

## WILDCARDS

*Unexpected developments which would greatly impact the group’s financing*



### FUNDING DECREASE

Islamic State fighters dispersing from Syria go to the group’s affiliate in Yemen, while Iran steps up support for the Houthis. This squeezes AQAP from the north and the south.



### FUNDING INCREASE

AQAP unites operationally with al-Shabaab in order to share resources and augment fighting power.



### FUNDING INCREASE

AQAP gains influence by covertly backing a new Islamist political party in Yemen. The group’s recruiting and access to resources expands.

# Al-Qaeda in the Arabian Peninsula: Action Points

## 1. Expand prohibition on ransoms from G8 to EU. Refuse ransom settlements negotiated by Gulf states.

In 2011-13, AQAP's primary source of funding came from ransoms. Oman, Qatar, and France have paid large ransom sums, although France has since agreed to not pay ransoms. AQAP continues to seek to kidnap more foreign nationals. The U.S. executive branch should elevate the importance of not paying ransoms in its diplomatic dealings with the EU, encouraging the bloc to adopt a ransom ban like the G8 did in 2013.<sup>84</sup> Further, the U.S. should make clear to Gulf states like Oman and Qatar that arranging for or paying ransoms is tantamount to funding terrorism. Congress should enable the president to designate countries of particular concern for directly or indirectly funding terrorism for additional penalties or sanctions.

## 2. Pressure Gulf countries to aggressively enforce international AML/CFT regulations and police charitable donations.

Fraudulent charities and terror financiers have raised money for AQAP around the Gulf. Recognizing this issue, the U.S. recently has partnered with Saudi Arabia and other nations in the region to form the Terrorist Financing Targeting Center (TFTC).<sup>85</sup> The U.S. should use this forum to share intelligence, help track regional terror financiers, and push for the member countries to uphold the TFTC's mission by prosecuting terror financiers in their jurisdictions. Further, the U.S. should lean on the Financial Action Task Force (FATF) and give FATF proof of Gulf countries' negligence in not prosecuting terror financiers and fraudulent charities.

## 3. Pressure the Hadi government to fully reject AQAP, and provide intelligence and air support to pro-Hadi forces fighting AQAP.

The focus of the Hadi government, and its Saudi and UAE allies, has been on fighting the Houthis. This has led to situations where AQAP and Yemeni government forces are "battlefield allies," leaving AQAP largely unchallenged outside of minor clashes with UAE troops.<sup>86</sup> The U.S. must make clear that any such alliances of convenience are unacceptable, as is any situation that leads to AQAP, or AQAP-linked groups, obtaining political legitimacy and influence through an invitation to peace negotiations. AQAP must be militarily defeated. The U.S. must therefore encourage the Hadi government and its allies to press offensives into AQAP-held territory when possible. Parts of Yemen have already been designated as areas of active hostilities, providing legal and operational latitude for U.S. forces to assist in the fight against AQAP. The U.S. should give this support.

## 4. Undermine AQAP's ability to endear itself to local communities and to reemerge post-civil war.

Since 2015, AQAP has been successful in winning local support by downplaying its al-Qaeda brand, aligning itself with tribal groups, improving local governance, and taking a "gentler" and more gradual approach to implementing its understanding of *sharia* law.<sup>87</sup> Although the U.S. Embassy in Sanaa closed in 2015,<sup>88</sup> the U.S. should use its Yemeni Affairs Unit in Jeddah, Saudi Arabia to go beyond providing humanitarian aid and identify, vet, and support civil society associations in Yemen that will be crucial for post-conflict recovery and governance. The U.S. should also provide as much transparency as is reasonably possible in reporting the impact drone strikes have on the civilian population, including outlining the measures the U.S. has taken to avoid civilian deaths. This is critical to undercut AQAP recruitment of locals.<sup>89</sup> Further, given reporting that shows AQAP seeking to form a political party as a front for increasing recruitment and funding,<sup>90</sup> the U.S. must ensure that the Hadi government unequivocally considers any such political parties as illegitimate and dangerous, and thus bars them from entering into the mainstream political process.

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*AQAP's war chest, built up from its time in control of significant territory, most notably Mukalla in 2015-16, is probably large enough to sustain the group for some time.*

- AQAP likely makes in the low- to mid-tens of millions of dollars per year with taxes on smuggled fuel and donations comprising most of the group's current income.
  - When in control of Mukalla, the group garnered perhaps more than \$750 million between revenue from the port and central bank seizures.<sup>91</sup>
  - From 2011-13, it is likely that the group made roughly \$20 million per year, based on an average of \$10 million per year in ransoms and internal AQAP statements saying ransoms made up half of the group's budget.<sup>92</sup>
  - On top of the funding sources the group had in 2011-13, when it controlled less territory, the group now makes an undetermined amount from smuggling fuel.<sup>93</sup>
- In 2014, the U.S. Department of State believed that AQAP's top funding sources were robberies, ransoms, and donations;<sup>94</sup> in 2015, the State Department noted the continuing relevance of these sources, but stated that the seizure of Mukalla had given the group "access to additional sources of revenue," including theft from the central bank.<sup>95</sup>
- In 2015, the UN estimated that AQAP's main sources of funding were bank looting and kidnapping for ransom.<sup>96</sup>
- In 2015, the U.S. Department of State noted that "AQAP's funding has historically come from theft, robberies, and kidnap for ransom operations; and donations from like-minded supporters," though this mix was shifting after seizing Mukalla.<sup>97</sup>
- AQAP's operating budget was estimated to be about \$10 million a year as of the seizure of Mukalla in April 2015.<sup>98</sup>

## OIL AND GAS SALES

*If forces fighting for Yemen's President Hadi lose control of terrain, AQAP could regain control of oil pipelines and infrastructure. Given AQAP's desire to win over local communities, it is likely to exploit these for financial gain rather than attack them to hurt its enemies. In the short-term, AQAP will continue to exploit Yemen's hinterlands by taxing and smuggling oil.*

- To fund the local government in Mukalla in April 2015, AQAP "tacked on extra charges to fuel sales and imports as a way to secure a source of revenue" for the city.<sup>99</sup>
- In 2016, prior to losing Mukalla, tribes cooperating with al-Qaeda controlled much of Yemen's oil infrastructure, according to a *Reuters* investigation.<sup>100</sup>
  - The decision of international oil companies to stop production and largely abandon the oilfields,<sup>101</sup> rather than work under AQAP, diminished the group's ability to earn revenue. Some of the oil fields were "operated entirely by indigenous

staff" after AQAP seized control, but most of AQAP's revenue from oil seems to have come from smuggling and taxation, rather than production.<sup>102</sup>

- Fuel imported into ports that AQAP held in 2015-16 (including Mukalla and Ash-Shihr) were taxed by AQAP and smuggled throughout Yemen.<sup>103</sup>
- AQAP sought a profit-sharing agreement on exported oil with the Yemeni government in 2016. In the agreement, AQAP would export oil with the government's blessing; AQAP would take a quarter of the profit, and would send three-quarters to the government. The Yemeni government rejected that plan.<sup>104</sup>
  - AQAP controlled Yemen's "largest oil export terminal," stocked with two million barrels of oil, when it took over Mukalla. However, the group was unable to export the barrels without such an agreement with the Yemeni government, and so the terminal remained closed.<sup>105</sup>

# Al-Qaeda in the Arabian Peninsula: Financial Details

## TAXATION AND EXTORTION

*AQAP has often yielded its taxation power as a way to win support, not just gain revenue. The group tends to tax trade and businesses rather than individuals. Indeed, AQAP has previously abolished individual taxes under its purview. The group also extorts large companies.*

- In mid-2011, AQAP abolished the existing taxes in several towns as a way to win popular support.<sup>106</sup> Individual income taxes in Yemen ranged from 10 percent to 20 percent in 2011, while standard corporate taxes were 20 percent.<sup>107</sup>
- In 2012, AQAP made money by charging tolls at checkpoints.<sup>108</sup>
- According to the UN Security Council, as well as the Yemeni government and local traders, AQAP earned “up to \$2 million every day in taxes on goods and fuel” coming into Mukalla from 2015-16.<sup>109</sup>
  - Local traders estimated AQAP’s daily revenue from the port to be “as high as \$5 million a day from customs duties” and fuel smuggled on “hundreds of oil trucks.”<sup>110</sup>
- AQAP abolished taxation for citizens living in Mukalla in 2016, but extorted fees from ships.<sup>111</sup>
- AQAP extorted \$1.4-\$4.7 million from Yemen’s national oil company in Mukalla, publishing their demand and distributing it through local media.<sup>112</sup>

## SMUGGLING AND TRAFFICKING

*Smuggling oil is likely to remain a preeminent funding source so long as AQAP continues to hold large sections of Yemen’s coast. The group also has engaged in arms trafficking and human trafficking to arm itself and ingratiate itself with local communities.*

- UN investigators reported that in 2012, AQAP facilitated human trafficking by creating “marriage tents” in an occupied province and forcing local women to marry its fighters. Sometimes, “girls are given away as gifts” to the group.<sup>113</sup>
- After capturing Mukalla and much of the Yemeni coast in 2015, the State Department noted that AQAP’s control of this territory “made these areas highly vulnerable to maritime smuggling of weapons, materials, and goods used to finance AQAP.”<sup>114</sup>

- In 2015, when AQAP was in control of Mukalla, local traders noted that the group filled “hundreds of oil trucks,” and smuggled the fuel across Yemen to sell, including to government-run stations.<sup>115</sup>
- In 2016, after AQAP was pushed out of Mukalla, the group made money by taxing and directly smuggling fuel transported along the Yemeni coast.<sup>116</sup>

## LOOTING AND SPOILS

*AQAP is likely to continue targeting Yemeni military bases and depots to arm itself in the future. Most of the group’s armament has come from such looting operations.*

- In early 2015, AQAP launched a series of attacks on government military bases in Yemen, repeatedly looting bases and seizing weapons.<sup>117</sup>
  - In early 2015, AQAP seized large Yemeni arms depots,<sup>118</sup> including one containing “dozens of tanks, Katyusha rocket launchers and small arms,” as part of its push to conquer Mukalla.<sup>119</sup>
  - Per a UN report in 2015, most of AQAP’s armament was looted from Yemeni “military and security premises.”<sup>120</sup>
  - Since March 2015, AQAP has “plundered thirteen army units across Yemen.”<sup>121</sup>
- In October 2014, facing a decline in funding, AQAP looted \$140,000 from a post office.<sup>122</sup>

## KIDNAPPING FOR RANSOM

*Now without significant territorial holdings, AQAP is likely to turn some of its focus back to ransom payments. Half of AQAP’s budget came from ransom money from 2011-13, then its largest source of funding. AQAP has developed a relationship with some Yemeni tribal leaders wherein it pays the tribes for hostages, and then negotiates large ransoms for their return.*

- In a 2012 letter from Nasser al-Wuhayshi, then the head of AQAP, to his counterparts with al-Qaeda in the Islamic Maghreb (AQIM), he stated that “kidnapping hostages is an easy spoil,” both “a profitable trade and a precious treasure.” Al-Wuhayshi estimated that half of his budget for his operations were covered by ransom payments.<sup>123</sup>



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- In 2013, U.S. officials believed that kidnapping for ransom was AQAP's "single largest source of funds," supplanting donations as efforts to stem such flows were increased.<sup>124</sup>
- Analysis by *The New York Times* in 2014 found two major ransom payments to AQAP: \$9 million in 2011 for three French nationals, paid by the French government,<sup>125</sup> and \$20.4 million in 2012-13, paid by Oman and Qatar, for four Europeans. Oman and Qatar act as intermediaries for European governments paying ransoms in Yemen.<sup>126</sup>
  - European countries have allegedly directly paid ransoms to AQAP. They have done so over the protestations of Yemeni government officials, who in 2014 said the ransom payments had revitalized the group, bringing it back from a financial crunch that had required AQAP militants to sell their guns. The ransom payments encouraged a group of "gunmen who essentially work on commission for al Qaeda," abducting foreigners in Yemen's capital, Sanaa. Ransoms probably are paid in cash, through negotiators acting as intermediaries with AQAP.<sup>127</sup>
- In 2014, according to then-Treasury Under Secretary for Terrorism and Financial Intelligence David Cohen, "AQAP used ransom money it received for the return of European hostages to finance its over \$20 million campaign to seize territory in Yemen between mid-2011 and mid-2012."<sup>128</sup>
- In early 2014, Yemeni officials told the UN that "around 30 per cent of kidnappings in Yemen were committed by AQAP."<sup>129</sup>
- Yemeni tribes sell individuals they kidnap to AQAP, "who demands ransoms in the millions of dollars to finance operations."<sup>130</sup>
  - As early as 2012, Yemeni tribes sold kidnapped foreigners to AQAP rather than ransom them on their own.<sup>131</sup>

## CASH FROM THE BANKING SYSTEM

*Unless more protections are taken against AQAP accessing the international banking system, the group will likely exploit Yemeni banks to access and move cash. This vulnerability was shown by the continued operation of some banks with connections to the international banking system when AQAP held Mukalla. Though Yemen has a minimal formal banking presence, AQAP will likely also continue to loot banks to pay for its governance and operations.*

- In 2011, AQAP forces looted the provincial bank in Zinjibar, netting the group a sum in the low millions of dollars.<sup>132</sup>
- The group robbed "a number of local banks and exchange companies, including the Agriculture Credit Bank and a branch of the National Bank," in August 2014.<sup>133</sup>
  - AQAP seized roughly \$92,000 from the agricultural bank in Mukalla in 2015.<sup>134</sup>
- AQAP looted roughly \$30 million worth of deposits from commercial banks in Mukalla in April 2015.<sup>135</sup>
- AQAP looted the Yemeni central bank branch in Mukalla in 2015, bringing in over \$61 million, according to a UN official, citing estimates given by several member states.<sup>136</sup> A U.S. airstrike destroyed up to \$42 million of the estimated \$61 million haul.<sup>137</sup>
- In 2016, the Camstoll Group reported that AQAP had looted millions more from "more than a dozen financial institutions in Yemen."<sup>138</sup>

## DONATIONS

*The sectarian nature of the fighting in Yemen has burnished AQAP's ability to tap donors across the Gulf. Donations to AQAP have consistently played a major role in the group's funding, and show no sign of diminishing.*

- An increased number of Saudi AQAP members from 2008-10 may have improved the group's ability to fundraise through foreign donations.<sup>139</sup>
- The U.S. State Department's 2015 Country Reports noted that "donations from like-minded" supporters were a historically consistent source of funding for AQAP.<sup>140</sup>

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- o Many of these donations are routed through Saudi Arabian charities.<sup>141</sup>
- In 2017, the UN noted that “AQAP continues to receive significant donations, including under the cover of charitable organizations.”<sup>142</sup>
- According to the Australian government, AQAP makes money from “donations collected in mosques,” as well as from donors in countries including Yemen and Saudi Arabia.<sup>143</sup>

## EXTERNAL ASSISTANCE

*As multiple parties vie for control in Yemen, AQAP is likely to continue to leverage the growing regional conflict to secure funding and resources. The group has ties to the Hadi government, and Saudi Arabia has allowed AQAP financiers to work unencumbered throughout its territory. AQAP has also benefitted from AQ’s wider network, with the group receiving arms and funds from other affiliates.*

- A 2010 letter from Osama bin Laden to AQIM directed the group’s leadership to provide funds to AQAP.<sup>144</sup>
- A confidential source with apparent access to the Yemeni security apparatus claimed that former President “Saleh paid [AQAP head Qassim] al-Raymi \$70 million” for a cover-up in which AQAP claimed false responsibility for a 2013 hospital attack that killed over 50 civilians.<sup>145</sup>
- A 2015 UN report stated that “Somali militants have regularly travelled to Yemen to fight alongside AQAP.”<sup>146</sup>
- Weapons from the Saudi-led coalition have inadvertently been transferred to AQAP when the groups have fought together.<sup>147</sup>
- Several political and military leaders closely linked to President Hadi have been sanctioned by the U.S. for providing financial assistance to AQAP,<sup>148</sup> including the governor of one of Yemen’s governorates whom the Treasury Department in 2016 stated had raised and transferred money to AQAP.<sup>149</sup>
- Saudi Arabia has repeatedly failed to prosecute individuals in its country who are raising money on behalf of AQAP. Indeed, individuals have appeared on Saudi state television and met with Saudi Arabia’s grand mufti after being sanctioned by the U.S.<sup>150</sup>

## EXPENDITURES

*AQAP has consistently used its funds to ingratiate itself with local communities, and will likely continue to do this as it attempts to build local support. While AQAP has moved away from providing direct governance, it still bankrolls social services and infrastructure development in areas it controls.*

- In addition to providing fighters, AQAP also sent arms to al-Shabaab in 2009-10.<sup>151</sup>
- After first seizing territory in 2011, AQAP’s local face, Ansar al-Sharia, “provided water, electricity, and food”<sup>152</sup> to areas under its control, paid for by AQAP.<sup>153</sup>
  - o The group provided *sharia*-based courts to maintain order,<sup>154</sup> as well as education and compensation for damage done by U.S. airstrikes.<sup>155</sup>
  - o AQAP’s administration of the territory it controlled in 2011-12 cost \$20 million per year. Most of this money came from war spoils and ransoms.<sup>156</sup>
- In 2011, AQAP provided compensation for civilians it killed, in one instance paying \$56,000 by check to the families of each of the four civilians it killed in an attempted robbery.<sup>157</sup>
- Community engagement efforts on behalf of AQAP since 2011 have included drilling and maintaining water wells, compensation to those killed in drone attacks, and “paying for those who need to travel for medical treatment.”<sup>158</sup>
- In 2012, AQAP sent “tens of thousands of dollars” to a terrorist network in Egypt.<sup>159</sup>
- The perpetrators of the January 2015 attack against Charlie Hebdo claim to have been funded by AQAP’s central administration. Though these allegations have not been confirmed, the attack likely only cost roughly \$30,000.<sup>160</sup>
  - o An AQAP publication estimated that \$4,200 was all the group would need to destroy a commercial U.S. aircraft.<sup>161</sup>
- Upon taking Mukalla in April 2015, AQAP provided a \$3.7 million<sup>162</sup> budget to the city council to provide governance.<sup>163</sup>
  - o AQAP did not directly rule Mukalla. The money provided went towards public salaries but did not include a mandate that AQAP run the city.<sup>164</sup>

# Al-Qaeda in the Arabian Peninsula: Financial Details

- AQAP provided “basic services, such as drinking water, electricity, and fuel;” according to the secretary general of the council that ran Mukalla, money for these services came from the looted central bank. AQAP’s forces paired with tribal militias to prevent looting or destruction of government property.<sup>165</sup>
- AQAP ran the Mukalla seaport, purchasing fuel and generators.<sup>166</sup>
- The group also helped distribute food, develop infrastructure, provide medical supplies, and put on community events.<sup>167</sup>
- In late 2015, AQAP established a religious police force that enforced *sharia* around Mukalla, the extent of its direct governance.<sup>168</sup>
- In late 2015, the group allegedly paid back income taxes to government workers, deeming the payroll taxes “un-Islamic.”<sup>169</sup>
- AQAP promised to reimburse families whose homes were damaged by the destruction of Sufi shrines around Mukalla in late 2015.<sup>170</sup>
- In 2016, senior fighters in AQAP could make \$1,100 a month, while most fighters made \$200 monthly.<sup>171</sup> Houthi fighters made \$200-\$300 per month on average, while Yemeni soldiers made just \$140-\$150.<sup>172</sup>
  - In 2012, AQAP recruited “with the promise of a new rifle, a new car, and salaries as high as \$400 per month.” It also provided public goods and assistance at the tribal level, to communities rather than individuals, as a way of developing a network of affiliated tribes.<sup>173</sup>
- AQAP’s media office, al-Malahem Media Foundation, produces videos, reports, and magazines as propaganda for the group’s activities.<sup>174</sup>

AQAP’s funding is highly contingent on its battlefield successes. If the group recaptures Mukalla or other major ports, or major oil infrastructure, it stands to benefit from a large, consistent revenue source. AQAP’s extensive war chest and deep roots of support across Yemen’s relatively ungoverned hinterlands provide an opportunity for the group to sustain itself and build local rapport for the foreseeable future. The group’s future territory gains will likely come under the auspices of a non-AQ organization to avoid international scrutiny and to broaden its popular support. The U.S. and its allies should expect a protracted, complex military campaign in Yemen to take place alongside peace talks pushing for a pluralistic government in Sanaa.



A Yemeni soldier stands guard on a beach in the city of Mukalla in southern Yemen April 22, 2017.

Credit: REUTERS/Aziz El Yaakoubi

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