

Opium Production and Countering Terrorism Financing in Afghanistan: Learning from Thailand's Royal Projects

Neo Wee Na

Institutionalisation of Sufi Islam after 9/11 and the rise of Barelvi Extremism in Pakistan

Muhammad Suleman

Terrorism Financing in Foreign Conflict Zones

Gregory Rose



The Enduring Terror Threat in the Afghanistan-Pakistan Region

In recent weeks, the situation in Afghanistan has rapidly deteriorated as the Afghan Taliban and the Islamic State of Khurasan (ISK) unleashed their acts of terrorism in different parts of the country. The recent wave of violence in the war-torn country is a grim reminder of the enduring character of the terrorist threat and the counter-productive nature of militarised approaches to counter-terrorism. This drives home the point that a viable solution of the war in Afghanistan lies in political termination of the conflict. As long as the conflict simmers, terrorist groups like Al-Qaeda, ISK and the Afghan Taliban, among others, will find ungoverned spaces to survive and exploit the public resentment to their benefit.

Alarmingly, some foreign fighters from Iraq and Syria are now making their way to Afghanistan after the defeat of the Islamic State (IS) terrorist group. The presence of French, Moroccan, Chechen, British and Uighur militants affiliated with IS has been witnessed in Afghanistan. This will generate a heated inter-group competition between the Taliban and ISK for possession of resources, new recruits and fighters, and monopoly over the ideological narrative of jihadism that could negatively affect the already abysmal security situation in Afghanistan. Resultantly, the violence is likely to increase in Afghanistan ahead of the fast approaching fighting season in the summer.

The wave of high profile attacks by the Afghan Taliban, mostly in the urban centre, is a bid to demonstrate that they, not the ISK, are in charge of the insurgency in Afghanistan and they can strike anyone, anywhere and at any

time. The spate of attacks could possibly be in reprisal to US President Donald Trump's new Afghan policy which has hinted at stepping up the war efforts in Afghanistan to reverse the war momentum prior to exploring a political solution. In recent weeks, the US has stepped up its airstrikes against the Afghan Taliban in different parts of Afghanistan. The upsurge of violence in Afghanistan could possibly also be in retaliation to the resumption of drone strikes against the Haqqani Network in the Afghanistan-Pakistan tribal region.

Coupled with this is the booming opium production in Afghanistan, which has financed the Taliban insurgency and enabled it to continue indefinitely. The failure to break the supply-demand nexus and encourage the farmers to cultivate alternative crops has left them with no choice but to grow opium. Corruption, lack of technical expertise and resources and absence of government's writ in the rural areas of Afghanistan, where much of the opium grows, have also hampered efforts to eradicate drugs. Disrupting and dismantling the financial sources of the Afghan Taliban are as important to reverse the war momentum as dismantling their overseas sanctuaries. These urgent issues are discussed at length by **Neo Wee Na** in her article on the insurgency-narcotics nexus vis-à-vis Afghanistan, and how Afghanistan could learn from Thailand's success in arresting drug dealers and providing alternative livelihood to the farmers and simultaneously isolate the terrorists and drain their financial sources.

The rise of extremist groups in neighbouring Pakistan is an equally troubling development. **Muhammad Suleman** describes how the rise

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The Enduring Terror Threat in the Afghanistan-Pakistan Region

of Barelvi extremist groups on Pakistan's political landscape in recent years has pushed the nuclear-armed Muslim nation further into the abyss of religious extremism. The state's naïve promotion of Sufi Islam against Deobandi and Wahhabi groups - mainly blamed for promoting jihadism and militancy in Pakistan -- without thinking through the ideological fallout of such policies has proved to be counterproductive. Pakistan's best bet to overcome the violent-extremist threat lies in promoting the rule of law and liberal-democratic values as enshrined in the country's constitution.

This issue also discusses the utilisation of local charities to finance terrorism in foreign conflict zones. On one hand, specific charities in parts of the Middle East have been designated as terrorist organisations. On the other hand, international charitable organisations have provided funds to Hamas in Gaza and the Maute clan in the Philippines. **Gregory Rose** suggests the introduction of risk assessment from intelligence agencies, sharing of information on suspicious transactions, and public transparency and accountability systems, as a few possible policy responses to prevent charities from becoming a source of financing for terrorist organisations, within and beyond Australia.

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Opium Production and Countering Terrorism Financing in Afghanistan: Lessons from Thailand's Royal Projects

Neo Wee Na

The opium production in Afghanistan, which has sharply risen in recent years, has bankrolled the Taliban-led insurgency in the country and undermined the international community's efforts to overcome this problem. Thailand's anti-drug efforts may offer possible lessons for Afghanistan on drug eradication. Thailand focused on providing alternative livelihoods to entice poppy farmers to collaborate with the government in drug eradication. Through the Thai Royal Development Project, the government provided facilities and support for farmers to gain economic independence and break their dependency on Communist insurgents. Joint collaboration enabled Thailand to resolve its drug cultivation problem when forced drug eradication was unsuccessful. Even though Afghanistan and Thailand faced different circumstances, the country can learn from Thailand's experience and tackle opium production by farmers and manipulation by the Taliban by ensuring the economic and personal security of farmers.

Introduction

The United Nations (UN) reported that Afghanistan has potentially produced 9,000 tonnes of opium in 2017.¹ Since 9/11, the Taliban have earned profits amounting to US\$400 million per year from opium.² Overall, major areas with poppy cultivated land are within territories controlled or contested by the Taliban. These include the Helmand, Kandahar, Faryab, Uruzgan,

¹ United Nations Office On Drugs And Crime, Country Office Afghanistan, "United Nations Office On Drugs And Crime, Country Office Kabul: UNODC, 2017, https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghanistan_opium_survey_2017_cultivation_production.pdf, p. 6,

² Adam Wunische, "Legalizing Opium won't work for Afghanistan", *The Diplomat*, January 5, 2017, <https://thediplomat.com/2017/01/legalizing-opium-wont-work-for-afghanistan/>.

Nangarhar, and Ghazni³ provinces.⁴ The Taliban are dependent on poppy cultivation for funds due to the increased regulations on terrorism finance since 9/11. As such, there is a nexus between drug dealers and the Taliban insurgents that ensures high profits for the dealers and uninterrupted funds for the insurgents. By destroying the physical production of poppy and interdicting drugs, the Afghan government can break this drug-terror nexus, which is critical to curbing terrorism financing and eventually weakening the insurgency in Afghanistan.

The New York Times referred to Helmand province as a narco-state administered directly by corrupt government officials. Officials have also imposed taxes on poppy farmers similar to the Taliban taxation on areas under their control.⁵ This has been another catalyst for the steady increase in narcotics in Afghanistan in addition to the narco-terror nexus. As such, a crackdown on corrupt government officials could weaken their links with poppy farmers.

Opium Cultivation in Afghanistan

The opium economy is believed to make up 16% of Afghanistan's gross domestic product (GDP) while other agricultural products, that constitute the main source of Afghanistan's

³ Ghazni lost its 'poppy-free' status in 2017.

⁴ United Nations Office On Drugs And Crime, Country Office Afghanistan, "Afghanistan Opium Survey 2017: Cultivation and Production," *UNODC research* https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghanistan_opium_survey_2017_cultivation_production.pdf, p. 6.; Special Inspector General for Afghanistan Reconstruction, *stan_opium_survey_2017_cultivation_production* "Testimony Before the United States Congress", October 30, 2017, <https://www.sigar.mil/pdf/quarterlyreports/2017-10-30qr.pdf>.

⁵ Azam Ahmed, "Tasked With Combating Opium, Afghan Officials Profit From It", *The New York Times*, February 15, 2016, <https://www.nytimes.com/2016/02/16/world/asia/afghanistan-opium-heroin-taliban-helmand.html>.

GDP, are around 22%.⁶ In 2016, the net value of opium-related activities was US\$2.9 billion, and farmers earned roughly US\$900 million. According to a poppy farmer in Afghanistan, he relied on poppy cultivation for 20 years and he knew the risk of growing illicit crops. But the profit of poppy is four times that of other crops, and his annual income is around US\$9,000 for 150 pounds of poppy.⁷

In 2018, there could be a possible surge in poppy cultivation and drug production as the Taliban continue to fund their operations. In the past two years, Taliban has depended heavily on narcotics as a major source of funding due to constraints in procuring funds abroad, particularly in the Middle East.⁸ Overall, opium cultivation involves four processes and the Taliban are involved in all four stages: Cultivation, processing of opium to heroin and morphine, transportation, and sale in the black market. The Taliban receive protection and transportation fee from poppy farmers, laboratory owners, traffickers, and a cut from the drug cartels for smuggling and selling the drugs to other parts of the world.⁹ Other than monetary benefits, Taliban earn political capital as the local population, who cultivate poppy, depend on them.¹⁰ Many farmers provide support to the insurgent group to ensure that they are in control and not the Afghan government because their lucrative opium business could be threatened once the government's writ is strengthened in areas of cultivation. As a result, the local

farms have made the environment friendly for the Taliban.

Thailand's Experience of Drug Eradication

Notwithstanding different dynamics and ground realities of poppy cultivation and drug production in Afghanistan and Thailand, the latter still offers some vital lessons to the former. Since the 1950s, Thailand has faced a similar problem when opium cultivation soared in the northern part of the country. Narcotics in Thailand made it a part of the infamous Golden Triangle, along with North-eastern Myanmar and North-western Laos. The region was fertile ground for opium cultivation as it was isolated in the mountainous terrain protected by communist insurgents. From the 1960s, Thailand focused on providing alternative agricultural produce and drug eradication to the opium farmers as an effort to fight communism. Acknowledging Thailand's success in overcoming the poppy problem, the United Nations Office on Drugs and Crimes (UNODC) declared the country as "poppy-free" in 2002.¹¹

The Royal Development Project, initiated by the late King Bhumibol Adulyadej, started in 1969.¹² It aimed at the sustainable development of Thailand's rural areas and offering alternative cultivation programmes to counter opium production. The Thai government set up study centres in different regions to study local conditions and model as the prototypes for that region. These study centres focused on the macro and micro aspects of agriculture. The Royal Development Project complemented the drug suppression and prevention policies of the Royal Thai Police Force, which was working with international organisations to stop smuggling and export of drugs to the international market. This disrupted the distribution chain led to a rehabilitation program for drug addicts in the country.¹³

⁶ Special Inspector General for Afghanistan Reconstruction, "October 30, 2017 Quarterly Report to the United States Congress", October 30, 2017, <https://www.sigar.mil/pdf/quarterlyreports/2017-10-30qr.pdf>, p. 183 & 198

⁷ "Afghan Farmers: Opium Is The Only Way To Make A Living", *National Public Radio*, November 14, 2013, <https://www.npr.org/sections/parallels/2013/11/14/245040114/afghan-farmers-opium-is-the-only-way-to-make-a-living>

⁸ Halimullah Kousary, the Head of Research and Legal Program Team Leader at the Centre for Conflict and Peace Studies (CAPS) based in Kabul, Afghanistan, Interview, January 4, 2018.

⁹ Gretchen Peters, "How Opium Profits the Taliban," *Peaceworks*, no. 62, August 2009, https://www.usip.org/sites/default/files/resources/taliban_opium_1.pdf

¹⁰ Halimullah Kousary, the Head of Research and Legal Program Team Leader at the Centre for Conflict and Peace Studies (CAPS) based in Kabul, Afghanistan, Interview, January 4, 2018.

¹¹ James Windle, "Security Trumps Drug Control: How Securitization Explains Drug Policy Paradoxes in Thailand and Vietnam" *Drugs: Education, Prevention and Policy* 23, no. 4 (2016), p. 348.

¹² *Ibid*, "Security Trumps Drug Control: How Securitization Explains Drug Policy Paradoxes in Thailand and Vietnam", p.348

¹³ Sutham Cheurprakobkit, "The Drug Situation in Thailand: The Role of Government and the Police," *Drug & Alcohol Review* 19, no. 1 (2000): 19-25.

Village-Government Partnership

After producing successful prototypes, the study centres imparted agricultural training to the local farmers using simple tools such as hoe and spade. They avoided the use of machinery or complicated technology in the early stages of development.¹⁴ Instead, the study centres focused on training the farmers to be self-reliant by gaining strength and security in their occupations, communities and families.

Simultaneously, the Thai security forces focused on the eradication of poppy cultivation and drug rings in the country. The success in the eradication of opium cultivation was often the result of a joint collaboration between the villagers and the government. The Thai government learnt in the 1960s that forced eradication is not a viable solution and leads to resentment from the local population and increase in poverty. In the case of Afghanistan, joint collaboration has remained elusive as villagers are not willing to partner with the government.¹⁵ The main reasons are the huge profits from poppy cultivation and difficulties with cultivating other crops. The infertile land and dry weather make it hard to grow profitable agriculture products. Secondly, the farmers are financially incapable to obtain fertilisers and having access to the seeds of crops like wheat and corn. In comparison, the poppy plants grow fast in harsh environments without fertilizers and water. These factors point toward the necessity of the Afghan government to facilitate the growth of licit crops. The government needs to build facilities similar to Thailand's study centres to learn more about the environment and equip the farmers with the agricultural expertise and resources to discourage poppy cultivation and encourage them to adopt alternative livelihoods. The government should focus both on socio-economic growth and strategic measures against the Taliban simultaneously instead of prioritising the latter above the first. The strategic measures could be militarised efforts against drug

¹⁴ "The philosophy of sufficiency economy: the greatest gift from the King", *Bangkok: Office of the Royal Development Projects Board*, 2015

¹⁵ Halimullah Kousary, the Head of Research and Legal Program Team Leader at the Centre for Conflict and Peace Studies (CAPS) based in Kabul, Afghanistan, Interview, January 4, 2018.

dealers and arms-traffickers as well as international cooperation and collaboration to arrest cross-border drug syndicates by sharing intelligence.

The Royal Thai Army and Border Patrol Police suppressed arms-related trafficking by seizing insurgents' explosives and arms, weakening their capability to provide security to poppy farmers, thus breaking the nexus between the insurgents and farmers, and cutting their finances. The security forces worked with international organisations like the Foreign Anti-Narcotics Community (FANC) and the United States (US) through intelligence sharing to stop drug trafficking. Operation Tiger Trap is an example of a successful US-Thai collaboration.¹⁶ On 27 November 1994, 11 major drug traffickers were arrested and extradited to the US to face charges.

Lessons from Thai Experience

The major difference between Afghanistan and Thailand is the territorial control over the poppy cultivation area. Even though Thailand faced insurgents when implementing the anti-drug policies, the Thai government controlled the country's northern region. However, Afghanistan has significant drug cultivation areas that are under the Taliban control. Regardless of these differences, the Thai experience has some viable and relevant lessons for Afghanistan. One feasible option relates to decreasing the demand for drugs by targeting the drug cartels and arresting key drug traffickers. This will lead to a decrease in demand (drug dealers) and supply. The poppy farmers (suppliers) who are manipulated by the Taliban could be encouraged to go for alternative livelihood. Moreover, this will isolate the insurgents and drain their financial resources.

There is a need to invest and improve the military and narcotics capabilities of Afghan law enforcement agencies. Similar to the Mutual Legal Assistance Treaty (MLAT) between the UUS and Thailand, US has started training the Counter Narcotics Police of Afghanistan (CNPA) to counter powerful trafficking organisations. However, the CPNA lacks manpower, which is only 2,000 strong.

¹⁶ Sutham Cheurprakobkit, "The Drug Situation in Thailand: The Role of Government and the Police," *Drug & Alcohol Review* 19, no. 1 (2000): 20-1.

With half of the manpower based in Kabul, CPNA has to cover over three hundred thousand hectares of lands under poppy cultivation beyond the capital city.¹⁷ Equipping and increasing the number of counternarcotic police is therefore important.¹⁸ Like Thailand, Afghanistan also needs international support and collaboration. As Afghanistan produces 80% of the world's opium,¹⁹ intelligence exchange between countries is essential to arrest key drug traffickers and stop major drug trafficking.

Thailand was determined to suppress the narcotics problem as evidenced by the arrest of a former Parliament member in the Operations Tiger Trap in 1994. Thailand then amended its drug laws, criminalising the consumption and possession of drugs, and authorised asset freeze or confiscation of drug traffickers. As such, Thailand's counternarcotics policy objective was to reduce the drug offenses within Thailand and develop its socio-economy.

Steps to Counter Opium Cultivation and Terrorism Financing

First, there is a need for careful planning and negotiations with farmers to replace poppy cultivation with other high-value crops in the long-term without impacting their gains. The Thai government allowed the poppy farmers to continue growing poppy in the early stages of their alternative livelihood so that they would have essential income to support themselves, however, the security forces

¹⁷ Special Inspector General for Afghanistan Reconstruction, "Quarterly Report to the United States Congress", October 30, 2017, <https://www.sigar.mil/pdf/quarterlyreports/2017-10-30qr.pdf>, p. 221; United Nations Office On Drugs And Crime, Country Office Afghanistan, "Afghanistan Opium Survey 2017: Cultivation and Production" *Kabul: UNODC*, 2017,

https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghanistan_opium_survey_2017_cultivation_production.pdf, p. 6

¹⁸ Halimullah Kousary, the Head of Research and Legal Program Team Leader at the Centre for Conflict and Peace Studies (CAPS) based in Kabul, Afghanistan, Interview, January 4, 2018.

¹⁹ Special Inspector General for Afghanistan Reconstruction, Quarterly report to the United States Congress, "October 30, 2017, <https://www.sigar.mil/pdf/quarterlyreports/2017-10-30qr.pdf>, p. 219

began the eradication exercise after a consensus date was negotiated.

Secondly, farmers need to understand that high-value licit perennial crops such as grapes, almond and pomegranates are more profitable and less risky than illicit crops like poppy.²⁰ Before the decades of conflicts, Afghanistan was a largely agricultural nation that produced 20% of the world's raisins and a major producer of pistachio and dried fruit in the 1960s to late 1970s.²¹ One of the major reasons farmers grow poppy is that little water is required. However, the labour cost of opium is ten times more than perennial crops²² and they have to pay monetary contributions, amounting to at least 10% of their poppy earnings, to the insurgents.²³ Just like any other crops, the profit of poppy cultivation is dependent on weather and the market demand. In the past, there was a decrease in opium production for a few years, due to the Taliban opium ban in 2001, crop failure in 2010 and a reduction in opium yield per hectare in 2014.²⁴ Therefore, the Afghan government should provide an irrigation system to help farmers grow high-

²⁰ Rainer Gonzalez Palau, "The Decision to Plant Poppies: Irrigation, Profits & Alternative Crops in Afghanistan." *The Civil-Military Fusion Centre*, August 2012, https://reliefweb.int/sites/reliefweb.int/files/resources/Full_Report_4263.pdf, p.5

²¹ Agriculture and Rural Development Unit, Sustainable Development Unit, South Asia Region, The World Bank, *Understanding Gender in Agricultural Value Chains: The Cases of Grapes/Raisins, Almonds and Saffron in Afghanistan*, 2011, <http://siteresources.worldbank.org/AFGHANIS/TANEXTN/Resources/305984-1326909014678/AFGenderValueChain.pdf>, p.1

²² Rainer Gonzalez Palau, "The Decision to Plant Poppies: Irrigation, Profits & Alternative Crops in Afghanistan" *The Civil-Military Fusion Centre*, August 2012, p.5 https://reliefweb.int/sites/reliefweb.int/files/resources/Full_Report_4263.pdf, p.5

²³ United Nations Office On Drugs And Crime, Country Office Afghanistan, "Afghanistan Opium Survey: 2015 Socio-Economic Analysis", *UNODC Research*, March 2016, https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghanistan_opium_survey_2015_socioeconomic.pdf, p.10

²⁴ United Nations Office On Drugs And Crime, Country Office Afghanistan, Country Office Afghanistan, *Paradoxes in Thailand and Vietnam*, https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghanistan_opium_survey_2015_socioeconomic.pdf, p.6 & 16

value perennial crops, and also facilitate access to the international market for their products.

According to the UNODC report, religious beliefs are a major incentive for farmers to discontinue cultivation of poppy, while the motivations for poppy cultivation are based on economic reasons.²⁵ Contrary to previous beliefs, the report also found that the overall household income between poppy farmers and non-poppy farmers was similar.²⁶ The Taliban banned opium cultivation when they were in power from 1996 to 2001 for religious reasons. However, the Islamist organisation has ironically overtly focused on poppy cultivation after it became an insurgent movement. There are more opium cultivated lands in the insurgents' controlled areas as compared to the regions controlled by the Afghan government.²⁷ This manipulation of the narcotics business could also be used to develop a counter-narrative against the Taliban.

As of November 2017, Afghanistan and the US have increased efforts to tackle narcotics trafficking. They conducted airstrikes targeting Taliban's drug laboratories and have destroyed eight labs in the northern Helmand region.²⁸ Afghanistan could learn from Thailand's success in arresting drug dealers and providing alternative livelihoods to the farmers and simultaneously isolating the terrorists and draining their financial sources. Afghanistan would also need international support to fund the economic projects as Thailand took over 30 years to successfully eradicate all opium cultivation.

In order to resolve the multi-faceted narcotics issue, Afghanistan needs to address all actors involved – poppy farmers, drug dealers, corrupt officials, and the masses in addition to the Taliban. In the insurgency-narcotics nexus vis-à-vis Afghanistan, the Afghan government should increase its efforts to counter the narcotics trade, especially against the drug traffickers and dealers to decrease the demand. On the other hand, there is a need to provide facilities such as development centres and

irrigation systems to encourage farmers to take up an alternative livelihood to reduce the supply. Together, it will be able to drain Taliban's financial sources, weaken its military strength and counter its ideology. However, effectively eliminating narcotics as Taliban's source of funding is a long-term process as the group controls large swaths of the country. The US could play a significant role in formulating related policies and providing financial assistance given its deep and ongoing involvement in the country.

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²⁵ UNODC, 43

²⁶ Ibid., 8

²⁷ Ibid., 47

²⁸ Ryan Browne, "US conducts airstrikes on Afghanistan opium labs," *CNN*, November 21 2017, <http://edition.cnn.com/2017/11/20/politics/us-afghanistan-airstrikes-drug-processing/index.html>.

Institutionalisation of Sufi Islam after 9/11 and the Rise of Barelvi Extremism in Pakistan

Muhammad Suleman

Extremism and terrorism in Pakistan have disrupted its social values and hampered its economic growth and tolerant religious ethos. To overcome these threats, then President General Pervez Musharraf promoted Sufi Islam in Pakistan as an antidote due to its flexible, tolerant and pluralistic nature. However, followers of Sufi Islam started growing violent over the issue of blasphemy law in 2010. This paper covers the period when Sufi Islam in Pakistan was considered essential to counter violent-extremism and examines the causes of growing radicalisation among its clerics and followers.

Introduction

Pakistan has been facing the twin threats of extremism and terrorism over the last three to four decades, disrupting the country's economic growth and damaging its social fabric. In the 1980s, Pakistan, the United States (US) and Saudi Arabia supported the Afghan *Mujahideen* to battle forces of the former Soviet Union in the country. Muslim fighters from across the Muslim world gathered in Afghanistan to join the fight. After the Soviet withdrawal from Afghanistan in 1988-89, the US withdrew from Afghanistan without satisfactorily terminating the conflict and installing a stable post-Soviet political order. Nonetheless, Pakistan, Saudi Arabia and some other Arab countries maintained contacts with the Afghan *mujahideen* groups, where a few of them turned towards global jihadism, threatening regional and global peace.

After joining forces with the US against terrorism, General Musharraf took several measures to counter extremism in Pakistan, including the institutionalisation of Sufi Islam, which is followed by the Barelvi school of thought. Barelvis are considered to be more inclusive and pluralistic than other Muslim

sects in Pakistan. Sufi Islam was promoted to counter the influence of Wahhabi and Deobandi schools of thought, which some suspect sowed the seeds of extremism in Pakistani society.

The Barelvi-Deobandi Divide

Although exact figures of sectarian demographics in Pakistan are unavailable, it is estimated that the Barelvis are considered as the majority, constituting more than 50 percent of the country's total population. The remaining 50 percent include Deobandis (25 percent), Shias (15-20 percent) and the Ahl-e-Hadith (5 percent).¹ Both Deobandis and Barelvis belong to Fiqqah-e-Hanfia (the Hanafist school of thought). However, the ideological split between both schools started during the British colonial rule in the Indian subcontinent.

The Deobandi school of thought is named after the famous Madarssah 'Dar-ul-Aloom Deoband,' which was established in India in 1861 in the town of Deoband to promote 'authentic' values of Islam. The Deobandis started to work towards the purification of Islam in the Indian subcontinent by excluding local values, which they consider to have diluted Islam. They criticised the indigenous shrine culture, the *piri-muridi* (saint-follower bond) system and termed it *bida'at* (impurity and unlawful addition to Islam). In response, the Barelvi school of thought emerged under the Sufi cleric Ahmad Raza Khan Barelvi (1856-1921).

¹ Martina Schrott, "Muslim Sects", in *Pakistan: Challenges and Perspectives*, ed. Wolf Gang, Mathias Vogl and Peter Webinger, (Vienna: Austrian Federal Ministry of Interior, 2014), 138 [http://www.bfa.gv.at/files/broschueren/Buch%20komplett%20\(Onlineversion\)%206.23MB.pdf](http://www.bfa.gv.at/files/broschueren/Buch%20komplett%20(Onlineversion)%206.23MB.pdf)

Historically in Pakistan, both the Barelvi and Deobandi sects have countered each other's ideological outlooks, worldviews and influence. More recently, their disagreements have degenerated into violent clashes for control of mosques, particularly in Karachi, as well as to increase their social and political influence. Barelvis claim they should have a greater share in the country's power structure, as they are the majority.² However, the Barelvis are internally divided, as various Barelvi party factions differ with each other over ideological and political issues.³

Assimilation of Sufism into Pakistan's national framework

The Musharraf regime promoted Sufi Islam as a counterweight to extremism, with various political leaders as well as state officials issuing statements to propagate Sufism as the 'real face of Islam.' The government started patronising Sufism and empowered *pirs* (saints) and Barelvi clerics to ensure internal stability. At the same time, the Deobandi and Wahhabi interpretations of Islam were disparaged and described as rigged, Middle Eastern and ruinous to society.

In 2004, Musharraf announced his doctrine of "enlightened moderation" which stresses on the renunciation of violence and promotion of Islam's peaceful message enshrined in Sufism.⁴ Inspired by poet-philosopher Dr. Muhammad Iqbal's grandson Yousaf Salahudin, Musharraf established the National Council for the Promotion of Sufism (NCPS) in 2006. Its main objective was to promote Sufi philosophy and culture, especially Sufi's common values of tolerance and pluralism. In the same year, Musharraf inaugurated the National Council for Promoting Sufism on the birthday of Muhammad Iqbal at Lahore.

² Saqib Akbar, *Pakistan kay Deeni Masalik* (Pakistan's Muslim Creeds), 128.

³ Currently, the major Barelvi groups in Pakistan are: Sunni Tehreek (ST), Dawat-e-Islami (DI), Pakistan Awami Tehreek (PAT), Minahaj-ul-Quran, Ahle-e-Sunnat-wal-Jamat (Barelvi group), Jamiat-e-Ulemai Pakistan (JUP), Tehreek Labaik Ya Rasool Allah (TLYR), and Sunni Ittehad Council (SIC) etcetra.

⁴ Pervez Musharraf, "A Plea for Enlightened Moderation", *Washington Post*, June 1, 2004, <http://www.washingtonpost.com/wp-dyn/articles/A5081-2004May31.html> (accessed May 11, 2017).

To disseminate Sufism, the government focused on both the social and political front. At the social front, Sufi ideology was promoted through celebrations of *urs* (death commemorations of Sufi saints), promotion of spiritual poetry and Sufi music shows. At the political front, the pro-Sufi religious parties were brought into the political mainstream. These parties arranged processions throughout the country and openly condemned the Taliban and various other sectarian militant outfits in Pakistan.

During this period, Musharraf regularly visited Sufi shrines in Punjab and Sindh provinces terming them as the lands of Sufis. In addition, various government institutions including Pakistan Academy of Letters, Ministry of Culture, Ministry of Education, and Pakistan National Council of the Arts, organised seminars, conferences, workshops, literature festivals, and music and arts exhibitions to assist in spreading Sufism and the promotion of cultural values.⁵ The National Council for Promotion of Sufism stopped functioning after Musharraf resigned in 2008.

Role of Pakistan People's Party (PPP)

The Pakistan People's Party (PPP) which came into power in 2008 then continued the policy of promoting Sufism in Pakistan. The PPP government established the Sufi council with a new name 'Sufi Advisory Council' in 2009. The Council consisted of seven members, and it was dominated by the Barelvi political party Jamiat-e-Ulemai Pakistan (JUP).⁶ It is worth pointing out that during the PPP rule (2008-2013), then Prime Minister Yousaf Raza Gillani, Foreign Minister Shah Mahmood Qureshi and Minister for Religious Affairs Hamdi Saeed Kazmi were custodians of various Sufi shrines in Pakistan. They were very vocal

⁵ Alix Philippon, "A Sublime, Yet Disputed, Object Of Political Ideology? Sufism In Pakistan At The Crossroads" State And Nation-Building in *Pakistan: Beyond Islam and Security*, ed. Roger D. Long, Gurharpal Singh, Yunas Samad and Ian Talbot, (New York: Routledge, 2015).

⁶ Ahmad Hassan, "Sufi Advisory Council set up to fight extremism," *Dawn*, June 8, 2009, <https://www.dawn.com/news/469894/sufi-advisory-council-set-up-to-fight-extremism> (accessed May 1, 2017).

against the Taliban despite numerous threats to their lives.

Besides promoting Sufism, the PPP government also strengthened two Barelvi political parties, Sunni Tehreek (ST) and Sunni Ittehad Council (SIC) to counter extremist narratives in the country. In May 2009, then Foreign Minister Qureshi and shrine-custodian of the revered Sufi Saint Shah Rukn-e-Alim, while addressing the annual *urs* (death anniversary) ceremony said, “Sunni Tehreek has decided to play an active role in the fight against Talibanisation... We will not surrender to the forces that harm the interests of the country and distort the image of Islam... people of the country loved Islam but their Islam was totally different from the brand that troublemakers tried to impose at gunpoint.”⁷

Notwithstanding the potential of Sufi Islam to curb radicalism of various Deobandi and Wahhabi jihadist and political groups in Pakistan, its wholesale promotion raised concerns. Some experts warned against granting greater authority to pro-Sufi groups that may negatively impact society. For instance, Pakistani scholar Ayesha Siddiqi cautioned that “greater power not only enhanced the greed for more power but also resulted in corrupting of the Sufi order.”⁸ Others viewed the promotion of Sufism as “not a piece of good news”, describing it as yet another episode of politicising the religion that has already created many problems for the country.⁹

Symptoms of Extremism

The Barelvis have a history being involved in violent activities. During the 1990s, many Barelvi factions participated in the so-called Kashmir Jihad. Among the prominent organisations involved were the Sunni Jihad Council, Tehreek-e-Jihad Jammu Kashmir, Harkate Inqilab-e-Islami, Ababil Mujahideen,

⁷ “Anti-Terror Consensus Shaping Up: Qureshi,” *Dawn*, May 4, 2009, <https://www.dawn.com/news/856494> (accessed May 01, 2017).

⁸ Ayesha Siddiqi, “Faith Wars”, *Dawn*, February 14, 2009, <https://www.dawn.com/news/833136> (accessed May 2, 2017).

⁹ Ali Eteraz, “State-Sponsored Sufism”, *Foreign Policy*, June 10, 2009, <http://foreignpolicy.com/2009/06/10/state-sponsored-sufism/>, (accessed May 2, 2017).

Lashkar-e-Mustafa and Lashkar-e-Islam¹⁰. Following the ban on militant organisations by General Musharraf in 2002, the Barelvi militants returned from Kashmir and many of them joined Sunni Tehreek.

However, the dramatic shift towards extremism erupted in 2010 when the former Punjab Governor Salman Taseer supported a Christian woman, Asia Bibi, who was sentenced to death for the alleged blasphemy of Prophet Muhammad. In a TV interview, Taseer termed Article 295C of Pakistan’s Penal Code (PPC), the blasphemy law, as draconian and that many people exploited it to settle personal enmities. Following this, several Barelvi clerics issued *fatwas* (religious decree) against Taseer, arguing that he had committed blasphemy by criticising the blasphemy law and declared him *wajib-ul-qatal* (worthy of death).¹¹ The fallout of these *fatwas* was detrimental; Taseer was killed by his own bodyguard Mumtaz Qadri, a Punjab Police personnel in 2011. Qadri was also a follower of the Karachi based non-political Barelvi religious organisation Dawat-e-Islami, which is typically considered as a peaceful organisation. Later in the court, Mumtaz Qadri said that he is not linked to any extremist organisation. However, he admitted that he was “impressed” by the speeches of two Barelvi clerics, Mufti Qari Haneef Qureshi and Imtiaz Shah.¹²

The arrest of Mumtaz Qadri angered Barelvi religious parties, which started to stage rallies and processions in his support and against any expected amendments to the blasphemy law. Upon his execution in the Rawalpindi jail following the Supreme Court’s decision in 2016, there was an outpouring of public sympathy while different Barelvi groups iconized him as a hero and martyr.

¹⁰ Mubashir Akram, “The Emerging Brelvi Extremism”, *Daily Times*, July 31, 2017, <https://dailytimes.com.pk/123139/the-emerging-brelvi-extremism/> (accessed January 29, 2018).

¹¹ Salman Siddiqui, “Hardline Stance: Religious bloc condones murder,” *Express Tribune*, January 5, 2011, <https://tribune.com.pk/story/99313/hardline-stance-religious-bloc-condones-murder/> (accessed May 3, 2017).

¹² “Sermons Motivated Killer Of Governor Taseer,” *Dawn*, January 10, 2011, <https://www.dawn.com/news/597628/sermons-motivated-killer-of-governor-taseer> (accessed May 3, 2017).

After Qadri's execution, many Barelvi outfits emerged on Pakistan's political landscape. The groups include Tehreek Labaik Ya Rasool Allah (TLYR), a coalition of Sunni Tehreek, Fidayeen-i-Khatam-i-Nabuwat, Aalmi Tanzeem-e-Ahl-e-Sunat and Pakistan Ahle Sunnah wal Jamaat. Since then, TLYR has successfully held processions and rallies in different cities of the country opposing amendments to Article 295-C of the PPC, and demanded the death sentence for blasphemy convicts. The main slogan of TLYR is: "*Gustakh-e-Rasool ki aik saza, sar tan say juda*" (There is only one punishment for a blasphemer: beheading).

This development has left a deep impact on society by radicalising people on the issue of blasphemy. Under the garb of blasphemy, it had resulted in a dramatic rise in human rights abuses in 2016 and 2017. For instance, one of the disciples of TLYR's founder Maulvi Khadim Hussian Rizvi, Tanveer Qadri killed a member of the Ahmadiyya community over alleged blasphemy charges in Glasgow. Later, he released his audio messages where he admitted Rizvi as his mentor and the audio messages are played at TLYR processions regularly.¹³

In March 2016, Junaid Jamshed, the pop singer turned Deobandi cleric, was beaten by a Barelvi mob at the Islamabad International Airport over alleged blasphemy charges notwithstanding his public apology and plea for forgiveness. When he died in a plane crash in December 2016, the TLYR social media pages abused him posthumously, and attributed the accident to God punishing the blasphemer. TLYR members also warned and threatened Pakistan Tehreek-e-Insaf (PTI) Chairman Imran Khan for using inappropriate words about the Prophet due to a slip of the tongue.¹⁴ Imran immediately

¹³ "Asad Shah Murder: Killer Tanveer Ahmed Releases Prison Message," *BBC*, January 31, 2017, <http://www.bbc.com/news/uk-scotland-38815366> (accessed May 3, 2017).

¹⁴ Imran Khan Faces Blasphemy Allegations, To Be Declared "Kaafir" Unless He Publicly Apologizes: Religious Group Issues Serious Warning, *Daily Pakistan*, January 2, 2017, <https://en.dailypakistan.com.pk/headline/kufr-fatwa-to-be-issued-against-imran-khan-unless-he-publicly-apologizes-religious-group-issues-serious-warning/> (accessed May 15, 2017).

sought forgiveness from the Barelvi clerics and visited the Dawat-e-Islami headquarter in Karachi. A fatwa of *wajib-ulqatil* (deserving death) was also issued against Shaan Taseer, son of Salman Taseer, for supporting Asia Bibi.

The speeches by TLYR leaders that promote Barelvi extremism have resulted in a number of violent incidents where frenzied mobs have killed people under the pretext of blasphemy charges. Examples include the killing of a student of the Abdul Wali Khan University, Mashal Khan in Mardan in 2017, and the recent assassination of a college principal in Charsadda district by a student for being marked absent for participating in the TLYR sit-in. What is even more alarming is the fact that TLYR has registered itself as a political party with the Election Commission of Pakistan to participate in the 2018 general election. More worryingly, in recent by-elections, the party has ended up as a distant third, securing more votes than PPP and Jamaate Islami.

Narrative

Currently, TLYR is promoting its extremist narrative around two main issues: the blasphemy laws and the Ahmedi community. They are opposed to any potential reforms or amendments to the blasphemy laws of PPC's Sections 295 to 298, especially Section 295C. Second, they are openly targeting the Ahmedi community, which has been officially declared non-Muslim in 1974, by opposing their appointments at government posts and their religious activities.

At the Chehlum (40th day commemoration ceremony) of Mumtaz Qadri, TLYR leaders denounced the policies of the ruling PMLN and condemned former Pakistani military chief General (Retired) Raheel Sharif for not saving Qadri. The pamphlets and booklets distributed during the ceremony contained vitriolic narratives against the PMLN government and provided justification for the killing of blasphemers.

According to Barelvi clerics, blasphemers should be beheaded and that nobody has the authority to forgive a blasphemer other than the Prophet himself. Publications that provided historical examples of blasphemy incidents during the time of the Prophet were

widely distributed to justify the killing of Muslim and non-Muslim blasphemers.

Followers of the Barelvi school of thought consider themselves as Aashiq-e-Rasool (true lovers of the Prophet) and are prepared to go to any extent to safeguard his teachings. During Barelvi gatherings, various religious incidents and stories of killers of blasphemers are narrated to arouse public emotions.

Conclusion

The promotion of Sufi Islam to counter rising extremism and terrorism in Pakistan has deepened the sectarian divide. Inadequate attention was paid to the inherent fault lines within the Barelvi school of thought that inclined its followers toward extremism. The politicisation of religion to counter extremism by promoting one religious group (Barelvis) over the others (Deobandis and Wahhabis) is inherently risky, and has resulted in political resentment and opposition.

Diverse societies like Pakistan need a holistic approach and more pluralistic norms based on democratic and liberal values. In this context, the constitution of the country has the capacity to provide more flexibility and resilience to a heterogeneous society like Pakistan than one that implements a specific religious ideology or promotes a particular group.

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Terrorism Financing in Foreign Conflict Zones

Gregory Rose

The misuse of charities to finance terrorism can pose a risk to South East Asian regional security. Humanitarian aid that is delivered through local charitable delivery partners specifically to foreign conflict zones carries a high risk of subversion. Recently, allegations that Australian charitable funds were misused to support terrorism overseas have been in the news. This article discusses the Australian case and suggests situation-sensitive risk assessments and preventive measures to address this problem. In particular, a government can impose stricter accountability conditions to deter misuse of public funds it delivers to conflict zones abroad through humanitarian charities.

Range of Terrorism Costs

A major terrorist organisation may perpetrate large-scale attacks such as hijacking aircraft or firing missiles at civilian targets, each involving detailed preparation, skilled personnel, travel and organisational infrastructure. For instance, the four Al-Qaeda airliner attacks that targeted the US on 11 September 2001 were estimated to have cost up to US\$500,000.¹ A sustained insurgency that utilises terrorist tactics may involve thousands of combatants, support staff, weapons acquisition, training, personnel and equipment movements, accommodation, administration and logistics. As such, the cost of staging an attack within an insurgency is significant. An estimated US\$1.9 billion of funding was required to sustain the Islamic State in Iraq and Syria (ISIS) in 2014.² The need for such significant

funding can be a point of organisational vulnerability. In the war against ISIS, oil production facilities and other sources of finance in Iraq were strategically targeted to weaken the financial resources of the group. On 11 January 2016, the United States (US) bombed a bank in Mosul which destroyed millions of paper dollars of IS cash reserves.

Even medium-scale terrorist attacks, such as suicide bombings or explosive booby-traps, require technical expertise, acquisition of materials, recruitment and publicity strategies. Jemaah Islamiyah (JI) in Indonesia is known to have targeted and stolen from jewellery shops in order to finance part of the US\$74,000 cost of the October 2002 Bali bombings.³ In comparison, the London subway bombings perpetrated on 7 July 2005 are estimated to have cost less than US\$15,000. However, that cost should not be determined in terms of operations and equipment alone, as the terrorist attacks were only a part of the group's wider and more extensive infrastructure.⁴

Lastly, lone wolf attacks and operations represent low-scale terrorist attacks. These smaller attacks, which include targeting civilians with knives or cars, do not require significant technical expertise and knowledge. Although lesser funds are required, lone wolf attackers still need an institutional support system that encourages, publicises and rewards them for their actions. For example, the Palestinian Authority stipends

King's College London, 2017, <http://icsr.info/wp-content/uploads/2017/02/ICSR-Report-Caliphate-in-Degate-An-Estimate-of-Islamic-States-Financial-Fortunes.pdf> (accessed December 31, 2017).

³ Thomas Biersteker and Sue Eckert, *Countering the Financing of Terrorism*, 142. United Kingdom: Routledge 2007.

⁴ Nicholas Ryder, "Conclusions and Recommendations." In *The Financial War on Terrorism: A Review of Counterterrorism Financing Strategies since 2001*, 124. United Kingdom: Routledge, 2015.

¹ Nicholas Ryder, "Conclusions and Recommendations." In *The Financial War on Terrorism: A Review of Counterterrorism Financing Strategies since 2001*, 173-183. United Kingdom: Routledge, 2015.

² Stefan Heissner, Peter R. Neumann, John Holland-McCowan, and Rajan Basrah, "Caliphate in Decline: An Estimate of Islamic State's Financial Resources International Centre for the Study of Radicalisation",

to the families of convicts and ‘martyrs’ who have committed terrorist acts, are estimated to cost over US\$300 million per annum.⁵

Ways to Finance Terrorism

The interconnections between transnational organised crime and transnational terrorism financing are increasingly evident. The diverse sources of financing often vary with the agenda and size of the terrorist organisation and its operations. Terrorist organisations that control substantial territory such as ISIS, Hezbollah, Hamas, Boko Haram and Al-Shabaab constantly require increasing financial resources to expand and sustain their operations. These groups own ‘legitimate’ businesses, impose taxes and receive sizeable foreign private donations. In addition, foreign state sponsorship is a long-standing source of finance for major terrorist organisations. In this respect, the US State Department annual country report on terrorism has identified Iran as the leading state sponsor of terrorism.⁶

Terrorist organisations are criminal enterprises capable of conducting diversified illegal activities. These activities are often of a transnational nature, and include smuggling, drug trafficking, human trafficking, wildlife poaching, coercive contributions, credit fraud, counterfeit goods and embezzlement of charity funds or corporate profits. For instance, it is well documented that Hezbollah conducts drug trafficking in Lebanon and Latin America, smuggles cigarettes in the US, and counterfeits foreign

currency in Lebanon.⁷ While Al-Shabaab kidnaps foreign merchant shipping crews on the Indian Ocean for ransom and poaches elephants to sell ivory in parts of Asia, Boko Haram smuggles ‘conflict diamonds’ from and extorts governors in West Africa. In addition, the Abu Sayyaf Group (ASG) makes revenue through kidnapping foreigners and demanding ransom.⁸

Terrorist organisations that incur high costs are particularly vulnerable due to their strong reliance on financing. The mix of financial sources varies to suit the targets, modus operandi and scale of terrorism operations. This article will examine the utilisation of international charitable funds as a major source of terrorism financing, specifically from an Australian perspective.

Charitable Sources of Terrorism Funding

Momentum to suppress terrorism funding increased after the 1998 Al-Qaeda bombings that targeted the US embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania. The *International Convention for the Suppression of the Financing of Terrorism* was adopted shortly after in 1999. Ratifications increased in number after the Al-Qaeda attacks on the US on 11 September 2001. Shortly afterwards, the Financial War on Terrorism which was launched under United Nations Security Council Resolution 1373 called for the freezing of terrorist assets and prohibited making funds, assets, resources or financial services available to listed terrorists.

In October 2001, the Organisation of Economic Co-operation and Development Financial Action Task Force (FATF), which aims to combat money laundering by organised crime, adopted eight Special Recommendations to detect, prevent and suppress the financing of terrorism and terrorist acts. One additional recommendation that was adopted in 2003 marked nine Special Recommendations that were added to the original 40

⁵ Patricia Zengerle “House passes measure to limit aid to Palestinians over ‘martyr payments’” *Reuters*, December 6, 2017, <https://www.reuters.com/article/us-usa-congress-palestinians/house-passes-measure-to-limit-aid-to-palestinians-over-martyr-payments-idUSKBN1E001U> (accessed December 31, 2017). Yossi Kuperwasser *Incentivizing Terrorism: Palestinian Authority Allocations to Terrorists and their Families* Jerusalem Centre for Public Affairs 2017, <http://jcpa.org/paying-salaries-terrorists-contradicts-palestinian-vows-peaceful-intentions/> (accessed December 31, 2017).

⁶ See Nicole Gaouette, “Iran Remains Top Terror Sponsor as Global Attacks Decline”, *CNN*, July 19, 2017, <http://edition.cnn.com/2017/07/19/politics/state-country-terror-report/index.html> (accessed December 31, 2017).

⁷ Matthew Levitt, *Hezbollah: The Global Footprint of Lebanon’s Part of God*, 104, 117, 156-157, 274. Georgetown: University Press, 2015.

⁸ Jim Gomez, “Abu Sayyaf Got \$7.3 Million From Kidnappings,” *Philippine Daily Inquirer*, October 27, 2016, <http://newsinfo.inquirer.net/835021/abu-sayyaf-got-7-3-million-from-kidnappings#ixzz54QIDQJGx> (accessed December 31, 2017).

recommendations for the prevention of money laundering adopted in 1989. The 40+9 Recommendations were then integrated together, revised and renumbered in 2012. Recommendation 8 concerns terrorism financing by charities and non-profit organisations. It requires that FATF countries review the adequacy of their respective laws and regulations that relate to non-profit entities that can be abused to finance terrorism.⁹

Zakat, or Islamic charitable giving, is particularly vulnerable to abuse. Social welfare and funds for 'jihadi resistance' merge in some recipient organisations and can be indistinguishable to donors. Examples of charities around the world being subverted to finance terrorism in other countries include the Holy Land Foundation in the US,¹⁰ ISNA-Islamic Services in Canada¹¹ and INTERPAL in the UK.¹² In addition, several charities that are based in the Middle East, such as the IHH Humanitarian Relief Foundation in Turkey and Union for Good in Saudi Arabia, have been listed in some other jurisdictions, including Germany, Israel and the US as terrorist financing organisations.

In February 2016, a terrorism financing risk assessment workshop for Thailand, Philippines and Malaysia identified four major

⁹ Financial Action Task Force, "International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation" *The FATF Recommendations*, updated November 2017, <http://www.fatf-gafi.org/media/fatf/documents/recommendations/pdfs/FATF%20Recommendations%202012.pdf> (accessed December 31, 2017).

¹⁰ "No Cash for Terror: Conviction Returned in Holy Land Cases", *Federal Bureau of Investigation*, November 25, 2008, <https://archives.fbi.gov/archives/news/stories/2008/november/hlf112508> (accessed December 31, 2017)

¹¹ Stewart Bell and Sean Craig, "Government Revokes Group's Charity Status, Audit Cites Possible Funding Of Pakistani Militants" *Global News Canada*, June, 19, 2017, <https://Globalnews.ca/News/3606224/Government-Revokes-Groups-Charity-status-audit-cites-pakistani-militants/> (accessed December 31, 2017).

¹² Alex Delmar-Morgan and Peter Osborne, "Why Is The Muslim Charity Interpal Being Blacklisted As A Terrorist Organisation", *The Telegraph*, November 26, 2014, <http://www.telegraph.co.uk/news/religion/11255294/Why-is-the-Muslim-charity-Interpal-being-blacklisted-as-a-terrorist-organisation.html> (accessed December 31, 2017).

risks of regional terrorism financing, which included the misuse of charitable funds.¹³ As a result of a growing concern in this sector, a regional terrorism financing risk assessment for non-profit organisations was conducted in 2017, which rated their risk as medium. Indonesia faces the highest risk, as there are 337,000 known charities, and inevitably some have links to terrorist organisations.¹⁴ Four Indonesian charities have been listed by the UN Security Council for targeted financial sanctions.¹⁵ Others have been identified on national lists, such as Mujahedeen Kompak (Indonesia), an organisation that channels disaster relief funds towards political violence.

Methods for using non-profit organisations to finance terrorism include setting up bogus charities for fundraising using social media and crowd funding, and siphoning off funds properly raised for social welfare to fuel politically violent acts. Another method is for personnel of bona fide non-profit organisations to exploit their positions to support terrorism by diverting funds and resources. These methods are more effective when the financial affairs of charities are less transparent, which is often the case. When the donors and the actual charity operations are located in different countries, jurisdictional separation obstructs administrative oversight mechanisms required for direct organisational accountability.

Case Study: Australian Charities Funding Terror

Between 2012 and 2017, the Australian government paid Habitat for Humanity AUD\$12.7 million (USD \$10.1 million) for a six-year development assistance project to build classrooms, science laboratories and school libraries in the Autonomous Region of Muslim Mindanao in the southern

¹³ Agus Santoso and Sylvia Laksmi, "Regional Terrorism Financing Framework: Southeast Asia and Australia", *Counter Terrorist Trends and Analysis 8* (2016): 21.

¹⁴ Non-Profit Organisations and Terrorism Financing – Regional Risk Assessment, *Commonwealth of Australia*, 2017, http://www.austrac.gov.au/sites/default/files/regional-NPO-risk-assessment-WEB-READY_ss.pdf (accessed 2017).

¹⁵ *Ibid.*

Philippines.¹⁶ However, Habitat for Humanity subcontracted the project to Alhayam Sultana Construction, which belonged to members of the Maute family clan that had publicly pledged allegiance to ISIS in 2014. The subcontract was terminated in late 2015 when Habitat for Humanity was sacked for underperforming. However, the Maute clan brothers who were responsible for the 2017 siege of Marawi city may have received millions of dollars through the sub-contracting.¹⁷

A recent Australian case further afield is the diversion of charitable funds from World Vision to Hamas in Gaza. World Vision is the largest charitable group in Australia with annual revenues exceeding AUD\$400 million.¹⁸ According to Israeli prosecutors, 60% of World Vision's annual operational budget funding in Gaza was diverted by its Gazan director to support Hamas. To facilitate diversion of funds over ten years, fictitious projects were created supposedly to help farmers, the disabled and fishermen. Methods like false registration of employees, fictitious receipts and inflated invoices, favouring complicit tenderers and disguising warehouse transfers were used.¹⁹ The funds financed the salaries of fighters in its al-Qassam Brigades,²⁰ as well as infrastructure, military weapons and salaries for officials. From 2013 to 2016, the Australian federal government had given away approximately

AUD\$5 million (US\$4 Million) to World Vision Australia for projects in the Gaza Strip.²¹

Australian Risk Assessment of Charitable Financing of Terrorism

In 2015, a FATF regional mutual evaluation process concluded that Australia was not compliant with Special Recommendation 8 on terrorism financing by non-profit organisations. This was because it had not conducted the required national review of the adequacy of laws and regulations to suppress terrorism financing in the charity sector. Consequently, Australia's first risk assessment on countering terror financing through charities and non-profit organisations was released in August 2017 by the Australian Transaction Reporting and Analysis Centre (AUSTRAC), the national financial intelligence agency, together with the Australian Charities and Not-for-Profits Commission (ACNC). The report of the national risk assessment of the charities and not-for-profit sector identified 'significant links' between Australian charities and organised crime, giving rise to a 'medium' risk. Between 2012 and 2016, there were 28 'suspicious matter reports' related to terrorism financing received by AUSTRAC that were worth AUD\$5.6 million.²² These involved charities that demonstrated a sectoral capacity to quickly raise and camouflage the movement of large amounts of funds offshore to support individuals or groups engaged in foreign conflict.²³

Established in 2013, the ACNC is a new national regulator, designed to 'maintain, protect and enhance public trust and confidence in the [Charities and Not-for-Profit] sector through increased accountability and transparency; [to] support

¹⁶ Amanda Hodge, "Ausaid Cash Went To Marawi Terrorist", *The Australian*, November 11, 2017 <http://www.theaustralian.com.au/national-affairs/foreign-affairs/ausaid-cash-went-to-marawi-terrorist/news-story/69136cb9d46649d7a2c069fa308ab45a> (accessed December 31, 2017).

¹⁷ Ibid.

¹⁸ World Vision Australia, "About Us", <https://www.worldvision.com.au/about-us/faqs> (accessed December 31, 2017).

¹⁹ Israel Ministry of Foreign Affairs, "Behind the Headlines: Hamas exploitation of World Vision in Gaza to support terrorism", August 4, 2016, <http://mfa.gov.il/MFA/ForeignPolicy/Issues/Pages/Behind-the-Headlines-Hamas-exploitation-of-World-Vision-in-Gaza-to-support-terrorism-4-August-2016.aspx> (accessed December 31, 2017).

²⁰ Sophie McNeil, "World Vision Employee Pleads Not Guilty to Funding Hamas in Gaza" *Australian Broadcasting Service*, February 3, 2017, <http://www.abc.net.au/news/2017-02-03/world-vision-employee-pleads-not-guilty-to-funding-hamas-in-gaza/8238000> (accessed December 31, 2017).

²¹ Sophie McNeil, "Israeli Judge Allows New Charges In World Vision Manager Accused Of Diverting Millions To Hamas", *Australian Broadcasting Service*, January 13, 2017, <http://www.abc.net.au/news/2017-01-13/israeli-judge-allows-new-charges-in-world-vision-manager-trial/8179950> (accessed December 31, 2017).

²² Non-Profit Organisations and Terrorism Financing – Regional Risk Assessment, *Commonwealth of Australia*, 2017, http://www.austrac.gov.au/sites/default/files/regional-NPO-risk-assessment-WEB-READY_ss.pdf (accessed 2017).

²³ Ibid.

and sustain a robust, vibrant, independent and innovative not-for-profit sector; and to promote the reduction of unnecessary regulatory obligations on the sector'.²⁴ The ACNC sets out record keeping standards for charities and has monitoring powers. However, whether a charity is audited typically depends on its size and not necessarily on its overseas activities. Additionally, there are no special requirements for Australian charities with operations overseas. Special additional requirements for monitoring external conduct of charities that operate overseas are provided for in the ACNC Act but no such standards have yet been specified in the regulations.²⁵

The risks of charitable funds being diverted into political violence are higher when they are disbursed overseas especially into areas of armed hostilities. Unfortunately, the ACNC does not yet specifically address risks of terrorism financing by Australian charities operating abroad. The AUSTRAC/ACNC 2017 Risk Assessment for Australian charities and non-profit organisations noted that these problems are currently being examined.

Managing the Risk of Charitable Financing of Terrorism

Australia recently took up a more active stance to counter terrorism financing in Southeast Asia, with implications for regional charities. On 22 November 2017, a new Counterterrorism Financing Working Group was announced to combat terrorism funding coming in to South East Asia from abroad and to prevent financial support from going to terrorist groups outside the region. The regional working group is co-led by AUSTRAC and the Philippines Anti-Money Laundering Council. In addition, it was announced in November 2017 that a new regional Counter ISIS Financing Group would be led by AUSTRAC. On 19 December 2017, the Australian government launched a

²⁴ "ACNC's Role", *Australian Charities and Not For Profits Commission*
https://www.acnc.gov.au/ACNC/About_ACNC/ACNC_role/ACNC/Edu/ACNC_role.aspx?TemplateType=P
 (accessed December 31, 2017).

²⁵ Australian Charities and Not-for-Profits Commission Act 2013, *Commonwealth of Australia*, SLI No. 124, 2013.

program funded by AUD\$50 million to increase its international presence through the AUSTRAC International Intelligence and Regulatory Framework. An annual South East Asian regional counter-terrorism financing summit had already been established as an international program and has held three meetings hitherto.

At the domestic level, amendments were introduced in 2017 to the Australian *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF). In the 2017 AUSTRAC regional risk assessment for non-profit organisations, virtual currency transfers were identified as high-risk for financing terrorism, as they are forms of value storage and transfer that are easy to use but difficult for authorities to monitor or detect misuse. For the first time the proposed AML/CTF reforms would regulate the emerging virtual currency exchange sector. The current regulatory regime applies to 'e-currency' backed by a physical value, but not to a digital currency such as Bitcoin, which is based only on a cryptographic algorithm. However, these amendments do not address charitable funding of terrorism directly.

Public Funding of Humanitarian Aid Abroad

Terrorism financing through charities often implicates governmental humanitarian aid or development assistance where charities are independent delivery partners. The Australian cases highlight questions for managing aid projects in conflict-prone environments: Should the risk management regime be more demanding in conflict zones? What are the due diligence obligations of local and overseas managers of charitable funds that may be diverted into terrorism? How should responsibility be distributed between governments, local charities and the arms of charities abroad? What risk management frameworks might be realistically possible and most efficient for operations overseas? How could they be designed to be robust in conflict zones?

In the Australian case of charities that operate abroad, the ACNC has not yet specifically addressed terrorism financing. In future, the ACNC will need to be more situation-sensitive in performing risk assessment and to apply more rigorous

preventive measures in higher risk categories. Due diligence requirements imposed on charities need to be calibrated especially to manage risks of terrorism support in overseas environments prone to armed conflict. The utilisation of security intelligence could be considered when the risk factors and the track records of individual Australian NGOs are assessed. The ACNC counterterrorism education and checklist programme could respond better to differences across operating environments overseas. External conduct standards referred to in section 10-50 of the ACNC Act could be elaborated in ACNC regulations and charities could provide greater public transparency for their overseas operations.

In order to address specifically the issue of public funds which are provided by government agencies to non-profit organisations, a set of mandatory conditions appropriate to humanitarian relief in conflict zones abroad should be instituted and followed. A broad specification of best practice measures could include: risk assessment inputs from national intelligence and international agencies; financial institution informational networking on suspicious transactions; enhanced technology applications for financial intelligence analysis; distinct regional risk management codes; charity due diligence performance agreements; self and third party reporting; independent monitoring and inspections; public transparency and accountability systems; public complaints reception and response mechanisms; adequate administrative and human resourcing; and the imposition of civil liability and criminal sanctions on culpable charities and individual officials.

Further Research on Counter Measures

The measures suggested above are a few of those available to suppress terrorism financing in the charities and non-profit sector within Australia and beyond. However, further research is needed to evaluate them. Case studies could focus on identifying existing gaps or weaknesses in managing governmental funds disbursed overseas into areas of armed hostilities that have previously resulted in diversion of those funds into political violence. Furthermore, they could clarify the practical dimensions of

these respective measures in terms of their efficiency, effectiveness and costs.

Since governments provide substantial amounts of humanitarian funds that can be diverted into terrorism through partnerships with charities operating overseas, regulations and policies to suppress and eliminate this perverse occurrence are necessary. Governments set the terms for the diligent management of the funds that they provide and can easily impose safeguards, even where management is subcontracted to charitable third parties operating in conflict zones abroad. Positive outcomes are urgently needed and readily available when governments control the purse strings.

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Submissions and Subscriptions

Counter Terrorist Trends and Analyses

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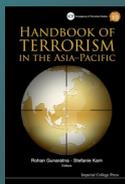
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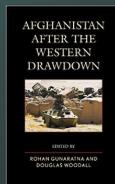


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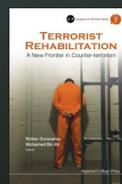
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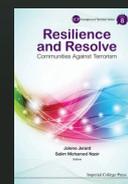
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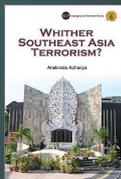
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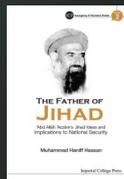
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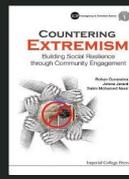
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