

# Al-Shabaab's Financial Fortitude: The Link between Funding Strategies and Organizational Resiliency

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## Abstract

Al-Shabaab poses a serious threat to regional stability and security. Its financial resilience is notable, as the group has maintained its operational capabilities despite increased global counter-terrorism efforts. The ongoing political instability in Somalia, combined with weak governance structures, has created an environment that allows the group to survive and adapt. Theoretical frameworks such as the Reach Theory, the Terror-Crime Nexus Model, and the Market Model provide important insights into Al-Shabaab's strategies. A critical factor in Al-Shabaab's effectiveness is its ability to diversify funding sources. The results of this research indicate that the organization's territorial control is the major source of its funding. A comprehensive understanding of Al-Shabaab's financial mechanisms is vital for informing policy decisions aimed at disrupting its funding networks.

## Keywords

Financial Fortitude, Strategies and Organizational Resiliency

## 1. Introduction

Harakat Al-Shabaab al-Mujaheddin, more commonly known as Al-Shabaab, is a violent, non-state armed group designated as a terrorist organization. (Mwangi, 2021). Al-Shabaab has a complex history intertwined with Somalia's political turmoil and weak state. Originating from the Islamic Courts Union (ICU) in 2004, the group has weathered external and internal pressures to become the premier militant organization in Somalia. Despite reduced external funding due to global counter-terrorism

measures, Al-Shabaab has demonstrated resilience by innovatively employing key financial management strategies that ensure its funds' accountability, transparency, and efficiency (Hiraal Institute, 2018). Moreover, it has leveraged control over critical territories in central and south Somalia, establishing a quasi-state governorship and generating revenue through taxation (Hiraal Institute, 2018). Consequently, the Somali government's counter-terrorism efforts have yielded little success due to the state's weakness and lack of capacity to end parallel economies.

## 2. Research Question

How do Al-Shabaab's various funding strategies impact the group's capacity to adapt and sustain operational resilience amid evolving internal and external counter-terrorism pressures?

## 3. Significance

This investigation is crucial for uncovering insights that can effectively inform long-term strategies to counter Al-Shabaab. Nimrod Raphaeli states that terrorism has a worldwide reach in terms of both its actions and sources of funding (Raphaeli, 2003). By examining the link between the group's funding strategies and organizational adaptability, the research can shed light on how the group sustains itself financially and operationally. In particular, the findings of this research can help the Somali government identify shortcomings in its current counter-terrorism financing efforts and develop a more effective approach. Understanding Al-Shabaab's finances can help Somalia exploit vulnerabilities in its funding sources and weaken its operational capacity. This can contain the terrorism menace in the Horn of Africa region, bringing stability and peace.

Further, Al-Shabaab extends its threat beyond Somalia, having launched attacks in neighboring countries like Kenya and Ethiopia, thereby amplifying regional security concerns. The group is notorious for its large-scale assaults, frequently employing tactics such as suicide bombers and improvised explosive devices (IEDs). As a key affiliate of al-Qaeda (AQ), Al-Shabaab could potentially serve as a funding source for the organization, aiding in the reconstruction of AQ networks across Africa and globally. Additionally, it may serve as a vector for regional terrorists seeking financial backing and training to promote radical Islamism within their respective nations. Moreover, the study will enhance academic knowledge by revealing how financial strategies boost terrorist groups' resilience, enriching terrorism literature with fresh insights.

## 4. Literature Review

These theoretical frameworks offer complementary perspectives on the adaptive strategies and funding mechanisms employed by terrorist organizations to navigate challenges and maintain operational resilience through the use of theoretical

frameworks.

#### 4.1. Reach Theory

The Reach Theory, developed by Ido Levy and Amira Yusuf, describes how terrorist organizations diversify their funding sources (Levy & Yusuf, 2021). This theory focuses on political analysis and explores how terrorist groups expand their reach and operational capabilities through key variables: territorial coverage, market access, public support, and network connections. By considering these key variables, the Reach Theory explains how terrorist organizations can increase their resources by expanding their influence geographically, tapping into different markets, gaining support from the public, and establishing strong network ties with other terrorist groups to aid in funding and resource sharing. Notably, territorial control can enhance terrorist groups' financing in three ways: extraction from the population through taxation, extraction from the territory through lootable resources such as oil or diamonds, and extraction from commerce through control of movement through checkpoints and critical ports.

The imperative for diversification in funding sources among terrorist organizations arises from the dwindling availability of external funding sources. Treverton et al. highlights that the end of the Cold War diminished countries' inclinations to finance insurgent groups as proxies in ideological conflicts (Treverton et al., 2009). Moreover, due to stricter standards and guidelines in the financial community after the 9/11 terrorist attack, state sponsorship of terrorism has decreased, as has philanthropic sponsorship of terrorism (Treverton et al., 2009). Jessica Davis further reinforces the scarcity of external funding by emphasizing the growing global awareness and cooperation in combating terrorist financing (Davis, 2020).

Due to the decrease in external funding, terrorist groups have broadened their financial reach through territorial coverage, strategically controlling key territories where governance is weak by mostly conducting taxation from the populace. The International Crisis Group warns that the failure of efficient governance in a nation can lead to persistent conflict, disorder, and poverty (International Crisis Group, 2012). Consequently, multiple armed groups may establish themselves and ensure security in various places (International Crisis Group, 2012). Ido and Yusuf suggest that terrorist groups can access increased funding through such territorial control (Levy & Yusuf, 2021). They demonstrate how terrorist entities levy taxes on local communities for services, charitable contributions, and protection, as well as charge passage fees on individuals moving through their territories (Levy & Yusuf, 2021). Similarly, Michael Freeman argues that the terrorists' ability to engage in extortion with impunity within their territories indicates a lack of allegiance to the state among the populace or skepticism regarding the state's ability to enforce control (Freeman & Ruehsen, 2013). He contends that while controlling critical territory through extortion does not signify complete popular support, it diminishes state authority, ultimately eroding the state's legitimacy (Freeman & Ruehsen, 2013). In a related context, Maza et al. illustrate how militant

groups engage in fishing activities, thereby asserting territorial dominance over water resources in a region, enabling them to generate income and assets through lawful means (Maza et al., 2020). Similarly, Dimitrios Stergiou posits that terrorist groups extract from key territories by operating in mines, manufacturing plants, and agricultural lands to generate revenue and exert economic influence (Stergiou, 2016). Stergiou exemplifies this phenomenon through the Islamic State of Iraq and Syria's (ISIS) seizure of pivotal assets like the Akashat Phosphate Mine and sulfur extraction facilities, which presented significant opportunities for economic profitability (Stergiou, 2016).

Terrorist organizations strategically utilize various markets to secure diverse funding sources. In support of this perspective, Steve Kiser's research demonstrates how terrorist groups leverage a variety of revenue streams, displaying creativity in fundraising through different avenues (Kiser, 2005). Kiser's findings also suggest a growing trend of terrorist organizations turning to online platforms for fundraising, utilizing tactics such as public computers, anonymous Internet Protocol (IP) addresses, and web-hosting services to evade detection (Kiser, 2005). The strategy's effectiveness lies in its global reach, anonymity, and technological evasion capabilities. Similarly, Baldwin highlights that contemporary terrorists can covertly acquire greater resources through the Internet and e-cash transactions than through traditional means (Baldwin, 2005). In further supporting the market access variable, Guzman highlights terrorist organizations' strategic utilization of free markets and international trade to fund their illicit activities (Pena-Guzman, 2008). By engaging in nefarious activities such as kidnapping and smuggling, these groups leverage free markets and globalization opportunities (Pena-Guzman, 2008).

Popular support also plays a crucial role in shaping terrorist organizations' diversified funding strategies. Schumann et al. highlight that public support for a militant group can manifest in symbolic or material forms. In his study, Zubrzycki underscores that terrorists can acquire legitimate financing through fundraising and individual donations (Zubrzycki, 2022). Financial facilitators are a crucial but indirect support mechanism for terrorist activities, operating independently of popular support. Baldwin underscores the indirect support provided by financial facilitators who aid terrorists in the movement and management of funds across borders (Zubrzycki, 2022). In exploring the motivation behind public support for terrorist organizations, especially within Muslim communities, Adrian Cherney reveals a combination of factors beyond religious beliefs that play a role in fostering support for terrorism (Cherney & Povey, 2013). Cherney's research challenges the beliefs indicating that well-educated individuals may support terrorism, suggesting that education does not always prevent extremism (Cherney & Povey, 2013). Furthermore, Cherney's research indicates that the traditional view of the influence of economic and political factors on terrorism support may not always hold as much weight as previously believed (Cherney & Povey, 2013).

Access to a network connection is essential for terrorist organizations to thrive

in their funding diversification strategies. The research by Ido and Yusuf exemplifies the Reach Theory, illustrating how terrorist groups forge alliances with external networks to secure additional funding (Levy & Yusuf, 2021). Furthermore, their study highlights the significance of strong relations between terrorist groups and established entities, like AQ and ISIS, in facilitating financial flows driven by shared ideologies and operational collaborations (Levy & Yusuf, 2021).

#### 4.2. Terror-Crime Nexus Theory

In addition to diversifying their funding streams, terrorists strategically forge network connections with organized crime syndicates or tribal smugglers to establish collaborative partnerships. These alliances allow terrorists to acquire new funding sources, access operational resources, and receive mutual protection. As a result, these factors synergistically bolster terrorist groups' resilience and operational capacity.

Scholars have observed a dynamic evolution in the relationship between terrorism and criminality, enabling terrorist groups to secure funds and support their operations. According to James Piazza and Scott Piazza, terrorist groups resort to criminal activities to fund their operations amid reduced state sponsorship and heightened counter-terrorism measures (Piazza & Piazza, 2020). The range of illicit activities pursued by these groups includes drug trafficking, extortion, kidnapping, and religious taxation (Piazza & Piazza, 2020). This strategic approach allows terrorists to acquire weaponry, compensate members, engage in bribery, and broaden their support networks (Piazza & Piazza, 2020). By bolstering financial autonomy and undermining state capacity, criminal activities create an environment conducive to terrorist operations, ultimately shifting the strategic advantage in their favor (Piazza & Piazza, 2020).

Further substantiating the model, Fletcher Baldwin, Jr. highlights how terrorists can acquire wealth through autonomous criminal activities, including drug trafficking and charity fraud (Baldwin, 2005). He further explains that this shift is a result of the decline of traditional fundraising sources, leading terrorists to engage in highly profitable illegal drug production and trafficking (Baldwin, 2005). He notes that drug trafficking has emerged as the most lucrative fundraising method for terrorists, with certain groups imposing taxes on drug traffickers for safe passage through territories under terrorist control (Baldwin, 2005). Scholars emphasize the importance of resources as the primary incentive for violent non-state actors to pursue criminal enterprises (Asal et al., 2019). In the study by Asal et al., some scholars challenge the prevailing notion that ideological motivations are the primary drivers of political insurgency (Asal et al., 2019). Instead, they propose that civil wars may originate from rebels seeking financial gains through involvement in illicit activities (Asal et al., 2019).

Waldemar Zubrzycki further highlights how the strategic collaboration between terrorist organizations and organized crime syndicates enhances the efficiency of their financial transactions (Zubrzycki, 2022). Zubrzycki underscores

how terrorists can harness the criminal acumen of organized crime to obfuscate the origins of illicit funds and seamlessly integrate them into the legitimate financial system (Zubrzycki, 2022). In their scholarly inquiry, Treverton et al. observe an increasingly complex relationship between terrorist groups and criminal syndicates (Treverton et al., 2009). Supporting the crime-terror nexus model, they posit that terrorist groups may strategically collaborate with criminal entities to further their goals (Treverton et al., 2009). These scholars also suggest that numerous fundamentalist terrorist groups rationalize their involvement in criminal activities through religious justification (Treverton et al., 2009). Similarly, Asal et al. contend that terrorists forming network ties with organized crime can facilitate criminal activities by exchanging knowledge and tangible benefits, leading to high profits and acceptable risks (Asal et al., 2019).

In support of the crime-terror nexus model, Steven Hutchinson and Peter O'Malley's research explores the debate on cooperation between terrorists and criminal groups. They propose that evolving terrorist financing fosters increased alliances between the two entities (Hutchinson & O'Malley, 2007). This signifies a shifting dynamic in terrorist financing, highlighting the potential for collaboration and mutual benefit. The same scholars further elaborate on the factors contributing to this transformation, including the impact of globalization, weak or failing states lacking the rule of law, economic hardships fostering conditions for criminal activities, the availability of small arms for trafficking, and porous international borders (Hutchinson & O'Malley, 2007).

Lastly, terrorist groups and criminal organizations derive mutual protection from their interconnected networks. Efstathios D. Mainas contends that these groups engage in collaborative efforts that afford them shared security benefits (Mainas, 2012). Mainas goes on to elaborate that these entities function within social analysis networks, employing a cell or cluster methodology (Mainas, 2012). This strategic approach entails the establishment of cells or clusters that collaborate to accomplish illicit goals while upholding compartmentalization and stringent security measures (Mainas, 2012).

### **4.3. Market Model Theory**

Aisha Ahmad's model suggests that terrorist organizations' provision of security is a key variable in reducing business transaction costs and facilitating trade and commerce. By offering reliable and cost-efficient security services, terrorist groups can effectively lower the risks associated with economic activities in conflict-affected regions. This mechanism enables businesses to operate more smoothly and allows terrorist organizations to extract payments from business owners in exchange for protection. Furthermore, the provision of security by terrorist groups leads to an expansion of their influence and control over economic activities in these regions.

Terrorist groups can exploit governance gaps to gain community support and secure funding in conflict-affected regions. Ahmad indicates that business owners

were compelled to pay warlords within their clan territories and along strategic trade routes, resembling a form of coercive taxation (Ahmad, 2017). However, the emergence of the ICU marked a significant shift in this landscape. She emphasizes that the ICU significantly reduced the security costs paid by the business community to warlords across clan boundaries (Ahmad, 2017). Consequently, the business community strategically aligned with the ICU, recognizing its potential to create a stable and law-abiding environment essential for its commercial activities (Ahmad, 2017). Conversely, the ICU garnered support by effectively lowering transaction costs, a pragmatic benefit that surpassed ideological appeal (Ahmad, 2017).

Llewellyn et al. provide additional evidence of the symbiotic relationship between terrorist organizations and the business community. They emphasize that businesses operating in areas under terrorist control prioritize security measures to safeguard their operations and workforce (Llewellyn & Nweke, 2020). The researchers point out that terrorists enforce taxes, security fees, and customs duties on businesses within their sphere of influence (Llewellyn & Nweke, 2020). Consequently, militant groups exploit economic activities such as the charcoal trade and taxation of the business sector to enhance their financial resources (Llewellyn & Nweke, 2020). This strategic approach enables the terrorists to expand their revenue base and secure funding for their operations. Therefore, the authors suggest that directing law enforcement resources toward investigating corporations engaged in business activities with terrorists could potentially be one of the most effective strategies.

## 5. Al-Shabaab's Funding Strategies

Al-Shabaab has demonstrated adept financial management practices with meticulous fund accountability. The group strategically cultivated popular support by leveraging anti-Ethiopian sentiment, leveraging diaspora contributions, and providing essential services to maintain this backing. Through its territorial control, Al-Shabaab effectively generated revenue by imposing taxes on strategic locations such as ports and markets. The group strategically diversified its market access, engaging in illicit trades like charcoal exports and sugar smuggling, supported by its connections to AQ. Businesses operating in Somalia are compelled to pay mandatory fees, and Al-Shabaab has manipulated the interpretation of Zakat for financial gain, deviating from traditional Islamic norms. Additionally, Al-Shabaab has independently involved itself in criminal activities to sustain its operations, with tribal elders playing a pivotal role in financial oversight.

Terrorist financing involves terrorists raising, moving, and managing funds, including storage, management, and obscurity (Davis, 2020). Groups armed with substantial war chests can carry out frequent attacks, demonstrating operational prowess and attracting new recruits (Clarke, 2018). This perceived power emboldens armed groups to plan and execute more audacious and impactful attacks (Clarke, 2018). Al-Shabaab sustains its operations through a variety of

funding sources, including revenues from transportation hubs, levies on commodities, taxes on local agricultural products, “jihad contributions,” income from transit points, and coercive tactics (Mwangi, 2012). The group maintains a structured financial framework that facilitates efficient resource allocation by the central leadership, fostering transparency and minimizing opportunities for corruption (Bacon, 2022).

Rooted in Sharia law, Al-Shabaab’s structured financial system encompasses tax collection departments, revenue generation strategies, and punitive measures to enforce compliance (Hiraal Institute, 2018). Al-Shabaab employs various methods, such as personal couriers, formal banks, hawala, Islamic charities, front businesses, online platforms, and mobile payment systems, for the transfer or movement of money (Levy & Yusuf, 2021). The rise of digital payment systems has made unregulated remittances easier but also more susceptible to misuse, particularly in Somalia, where digital payments have replaced cash usage. (Owuor, 2018).

### 5.1. Public Support

Following the Ethiopian military incursion into Somalia in December 2006, which led to the dissolution of the ICU, there was a marked shift in Somali nationalism, with Al-Shabaab emerging as a perceived symbol of resistance (Keatinge, 2014). The deep-rooted connection of the Somali diaspora to their homeland played a pivotal role in the country’s financial resources, including donations to Al-Shabaab (Keatinge, 2014). By focusing on expelling Ethiopian forces, Al-Shabaab gained legitimacy among ordinary Somalis, being perceived as liberation fighters, with support extending to Somalis abroad (Maszka, 2017). The leadership of Al-Shabaab, more focused on jihad, associated their extremist agenda with nationalist feelings, resulting in greater support across clans than would have been achievable without a shared adversary (Bacon, 2022).

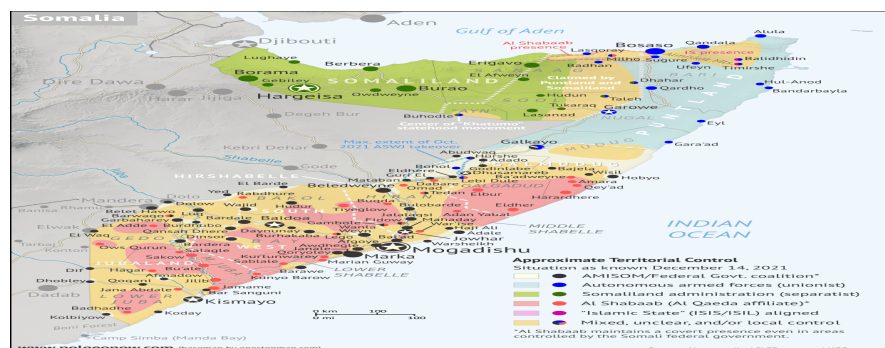
Al-Shabaab increasingly depended on financial support from Somali diaspora members and international backers linked to AQ to finance its activities (Wise, 2011). A significant share of the organization’s funding originated from the extensive Somali diaspora dispersed across Africa, the Middle East, and Western countries, including the United States (Wise, 2011). These contributions formed part of the larger diaspora remittance estimated at approximately 1 billion annually to Somalia; this served a dual purpose by not only sustaining extremist groups like Al-Shabaab but also addressing the broader community needs (Wise, 2011). These fundraising efforts were noteworthy and raised significant funds, such as online campaigns in August 2009 that raised up to \$40,000 from diaspora members (Wise, 2011).

During the formative years, Al-Shabaab cultivated widespread favor by providing essential services to local residents (Wise, 2011). The group strategically utilized Islamism as a political tool to secure community backing (Mwangi, 2012). Somali communities, particularly in the south, not only embraced Al-Shabaab in their towns but also contributed to Zakat to support the group’s jihad efforts

(Mwangi, 2012). Ultimately, the disintegration of the state in Somalia provided Al-Shabaab with openings to implement strategies focused on garnering community backing and legitimizing its presence (Mwangi, 2012). Tribal elders play a vital role in Al-Shabaab's financing by overseeing taxation, policing, fund transfers, and intelligence sharing. They leverage their community leadership to maintain order in controlled areas (Levy & Yusuf, 2021). Al-Shabaab supports cooperative clans, mediates clan conflicts, and provides financial aid (Levy & Yusuf, 2021).

## 5.2. Territorial Control

Al-Shabaab controls territories in southern, western, and central Somalia, mainly in regions like Middle and Lower Juba, Middle and Lower Shabelle, Hiran, Bay, Bakool, Galguduud, and Mudug, while also maintaining a limited presence in Puntland (Devorah & Zelin, 2024). **Figure 1** shows the approximate areas of control.



**Figure 1.** Approximate territorial control of Somalia as of December 14, 2021.

(<https://www.polgeonow.com/2021/12/who-controls-somalia-crisis-timeline.html>, Centanni & Djuki, 2024)

The acquisition of territory is a game-changer for a terrorist organization's financial landscape, significantly boosting its fund-generating capacity (Neumann, 2017). Consequently, terrorist groups move from relying on external support to establishing independent funding methods by exploiting regions with weak governance (Levy & Yusuf, 2021). Al-Shabaab benefits from significant territorial advantages and operates a well-structured and extensive financial system (Kisian-gani, 2022). With the authority to levy taxes on their population and collect fees from individuals in their territories, extremist organizations maintain financial control (Levy & Yusuf, 2021).

Al-Shabaab's financial strength heavily relies on taxing the territories it governs, generating a substantial portion of its funds from levies on land and goods in these areas (Dathan, 2017). With territorial control, Al-Shabaab set up decentralized Islamic governorates with offices for social affairs, finance, justice, and police (Hansen, 2013). Each governorate manages resources under central guidance from a Shura Council and centralized religious guidance (Hansen, 2013). The group diligently imposes taxes on individuals residing within their jurisdiction,

with even street vegetable vendors being compelled to pay protection fees (Dathan, 2017). According to a Somali intelligence officer, Al-Shabaab generated up to \$9.5 million in 2014 from levies imposed on farms in the Jubba Valley (Dathan, 2017). Relying on taxation as a crucial income stream, Al-Shabaab has demonstrated a tendency to maintain control over territories for extended periods, extending its influence into some regions in Kenya (Dathan, 2017). Al-Shabaab's territorial dominance facilitates the maintenance of a formidable financial network, posing a substantial obstacle to initiatives designed to disrupt their funding.

Al-Shabaab's territorial control, loss, and resurgence have undergone strategic evolution over time. By the middle of 2006, the ICU had secured a substantial portion of southern and central Somalia, including the strategic city of Mogadishu (Levy & Yusuf, 2021). As Al-Shabaab's influence grew, the exit of Ethiopian troops from Somalia in 2009 paved the way for its rapid territorial expansion (Hansen, 2013). By mid-2009, the group had asserted control over the majority of southern Somalia, bolstered by an estimated 5000 fighters (Hansen, 2013). The period from 2008 to 2011 marked Al-Shabaab's consolidation of territorial dominance, coinciding with a shift towards internal funding mechanisms (Levy & Yusuf, 2021). This shift enabled Al-Shabaab to implement a sophisticated taxation system that became a primary source of funding for its operations (Levy & Yusuf, 2021). By securing key territories, the group gained the ability to levy taxes on illicit trades, exploit markets, and access resources through illicit means beyond Somalia's borders (Levy & Yusuf, 2021). However, in August 2011, international forces supporting Somalia's TFG compelled Al-Shabaab to retreat from Mogadishu, resulting in the relinquishment of a significant portion of the territory acquired in 2009 (Hansen, 2013). Despite facing targeted leadership eliminations and extensive global counter-terrorism efforts, Al-Shabaab continues to maintain control over substantial regions in western, southern, and central Somalia (Sinkó & Besenyő, 2023).

The group derived significant income from the prosperous port cities of Baraawe and Kismayo, allowing for efficient exportation of goods and trade transactions (Sinkó & Besenyő, 2023). By seizing control of Kismayo, Al-Shabaab imposed taxes on goods entering the city and at various checkpoints, which is estimated to yield around \$1 million monthly (Wise, 2011). Charcoal emerged as a primary commodity exported by Al-Shabaab, with a 2012 United Nations (UN) report indicating annual earnings of \$25 million from the charcoal trade in Kismayo (Keatinge, 2014). This revenue was collected through export taxes, road tolls, and port fees, in addition to profits from actual exports (Keatinge, 2014). Despite its expulsion from Kismayo in September 2012, Al-Shabaab maintained its profitability in the charcoal trade by controlling the supply chain and distribution networks beyond the city (Keatinge, 2014). Suuq market, in addition to arms, featured a diverse array of products such as narcotics, confectionery, and mobile phones within its vibrant marketplace (Ahmad, 2017). The Bakara market, a renowned hub in central Mogadishu, played a pivotal role in facilitating smuggling activities across East Africa,

notably serving as a hotspot for the illicit arms trade from war-torn Somalia to neighboring nations (Ahmad, 2017). Al-Shabaab heavily depended on revenue from the Bakara market, with an estimated 40% of its budget from taxing the 4000 businesses and transportation associated with the market before its withdrawal (Keatinge, 2014).

Al-Shabaab faced the loss of key cities and ports but demonstrated remarkable resilience. The impact of losing these vital revenue streams, including the main southern port of Barawe, was severe for the group (Keatinge, 2014). This loss of key urban centers not only had a significant financial and strategic effect on the insurgency but also drove them towards increased involvement in criminal activities disguised as taxation on businesses and clan elders (Sinkó & Besenyő, 2023). In particular, the absence of the Kismayo port and Bakara market in Mogadishu led to a substantial financial setback for Al-Shabaab, with an estimated annual revenue decline of \$65 - \$110 million, primarily from trade activities (Dathan, 2017). The shift of Al-Shabaab from controlling major cities to having limited territorial influence highlighted its adaptability and resilience (Levy & Yusuf, 2021).

Additionally, Al-Shabaab strategically exploits territories beyond its direct control. The group, while self-sufficient, faces increased financial burdens due to ongoing payments to numerous officials and regional power brokers, many of whom possess nominal authority in areas not controlled by Al-Shabaab (Hiraal Institute, 2018). In these regions, Al-Shabaab finance officials summon business proprietors to visit Al-Shabaab-controlled areas and settle the Zakah payment in cash (Hiraal Institute, 2018). Despite the absence of direct control, Al-Shabaab successfully collected over \$1 million in Zakawaat from these areas in 2017 (Hiraal Institute, 2018). Employing tactics of extortion and theft, the group seizes traders' shipments in non-controlled areas, imposes inflated taxes, and coerces businesses for financial gain (Hiraal Institute, 2018). In regions like Bosaso, where Al-Shabaab's control is limited, its intelligence arm, Amniyat, remains active, targeting business owners who resist paying the group's levies (Hiraal Institute, 2018).

### 5.3. Diversity of Markets and Resources

Despite losing Kismayo to the Kenyan Defense Forces in 2012, there are reports suggesting that Al-Shabaab persists in exporting charcoal from the ports (Dathan, 2017). These exports are believed to have continued through smuggling networks in the Gulf region, particularly through Iran (Levy & Yusuf, 2021). Recognizing the significance of charcoal in funding Al-Shabaab, the UN responded by issuing Resolution 2036 in 2012, calling for a complete cessation of charcoal exports from Somalia (AllAfrica, 2018). This resolution called on UN member states to cease all charcoal imports from Somalia, both directly and indirectly and urged Somali authorities to halt charcoal exports (Keatinge, 2014). While some reports indicate a ban on the charcoal trade by Al-Shabaab and penalties for persistent traders, closer sources reveal that the group is imposing taxes on charcoal shipments, with each bag taxed approximately 2 United States dollars before reaching the Gulf

States and Kenya (Petrich, 2022). In 2014, a report revealed that Al-Shabaab generated an estimated \$25 million annually from charcoal exports, predominantly to Gulf nations (AllAfrica, 2014). Additionally, Al-Shabaab generates significant revenue through illicit sugar smuggling, involving the transportation of raw sugar from Brazil to ports under its control, followed by overland transfer into Kenya (Petrich, 2022). The group imposes hefty taxes on sugar trucks, collecting up to \$1000 per truck on specific routes like those heading to Garissa through Dadaab (Dathan, 2017). This trade yielded between \$400,000 and \$800,000 in 2011 (Dathan, 2017).

Moreover, upon identifying potential buyers, Al-Shabaab coordinates the acquisition of multiple used vehicles from contacts in the United Arab Emirates, typically obtaining each vehicle for \$6000 - \$8000 through hawala and mobile money transfer services (Levy & Yusuf, 2021). Subsequently, the group engages in bribery of port authorities to facilitate the importation of 12,000 vehicles into Somalia, where they are then sold domestically for \$10,000 - \$12,000 per vehicle (Levy & Yusuf, 2021). Livestock serves as a key revenue source for Al-Shabaab, leveraging the significance of cattle, camels, and goats in Somali culture and the region's thriving but loosely regulated livestock markets (Petrich, 2022). According to Hiraal Institute, "the standard rate is one camel per 25 animals, or one goat out of 40; these are then sold for between \$400 and \$600 per camel or \$30 per goat to local businessmen, with profits going to Al-Shabaab" (Petrich, 2022). Transnational livestock commerce represents a significant financial operation within the Somali economic landscape, operating along specific trade routes like the Ethiopia-Somaliland-Arabian Peninsula trade corridor (Berbera corridor), the Somalia-Kenya corridor, and the Bossaso corridor, which has gained heightened economic significance since 1991 (Musa et al., 2021). Separately, reports indicate that Al-Shabaab is involved in the illicit extraction and export of minerals in East Africa, partnering with a militant organization from Uganda (Levy & Yusuf, 2021).

AQ's long-standing support has greatly strengthened Al-Shabaab, including the supply of weapons, assistance in bomb-making, and financial aid (Shuriye, 2012). Shuriye, in 2012, described the relationship as intermittent joint efforts, with AQ primarily assuming a supervisory role due to Al-Shabaab's constrained financial and operational capacities (Shuriye, 2012). In early 2008, AQ leaders urged their followers to offer financial support to Al-Shabaab following the release of a video aligning the group's ideology with that of AQ's core, portraying the conflict in Somalia as part of a larger international anti-Western campaign (Wise, 2011). Collaborating with AQ has the potential to enhance Al-Shabaab's appeal to donors, potentially offsetting a decline in diaspora support (Keatinge, 2014). Noteworthy benefactors like Umayr al-Nu'aymi, a Qatari-based individual known for funding various jihadi causes, have been implicated in channeling substantial sums, such as \$250,000, to Al-Shabaab, highlighting their ability to mobilize and allocate significant funds for specific objectives (Keatinge, 2014). Furthermore, Eritrea played a substantial role as a key source of funding and provisions for Al-Shabaab,

leading to the imposition of arms embargoes by the UN and European Union on the country (Dathan, 2017). This support was intended to destabilize Ethiopia, with reported monthly disbursements ranging from \$40,000 to \$60,000, allegedly channeled through the Eritrean embassy in Nairobi and delivered to Somalia via couriers (Dathan, 2017).

#### 5.4. Businesses Operating in Al-Shabaab Controlled Areas

The business sector faced dual exploitation, first through payments to warlords for protection and later through extortion by armed groups along transportation routes (Ahmad, 2017). Frustrated by the excessive costs imposed by warlords, businesspeople turned to local Islamic courts as a more viable option amid ongoing extortion practices (Ahmad, 2017). At a pivotal moment, the business community decisively cut ties with warlords, throwing their support behind the ICU movement (Ahmad, 2017). Business backing for the Islamic courts saw a consistent increase from 2004 to 2006, primarily through voluntary contributions to community-based courts (Ahmad, 2017). Starting with a monthly allocation of \$1000 per district in early 2004, this support escalated to \$3000 by the end of 2004 until mid-2005 and eventually reached \$10,000 each month for every district from mid-2005 to 2006 (Ahmad, 2017).

Al-Shabaab targets Somali entrepreneurs, enforcing a tax ranging from 2.5% to 5% on their assets irrespective of location, resulting in businesses that resist payment shutting down (Levy & Yusuf, 2021). On occasion, Al-Shabaab requests lump sum payments from business owners (Levy & Yusuf, 2021). A Somali businessman recounted an incident where he was summoned from Mogadishu to contribute \$30,000 to the group (Levy & Yusuf, 2021). Upon refusal, he was taken to al-Shabaab territory by Amniyat, who subsequently raised the ransom to \$75,000 (Levy & Yusuf, 2021). Upon agreeing to pay, he was cautioned that further refusal would result in severe consequences (Levy & Yusuf, 2021). Al-Shabaab's ability to tax businesses in Mogadishu has been significant, earning millions of dollars each year, which it utilizes to finance its attacks (Omar & Bearak, 2019). Furthermore, the group's authority reaches rural regions, where it functions as an alternative governing body with its own judicial system, tolls on roads, and revenue collection, undermining the legitimacy of the federal government in the capital (Omar & Bearak, 2019). Separately, checkpoint personnel levied taxes on merchant vehicles and regulated traffic on the main road connecting the port city to Jilib under insurgent control (Anzalone, 2017).

Al-Shabaab imposes Zakat on businesses while distorting its meaning and intent. Instead of utilizing Zakat funds to aid the needy as intended, Al-Shabaab now directs these resources according to their own discretion, prompting questions regarding equity and transparency (Bandula-Irwin et al., 2022). Al-Shabaab imposes a fixed 2.5% tax on the total value of businesses, regardless of profits earned (Hiraal Institute, 2018). This departure from traditional Islamic practices, where contributions are typically based on an individual's wealth at the end of the fiscal year,

highlights the discrepancy in Al-Shabaab's Zakat implementation (Hiraal Institute, 2018). Al-Shabaab levies Zakat on businesses despite distorting the meaning and purpose.

Humanitarian organizations operating in Somalia are compelled to pay fees to Al-Shabaab in exchange for permission to carry out activities within the country. Since Somalia has relied on foreign aid since its independence in 1960 due to the absence of effective government structures, security, and essential resources like food, this need was particularly pronounced during the 2011 famine (Keatinge, 2014). Al-Shabaab has institutionalized this process by appointing a Humanitarian Coordination Officer to manage interactions with aid organizations (Dathan, 2017). This officer evaluates and enrolls organizations, establishing the fees based on the type of their operations (Dathan, 2017). Al-Shabaab enforces a structured system of control, taxation, and monitoring, requiring fees of up to \$10,000 for aid operations (Keatinge, 2014). Some organizations have paid security fees as high as \$20,000 per month, with a UN agency allocating 10% of its project funding to Al-Shabaab in 2009 (Keatinge, 2014).

Additionally, extra charges are imposed on humanitarian entities, including fees on staff salaries, property leases, and transportation services, leading to instances of aid diversion or misappropriation (Keatinge, 2014). Humanitarian agencies and NGOs must make payments to Al-Shabaab to secure passage on roads and access to their designated work areas (Dathan, 2017). Additional charges are determined based on the type of aid being distributed or the specific project being implemented (Keatinge, 2014). The extortion of aid organizations in southern Somalia by Al-Shabaab resulted in the suspension of the UN World Food Program (WFP) operations in 2009 due to funds being redirected to the group (Wise, 2011). There are suspicions that Al-Shabaab has profited from a food distribution initiative conducted by the WFP in southern Somalia (Hassan, 2023).

## 6. Conclusion

Al-Shabaab's funding strategy has been instrumental in its rise to power and resilience over time. By aligning its extremist ideology with nationalist sentiments post-Ethiopian intervention, securing financial backing from the diaspora and international supporters affiliated with AQ, and strategically providing essential services while leveraging Islamism for community support, the group has established a robust financial footing. Through the strategic control of territories and implementation of a structured financial system, Al-Shabaab generates revenue through levies on land and goods, establishes decentralized Islamic governorates for resource management, and imposes taxes within its domains. Furthermore, the group diversifies its funding streams through illicit activities like charcoal and sugar smuggling, livestock trade, and collaboration with AQ. By enforcing stringent control, taxation, and monitoring mechanisms on businesses and aid organizations in Somalia, Al-Shabaab further bolsters its financial reserves. Operating within a decentralized framework, the group partakes in criminal enterprises such as sugar

smuggling, piracy, arms trafficking, and money laundering, relying on these illicit ventures and their taxation system for sustenance following their expulsion from key territories.

## Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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