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Paper  
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Religious Organizations

## Paper

# Financial Sources of Pakistani Militant and Religious Organizations

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## Introduction

Despite all out efforts by the Pakistan government since January 2002 to stamp them out, militant groups have managed to flourish in Pakistan by devising new tactics and consistently changing their names in a bid to avoid restrictions imposed by the government.

These groups continue to recruit new cadre and retain their training capabilities. Though not operating publicly any more, their support base and financial resources are still intact. They not only continue to launch fund-raising campaigns regularly, especially on occasions such as the Muslim fasting month of *Ramazan* and the two *Eid* festivals, but also receive support from individuals abroad, including expatriate Pakistanis.

The circumstances give rise to several empirical questions, specifically:

1. Do the militant groups have the resources to survive an effective long-term ban?
2. What are their traditional financial resources?
3. Have they adopted new methods to sustain their finances?
4. How is the government dealing with them to choke their access to funds after the ban?

To answer these questions, this study relies on countrywide fieldwork, extensive review of literature published by militant organizations, media reports and consultation with members of religious and militant groups and senior security officials, both serving and retired, who have dealt with the issue. The study also touches upon the sources of finance for non-violent religious groups and religious political parties. The need to track their financial resources gains significance in the context of religious political parties supporting like-minded militant groups. The Jamaat-e-Islami supports Hizbul Mujahideen, a Kashmir-based jihad group, while the support of the Jamiat Ulema-e-Islam for the Taliban and other militant groups is not a secret. The same is the case with religious parties from the Ahle-Hadith, Barelvi and Shia schools of thought, with Kashmir-based militant groups Tehreekul Mujahideen, Tehreek-e-Jihad and Hizbul Momineen having links with the Markazi Jamiat Ahle Hadiath, Jamiat Ulema-e-Pakistan and Tehreek-e-Jaafaria, respectively.

This study finds that most militant groups in Pakistan have made changes to their structure and networks post-9/11 and introduced new ways of generating funds. Militant groups have established public welfare wings as a front for their activities or resurfaced after the ban as charity organizations to boost their image among the masses, as well as to avoid government restrictions. This ploy has not only helped them gain social acceptance but also enabled them to expand their support base, ultimately

adding to their financial resources. Some militant groups are trying to diversify their assets and have set up commercial ventures including English-medium schools, healthcare centers, transportation companies, housing schemes and media groups or acquired farmland on a large scale. The study finds that while keeping the supply line for their resources in the country intact, the militant groups have found new ways to consolidate their financial resources that originate abroad. They are not only using bank transactions but also informal *Hawala* channels and other illegal means to bring funds into Pakistan. Some groups have established their currency exchange networks, while others use smugglers' networks to bring in funds raised abroad. The paper concludes with a discussion on key concerns and challenges the scenario presents to Pakistan in short- and long-term perspectives.

Of the 246 religious organizations operating in Pakistan; 25 are politically active and participate in elections; 145 have a sectarian base; and 12 do not believe in democracy and want to establish an Islamic caliphate. At least 24 are militant/jihadi in nature; if Taliban groups operating in Pakistan's tribal areas and the NWFP province and the underground terrorist cells affiliated with Al-Qaeda and Taliban, too, are counted along with them, their number exceeds 100.<sup>1</sup>

Exploring the financial networks of all these organizations is an arduous task on account of the large number of organizations and their countrywide networks. Since the financial networks of most of the organizations operate on similar lines, focusing on some of the main ones would suffice. This study concentrates on 14 major militant groups in a bid to explore their financial networks and tactics to ensure continued operations in the face of government curbs. These groups include the Taliban in Pakistan's tribal areas bordering Afghanistan, Tehrik Nifaz-e-Shariat-e-Muhammadi, Jaish-e-Muhammad, Harkatul Jihad-e-Islami, Harkatul Mujahideen, Sipah-e-Sahaba Pakistan, Lashkar-e-Taiba, Jamatud Daawa, Hizbul Mujahideen, Jamiatul Mujahideen, Al-Badar Mujahideen, Hizbut Tehrir, Jamiatul Ansar and Lashkar-e-Islam.

In addition to focusing on the 14 groups, the study also takes into account the general and specific fund-raising trends among religious and militant organizations.

## 1. Traditional Fund-Raising Methods

Militant groups raise between 55 to 65 percent of their funds from local sponsors.<sup>2</sup> Muslims in the United States and the European and Persian Gulf states also send huge sums of money to them.<sup>3</sup> According to a report, there is a trend in Karachi and the NWFP to donate money directly to jihad organizations—where neither the donors know whom they are actually funding, nor the groups whom they have raised money from.<sup>4</sup> A number of organizations working as charities or madrassas collect donations from commercial centers and in door-to-door campaigns, ostensibly for charitable pursuits, but quite often operating as fund-raising organs for militant organizations. People respond generously to such drives, especially during amazan. The traditional ways for the militant groups to raise funds include:

### 1.1. Private Donations

Raising finances through donations has been one of the most important sources of funding for militant groups. Such donations are not the same as Zakat<sup>5</sup> and Ushr.<sup>6</sup> Though the precise extent has never been quantified, there is a trend among the people, particularly in Punjab, the NWFP and the tribal areas, to

donate in the name of religion and jihad. Militant groups claim they raise hundreds of millions of rupees in this manner every year.

The Jamatud Daawa (JD) claims that it had collected Rs 190 million through private donations during 2006.<sup>7</sup> The JD organizes hundreds of public meetings, religious congregations and welfare activities such as free medical camps, where charity collection boxes are placed at prominent places and members and visitors are encouraged to donate for jihad and other JD activities.

The capacity of militant groups and affiliated organizations to raise private donations supposedly for relief efforts witnesses a sharp increase after natural disasters, such as earthquakes, floods and famine. After the 2005 earthquake in Kashmir and the NWFP, Al-Rasheed Trust raised Rs 950 million for relief work in five months.<sup>8</sup> It used the funds for welfare activities including providing food and medical treatment for the affected population and reconstruction of the madrassas and mosques. Al-Rehmat Trust, a charity associated with the Jaish-e-Muhammad, raised Rs 600 million in funds and supplies after the earthquake.<sup>9</sup> Al-Asar Trust, affiliated with the Harkatul Mujahideen, was a new and relatively unknown welfare organization when the 2005 earthquake struck, but still managed to raise Rs 280 million in the months following the quake.

Major religious charities, including Al-Khidmat Trust of the Jamaat-e-Islami and Idara Khidmat-e-Khalq of the Jamatud Daawa claim to have raised billions of rupees in private donations.<sup>10</sup> Those claims were made in the post-9/11 scenario, with the government sanctions in place and militant organizations barred from raising funds. The situation was totally different before 9/11. In 2001, Lashkar-e-Taiba (LeT) had collected Rs 90 million from direct private donations and had a very organized jihad fund collection system across the country.<sup>11</sup> It had placed 13,000 'jihad fund boxes' at important markets and public places across the country and the average daily income from each box was Rs 500, amounting to a whopping Rs 6.5 million a day for the organization. The LeT had employed a team of 500 persons to manage the 'jihad fund boxes'.

The Jaish-e-Muhammad (JM) was established in March 2000 and had broken all records for jihad fund collection within a year.

Militant groups try to raise direct funds even today but their campaigns lack the pace of the pre-ban years and they increasingly use charity organizations as a cover.

## 1.2. Zakat, Ushr, Fitrana and Animal Hides

The most attractive traditional funds for the militant organizations are the religiously-mandated levies of *Zakat*, *Ushr* and *Fitrana*<sup>12</sup> and the hides of animals sacrificed on the Eidul Azha. During Ramazan, Muslims pay two levies (*Zakat/Ushr* and *Fitrana*), while on Eidul Azha they sacrifice animals to please God and donate animal hides for charitable purposes. On the two occasions, religious and social charities, religious parties, seminaries and militant groups launch campaigns to collect as high a portion as they can of the religious levy and hides.

The Hizbul Mujahideen and Al-Badar Mujahideen, Kashmiri militant groups affiliated with the Jamaat-e-Islami (JI), had introduced modern ways of campaigning to raise funds. Hizbul Mujahideen launched

a substantial jihad fund campaign in 1998 in collaboration with Pasban, a youth organization affiliated with the JI, when they organized 'jihad shows' around the country. These shows included staging plays, showing videos of jihad training and operations, live addresses of militant commanders from Afghanistan, Kashmir and other parts of the world and the jihadi anthems. According to Ejaz Gillani, associated with the Hizbul Mujahideen (HM), the HM raised funds amounting to Rs 340 million during the campaign and the shows cost less than Rs 5 million.<sup>13</sup>

Al-Badar Mujahideen organized a countrywide road show in 1999 during the Kargil conflict between India and Pakistan and imitated the HM approach, with the addition that they took along parents of fighters killed in Indian-held Kashmir for the countrywide road shows.<sup>14</sup>

Militant groups seek to raise funds for operations in a number of countries. At one time, during the 1990s, the Jamaat-e-Islami and Jamatud Daawa had launched six different jihad funds—for Afghanistan, Kashmir, Palestine, Bosnia, Kosovo and Burma. They launched specific fund-raising campaigns for each country but the campaign for Kashmir generated the highest amount of money.

In 2005, Sipah-e-Sahaba Pakistan chief Maulana Ahmed Ludhyanvi claimed that the funds collected in the name of Kashmir by various groups were enough to buy all the land in Kashmir and a few other regions in India.<sup>15</sup>

Intelligence agencies investigating the collection of animal hides on the Eidul Azha have found links between organized money laundering and banned militant groups. Militant groups use animal hides as a cover to legitimize funds received from abroad, by showing that the money had been generated by selling the hides.<sup>16</sup> In 2003, the Jamatud Daawa collected 1.2 million animal hides on Eidul Azha, worth an estimated Rs 710 million, and Al-Rehmat Trust hides worth Rs 40 million.<sup>17</sup> In 2004-05, Al-Khidmat Welfare Society, a charity affiliated with the JI, received over six million rupees in *Zakat*, *Sadaqaat*,<sup>18</sup> and *Fitrana*.<sup>19</sup> An investigation by Pakistani agencies in 2004 showed that between 1999 and 2002, Al-Akhtar Trust received around \$100 million in bank accounts it maintained in Karachi. Even after their accounts in Karachi were frozen, Al-Akhtar and Al-Rashid trusts received \$10 million in 2006 in other bank accounts from a UK-based organization that sacrificed animals on Eidul Azha for thousands of British-Muslims.<sup>20</sup>

### 1.3. Support from Business Community

In Lahore, Jamatud Daawa (JD) secretly formed the Daawa Traders' Wing in 2002, which collected donations for the JD from traders. The outfit is operating openly now, even though its parent organization is banned. Hundreds of businessmen have also been donating money to the Sipah-e-Sahaba Pakistan (SSP) since the early 1990s, mainly in major urban centers in Punjab. The traders started funding the outfit in 1992 when a paper merchant initiated a fund-raiser for SSP in collaboration with traders from the Lahore business hubs of Hall Road and Beadon Road. Later, a number of traders from Urdu Bazaar, Anarkali and Badami Bagh, leading business centers in Lahore, also started supporting them.<sup>21</sup>

#### 1.4. Personal Business Enterprises

After the US invasion of Afghanistan and Iraq, a move to boycott products of American and European multinationals was launched across the Islamic world. In Pakistan, the local industrialists tried to benefit from the boycott by introducing “Islamic products” as an alternative.<sup>22</sup> There was a flood of local-made toothpastes, shampoos, soaps and cold drinks in Pakistan in mid-2002, but only cola drinks survived in the market. At least 32 local cola brands got registered after the US invasion of the two countries. These cola brands did not launch any major campaign in mainstream media. Brand owners just tried to reach the market through religious and jihadi media publications.<sup>23</sup>

These cola enterprises provide funding to different religious charities, such as Al-Rasheed Trust, Al-Akhtar Trust and militant organizations, to ensure that they continue to appeal to their target market, made up essentially of the religiously inclined.

Many of the local cola brands have since gone out of business, but a number of them, such as Zam Zam Cola, have captured a market share.

#### 1.5. Trading Companies and Money Laundering

On March 10, 2005, a counter-terrorism unit uncovered the sale of sugar, meant for Afghanistan, in Pakistan by a company, which had alleged links with remnants of the Taliban. Special Investigation Group (SIG) of the Federal Investigation Agency (FIA) found that the owner of an Afghanistan-based trading company—Fazal Karim Maidanwal Limited—imported sugar in Pakistan for the commodity’s eventual delivery to Afghanistan. The SIG froze 32 bank accounts of the firm’s owners on charges of funneling money to Taliban.

The firm’s had made transactions of \$60 million in 2006, in the name of Taliban leaders, who frequently shuttled between Pakistan and Afghanistan.<sup>24</sup> According to FIA sources, detailed investigations found that one of the firm’s owners Abdul Bari was a close associate and business partner of Taliban chief, Mullah Mohammad Omer. They established that Bari was providing funds to Taliban through their commanders in Pakistan. A raid was conducted on his Naz Cinema Road office in Peshawar, where documents found showed details of transactions in the name of Taliban commanders after 2001.<sup>25</sup> The money was allegedly given to a Taliban commander who ran a madrassa in North Waziristan Agency, one of the seven Pakistani tribal districts bordering Afghanistan. Government agencies also seized record of transactions worth Rs 5.8 million—made from Muslim Commercial Bank (MCB) Miranshah (North Waziristan Agency) branch to MCB Yadgar Chowk branch, Peshawar, carried out by Guladar Khan, an aide of Taliban commander Jalaluddin Haqqani.<sup>26</sup>

In November 2007, a US Federal Bureau of Investigation team visited Pakistan to investigate some top bankers on charges of money laundering for Al-Qaeda. The FBI team seemed more interested in the money laundering aspect because it suspected that Al-Qaeda and criminal mafias were transferring money through organized groups making and dealing in pirated CDs and DVDs. Pakistani police officials, who agreed to be quoted only on condition of anonymity, said the FBI team was interested in finding out about such organized piracy operations’ foreign currency accounts in Pakistan and abroad

and the actual quantum of earning through the sale of pirated CDs and DVDs and other sources, to determine the extent funneled to Al-Qaeda through such operations.

Police officials who had facilitated the FBI probe are convinced that members of the piracy rackets provide facilities to Lashkar-e-Taiba, Jaish-e-Muhammad and Al-Qaeda for mass production of CDs, even though they have no ideological affinity with the outlawed militant groups. They hold that the Jaish-e-Muhammad and Sipah-e-Sahaba Pakistan send their religious material, including audiocassettes and CDs, to Africa through different channels, mainly employing the organized international piracy setup.

CDs and DVDs promoting and glorifying jihad have emerged as another business by militant organizations, catering to a receptive audience in Pakistan's tribal areas and in the NWFP. These CDs and DVDs contain videos of militants' training drills, operations against security forces including beheadings and bombings, sermons delivered by militant leaders, and documentaries glorifying jihad. The industry has flourished rapidly and such CDs and DVDs are easily available in the markets of the tribal areas and NWFP for between 30 and 50 rupees. Peshawar-based journalist Aqeel Yusufzai says that almost every Taliban group now has a multimedia section, producing jihad CDs to spread their message as well as to generate funds. He estimates that thousands, and at times tens of thousands, of copies of every such CD or DVD are launched with each new release.<sup>27</sup>

## 2. Non-Traditional Funding Sources

The militant groups also rely on business operations to generate funds. Some groups run construction firms, restaurants and general and departmental stores to ensure an uninterrupted stream of finances. When Hafiz Muhammad Saeed established Lashkar-e-Taiba (LeT) as a separate entity, instead of an affiliate of the Jamatud Daawa in December 2001, the LeT set up a transport company to ensure a smooth supply of financial resources. The main non-traditional ways being used by the militant groups in Pakistan to collect funds are listed below.

### 2.1. School Chains

Investment in the education sector is an attractive prospect for religious organizations and militant groups. It offers dual benefits of educating the students according to their own ideology as well as safe investment with a good rate of return. Several religious organizations and militant groups are currently running their own English-medium school chains where the courses have a specific religious focus. The Jamaat-e-Islami or people affiliated with it run four school chains, including Al-Suffa, Ghazali and Dar-e-Arqam, which employ more than 1,000 people. The number of Jamatud Daawa's model schools has risen to over 400 and the English-medium Islamic school network Iqra Rozatul Atfaal of Al-Rasheed Trust and Jamia Binori Town, Karachi, has spread across the country, establishing 700 branches between 2005 and 2007. These schools, which market themselves as offering an Islamic academic environment, have a fee structure similar to regular English-medium schools in the country.

## 2.2. Healthcare Facilities

Almost every militant group and most of the religious political parties maintain a medical wing. These wings serve organizational purposes, besides arranging medical camps to enhance the groups' image and social acceptance. Militant groups, in turn, use this social acceptance for generating more funds.

Idara Khidmat-e-Khalq of the JD and Al-Rehmat Trust of Jaish-e-Muhammad are prime examples. Al-Rasheed Trust, Al-Akhtar Trust, Jamaat-e-Islami's Medical Mission and other small militant and sectarian groups hold so-called free medical camps across the country throughout the year. They place collection boxes on the camp premises and usually get considerably more through donations than the cost of arranging the camp.

According to JD spokesman Yahya Mujahid, the group organized 2,000 medical camps in 2006 and donations not only covered the expenses incurred on arranging the camps but also earned millions of rupees in excess of expense. He says that usually JD members and other donors contribute substantial amounts of money for the organization's free medical activities.

## 2.3. Housing Projects

Religious and militant groups have also invested in housing projects, which militant and religious organizations deem a major source of building organizational assets. These projects also help them establish their own turf and support base in a specific area, usually in walled-off communities, where they aspire to live according to their beliefs, something they claim is denied to them outside their residential projects. Residence or acquisition of property in these projects is not open to all, and is usually by invitation only.

The number of such projects is on the rise across the country and two or three can be found in every district. In Lahore alone, there are at least 12 such schemes. Various religious sects and parties have launched housing schemes in the city with residence rights reserved for members of the sect or party alone.

Mansoor, the Jamaat-e-Islami headquarters in Lahore has been the model for other religious parties to establish walled-off secretariats along with residential areas for members of the same sect or party. Jamatud Daawa's Markaz in Muridke, Tanzeemul Akhwan's Owassia Housing Society, and Jamaat-e-Ahle Sunnat's Sunni City in and around Lahore are a few examples. These projects house the party secretariats as well as serve as residential societies. Then there are housing projects in the city planned by religious parties that are not used as party headquarters. Imamia Colony, Ahbab Housing Society, Muhammadia Colony and Jaafria Colony were established as residential projects where members of the respective sects were given priority in the sale of property.

In another trend, people prefer to acquire properties near the mosque or office of the party or religious institution they are affiliated with. Major parts of the posh Model Town locality in Lahore are dominated by followers of various religious institutions, and people residing near the Minhajul Quran Secretariat, Tanzeem-e-Islami headquarter, Shia institute Jamia Muntazar and other religious institutes largely belong to the same sect.



Residents of Mansoor, which also houses the JI headquarters, say no one is willing to sell their property and anyone who would demand a very high price. According to Arshad Gondal, a Mansoor resident, the cost of a 10-marla<sup>28</sup> house in 1997 was Rs 6 million and now the prices have crossed 10 million rupees for a normal house.

## 2.4. Media Groups

The jihad media has acted as perhaps the most important tool for militant groups in Pakistan, serving as a device to generate funds, spread propaganda and recruit militants.

It will not be an exaggeration to say that jihadi print media has emerged as alternative print media in the last two decades with the aim to promote jihad and radical views. Jihad media has wide readership in the country and some jihadi publishers even claim they could replace the mainstream media overnight if given a free hand.<sup>29</sup>

Around 20 jihad periodicals continue to be published regularly, including some with wide circulation like daily *Islam* and weekly *Zarb-e-Momin* of Al-Rasheed Trust and *Ghazwa Times*, and weekly *Al-Qalam* of Jaish-e-Muhammad and *Majalla al-Daawa* of Jamatud Daawa.

According to official statistics, there are around 16,000 religious seminaries in Pakistan and 2,000 bring out regular publications to project their activities to attract admissions and generate funds. Around 50 percent of these publications promote jihad and radicalization and back Taliban and militant groups.<sup>30</sup>

The publishers of these periodicals often cite figures that touch the top end of circulation in the market.<sup>31</sup>

Urdu monthly *Majalla al-Daawa* claims it has a circulation of 200,000 copies per month.<sup>32</sup> The weekly *Zarb-e-Momin* claims circulation of 250,000 copies a week. Weekly *Ghazwa Times* claimed that its weekly print order is 200,000 copies. Daily *Islam* claims selling 110,000 copies a day throughout the country. The banned Jaish-e-Muhammad's weekly *Al-Qalam* claims circulation of 700,000 copies a week.

After government ban on jihad organizations, their publications also had to improvise for circulation. Banned publications are now sold or distributed for free mainly outside mosques after Friday prayers or are available at seminaries and selected newsstands. A few groups have formed special units that go door to door preaching jihad, collecting funds as well as selling their publications. In this manner they have managed to avoid some restrictions imposed by the government.

## 3. International Financial Resources

Besides local funding, Pakistani militant groups also receive money from abroad, collecting funds from individuals and institutions in different countries and funneling them to Pakistan through established arrangements.

### 3.1. Funds from Dubai

Funds for Pakistani militant groups and jihadi organizations are still coming from abroad, especially from the Gulf States, from where Pakistani migrant or the expatriate community and Arab donors send

donation through banks, Western Union, or illegal *Hawala* channels. Militant groups and religious seminaries also send representatives abroad to raise funds, especially in the month of Ramazan, when Muslims give Zakat and other religiously-mandated levies. With the beginning of Ramazan, religious seminaries, jihadi organizations and Islamic charities send designated members not only to the Gulf states but also to Africa and Europe. Usually these representatives go abroad on a business visa. Seminaries and other organizations also engage these persons and other businessmen to transfer funds to Pakistan.<sup>33</sup>

Moneychangers, especially in Karachi, have direct links with the moneychangers in Dubai and one or two visits between the two cities daily is the norm for them. Militant organizations, seminaries and religious parties also hire their services to bring in their money.

Wealthy Arabs in the Gulf states are very particular about paying Zakat and try to give the annual levy on Muslims to those who are really in need and they deem seminaries in Pakistan, Afghanistan, India and Bangladesh as deserving entities of their help. They usually assess their Zakat before Ramazan and engage the services of local religious scholars to convey the amount to the deserving. The Pakistani seminaries and parties remain in contact with the scholars, who keep them on the list of the deserving and distribute the Zakat money among them. Scholars from these countries either visit countries such as Pakistan by themselves or send their representatives to investigate who is the most deserving of Zakat. Maulana Ahmed Sheraj, a Pakistan-born religious scholar settled in Kuwait, visited Pakistan in September 2004. A religious scholar from Peshawar claims Sheraj had brought along with him Zakat money for Pakistani seminaries and organizations. Jihadi sources say administration of leading seminaries, jihadi organizations and religious parties sought to arrange meetings with Maulana Sheraj.

Al-Qaeda member Abu Faraj was involved in illegal money transactions. Pakistani security agencies arrested two employees of a foreign currency exchange company, HH Exchange, at the Karachi airport in 2004 who had arrived from Dubai and carried US dollars, Euros and Riyals worth 38 million Rupees. According to intelligence officials, the money was meant for Al-Qaeda in Pakistan.<sup>34</sup>

#### 4. Money through Criminal Activities

Militant groups also rely on money raised through criminal activities, usually through bank robberies and kidnappings for ransom. Underground militant groups that cannot operate publicly are known to indulge in criminal activities. Such groups include the Lashkar-e-Jhangvi, Sipah-e-Muhammad and small underground terrorist groups affiliated with Al-Qaeda.

In February 2002, Omer Saeed Sheikh was arrested in the Daniel Pearl murder case. Following his arrest, two of Sheikh's colleagues, Ehsan and Amjad Farooqi, planned to attack then President Pervez Musharraf. They needed money to buy weapons and looted a bank in Bahawalpur.<sup>35</sup>

Militant groups which are not underground, such as the Lashkar-e-Taiba, Al-Omer Mujahideen and Harkatul Mujahideen, are also reportedly involved in criminal activities to raise funds.<sup>36</sup> They were notorious for forcibly extorting money from shopping centers and markets in Azad Jammu and Kashmir (AJK). In 1998, shopkeepers of the Rolli Gali market in AJK's Kotli district had observed a strike against the groups forcing them to contribute money.<sup>37</sup> The situation was similar in Muzaffarabad, the AJK

capital, but the groups can no longer continue those activities openly. They now operate secretly, raising money by threatening wealthy citizens.<sup>38</sup>

The Sipah-e-Sahaba Pakistan was known to collect funds in such manner from Jhang, Sargodha and Lahore districts in the Punjab province.

Local Taliban resort to similar tactics in Pakistan's tribal areas and the adjacent region to raise funds. According to police sources, 35 complaints of robbery were received between January and June 2007 against Taliban for robbing people in Bannu district of the NWFP province alone. Law-enforcement agencies also arrested many people for harassing citizens and forcing them to pay money on behalf of the Taliban. The police arrested one such person in Tank on January 8, 2007 when he was collecting money from the people by posing as a Taliban. He had forced a person, Misl Khan, to pay Rs 50,000.<sup>39</sup> A youth was arrested in Dera Ismail Khan District of NWFP on March 3, 2007, for threatening a local trader, Saifullah, of consequences if he did not pay one million Rupees. The youth wanted to use the money to buy weapons for the Taliban.<sup>40</sup>

A gang of armed Taliban looted Rs 2.36 million, computers and telephone sets from Mirali Bazaar branch of Muslim Commercial Bank on May 30, 2006.<sup>41</sup>

Taliban influenced by Wahabism destroy the shrines and loot donations and offerings by devotees. In April 2004, local Taliban destroyed the shrine of Malik Arshad Baba in Tapi, South Waziristan and looted the money donated to the shrine by devotees. They warned the local people against rebuilding the shrine and asked them to donate money for jihad instead.<sup>42</sup>

## 5. Drug Money/Smuggling

Several militant groups are involved in human trafficking and drug and arms smuggling and use the proceeds to finance their operations. The consequences of uncontrolled poppy cultivation in Afghanistan are evident in the neighboring countries today where terrorists use proceeds from the drug trade to further their agenda. The drugs and deadly weapons are transported from Balochistan to the Sindh province and the southern districts of Punjab. Afghan refugees' camps in the border areas act as de facto base camps for weapon smugglers. Almost 1,160 kilometers of the Pak-Afghan border area is effectively unguarded and smugglers move freely between the two countries. Their task is made easier by the fact that families of most smugglers are settled along the border. Arms traffickers have reduced reliance on traditional smuggling routes and switched to new ones on the outskirts of Quetta, through refugee camps of Khorotabad and Gulistan, Basti Pir Jangle Alizai, Mehmmand Khel, Saranan and Pishin. These routes are the channels that are being used to supply weapons to Karachi. Arms are smuggled into interior Sindh and southern Punjab through the southwestern regions of Chaghi and Noshki districts in Balochistan.

Analysts believe the Taliban are using drug money to sustain their activities in Pakistan's tribal areas and Afghanistan. Besides drug smuggling, Taliban have also been involved in smuggling of weapons. Smugglers in the Pak-Afghan border region have been providing logistic assistance, including shelter, to Taliban and Al-Qaeda for both activities for several years. Smugglers' networks also help Al-Qaeda and Taliban operatives reach major urban centers such as Karachi, Quetta, Peshawar and Lahore.<sup>43</sup>

The Pakistani government has been trying to regulate the arms manufacturing and trade in Darra Adam Khel—an NWFP town renowned for manufacturing of firearms, from revolvers to anti-aircraft guns, by craftsmen using traditional manufacturing techniques.

Militant groups have smuggled weapons from the town to Afghanistan, Kashmir, Karachi and Balochistan over the years.<sup>44</sup> Local Taliban are highly active in Darra, a hub of trade of local and foreign-made arms and weapons.

In April 2005, the government launched a campaign to buy weapons from the tribesmen.

## 6. Shariah Tax, Levies and Penalties

In all tribal areas where they exert some control, the Taliban have introduced 'Shariah taxes', which provide them with resources to continue their activities and pay salaries to their 'Shariah Force'. Local tribesmen confirm that Taliban are collecting 'taxes' on houses, vehicles, transportation, petrol pumps, big shops and dispensaries. When locals have any problem or conflict they submit some money to the Taliban office, following which the Taliban issue notices to parties. Qazis are appointed through Jirga to resolve the issue and the tribesmen follow the decision of the Qazi.

In October 2006, the Taliban in Miranshah, the headquarters of North Waziristan tribal district, decreed that the people should pay them various sums of money they referred to as 'taxes'.<sup>45</sup> They issued an extensive 'tax schedule' and distributed it through pamphlets. The pamphlet referred to the 'tax' as 'donation'. There was no mention of how the money would be spent though its usage was stated to be at the sole discretion of the Taliban Shura. When the 'Shura' was formed in November 2006, its head Mullah Nazir issued edicts and declaration to curb crimes in Waziristan. One clause of the declaration read: "A joint committee would accept 'donations' and maintain their record and no individual or group would be allowed to demand or collect donations."<sup>46</sup>

A ban on adult male Muslims shaving their beards was extended across Bajaur Agency on February 14, 2007. Violators were subject to a fine of Rs 5,000.<sup>47</sup> The ban was imposed following distribution of pamphlets by local Taliban, warning Muslims against shaving their beards and warning barbers against offering the service.

In 2009, the Taliban gave Sikhs and Hindus in the tribal areas under their control an ultimatum—leave the land of their forefathers or pay jizya, a tax on non-Muslim subjects of an Islamic state. While some paid the tax, 400 Sikh and 57 Hindu families migrated from Khyber Agency. Though they could have afforded to pay the Rs 1,000 (US \$12) per man per year jizya, they feared for their lives living in Taliban-controlled areas.<sup>48</sup>

## 7. Government's Response

There have been diverse efforts by the government to choke the financial sources of militant groups, targeting both traditional and non-traditional sources of finance.

Besides banning militant groups and charity organizations, the federal government has put in place banking regulations and enhanced border vigilance, as well as involving the provincial governments, intelligence agencies, federal and provincial Auqaf departments and other tools of the state machinery to deny financial resources to militant groups operating in the region.

The State Bank of Pakistan (SBP) has been actively engaged in supporting the global efforts to check money laundering, a vital tool of the terror funding establishment. The measures taken by the SBP to prevent the use of banks for transferring crime proceeds included:<sup>49</sup>

- Introduction of a comprehensive regulatory framework by issuing prudential regulations for banks/DFIs (development financial institutions). Implementation of these regulations is ensured through on-site examination and off-site surveillance. SBP's inspectors specifically verify the adequacy of KYC (know-your-client) policies and other anti-money laundering safeguards.
- The replacement of individual foreign currency exchangers with properly regulated foreign exchange companies, leading to formalization of the foreign exchange business and the underlying transactions.
- The SBP has been instrumental in freezing bank accounts of proscribed entities and individuals in accordance with the United Nations Security Council resolutions since 2005. Periodic reports on such measures are sought from the banks and record of frozen accounts maintained.
- MoUs the SBP has signed with a number of foreign central banks for exchange of information and expertise also include efforts targeting money laundering and financing for terrorism.
- In May 2002, the SBP prohibited the issuance of Rupee Traveller Cheques (RTCs) in denominations exceeding 10,000 rupees.

In the same year in September, the Anti- Money Laundering Ordinance, 2007—promulgated by the then President Pervez Musharraf—made the offence of money laundering punishable with rigorous imprisonment for a term of at least one year and a maximum of ten years along with a maximum fine of one million rupees, as well as forfeiture of the property involved in money laundering.

On February 18, 2007, the government sealed the offices of Al-Rashid and Al-Akhtar trusts across the country, froze their bank accounts and seized computer disks, books, literature and photographs.<sup>50</sup> The measures were taken to comply with a UN Security Council resolution banning these organizations for their alleged links with terrorist networks. According to Javed Iqbal Cheema, head of National Crisis Management Cell at the time, over 50 offices of the two organizations were sealed and their operations stopped throughout the country. The two were also banned from placing advertisements to solicit donations. The federal government also directed the provincial governments to take action against these trusts.

The government also closely monitored madrassas due to their financial links with the militants. Even state funding for religious seminaries under the Madaaris Reforms Project was stopped in May 2006 as the federal government had not been getting reports from the provincial governments on how the funds given to them were being utilized.<sup>51</sup> According to an Education Ministry document, the federal government gave the provincial governments Rs 495 million for distribution among registered seminaries, but further disbursement was stopped when utilization reports were not provided.

The government asked the provinces on December 27, 2006 to ensure that 17 banned religious and militant groups are barred from collecting the hides of animals sacrificed on the Eidul Azha. The

directive was issued after intelligence report submitted to the Interior Ministry warned that members of banned religious and militant outfits planned to collect the hides under changed names.<sup>52</sup>

On January 15, 2007, the federal government directed the central and provincial Auqaf departments to implement the ban on collection of funds being defied by registered mosques and seminaries, particularly on Fridays. The intelligence agencies were also monitoring the bank accounts of mosques, NGOs and seminaries for links with militant groups. The Auqaf departments were also directed to gather the record of registered and unregistered mosques and seminaries that had encroached on private land.<sup>53</sup>

Pakistan has established 800 check-posts and deployed about 75,000 troops along its border with Afghanistan to check infiltrations from across that border—a major route for militants as well as for trafficking of weapons and drugs.

## Conclusion

There is little doubt that finances remain available to militant groups despite years of government curbs. The government's focus has mainly been on stopping direct fund raising from the masses and freezing bank accounts of militant organizations or affiliated individuals. Islamabad has also taken some measures to stop the flow of resources to militants from abroad but those efforts have largely been reactive and a comprehensive strategy has been lacking.

Militant organizations have changed tactics to survive government restrictions, seeking to diversify their funding sources to sustain their operations, and the government's actions must keep pace with those changes. The government must move beyond conventional restrictions and evolve a strategy to block new avenues for generating finances for the militants.

Charity organizations must not be allowed to operate unregulated as many militant organizations now operate in the garb of charities. Such organizations' activities need to be monitored and their assets promptly frozen if any link to militants is discovered.

Individuals linked to banned organizations must also be prosecuted for their association, instead of being allowed to start another organization, whose name may be different but activities the same as those of the organization banned earlier.

The militancy raging in Pakistan has a substantial regional as well as global dimension as well. The growing concern among policymakers and experts over external support for transnational militants and their involvement in the illegal drug and weapons trade is understandable. Islamabad needs to develop collaborative strategies with neighboring countries—despite the complex political landscape of the region—as well as its international partners in the war against terror to counter the problem on a regional level. Meaningful progress on overcoming militancy in Pakistan would remain elusive in the absence of such measures.

## Notes

- <sup>1</sup> Underground terrorist cells lack stable financial sources and mainly depend on financially strong terrorist organizations like Al-Qaeda or generate finances through criminal activities, including armed robberies and kidnappings for ransom. Taliban groups replicate the financial structures of major militant organizations.
- <sup>2</sup> The estimates are based on claims made by militant organizations in their publications or during interviews.
- <sup>3</sup> No official figures are available and even militant groups only concede off the record and on the condition that their groups' names are not cited that funds from abroad are still pouring in.
- <sup>4</sup> Daily *Jang* (Rawalpindi), Sep. 17, 2007.
- <sup>5</sup> Zakat is an annual obligatory tax required of Muslims with assets in excess of need and is one of the five Pillars of Islam. Zakat is payable after one year's possession of the assets. It is a prescribed charity for public welfare.
- <sup>6</sup> Literally meaning 'one-tenth', Ushr is a tax on agricultural produce.
- <sup>7</sup> Interview with a Jamatud Daawa official based in Lahore, who requested anonymity.
  - <sup>8</sup> Qari Mansoor Ahmed, spokesperson Al-Rasheed Trust, Interview, Daily *Express* (Lahore) Feb. 27, 2007.
- <sup>9</sup> Daily *Islam* (Lahore), Feb. 19, 2007.
- <sup>10</sup> Interview with the JD official.
- <sup>11</sup> Muhammad Amir Rana, *Jihad-e-Kashmir* (Lahore: Mashal Books, 2002), p. 243.
- <sup>12</sup> An amount of charity—in the form of staple foodstuffs or their price—that all Muslims of means are required to pay at the conclusion of Ramazan.
- <sup>13</sup> Ejaz Gillani, Interviewed by the writer, Islamabad, 2007.
- <sup>14</sup> Jaanisar, a former member of Al-Bader Mujahideen, Interviewed by the writer, Lahore, March 2003.
- <sup>15</sup> Daily *Islam* (Islamabad), Jun. 11, 2005.
- <sup>16</sup> Daily *Times* (Lahore), Jan. 16, 2007.
- <sup>17</sup> Muhammad Amir Rana, Daily *Times* (Lahore), Jan. 29, 2004.
- <sup>18</sup> *Sadaqaat* (singular *Sadaqah*) is a voluntary act of giving alms by Muslims who want to contribute more than their obligatory Zakat payment.
- <sup>19</sup> *Herald* (Karachi), Oct. 2008, p. 28.
- <sup>20</sup> *Ibid.*, p. 79.
- <sup>21</sup> Shahnawaz Khan, Crime Reporter Daily *Times*, Interviewed by the writer, Lahore, Dec. 2008.
- <sup>22</sup> Banned Jamatul Furqan's monthly journal *Tadbeer-e-Nau* (Lahore) in its June 2003 issue advertised that buying products made by multinationals amounted to 'throttling ourselves'.
- <sup>23</sup> Muhammad Amir Rana, *Seeds of Terrorism*, (London: New Millennium Publications, 2005), p. 171.
- <sup>24</sup> Weekly *Pulse* (Islamabad), Mar. 10-16, 2006.
- <sup>25</sup> *Ibid.*
- <sup>26</sup> *Ibid.*
- <sup>27</sup> Aqeel Yusafzai, Interviewed by the writer, Peshawar, Dec. 2008.
- <sup>28</sup> A *marla* is a traditional unit of area in Pakistan measuring 272.25 square feet, 30.25 square yards, or 25.2929 square metres. One *kanal* consists of 20 *marlas*.
- <sup>29</sup> *Ghazwa Times* (Lahore), Sep. 22-28, 2006.
- <sup>30</sup> Muhammad Amir Rana, "Jihadi Print Media in Pakistan: An Overview," *PIPS Research Journal Conflict and Peace Studies* 1(1), pp. 45-64.
- <sup>31</sup> *Ibid.*
- <sup>32</sup> *Ghazwa Times* (Lahore), Sep. 22-28, 2006.
- <sup>33</sup> Maulana Syed Yousaf Shah, associated with Jamia Akora Khattak, Interviewed by the writer, Akora Khattak, Nowshera, NWFP, Jun. 2007.
- <sup>34</sup> Weekly *Nida-e-Millat* (Lahore), Dec. 2-8, 2004.
- <sup>35</sup> Weekly *Azm* (Lahore), Nov 8-15, 2005.
- <sup>36</sup> Mir Dawood, JKLF leader, Interviewed by the writer, Muzaffarabad, 2007.
- <sup>37</sup> Muhammad Amir Rana, *Jihad-e-Kashmir*, p. 27.
- <sup>38</sup> Mir Dawood, Interview.
- <sup>39</sup> Daily *Mashriq* (Peshawar), Jan. 9, 2007.
- <sup>40</sup> Daily *Jinnah* (Lahore), Mar. 4, 2007.
- <sup>41</sup> *Dawn* (Lahore), May 31, 2006.
- <sup>42</sup> Daily *Mashriq* (Peshawar), Apr. 7, 2007.
- <sup>43</sup> Muhammad Amir Rana and Rohan Gunaratna, *Al-Qaeda Fights Back: Inside Pakistani Tribal Areas*, (Islamabad, PIPS, 2007) p.15.

<sup>44</sup> *Dawn* (Lahore), Aug. 12, 2006.

<sup>45</sup> *Dawn* (Lahore), Oct. 23, 2006.

<sup>46</sup> *The News* (Lahore), Nov. 6, 2006.

<sup>47</sup> *Daily Times* (Lahore), Feb. 15, 2007.

<sup>48</sup> *Daily Times* (Lahore), Jul. 28, 2009.

<sup>49</sup> A speech by the SBP Governor at an 'Anti-Money Laundering Seminar' held in Islamabad on March 29-30, 2005.

<sup>50</sup> *Dawn* (Lahore), Feb. 19, 2007.

<sup>51</sup> *Daily Times* (Lahore), May 4, 2006.

<sup>52</sup> *Daily Times* (Lahore), Dec. 28, 2006.

<sup>53</sup> *Daily Times* (Lahore), Jan. 16, 2007.





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