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# Al-Shabaab: From External Support to Internal Extraction

*A Minor Field Study on the Financial Support from the  
Somali Diaspora to al-Shabaab*

VALTER VILKKO

A Minor Field Study (MFS) sponsored by  
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Supervisor: Anders Nilsson

Department of Peace and Conflict Research  
Uppsala University  
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*This research paper is for electronic distribution only. For further requests, please contact the author at  
valter.vilkko@gmail.com.*

## **Abstract**

This paper sets out from the notion that diasporas play an increasing role in the funding of homeland insurgencies. Through a series of interviews, it investigates the channels and magnitude of the financial support from the Somali diaspora to al-Shabaab. The results indicate that the support from the diaspora has declined dramatically in recent years. The remaining diaspora individuals that support al-Shabaab financially are mainly individuals who have done so since the start of the insurgency. The support that remains is being channelled along clan lines and from person to person, with the sender and recipient acting as private individuals.

The findings further indicate that al-Shabaab has replaced the lost external support with more efficient internal revenue generation in Somalia. Taxes, port fees and protection rackets are systematic and rely on a highly efficient scheme of intelligence. The study also finds evidence suggesting that co-operation between pirates and al-Shabaab is playing an increased role in the funding of the insurgent movement.

This study concludes by outlining a number of policy implications for relevant actors relating to the conflict between al-Shabaab and the Transitional Federal Government of Somalia.

The main recommendations are:

**The international community should:**

- as a strategy to further isolate al-Shabaab, engage the diaspora more creatively and actively in peacebuilding work.
- offer the Government of Kenya help to survey the border between Somalia and Kenya and offer support in implementing a coherent border surveillance strategy.
- support initiatives to counteract money laundering in Kenya by assisting the Government of Kenya in creating transparency and strengthening the country's financial surveillance system.

**International aid agencies operating in Somalia should:**

- harmonise their aid efforts and create credible strategies for counteracting the widespread infiltration of chains of contractors done by al-Shabaab.

**The Government of Kenya should:**

- work against corruption and arbitrary procedures within the customs service. The government lacks credibility in its repeated attempts to seal off the border with Somalia without being able to survey it. The current situation creates insecurity and potentially fuels the conflict in Somalia.
- take measures against international money laundering by improving transparency and by strengthening the country's financial surveillance system. Nairobi today works as a funnel for illegal money - some of it which has its destination in Somalia.

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Uppsala 8. March 2011,

The Author

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# 1. Introduction

In the current academic discourse, Somalia has come to represent the archetype of the failed state. A country that hasn't had a government for twenty years is a unique case in modern times. Over a million Somalis today live outside their homeland and the "Somali diaspora" has become an established term.

More recently, Somalia has made headlines not only because the ongoing anarchy, but also because it is seen as the African outpost of international Islamic terrorist networks. Consecutive armed movements with an Islamist ideology have for the last years fought the Western-backed transitional governments. The most recent is Harakat al-Shabaab al-Mujahideen, a hard-line insurgent militia that was formed as a militant faction of the Islamic Courts Union (ICU) that conquered large parts of Somalia in 2006.<sup>1</sup>

Al-Shabaab, as the group is commonly known as, is today a very successful rebel movement. The group controls most of Southern-Central Somalia and has cornered the country's Transitional Federal Government (TFG) into a small strip located in the capital of Mogadishu. The movement levies taxes and imposes its own laws in the areas it controls. Al-Shabaab also dominates the battlefield in spite of the massive financial, political and military backing that the TFG receives from the West, the United Nations and the African Union. In fact, the most serious challenge to al-Shabaab's dominance today is not the government, but Ahlu Sunnah Wal Jama'a (ASWJ), a resistance movement of militias opposed to al-Shabaab's hard-line ideology.

The current war in Somalia reflects the trend in modern civil warfare: unlike the bipolar, ideological front lines drawn during the Cold War, the civil wars of today are fragmented and context-specific. The insurgents are horizontally organised, utilise regional and grass-root networks and seek international alliances. Support from the major powers to rebellions is vanishing, and insurgent movements need to seek creative ways to finance their operations. Access to routes of licit and illicit trade, global terrorist networks and diaspora remittances have all become cornerstones for most armed insurgent groups around the globe.

According to an estimate made in 2006, Africa as a whole receives \$14 billion annually in remittances from diaspora groups.<sup>2</sup> Throughout the continent, diasporas have steadily increased their role in politics, business and civil society. Likewise, most of the continent's insurgent movements also have a strong connection to one or several diaspora communities. Improved telecommunications, logistics and financial solutions have made it easier for diasporas to stay involved in the affairs of their homeland. One of the countries with a significant diaspora is Somalia.

This research paper sets out to explore the role of the Somali diaspora in funding the al-Shabaab insurgency. An estimate has it that around 14 percent of the Somali population lives outside its homeland, and the diaspora, being a major contributor to the Somali economy, holds considerable power both economically and politically.<sup>3</sup> Both empirical evidence and theoretical findings suggest that there is good reason to believe that the Somali diaspora supports al-Shabaab's struggle in Somalia - the purpose of this study is to find out to what magnitude and how.

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<sup>1</sup> The ICU is also known by the names Supreme Islamic Council of Somalia (SICS) and Union of Islamic Courts (UIC). There are conflicting views on when al-Shabaab actually was created. Some observers suggest the movement was established already in 1998, while the more common version has it that the group took form as a special unit of the ICU in 2006.

<sup>2</sup> Menkhaus, Kenneth, 2009, "African Diasporas, Diasporas in Africa and Terrorist Threats," in *The Radicalization of Diasporas and Terrorism*, ed. Wenger & Mauer, p. 88.

<sup>3</sup> Sheikh & Healy, 2009, p. 6.

## 2. Theory and the current debate

This section gives an overview of the previous findings on diaspora support for armed insurgencies in academic and policy oriented literature.

### 2.1. The funding of armed insurgencies today

The political economy of civil wars has been a hot topic in academic research for the last ten to fifteen years. Especially the focus on “self-financing” of insurgencies has gained attention and a lot of effort has been put into understanding the often quite complex and sophisticated ways armed opposition groups gather funds for their struggle. The funding of armed opposition movements has changed substantially in the last two decades. During the Cold War state support or sponsorship of armed insurgencies was common. The superpowers as well as regional powers often backed proxy-forces in foreign countries to promote their geopolitical interests.

Today the climate is tougher for an aspiring rebel group. States are neither the only nor necessarily the most prominent sponsors of armed insurgencies. Although the state sponsors are not fully gone, hundreds of millions no longer flow out of Washington’s and Moscow’s coffers and virtues like respecting human rights and promoting a democratic society play an actual role when a rebel group is looking for support beyond the borders of its homeland.

The larger debate on the new economy of civil wars was opened by the hugely cited work of Collier and Hoeffler in 1998 in an article, where the authors presented their theory of “greed” versus “grievance”, comparing two categories of motivations for rebellion.<sup>4</sup> The article offered new perspectives on the post-Cold War economy of war, taking in the role of new opportunities of creating revenue as well as new forms of external support. Meanwhile, the greed versus grievance perspective also created the seeds for a polarisation of the discussion. Dichotomies like “loot-seeking” versus “justice-seeking” rebellions became entrenched and the socio-political and economic drivers of armed conflict were often treated as separable sets.<sup>5</sup> A lot of the subsequent research on drivers of civil war came to focus on lootable resources, primary commodities that could easily bring revenue to their owner.<sup>6</sup>

Both the the greed and grievance perspective and the prominent role of lootable natural resources have been questioned. Many scholars have argued that modern rebel groups need a broader base of funding and point at cases where rebels are able to generate considerable revenue despite the lack of lootable resources. Robert Picciotto finds that profitable control of lootable natural resources still does play a role in civil wars, but in conflicts where lootable natural resources are absent, extortion of local and international businesses, extraction of aid and support from the diaspora often take a more prominent role.<sup>7</sup>

Picciotto further argues that most insurgencies are still politically motivated, sustained by some kind of local grievances and mobilised through appeal to either ethnic identity or religion. He also claims that these motives affect the organisation of the insurgents in certain ways. Armed groups today form structures similar to those of international criminal organisations, preferring horizontal coalitions in stead of vertical chains of command like regular armies. The groups act in a “network-centric” pattern,

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<sup>4</sup> Collier & Hoeffler, 1998.

<sup>5</sup> Ballentine, Karen & Nitzschke, Heiko, 2006, “Beyond Greed and Grievance: Policy Lessons from Studies in the Political Economy of Armed Conflict,” in *Security and Development: Investing in Peace and Prosperity*, ed. Picciotto & Weaving, p. 159.

<sup>6</sup> See for example Ross, 2004.

<sup>7</sup> Ballentine & Nitzschke, 2006, p. 179.

forming pragmatic coalitions both nationally and internationally and move swiftly over international borders.<sup>8</sup>

## 2.2. Diasporas financing armed groups

Collier and Hoeffler have later revised their pioneering work, publishing a series of articles on the subject. One of the findings that stood out early on in their work was the role of diasporas as financiers of armed insurgencies. The authors find that “by far the strongest effect of war on the risk of subsequent war works through diasporas. After five years of post-conflict peace, the risk of renewed conflict is around six times higher in the societies with the largest diasporas in the United States than those without U.S. diasporas. Presumably this effect works through the financial contributions of diasporas to rebel organizations.”<sup>9</sup>

Diasporas have today become endemic to the international system. In pace with globalisation, the diasporas have also increased their involvement in armed conflicts.<sup>10</sup> Cases like the civil wars in Sri Lanka and Nepal, as well as the Kurdish insurgency in Turkey, have in the past shown that wealthy diaspora groups can give strong backing to armed movements in their home countries. With the reduced role of state sponsors, the diasporas’ actions have also become more influential.<sup>11</sup> The actions of the diaspora can for example in some cases be of such significance, that a peace process that doesn’t include the diaspora is bound to fail.<sup>12</sup> In fact, diasporas today play a direct role in political leadership in government, opposition and armed insurgent groups in most third world conflicts, not least in Africa. Especially in cases where the diaspora is large, virtually any political movement in the kin-state has a diaspora component, and it is often significant.<sup>13</sup>

The role of diasporas most frequently cited in the press is their financial role in sustaining a conflict by funding an insurgent group or terrorists. Although usually supporting rebellious groups, in some cases diaspora communities have also sided with the government. Nevertheless, the diaspora typically tries to promote its own view of it’s ethnic community’s identity and interests.<sup>14</sup>

These views and aims of the diaspora are not always in line with the kin-state’s authorities. Since the diaspora resides outside its kin-state, but still has a legitimate stake in it, it often defies the state apparatus or even the conventional meaning of the state as an idea.<sup>15</sup> The phenomenon is connected to the common claim that diasporas are more radical than their respective populations in the kin-state.<sup>16</sup> This claim, however, misses a crucial point. Political positions that are extremist, or at least uncompromising, are easier for the diaspora to take, since they do not have to live with the

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<sup>8</sup> Picciotto, Robert, 2006, “Aid and Conflict: the policy coherence challenge,” in *Security and Development: Investing in Peace and Prosperity*, ed. Picciotto & Weaving, p. 356-357.

<sup>9</sup> Collier & Hoeffler, 2000, pp. 26.

<sup>10</sup> Shain, 2002, pp. 116.

<sup>11</sup> RAND, 2001, p. 41-42.

<sup>12</sup> Shain, 2002, pp. 115-116

<sup>13</sup> Menkhaus, 2009, p. 87.

<sup>14</sup> Shain, 2002, pp. 116-118.

<sup>15</sup> Shain & Barth 2003, pp. 450.

<sup>16</sup> Collier 2003, p. 86.

consequences of their incomppliance.<sup>17</sup> Just as diasporas can be advocators of reform and renewal, so too can they be spoilers, hindering peace and development.

The channels for diaspora support to armed groups are in many cases largely the same as those used for traditional diaspora remittances. Previous research has found that kinship is the primary component that motivates financial support to armed groups.<sup>18</sup> Especially African diaspora members have typically provided funding to insurgents with a local or ethnic base.<sup>19</sup> The support to tribesmen and clansmen is in general connected to an idea of a common homeland.

A problem when seeking references in the academic literature is that the concept of diaspora has been used in several different ways. While some studies include all persons of a certain ethnic origin into the diaspora, others have chosen to only look at the activities of communities overseas. Kenneth Menkhaus also recognises that “increased movement of African elites between the continent and the West and the growing practice of holding multiple passports [...] is making the line between Africans and the African diaspora increasingly hard to draw.”<sup>20</sup> This describes well how globalisation and improved communications have brought diasporas and kin-state populations closer to each other.

In conflict research a common approach is also to only look at the connections between diasporas and secessionist movements, like the Tamils in Sri Lanka or the Kurds in Turkey. While these often stateless but homogenous diasporas are interesting, this framing leaves out several modern insurgencies where diasporas have or might have played a significant role. Several of the “classic” diasporas, like the Armenians and the Jews, also have a functioning state as their homeland. The studies on these cases often focus on, for example, how the diaspora influences politics or foreign policies in their homeland. As a result cases like Somalia, where the insurgents aren’t secessionist and the state has practically collapsed, often fall between the categories in current research.

### 3. Research method and framework

This paper is based on a series of interviews, made with members of the Somali diaspora in Nairobi, Kenya. Through a framework of semi-structured interviews, adapted to each interviewee’s special areas of knowledge, the aim is to get an understanding of what role the Somali diaspora plays in funding al-Shabaab.

Nairobi today has become the indisputable hub of Somali economic activity in Africa. While other cities, like Dubai and Hargeisa, play an important role in Somali trade, Nairobi with its proximity to South-Central Somalia is the major trade hub and also the main site of large-scale diaspora activity. Goods, money and people connected to Somalia pass through the city every day. Although the numbers can be unreliable, the Somali population of Kenya by far outnumbers other diaspora centres in Minnesota, Ontario and the United Kingdom.<sup>21</sup> Nairobi was therefore a natural choice when planning the location of the interviews.

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<sup>17</sup> Menkhaus, 2009, p. 88.

<sup>18</sup> RAND, 2001, p. 55.

<sup>19</sup> Menkhaus, 2009, p. 84.

<sup>20</sup> Ibid., p. 85.

<sup>21</sup> The Minorities at Risk project puts the number at roughly 280 000 people, (MAR, 2006-12-31). Other estimates talk about half a million people. Part of the confusion is created by lack of measures to differentiate diaspora Somalis and Kenyan Somalis.

The first part of the study investigates the diaspora's financial support to al-Shabaab. It is based on interviews conducted with Somalis with first or second-hand knowledge of the Somali business networks and security politics in the region. By investigating the methods, channels and forms of financial support it seeks to refine the picture of Kenya and especially Nairobi as a hub in the economic connections between the Somali diaspora and al-Shabaab. The findings are unambiguous: the diaspora has rejected al-Shabaab's hardline methods, and the movement today relies on other sources of income.

The second part of this paper explores the internal sources of support that al-Shabaab has secured during its four years as Somalia's leading insurgent movement. Moving forward from the notion that the funding from the diaspora has diminished radically in recent years, it gives an overview of how al-Shabaab has switched to a strategy of internal extraction by hardening its grip over its Somali strongholds.

The field research for the report was conducted in Nairobi, Kenya 12 October to 21 December 2010. Fourteen individuals were interviewed, three women and eleven men. The majority are members of the Somali diaspora, some are living part-time or even close to permanently in Somalia. Four of the interviewees are Kenyan Somalis, i.e. of ethnic Somali origin, but Kenyan citizens from birth.<sup>22</sup>

Although the Kenyan Somalis do not belong to the diaspora itself, their comments were valuable when trying to understand the interactions between Kenyan Somalis and diaspora Somalis living or doing business in Kenya. In general, the aim when choosing the interviewees was to get experts from different areas: assessing the financial structure of al-Shabaab and the movement's diaspora connections requires information both from the field in Somalia and the business community in the Somali inhabited district of Eastleigh. People with knowledge in the field of intelligence and security politics also gave their valuable input. Therefore, the selection of interviewees can be seen as a selective snowball sample.

Security issues also affected the selection of interviewees. Al-Shabaab is present in Nairobi and the organisation's networks are all but visible. I therefore had to rely on a few trusted people who could recommend and confirm my contacts, step by step. The interviewees themselves also in some cases expressed concern over their personal security. Out of the fourteen interviewees, ten requested anonymity. The motivations were individual, but professional position and safety concerns were the most common reasons for requesting anonymity. The exact descriptions used for the interviewees, in other words the degree of anonymity, were agreed upon individually in each case. To protect the anonymity of the interviewees, the exact location of the interviews is not revealed.

A few clarifications are needed to specify the framework of this paper. A comprehensive picture of the economic activities of the Somali diaspora would require investigation of several diaspora centres outside Africa. This paper describes the current trends in diaspora support to Somalia's largest insurgent group, al-Shabaab. Although not being able to give the full picture, this research paper has, by necessity, refined its scope to focus on Somali economic activity in Kenya connected to the insurgents.

As it has gained wide publicity and is often intermixed with other types of support, the recruitment of fighters from the diaspora will be briefly assessed in this paper. Although it is a form of support with only a few links to the wider financial support network, it is often paired with financial support by media and is included to give a more comprehensive picture of the diaspora's relationship to al-Shabaab. The recruiting patterns are also central to understanding the role of Kenya and the Kenyan Somali population in the Somali civil war today.

### **3.1 Definition of diaspora**

I borrow my definition of diaspora from Yossi Shain and Aharon Barth. According to their definition diaspora is defined as "a people with a common origin who reside, more or less on a permanent basis,

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<sup>22</sup> For a list of interviewees, see Appendix I.

outside the borders of their ethnic or religious homeland - whether that homeland is real or symbolic, independent or under foreign control. Diaspora members identify themselves, or are identified by others - inside and outside their homeland - as part of the homeland's national community, and as such are often called upon to participate, or are entangled, in homeland-related affairs".<sup>23</sup>

In this specific paper, the term diaspora Somalis therefore refers to all Somalis with family ties to Somalia living outside Somalia, regardless of whether they live in the East African region or overseas. The ethnic minority of Kenyan Somalis are not counted as members of the diaspora. However, while the line between diaspora Somalis and Kenyan Somalis is mostly easy to draw on an individual level, the groups interact a lot. One example is the business life in the Somali district of Eastleigh in Nairobi, where Kenyan Somalis and diaspora Somalis do business side by side. Although being aware of the fact that Kenyan Somali families have often lived for generations in Kenya and often lack ties to the state of Somalia, this study will not be fully able to separate potential Kenyan Somali support from diaspora support. This, however, does not compromise the results of the study.

## **4. Results: the diaspora support**

### **4.1 External support: an overview**

The financial support that al-Shabaab receives from sources outside of Somalia mainly consists of three components: diaspora remittances, donations from international jihadists and financial support from the state of Eritrea.<sup>24</sup> This paper focuses on the diaspora support and therefore investigation of the extent, channels and origins of the two latter forms of support falls beyond the scope the research. Meanwhile, it is relevant to at least briefly present the most general characteristics of these two forms of support.

In line with previous reports, most of the interviewees named international jihadists as the main external source of income for al-Shabaab. The exact amounts are unknown, but are widely believed to be significant. A fact supporting this connection is that several of the persons financially responsible within al-Shabaab are foreign nationals who have come to Somalia to join the international jihadist struggle.<sup>25</sup> Since its creation, al-Shabaab has maintained contacts to international radical Islamists. Many of the interviewed Somalis even viewed al-Shabaab as something created and imposed from outside of Somalia, although this is most likely an exaggeration.<sup>26</sup>

The international jihadists financing the movement are described as anonymous individuals and networks, mainly based on the Arabian Peninsula and committed to the Somali strife through a shared radical ideology. They motivate support to al-Shabaab by interest in supporting the global Islamist movement. These faceless supporters are hard to trace and even the channels used for their money

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<sup>23</sup> Shain & Barth 2003, pp. 452.

<sup>24</sup> The support al-Shabaab receives from international jihadists and the state of Eritrea is not limited to only financial support.

<sup>25</sup> These include Sheikh Mohamed Abu Faïd (Saudi-born), financier and "manager" of al-Shabaab, and Abu Mansur Al-Amriki (U.S.), responsible for the financing of foreign fighters. ICG, 2010.

<sup>26</sup> Interview with Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed, 2010-12-09 and 2010-12-17, Nairobi and Young Somali humanitarian aid program manager, 2010-11-15, Nairobi.

transactions are debated. Regardless of this, support from international jihadists seems to remain one of the main sources of income for al-Shabaab.<sup>27</sup>

The second source of support that falls beyond the scope of this report is that from the state of Eritrea, which has been supporting several armed insurgent groups and militias in Somalia for a long time. The Eritrean involvement in Somalia should be viewed in terms of Asmara's broader regional policies: the main reason for the support is to counteract Ethiopian interests in Somalia. The Eritrean financial assistance to resistance groups has varied somewhat over time. The most recent estimation done by the UN is that the support had "either diminished or become less visible, but had not altogether ceased" during the course of 2009. The estimated support from Eritrea to al-Shabaab in 2009 was, according to the UN, \$40,000 - \$50,000 per month.<sup>28</sup>

The main focus of this paper lies on the financial support from the Somali diaspora. In the following section the support trends, channels of support and the role of Kenya will be presented.

## 4.2. Diaspora Money

Ever since the September 2001 terrorist attacks, diaspora remittances from Somalis living in Europe and Northern America have received considerable attention. With the rise of the Somali Islamist movement and the victories of the ICU, stories about diaspora support were widely published.

Likewise in recent years, widespread allegations about financial support to al-Shabaab from countries with large Somali diaspora populations have been common.<sup>29</sup> These claims have often gained widespread publicity due to al-Shabaab's listing as a terrorist group in several countries and the group's connection to al-Qaeda. However, while some donors have stayed loyal to the group, it is clear that al-Shabaab's diaspora support has been substantially larger in the past than it is today.

To understand the diaspora's support of al-Shabaab one has to have a general picture of the rise and fall of the ICU.<sup>30</sup> The ICU relied heavily on diaspora support and had considerable popular support both within and outside Somalia. It is also crucial to understand why the diaspora was so eager to support the ICU.

The Islamic court movement came about as both a reaction to the anarchy of warlordism in Somalia and as a yearning for law and order. When the ICU came to power, it was able to bring greater stability to the areas it controlled, and quickly earned huge popularity by providing something most Somalis hadn't had for over 15 years: basic security. The movement gained public support by establishing courts that, in a short time, were able to reduce crime considerably. The coalition also provided social and educational services, thus offering security and basic utilities that had been absent for the broad Somali population since the fall of Siad Barre in 1991.

The Ethiopian invasion that followed in late 2006 came as a shock to many Somalis. The ICU was chased away under chaotic circumstances and Somalia was plunged back to lawlessness. Shortly after the fall of the ICU, a sense of nostalgia developed among Somalis for the short period when the ICU governed Somalia. The movement itself, however, didn't survive the Ethiopian invasion. The group that emerged as the strongest survivor and was to challenge the Ethiopian and TFG troops was al-Shabaab.

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<sup>27</sup> Interview with Young Somali humanitarian aid program manager, 2010-11-15, Nairobi and Retired Somali senior humanitarian worker and aid consultant, 2010-11-26, Nairobi.

<sup>28</sup> UN Monitoring Group on Somalia, 2010, p. 21, 23-24.

<sup>29</sup> For some recent examples, see, "Al-Shabab fundraisers targeted Somali-Canadians" (National Post 2010-08-05) or "Somalia terrorist activity in US raises concerns, questions" (Christian Science Monitor 2010-11-16)

<sup>30</sup> For a brief historical overview of the ICU, see ICG, 2006.

While al-Shabaab was an off-shoot of the ICU, it is worth pointing out that the shift of alliances and the boundaries between different factions after the fall of the ICU is in no way clear-cut. The ICU was a broad alliance, which contained everything from militant hard-liners to moderates, as well as political and ideological leaders. Al-Shabaab was a militant section of the ICU, representing the most radical individuals within the ICU movement.

After the fall of the ICU, Somali nationalism, a crucial feature of the Islamist movement in Somalia since its formation, also played in al-Shabaab's favour. When the ICU disintegrated, al-Shabaab partly came to inherit its role as the main group putting up resistance against foreign influences. This is one of the explanations to why al-Shabaab had a significant share of support among the diaspora early on in its struggle. One of the interviewees described the diaspora's reaction in Nairobi:

“[D]uring the Ethiopian occupation, at that time, I know that people were running around with collecting boxes in Eastleigh. But back then the connection with Kenya and Uganda didn't exist, so the whole picture has changed completely now.”

- *Swedish Somali business professional, based part-time in Mogadishu*

Al-Shabaab was widely seen as a defender of Somali interests against the Ethiopian invaders. The ICU had been able to bring order and security, which led many to hope that al-Shabaab, regardless of means and ideology, could do the same.<sup>31</sup> Another interviewee explained that al-Shabaab was able to fill a power vacuum that was left after the ICU.<sup>32</sup>

Today, the general trend in financial support from the diaspora to al-Shabaab is clear: it's declining, or at least has done so for the past years.

“[T]he diaspora's support for al-Shabaab is not what it used to be. At the onset of al-Shabaab in Somalia, there were those who thought they were a direct microcosm of the old ICU. Remember, in those days, the ICU somehow overtook Mogadishu, and they stabilised Mogadishu. And somehow for the first time in twenty years, the people of Mogadishu slept with their doors open.

So when that was taken away [...] there was this little core group, that wouldn't take peace and wouldn't opt for becoming the new leaders of Somalia. And they made the continuation of the war - those are al-Shabaab.”

- *Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed*

The interviewees believed the financial backing from the diaspora today to be minimal, or at least strongly diminished. A possible watershed moment was the end of the Ethiopian occupation in December 2008. After losing its role as a counter-force to the invaders, al-Shabaab allegedly also lost its diaspora backing.<sup>33</sup>

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<sup>31</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi and Somali TFG official, based in Somalia and Kenya, 2010-12-18, Nairobi.

<sup>32</sup> Interview with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30, Nairobi.

<sup>33</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi.

The interviews gave a fairly united picture of the reasons behind the diaspora's decision to withdraw its support: al-Shabaab has lost the goodwill it used to have. The group's brutal methods and criminal attributes combined with its al-Qaeda connections have also scared away many of the more moderate supporters. Al-Shabaab was described by the interviewees as a sectarian network, with high secrecy and efficient intelligence. One of the interviewees with rich field experience from within Somalia explained, that few Somalis are able to tell who actually is a member of al-Shabaab.<sup>34</sup>

Today there are mainly two reasons for the remaining supporters to provide financial backing. The first group of supporters are ideological hard-liners, who still believe in the Islamist cause. The second group are people who became closely involved with the movement at an early stage of its struggle. More than one interviewee made the comparison to organised crime networks:

“You see criminality... sometimes, once you go inside, sometimes you feel, even now if you decide to go back, who's gonna believe you? Because you already went inside! But those who were supporters, only supporters and not involved, they went back. They said no, al-Shabaab is not who we want to be. But those who collected money, those who voiced support in the media, those who maybe rose funds for, those who maybe took arms for them: those people, even if they realised al-Shabaab is not a good enterprise - their thinking: who's going to believe you? You are already on the record.”

- *Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed*

As in other cases of diaspora support to armed movements, kinship plays a central role for those who do support al-Shabaab financially. The interviews revealed that when members of the diaspora choose to support al-Shabaab, they do it exclusively along clan lines, from one member of a clan to another. The clans are the traditional loyalty in Somali society, and like many social activities, any kind of financial transactions primarily follow clan lines rather than political affiliation. Since all transactions are between private persons, inter-clan support also makes it hard to differentiate support to the insurgents from ordinary diaspora remittances.

The interviewees also confirmed that al-Shabaab's ability to extract money largely stops at the borders of Somalia. The Somali society differs from classic cases of diaspora support to armed insurgencies, like Sri Lanka and Northern Ireland, by its clan system. During the Sri Lankan civil war a diaspora tax was imposed by the rebel movement on Tamils living in exile. Payment was ensured by collectors who were familiar with the diaspora.<sup>35</sup> Neither Al-Shabaab nor the TFG has a support structure similar to this, which is partly due to the clans being the base of the social networks and thereby the main loyalty for most Somalis.<sup>36</sup>

Another strategy previously used by armed movements is blackmailing the diaspora by threatening family members who have stayed in the homeland.<sup>37</sup> The Somali clan structure also seems to prevent this type of extortion. Trying to threaten people would cause a chain of clan grievances and would most likely only harm al-Shabaab in the long run.<sup>38</sup>

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<sup>34</sup> Interview with Young Somali humanitarian aid program manager, 2010-11-15, Nairobi.

<sup>35</sup> For a description of the diaspora fundraising system of the Sri Lankan LTTE, see RAND, 2001, p. 43, 49-54.

<sup>36</sup> Interview with Kenyan Somali peace building professional, 2010-10-25, Nairobi.

<sup>37</sup> RAND, 2001, p. 50.

<sup>38</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi.

## ***The hawalas***

The by far most common way to send money to Somalia is through hawala money transfer companies. In the hawala system, money is transferred via a network of hawala brokers, located around the world. The unique feature of the system is that it relies completely on a code of honour. No promissory instruments are exchanged between the brokers and all transactions go from one private person to another. As the system does not depend on the legal enforceability of claims, the hawalas can operate even in the absence of a functioning legal system, like in Somalia.

At present, the Somali financial sector is dominated by the hawalas, as they are the only financial service providers in the country for the majority of households and for the whole private sector. Almost all diaspora remittances to families and private persons are handled by the hawalas. Arguably, the hawalas are also the main channel when it comes to diaspora support to Somalia's armed groups.

The hawala system is in many ways ideal for the purposes of al-Shabaab. As every transaction goes from one private person to another, the group has created a sophisticated system of senders and receivers, which relies on the almost non-existent documentation of the transactions.

“Those people who go and become part of them [al-Shabaab]: every person is very familiar with secrecy and privacy. They're very active in their intelligence. So they may organise a number of receivers who never tell anybody what they're doing. They may even have different receivers in the same network, who are unaware of each other. So the number of receivers can be very large.”

- *Young Somali humanitarian aid program manager*

This means that restricting al-Shabaab's access to funds transferred through the hawala system is extremely challenging. The availability of receivers in Somalia is almost infinite and although finding new senders might require some effort, it is fairly easy to redirect the money to avoid suspicion.

The international community has, especially since the September 2001 terrorist attacks, tried to come up with common regulations to counteract terrorism funding and related money laundering. Perhaps the most serious attempt to harmonise strategies is being pursued by the Financial Action Task Force (FATF), an organisation with 36 member states, among them most of the countries of the European Union as well as the US and Canada. Many of the concrete restrictions, however, like transfer limits and documentation requirements, are still applied on national basis. The exact conditions for making a hawala money transfer to Somalia thus depend on the country the money is being sent from.

The interviews could not fully cover the technicalities surrounding different types of hawala transfers. Most if not all interviewees, however, had experience from transferring money through hawalas, and a general opinion was that current restrictions were toothless. Requiring further documentation for transfers exceeding a certain amount, a system put in practice at least in the US, was seen as inefficient, since al-Shabaab is already able to split the transfers into several senders and receivers.

## ***Cash couriers***

Although inefficient, the international restrictions on hawala transfers have, in recent years, contributed to an increased use of cash couriers when transferring money to Somalia. Especially the US-led closing of al-Barakat in November 2001, as a repercussion of the September 2001 terrorist attacks,

created panic and undermined trust in hawalas.<sup>39</sup> Couriers are used specifically for larger transactions. One of the interviewees, whose NGO is operating within Somalia, described a typical courier transfer in the following way:

“I would be going, you tell me: carry. You sort out the guy in Nairobi, or in Ethiopia or in Dubai. You make sure they won't search my bag. You're sending a million dollars, so it is okay to pay five thousand to somebody to look the other way.”

- *Young Somali NGO leader from the diaspora, currently based in Nairobi*

The operation of couriers from Kenya largely relies on the porous border and corrupt Kenyan government officials. For every courier transfer, a certain amount is usually reserved for bribes to customs officials.<sup>40</sup> The system is largely built on informal networks, often with private persons acting as couriers.

Due to Al-Shabaab's strict surveillance of the hawala operators in Somalia, cash couriers can be an attractive alternative for those who want to receive money without being monitored by the militias.<sup>41</sup> The monitoring of hawala transfers is also said to be used for internal control of the movement. It is therefore probable that individual al-Shabaab commanders prefer to use couriers for personal off record transfers.<sup>42</sup>

### **4.3. The role of Nairobi and Eastleigh**

The activity of the Somali business community in Nairobi is centred in the business district of Eastleigh, popularly known as “Little Mogadishu” due to its high concentration of Somali inhabitants. Eastleigh has, during the last decades, grown to be a major centre of business activities with a steadily growing turnover. The area is inhabited almost completely by Somalis of different origin and is a leading market place in East Africa for textiles, jewellery and electronics. Eastleigh benefits from Somalia's duty free status, and most of the products sold are imported either through Somalia or straight from the other major hub in the Somali trade network, Dubai.

The district gathers both representatives of the diaspora population and ethnic Kenyan Somalis. The mixture is considerable, ranging from eighth generation Kenyan Somalis to newly arrived paperless refugees. When walking around in Eastleigh, the district itself gives contradicting impressions. Impressive multi-storey buildings with glass facades speak to the district's recent economic success. Meanwhile, a visitor is also greeted by the other side of Eastleigh: unpaved, dusty roads, flooded drains and an almost total absence of state authorities. The term “a society within society” has often been used to describe the district.

Eastleigh today is arguably the main centre of commerce for people of Somali origin. Any business reaching out to the Somali market has representation in the district. It therefore doesn't come as a surprise that al-Shabaab is present in Eastleigh.

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<sup>39</sup> To read more about the closing of al-Barakat and its implications, see Omer, 2002, p.16-18.

<sup>40</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi.

<sup>41</sup> Al-Shabaab's surveillance of cash-flows is described in chapter 5.

<sup>42</sup> Interview with Somali TFG official, based in Somalia and Kenya, 2010-12-18, Nairobi.

“Are there thieves in Eastleigh? Yes. Are there al-Shabaab supporters in Eastleigh? Of course, yes. [...] In my view Eastleigh is a microcosm of Somalia, and if you have warlords in Somalia there are warlords in Eastleigh. If you have al-Shabaab in Somalia you will have them in Eastleigh. But also, if you have businessmen in Somalia, you will have businessmen in Eastleigh. It’s just half of the cake. [...] But I wouldn’t claim Eastleigh is contributing to al-Shabaab more than Toronto. Or more than Minneapolis, or Stockholm. I would say whatever activities is going on in Eastleigh, those are the activities Somalis, wherever they are, are doing.”

- *Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed*

Out of the fourteen interviewees, ten requested anonymity. The threat from al-Shabaab is real and concrete in the life of many Somalis living in Kenya, and many people fear the consequences of speaking out and revealing information about the secretive movement. Still, retaliatory measures are mainly a concern for those who wish to later travel into Somalia, especially into al-Shabaab controlled territory. Another danger zone is the border area between Kenya and Somalia, where abductions and sporadic assassinations on the behalf of al-Shabaab do occur. The security risks, however, are significantly lower there than inside Somalia itself. Several interviewees also urged me to take precaution while working in Nairobi, especially when moving around in Eastleigh.

Regardless of this, al-Shabaab’s strategy in Nairobi is to keep a low profile and the movement is not visible in the streets of Eastleigh. The organisation is operating with a horizontal network structure with independent units, and the most visible sign of Islamist activity in the Somali inhabited district are radical preachers at the local mosques. A common mistake made by observers is to interpret the presence of radical scholars as proof of financial support running from the district to al-Shabaab. Another circumstance that blurs the picture is the ongoing recruiting of fighters in Eastleigh, which is to a high degree connected to the radical religious centres.

It would be naïve to claim that Eastleigh wouldn’t play a role in the funding of al-Shabaab. In terms of ideological activity, the area offers perhaps surprisingly strong support to radical Islam. Mosques and more informal religious centres gather large crowds and, in line with the Islamic tradition, money is also collected to charity. Small-scale collection activities that are conducted in a discrete manner, explicitly in support of al-Shabaab, may be in place in these centres. It is even likely that this is the case. However, none of the interviewees claimed to have first-hand knowledge of these sorts of activities.

What is remarkable is that during the interviews no evidence was found suggesting that economic support is gathered in Eastleigh, either through systematic collection campaigns or by force. This dramatically decreases the potential amounts of support running from the Somali community in Eastleigh to al-Shabaab. As described previously in this report, popularly supported collection campaigns were visibly going on during the time of the ICU, but are now completely absent.<sup>43</sup> The financial support that exists today seems to come from a group of relatively few wealthy individuals, mostly business men who sympathise with the insurgents.

“We can just guess. [...] But for sure there are [Somali] business people here in Eastleigh, in Kenya, in Garissa, that just fund. But nobody can say, ‘that person’, ‘that group’ and so on, nobody. But for sure, it exists.”

- *Young Somali humanitarian aid program manager*

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<sup>43</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, see quote on p. 8.

As is the case globally, the diaspora in Eastleigh has withdrawn its support to the armed Islamist insurgency. Al-Shabaab's gradually more controversial policies and methods have forced the group to go underground in Nairobi and, in combination with a declining popularity among the diaspora, have led to a declining support from Nairobi and Eastleigh.

The decline of the diaspora's support is also visible in the actions of prominent Eastleigh figures. One of the most pronounced patrons of al-Shabaab, Sheikh Mohamed Abdi Omar, popularly known as "Umal", in 2009 to 2010 decided to dissociate himself from the group. Umal was a staunch advocate of the ICU, who opposed the Djibouti peace talks and a finally sided with al-Shabaab after the new TFG had been installed.<sup>44</sup>

That financial support from Eastleigh itself is of minor importance does not change the fact that money related to the insurgents flows through the district. The remaining diaspora supporters are likely to launder their support money as a security measure, and Nairobi with its Somali financial institutions and weak governmental insight offers the possibilities to do so. Foreign donors, like international jihadists and diaspora supporters, most likely also funnel money through Eastleigh.

Al-Shabaab's multiple activities have not gone unnoticed by the Kenyan intelligence service.<sup>45</sup> Meanwhile, the relationship of al-Shabaab and the state of Kenya can be described as a symbiosis where neither party wants to change the status quo.<sup>46</sup> In case of an armed confrontation, the Kenyan armed forces and state intelligence would most likely out-manoeuvre al-Shabaab in the long run. But, on the other hand, Kenya and its sizeable tourism industry is vulnerable and cannot risk incidents of violence or terrorist attacks. Taking on a network like al-Shabaab is a battle without clear front lines. The government is thus primarily interested in keeping the peace. The same applies to Al-Shabaab, that relies on Kenya in terms of recruits and ideological support, not to mention Eastleigh's role as a hub for money transfers. Accordingly, the group simply can not afford to lose its foothold in Kenya.

There are, however, considerable sources of tension. Kenya has created confusion by assisting in the recruitment and training of approximately 2,500 Somali soldiers in Kenya.<sup>47</sup> The contingent is planned to be used in support of the TFG, but the exact plans surrounding its deployment are unclear. In return, al-Shabaab has several times threatened Kenya with terrorist attacks. Especially the bombing during the 2010 football World Cup in Uganda, which al-Shabaab claimed responsibility for, raised worries in Kenya.

#### **4.4. Alleged investment in Eastleigh and Nairobi**

Besides its role as a financial hub, Nairobi is today most likely the main recipient of Somali investment.<sup>48</sup> Members of the global diaspora as well as Somalis resident in the region have seen the great potential in the district. Eastleigh today is a thriving business community and, despite the global economic recession and its effect on the district, it is one of the fastest growing business areas in Eastern Africa.

The rapid growth of Eastleigh and especially the booming real estate business in the district have not gone unnoticed. Kenyan media, partly followed by the international press, have repeatedly reported

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<sup>44</sup> UN Monitoring Group on Somalia, 2010, p. 25-26.

<sup>45</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi.

<sup>46</sup> Interview with Somali UN professional, 2010-12-18, Nairobi.

<sup>47</sup> UN Monitoring Group on Somalia, 2010, p. 55-56.

<sup>48</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi.

about the area's success in recent years, but also alleged illegal investment done by both al-Shabaab and Somali pirates in the district. However, the widespread corruption within Kenyan society combined with poor documentation makes substantiating these claims difficult, and so far the reports have mostly lacked hard evidence.

When it all comes around, the information available speaks against al-Shabaab investment in Eastleigh. All interviewees rejected claims regarding the insurgent group investing money in Nairobi. A representative of the TFG explained that though money is channelled through Nairobi, bringing money into Kenya for other than "operational purposes" is outside al-Shabaab's business framework.<sup>49</sup> The other interviews supported this picture: al-Shabaab's core business is in Somalia, and although Kenya plays a central role in the movement's economic structure, the country mainly serves as a transit point for money, goods and recruits.

A large problem when investigating the economic activities in Eastleigh is the lack of reliable statistics. The Kenyan state has partially abandoned the area and interferes little in many of the district's affairs. A proper study of the area's financial dynamics would therefore require more thorough investigations. However, in the light of available economic figures, the claims that the prosperity of Eastleigh lies in money invested by pirates and Islamists lacks credibility. Estimates of the Eastleigh district's annual turnover vary, the BBC reported a rough \$672 million in 2006, while one interviewee suggested \$3,5 billion for the year 2010.<sup>50</sup> Whichever is true, the figures outmatch the financial capacity of both al-Shabaab and the pirates, even combined.<sup>51</sup> Eastleigh has grown at a tremendous pace and now serves as a trade point for the whole region. The Somali economy has migrated from its war-torn country of origin, and its new hub is Nairobi.

"And let's not forget about the hawala houses. They make incredible amounts of money every year. And the guy who owns shares in a hawala house, what does he do? Well, he buys a house in Eastleigh or a house in Karen or wherever. But why would he buy a house in Mogadishu?"

- *Swedish Somali business professional, based part-time in Mogadishu*

The Eastleigh business life strongly and publicly dissociates itself from al-Shabaab or any radical movements. Representatives for the largest umbrella organisation of business interests in Eastleigh, the Eastleigh Business District Association (EBDA), took a defensive position when confronted with questions about al-Shabaab's presence in Eastleigh. Both of the representatives who were interviewed denounced the existence of al-Shabaab run or al-Shabaab affiliated businesses in the district. They even went as far as to claim that the reports on recruiting that have circulated in media are nothing but ill-meant rumours, which is hardly a credible stance.<sup>52</sup> The EBDA representatives also downplayed the

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<sup>49</sup> Interview with Somali TFG official, based in Somalia and Kenya, 2010-12-18, Nairobi.

<sup>50</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi.

<sup>51</sup> Although some pirate income most likely is spent in Nairobi, the division of the ransom money most likely prevents any substantial investment. See pirate business model on p. 23.

<sup>52</sup> Interview with EBDA chairman Muhammed Gutale and EBDA secretary Omar Yusuf Abdi, 2010-11-25. The International Crisis Group in May 2010 estimated that about half of the foreign fighters in the ranks of al-Shabaab are Kenyan citizens, many but not all of them ethnic Somalis (ICG, 2010, p. 7). Some of the interviewees and several external sources have confirmed recruiting activities in Eastleigh.

radicalisation of several of the mosques in Eastleigh, described by both interviewees and external sources.<sup>53</sup>

Although the aforementioned views are highly biased, the eagerness of the Eastleigh business life to represent the district in a good light is understandable and reflects the current situation well. The suspicion from the rest of the Kenyan society is high towards the Somali businesses and rising crime levels in Eastleigh have further worsened the district's reputation as a semi-lawless bubble within Nairobi. Media has been quick to jump on the train, drawing parallels between the district's flourishing economy and illegal activities connected to the Somalian war economy.

The amount of illegal business and black market activities in Eastleigh is very hard to estimate, mainly due to corrupt and arbitrary police surveillance. Meanwhile, the presence of vast financial activities connected to al-Shabaab is unlikely due to the internal control that is exercised by the Somalis themselves. The dense social networks of the Somali society speak against the fact that al-Shabaab could hide any substantial economic activities. Or, as one interviewee put it: "Somali businesses in Nairobi can't hide their activities from other Somalis".<sup>54</sup>

The conclusion based on the interviews is that al-Shabaab's activity and involvement in Eastleigh has to be divided into separate categories. The ideological influence of al-Shabaab has been and still is fairly significant in Eastleigh. The most telling detail is the radicalisation of the majority of mosques located in the district. The financial involvement is, however, remarkably smaller. We can suspect that money affiliated with the insurgents passes through Nairobi every day, and the annual amounts can be in the millions. But rooted activity, like al-Shabaab run businesses or systematic fund raising activities, are practically absent. The support the group receives is from individuals, with individual motivations. The element of extortion is also absent, with a few possible exceptions concerning businesses who regularly send their staff to Somalia. Although present in Nairobi, al-Shabaab is in general not able to exercise the regular blackmailing techniques it relies on within the borders of Somalia.

#### **4.5. Al-Shabaab's involvement in the rest of Kenya**

An easy mistake is to analyse al-Shabaab's presence in Kenya on a country level basis. The research for this paper was done in Nairobi, but an overview of the situation in the regions close to the Somali border is necessary for a better understanding of the context. While al-Shabaab is present in Nairobi, its largest resource is the areas close to the Kenyan-Somali border, where the group has a more visible presence. The border area has suffered from chronic instability during the last decades and control exercised by the Kenyan authorities is weak and sporadic. Despite some efforts from the Kenyan government to seal the border, refugee flows have remained a sign of the lack of control. The border is today described as extremely porous and checkpoints are virtually non-existent.<sup>55</sup>

Al-Shabaab activities are continuing on a high level even in the provincial centres of Garissa and Mandera.<sup>56</sup> The Kenyan provinces close to the border rely to a high degree of incoming goods from Somalia, which creates a disguise for members of the insurgent movement who are crossing the border to resupply. At the same time, different kinds of support, assets available to al-Shabaab and the mere

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<sup>53</sup> Interview with Somali academic scholar from the diaspora currently residing in Kenya, 2010-12-15, Nairobi, see also for example UN Monitoring Group on Somalia, 2010, p. 25.

<sup>54</sup> Interview with Retired Somali senior humanitarian worker and aid consultant, 2010-11-26, Nairobi.

<sup>55</sup> Interview with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30, Nairobi.

<sup>56</sup> Interviews with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30, Nairobi and Somali academic scholar from the diaspora currently residing in Kenya, 2010-12-15, Nairobi.

presence of the movement on the ground should not be considered one and the same. Nairobi is the major financial hub of all kind of Somali affairs, and although trade is lively along the Kenyan-Somali border, explicit financial support to al-Shabaab is limited in the border regions. For al-Shabaab, the regions of Garissa, Mandera and Wajir are not a source of pure financial backing. The importance of the border lies in recruiting opportunities, smuggling, and access to the Kenyan market. The area also acts as an ideological support basis and a safe haven for the group's leadership.

Although not as clandestine as in Eastleigh, al-Shabaab still keeps a relatively low profile in the border region. The group's general principle of high secrecy applies wherever it operates, and the delicate relationship between al-Shabaab and the Kenyan authorities in itself requires a level of discretion. Despite a significant presence, direct acts of violence are less common, although assassinations with political and business related motives do occur.<sup>57</sup> The UN has on occasion reported similar types of security incidents in Kenyan border towns.<sup>58</sup>

The opportunities for al-Shabaab to benefit from the regions close to the border are partly created by the disempowerment of the area's large Somali population. The recruiting of fighters is ongoing in the towns close to the border, yet less discrete than in Eastleigh. While al-Shabaab recruiters keep a very low profile in Nairobi, one of the interviewees who recently started working in the border area was already able to name at least one professional recruiter active in the surroundings of the town of Garissa. The most common recruiting grounds are the refugee camps and the local religious Madrasah schools.<sup>59</sup>

“Many of the foreign fighters currently operating in Somalia, particularly those who entered to fight the Ethiopians from 2006-2008, are ethnic Somalis, recruited from either neighboring countries or diasporas overseas and motivated in the past by a sense of Somali nationalism, jihadist propaganda, and the presence of foreign troops in the country. As widely covered in the press, this includes North Americans, including at least 20 young men who were recruited from Minneapolis alone, and recruits from European countries with large Somali diasporas. Fighters have also come from within East Africa, most notably Kenya and Sudan.”

- *Cable from the U.S. Embassy in Nairobi, (sent 2009-08-26, released by Wikileaks 2010-12-08)*

The outcome of the recruiting campaigns is however blurred by the fact that al-Shabaab isn't the only militia using the border area as its recruiting ground. The TFG is according to several accounts using the border area in the same manner. Especially alarming are the reports that not only al-Shabaab, but also the TFG is recruiting from the refugee community and around the refugee camps. One interviewee expressed despair over the recruiting ground created by the miserable conditions in the refugee camps on the Kenyan side of the border:

“When the situation is as ugly as it is, it will happen.”

- *Somali peace building professional from the diaspora on the issue of recruiting among the refugee community near the border*

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<sup>57</sup> Interviews with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30, Nairobi and Somali TFG official, based in Somalia and Kenya 2010-12-18.

<sup>58</sup> United Nations Security Council, 2010, p. 3.

<sup>59</sup> Interview with Somali academic scholar from the diaspora currently residing in Kenya, 2010-12-15, Nairobi.

Furthermore, what makes assessment of the amount of recruits difficult is that both Kenyans, Kenyan Somalis and Somali refugees residing in Kenya are being recruited. The UN Monitoring Group on Somalia in March 2010 put the number of Kenyan recruits inside Somalia at around 450.<sup>60</sup> The number of people recruited specifically from the refugee camps is unknown. More generally, reliable figures on fighters recruited are almost impossible to find out. One of the leaked embassy cables released in late 2010 revealed that not even the U.S. embassy in Nairobi was able to estimate the number of foreign fighters present in Somalia.<sup>61</sup>

Kenya also isn't only a recruiting ground, but also a transition point for radicalised Somalis from the diaspora who want to join al-Shabaab. Several interviewees estimated that almost all diaspora recruits pass Kenya on their way to Somalia.<sup>62</sup>

## 5. Results: Internal sources of income

As the previous sections show, al-Shabaab has lost a lot of the precious diaspora funding which the movement used to enjoy. In response the group has streamlined and hardened its strategy of collecting revenue inside Somalia. The following sections will detail the most central sources of income.

Al-Shabaab's revenue generation within Somalia relies largely on financial control and surveillance of cash-flows. A good example of this is when the ideological leadership of al-Shabaab issued a *fatwa* against mobile transfers, which are becoming popular all around Africa. The service allows the customer to transfer money, make purchases, pay bills and recharge airtime through an account that is connected to a cell phone number. In a country that has lacked a functioning infrastructure and where the banking sector remains underdeveloped, the service quickly became a popular means of moving money. In mid-October 2010, al-Shabaab ordered the companies Zaad and Shala that were operating the service to lay down their business before the 29 December the same year. The reason behind the move was most likely the desire to retain control over the money transaction companies.<sup>63</sup> Until the mobile transactions came around, al-Shabaab had been able to monitor cash-flows in its areas by regularly visiting the different hawala operators and demanding information on incoming and outgoing payments.

Perhaps surprisingly, based on the interviews, al-Shabaab does not directly rely on any special commodity or resource for its survival. Controlling trade, and especially the port of Kismayo, is the group's way of benefiting from the trade of a range of commodities. Fresh reports, however, indicate that the insurgents are involved in the booming illegal production and export of charcoal in Somalia.<sup>64</sup>

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<sup>60</sup> UN Monitoring Group on Somalia, 2010, p. 52.

<sup>61</sup> Wikileaks, "cable 09NAIROBI1801", created 2009-08-26, released 2010-12-08.

<sup>62</sup> Interviews with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30, Nairobi and Somali TFG official, based in Somalia and Kenya 2010-12-18.

<sup>63</sup> Interview with Somali UN professional, 2010-12-18, Nairobi. Another version of the story has it that al-Shabaab was payed by the largest hawala house, Dahabshiil, to shut down the mobile transfers. Although a few interviewees believed this to have been the case, most of the interviewees rejected the claim as ill-meant rumors. Regardless of this, the interest of al-Shabaab to control the cash-flows most likely played a decisive role when the decision was made to ban the service.

<sup>64</sup> "SOMALIA: Charcoal trade booming despite ban" (IRIN News, 2011-01-20).

## 5.1. Taxation & zakat

As previously concluded in this report, al-Shabaab has not been able to impose a tax on the diaspora. Meanwhile, the financial control that the group exercises within Somalia is the more rigid.

In the areas that the group has controlled for a longer time, al-Shabaab has developed a highly efficient system of tax collection. The taxation is described as more efficient than the one of the TFG, mainly for two reasons: it relies on systematic control and the chain of tax collectors is fairly free of corruption.<sup>65</sup> This efficiency seems to lie in especially reliable intelligence. Al-Shabaab uses its horizontal intelligence structures to keep track of resources and transactions, although informal grass root networks are likely to also play a considerable part in collecting information. Compared to the TFG, the tax collection in al-Shabaab areas is also likely to be carried out more efficiently due to the fact that the group is careful to pay all its employees.<sup>66</sup>

In this report, taxes paid by private households and businesses are separated from the protection money that is paid by businesses and aid agencies. Nevertheless, threats and use of violence make up a core part of the tax collection scheme. According to several interviews, the sole strategy of al-Shabaab is to control the civilian population by spreading fear.<sup>67</sup> One interviewee stated that the taxes demanded by al-Shabaab are also significantly higher than the ones employed by the different transitional governments in recent years.<sup>68</sup>

Although the group has lost a lot of its diaspora backing, al-Shabaab also still benefits from the hawala system and remittances sent through it. The group efficiently and by compulsion monitors the hawala operators in the areas it controls, keeping track of incoming and outgoing transactions. The practice makes up a central feature in the group's taxation scheme, keeping the militias constantly up to date with the financial resources the inhabitants in respective areas dispose. Maintaining this control is also believed to have motivated the *fatwa* issued against mobile transfer companies operating in Somalia as mentioned above. The interviews did however not reveal whether incoming remittances are taxed per se.<sup>69</sup>

A more recent development in the taxation practices of al-Shabaab is the collection of the Islamic charity tax, *zakat*. Zakat is traditionally collected separately from other taxes at an annual occasion. Following a recommendation in the Qur'an, zakat in the Somali culture is paid to the father of the family, who then distributes it according to the rules of the Qur'an. Taking advantage of this, al-Shabaab has made a practice of visiting all heads of family at the time of the Islamic year when charity tax is paid.<sup>70</sup>

The amounts paid are based on wealth, with people being forced to pay a percentage of their annual savings. Al-Shabaab motivates their role as collectors of the zakat by calling their struggle against the

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<sup>65</sup> Interview with Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed, 2010-12-09, Nairobi.

<sup>66</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi.

<sup>67</sup> Interviews with Young Somali NGO leader from the diaspora, currently based in Nairobi, 2010-11-12 in Nairobi and Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed, 2010-12-09 and 2010-12-17 in Nairobi (among others).

<sup>68</sup> Interview with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30 in Nairobi.

<sup>69</sup> Interview with Somali TFG official, based in Somalia and Kenya 2010-12-18.

<sup>70</sup> Interview with Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed, 2010-12-09, Nairobi.

government and AMISOM a holy war.<sup>71</sup> The Qur'an mentions eight categories of individuals who are entitled to receiving zakat, one of them being those who pursue *jihad*. In Arabic however, the term *jihad* translates most accurately as "struggle". When used in a religious context, Muslims use the word to refer to three types of struggles: an internal struggle to maintain faith, the struggle to improve the Muslim society, or the struggle of holy war. According to several interviews al-Shabaab's interpretation of spending a large share of the zakat on jihad is seen as highly illegitimate by many Somalis. Somali religious scholars have also condemned the practice.<sup>72</sup>

Collection of zakat was mentioned as one of al-Shabaab's major sources of income by several people interviewed. When it came to distribution, the interviewees however had separate views on how much of the zakat that goes directly into the pockets of al-Shabaab's treasurers. One believed, without specifying any numbers, that what doesn't go to al-Shabaab is split among the groups in need, according to the rules of the Qur'an.<sup>73</sup> Another interviewee estimated that one hundred percent of the zakat collected goes to the running costs of the insurgent group. According to the source, this praxis is motivated by a state of emergency, similar to martial law: al-Shabaab has stated that zakat in peace time is meant for the ones in need, but in war time all available funds are needed to pursue holy war.<sup>74</sup>

## 5.2. The port of Kismayo

When looking at different sources of internal revenue, the port of Kismayo plays a profound role. There are only two major ports in Southern Somalia, Mogadishu and Kismayo. The two other main Somali ports, Berbera and Bossaso, are controlled by the autonomous entities of Somaliland and Puntland respectively.

With a lot of traders seeking benefit from Somalia's *de facto* duty-free status, the ports are of big economic and strategic importance. The TFG has been able to secure control of the port in Mogadishu, while the port of Kismayo is controlled by al-Shabaab. When asked about what the movement's single most important source of income could be, one of the interviewees gave the following statement:

“The port of Kismayo. The reason I'm saying it is, they put so much effort into protecting it. The big guys personally run that small entity. And they don't trust anybody.”

- Somali TFG official, based in Somalia and Kenya

As many as five of the interviewees rated the taxes and fees derived from the port of Kismayo as the single largest source of income of al-Shabaab. Most of the remaining people interviewed chose not to rank the different sources of income. The estimated revenue from the port is impressive, however, the estimates vary: one source put the figure at a monthly 300 000-700 000 USD, while another one gave an estimate as high as \$ 2-3 million per month.<sup>75</sup>

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<sup>71</sup> Interview with Somali academic scholar from the diaspora currently residing in Kenya, 2010-12-15, Nairobi.

<sup>72</sup> “Religious scholars oppose Al-Shabab's practice of collecting Zakat alms” (Radio Mogadishu 2010-09-05, quoted from Markacadeey News).

<sup>73</sup> Interview with Somali academic scholar from the diaspora currently residing in Kenya, 2010-12-15, Nairobi.

<sup>74</sup> Interview with Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed, 2010-12-17, Nairobi.

<sup>75</sup> Interviews with Somali TFG official, based in Somalia and Kenya 2010-12-18 (former figure), Nairobi and Retired Somali senior humanitarian worker and aid consultant 2010-11-26, Nairobi (latter figure).

The importance of control over Kismayo is also emphasized by the fact that it played a central role when Hizbul Islam and al-Shabaab fell out with each other.<sup>76</sup> The two groups were allied until October 2009, when a faction of Hizbul Islam tried to dislodge al-Shabaab from Kismayo. Until then the groups had governed the port together, sharing the income. The attempt failed and al-Shabaab was able to consolidate its hold over the port town.

Kismayo is a major logistical hub and control of the port means also controlling strategical trade lines, some of which run from the Arabian Peninsula to the whole region of East Africa and beyond. Among the individual commodities traded, the exportation of charcoal through Kismayo is suggested to have grown recently to become one of the largest sources of income for al-Shabaab.<sup>77</sup> This finding, however, was not brought up by the interviewees. Other products that are commonly shipped through Kismayo are sugar, concrete and cars.<sup>78</sup>

### **5.3. Protection money from businesses**

Since its inception, al-Shabaab has relied on coercion and creating an atmosphere of fear in the areas it controls. It is therefore not surprising that protection rackets and extortion of businesses are a central source of income for the group.

Several of the interviewees commented that anyone who wants to run a business in South-Central Somalia today has to pay protection money to al-Shabaab. Five interviewees also described it as a constant and significant source of income for the group. The collection of protection money has both systematic and random features, affecting all businesses but taking different forms in different areas.

The collection is handled by local militias who typically send a unit to visit the manager of the business.<sup>79</sup> Payment is often demanded in large sums and on short notice. Businesses that refuse to pay risk looting or violence.<sup>80</sup> How the protection money relates more precisely to the taxes imposed by al-Shabaab was not corroborated during the research.

### **5.4. The aid community**

Besides targeting the business community, al-Shabaab demands protection fees from the aid industry. Targeting and looting aid is a classic scheme, well known from conflict ridden areas in need of humanitarian aid. What makes al-Shabaab's extraction of aid interesting is the sophisticated and indirect way it is done in.

Al-Shabaab has from the start declared that it doesn't welcome international aid organisations on Somali soil. It has expelled several organisations, accusing them of being spies for foreign governments. Attacks against aid convoys and warehouses have been common in the past, and large agencies like the

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<sup>76</sup> Hizbul Islam was the second largest armed insurgent movement in Somalia. In late December 2010 the two groups issued that they will merge.

<sup>77</sup> "SOMALIA: Charcoal trade booming despite ban" (IRIN News, 2011-01-20).

<sup>78</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi

<sup>79</sup> Interview with Swedish Somali business professional, based part-time in Mogadishu, 2010-11-25, Nairobi.

<sup>80</sup> Interview with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30 in Nairobi.

WFP have suspended missions in South-Central Somalia for several month-long periods. More recently, however, the attacks against aid transports have been declining.

Today, many signs indicate that al-Shabaab has switched strategy to that of “milking the cow” instead of the outright looting of aid. The most prominent methods are protection rackets and infiltrating chains of contractors.

Like businesses and enterprises, any NGO that wants to deploy into al-Shabaab controlled areas has to pay protection money to the militias. Interviewees associated with the aid business described a scheme of extortion, whereby aid agencies pay a certain percentage of their total project budget to al-Shabaab. Before entering, agencies are required to provide their project plan and budget to the militias for inspection. One interviewee told that his UN associated agency paid ten percent of their budget to al-Shabaab in 2009, plus a “registration fee” of \$ 500 as well as some other fees as the project proceeded.<sup>81</sup>

“If you’re as an NGO in South-Central, whether you like it or not, al-Shabaab knows about it and you pay commission. Without telling the funding party. So when I’m sending a project to the international community I have to say “add extra on the prices” because I know I have to pay al-Shabaab. And I also have to do the work the funding party wants me to do. So I have to find a way, without telling the funding party, in the project this and this will go for the minibuses, for the security, etc. That’s for them. You hire their cars, you hire their cooks, you hire their builders, you are giving contracts to al-Shabaab. And we’ll continue doing.”

- *Young Somali NGO leader from the diaspora, currently based in Nairobi*

Al-Shabaab has been careful to maintain the initiative in its dealings with the aid organisations. One of the interviewees witnessed that all negotiations were held face to face in locations chosen by al-Shabaab. The representative of the aid agency was told to come alone and no note-taking was allowed.<sup>82</sup> Besides trying to maintain the secrecy surrounding al-Shabaab, the aim of such arrangements is most likely to split the field of NGOs and make the negotiation procedure as disadvantageous as possible for the aid providers. The aid agencies have tried to co-ordinate their policies of non-payment, but with only moderate success.

Due to the security situation several international NGOs have operated from outside of Somalia for years, employing local NGOs and other contractors. Chains between providers and distributors are often long and difficult for the donor party to fully survey. As has previously been reported by the UN Monitoring Group on Somalia, al-Shabaab has been able to exploit the vast opportunities for diversion and fraud created by this.<sup>83</sup> The interviews further revealed that there is widespread collusion between militias, ground transporters and the implementing partners.

Al-Shabaab’s strategy seems to be in particular to infiltrate chains of contractors. Benefiting from the aid-chain can mean several things: it ranges from contracts being awarded to al-Shabaab sympathisers, to aid organisations more or less being forced to employ staff loyal to the militias. One interviewee told that contracts are often given to people connected to or even in charge of militias on the ground. The

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<sup>81</sup> Interview with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30 in Nairobi.

<sup>82</sup> Interview with Somali formerly UN associated senior humanitarian worker with rich field experience, 2010-11-30 in Nairobi.

<sup>83</sup> UN Monitoring Group on Somalia, 2010, p. 60-62.

agencies benefit from the procedure by not having to pay protection money to the militia while also avoiding hijacking attempts.<sup>84</sup>

“You have to be in good books with them, and for you to be in good books with them, you need to employ their people.”

- *Kenyan Somali peace building professional*

Altogether, the income from contracts, salaries and protection money is believed to be considerable. However, the benefits al-Shabaab gets from infiltrating the aid industry are not just financial. Besides allowing access to resources and providing opportunity to divert money, being inside the aid industry also gives access to valuable intelligence.<sup>85</sup> Knowing when aid transports arrive and how aid is distributed gives huge power locally, where al-Shabaab can practically crush the livelihood of thousands of people. Having sympathisers inside the aid industry also keeps al-Shabaab up to date with the strategies of the aid agencies and possible attempts to skirt around the control of the militias.

Descriptively, the UN in March 2010 reported that “the aid community has come to accept a certain level of risk, loss, theft and diversion as ‘the cost of doing business’ in Somalia”.<sup>86</sup> Al-Shabaab’s sophisticated ways of benefiting from the aid industry prove that the conflict prolonging effects of humanitarian aid should be addressed more seriously. Although millions of people in Somalia are dependent on international humanitarian aid, the conflict-prolonging effects of the aid structure today are indisputable.

## 5.5. The pirate connection

Since the piracy business outside the coast of Somalia started growing rapidly around 2005, the topic has gained wide attention in international media. Media reporting has been massive and sometimes, unfortunately, rather sensation-seeking.

While not being the centre of focus, there has still been some reporting on the relationship between the pirates and the armed groups of Somalia. Regrettably, many reports seem to be based on fragments of information, long-drawn conclusions and sometimes pure speculations or bad analysis. Few or no credible reports have so far provided a wider perspective on the connection between the Somali pirates and al-Shabaab.

The prevailing confusion is described well by the reporting of two major news providers in late 2009 and early 2010. While one source claimed that al-Shabaab was giving pirates military training, another one described another occasion when pirates were evacuating en masse to avoid being captured by advancing al-Shabaab forces.<sup>87</sup> The relationship between the pirate gangs and al-Shabaab has simply in the past been characterised by pragmatism. Both al-Shabaab and the pirate ventures are businesses, and when co-operation has happened, it has been motivated by business interests. In the same manner, conflicting business interests have also created friction at times. Taking into account al-Shabaab’s wide

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<sup>84</sup> Interview with Somali UN professional, 2010-12-18 in Nairobi.

<sup>85</sup> Interview with Somali TFG official, based in Somalia and Kenya 2010-12-18.

<sup>86</sup> UN Monitoring Group on Somalia, 2010, p. 59.

<sup>87</sup> “Somali militants training pirates” (National Post, 2009-12-03) and “Somali pirates flee possible al-Shabab Attack” (Voice of America, 2010-04-26).

interests and connections to the shipping industry through the control of the port of Kismayo, clashes in the past have been almost inevitable in the absence of a declared alliance.

With al-Shabaab consolidating its power in several of its areas, it seems like the situation is about to change. While severe international pressure has been put on Somaliland and Puntland to deal with the pirate problem, the pirates are losing ground. The most recent development indicates that the pirates and al-Shabaab have extended their collaboration and shifted to a more permanent way of co-existence.<sup>88</sup>

The shift has been quick and it is too early to say how permanent the alliance will be. In its comprehensive report from March 2010, the UN Monitoring Group on Somalia gives an account of recent developments, trends and patterns considering the piracy networks operating from Somalia. The report also presents a piracy business model, seen below.

**When ransom is received, fixed costs are the first to be paid out. These are typically:**

- Reimbursement of supplier(s)
- Financier(s) and/or investor(s): 30% of the ransom
- Local elders: 5 to 10 %of the ransom (anchoring rights)
- Class B shares (approx. \$15,000 each): militiamen, interpreters etc.

The remaining sum — the profit — is divided between class-A shareholders.

*Retrieved from the Report of the UN Monitoring Group on Somalia, March 2010, p. 99.*

While the report also consistently describes the sources of income for al-Shabaab and recent changes in these, it doesn't mention any sort of economical connection between the pirates and the insurgents. The co-operation between the two has increased and become more systematic recently and was described by several interviewees.

“They [al-Shabaab] get some of their money through the piracy. They have a cut. [...] So when you hijack somebody, a ship, or you have people that you've hijacked, and you get paid of, they know. They will call you and tell you 'we know what has happened: pay up'. And you better pay up.”

*- Young Somali NGO leader from the diaspora, currently based in Nairobi*

The relationship is interesting since the Islamist movement in Somalia originally opposed the pirates, condemning their lavish lifestyle. The pirates have become famous for their alcohol consumption, big houses and imported luxury cars as well as bringing women from the countryside to be pirate wives. A TFG representative stated that while the ICU was truly condemning the pirates, al-Shabaab's statements about the pirates have been ambivalent. He also noted that the public rhetoric might not reflect al-Shabaab's true relationship with the pirates. The interviewee described al-Shabaab's business with the pirates as “very systematic” and added that a particular section of al-Shabaab led by a commander called

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<sup>88</sup> Interview with Somali TFG official, based in Somalia and Kenya 2010-12-18.

“Afrah” has been assigned to solely deal with the pirates. Al-Shabaab gives the pirates protection and allows them to move around in territories that the militia controls. In return, the insurgents demand a commission for every ransom that is paid. The interviewee estimated this commission to be as high as 15-20 %.<sup>89</sup> Fresh reports, published after the interviews were made, confirm this claim.<sup>90</sup>

The actual revenue generated by the pirate business to the rebels is nevertheless hard to estimate. There are no figures for 2010 yet, but several observers have noted that the ransom sums have been steadily growing compared to earlier years.<sup>91</sup> The UN estimated the total ransom paid to Somali pirates in 2009 to \$82 million, but a large share of the pirate activity is happening outside al-Shabaab’s area of control.<sup>92</sup> The group only recently secured full control of Harardhere, one of the major pirate towns in Somalia.<sup>93</sup> Harardhere is the first significant pirate stronghold to fall into al-Shabaab’s hands and the switch has the potential to deepen the collaboration between the militias and the pirates. Recent reports indicate that this is happening, although the co-operation is presented as a new arrangement.<sup>94</sup> Other major pirate strongholds, like Eyl in Puntland and Hobyo in the Mudug region, South of Puntland, are still far outside al-Shabaab’s territory.

## 6. Conclusions

This paper set out to explore the role of the Somali diaspora in funding the al-Shabaab insurgency. Previous reports had shown that the movement has ties to the large Somali diaspora, but the character and magnitude of the direct financial support was in need of further examination. The main conclusion of this paper is clear: diaspora support to al-Shabaab has been declining for some time, and it is no longer one of the main sources of income for the insurgent group.

The primary reason to the declining financial support is the diaspora’s disapproval of al-Shabaab’s brutal methods. One of the interviewees described, in an informal discussion, how the militias arbitrarily sentence people, execute them by decapitation and later put the footage on the Youtube video-sharing website. Al-Shabaab was early on seen as a defender of the Somali homeland against foreign occupants. Today the occupants are gone, and so is the confidence the diaspora used to have in al-Shabaab.

A second, closely related explanation to the declining support, is al-Shabaab’s extremist ideology and the movement’s links to al-Qaeda and the international jihadist movement. These connections have become more prominent during al-Shabaab’s time of existence and are something that many Somalis strongly want to distance themselves from. Compared to the former ICU, al-Shabaab is a radical, hardline clique, while the ICU was a broad umbrella organisation, hosting everything from moderate Islamists to international jihadists. In line with this, those who still support al-Shabaab in the diaspora are radicals who do so for mainly ideological reasons. A second group that still funds the movement are those who early on got their names connected with al-Shabaab, and who are unable to leave the movement, sometimes in fear of retaliation.

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<sup>89</sup> Interview with Somali TFG official, based in Somalia and Kenya 2010-12-18.

<sup>90</sup> “Somali rebels agree ransom deal with pirate leaders” (Reuters 2011-02-22).

<sup>91</sup> “Money in Piracy Attracts More Somalis” (New York Times, 2010-11-09).

<sup>92</sup> UN Monitoring Group on Somalia, 2010, p. 36.

<sup>93</sup> “Somalia: Al Shabaab Takes Over a District in Central Region” (AllAfrica.com, 2010-12-23).

<sup>94</sup> “Somali rebels agree ransom deal with pirate leaders” (Reuters 2011-02-22).

As expected, the transactions from the diaspora that do occur are steered by kinship, in this case clan lines. The intra-clan transactions also point at why it has been so important for al-Shabaab to portray itself as the protector of the Somali homeland. The ICU was able to become an icon of Somali nationalism, which generated substantial financial support for the movement. Although we can expect that a good deal of the money travelled along clan lines also during the ICU, the movement was still able to generate support for a common Somali cause which was by many viewed as legitimate. Al-Shabaab has not been able to do so.

Although the diaspora support is declining, the hawala system still constitutes a cornerstone in the financing of al-Shabaab activities. Basically all transactions to al-Shabaab are done from one private individual to another, with a network of senders and receivers co-ordinating the transactions. The problem is hard to tackle, since disrupting hawala transactions from the diaspora would primarily affect the civilian Somali population. As seen in previous cases, it is mostly hard to differentiate between remittances that actually serve a humanitarian purpose and financial support to armed groups. Diaspora remittances also appear to have a dual impact on conflict. When strengthening groups that might otherwise be impoverished and susceptible to recruitment, these remittances can have a conflict-averting effect.<sup>95</sup>

An interesting and crucial finding is that al-Shabaab is unable to extract money from people outside of Somalia. This inability restricts the movement's potential to generate funds and tells us more about the mechanisms of modern day diaspora support. The example of al-Shabaab indicates, that to be able to extract money from the diaspora, an insurgent group needs to have a shared perception of kinship affiliation with the diaspora. The primary kinship loyalty can vary from case to case: in some cases it refers to a whole ethnic group, while it sometimes (as in the case of Somalia) refers to a clan or a tribe, but the logic is the same.

Kenya and Nairobi continue to play a significant role in the Somali civil war. This will most likely be the case until some form of stability is achieved in Somalia. While the border regions have been inhabited by ethnic Somali tribes for centuries, Eastleigh in its turn has become a new regional capital of commerce for Somalis, together with the overall regional hub of finance, Dubai. But although Eastleigh can be seen as a microcosm of Somalia, where any component of Somali societal life is represented, it is clear that a refined picture of the actual activities taking place in the district is needed.

Tracing money trails is extremely difficult and requires high-level intelligence. This study relies on interviews with Somalis who have first and second-hand knowledge on the issues discussed, and the results should be taken as such. However, the Somali social networks are very dense, and hiding shady activities within the Kenyan Somali community is therefore hard in the long run. The interviews showed that the much feared systematic, financial support from Eastleigh to al-Shabaab has been overstated. The district does play a role as a communication centre and it is an ideological base for radical scholars. Eastleigh is also a scene for discrete but more or less systematic recruiting campaigns. The area's financial role, however, is indirect. Money that travels from Nairobi to Somalia is typically foreign support - especially from international jihadists - that is funnelled through Eastleigh to cover its origins. Direct funding from Eastleigh to the insurgents comes from a small group of individuals, while organised networks for gathering support are absent. Also the alleged al-Shabaab investment in Nairobi seems to be based on hearsay and scaremongering news headlines. Al-Shabaab's focus is still on waging the war against the TFG and consolidating the movements power in Somalia. Money, if it is brought to Nairobi, is used for operational purposes.

The second principal conclusion of this research paper deals with how al-Shabaab has reacted to the considerable loss of diaspora support. Although there are several motives behind the switch, al-Shabaab is now clearly consolidating its position within Somalia and sharpening its strategies for collection of

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<sup>95</sup> Ballentine, Karen & Nitzschke, Heiko, 2006, "Beyond Greed and Grievance: Policy Lessons from Studies in the Political Economy of Armed Conflict," in *Security and Development: Investing in Peace and Prosperity*, ed. Picciotto & Weaving, p. 170.

internal revenue. Port fees, taxes (including zakat) and protection rackets aimed at different actors all play their role in a financial support structure that is broader than ever before. Although the numbers are scarce and the amounts unreliable, the total monthly revenue generated is likely in the millions.

The more prominent role of internal, locally connected sources of income suggests that al-Shabaab is transforming from being a band of militias, to being an insurgent movement with local foothold and a more long-term strategy. This development should be a source of serious concern for the TFG, which hasn't been able to secure any kind of military gains since the withdrawal of the Ethiopian forces in early 2009. Al-Shabaab has also been able to exploit Somalia's position as a duty free gateway to Africa. By controlling the port of Kismayo, the movement benefits from the trade lines that run all the way from the Far East to Nairobi and further on to the East African region.

From an international perspective, the pirate connection is especially interesting. In recent years, the two main strategic aims of the great powers and the international community have been to quell the piracy while almost unconditionally supporting the TFG. Yet, the connection between al-Shabaab and the pirates - which has previously not been reported by observers like the UN and the International Crisis Group - suggests that the piracy is at the moment nurturing the insurgency against the TFG.

Meanwhile there is a risk that especially the TFG has a motive to exaggerate the importance of the local alliances between al-Shabaab and the pirates. The Somali piracy has provoked a resolute military response from the international community, and the TFG might have hopes to bring this battle the mainland. TFG officials have in the past been suspected of overstating similar figures to manipulate its military donors. One example of such a discrepancy is the number of foreign fighters in Somalia. Statements by Somali government officials mention several thousand foreigners, which is dismissed both by the UN and US intelligence.<sup>96</sup>

The current role of the aid community in the conflict is worrying. The diversion of aid seems to be systematic and there is a real risk that aid is at the moment if not prolonging conflict, at least strengthening the position of al-Shabaab. This should be taken into consideration when planning aid operations in any part of Somalia. Suspending missions in al-Shabaab controlled areas has so far proven to be insufficient.

Somalia is a case in point, where there are no classic lootable resources on the ground, yet the main insurgency is - to use Collier & Hoeffler's dichotomy - to a higher degree driven by greed rather than grievance. When one combines the features of al-Shabaab - the multiple sources of funding, the transnational networks, the horizontal structure and the criminal attributes - it is apparent that the group is exactly the type of modern insurgent group that has been described by scholars. The group has an impressively broad financial foundation, which should be taken into account when designing policies for managing the crisis in Somalia. Al-Shabaab is hard to strangle financially, the group uses its intelligence networks efficiently, and its aims and motivations can not be understood without accepting that war is often synonymous with business.

The recruiting of young Somalis living in exile remains a problem, partly in the wider diaspora, but especially in Kenya. The numbers are however hard to estimate. An especially worrying fact is the seemingly arbitrary nature of the recruiting, with both the TFG and al-Shabaab recruiting among the Somali communities in Kenya. Although the main focus of the research was not on the recruiting activities of al-Shabaab, the interviews pointed at one interesting fact: the recruiters are highly dependent on Kenya, both as a recruiting ground and as a transit country for international recruits. This should be taken into account when drawing up future strategies to manage the conflict.

Another conclusion to be drawn from the results is that recruiting and fundraising are two separate activities, which should not be confused with each other. Especially in Kenya, documented recruiting

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<sup>96</sup> UN Monitoring Group on Somalia, 2010, p. 52 ; Wikileaks, "cable 09NAIROBI1801", created 2009-08-26, released 2010-12-08.

activities are used as evidence for financial support from Eastleigh to al-Shabaab. The strategic game played by the Government of Kenya and al-Shabaab is sensitive and not without boundaries. That al-Shabaab is highly present in Nairobi does not lead to the conclusion that the movement can carry out the full range of activities that an insurgent group in need of support and recruits would desire to. Global media has also often reported about recruiting and fundraising under the same headline of diaspora support. In reality, recruiting is typically accompanied by some degree of compulsion and the main focus group is mainly disempowered, young Somalis. This differs significantly from the pattern of financial support, described above.

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## Appendix I: List of Interviewees

*The interviewees are presented in alphabetical order. Due to different preferences regarding degree of anonymity, the respective descriptions have been agreed on individually with each of the interviewees.*

Abdirizak Adam Hassan, former chief of staff for President Abdullahi Yusuf Ahmed, interviewed 2010-12-09 and 2010-12-17 in Nairobi.
Hassan Abdi Abdille, Regional Office Co-ordinator for the Kenya National Commission on Human Rights (KNCHR) in North-Eastern Kenya, interviewed 2010-12-04 in Nairobi.
Kenyan Somali peace building professional, interviewed 2010-10-25 in Nairobi.
Muhammed Gutale, chairman of the Eastleigh Business District Association (EBDA), interviewed 2010-11-25 in Nairobi.
Omar Yusuf Abdi, secretary of the Eastleigh Business District Association (EBDA), interviewed 2010-11-25 in Nairobi.
Retired Somali senior humanitarian worker and aid consultant, interviewed 2010-11-26 in Nairobi.
Somali formerly UN associated senior humanitarian worker with rich field experience, interviewed 2010-11-30 in Nairobi.
Somali peacebuilding professional from the diaspora, interviewed 2010-12-01 in Nairobi.
Somali academic scholar from the diaspora currently residing in Kenya, interviewed 2010-12-15 in Nairobi.
Somali UN professional, interviewed 2010-12-18 in Nairobi.
Somali TFG official, based in Somalia and Kenya, interviewed 2010-12-18 in Nairobi.
Swedish Somali business professional, based part-time in Mogadishu, interviewed 2010-11-25 in Nairobi.
Young Somali humanitarian aid program manager, interviewed 2010-11-15 in Nairobi.
Young Somali NGO leader from the diaspora, currently based in Nairobi, interviewed 2010-11-12 in Nairobi.