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Fundraising sources of the so-called Islamic State

Źródła pozyskiwania funduszy tak zwanego Państwa Islamskiego

Abstract: The aim of the article is to present the finances of Daesh, from making the biggest profits from natural resources, taxation and extortion through other illegal activities related to the kidnapping for ransom, human trafficking, the sale of looted antiques and artifacts, to the enrichment of the financial resources with foreign donations, taking control over banks, currency arbitrage exchange rates or collecting money using modern social networks. Worth noting is the traditional way of transferring money by terrorists using the hawala system and modern transfers related to the use of cryptocurrency (for example Bitcoin) and prepaid cards. The continuous decrease of the areas controlled by Daesh and the loss of its population, undoubtedly has a negative impact on its further functioning, thereby significantly undermining the diversification of income. However, gradual stop in territorial expansion may, but doesn't have to indicate the breakdown of the existing entity.

Keywords: Daesh, finance, Iraq, Islamic State, Syria, terrorism

Abstrakt: Celem artykułu jest przedstawienie źródeł pozyskiwania funduszy przez Daesh, począwszy od czerpania największych zysków z surowców naturalnych, podatków i wymuszeń, przez inne, nielegalne procedury związane z porwaniami dla okupu, handlem ludźmi, sprzedażą zrabowanych antyków, aż po wzbogacanie bazy finansowej zagranicznymi dotacjami, przejęciem banków, arbitrażem walutowym czy gromadzeniem pieniędzy za pomocą sieci społecznościowych. Warto zwrócić uwagę na tradycyjny sposób przesyłania pieniędzy przez terrorystów za pomocą systemu hawala oraz nowoczesnych transferów związanych z wykorzystaniem kryptowalut (np. Bitcoin) oraz kart prepaid. Ciągłe zmniejszanie się terenów kontrolowanych przez Daesh oraz utrata populacji niewątpliwie wpływa negatywnie na ich dalsze funkcjonowanie, a tym samym

znacznie osłabia dywersyfikację dochodów. Jednak stopniowe zatrzymywanie ekspansji terytorialnej może, lecz nie musi, wskazywać na rozpad istniejącego tworzu.

Słowa kluczowe: Daesh, finanse, Irak, Państwo Islamskie, Syria, terroryzm

Introduction

Daesh¹, often appearing under the names: Islamic State (IS), the Islamic State in Iraq and al-Sham (ISIS) or the Islamic State in Iraq and Levant (ISIL) is a modern form of terrorist activity, which combines elements of a terrorist organization, criminal group, state and armed formation. Researchers of this “phenomenon” has so far not met with the terrorist structure, which has, on the one hand, hard power based on thousands of fighters and a large amount of military equipment, on the other hand, soft power, centered primarily in the institutions of the administrative nature, a kind of ministries (divans). They function in parastate and relate, inter alia, to matters connected with propaganda, recruitment, logistics or finance. Daesh funds were estimated in 2016 on a powerful amount of 2-3 billion dollars. Compared to the other selected terrorist groups they look as follows: Hezbollah \$200-500 million, Hamas about \$70 million and Al-Qaeda \$15-50 million².

A distinctive feature of Daesh is that it operates on the territory of more than one state. It rejects any international plans for a new order. The co-called Caliphate was officially proclaimed on June 29, 2014 by Abu Bakr al-Baghdadi. It controls the areas of Iraq – ancient Mesopotamia and Syria (aspiring to cover the historical outline taking into account Jordan, Lebanon and Israel). Subsequently, in terms of both propaganda and symbolic dimension it will strive

¹ The acronym formed from the initial letters of the Arabic name Islamic State in Iraq and Syria, hated by its members due to the very similar, pejorative sound of the word “daes” meaning “crush” or “broken”. In view of not glorifying that entity, the author in the text will use the abbreviation “Daesh”.

² J. Raubo, *Ekspert: Państwo Islamskie to hybrydowa struktura terrorystyczna*, <http://www.defence24.pl/564221,ekspert-panstwo-islamskie-to-hybrydowa-struktura-terrorystyczna-wywiad> (access: 16.07.2017).

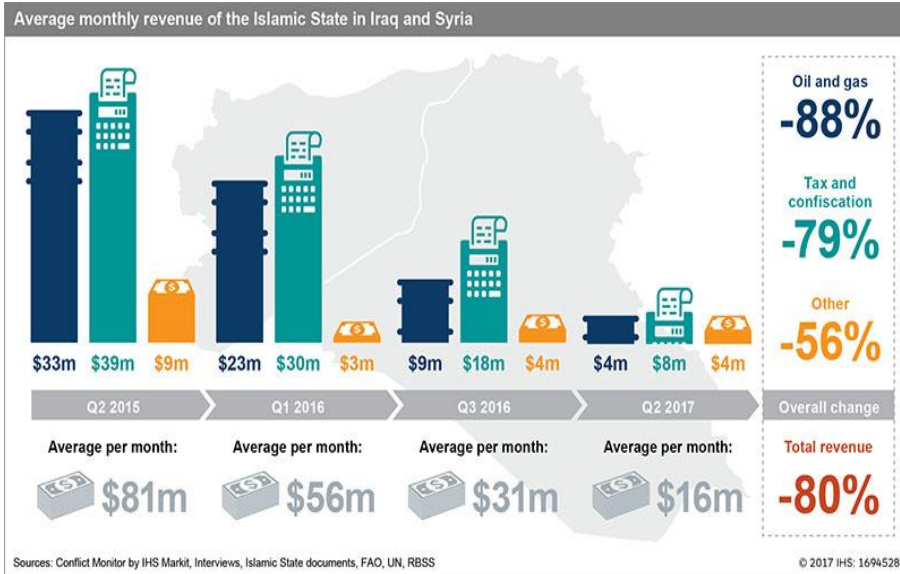
for supremacy over the Middle East and North Africa, and in the future, the areas inhabited (in the present and the past) by Muslims³. Initially, each month the terrorists from Daesh conquered new territories, and leaders of many other jihadist groups swore an oath of fidelity to the Caliph. Three years later the situation changed to their disadvantage, because they have lost 60% of the controlled area, it decreased from 90.8 thousand km² to 36.2 thousand km²⁴.

Forecasts from September 2014, indicated that Daesh had very large funds. Compared to other terrorist organizations, it was number one in the world. Daily income oscillated within \$3 million, resulting in an annual equivalent of \$ 1.3-2 billion. During this time, it earned more than small states. Collected money played and still plays a major role in the functioning of this creation. These funds help to i.a.: provide remuneration for fighters, provide and maintain military equipment, help to corrupt tribal leaders, manage the infrastructure and administration as well as develop media propaganda⁵. It is difficult to indicate the appropriate sums obtained by the Daesh for any type of business (due to the diversification of the sources of fundraising), more often these are estimates. The terrorists derive the greatest profit from the natural resources, in particular oil and natural gas, as well as taxes and extortion and other sources bringing relatively less income. As evidenced by the report presented by IHS Markit revenue of this terrorist organization drastically decreased, by 80% taking into account second quarter of 2015 and 2017, from \$ 81 million per month to \$ 16 million per month (Figure 1).

³ K. Strachota, *Bliski Wschód w cieniu Państwa Islamskiego*, „Punkt widzenia OSW”, 2015, No. 52, p. 15, https://www.osw.waw.pl/sites/default/files/pw_52_pl_bliski-wschod-w-cieniu_net.pdf (access: 16.07.2017).

⁴ *Islamic State territory down 60% and revenue down 80% on Caliphate's third anniversary*, Report IHS Markit, 29.06.2017, [http://blog.ihs.com/islamic-state-territory-down-60-percent-and-revenue-down-80-percent-on-caliphates-third-anniversary?ito=832&itq=4db1f595-c576-4717-b456-2efe57ec41b5&itx\[idio\]=8414618](http://blog.ihs.com/islamic-state-territory-down-60-percent-and-revenue-down-80-percent-on-caliphates-third-anniversary?ito=832&itq=4db1f595-c576-4717-b456-2efe57ec41b5&itx[idio]=8414618) (access: 16.07.2017).

⁵ M. Levitt, *Terrorist Financing and Islamic State*, The Washington Institute for Near East Policy, November 13, 2014, pp. 2-3.



Source: *Islamic State territory down 60% and revenue down 80% on Caliphate's third anniversary*, Report IHS Markit, June 29, 2017, [http://blog.ihs.com/islamic-state-territory-down-60-percent-and-revenue-down-80-percent-on-caliphates-third-anniversary?ito=832&itq=4db1f595-c576-4717-b456-2efe57ec41b5&itx\[idio\]=8414618](http://blog.ihs.com/islamic-state-territory-down-60-percent-and-revenue-down-80-percent-on-caliphates-third-anniversary?ito=832&itq=4db1f595-c576-4717-b456-2efe57ec41b5&itx[idio]=8414618) (access: 16.07.2017).

Figure 1. Daesh's monthly revenue

Main sources of revenue

Petroleum. Daesh draws its funds from natural resources. By the end of 2014, its main revenue was oil and related products sold to internal customers living in areas controlled by Daesh and third parties (i.a. Syrian Government, criminal elements in Turkey)⁶. Before the start of the air strikes of the global coalition under the leadership of the United States in August 2014, this terrorist organization extracted about 80 thousand barrels of oil per day. A barrel of oil on the so-called black market was around \$ 40 (half of the regular price). It is believed that Daesh sold 50 thousand barrels per

⁶ A. Shostak, *Striking at their Core – De-funding the Islamic State of Iraq and Syria*, "Journal of Terrorism Research" 2017, Vol. 8, No. 1, p. 44.

day to Syria and 30 thousand to Iraq⁷. From time to time it transported oil to neighboring countries, to meet the needs of the occupied territories. Despite the earlier significant growth, between August and November 2014, their daily extraction of oil has dropped from 80 to 20 thousand. In addition, it is estimated that in the period between October 2014 and April 2015 the income from petroleum and its products decreased by 80%. The reason for such state were the air strikes of the international coalition against Daesh, on oil refineries, as well as the fall in oil prices on the world market⁸.

For smuggling the petroleum Daesh used illegal routes, which appeared in the 1990s, and during the reign of Saddam Hussein, created as part of the "Oil-for-food" program. Oil was transported out of the conflict zone using the fuel tanks, trucks, containers carried on mules, makeshift tubes and rafts needed for crossing the rivers. Turkish authorities located underground pipeline in length of almost 5 km. Daesh used a specialized Iraqi workforce. Often, thanks to their work, oil fields prospered properly (e.g. in Qayara)⁹. Daesh sold oil to Jordan and Turkey (20-100 dollars a barrel)¹⁰. Ankara said that in the first eight months of 2014 Daesh took over 20 million liters of oil on the southern borders of Turkey¹¹.

An important role has been played by province Deir ez-Zor (largest petroleum area in Syria) and Raqqa (the area where Daesh controls several oil fields), controlled from 2014. No doubt the loss of Mosul in July 2017, as well as the destruction in June 2016, of the ISIS's oil ministry headquarters and the death of the ISIS's oil minister negatively affected raising new funds. Global coalition air strikes were aimed at leveling the infrastructure and equipment needed to produce oil. Therefore, holding in particular Raqqa can help to maintain the credibility of this organization and Deir ez-Zor to diversify sources of fundraising¹². However, according to the latest

⁷ M. Levitt, op. cit., p. 3.

⁸ A. Shostak, op. cit., p. 44.

⁹ M. Levitt, op. cit., pp. 3-4.

¹⁰ J. Hansen-Lewis, J. N. Shapiro, *Understanding the Daesh Economy*, "Perspectives on Terrorism", 2015, Vol. 9, No. 4, p. 144.

¹¹ M. Levitt, op. cit., pp. 3-4.

¹² R. Kreisman, *Raqqa and the Oil Economy of ISIS*, Atlantic Council, May 15, 2017, <http://www.atlanticcouncil.org/blogs/syriasource/raqqa-and-the-oil-economy-of-isis> (access: 17.07.2017).

reports the troops of Syrian Arab Army are getting closer to the two muhafazahs surrounding jihadists from the Eastern Province of Hama and Homs. In addition, Bashar al-Assad's army in June 2017 recaptured an oil fields lying south of al-Resafar, and in July 16th of the same year, with the support of the Russian air forces, recaptured an oil fields in the southwestern part of Raqqa governorate¹³.

Natural gas. Another natural resource that Daesh benefits from is natural gas. Its largest deposits are located in the of Al-Anbar governorate, seized in 2014¹⁴, smaller in the central region between the towns of Homs and Palmira¹⁵. Gas service (often used for electricity production) is more complicated than oil, hence requires greater involvement in production. At the end of May 2015, Daesh has gained control of the oil fields in Palmyra. The region was rich in less than half of the total natural gas production in Syria. Therefore, the organization was able to "accept" the loss of Tikrit at the end of March 2015. The revenue from natural gas decreased by 30%, from nearly \$ 490 million to \$ 350 million. In addition, the air strikes carried out in Deir ez-Zor province contributed to the reduction of the qualified personnel and income. Recapture of Palmyra by the Syrian army lowered their profits by 60 million dollars¹⁶.

Daesh is described by the media as the richest terrorist group in the world, with growing wealth of oil, what was true in the early stages of the so-called caliphate proclamation¹⁷. Later the situation has changed. The researchers found that oil revenue peak has been achieved in the end of 2014. Therefore, next years have forced Daesh to seek funds from other sources. As indicated by the IHS Markit,

¹³ *Sukcesy armii syryjskiej w prowincji Ar-Rakka*, Defence24, July 16, 2017, http://www.defence24.pl/static_cache/d/630019,sukcesy-armii-syryjskiej-w-prowincji-ar-rakka.html (access: 17.07.2017).

¹⁴ J.C. Brisard, D. Martinez, *Islamic State: The Economy-Based Terrorist Funding*, "Thomson Reuters", October 2014, p. 7.

¹⁵ D. Stergiou, *ISIS political economy: financing a terror state*, "Journal of Money Laundering Control" 2016, Vol. 19, No. 2, p. 194.

¹⁶ L. Bindner, G. Poirot, *ISIS Financing in 2015. Report*, Center for the Analysis of Terrorism, May 2016, <http://cat-int.org/wp-content/uploads/2016/06/ISIS-Financing-2015-Report.pdf>, pp. 11-12 (access: 17.07.2017).

¹⁷ L. Hayward, *Oil, Money, and Terror: Interview with Thomas Sanderson of CSIS*, "The Fuse", May 23, 2016, <http://energyfuse.org/oil-money-terror-interview-thomas-sanderson-csis/> (access: 17.07.2017).

between April 2015 and June 2017, the revenue generated from the extraction and sale of oil and gas fell by 88%. In the second quarter of 2015 it earned \$33 million per month, and two years later, only \$4 million. In 2016, respectively in the first and third quarter earnings were \$56 and \$31 million per month (Figure 1).

Taxation and confiscation. Currently the most profitable source of income of Daesh is taxes (zakat) and seizures. They are the biggest financial resources of this group, replacing *ipso facto* oil and natural gas. Daesh in order to obtain civil and administrative control over the acquired area of Syria and Iraq has introduced taxes on goods such as oil, medicines and other products; telecommunications companies; cash withdrawals from bank accounts; social benefits (5%) and on looting archeological sites. In addition, it imposed road taxes (\$200 in northern Iraq); customs taxes (\$800 fee payable at checkpoints for cars entering Iraq from Jordan and Syria); safety taxes levied on non-Muslim population (jizya). The annual income from this source can generate up to 360 million dollars¹⁸. For example, in the Syrian muhafazah Deir ez-Zor in wilayat al-Kheir in the month of Rabi ' al-Awal in year 1436 AH were as follows: zakat from the wheat \$300 thousand; barley \$170 thousand; property \$1.2 million; camels \$206 thousand and fruits \$ 100 thousand¹⁹.

Earlier vast earnings were brought by Mosul, currently Raqqa. Christians living in this city, to avoid expulsion had to pay "protection insurance" or "tribute". Daesh also collects taxes on banks, real estate and business activities. Starting from the second quarter of 2016, it collects the taxes in the following proportions: 2% on sale, 5% on withdrawal from the bank, 10% on inhabitants and 15% on companies. For not knowing the Quran it imposes "religious fines". It also obliges the population living in controlled areas to pay taxes for safety and energy²⁰ (\$1.25 per month) and water (\$2.5 per month)²¹. In addition, it carries out various types of seizures, among which are i.a. refugees' houses or cars, then sold

¹⁸ J.C. Brisard, D. Martinez, op. cit., p. 5.

¹⁹ A.J. Al-Tamimi, *The Archivist: Unseen Islamic State Financial Accounts for Deir az-Zor Province*, "Jihadology" October 5, 2015, <http://www.aymennjawad.org/17916/the-archivist-unseen-islamic-state-financial> (access: 17.07.2017).

²⁰ R. Kreisman, op. cit.

²¹ L. Bindner and G. Poirot, op. cit., p. 16.

in local markets. The table below shows the monthly income from confiscation in the Deir ez-Zor governorate based on a document issued by Daesh.

Table 1. Table of confiscations for the month of Rabi' al-Awal of the year 1436 AH (December 2014/January 2015)

Wilayat al-Kheir	Albukamal	Al-Mayadeen	Al-Badiya	Borders	Tajammu'at
House			6	17	56
Car	3	2		80	11
Truck	1		11	36	
Material sums	\$2000	\$1300	\$13,000	\$480,000	
Land (in dunams)				180 dunams	20
Forbidden items		Cigarettes: 3000 packs	100 cases of cigarettes	1200 cases of cigarettes	
Livestock	93		600 head of sheep	1320 head of sheep, 50 cows	

Source: A. J. Al-Tamimi, *The Archivist: Unseen Islamic State Financial Accounts for Deir az-Zor Province, "Jihadology"*, October 5, 2015, <http://www.aymennjawad.org/17916/the-archivist-unseen-islamic-state-financial> (access: 17.07.2017).

After taking control of the Mosul, in 2014 Daesh has gained from \$300 to 400 million from taxes and confiscation. In 2015, the level of revenue increased by \$400-800. A year later, due to the loss of the major transit points in Syria such as Jarabulus, decreased to \$200-400 million²². Loss of key city in Iraq in mid-2017, has contributed to a drastic reduction in income compared to the second quarter of 2015 and 2017, from \$39 million to \$8 million, representing a decrease of 79% (Figure 1).

Agriculture. Taxes also apply to agriculture. Zakat in the amount of 5% is put on the irrigated crops and of 10% on the rainfed

²² S. Heißner, P.R. Neumann, J. Holland-McCowan, R. Basra, *Caliphate in Decline: An Estimate of Islamic State's Financial Fortunes*, "The International Centre for the Study of Radicalisation" 2017: <http://icsr.info/wp-content/uploads/2017/02/ICSR-Report-Caliphate-in-Delcline-An-Estimate-of-Islamic-States-Financial-Fortunes.pdf>, p. 7 (access: 17.07.2017).

crops. The most important and profitable crops are wheat and barley, which in the Deir ez-Zor governorate constitute 60% of the monthly income, next are camels 25% and fruits 13%. In a period of one month (from the end of December 2015 to the end of January 2016) tax on agriculture accounted for 10% of the total income. Daesh trades grain on their own account and uses the warehouses to store the goods, when the prices are not high. Furthermore, their taxes also include cattle and cotton. Food prices are much higher in so-called caliphate than in other areas. In Baghdad, the price of food was 25-40% lower than in Anbar. Price differences of wheat flour and sugar were significant. Dietary diversity decreased due to difficulties in access to dairy products, meat and vegetables²³.

Other sources of revenue

Kidnapping for ransom. Daesh has committed hundreds of kidnappings of Iraqis and Syrians, from the region of East Asia, as well as the inhabitants of the West. For some victims it received the ransom, while others have been brutally murdered. According to the FATF in 2014 Daesh, earned from \$20 to 45 million. However, it is difficult to make accurate estimates due to the fact that payments often come from private companies that have tried to hide the transactions paying in cash. Hence, there is a difficulty to identify the transaction²⁴. Kidnappings can have purely propagandist character. An example is James Foley. Daesh required \$132,5 billion ransom for the release of American journalist²⁵. For other kidnappings much smaller amounts were demanded. The lack of accurate and reliable data for 2015, makes it difficult to present funds obtained from this source. Probably in comparison with the previous year earnings were much lower. Group in 2016, in total received funds

²³ H.H. Jaafar, E. Woertz, *Agriculture as a funding source of ISIS: A GIS and remotesensing analysis*, "Food Policy" September 14, 2016, p. 16.

²⁴ *Financing of the Terrorist Organisation Islamic State in Iraq and the Levant (ISIL)*, Financial Action Task Force Report, February 2015, p. 18.

²⁵ S. Frenkel, *How ISIS Became The Richest Terrorist Group In The World*, "BuzzFed News", August 28, 2014, https://www.buzzfeed.com/sheerafrenkel/how-did-isis-become-the-richest-terrorist-group-in-the-world?utm_term=.tergGkYmv#.hbpq4P3jM (access: 18.07.2017).

from \$10 to 30 million, i.a. due to the kidnappings of local inhabitants, including more than 200 Assyrian Christians released in the same year²⁶. Forecast from 2017, significantly reduce the profits from this practice. *Human trafficking*. Practice of human trafficking is another method of Daesh's revenue collection. By this practice it increases workforce, creates military and informative units, enslaves and sexually abuses. Women and children are sold on black market, and the profits provide high incomes for criminal groups²⁷. Daesh rejects all different forms of ethnic and religious minorities. In their orthodox creation – "caliphate" Sunni are at the highest place. Shiites, Yazidis and Alawis should be completely eliminated, while, other non-Muslim communities (largely Christians) are forced to be a slaves. Captured in 2014, in Mosul, women and girls (in particular Christian and Yazidi) have been repeatedly beaten and raped²⁸, or sold on the "slave auctions" as future sexual concubines. Price for abducted women were not exorbitant, even very low (approx. \$13)²⁹. In general, this type of acquiring financial sources does not bring a lot of income.

Antiques trafficking. Daesh in its propaganda message destroys works of all kinds of art objects located on the territory of Iraq and Syria. Some of them were actually devastated for the need of media images, showing the members of Daesh as the destroyers, presented as experts of Arab and Islamic culture. Cooperating media are designed to promote the international brand of terrorism. Shocking materials confirm that terrorists will not stop. They will not stop destroying priceless works of art. In order to obtain further funds it craftily smuggles and sells antiques on the black market. The important matter is that these items should be authentic and not very recognizable. To sell the work of art it must be exported from the occupied areas to countries such as Lebanon or Turkey, which have

²⁶ S. Heißner et al., op. cit., p. 8.

²⁷ A. Prokić, *The Link Between Organized Crime and Terrorism*, "Law and Politics" 2017, Vol. 15, No 1, pp. 92-93.

²⁸ A. Ahram, *Sexual Violence and the Making of ISIS*, "Survival" 2015, Vol. 57, No. 3, pp. 66-67.

²⁹ *Financial Action Task Force Report...*, op. cit., p. 13.

access to the works of art markets³⁰. In addition, Daesh makes profits from charging for a permit to search for valuable artifacts³¹. The total income derived from this source is difficult to estimate, because these practices are widespread throughout Syria, not only in areas controlled by Daesh. According to estimates of the National Geographic report Daesh and other illegal groups can earn tens of millions on monuments stolen in Syria³².

Foreign donations. The money obtained from the foreign donors is not significant in comparison to other sources. It is estimated that Daesh obtains not more than 5% of the revenue from donations. Received contributions mainly come from Gulf countries, ie. Saudi Arabia, Qatar³³ and Kuwait³⁴. On the one hand, there is concern that the foreign support may increase with the loss of income from other sources. On the other hand, groups such as the Filipino Abu Sayyaf and Egyptian Ansar Bayt al-Maqdis that declared their loyalty to Daesh may strengthen the organizational bonds by providing their funds³⁵.

Takeovers of banks and currency arbitrage. Daesh homogeneous drives led to the seizure of the financial sector. After the capture of Mosul group has won control of several branches of private and public banks, including a branch of the Central Bank of Iraq. Muhafazah Nineveh announced that in June 2014, this terrorist organization has stolen \$425 million and partially took control of Syria's banking system in Raqqa and Deir ez-Zor governorates. Supposedly the People's Credit Bank in Raqqa is used to collect taxes on water or electricity in the amount of \$20 per month from each customer³⁶. Currently, Daesh has lost access to state banks in Northern

³⁰ M. Raggi, *How ISIS created a terrorist art market*, FOX News, April 17, 2015, <http://www.foxnews.com/science/2015/04/16/isis-terrorist-art-market.html> (access: 18.07.2017).

³¹ S. Heißner et al., op. cit., p. 8.

³² *Financial Action Task Force Report...*, op. cit., pp. 16-17.

³³ J.R. Flores Jr., *Funding Terror: An Analysis of Financing Methods for Terror Groups Based in the Middle East*, "Business Liberty University", April 10-11, 2015, p. 3.

³⁴ C.P. Clarke, K. Jackson, P. B. Johnston, E. Robinson, H. J. Shatz, *Financial Futures of the Islamic State of Iraq and the Levant*, RAND Corporation, 2017, p. 9.

³⁵ *Financial Action Task Force Report...*, op. cit., p. 18-19.

³⁶ J.C. Brisard and D. Martinez, *Islamic State: The Economy-Based Terrorist Funding*, Thomson Reuters, October 2014, p. 6.

and Western Iraq that provided at least \$500 million per year. In addition, by using the arbitrage exchange rates, which is indirect participation in domestic and bank stock markets, it bought (on the Iraqi bank currency auctions) dollars below the market rate and later resold at market prices, enriching its financial background³⁷.

In the journal “Dabiq”, published by Al-Hayat Media Centre Daesh announced the issuance of its own currency, 1 dinar (4.25 g of gold), 5 and 10 dirhams (10 g and 20 g of gold) and 20 fulus (20 g of copper). Individual coins show:

- 7 ears indicating in the Quran charity of alms for Allah and the Muslim community;
- Al-Aqsa Mosque in Jerusalem reminds about Muhammad’s travel to the Holy City of Jerusalem, a reference to the end of time and the return of the Mahdi;
- White minaret in Damascus, place of the return of Jesus, who will face the armies of the Antichrist at the end of the world on the grounds of Al-Sham;
- spear and shield, according to Hadith providing durability and prosperity of the population;
- 3 palm trees – blessed trees symbolizing paradise and reminding oasis in Medina³⁸.

Funds from the modern communication networks. Daesh enables the collection of revenue by using modern communication networks. With the help of media, periodicals, magazines, journals (e.g. the Arabic “Al-Naba”, English “Rumyiah”, Turkish “Konstantiniyye”, Russian “Istok”, French “Dar al-Islam”), social networks (eg. Twitter, Facebook) invites to deposit donations – “...if you cannot fight you can give money”. Al-Awlaki in his speech urged people (especially from the West) to participate in the jihad and supporting those militants who need help³⁹. Propaganda using hashtags below

³⁷ C.P. Clarke et al., op. cit., p. 9.

³⁸ O. Hanne, F. de la Neuville, *Państwo Islamskie. Geneza nowego kalifatu*, Warszawa 2015, pp. 161-163.

³⁹ *Daesh Recruitment. How the Group Attracts Supporters*, NATO Strategic Communications Centre of Excellence, November 2016, <http://www.stratcomcoe.org/daesh-recruitment-how-group-attracts-supporters-0>, pp. 13-14 (access 18.07.2017).

the most popular tweets increases the range of provided information⁴⁰. The use of government benefits by Muslims living in Western countries is also recommended. The report published on behalf of the Swedish equivalent of Financial Supervision Commission *Finansinspektionen*, the Scandinavian social welfare system was used to support Daesh militants. Between 2013-2016 from Sweden to Syria or Iraq emigrated more than 300 people who have received social benefits from the state. In this way, the Islamic radicals have enriched this organization with hundreds of thousands of euros. People fighting in the ranks of Daesh extorted benefits using other people, impersonating their identity. Then send money via international transfers to jihadists' army⁴¹.

Accurate estimation of revenue from other sources is not possible due to different links and mechanisms affecting individual branches of revenues. IHS Markit presents that income derived from other sources between the second quarter of 2015 and second quarter of 2017, fell by 56% from \$9 million to \$4 million per month. At the beginning of 2016 Daesh earned \$3 million, while from September 2016, estimates have increased by \$1 million and continue to maintain at this level (Figure 1).

Money transfer methods

Hawala. Terrorists from Daesh have chosen several ways to transfer acquired funds. Traditional methods include *hawala*, which in Arabic means the transfer or transmission⁴². The essence of this informal banking system is based on trust between the participants of the transaction. It is used around the world to the legal and the illegal money transfers. The first form applies for example to many foreign workers in the United States. Somalis working in Minnesota

⁴⁰ I. Awan, *Cyber-Extremism: Isis and the Power of Social Media*, "Social Science and Public Policy", April 2017, Vol. 54, No. 2, p. 142.

⁴¹ M. Skalski, *Uwaga! Kto finansuje ISIS? Szwedzcy podatnicy!*, "Wolność24", March 13, 2017, <http://wolnosc24.pl/2017/03/13/uwaga-kto-finansuje-isis-szwedzcy-podatnicy/> (access: 18.07.2017).

⁴² *Abu Dhabi Declaration on Hawala*, May 16, 2002, <https://www.centralbank.ae/pdf/amlsu/Abu-Dhabi-Declaration-on-Hawala-2002.pdf> (access: 18.07.2018).

send earned money this way to their families, due to the lack of reliable financial institutions in their homeland. The second refers to terrorists. This network is characterized by the ability to anonymously transfer funds across borders without the physical money flow through a complex process involving several hawaladar middlemen. A high degree of secrecy prevents tracking the flow of money. Global hawala does not use the traditional banking system, and thus do not keep records, it operates without laws and regulations⁴³. However, as pointed out by A. Shostak, Daesh moves away from this type of transfer in the direction of the new methods⁴⁴.

Cryptocurrencies. This modern way of transferring funds helps terrorists in conducting financial transactions. Cryptocurrencies are digital sources of value that can be digitally traded. With virtual currency (eg. Bitcoin) the cost of transaction can be reduced. Decentralized nature of cryptocurrencies is a good source of illegally gained money transfers. The lack of a central administrator, which could monitor the transaction, affects the difficulty of law enforcement in countering this type of practices. In relation to other non-cash money transfer methods, cryptocurrencies provide much greater anonymity of the transaction⁴⁵. Dark Wallet application prevents tracking Bitcoins and reach the recipient and sender of the payment. The first feature refers to so-called Stealth Addresses, thanks to which you cannot check the history of transactions associated with the address. The second applies to the built-in mixing structure which makes it impossible to check who the real sender was. It look as follows: user A sends Bitcoins to person B, but in reality they go to the user C and person B gets the coins from user D⁴⁶.

Prepaid cards. Card charged with constant electronic value are another rising money transfer method. Banks offer their customers this form of service. Due to the fact that this card does not have to be personalized, it can be used by terrorists and criminals. Hence, the legal loopholes in the system of prepaid cards are a serious threat

⁴³ J.R. Flores Jr., op. cit., p. 5.

⁴⁴ A. Shostak, op. cit., p. 45.

⁴⁵ Ibidem.

⁴⁶ D. Haczyk, *Ruszył Dark Wallet!*, „Cyfrowa Ekonomia”, May 1, 2014, <https://cyfrowaekonomia.pl/ruszy-dark-wallet/> (access: 19.07.2017).

to security. It is true that the European Union in 2016 has applied the amendments on prepaid cards. However, other legal differences in the field of international transmission of these cards may be used for smuggling cash. Free purchase of prepaid cards in the countries with weak legislation, creates the possibility of transferring the card abroad. The perpetrators of the attack on the Paris editorial office of Charlie Hebdo, had such cards in apartments. Hence, further risk associated with the modern method of transferring funds cannot be excluded⁴⁷.

Conclusion

Diverse sources of revenue allow Daesh further functioning in the area of more than one state. The main earnings come from oil, natural gas, taxes and extortion. Furthermore, for the implementation of the formulated objectives it uses money from illegal practices related to kidnappings for ransom, human trafficking or sale of looted antiquities. The financial base is also provided by the foreign donations, taking over banks, currency arbitrage and funds from the modern communication networks. The use of formal financial systems by terrorists from Daesh, thus making the normal bank transfers, is associated with high risk of identifying the transaction. Hence, to financial transfers they used the traditional method of hawala. With increasing knowledge of new technologies, terrorists have started to look for other unconventional services which help making illegal practices related to the use of cryptocurrency and prepaid cards.

As it has been noted, Daesh is not a traditional terrorist organization. It is a different phenomenon in terms of fundraising. Controlled area speaks for it, and thus the perspectives of further multiplication of money, for example Daesh may use the areas rich in natural resources and take over banks. It also controls a population, from which it can collect taxes, use extortion or take property. It is less dependent on foreign donations and international banking

⁴⁷ A. Shostak, *op. cit.*, p. 46.

system than the other terrorist groups. Financial problems are to a large extent dependent on the population and size of occupied area.

Actions of Combined Joint Task Force – Operation Inherent Resolve started in 2014, including the air operation Tidal Wave II launched in October 2015 aimed at liquidation of oil drilling, refineries and supply routes, had an impact on the group's finances. Participation in fighting of Kurdish forces, Syrian Democratic Forces supported by the United States, and Syrian Arab Army supported by Russia also disturbed the ability of this terrorist group to finance its efforts to maintain influence in the region, through successive regaining of the occupied territories. In addition, the Iraqi Government stopped paying remuneration to officials in the areas controlled by terrorists. In short, to isolate Daesh from sources of income, both military and political procedures were undertaken.

In view of the above, there are reasons to believe that Daesh finance will continue to decrease. Loss of large areas does not necessarily mean the disintegration of Daesh, but may change their activity. Like other groups it is able to defeat the military and financial problems. Al-Qaida in Iraq did not control and did not use such large area; it earned money from smuggling and extortion. Aversion to the Iraqi Government and international partners posed a threat to the international community. Maybe Daesh will return to such model of raising money increasing illicit trafficking and extortion. Disturbing seems the fact that a significant decrease in funds does not interfere with the conduct of the terrorist attacks in other parts of the world, in particular in Europe. Using the media facilities, published periodicals or social networks it can affect ideologically the vulnerable population that will be able to make a terrorists attacks. Such activities are relatively cheap and can be financed by Daesh, or by the determined supporters and sympathizers of the group.

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