

Legacy Remembrance: Hibad Ali Dasar

"He rose so others could stand. He fell so others could rise."

Hibad Ali Dasar was not a politician. He held no rank, wore no uniform, and commanded no foreign army. He was a father, a pastoralist, a man of the land—until that land was threatened by Al-Shabaab, a ruthless mafia disguised in faith.

When they came to his village with their guns and extortion, Hibad refused.

He did not pay.

He did not bow.

Instead, he sold his livestock, armed himself, and took a stand—not for revenge, but for dignity.

His defiance sparked what no one thought possible:

A clan-led revolt in 2022, the birth of the Macawisleey movement, a grassroots uprising that would sweep across central Somalia and liberate hundreds of villages from terror's grip.

Though Hibad was killed by the very forces he resisted, his legacy did not die.

It multiplied.

From mud huts to mountain ridges, his story passed like flame through dry grass—awakening courage where silence once ruled.

Hibad Ali Dasar is not just remembered.

He is the reason a nation found its voice again.

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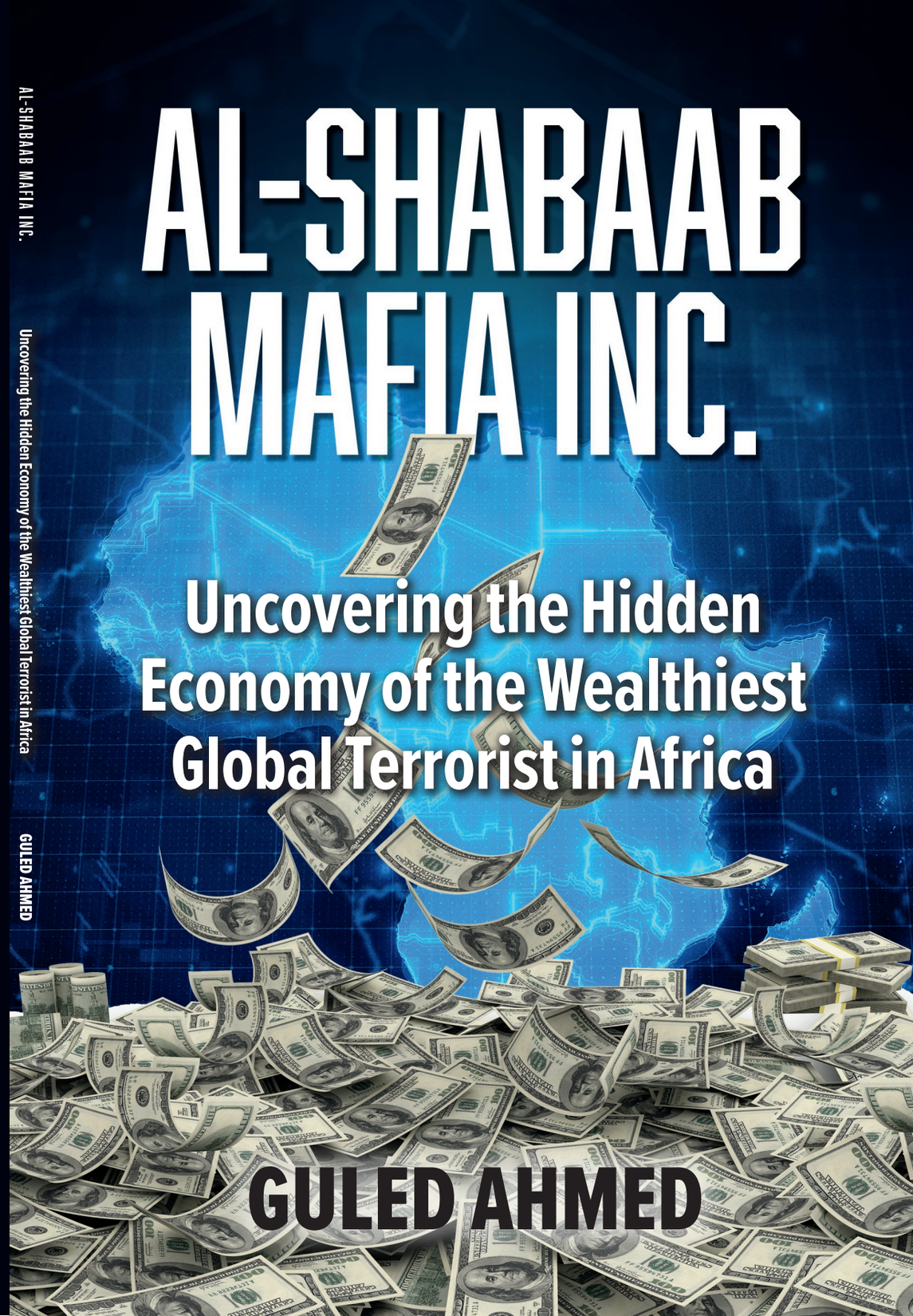
AL-SHABAAB MAFIA INC.

Uncovering the Hidden Economy of the Wealthiest Global Terrorist in Africa

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EXECUTIVE SUMMARY

This study examines Al-Shabaab's overall economy based on conducting an appraisal of the existing research, including published reports by the UN and forensic auditing analysis, to identify gaps in actual projected Al-Shabaab revenue, what is estimated vs. what their actual revenue is, by invigorating neglected revenue sources such as Hashis revenue, weapons, drug and human smuggling, gold mining and trade, livestock, and farming extortion, customs revenue both inland and at ports, and realistic illegal checkpoints revenue. In addition, we have added in our study money laundering revenue as a result of investing in legitimate businesses and calculating the rate of return to determine the true wealth of Al-Shabaab Mafia Inc. The analysis frames Al-Shabaab as a sophisticated organized crime syndicate, rather than simply a "jihadist" group, drawing parallels to the Sicilian mafia's origins as private security forces. Exploiting governance gaps and fostering insecurity, Al-Shabaab has expanded its racketeering operations, including targeted violence and extortion.

This groundbreaking study examines the true wealth of Al-Shabaab Mafia Inc., which is determined by measuring how Al-Shabaab generates capital and assets through extortion and profit sharing of illicit activities with the criminal cartel and money laundering to settle their liabilities for operation and maintenance that allows facilitating terrorism financing and different results in equities, which are invested through legit businesses that generate a rate of return on investment ranging between 98 percent and 112 percent (While the UN estimate is 80%)[1] and a GDP of $2.2B and GDP per capita of $60k, making them the wealthiest global terrorist group in Africa. This study also examines selected Al-Shabaab main leadership illicit business and earnings. Furthermore,

this study examines the financial institutions and state governance challenges and shortcomings to deterring money laundering and terrorism financing and provides concrete recommendations.

Key findings:

a) After a thorough examination, it has been found that Al-Shabaab's yearly income peaked at an astonishing $2.2 billion in 2022 but decreased to $1.65 billion in 2023 due to the ongoing war against them. Al-Shabaab generates its wealth from three main sources: extortion, illicit activities, and investments. However, this alarming figure has likely been underestimated over the past ten years due to limited data and insufficient scrutiny of their various revenue sources.

b) Al-Shabaab's revenue is nearly seven times Somalia's domestic revenue for 2023[2] and two times the country's annual government budget for 2024[3], which is $1 billion.

c) It is concerning that Al-Shabaab's annual revenue accounts for 20 percent of Somalia's GDP for 2023, estimated at $10.9 billion according to the IMF[4], with a per capita GDP ranging from $52,000 to $60,000. The economic impact of this criminal organization on the country can no longer be overlooked.

d) Al-Shabaab generates 46 percent of its revenue from investments in legal activities through money laundering, amounting to $759.5 million. Approximately 30 percent of their revenue, or around $494 million, comes from illicit activities, while 25 percent of their revenue, around $402 million, is generated through extortion.

e) While most published studies led by the UN indicate that Al-Shabaab's primary revenue source is illegal checkpoints, our study shows that revenues from illicit activities and extortion are more balanced: 25 percent

from extortion-related activities, followed by agriculture and livestock, illegal checkpoints at 23 percent, and 22 percent respectively.

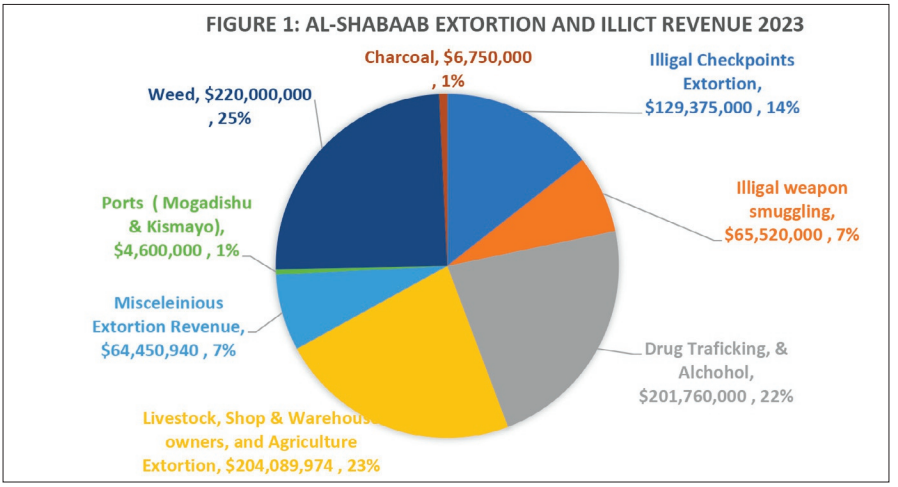
f) The top five leaders of Al-Shabaab collectively earn over $25.9 million annually. Their chief, Ahmed Diiriye, alone makes an astonishing $12.2 million from a mix of his salary and side businesses, which include illicit activities such as charcoal trading, elephant poaching, illegal fishing, and money laundering.

g) Al-Shabaab's influence extends beyond their terrorist actions; they hold a significant stake—ranging from 30 percent to 50 percent —in the financial institutions of Ethiopia, Somalia, Somaliland, and Puntland, mainly in banks and Hawalas. This allows them to launder money, offer loans to businesses and locals, and mitigate risks for NGOs and large projects for traders and businessmen.

h) The lack of progress in the Somali government's battle against money laundering and the financing of terrorism can be attributed to corruption, a lack of resolve, and poor governance. These challenges also hinder investments in capacity building, further exacerbating the issue.

i) Infiltration is a crucial strategy for Al-Shabaab, and they have successfully infiltrated between 10 percent to 50 percent of both government institutions and the private sector in Somalia. However, their main area

of influence appears to be the education sector, posing a significant threat to the country's future.



INTRODUCTION AND OVERVIEW

During the US Senate Armed Services Committee Hearing[5] on the Posture of United States Central Command and United States Africa Command, March 15, 2022, General Townsend of AFRICOM said, "Al Qaeda's al-Shabaab in East Africa, and ISIS and Al Qaeda groups in West Africa and elsewhere, are among the world's fastest-growing, wealthiest, and deadliest terrorist groups." This statement prompts us to question: What exactly is the wealth of Al-Shabaab? For in truth, there exists a stark distinction between discussing the wealth of this group versus its financial standing. In simple economic terms, wealth is measured by the accumulation of capital from investments or profits, as well as appreciating assets and equity after deducting liabilities. Yet when examining the revenue or income of Al-Shabaab, we are only observing the capital generated before deducting expenses or liabilities, which in no way reflects the true value of this entity. This explains why current publications, such as those used by the UN, have not been updated since 2011, rendering them not only outdated but also failing to capture the true economic prowess of the Al-Shabaab mafia enterprise. Thus, it is essential to shift our perception of this group from a mere terrorist organization to a formidable and lucrative criminal enterprise.

Since 2003, individuals previously engaged in banditry and warlordism have observed a decline in the profitability of such activities[6]. Consequently, they have transitioned to providing protection and racketeering services to Hawiye business elites, who are primarily influenced by the Al-Etihad Islamist faction and Safalists overseeing telecom, remittance, and import/export businesses. These warlords maintain control over essential public assets, including airports, ports, and illegal checkpoints critical for facilitating commerce, goods,

and the movement of people. However, the protection racketeering offered by these warlords possesses ethnic and geographical limitations, resulting in their services being prohibitively expensive. In response, business elites turned to the Islamic Courts Union (ICU), which assured them of protection against warlords supported by the CIA and provided a reliable judicial system that neither the government nor the warlords could match. The ICU's security services, which functioned similarly to Zakateering, resonated with the community, making them an appealing alternative during that period.

Prominent figures within the business sector, such as Abukar Omar Adan[7], recognized the potential benefits of aligning with the ICU after experiencing conflicts with his business partner, Bashir Rageh[8], who had CIA backing. Following the ICU's takeover of the El' Maan Sea Port outskirts of Mogadishu, which annually generated revenue exceeding $30 million[9], Abukar acknowledged that he could share his business profits with the ICU while maintaining control over Mogadishu's import and export operations. The protection services offered by the ICU not only proved to be more economical than those of the warlords but were also bolstered by their religious and identity-based legitimacy, instilling greater trust within the community compared to clan-based warlord protections. This partnership facilitated greater market access for business elites such as Abukar and other Islamist traders, leading to a natural alignment between their economic interests and the protective services provided by Al-Shabaab, thus diminishing the influence of warlords. The powerful business cartel, motivated by their economic interests[10], legitimized Al-Shabaab's activities as a necessary means of safeguarding their commercial ventures, reminiscent of the Sicilian Mafia[11], which sought to protect business interests through illicit means in the face of governmental threats. Exploiting the prevailing security void and competitive governance market in Somalia—a weak or failed state—the business cartel ensured their interests were protected through increasingly questionable methods. Concurrently, Al-Shabaab generated substantial revenues from various illicit activities, including arms smuggling and the diversion of humanitarian aid.

As the ICU, with Al-Shabaab's support, sought to consolidate its control and funding to finance its operations, it resorted to extorting money from businesses,

non-governmental organizations (NGOs), and local communities. The affluent business class, pressured by the ICU's radical religious beliefs and the absence of social services, aligned themselves with a new government backed by Ethiopia. This alignment resulted in confrontations with the ICU, leading to a swift decline in its power. Al-Shabaab skillfully capitalized on the discontent among locals suffering under the Ethiopian government, which was supported by the Tigray People's Liberation Front (TPLF), thereby garnering support through resistance activities. Nonetheless, their reign was ultimately short-lived, as they were compelled to withdraw from urban centers and retreat to the outskirts, particularly following Ethiopia's eventual withdrawal from Somalia and its subsequent participation in African Union peacekeeping operations.

After Al-Shabaab retreated to rural areas, they successfully conquered the major port city of Kismayo in 2008 and expanded their influence in the countryside. This expansion led to a significant surge in their revenue, generating millions of dollars. However, it was the untimely death of their founder, Ahmed Godane, in 2014[12], that paved the way for Ahmed Diiriye[13] a new leader, to take charge and transform their financial operations. The group began venturing into illegal activities, such as drug trafficking, shipping, and cannabis production, as well as engaging in horrific practices like human trafficking. As a result, they became known as the "billionaire club" in the criminal underworld. Despite their notorious reputation as global terrorists, Al-Shabaab's wealth continued to grow under the leadership of Ahmed Diiriye, who successfully diversified their income streams by investing in legitimate businesses. Originally, Al-Shabaab started as a group of millionaires, but their evolution into a ruthless, profit-driven organization has firmly established them as one of the world's wealthiest Mafia Inc. and most dangerous terrorist groups.

This raises the question: what is Al-Shabaab's wealth? In the early days of 2008, after capturing the Kismayo port[14], they began the business of exporting illegal charcoal. They controlled 20 percent[15] of pirate ransoms and 30 percent of NGO funds[16], which are estimated to be between $500 million and $1 billion[17]. Meanwhile, the World Bank reported that pirates earned close to $400 million[18] from 2005 to 2012. Combining these revenues alone suggests

an average revenue exceeding $220 million. If we also take into account the charcoal revenue before the ban, estimated at $83 million per year,[19] according to a Foundation for Defense of Democracies (FDD) study, we could reasonably conclude that Al-Shabaab was earning an average of $320 million annually between 2005 and 2014. This figure is supported by a study conducted by the International Policy Group (IPG), which shows Al-Shabaab's revenue at around $300 million[20].

Unfortunately, existing publications, particularly those from the UN, significantly underestimate Al-Shabaab's revenue at just $100 million. This estimate is outdated and focused primarily on charcoal profit-sharing and illegal checkpoint extortion, lacking comprehensive and cohesive data. Similar reports have been published with inconsistencies and incomplete information, failing to evaluate the full scope of Al-Shabaab's illicit and licit economic activities, which have exponentially increased since 2011. Therefore, to assess the true wealth of Al-Shabaab as a criminal enterprise, it is essential to analyze and refine the existing information, identify gaps, and connect the dots of unaccounted and underestimated funding sources. This process will help us estimate the true annual revenue of Al-Shabaab.

Al-Shabaab operates as a mafia-like organization, with its illicit network expanding into traditional organized crime. They have established a presence in major global financial and commercial hubs, facilitating their money laundering activities. This allows the terrorist group to access sustainable capital necessary to fund their operations, which is crucial for competing in local governance markets where Somali authorities have struggled for the past twenty years. As budgets become increasingly important, Al-Shabaab attempts to establish control over and operate within local economies.

While the Somali government claims to have successfully disrupted the financial activities of their adversaries by shutting down mobile money and bank accounts, there is a lack of concrete evidence to support these assertions, as stated by UN experts on the ground in Somalia[21]. Another noteworthy claim by the Somali government is that they have significantly reduced Al-Shabaab's revenue by 50 to 80 percent. However, it raises questions about the accuracy of

these percentages, as it is uncertain whether they refer to a reduction of 50 or 80 percent from Al-Shabaab's reported annual revenue of $100 million, a figure that has remained consistent since its disclosure by the UN in 2011, or if it pertains to a reduction of 50% from a larger sum of $1 billion or more. The economic strength of Al-Shabaab is significantly underestimated when compared to other groups, creating a peculiar situation. Take Hamas, for example, which only controls the Gaza Strip yet manages to generate $1 billion per year[22]. On the other hand, the Houthis, who control a substantial 30 percent of Yemen's territory, boast earnings ranging from $2 to $6 billion[23], while even Hezbollah earns more than $800 million. Nevertheless, for reasons that are hard to comprehend, Al-Shabaab's revenue remains at a mere $100 million—a perplexing situation that goes against all expectations. Certainly, even Al-Shabaab should be capable of surpassing Hamas in economic power and Somalia's government budget of $1B.

Despite the UN's recommendation for Somalia to devise a powerful strategy in collaboration with local stakeholders and the private sector to combat the revenue-generating abilities of al-Shabaab, it ultimately amounts to sustaining the stagnant status quo of ignoring the true wealth of this terrorist group. Surprisingly, the UN's own estimations of al-Shabaab's financial power have remained frozen in time since 2011. Before any effective measures can be taken, a comprehensive study must first be conducted to fully grasp the extent of al-Shabaab's economic influence. In response to this pressing need, we have undertaken a groundbreaking research endeavor, combining existing studies with new information obtained through meticulous quantitative and qualitative analysis. By employing precise mathematical and statistical methods, we have established the accuracy of our new estimations of al-Shabaab's wealth. This groundbreaking study has the potential to create a positive ripple effect in Somalia's state building, strengthening the country's financial sector and promoting anti-money laundering efforts, sustainable security development, climate security, and food security. Most importantly, it will aid in preventing violent extremism, a critical issue for both the Somali government and its stakeholders, including donors.

CRITICAL REVIEW OF THE EXISTING RESEARCH AND DATA

Unfortunately, Somalia donors have put too much faith in the UN publication of Al-Shabaab revenue with an arithmetic constant figure of $100 million, a statistic that has remained unchanged since 2011[24]. Though the latest published UN report in 2024 shows this figure increased to $150M[25], nevertheless the UN published estimates and data are outdated and extremely underestimate Al-Shabaab revenue, despite presenting some authenticity. However, it provides only a limited breakdown of its estimates.

To make matters worse, a local think tank in Somalia, the Hiraal Institute, published a report in 2018[26] that raised numerous questions. Scholar and author Stig Hansen[27] identified fundamental flaws in their data, noting that their sources appear to come directly from Al-Shabaab, which is extremely unlikely for any researcher, even among local sources. Their estimate suggested Al-Shabaab had an annual revenue of $27 million with operating expenses of $25 million, all based on data from Al-Shabaab sources, illegal checkpoints, and a Zakat (charitable giving) of 2.5 percent. This indicates that the group is hardly making any profit, rendering their study less reliable than the UN data. Things took a turn for the worse in 2020, when this think tank somehow inflated Al-Shabaab's revenue by sixfold, claiming the group was earning $15 million per year[28], leading to an annual estimate of $180 million. Strangely, this inflated data (despite being underestimating Al-Shabaab revenue) lacks authenticity, including a comprehensive detailed analysis, and not to mention credibility issues with

the management[29] of the institute, which is now widely accepted and utilized by major organizations, including the World Bank, IMF, and the U.S. Treasury.

When examining the poor quality of their data, the flaws and inaccuracies can only be described as the "Garbage In, Garbage Out" (GIGO) phenomenon. This poor research is already affecting critical policy implementations in the fragile and weak state of Somalia, whether in anti-money laundering efforts, security reform, banking governance, or capacity building aimed at disrupting Al-Shabaab's finances. A noteworthy example is that the U.S. Department of Justice offers rewards of up to $10 million for information leading to the capture of Al-Shabaab leaders. However, ground intelligence sources indicate that these terrorist affiliates earn two types of income: a salary from criminal activities and revenue from side businesses, often exceeding the bounty on their heads. For instance, Diiriye, an Al-Shabaab operative, reportedly makes over $12 million, compared to the $10 million bounty placed on him.

In the difficult task of accurately measuring Al-Shabaab's financial resources, significant obstacles arise, whether for specific sectors or the group's total annual revenue, as noted in existing publications. To address this, our analysis will carefully review and compare these estimates with empirical research findings:

a) The Federal Government of Somalia (FGS) has used forceful methods to centralize revenue in Mogadishu or the Benadir region, observing a consistent 18 to 25 percent yearly growth since 2013[30]. It is reasonable to apply a similar growth rate to Al-Shabaab's revenue, given their use of violence and coercion to extort payments and Zakateering from businesses and civilians. By averaging two estimates—a stagnant $100 million reported by a UN sanctions report since 2011 and a 2018 study by the Hiraal Institute stating $27 million in Al-Shabaab's revenue with $25 million in operational expenses, indicating a low profit margin that seems implausible considering the group's control over Somalia's most profitable regions and almost 50 percent of Somalia territories—we can estimate their revenue at $120 million. However, within less than two years, the Hiraal Institute surprisingly increased this figure to $180 million, attributing half of it to Mogadishu without clear justification.

The credibility of this local NGO is questionable, yet prominent institutions reference its data without explaining their methodology. Even after giving these flawed and outdated reports the benefit of the doubt and assuming an 18 percent yearly increase in line with Somalia's domestic revenue growth rate, based on our calculation we determined that Al-Shabaab's revenue in 2022 could reach an astounding $741 million, far exceeding previous estimates of $150 million or $180 million. This analysis is shown in the Annex-A.

b) It is clear that Al-Shabaab's revenue from illegal toll collection at checkpoints (isbaaro) has been significantly underestimated. A study by Global Initiatives indicates that the average annual revenue from a single unlawful checkpoint in the Jubaland region is approximately $3 million. The study also acknowledged that the total revenue from illegal checkpoints could exceed $100 million, despite UN reports suggesting a mere $10 million per year from 100 checkpoints, a figure that is highly questionable.

c) Furthermore, a recent report published by the Danish Institute for International Studies (DIIS) indicates that Al-Shabaab controls forty-five illegal checkpoints. If we apply a conservative estimate of revenue per checkpoint, Al-Shabaab could potentially generate up to $320 million annually. Assuming they charge $1,200 per major truck and considering that approximately 1,600 trucks pass through Mogadishu in both northern and southern directions daily for 300 days, with an average extortion levy ranging between $450 and $1,200, their total revenue could amount to between $216 million and $576 million per year. This cautious estimate significantly exceeds the previously mentioned figure of $100 million and represents a specific revenue stream, rather than the group's overall income.

d) Let's examine the issue from a different perspective by referring to the insightful UN report from 2018, which sheds light on the prevalence of illegal checkpoints in various regions. Notably, a specific study

conducted by the UN in the Hiiraan region reveals a striking 22 percent annual increase in illegal checkpoints, based on data gathered between 2011 and 2013. Additionally, this study indicates that the average levy imposed for illegal checkpoints among 100 checkpoints ranges from $15,000 to $30,000 per day, a figure we have verified independently in the field.

e) To further illustrate this data with a conservative lens, let's analyze it within the context of just nine regions (Middle Jubba, Upper Jubba, Middle Shabelle, Hiraan, Bay, Bakool, Galmudug, and Galguduud) in central and southern Somalia, all of which are under Al-Shabaab control, where an estimated two illegal checkpoints are generating approximately $2 million annually. Given the 22 percent annual increase since 2011, Al-Shabaab's revenue could escalate to an impressive $320 million by 2022. Even when considering a more cautious estimate of just one illegal checkpoint per region, the group would still potentially amass around $160 million each year. This significant difference between Al-Shabaab's actual revenue estimates and the projected figures underscores the complexities involved in accurately assessing the group's financial resources. This analysis is detailed in Annex A.

f) Another aspect that is often overlooked when comparing Al-Shabaab's tactics is their significant use of banks for money laundering. The seriousness of this issue becomes apparent in the records of the Benadir Regional Court, where it is surprisingly common for individuals to involve their relatives as "mules" to launder large amounts of money. One particularly concerning case involved a man who set up ten different accounts and funneled an incredible $12 million through them. While the exact timeframe is unclear—whether this occurred monthly or yearly—let's conservatively assume a similar scenario happens annually, with fifty people assisting in laundering $12 million for Al-Shabaab, potentially reaching a staggering total of $600 million. This estimate alone contradicts the misconception, supported by UN estimates, that Al-Shabaab only generates $100 million in revenue per year. Even if

some argue that such extensive money laundering is unlikely, recent incidents like the well-known TD Bank scandal in the US, where Chinese drug traffickers used the bank to launder at least $650 million between 2016 and 2021, demonstrate otherwise. This serves as a stark reminder that even in a failed state like Somalia, where compliance officers are scarce and money laundering is widespread, the illicit financial sector continues to prosper.

Summary: The UN Panel of Experts on Somalia has published annual reports estimating Al-Shabaab's revenues since 2011; however, these estimates are significantly underestimated and outdated based on our findings from a thorough audit of their reports. We identified multiple gaps and extreme underestimations, despite the available data collected from the field, including sources such as livestock, illegal checkpoints, and farm extortions, as illustrated in Table 1a and Table 1b. Our analysis indicates that the total unaccounted revenue for Al-Shabaab is close to $811,678,416.67 million when considering the various revenue sources that were underestimated.

One might argue that this audit leads to "inflated estimates" since the UN Panel of Experts could not verify certain locations under Al-Shabaab's control. However, by identifying gaps in their data and utilizing UN field research on Al-Shabaab's selected levies, we have independently verified these issues in the field and recalculated the unaccounted extortions and illicit revenues attributed to Al-Shabaab.

The assertion that "such methods will result in inflated estimates" is fundamentally flawed for three key reasons: a) we have independently verified that in the territories controlled by Al-Shabaab in Somalia, they enforce standard levies and rigorously collect extortions and illicit revenues; b) it is illogical and unlikely that Al-Shabaab, which uses violence to generate revenue, would collect less than the Somali government, which derives 90 percent of its revenues only from Mogadishu. Notably, domestic revenues in Somalia have been rising at an average annual rate of 18 percent to 25 percent since 2011, currently amounting to approximately $345 million. Consequently, it is clear that Al-Shabaab, commanding a larger territory than the Somali government, should be generating

at least 2.5 times more revenue, which would equate to around $872 million, rather than the UN's estimate of $150 million; c) the UN's estimates have only taken into account charcoal as an illicit activity, overlooking other significant sources of revenue such as illegal charcoal exports, arms smuggling, drug trafficking, and the trade of alcohol and cannabis. Not to mention, the UN has never calculated livestock and farm extortion even despite indicating in their reports that Al-Shabaab generates revenues from these two sources.

Table 1a: Unaccounted and Under-estimated Al-Shabaab Revenues (2011 to 2024)

Identifying Al-Shabaab Revenue Estimate Gaps/Issues	UN Study Gap	Hiraal Institute?
Outdated and Inconsistency	$100 M since 2011, fails to revise or update Al-Shabaab Extortion revenue estimates since 2011. Fails to include major illicit activities, such as drugs, weapons, and human trafficking despite existing data. Doesn't take into account licit activities as noted by UNODC. 2024 estimate $150M	$27M 2018 $180M 2020- estimates increased by 6-fold in 20202 without any calculations or estimates other than the arbitrary number of $15M/yr
Unaccounted Livestock and Farming extortion revenue	Using the Al-Shabaab levy (Table-4) for livestock & farming per the UN report combined with our estimate of the total cultivable area within the Al-Shabaab zone is between 750k- 1 M hectare (source from FSNU), which yields $50M and livestock of 11.205M (Source WB) $181.628M that is unaccounted.	N/A
Underestimated and incomplete Illegal Checkpoints	2018 UN Study shows $15k-to $30k/day for illegal checkpoints for and total checkpoints 100, for a conservative estimate of 45 illegal check points at $20k/day yields $328.5M/yr that is unaccounted.	N/A
Incomplete Shop owners/Warehouse Zakateering (Racketeering) of other states	UN data: See (Table-1)extortion levy for shopstatesly calculated Mogadishu's two major markets (Suuq B'aad and Bakaara) rackets which were $60M neglecting to estimate other states i.e. UN study at Kismayo alone show 1600 shops pay $300/month generating $5.56M/yr for Al-Shabaab. If we account for Business rackets of other states combined 41400 shops/warehouses & apply the levy, it will yield an unaccounted $149M/yr.	Mentions 2.5% taxes for Zakteering but hardly shows any calculations or estimation based on the levy. Hiraal Institute study says Al-Shabeeb generates 50% of its revenue from Mogadishu or $90m/yr?
Mogadishu Port and Traders Zakateering 2.5% Estimated	The UN study determined that Al-Shabaab collects $13M Mogadishu port rackets, but did not estimate other ports.	N/A
Mogadishu Real Estate Extortion	UN documented 25% real estate extortion. Assume 4-story apartments with 6 units/floor with price tag $180k/unit yields unaccounted $27M.	N/A

Table-1b: Audited UN Estimates of Al-Shabaab Revenues (2011-2024)

Al-Shabaab Revenues Sources	Actual UN Estimate 2024	UN Estimate since 2011
Mogadishu port +Zakateering 2.5% in Mogadishu	$13,000,000.00	
Kismayo Charcoal (illicit)	$10,000,000.00	$50,000,000.00
Bakaare and Suuq Ba'aad Market Zakateering and others Federal Member states (rackets)	$214,800,000.00	$60,000,000.00
Agriculture Extortion	$36,750,000.00	
Illigal Check point Extortuon	$328,500,000.00	
Livestock Extortion	$181,628,416.67	
Real Estate Extortion in Mogadishu	$27,000,000.00	
Total	$811,678,416.67	$110,000,000.00

METHODS AND APPROACH OF THE RESEARCH

The author has conducted this research over a span of 2.5 years to address key questions regarding Al-Shabaab's financial landscape, including how much revenue the terrorist group generates, the sources of its income, the methods it uses to launder money through both legitimate and illegitimate businesses, and its spending and sustainability practices.

Our approach to tackling this complex issue involves pioneering innovative research that offers fresh analyses. This is crucial for ensuring the reliability and validity of the information compiled through interviews, particularly when juxtaposed with existing studies that exhibit significant data gaps and credibility issues. The particularly challenging task of gathering data in a failed state like Somalia further complicates this endeavor, as both established and new information can often be biased. However, through diligence and determination, along with independent verification via field research supplemented by triangulation with existing studies and publicly available information, while remaining vigilant against potential biases, we are striving toward a comprehensive analysis.

Our sources were as diverse as the landscapes of Somalia. They included insightful interviews with tribal chiefs who have encountered Al-Shabaab, discussions with government officials at both state and federal levels, the Somalia National Army, military intelligence, Danab US-trained Somali forces, and diplomatic sources. Valuable insights were also gathered from former government and AMISOM informants and various stakeholders in Somalia. We incorporated the voices of farmers and agro-pastoralists affected by racketeering and extortion tactics, as well as traders, bankers, and respected academics.

In order to showcase the various methods and techniques utilized in specific cases, allowing readers to fully grasp the intricacies of conducting this research, we present a vivid illustration of the methodologies employed:

Methodology for Determining Farmer Extortion: Our study employed a two-pronged approach to assess Al-Shabaab's extortion of farmers. First, we utilized estimated data on irrigated land in Southern Somalia. However, this presented a challenge, as a large majority of farmers near riverbanks rely on a primitive flood irrigation technique, while those in the hinterland depend on rainfed methods, making it difficult to accurately gauge the revenue generated by Al-Shabaab's agropastoral extortion. To address this uncertainty, we turned to FSNU's existing data on annually harvested commodities for each region in Somalia. This allowed us to apply a fixed Al-Shabaab farming levy rate of $20 per hectare, as shown in Table 4. Considering the low irrigation efficiency and climate change impacts, a lower yield of 500 kg per hectare in Somalia was applied, which is conservative. This allowed us to determine the total harvested area and multiply it by the extortion levy, yielding an approximate figure for Al-Shabaab's total revenue from the agricultural sector.

Methodology for determining Hashish (weed) revenue source: We employed a triangulation qualitative analysis, obtaining data through published media reports of governmental seizures and destruction of weed farms, and then conducting interviews with tribal leaders and farmers to identify potential illegal weed farms in the Middle and Lower Shabelle area. The author has independently verified this information through thematic analysis using Google Earth maps[31] to locate potential growing regions, which were confirmed by farmers, and by comparing the photos with existing weed research[32] while applying his expertise in GIS and remote sensing data analysis.

Methodology for determining Money laundering and investment: The money laundering activities conducted by Al-Shabaab serve two main purposes: to finance their terrorist operations and to invest in assets and trade that generate capital while minimizing risk and earning commissions. Through qualitative analysis and triangulation, we have independently verified the methods Al-Shabaab uses for money laundering and terrorist financing in Somalia by

cross-referencing prosecuted court cases with financial reports published by the Central Bank of Somalia and the World Bank's Somalia division. Our investigation also includes interviews with local traders, bankers, and former employees of NISA who specialize in financial intelligence related to terrorist activities.

Reliability of the research and validation

Mixed Analysis Using Qualitative and Quantitative Methods;

In terms of the reliability of our database on sources, we have assigned a higher reliability index of 1 for direct sources that are supported by existing evidence. For indirect sources, we assigned a medium reliability index of 0.7 for information that is synthesized and correlated with indirect data. Additionally, we assigned a reliability score of less than 0.5 for less substantiated sources.

We conducted an audit of the UN Panel of Experts reports on Somalia covering the past twenty years, from 2004 to 2024. During this review, we identified several data gaps, particularly concerning unaccounted and unquantified sources of funding for Al-Shabaab. Notably, we found a lack of accounting for cross-border extortion, revenues from livestock and farm extortion, weed profit-sharing, weapon smuggling, drug transshipment, human trafficking, and airport revenue.

To address these gaps, we independently verified these newly identified funding sources through field interviews and supporting evidence derived from open sources, including social media and government publications, as well as court prosecution cases related to money laundering and terrorism financing. After consolidating this new information and variable data, we performed comprehensive qualitative analyses using a mathematical modeling approach. This process was followed by quantifying the new information through sensitivity and statistical analyses to identify anomalies and data variances in our research, thereby enhancing the confidence level of our findings. For detailed discussions on our methodology and analyses, please refer to Annex-1.

The author presented this work to various government agencies involved in Somalia's state-building and security sector, including the US, UK, Australia, Norway, and Kenya, during two closed sessions organized by the Netherlands Embassy in Kenya in November 2023 and November 2024. Additionally, the

author shared his findings at the annual counter-terrorism forum held in Nairobi in February 2024, where he gathered diverse feedback to address raised questions and further enhance the validity of the study.

CLAN REVOLT AGAINST AL-SHABAAB MAFIA ENTERPRISE

With Somalia's federal government exerting limited control over the nation, Al-Shabaab has seized the opportunity to expand its power outside of Mogadishu. The terrorist group has taken control of vast areas including pastoralist and agro-pastoralist communities, infiltrating rural communities with kinship collaboration and inducing fear through violence. These ungovernable spaces have become safe havens for Al-Shabaab for the past sixteen years or so.

Despite facing resistance from clans, Al-Shabaab has resorted to extreme measures, including barbaric atrocities, to force tribes into submission. When this fails, the group attempts to bribe neighboring clans utilizing stolen resources and manufacture clan conflict over resources and humanitarian crises that result in internal displacement through economic blockades[33] including farming restrictions that require farmers to pay a "farming permit" fee.[34] But in 2022, the Hawaadle tribe revolted against Al-Shabaab after one of their chiefs was killed for refusing to recruit children. Al-Shabaab responded with acts of terrorism, burning villages and destroying water wells. However, their actions backfired. The Hawaadle, Habergedir, and Mudulood tribes mobilized with Somalia's national army and drove Al-Shabaab out of significant ground in less than six months. The root cause of the uprisings is a consolidation of grievances over the past decade, exacerbated by neglect under the Mohamed Abdullahi government. These include child soldier recruitment, loss of livelihood, weaponized climate change, and loss of clan sovereignty.

Over the past half-decade, Al-Shabaab Mafia Inc. has cunningly embarked on a journey of sustainable income generation by Al-Shabaabanizing rural communities and their informal economy, ultimately realizing that they can adopt a superior nomadic lifestyle. This lifestyle mirrors that of a feudal system, enabling the group to utilize farmers' and herders' children and women as slave labor to overcome the labor shortage. Al-Shabaabanization sustains the feudal system to enable the "Obsolete State" to destroy the free market of the self-sustaining and thriving rural informal economy.

Replacing rural peasants with cloned and Al-Shabaabanized (shown in Figure 2) rural communities allows them to grab land and access unlimited resources both asset and labor to extract unquantifiable capital, military services as needed, and use villages as a network of islands to hide and use inhabitants both for human shield and intelligence gathering akin to Mad Mullah and his Dervish movement tactics in early 1900 who have terrorized British Protectorate Somaliland and its inhabitants for two decades.

They finance their operations through extortion money, akin to the infamous Italian colonial system, ultimately making them labor-rich resources and relying on the production and forced marriage of rural women to bolster their family network and receive clan blanket protection and access to new wealth and resources for exploitation. In their quest to monopolize the rural free market economy, Al-Shabaab established a parallel informal colonial extracting economy overnight, turning pastoralists into bondsmen and farmers into sharecroppers. This has made them an "absolutist state," exploiting the rural economy in South Somalia. Adding insult to injury, Al-Shabab's slavery scheme in rural areas is indirectly subsidized by international NGOs, giving them the power to control Somalia's food security from farm to fork and from port to retailer.

The emergence of Macawisley, primarily led by the Hawiye clans in South Central Somalia, is a response to the significant threat facing them. The potential replacement by a cloned, rural Salafist population through Al-Shabaabinization poses a serious risk to their rich heritage, diverse customs, and flourishing agro-pastoral economy, as well as their very existence. This situation has prompted them to consider their options and take action to safeguard their way of life.

WAR ON IDEOLOGY VS. WAR ON AL-SHABAABANIZATION

The Somali government's efforts to counter Al-Shabaab's harmful ideology appear to be ineffective from the start. Their strategy relies on engaging religious scholars and labeling the terrorist group as Khawariji to fight a holy war against them, even targeting Shiite Muslims. While this may seem like a viable plan, it could have serious long-term consequences. A former intelligence officer from the Islamic Courts Union suggests that if the government and its appointed scholars had issued a fatwa (a legal ruling) justifying the seizure of Al-Shabaab's assets, it could have been a more effective approach to compel mass surrender by the terrorist group.

The government has established a new bastion in the fight against Al-Shabaab's harmful "ideology"—a center named Tubsan[35], meaning repentance in the Somali language. Despite the government's claims of steering individuals back to the right path, they have chosen a gentler approach by branding it as a Counter Terrorism Center. However, whispers from an anonymous source within the department reveal that this decision was made to avoid provoking the ire of Al-Shabaab. Adding fuel to the fire, the center is led by two individuals—a director appointed by the president and a deputy director who remains a loyal member of Al-Shabaab, never having renounced their allegiance. To make matters more concerning, the deputy director was handpicked by Prime Minister Hamza, a former member of Hizbul Islam under the notorious Daahir Aweys. With no concrete plan in place, it seems to be a one-man show, with the main focus being on securing funds from Arab leagues and Western donors.

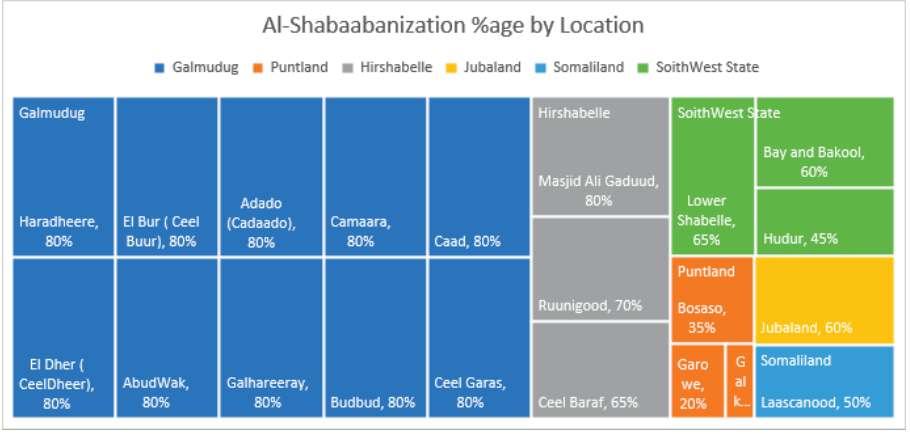
Hassan Sheikh missed an important opportunity to weaken the religious image and shadow governance of Al-Shabaab by not acknowledging them as a mafia-like group. The Somali government hesitated in issuing a fatwa against Al-Shabaab's assets and supporters, with the hope that they could integrate into the government as a minority political power or alliance, similar to how pastoralists in Somalia traditionally embrace minority tribes through a process called "Sheegato[36]", instead of labeling them as mafia or locally known "Shifta[37]," bandits which average person easily understands, efforts were made to avoid such terms and instead refer to them as "Khawarij," a suggestion also endorsed by The Dive, a quarterly newsletter produced by the Intelligence Community Diversity, Equity, Inclusion, and Accessibility Office within the Office of the Director of National Intelligence, albeit in the redacted[38] form published by Hoover Institution[39].

Al-Shabaab, the notorious group of extortionists and violent enforcers, operates like a mafia with an opaque set of rules that they claim justifies their reign of terror. Their insidious way of declaring a Muslim an "apostate," which is punishable by death through Takfeer as "ideology," is comparable to when the mafia deems one of their own a "rat," making their blood halal/kosher to justify violent death.

Al-Shabaab has propagated the belief that the government is apostate, its laws are not in line with Islam, and therefore it's preferable to do without the government for security and economic exploitation. This ideology has persisted for fifteen years, leading to the partial or complete conversion of hundreds of villages and towns in Southern Somalia to Al-Shabaab influence. They view a free society as a threat and have crafted a mythology around Takfer[40] a "Governance," turning it into an ideological basis for their violent state that spreads terror and psychological fear, compelling people to accept Al-Shabaabanization as the "Somali state's authority," accumulating and concentration of coercion under their caliphate. Despite the Somali government declaring war on Al-Shabaab, there is common ground between them and the Somalia government: both romanticize the Dervish and glorify Greater Somalia Irredentism. While some majority tribes in Somalia see Dervish as terrorists similar to Al-Shabaab, some

perceive them as part of a nationalist movement against imperialism and may indirectly sympathize with Al-Shabaab. This creates a perplexing situation where the battle over ideology between the Somali government and Al-Shabaab sympathizers with Dervish ties confuses efforts to effectively combat Al-Shabaab's terrorist ideology in the long term.

Figure 2: Rural Al-Shabaabanization Breakdown



War on Al-Shabaab Finance

Al-Shabaab's financing trajectory has undergone a significant evolution from its inception in 2010 to the present. Initially dependent on terrorist funding methods such as remittances, Zakat-based extortion, and contributions from international NGOs seeking protection following Ethiopia's withdrawal, the group has transformed into a formidable mafia-style enterprise. They have adeptly exploited various illicit activities, including the illegal charcoal trade, government extortion, and a range of business ventures, resulting in substantial revenue growth and establishing themselves as Al-Qaida's leading money-making organization globally.

This economic metamorphosis could only have been orchestrated by figures like Ahmed Godane and Aden Eyro, the founders of Al-Shabaab, both of whom had backgrounds in banking as tellers and associates of Dahabshiil,

and Hormuud (formerly known as Al-Barkaat)[41]. This bears a striking resemblance to Al Capone, who also started his journey in the financial sector before transitioning into organized crime. Eyro's first endeavor involved digging up an Italian colonial cemetery in Mogadishu to seize the land and demand ransom from the Italian government, earning a substantial sum of $20 million[42]. Meanwhile, Godane's initial venture was in Ethiopia, where he targeted drug traffickers along the border with Somaliland, securing $2 million in cash.

Their financial insights provided them with a notable advantage over Al-Qaida, allowing them to thrive where Al-Qaida faced challenges due to high operational costs, limited capital, and difficulties in navigating clan dynamics and labor markets. Inspired by Al Capone's strategies, Al-Shabaab began to exploit illicit avenues through extortion and racketeering. This approach allowed them to effectively scale and adapt amid government corruption and tribal conflicts, ultimately establishing the formidable financing powerhouse we recognize today.

How Al-Shabaab collects, spends, and moves money

After diving deep into the complex web of Al-Shabaab's financial sources, it is now time to untangle the elaborate means by which they collect, spend, and transfer their dirty funds through money laundering. This is a crucial step in comprehending the sinister mechanics of money laundering and terrorism financing used by this notorious group. But don't be fooled by its seeming simplicity, for the process is cleverly decentralized. Al-Shabaab operates through a network of "revenue extortion collectors" that generates revenue in three ways a) extortion and racketeering, b) profit sharing with third-party criminal cartels through the illicit economy, and c) rent income from re-investment via money laundering as shown in Figure 4 and 5. These revenue collectors are scattered across five regions[43]: Puntland, Galmudug, Hirshabelle, SouthWest State, and Jubaland. Their reach may falter in Somaliland and East Africa, but even then, it serves as a convenient hub for laundering their ill-gotten gains.

Once the funds are collected, they are funneled to a "revenue collection manager" who then passes it on to a "financial controller." [44] But this controller is no ordinary trader—they are part of a clandestine network used as frontline

traders with entities for facilitating money laundering and terrorism financing for Al-Shabaab. This elusive controller divides the illicit money into two portions—40 percent for operational costs[45] and 60 percent for reinvestment. As depicted in Figure 3, the allocated 40 percent for operations is spent on a wide range of activities, from financing heinous terrorist acts to fueling the despicable practice of sexual slavery. The remaining 60 percent, however, is split and laundered through Somaliland and Puntland, with a small portion washed through South and Central Somalia. These regions provide fertile ground for Al-Shabaab to launder their tainted money, from funding education and exporting goods to constructing lavish real estate properties.

However, in a twist of fate, Tables 2 and 3 reveal that 60 percent of Al-Shabaab's laundered funds for reinvestment and circulation have been severely impacted by the US Treasury Office's sanctions in March 2024. For instance, the money laundered in central and southern Somalia has decreased by a staggering 50 percent, while the reinvested funds have been completely halted. As the political tension and impasse between Puntland, Somaliland, and the Federal Government of Somalia escalate, Al-Shabaab takes advantage of the unstable situation and utilizes the unrecognized status of Somaliland and the uncompromised political stalemate between the Puntland region and the Federal Government of Somalia as a safe haven for their illicit activities, evading both the Federal Government of Somalia and US sanctions.

Despite their cunning tactics and the temporary benefit of being in a political deadlock, Al-Shabaab's operations in these unreachable geographies have come at a hefty cost. As shown in Table 2 and 3, before the sanctions, Ethiopia, Puntland, and Somaliland financial institutions would charge them a commission fee of 2 to 5 percent to facilitate money laundering and reinvestment of their funds. Al-Shabaab took advantage of Ethiopia's currency exchange crisis[46], which pressured the government to permit foreigners to acquire import and export licenses. According to our interviews with traders, this change has enabled Al-Shabaab's frontline companies to secure these licenses in Ethiopia, allowing them to effectively launder their illicit funds from Somalia.

Nevertheless, in the aftermath of the US Treasury, sanctions, the fee to facilitate money laundering has skyrocketed to a whopping 25 to 30 percent, marking a staggering 600 percent increase overnight. In the eyes of money laundering financial institutions in Somalia and in the Horn of Africa, the once reputable credit score of Al-Shabaab's Mafia Inc. plummeted from good to bad, with a high risk of doing business with them. The US Treasury Office's sanctions not only tainted the image of Al-Shabaab but also dealt a significant blow to Al-Shabaab's financial network and illicit economy, exposing the vulnerability of their true nature as a criminal organization.

Table 2: Al-Shabaab Money Laundering Mapping (Source: Interviews with Bankers and Traders)

Illicit Economy	**Money Laundering By Region Before the War on Al-Shabaab**			
Year	**Somaliland**	**Puntland**	**Central and South Somalia**	**Somali Region, Ethiopia**
2022-2023	25 percent	10 percent	10 percent	15 percent
2024	25 percent	10 percent	05 percent	20 percent
Licit Economy	**Al-Shabaab Re-investment (Post Money Laundering) by Location**			
Year	**Somaliland**	**Puntland**	**Central & South Somalia**	**Somalia Region, Ethiopia**
2022-2023	20 percent	5 percent	20 percent	15 percent
2024	35 percent	5 percent	0 percent	20 percent

Table 3: Financial Institution In Ethiopia, Somaliland & Puntland Commission Fee to Facilitate Al-Shabaab Money Laundering and Re-Investment

US Treasury Sanctions Affect	Before 2024 Sanctions	After 2024 Sanction
	2-5 percent	25-30 percent

Figure 3 Al-Shabaab Extortion Collection and Money Laundering via Investment Process

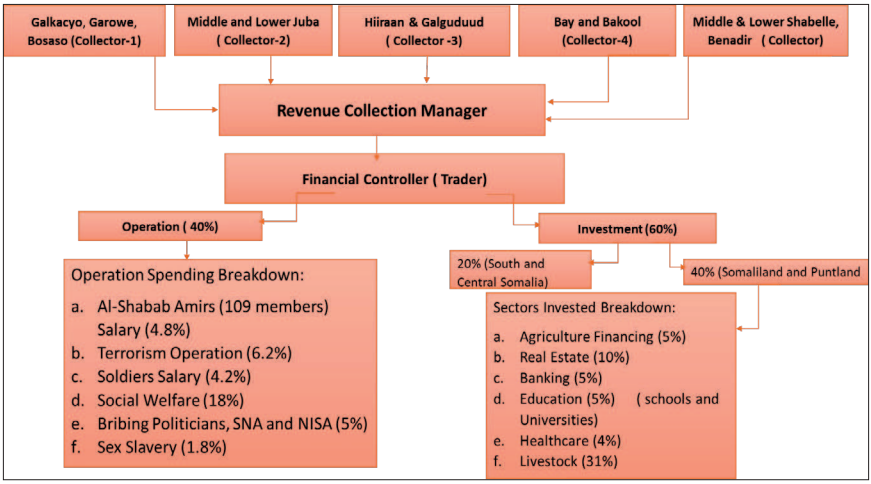


Table 4: Selected Standard Al-Shabaab Extortion and Profit Sharing Levy[47]

Livestock Levy	**Extortion Unit/Cost**	**Transportation Levy**	**Extortion Unit/Cost**	**Agriculture Levy**	**Extortion Unit/Cost**
Camel	1 camel in every 40 camels	Trucks	$1200/truck (one-way direction)	Small Farmers	$50/ha
Goat/Sheep	1 goat/sheep in every 20 goats/sheep	Mid-size SUV/ buses	$450/ SUV/Bus (one-way direction)	Forced Flood Protection (Climate Insurance Extortion)	$5000-$10,000/ Farm
Cow	1 cow in every 30 Cows	Transporting Livestock	$25/head	Big Farms (10-1000 Ha)	$5/Ha
Commercial Levy	**Extortion Unit/Cost**	**Drugs/ Alcohol Levy**	**Extortion Unit Cost**	**Human Trafficking Levy**	**Extortion Unit/Cost**
Hotel/ Guest House owners	$3000/month	Weed Levy	40 percent revenue sharing based on $50-80/kg price	Human Trafficking Levy within the Continent	$1000-$3000/ person
Shopkeepers/ Traders Levy	$300/month/ shop/ware-house (Rural) $2000/year/ shop/ware-house (urban)	Cocaine and Heroine Levy	10% revenue of the total weight of the drugs based on $20,000/ kg price	Human Trafficking Levy outside the continent, i.e., Africa to South America	$5000/ person
Major Companies	$1M/year this rate is facilitated by Somalia Chamber of Commerce	Alcohol Levy (daily sale of 10,000 to 20,000 liters)	$56/liter	Human Trafficking to EU countries & US	EU=$12k/ person US = $25k/ person

Examining Al-Shabaab Revenue Sources:

The financial sources of Al-Shabaab are complex and varied. Our study focuses on a) the methods used by Al-Shabaab to obtain and generate funds, b) how it uses this money to support terrorism and engage in money laundering,

and c) the effectiveness of government institutions in Somalia, as well as international partners' efforts in combating money laundering through tools such as laws and sanctions against financing activities by Al-Shabaab.

The research identified three main categories with subcategories to break down different types of revenue sources for analyzing the financial sources of Al-Shabaab based on collected information through interviews that were cross-referenced with existing data/research and applying both new and existing known extortion levies, which enabled us to estimate overall Al-Shabaab revenues based on the following categories:

a) Extortion revenues

    i. Extortion revenues from ports and airports' customs duties and other taxes.

    ii. Extortion revenue from FMS, including rural areas and traders, mainly from pastoralists and agrarians.

    iii. Extortion revenue from illegal checkpoints.

    iv. Miscellaneous extortion revenues.

b) Illicit revenues:

    i. Human trafficking, alcohol sales, hashish (weed), and drug transshipment.

    ii. Illegal arms sales and trafficking.

c) Investment Revenues

A detailed examination of Al-Shabaab's sources of financing is provided below.

a) Extortion revenues:

i. Extortion revenue from ports and airports custom duties and other taxes; While this study is confined to the dry ports and inland ports of Somalia, it is worth noting that Al-Shabaab's tax

extortion schemes extend far beyond these boundaries. In fact, the notorious group has a firm grip on the trade routes between Somalia and neighboring Ethiopia and Kenya, with 7 out of 8 (Las Anod, Abudwak, Beledweyne, El Barde, Beled Hawo, El Wak, and Dhobley) cross-border routes falling under its control, except Tog Wajaale, which is controlled by the Somaliland government. Despite being unable to access the Togwajaale border crossing manned by the unrecognized Somaliland government. According to Ethiopian Customs Report 2019/2020, Ethiopian traders transacted nearly $150 million to Somaliland[48] for trade in 2020 via the Togwajaale border crossing trade route . . ." But the group's grip on revenue doesn't stop there - they also generate significant sums from the bustling Mogadishu port where Al-Shabaab charges $100 per 20 feet container[49] as shown in Table 4 levy, and based on 2019 World Bank data, the number of annual containers shipped into Somalia was around 92k[50] yielding $9.2M annually (this number is higher if 2023 is counted[51]), while the Mogadishu airport annually generates $6M/yr[52] for Al-Shabaab based on collecting extortion from cargo, khat import, labor, and various fees. In addition, according to a UN report, the illegal charcoal export alone from Kismayo port, where Al-Shabaab charges $50/bag for 900k charcoal bags exported in 2019, generates $13.5 million per year[53] despite the charcoal ban in effect. For the purpose to be conservative, we have only accounted for Mogadishu port and Kismayo port revenues.

ii. **Extortion revenue from federal member states rural areas, traders, pastoralists, and agrarian:** Al-Shabaab imposes a significant levy on farmers and pastoralists, as outlined in Table 4 and to quantify the extortion of the traders, livestock, and farming, we have utilized various data sources such as UN study on traders and shop keepers in Kismayo and Mogadishu[54] Global Facility for Disaster Reduction and Recovery (GFDRR) and World Bank

2017[55] drought impact report as baseline data for livestock, Food Security and Nutrition Analysis Unit (FSNU[56]) to determine crop production of each region occupied by Al-Shabaab or have influence and indirectly determine the irrigated area to calculate the estimated revenue from extortion by Al-Shabaab in federal member states. Additionally, a conservative reduction percentage of 20 to 50 percent is applied in regions facing high climate change impacts such as Galmudug, SouthWest State, and parts of Hirshabelle. Based on these factors, it is estimated that Al-Shabaab's extortion revenue from the livestock of 3.25M, farms for 164.86k hectares, and 12k shopkeepers will amount to $108,218,459 million for Hirshabelle in 2022. Similarly, Galmudug State generates extortion revenue for Al-Shabaab of $21,063,583 million from 3000 shopkeepers and livestock of 1.35 million. in Jubaland accounting for 3.5M livestock, farms for 222k hectares, and 4000 shopkeepers[57], Al-Shabaab generates approximately $51,849,167 million annually. In Puntland, estimated extortion revenue was limited to conservatively 2,500 shops and warehouses and 10,000[58] tons of fish for $3/kg, generating $5,000,000 and $6,000,000, totaling $11,000, 0000. Lastly, in Southwest State, taking into account 7000 shopkeepers and 3.5M livestock, Al-Shabaab generates $101,276,175 million. Interestingly enough, when you combine the total extortion Al-Shabaab generates from FMS, which is around $293,407,385 million, it is equivalent to 85 percent of federal government domestic revenue[59] without external aid. In a country where legitimate taxation systems are almost non-existent, Al-Shabaab has managed to thrive off of its ruthless extortion tactics through fear and violence, leaving a trail of financial destruction in its wake as a result of bad governance and lack of revenue harmonization between FMS and FGS.

iii. **Checkpoints Tax Extortion Revenue:** For our in-depth research, we have closely examined the two major critical revenue streams

of Al-Shabaab through illegal checkpoints, namely the Afgoye and Balad and Gubadleey control checkpoints. Through our analysis using Table 4, we have uncovered that these checkpoints bring in a staggering annual sum of $215,625,000 million, calculated based on the daily vehicle traffic of 400 and 450 vehicles entering and exiting Mogadishu respectively[60], over a span of 300 days per year. In addition to this, our study also took into consideration the taxation of livestock at checkpoints Balcad and Gubadley, where a whopping 1500 animals are sent daily to Mogadishu slaughterhouses, while at Afgoye, only vehicles were accounted for in this study. By utilizing Table 4's tariff rates for various types of trucks, our findings paint a vivid picture of the extortion tactics employed by Al-Shabaab at these checkpoints. However, using the UN studies of 2018[61] and 2021[62] which render a range of $15k-$30k/day levy of illegal checkpoints, would result in $328 million per year, which is higher than our field study estimate. For conservative purposes, we have selected to use $215.62 million for our study to estimate illegal checkpoint extortion.

iv. **Miscellaneous Revenue for Al-Shabaab:** Our extensive research has delved into the lesser-known revenue streams of Al-Shabaab, uncovering significant sources that have gone unnoticed. Through comprehensive interviews and verification through UN reports, we have uncovered that the Somalia Chamber of Commerce, previously accused of aiding Al-Shabaab's extortion efforts, paid a staggering $36 million to[63] the organization in 2022. This sum was collected from thirty-six members[64] of the chamber, highlighting the alarming reach of Al-Shabaab's grip on the country's economy[65]. In addition, Al-Shabaab exploits real estate construction through the booming construction in Mogadishu construction, Al-Shabaab mercilessly imposes an extortion levy of 25 percent[66] of the value of the development. Based

on our interviews with real estate developers and conservative assumptions of Mogadishu's high urban growth, we think conservatively to estimate a four-story of twenty-five apartments built per year with each floor of six units and an average sale of each unit costing around $180,000 and apply the 25 percent levy to yield $27 million in annual revenue for Al-Shabaab. But it doesn't stop there. Al-Shabaab has also established a lucrative business in the sale and illegal mining of gold, raking in a staggering $20 million. This amounts to a jaw-dropping 8 percent of the total gold exported from Somalia, which amounts to $246 million[67], as reported by the Observatory of Economic Complexity. And their reach extends beyond the city limits, with illegal gold mining operations[68] in Somaliland and Puntland[69], in collaboration with non-state actors such as the Dhulbahante militia, Chinese corporations, and even ISIS. The consequences of clan conflicts in Somalia have also proven to be a lucrative opportunity for Al-Shabaab, as they exploit the traditional Islamic practice of Diya (blood money)[70] to their advantage. While the prescribed compensation for a man's death is 100 camels and 50 camels for a woman, Al-Shabaab has shamelessly fixed the amount at $40,000 per person, pocketing a hefty 10 percent of the proceedings. This calculated manipulation of religious laws has resulted in a staggering collection of $7,313,200[71] from 914 tribes in Somalia in 2022 alone. To estimate this revenue, we turned to historical data on 361 Diya-paying tribes in British Somaliland, as documented by I. Lewis in his acclaimed book 'A Pastoral Democracy'[72]. Extrapolating from these figures and combining them with our interviews conducted in the Middle Shabelle area, we were able to determine the alarming extent of Al-Shabaab's control over Diya payments in Somalia. Our study serves as a stark reminder of the organization's insidious grasp on the

country's economic and social systems, leaving a devastating trail of destruction in its wake.

b) Illicit revenues:

i. **Human trafficking, alcohol sales, hashish (weed), and drug transshipment:** The illicit economy is the driving force behind Al-Shabaab's sustained terrorism, with a staggering 40 percent of their revenue, equivalent to a staggering $561,760,000, coming from illicit activities shown in Figure 3 ranging from human and drug trafficking to hashish (cannabis) and alcohol sale. Their lucrative operations are fueled by exorbitant levies on illicit revenue, with a staggering 40 percent profit sharing with drug cartels and a 10 percent tax on human trafficking, as shown in Table 4. The main source of this illegal wealth is the production and sale of cannabis, cultivated on sprawling farms[73] spanning over 18,000 hectares in the Middle and Lower Shabelle regions. Each hectare yields a minimum of 1000 kilograms of top-quality cannabis, priced at $50 to $80 per kilogram[74]. The management and coordination of these farms fall under the control of sophisticated cartels, known as "dark horses" within the Somalia National Army (SNA), predominantly made up of Abgaal and Habergedir[75] former militiamen who have close ties to drug dealers. These drug dealers distribute cannabis and alcohol, both locally and beyond Somalia's borders, generating huge profits for Al-Shabaab. Meanwhile, the production and sale of alcohol, primarily for domestic consumption, are accompanied by the illegal trafficking of 10,000 liters per day of imported alcohol from neighboring Ethiopia. Al-Shabaab's involvement in human trafficking is no less profitable, with an estimated 20,000 immigrants being smuggled through Somalia each year. The terrorist group provides protection, unhindered routes, and warehouses for these human traffickers and their victims, charging a hefty 10 percent profit-sharing tax per trafficked individual. In addition, Al-Shabaab

also profits from the transshipment of drugs, such as heroin and cocaine, which are smuggled into Somalia from Afghanistan and Latin America, with a conservative estimate of 60 tons[76] being trafficked through Kenya. Al-Shabaab's cut for each kilogram of these drugs is a staggering $20,000[77], solidifying its position as one of the world's most dangerous and ruthless terrorist organizations.

ii. **Illegal arms sales and trafficking:** The vast inland borders and untouched maritime coastline of Somalia have become a breeding ground for corruption and illegal activities. The notorious group Al-Shabaab has taken advantage of this, using their stronghold to benefit from the sale of weapons on the black market. It is estimated that the majority of illegal arms enter the country through the coastal areas of Galmudug and Puntland, where the corrupt Somali National Army often turns a blind eye to the smugglers. In a shocking discovery, a recent Global Initiative study revealed that Iran, under the guise of obtaining fishing licenses, has been granted fifty-two licenses[78] by the Puntland authorities. However, these licenses are being used for a clandestine purpose—to smuggle a staggering number of guns into Somalia. Our conservative estimate suggests that each fishing boat, with a capacity of 40 to 60 tons, can smuggle anywhere from 2 to 3 times a year, with each trip bringing in 4000 to 5000 guns[79]. At a value of $1500 per gun, and not even accounting for ammunition, it is estimated that Iran alone generates a profit of $624 million to $936 million annually from this illegal trade. This accounts for a significant portion of the funds that Al-Shabaab uses to finance their operations, with a tax of 10% on arms smugglers bringing in an additional $62 million to $93 million each year. It is a grave situation, where the waters of Somalia have become a highway for illegal arms, causing devastation and chaos on land.

c) Investment Revenues:

One of the ways in which Al-Shabaab cleverly generates revenue is by funneling dirty money obtained through extortion and illicit activities into the legitimate economy. By disguising their illegal gains through legitimate entities, both domestically and internationally, they manage to transform their ill-gotten gains into assets and cold hard cash. Surprisingly, there has been a lack of research into the extent of Al-Shabaab's profitable reinvestment into the legitimate economy, with current studies focusing mainly on their extortion tactics at illegal checkpoints. Though the UN has reported Al-Shabaab has established an investment committee that invests in legitimate businesses generating a return on investment (ROI) ranging from 50 to 80 percent[80], no details as to how it was determined were rendered. While our groundbreaking research delved deeper into the various commerce sectors, as shown in Table 5, where Al-Shabaab maintains control through third-party entities, using them as a front to conceal their investments. Through careful analysis of Tables 6 and 7, we applied a 60 percent margin on their extortion revenue, as illustrated in Figure 3, and applied it to specific sector contributions to determine the annual investment cost. From there, we calculated the annual net profit for each specific sector, taking into account the control percentage and the annual import and export commodity, using the Central Bank of Somalia's[81] quarterly data. By multiplying this value by four, we calculated the total annual import and export of commodities and then deducted the annual investment costs. This meticulous process revealed that Al-Shabaab's average annual return on investment from their frontline and affiliated companies exceeds a staggering 112.18 percent for both 2022 and 2023, as shown in Table 6. Notably, the highest return on investment was found in the importation of construction materials, which reached an astonishing 295 percent. With an estimated annual

capital investment of over $600 million in selected sectors, the total annual return on these investments amounts to more than $866 million in 2022 and $795 million in 2023. This lucrative enterprise demonstrates Al-Shabaab's cunning ability to exploit the legitimate economy for their own illicit gains.

Figure 4: Al-Shabaab Extortion and Illicit Revenue

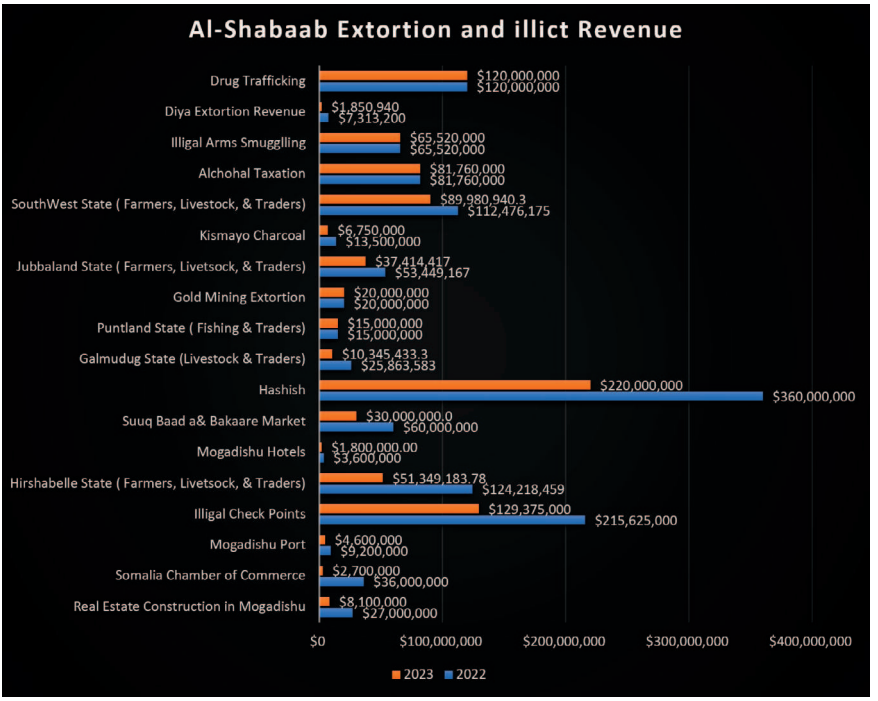


Table 5: Al-Shabaab Investment Contribution and Sector Control Breakdown

Sectors	Al-Shabaab Market Control Percentage	Al-Shabaab Investment Contribution Percentage
Livestock Export	70 percent	16 percent
Medical Equipment Import	60 percent	11 percent
Imported Electronics	70 percent	7 percent
Construction Import	40 percent	15 percent
Bank Lending	32 percent	2 percent
Healthcare	45 percent	3 percent
Agriculture Export	50 percent	2 percent
Education	50 percent	2 percent

Table 6: Al-Shabaab Annual Investment Cost and Net Profit 2022

Sectors	Al-Shabaab Annual Cost of Investment	Al-Shabaab Annual Net Profit	ROI
Agriculture Export (2 percent)	$27,010,512	$18,653,341.37	69.06 percent
Real Estate & Construction Loans (5 percent)	$67,526,279	$13,505,255.85	20.00 percent
Construction Import (10 percent)	$135,052,558	$399,483,868.77	295.80 percent
Medical Import (8 percent)	$108,042,047	$260,104,141.21	240.74 percent
Banking (2 percent)	$27,010,512	$8,103,153.51	30.00 percent
Education (2 percent)	$27,010,512	$8,103,153.51	30.00 percent
Electronics Import (2 percent)	$27,010,512	$69,847,506.38	258.59 percent
Healthcare (3 percent)	$40,515,768	$12,154,730.26	30.00 percent
Livestock Export (16 percent)	$216,084,094	$76,586,324.67	35.44 percent
Total	$675,262,792.41	$866,541,475.53	**112.18** percent

Table 7: Al-Shabaab Annual Investment Cost and Net Profit 2023

Sectors	Al-Shabaab Annual Cost of Investment	Al-Shabaab Annual Net Profit	ROI
Agriculture Export (2 percent)	$17,930,918	$27,732,934.79	154.67 percent
Real Estate & Construction Loans (2 percent)	$17,930,918	$3,586,183.66	20.00 percent
Construction Import (15 percent)	$134,481,887	$263,084,893.85	195.63 percent
Medical Import (11 percent)	$98,620,051	$262,983,476.04	266.66 percent
Banking (2 percent)	$17,930,918	$5,379,275.48	30.00 percent
Education (2 percent)	$17,930,918	$5,379,275.48	30.00 percent
Electronics Import (7 percent)	$62,758,214	$34,099,804.09	54.34 percent
Healthcare (3 percent)	$26,896,377	$8,068,913.23	30.00 percent
Livestock Export (16 percent)	$143,447,346	$149,223,071.99	104.03 percent
Total	$537,927,548.44	$759,537,828.61	**98.37** percent

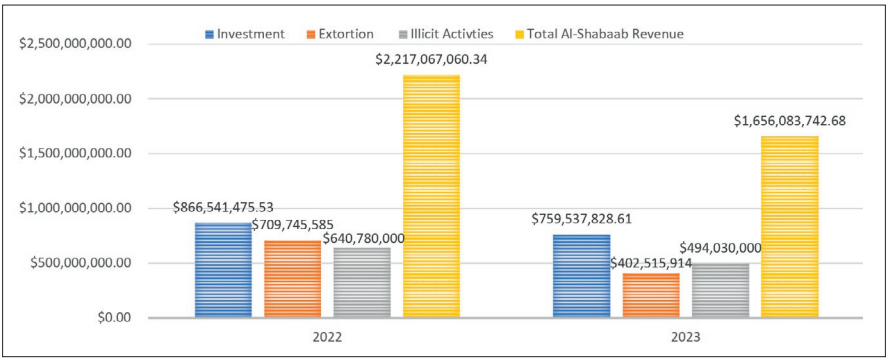
The Effects of War on Al-Shabaab Economy

The war against Al-Shabaab disrupted the terrorist group's economy and led to a significant loss of geographical control and influence, which previously allowed them to collect extortion and operate freely. During the initial phase of military operations, the Somali government focused on the Galmudug and Hirshabelle regions, dominated by Hawiye tribes. Utilizing the momentum from the Macawisley militia and support from U.S. Special Forces Danab and drones, the government achieved notable successes on the battlefield in late 2022 and early 2023. However, in Phase II, Al-Shabaab regrouped and recaptured some of the villages they had lost, causing the government to lose momentum. While the government's efforts against Al-Shabaab's ideology lacked an effective policy to raise awareness about the group's mafia-like behavior and propaganda, they

mistakenly treated Al-Shabaab as a purely religious group that is anti-Sunni. This approach has not resonated with the average person.

On the financial front, the Somali government's war on Al-Shabaab disrupted their extortion structures, such as their illicit courts and illegal checkpoints, which caused significant revenue loss. However, the government failed to target their money laundering operations and financial institutions that concealed funds for terrorism financing and investments—issues exacerbated by extreme government corruption and weak institutions. Although the Somali government occasionally claimed in the media that the war against Al-Shabaab had shrunk their economy by more than 80 percent, our research findings suggest otherwise. Before the conflict, as shown in Figure 5, Al-Shabaab's economy peaked at approximately $1.3 billion (as shown in Figures 4 and 5) from illicit and extortion revenue, with investments exceeding $896 million. As a result of the war on Al-Shabaab, their illicit and extortion revenue decreased to about $896 million, and investments fell to $759 million, reflecting reductions of 34 percent and 12 percent, respectively. These figures are significantly less than what the Somali government claims.

Figure 5: Al-Shabaab Revenue Sources



SANCTIONS IMPACT & ISSUES WITH FINANCIAL INSTITUTIONS

Issues with Financial Reporting Center (FRC)

The year 2016 saw the birth of the Somalia Anti-Money Laundering and Countering the Financing of Terrorism Act, a crucial piece of legislation in the fight against terrorism financing and money laundering in the nation. This gave rise to the establishment of the Financial Reporting Center (FRC), which, although still in its infancy, has been diligently building its capacity to train on Terrorism Financing (TF) and Anti-Money Laundering (AML). The FRC anti-money laundering and counter-terrorism financing process involves three steps. First, the FRC initiates investigations against individuals or entities suspected of money laundering and terrorism financing. Second, the Criminal Investigation Division[82] (CID) conducts an investigation and recommends prosecution if money laundering or terrorism financing is found. Finally, the Benadir Regional Court or the military court issues warrants for the accounts and owners of those involved and banks to freeze the accounts pending court case prosecution.

As of now, the FRC boasts of five divisions, each working towards achieving its mandate. However, it was not until 2018 that the center began publishing reports on Large Cash Transactions (LCTR), and only in 2020 did it release its first National Risk Assessment (NRA) report. A combined report for 2021 and 2022 NRA, along with the 2022 Annual FRC report, was finally published in 2023. But alas, despite these efforts, several published reports have raised concerns about the accuracy and reliability of the data presented. For instance, the FRC claims to have closed a mere ten bank accounts in 2021 and 250 in 2022, which,

when compared to the total number of accounts in Somalia, amounts to a mere 0.02 percent. Moreover, discrepancies were found in the LCTR report, with the UN reporting 128 unreported Large Cash Transactions[83] for a ten-week period during their investigation in 2020, while the FRC's report for the same period showed 229 LCTR[84] for the entire year, which, if compared to the UN report based on the ten-week rate for the entire year, would total 650 LCTR cases making 421 LCTR cases unreported by the FRC in 2020. Additionally, in 2021 and 2022, out of a total of 353 and 466 LCTR[85] respectively, only two of the five suspected large.

Table 8: Al-Shabaab Money Laundering Court Cases

Entity/ Individual Name	Financial Entity and Account Numbers	Alleged Laundered Money	Case Variability and Status	Source
Hassan Osman Aden	10 Multiple Bank accounts	$12,600,000	Case prosecuted by Benadir Regional Court	Reported Somalia Government Media
Ali Hussein Isaac	Single account	$500,000	Case prosecuted by Benadir Regional Court	Reported by Media

Transactions were prosecuted, which is negligible. What's more, there is a complete lack of reporting on Trade-Based Money Laundering, a crucial aspect in combating financial crimes. All these discrepancies and data gaps raise serious doubts about the reliability and accuracy of the FRC's reports, particularly regarding the reporting of Suspicious Transaction Reports (STR), which is the center's primary mandate. However, critical information such as the amount transacted through these closed accounts, the individuals who owned them, and the names of the respective banks, mobile money operators, and Hawala companies, were not disclosed.

In February 2023, the Somali government announced on its official media website[86] that they had closed 250 bank accounts and seventy mobile

money accounts belonging to Al-Shabaab terrorists. However, in October of the same year, the Minister of Information revised the numbers, stating on his Twitter account that they had closed 350 bank accounts, 405[87] mobile money accounts, and eighteen merchant accounts. When the UN Monitoring Group requested documentation[88] to support these claims, the Somali government, under PM Hamza Barre, failed to provide the necessary evidence, leading to further suspicion. In 2024, the FRC published their 2023 annual report revealing that the Somali government had only frozen 181 bank accounts, 18 merchant accounts[89], and 396 mobile phone numbers, indicating a significant discrepancy between the numbers provided by different government entities. Despite these discrepancies, only five cases related to terrorism financing have been prosecuted to date, with no details of the individuals or entities involved in these transactions ever being disclosed. In August 2024, the author attempted to contact the director of FRC, Amina Mohamed Ali, for an interview to verify discrepancies in the FRC reports and other government institutions regarding money laundering and terrorism financing. However, no response has been received.

ISSUES WITH THE CENTRAL BANK OF SOMALIA

Despite being the apex authority responsible for overseeing the financial industry in Somalia, including granting licenses for remittances, banking, insurance, and mobile money services, the Central Bank of Somalia (CBS) faces significant challenges in enforcing laws and detecting money laundering and terrorism financing. While the National Anti-Money Laundering and Countering (NAMLC) has placed restrictions on mobile money transactions since 2023, sadly, no mobile money service providers have adhered to these limitations. In a recent interview with the author, a bank manager, known only as "Mr. Ali," shielding his identity for security purposes, revealed alarming discrepancies in client accounts. Shockingly, a common theme he witnessed was that university students with balances exceeding $5 million or $10 million and individuals with monthly incomes of less than $1000, but bank balances reaching up to $2 million, are not uncommon occurrences. When questioned about the lack of reporting these suspicious activities to the authorities, "Mr. Ali" expressed a lack of trust in the CBS and the Financial Reporting Center (FRC), citing their ties with the National Intelligence and Security Agency (NISA), which is believed to have members with ties to Al-Shabaab. Additionally, the fear of competition in an imperfect market environment further hinders the reporting of potential money laundering and terrorism financing. The trust issues between financial institutions and the Financial Reporting Center regarding the reporting of suspicious accounts, including those related to Al-Shabaab money laundering, were documented by the UN Panel of Experts in Somalia[90]. During interviews with the FRC director, it was acknowledged that no quarterly reports of suspicious

transactions were received from financial institutions in Somalia for nearly two quarters.

Despite lacking the authority to enforce and oversee activities outside of Mogadishu, the Central Bank of Somalia (CBS) boldly took unprecedented measures in 2021 to investigate[91] and absolve six prominent hawala, mobile money operators, and remittance companies (Dahabshiil Money Transfer, Amal Express, Iftin Express, and Taaj Money Transfer owned by Hormuud) based in Bossaso, located in the Puntland region. This move came after a detailed investigation exposé by the Global Initiative Investigation[92], which uncovered the nefarious practices of these businesses, including their involvement in money laundering and terrorism financing for UN-sanctioned individuals like Abdi Mohamed Omar, also known as Dhofaye[93], who is known to facilitate the illicit flow of funds for the notorious Houthis and Al-Qaida in Yemen.

But while the CBS was swift to clear the names of these high-profile operators and UN-sanctioned Al-Shabaab terrorists, it raises several questions: Why was CBS quick to issue a directive on March 14th of 2024 ordering all commercial entities in Somalia to sever ties with US Treasury-sanctioned individuals and entities of the Haleel Group without furnishing reports of investigations prior to or after the sanctions verify/justify Haleel Group for their involvement in money laundering? And why has CBS failed to issue a similar directive against the nine individuals and entities in Puntland who have been aiding the smuggling of weapons for ISIS and Houthi rebels, as revealed by the US Treasury Office sanction in 2022 and 2023? The CBS actions seem politically motivated to target certain regions and clans' financial institutions or entities while overstepping its boundaries by not allowing independent investigations by relevant authorities, such as the Attorney General and FRC. Adding to the suspicion and raising doubts about the bank's integrity is that the directive was not even signed by the Governor himself, but rather by his deputy, and the directive was issued on March 14th[94], and as of date this directive was removed from the CBS website. The actions of CBS create the perception that it is an institution lacking impartiality and the professional capacity to effectively monitor finances and enforce

regulations against anti-money laundering and the financing of terrorism. This capability is crucial in the fight against Al-Shabaab.

But that's not all. A recent World Bank report released in June of 2023 revealed that the Central Bank of Somalia has failed to meet transparency regulations for Mobile Money. Despite a grace period given two years ago, only one out of four Mobile Money Operator providers has complied with disclosing crucial transaction data. Interestingly enough, when pressed for an explanation, the CBS cited data confidentiality concerns[95], which is ironic given the critical importance of transparency in financial transactions, particularly in a country where financial institutions lack basic Know Your Customer (KYC) and basic due diligence procedures to combat money laundering and terrorism financing.

In addition, the CBS granted a license to Ziraat Bank[96] without conducting adequate due diligence, despite previous money laundering investigations in the EU. According to The Foundation for Defense of Democracies, several sanctions have been imposed on Ziraat Bank since 2013[97] due to activities such as money laundering and terrorism financing, as well as evading US sanctions against Iran. During an investigation into the Turkish Bank's money laundering activities in Somalia, an interview was conducted with a representative of the Somalia Bank Associations (SBA), who preferred not to disclose their name. The SBA representative mentioned that while they initially welcomed Turkish banks' participation in the Somali banking industry, suspicions arose when some significant accounts and business associations using Ziraat Bank began remitting funds outside Somalia through their Real Time Gross Settlement (RTGS) system, administered by Somali banks, securely transferring funds between institutions instantly on a twenty-four-hour basis. Upon reaching Ziraat Bank via Turkish SWIFT, clients were able to collect funds outside Somalia immediately. While it may be beneficial for Somali traders moving from traditional telegraphic transfer systems—known for high transaction costs and up-to-five-day processing times involving third-party banks—major global financial institutions consider Somali RTGS transactions high risk because Somalis are excluded from the Financial Action Task Force's list of countries with strategic anti-money laundering deficiencies. This makes international payment SWIFTs susceptible to being used

by Al-Shabaab-affiliated companies involved in illicit funding schemes within fragile nations like Somalia, where weak institutional oversight exists.

Furthermore, the Turkish-owned private entities running ports and airports have previously faced accusations of bribery towards government officials/institutions[98] along with profits re-routed through Turkish airlines allowing tax evasion practices. With its own bank now operating within this vulnerable nation's underdeveloped infrastructure, challenging meaningful verification procedures and exposing the extent of potential ill-intended businesses associated with Ziraat Bank amidst potential support/usage by organizations linked to Al-Shabaab factional enterprises.

ISSUES WITH SOMALIA AND SOMALILAND FINANCIAL INSTITUTIONS

According to a UN panel of experts on Somalia, Al-Shabaab exploits financial institutions[99] to launder and accumulate funds through various channels, including cash, Hawala, banking, and mobile money. Several Hawalas, banks, and mobile money operators in Puntland, central and southern Somalia, and Somaliland have been implicated by the UN panel and in investigative reports from organizations such as the Global Initiative. A 2018 UN report revealed that Al-Shabaab's financial transfers were distributed as follows: 43 percent through cash, 26 percent through banks, 18 percent through mobile money (EVC), and 6 percent through Hawala. Our survey of traders and bankers in Somalia shown in Table 9 indicates that this trend has evolved significantly. In 2023 and 2024, the use of Hawala by Al-Shabaab surged to between 40 percent and 65 percent, while cash transactions dropped to 20 percent, and mobile money (EVC) declined to approximately 6 percent. This shift reflects Al-Shabaab's ability to adapt its money laundering strategies.

Additionally, Al-Shabaab minimizes the risks associated with its financial transfers by investing in areas where Somali government authority is limited, particularly in Puntland, Somaliland, and the Somali region of Ethiopia. Despite these challenges, the Somali government has yet to take action against any financial institutions, even in Mogadishu, where the Benadir Court has prosecuted Al-Shabaab money facilitators linked to bank accounts exceeding $12 million.

Table 9: Distribution Percentage and Amount Breakdown of Money Laundering Channels for Al-Shabaab

Year	Distribution Channel	Distributed Amount	Distribution Percentage
2018	Cash	$476,669,417.97	43 percent
	Hawala	$66,512,011.81	6 percent
	EVC (Mobile Money)	$277,133,382.54	25 percent
	Banks	$288,218,717.84	26 percent
2022	Cash	$176,308,738.96	10 percent
	Hawala	$440,771,847.40	25 percent
	EVC (Mobile Money)	$264,463,108.44	15 percent
	Banks	$881,543,694.80	50 percent
2023	Cash	$186,887,535.37	10 percent
	Hawala	$990,503,937.44	53 percent
	EVC (Mobile Money)	$186,887,535.37	10 percent
	Banks	$747,550,141.46	40 percent
2024	Cash	$373,775,070.73	20 percent
	Hawala	$1,214,768,979.88	65 percent
	EVC (Mobile Money)	$93,443,767.68	5 percent
	Banks	$186,887,535.37	10 percent

US TREASURY OFFICE SANCTIONS IMPACT

The US Treasury, in an effort to combat the insidious activities of Haleel Group, has implemented targeted sanctions against sixteen entities and individuals[100] linked to the notorious business network. Spanning the Horn of Africa, the United Arab Emirates, Kenya, Uganda, and Cyprus, Haleel Group has been accused of facilitating money laundering for al-Shabaab, a terrorist group affiliated with al-Qa'ida. Surprisingly, the Haleel Group is registered with the Somali Chamber of Commerce[101], but whispers of their involvement in dubious activities have swirled for years. In the wake of previous sanctions that primarily targeted individuals involved in money laundering and terrorist financing, this new blow has hit al-Shabaab harder than ever before. In a shocking turn of events, the terrorist group has officially refuted the US treasury sanctions[102], a clear indication of how deeply the sanctions have affected them.

With the aim of exposing and crippling the illicit activities of the Haleel Group, the US treasury's sanctions have had a profound impact. Through interviews with bank managers, traders, and intelligence sources, it has been revealed that a staggering $650 million, comprising capital and assets belonging to Al-Shabaab and affiliates, has been frozen. This unprecedented move has forced al-Shabaab to resort to using only cash and Hawaala, a significant challenge in financing their terrorist operations and extorting funds. A recent examination of CBS's first and second quarters of 2024 reveals that nearly $300 million transferred through SWIFT transactions has been converted to undocumented cash transfers. Additionally, the volume of business transfers—conducted by Money Transfer Businesses (MTBs), also known as hawala—has surged significantly. It increased from $288.9 million in the fourth quarter of 2023 to $551 million

in the first quarter of 2024, following the imposition of sanctions. Historically, hawala transfers averaged around $245 million per quarter in 2022 and $270 million in 2023. This trend continued into the second quarter of 2024, suggesting that Al-Shabaab has shifted its focus to hawala and cash transfers for significant money transfers that have faced sanctions.

Despite the impact of U.S. Treasury sanctions on Al-Shabaab's money laundering activities, Hormuud Telecom Somalia Inc. opted to take a different approach after failing to unfreeze the sanctioned funds. They engaged the services of White Star Business Group, a lobbying firm in Washington, D.C. This engagement involved the participation of U.S. citizens, including Malik Abdalla, a member of the Somali parliament, and Larry Andre Jr., a former U.S. ambassador to Djibouti and Somalia. Their consulting services aim to interact with U.S. government officials and regulators to gain recognition for the foreign principal's Salaam Somali Bank, as documented on the Foreign Agents Registration Act (FARA) website. The FARA website reveals a striking narrative surrounding Hormuud and its CEO, Ahmed Mohamed Yusuf. In 2014, Hormuud was granted a second chance when the UN removed him from its sanctions list. This delisting followed a lobbying effort by Djibouti's[103] President Ismael Omar Guelleh, who had offered Hormuud leadership refuge in Djibouti and successfully urged the U.S. government to lift its sanctions against him and his former company, Al-Barkaat. Ironically, a decade later, the same company and its CEO are now enlisting lobbyists to unfreeze U.S. Treasury-sanctioned funds belonging to Haleel Group, an entity owned by Hormuud and exploited by Al-Shabaab for money laundering and terrorism financing. According to a 2018 UN report, two employees of Hormuud Telecom Inc. were prosecuted for their involvement in facilitating a devastating terrorist attack in Somalia on October 14, 2017, which claimed over 1,200 lives. Despite this, Hormuud declined to cooperate when approached by the UN Monitoring Team, who requested mobile phone data related to the masterminds behind the attack. Meanwhile, Salaam Somali Bank has also[104] been implicated in facilitating money laundering and terrorism financing for Al-Shabaab, including laundering funds for pirates and siphoning stolen government money, as documented in UN Security Council reports

since 2013[105]. Yet, the Central Bank of Somalia, which has issued licenses to these entities, has yet to hold them accountable for their violations of anti-money laundering laws. Together, Hormuud and Salaam Somali Bank have emerged as financial giants reminiscent of the Bank of Credit and Commerce International (BCCI) from the early 1980s, which was notorious for its money laundering and smuggling operations linked to mafia and drug cartels. This situation calls for enhanced scrutiny and sanctions, as well as strict monitoring programs to prevent Al-Shabaab from exploiting these financial powerhouses.

However, the consequences of the sanctions did not stop there. With their reliance on couriers for financial transactions, Al-Shabaab was forced to pay exorbitant fees of up to 20 percent for every $1 transferred from one point to another. This "Robinhood Effect," as it came to be known, resulted in a staggering loss of $10 million for Al-Shabaab in just three months, as couriers and money collectors would often disappear with the funds.

The once untouchable terrorist group is now facing a new type of war, with their own people turning against them. This has left them helpless and unable to trace missing funds. The impact of U.S. Treasury sanctions and the "Robinhood Effect" is significant, and it appears that al-Shabaab's financial strength may be diminishing. If the current sanction regime is strengthened and tailored to target more traders and financial institutions that facilitate money laundering and terrorism financing for Al-Shabaab Mafia Inc., their demise will likely increase.

AL-SHABAAB LEADERS (AMIRS) FINANCES

Based on my interviews with former intelligence and military personnel, it seems that the Al-Shabaab leadership, specifically the top Amirs, earn significant incomes, with some income disparities among them. For instance, Ahmed Diirye is the highest-paid Amir, earning $7.2 million per year, followed by Fuad Shangalole at $3.08 million, Abdi Ali Kahin at $2 million per year, Ali Dheere at $2.18 million per year, Mahad Karate at $1.24 million per year, and Abukar Ali Adan at $1.1 million per year. Their incomes consist of a combination of regular monthly salaries and personal business ventures; for example, Ahmed Diiriye's monthly salary is $350,000, which adds up to $4.2 million per year, and when combined with his side business of $8 million, which consists of money laundering, charcoal export, illegal poaching, ivory smuggling, and fish export, brings his total earnings to $12.2 million, making him the highest earner. Followed by Mahad Karate, who is involved in domestic agriculture trade monopoly and cow export, making him earn $5.5 million. Similarly regional leaders and omong Al-Shabaab amir Koba Kutukade earns supplemental income from Hotel and Mall business rent, and transportation services at Mogadishu port of more than 2.28 million.

In contrast, the FRC publication in 2020 provides an extremely underestimated Al-Shabaab Amir salary of a mere $25,000 per month,[106] without accounting for the side businesses of the Amirs. Keep in mind that the current leader of Al-Shabaab, Ahmed Diiriye, has transformed the organization from being cash-strapped millionaires to a cash king billionaire, making them the most wealthy global terrorist with sophisticated and diverse assets and finances. Diiriye understands the complexity of running a multi-million criminal enterprise and

therefore requires additional incentives to sustain Al-Shabaab's terrorist campaign domestically and externally, thus allowing the majority of Amirs to have additional income on the side from personal business as shown in Table 10.

Diiriye has also sustained what his predecessor built, such as the Aminyat group, which is the Al-Shabaab intelligence unit, but transformed the unit into a Wagner-type with huge leverage and independence, allowing it to generate unaccounted money outside of the Al-Shabaab finances ecosystem. This includes allowing the Aminyat to earn through assassination or political hit jobs, ransom, and trade monopoly protection for certain traders, thereby allowing the group to earn more than $10 million extra, according to military intelligence in Mogadishu.

For sophisticated mafia criminal enterprises to generate and sustain revenue, Al-Shabaab leadership understood the need to have an edge on information and invest in research. Al-Shabaab has invested in obtaining access to the private sector and planting their people to infiltrate government institutions[107] and the private sector at younger stages, earning security and intel dividends five years down the road. A notable and shocking case involved an Al-Shabaab operative named Dr. Fanah[108], who was groomed by the group since 2007. He was sent to different countries to obtain a fake doctor certificate, allowing him to pose as a respected doctor specializing in neurology[109] during the day, while carrying out sophisticated counterintelligence and terrorist operations by night. In contrast, the Somali government's security sector lacks commitments to invest in sophisticated statecraft and counterintelligence.

Table 10: Al-Shabaab Selected Leaders Illicit and Licit Revenues

Al-Shabaab Mafia Cartel Bosses	Tribe	Licit and Illicit Activities Involved	Salary Income	Side Business Income	Total Income
Mahad Karate	Hawiye	domestic agriculture trade monopoly, cow export	$2,400,00	$5,500,000	$7.9M
Ahmed Diiriye	Dir	Ivory smuggling, money laundering, fish and charcoal export	$4,200,00	$8,375,000	$12.57M
Faud Shangalole	Darod	Gold mining, human trafficking, and Francine	$960,000	$1,420,000	$2.38M
Koba Kutukade	Hawiye	Hotels and Malls business, Mogadishu port transportation services	$2,016,000	$2,280,000	$4.29M

CONCLUSION

Since the uprising of the clan and the government's all-out war against Al-Shabaab, the once-formidable terrorist group has been reduced to a state of fragility and vulnerability. This has led to decreased revenue, disintegration, and a lack of trust between its members. In response, the war has illuminated the falsehood of their ideology, which masks tribalism and results in deadly inner conflicts. According to intelligence sources, there have been numerous shootouts in Jballa's Jilib area, assassinations in Hirshabelle, and even a four-day battle between Al-Shabaab in Galmudug. However, Al-Shabaab has a tendency to revive itself with strong military strategies and an unstoppable spirit that propels them in a cycle of growth, fall, and resurgence. This pattern was observed in the late 1990s with Al-Ittihad, in 2006 with the Islamic Court Union, and in 2011, 2015, and 2017. To break the cycle, the underlying problems must be addressed—from incompetent governance and injustice to clan disputes over land grabs and water access and the lack of infrastructure and investments to combat climate change shocks. These human-induced disasters compel rural populations to relocate to territories held by Al-Shabaab, where they become irreversibly dependent and inextricably 'Al-Shabaabanized,' thus making it almost impossible but not improbable for their ability to re-integrate into society and join in state-building.

In our extensive study, while we primarily concentrated on the wealth of Al-Shabaab, identifying the organization as a mafia-like enterprise proved vital. Treating Al-Shabaab merely as a legitimate jihadist group with a nationalist agenda risks misrepresenting them on a global scale—a misunderstanding that has persisted among academics, politicians, and think tanks for the past sixteen

years. The author aligns his perspective with scholars like Jay Bahadur at Global Initiative, who aptly described Al-Shabaab as "In the ethos of a mafia group, al-Shabaab has extensively infiltrated multiple levels of Somali society, including the economy, civil society, clan leadership structures, government institutions, and the security services." Wendy Williams[110], Associate Research Fellow at Africa Center for Strategic Studies, further elaborates, stating, "Through these efforts of infiltration, co-option, and the use of violence, al-Shabaab has effectively established the perception of omnipresence and intimidation typical of a mafia-like organization. As a result, its extortion scheme has touched virtually everyone." Tricia Brown[111] from George Washington University reinforces this view in her research on Al-Shabaab, noting, "The group has become so effective at extortion that it runs an annual surplus, and some argue that it is more of a mafia than an ideological organization at this point."

While the majority of scholars and researchers recognize Al-Shabaab as a mafia entity, some still sympathize with the notion of them being jihadists with a credible nationalist agenda. Notably, Norwegian Professor Stig Hansen[112], who has written extensively about Al-Shabaab, cautioned against hastily labeling the group as a mafia. He states, "This seems to confirm the impression that Shabaab has turned into a 'mafia' as there is a lot of profit to be made in Shabaab's activities. However, one should tread with caution when making such assessments." He further defends their practices as a form of "Zakateering," suggesting that their taxation—often referred to as racketeering or, as the UNODC aptly termed it, "taxortion"—is more transparent than government-imposed road taxes. This sets the stage for Al-Shabaab's own twisted justification of a shadowy government, claiming that "taxing in the form of "Zakteering" from businesses to aid the poor is acceptable while asserting that they provide essential services like "courts" and limited "aid," all funded by money extorted from farmers and nomads who bear the brunt of their actions. Their version of justice often operates through fear, invoking a selective interpretation of Islamic law that diverges from actual teachings that are un-Islamic.

In his research, Mohamed Ingiriis, a Somali researcher, draws parallels between Al-Shabaab and Sayid Abdullah[113] Hassan, known as the Mad

Mullah, asserting that both movements emerged in response to British colonialism and the American war on terror. However, he neglects to highlight key factual historical similarities: both were terrorists responsible for the deaths of thousands who opposed their ideologies and refused to succumb to extortion cloaked in religious justification. Unlike the Mad Mullah, who acted as a puppet for Italian colonialists, receiving a monthly stipend[114] and signing desperately Illig treaty[115] in 1905 with Italian colonialists to avert defeat, Al-Shabaab also rejects genuine development initiatives. Instead, they selectively accept humanitarian aid aimed at generating further extortion revenue. The Mad Mullah similarly accepted British protection in Somaliland, pushing for a railway between Ethiopia and Zeila but disregarding the needs of the Isaaq tribes in the hinterlands—requesting only the infrastructure that would serve his interests. This underscores a crucial point: neither Al-Shabaab nor the Mad Mullah's struggles are driven by jihad or nationalism; they are, at their core, operations of pure mafia-like economics.

The romanticization of figures like the Mad Mullah and Al-Shabaab, labeling them as legitimate jihadist nationalists, has faced philosophical criticism from Professor Ali Jimale in his book, "The Invention of Somalia." He argues that this perspective has inadvertently granted legitimacy to what he terms the "*dervishization*" of the Somali state. By "*dervishization*," he refers to the deliberate effort by successive Somali regimes and their intellectual followers to elevate the dervish experience in Somali history while marginalizing other narratives. This dynamic is why many Western and Somali scholars criticize the Somali government's support for the Macawisley Hawiye militia. They often overlook the reality that these clan militias are fighting against what can be described as Al-Shabaabanization akin to "*dervishization*"—a process that has plunged them into poverty and turned their women into sex slaves and their children into forced laborers and livestock herders. As one Abgaal nomad, Abwaan Idoow Muuse, poet poignantly asks:

Qasab iri ku qaditaan, intaa Quraanka ka qabyaa?

"Where does it say in the Quran about forced goat extortion?

Dad sidii dooro loo dilaa ma diina mase dabeec waaye

Is killing people like chickens a matter of religion or culture?

The debate surrounding Al-Shabaab—a mix of mafia and jihadist with a nationalist agenda—has sparked a complex discourse on how to address the ongoing conflict. This has led to the emergence of two camps: a) Those advocating for negotiation and integration of Al-Shabaab into Somalia's state-building process. b) Those insisting on the complete military, ideological, and financial eradication of Al-Shabaab before any negotiations can take place.

Both camps agree on the necessity of negotiations but differ significantly on the path to achieving this goal—an aspect that has not been thoroughly examined. Proponents of negotiation, including academics, politicians, and think tanks from both Western and Somali backgrounds, often underestimate Al-Shabaab's financial strength and territorial control, which grant the group significant political and economic leverage—estimated at $2.2 billion, accounting for 20 percent of Somalia's GDP. Even if negotiations were to occur, the hope for sustainable peace seems tenuous, particularly in light of historical precedents, such as negotiations with the Taliban that only exacerbated the instability in Afghanistan, turning it into a safe haven for ISIS and Al-Qaeda.

Another cautionary example is Hezbollah in Lebanon, which has integrated into the state while running an illicit economy worth over $2 billion, contributing to Lebanon's economic devastation and ongoing regional instability. Similarly, the Houthis' peace agreements have only emboldened them, jeopardizing regional stability and incurring significant economic costs worldwide.

The camp advocating for military, financial, and ideological disruption may have initially instilled hope during the first phase of the war against al-Shabaab, a hope that ultimately proved to be a mirage in the desert. While the conflict against al-Shabaab demonstrated some effectiveness, notably through the combination of U.S. drone strikes, Danab forces, special forces training, and the lethal prowess of the Macawisley Hawiye militia, this approach liberated hundreds of towns in a short span and significantly disrupted al-Shabaab's economy. However, the absence of a comprehensive military strategy, alongside the need for security reforms and robust institutions to deter government corruption, became

significant hurdles. These issues provided a convenient excuse for those arguing in favor of negotiating with al-Shabaab, suggesting a misguided belief that such discussions would lead to success, which starkly overlooks the actual results of the ongoing conflict.

In our study, we clearly illustrated that no government in Somalia has effectively addressed al-Shabaab's finances, which are largely controlled and facilitated by major banks and hawalas operated by Islamist and Salafist groups. These powerful entities maintain a monopoly over every sector of Somali business, further complicating efforts to degrade al-Shabaab. Political fragmentation among federal member states, fueled by political spoilers and corrupt clan chiefs acting as gatekeepers for al-Shabaab, only adds to these challenges.

However, there are noteworthy success stories in both negotiations with terrorists and military degradation of such groups. For example, the negotiations with the Tamil Tigers in Sri Lanka, the IRA in Ireland, and ETA in Spain resulted in successful political integration and sustainable peace development. In contrast, the military defeat of ISIS and al-Qaeda in Iraq and Syria, as well as various South Asian terrorist groups linked to them, was largely attributed to strong institutions and state power—qualities that Somalia, with its fragmented and fragile state, currently lacks.

Amidst the arid lands of Somalia lies a society caught in a power struggle between two opposing Machiavellian forces, each vying for control of the state. On one side stand the militant extremist group Al-Shabaab, fueling violence and terror, while on the other side stands elite pastoralist politicians, motivated by self-interest and fleeting alliances. Both factions wield the transient bridge of clan loyalty to assert their dominance over the people. But as the state remains trapped in this cycle of political turmoil, the elusive dream of a government with moral principles to govern remains just out of reach. The people of Somalia yearn for a leadership that can provide not only efficient governance but also basic social services and a secure environment to heal the fragile and fragmented state.

In Somalia, the Al-Shabaab cartel and Salafist forces compel people to adopt Salafist and Takfer ideology as religious morality, justice through violence, and obligation as submission. Under Al-Shabaab's rule, any progress is bulldozed,

growth is diminished, and humanity is annihilated. In Somalia, achieving sustainable peace and development requires the removal of a clear present danger: Al-Shabaab Mafia Inc. and their Islamist fascist financier's state cartel. The Western allies did not negotiate with the Nazis, who were an established state, let alone with terrorist bandits operating under informal and shadowy governance at the expense of vulnerable communities.

After fifteen long years of conflict between Al-Shabaab and the Somali government, in 2022 the government finally declared war on the terrorist group, targeting their military, ideology, and financial operations. However, the government's initial success in the first six months of the war was short-lived, as they failed to understand the true economic power and intricate network of Al-Shabaab that fuels their terrorism. Despite this bold move, the government failed to acknowledge the economic grip of Al-Shabaab and the complex network that sustains their terrorism. While they experienced some success on the battlefield in the initial six months, their efforts ultimately proved ineffective. Surprisingly, the government has never disclosed any data on the issue, indicating a lack of understanding of what truly supports and empowers Al-Shabaab's reign of terror. It is essential to consider the role of gatekeepers such as FMS, NGOs and the integration of rural economies in the hinterland, which are controlled by Al-Shabaab-influenced villages through the Al-Shabaabanization process, impacting the urban economy and financial institutions through money laundering and terrorism financing. Even worse, many academicians have fallen into the trap of blindly advocating for negotiations with Al-Shabaab without fully understanding their weaknesses and strengths. Little do they realize that the terrorist group has more financial resources than the Somali government, and even if a deal is struck, it would only address their revenue from extortion, not their vast illicit activities and investments through money laundering. This failed model has been proven to sustain other terrorist groups such as Hezbollah, Houthis, and the Taliban.

Therefore, the proposed solution of turning Somalia into an Islamist fascist state in the name of political Islamism would only be a superficial victory for Islamist politicians and traders that control the finance and telecom sectors in

Somalia and Somaliland, as the root cause of Al-Shabaab's wealth and power would remain untouched. In the end, what would truly be achieved?

Recommendations to Degrade and Disrupt Al-Shabaab Enterprise Financial Network:

Close Financial Loophole: To combat Al-Shabaab's money laundering and illicit activities, the U.S. government can take several steps to close financial loopholes by supporting the Somali government including training and secure facilities for the Somali government to identify and flag Hawala and remittance companies that facilitate Al-Shabaab's funding in Somalia, Puntland, and Somaliland.

Reform the Financial Reporting Center (FRC): Begin by replacing the current director with a competent leader from a specialized financial intelligence unit. Create a special forces unit, modeled after the DEA or FBI, that is well-disciplined, like the Danab forces. This team should focus solely on degrading and disrupting Al-Shabaab's financing networks and other illicit activities, including drug and human trafficking, illegal cannabis farming, illegal fishing, illegal mining of rare earth materials, and gold. They should have the authority to confiscate any assets sanctioned by the Somali government or international partners.

Transparency in Reporting: The FRC should publish reports that detail the amounts involved in suspicious transactions, along with the names of financial institutions that have allowed large and small suspicious transactions, violating Anti-Money Laundering (AML) and Counter-Terrorism Financing (CTF) regulations.

Investment in IT Infrastructure: The IMF and World Bank should invest in a transaction monitoring IT infrastructure for all financial institutions in Somalia to combat money laundering and terrorist financing. This includes providing reliable economic data and strengthening AML/CTF compliance while regulating Takaful Insurance.

Establish Donor Oversight Group: Donors, especially the EU, UK, and US, should establish a county financing monitoring group to oversee financial institutions mandated by the UN Security Council.

Independent Financial Auditing: Donors should invest in an independent financial auditing team to review donor projects and perform peer reviews of reports from the Somali Auditor General for each region. This will help deter aid corruption and counter the diversion of aid to Al-Shabaab.

Reform U.S. Reward Justice Program: The U.S. reward justice program needs reform to be more effective. Introduce guidelines to reward bounty hunters with small and large rewards based on targeting Al-Shabaab's top leaders, field commanders, and money collectors. For example, establish a targeted list of the top twenty Al-Shabaab leaders, including the Amir, Hisba (moral police), Amniyat (internal intelligence agency), and Shura (clan elders and sheiks). Publicly name these individuals and their families, revealing their wealth and corruption while also considering military targets and using effective propaganda to create divisions within the group.

Competent Personnel in Banks: Banks in Somalia should be required to employ a competent compliance officer certified by the international community through examinations similar to CPA certification.

Clarity in Financial Reports: The Central Bank's published reports on financial institutions lack clarity; they should provide a breakdown of individual financial institutions' transactions on a monthly and yearly basis, along with sector details.

Quarterly Reporting on Money Flows: The Central Bank should publish quarterly reports on both outward and inward money flows and names of the institutions it's transacting to outside Somalia, rather than solely focusing on money inflow only. Monthly data extraction should be conducted for close monitoring instead of waiting for quarterly updates.

Detailed Reporting by Hawala and Money Transfer Businesses: Hawala and money transfer businesses (MTOs) should provide separate reports that break

down inflows and outflows, showing the percentage paid via cash versus mobile money or EVC.

Sanctions for Corruption: Somali stakeholders should establish stringent sanctions for corrupt government officials and political disruptors. However, sanctions should have guardrails to avoid politicization and weaponization of the sanctions that have been documented in the past, whether it's an individual or an entity.

To dismantle the Al-Shabaab Mafia Inc., the Somalia government and its partners must adopt a multifaceted approach that combines effective military strategy, the disruption of both their illegal and legal economic activities, and a targeted propaganda campaign to strip away the legitimacy of their brand as a mafia entity. This mission hinges on two pivotal policies: the development and de-Al-Shabaabanization initiatives akin to de-Nazification. These efforts should focus on education to bridge social gaps, enhance human capital, and create job opportunities. At the same time, infrastructure development fosters community connections and trade, ultimately paving the way for economic and political stability—the cornerstone of sustainable peace.

Moreover, the successful implementation of these policies demands strong government institutions and capable leadership that actively combat corruption and reform security and financial systems, which currently facilitate money laundering and the funding of Al-Shabaab Mafia Inc. This is crucial, as highlighted by former FBI agent Robert Mazur, who orchestrated one of the most significant undercover operations to dismantle Pablo Escobar's cartel in the 1980s. He remarked, "If we want to get serious about identifying and prosecuting real money launderers and corrupt bank officials, we shouldn't obsess over every minor risk. Instead, we must keep prosecutions straightforward, confront the real issues head-on, and imprison corrupt bank managers, executives, and lawyers. They are complicit in the success of cartels and equally responsible for the tragic drug-related deaths affecting our communities. Without the money laundering professionals, traffickers cannot conceal their operations, and dishonest launderers cannot create a facade of plausible deniability."

In essence, to effectively tackle this issue, we must address the roots of corruption and financial malpractice while fostering a resilient society capable of resisting the allure of groups like Al-Shabaab.

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ANNEX-1

Detailed Methodology:

Our sensitivity analysis was based on comparing Al-Shabaab's revenues to Somalia's domestic revenue, which has been between 18 percent and 25 percent since 2011. By applying an 18% annual increase to Al-Shabaab's revenue estimate of $120 million as of 2011, we determined that by the year 2022, Al-Shabaab's revenue would stand at approximately $741.1 million. This figure is lower than the assumption that Al-Shabaab generates at least 2.5 times Somalia's domestic revenue (2.5 multiplied by $349 million or $872M).

Additionally, we conducted a sensitivity analysis for the revenues generated from illegal checkpoints, applying a growth rate of 22 percent as determined by a UN study in 2018. Also, the UN study indicated that these illegal checkpoints levy between $15,000 and $30,000 per day. For our sensitivity analysis, we assumed that Al-Shabaab collects $4 million annually from nine regions in Somalia, with an increase of 22 percent starting in 2011. Based on this growth rate, the projected revenue yield for 2022 is approximately $320.8 million. In comparison, using the lower estimate of $20,000 per day for forty-five illegal checkpoints yields an estimated revenue of $328.5 million.

The statistical analysis, including the Coefficient of Variation, was 0.63, indicating that it is 13 percent higher than the mean average. The audited estimated revenue for Al-Shabaab over a fourteen-year period, based on an 18 percent annual increase, was $741 million. This figure is less than the actual audited UN data, which reported an unaccounted total of $811 million as shown in Table 1a and 1b. This Coefficient of Variation can be considered a good indicator, providing a solid confidence level for the subsequent analysis and data.

To ascertain a higher confidence level based on our two hypotheses—namely, that Al-Shabaab generates more revenue than the Somali government and that Al-Shabaab's revenue increases at the same rate as Somali domestic revenue, which ranges from 18 to 25 percent—we performed a regression analysis using independent and dependent variables tailored to our hypotheses. Our analysis

yielded an R-squared value of 0.92, indicating a strong confidence level in our regression model's ability to explain the variance in the dependent variable. This means the model fits the data well and demonstrates a robust relationship between the independent and dependent variables; in essence, a higher R-squared signifies a better fit for the data.

Mathematical Model Analysis

Year	Average Al-Shabaab Growth of 18%	The Arithmetic Constant UN Number	Somalia Domestic Revenue (from CBS)	Illegal Check Points 22% revenue Increase
2011	$120,000,000	$120,000,000	$25,000,000	$36,000,000
2012	$141,600,000.0	$120,000,000	$50,000,000	$43,920,000.00
2013	$167,088,000	$120,000,000	$69,000,000	$53,582,400
2014	$197,163,840.0	$120,000,000	$84,000,000	$65,370,528.00
2015	$232,653,331	$120,000,000	$114,000,000	$79,752,044
2016	$274,530,930.8	$120,000,000	$113,000,000	$97,297,493.88
2017	$323,946,498	$120,000,000	$143,000,000	$118,702,943
2018	$382,256,868.1	$120,000,000	$183,000,000	$144,817,589.88
2019	$451,063,104	$120,000,000	$230,000,000	$176,677,460
2020	$532,254,463.1	$120,000,000	$211,000,000	$215,546,500.78
2021	$628,060,266	$120,000,000	$230,000,000	$262,966,731
2022	$741,111,114.4	$120,000,000	$263,000,000	$320,819,411.77
2023	$874,511,115	$120,000,000	$329,000,000	$391,399,682
2024	$1,031,923,115.7	$150,000,000	$411,250,000	$477,507,612.47
Average	$435,583,046	$122,142,857	$175,375,000	$177,454,314
Standard Deviation	$288,981,748	$8,017,837	$111,256,147	$139,051,080
Coefficient of Variation	0.66	0.07	0.63	0.78
R Square	0.92	N/A	N/A	0.89

ANNEX-2

Al-Shabaab Extortion Revenue Sources	2022	2023	2024
Real Estate Construction in Mogadishu	$27,000,000	$8,100,000	$21,600,000
Somalia Chamber of Commerce	$36,000,000	$2,700,000	$4,860,000
Mogadishu Port	$9,200,000	$4,600,000	$8,280,000
Illegal Check Points	$215,625,000	$129,375,000	$150,937,500
Hirshabelle State (Farmers, Livestock, & Traders)	$124,218,459	$51,349,183.78	$37,265,537.84
Mogadishu Hotels	$3,600,000	$1,800,000.00	$1,200,000.00
Suuq Baad & Bakaare Market	$60,000,000	$30,000,000.0	$24,000,000.0
Hashish	$360,000,000	$220,000,000	$240,000,000
Galmudug State (Livestock & Traders)	$25,863,583	$10,345,433.3	$1,034,543.3
Puntland State (Fishing & Traders)	$15,000,000	$15,000,000	$15,000,000
Gold Mining Extortion	$20,000,000	$20,000,000	$20,000,000
Jubaland State (Farmers, Livestock, & Traders)	$53,449,167	$37,414,417	$37,414,417
Kismayo Charcoal	$13,500,000	$6,750,000	$6,750,000
SouthWest State (Farmers, Livestock, & Traders)	$112,476,175	$89,980,940.3	$89,980,940.3
Alcohol Taxation	$81,760,000	$81,760,000	$81,760,000
Illegal Arms Smuggling	$65,520,000	$65,520,000	$140,400,000
Diya Extortion Revenue	$7,313,200	$1,850,940	$1,850,940
Drug Trafficking	$120,000,000	$120,000,000	$120,000,000
Total	$1,350,525,585	$896,545,914	$1,002,333,878