

PolicyWatch #1436

Financial Setbacks for Hamas

By [Matthew Levitt](#)

December 3, 2008

Over the past few weeks, Hamas's international financial support network suffered a series of setbacks, most notably the U.S. federal court conviction of the Holy Land Foundation for Relief and Development (HLF) and five of its leaders on charges of providing material support to Hamas. Despite these convictions and the broad sanctions in place against Hamas, however, the group remains capable of raising substantial funds, through both traditional and innovative means.

Holy Land Foundation Conviction

On November 24, a Dallas jury convicted the HLF of all counts in a major terrorist finance case. According to the Justice Department, "HLF intentionally hid its financial support for Hamas behind the guise of charitable donations" amounting to approximately \$12.4 million "provided in support to Hamas and its goal of creating an Islamic Palestinian state by eliminating the State of Israel through violent jihad."

Evidence presented at the trial revealed that the foundation's leadership was well aware it was funding Hamas charities. For example, a 1991 report sent by an unindicted coconspirator of HLF's chief executive officer, Shukri Abu Baker, specifically listed charity committees controlled by Hamas; some committees were noted "all of it is ours" while others were described as "guaranteed." Later, at a 1993 meeting featuring HLF officials, Muin Shabib, a member of Hamas's terrorist Izz al-Din al-Qassam Brigades, categorized the institutions tied to Hamas as educational, social, charitable, cultural, medical, and religious. He then proceeded to describe specific charities and organizations in the West Bank and Gaza -- some of which were affiliated with HLF -- as "our [Hamas] institutions." Coming on the heels of a hung jury in the first HLF prosecution last year, the "guilty on all counts" verdict is a major blow to Hamas fundraising in the United States under the guise of charity.

Union of Good

Just two weeks before the HLF verdict on November 12, the Treasury Department designated the Union of Good (*Etela' al-Khair*, also known as the Charity Coalition), a Saudi-based umbrella organization that began as a fundraising drive and developed into an institution working with more than fifty Islamic foundations worldwide, as a "specially designated global terrorist entity" (SDGT). According to the Palestinian Preventive Security in the Gaza Strip, "The Union [of Good] is considered -- with regard to material support -- one of the biggest Hamas supporters." Noting its ties to Hamas, Israel outlawed the organization in February 2002. According to Treasury, Hamas leaders created the Union of Good in 2002, stating that it "facilitates the transfer of tens of millions of dollars a year to Hamas-managed associations." The Union "acts as a broker for Hamas by facilitating financial transfers between a web of charitable organizations . . . and Hamas-controlled organizations in the West Bank and Gaza."

The SDGT designation appears to already have had an impact on Hamas financing. A few days after Treasury's decision, the British bank Lloyds TSB instructed the Birmingham-based Islamic Bank of Britain to cease dealings with Interpal, a UK-based charity previously designated as a Hamas-financing entity by the

U.S. government and highlighted as a central player in the Union of Good's web of Hamas-associated charities.

New Funding Streams in Gaza

Despite the recent successes in efforts to disrupt Hamas's financing, the group is still able to raise substantial funds. As the governing party in Gaza, Hamas has access to new sources of funding, including taxes and customs fees. The European Union, for example, halted fuel shipments to Gaza in August 2007 over concern that Hamas would tax Gazans to fund its government and military arm. Hamas also began to impose large taxes on companies operating in Gaza, in addition to taxing specific commodities, many of which have been smuggled into the area.

Hamas also initiated fees for the registration of vehicles, licenses, and birth certificates. The group imposed heavy fines for the failure to license or register cars in Gaza, and opened customs offices near several border crossings to collect customs duties on incoming goods. These duties also apply to smuggled goods. Hamas reportedly patrols the network of underground tunnels in Gaza and shuts down those whose operators fail to pay these charges.

Due to Hamas's position, the group also gained full control over Gaza's *zakat* (charity) committees. While some *zakat* committees have long been associated with Hamas, they all require government registration and some operate independently of the group. Under the Hamas government, *zakat* funds have been channeled into the government budget -- to fund whatever Hamas deems necessary.

Tried and True Fundraising

With its new governmental responsibilities in Gaza, Hamas's financial needs have increased dramatically. In addition to new fundraising techniques, Hamas still supports itself financially employing many of the same tactics it used prior to winning the January 2006 election and seizing control of Gaza in 2007. Smuggling goods and weapons into Gaza by using the extensive network of tunnels underneath Gaza that lead to both Israel and Egypt has remained an important source of funds. In fact, the number of tunnels has reportedly risen from fifteen in 2007 to nearly 120 in March 2008. Hamas has controlled these tunnels since shortly after the 2006 election and utilizes the network to smuggle militants, cash, weapons, and commercial goods in and out of the Strip. The most "lucrative" commercial activity has been the smuggling, and subsequent selling, of cigarettes, which has aided Hamas in its plight to financially support itself and the Gaza government.

Hamas has also continued to raise funds for its West Bank and Gaza activities through its network of social welfare and charitable organizations. These, however, have come under increased scrutiny in the West Bank over the past year. In July 2008, Israel outlawed thirty-six nongovernmental organizations (NGOs) in the West Bank, charging them with fundraising for Hamas. Palestinian officials say they have shut sixty-eight Hamas centers and confiscated some 8.5 million Israeli shekels. They have also begun to replace Hamas leaders on *zakat* committee boards and audit the many NGOs that Hamas quickly -- and often improperly -- approved while heading the National Unity Government from March to June 2007. According to Israeli government data, nearly \$120 million was transferred to the West Bank and Gaza in 2007 "to finance the activities of terrorist organizations in these areas." It is estimated that foreign donations account for most of Hamas's revenue, funding not only the Gazan government but also the military and organizational aspects of the movement.

A large portion of Hamas funding from foreign governments has historically come from Iran -- a trend that has continued since Hamas governed the Gaza Strip. In March 2007, Khaled Mashal, the political leader of Hamas, visited Iran and stated that the Islamic Republic had been providing financial support for his group since it took office in 2006. Although Mashal detailed that funding from Iran would continue, he did not provide a specific amount. Qatar has cited the humanitarian crisis caused by the international financial isolation of Hamas in Gaza to justify its support for the group. In early 2008, however, a senior aide to

Palestinian president Mahmoud Abbas stated that Qatar gives Hamas "millions of dollars a month," some of which may be used to purchase weapons. Iran and Qatar's financial support of Hamas is illustrative of the movement's continued reliance to tried and true methods.

Conclusion

This September, the editor-in-chief of the Arabic daily *al-Sharq al-Awsat* wrote, "It is clear that Hamas's priority is to look after its militants, at the expense of Gaza's people and their suffering!" Even under siege, the militant Hamas movement in Gaza continues to have access to funds while the Strip's residents do not. To disrupt Hamas financing further, the United States and the international community together must continue to crack down on the group's fraudulent fundraising and press Egypt to do more to shut the smuggling tunnels that funnel funds and goods to Hamas in the Gaza Strip.

Matthew Levitt is director of the [Stein Program on Counterterrorism](#) and at The Washington Institute. He is the author, with Michael Jacobson, of [The Money Trail: Finding, Following and Freezing Terrorist Finances](#) (2008).

Copyright 2009 The Washington Institute for Near East Policy