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## **Uncovering the Methods of Operation and Funding of Armed Groups in the MENA Region: A Special Focus on Libya and Yemen**

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### **Abstract**

*Combatants cross national boundaries to represent ideas or organisations outside of state control, making traditional interstate conflict obsolete. As a direct result, non-state armed groups have developed into dangerous adversaries to established militaries. The study's primary focus is on their funding strategies, as this is a crucial part of their operations. This study seeks to clarify these multifaceted processes by analysing the fundraising strategies of violent extremist organisations. In their search for funding, these organisations have employed a wide range of strategies and methods. This research analyses secondary sources to provide a comprehensive picture of the operational and financial methods used by armed groups. This research, which focuses on Libya and Yemen, highlights the ingenuity and flexibility of armed organisations in the MENA area. According to the findings, in order to keep their operations going, these groups partake in a wide variety of illegal acts, receive external backing, and exploit local resources. The ramifications of these funding sources on regional security, political dynamics, and stability are also highlighted in the study. Comprehensive solutions to address the core causes of armed group financing, including building governance institutions, supporting socio-economic development, and developing regional cooperation, are advised based on the study's findings.*

**Keywords:** *MENA, Armed Groups, Terrorism, Funding, Conflicts*

### **Introduction**

Located at the crossroads of Europe, Asia, and Africa, the Middle East and North Africa (MENA) region is home to a wide variety of countries. The historical, cultural, and geopolitical significance of this massive area, sometimes called the cradle of civilization, cannot be overstated. The countries of southwestern Asia

and northeastern Africa, from Iran to Egypt, including the Arabian Peninsula and the Levant, make up what the Oxford Dictionary calls “the Middle East.” The region’s rich history, many cultures, and important position in world politics are its defining features. The countries in this strategically and politically crucial region of the world came to be collectively known as the “Middle East” during the 20<sup>th</sup> century.

Located in the far north of Africa, along the coast of the Mediterranean Sea, is the North Africa region, which is also a part of the MENA region. Algeria, Egypt, Libya, Morocco, Sudan, and Tunisia are all part of this group. The cultural, linguistic, and historical traditions of North Africa are distinguished by their hybrid origins in Africa, the Arab world, and the Mediterranean.

The dynamics of armed groups in the MENA area can only be understood by having a firm grasp on the region's intricacies. Non-state players have emerged in an effort to establish influence and control over the region as a result of its precarious political, social, and security situations. In order to resolve the underlying problems and promote stability in the MENA area, it is crucial to analyse the methods of operation and funding of these armed groups.

Given this context, the purpose of this study is to delve into the complex dynamics of armed groups in the MENA area, with an emphasis on Libya and Yemen. The research aims to shed light on the origins, activities, and sustainability of these organisations by revealing their operational methods and financial networks.

The MENA region has been a hotbed for armed conflicts and violence in the post-Cold War era. With the rise of non-state actors and armed groups, the dynamics of warfare have shifted from inter-state conflicts to intra-state conflicts. As a result, the issue of funding for these groups has become a critical factor in the continuation and success of their operations. This research paper focuses on the methods of operation and funding of armed groups in the MENA region.

The goal of this research paper is to provide a comprehensive analysis of the various strategies and behaviours employed by armed groups in the MENA region to fund their operations. The study will utilise a qualitative descriptive research methodology, which will involve collecting and analysing data through case studies and documentary analysis. By using this methodology, the paper aims to present a detailed understanding of the funding mechanisms of these armed groups.

The paper begins by highlighting the post-Cold War era and the shift in the dynamics of warfare from inter-state conflicts to intra-state conflicts. The introduction also discusses the emergence of armed groups as an alternative to regular armies, which has created the challenge of funding for these groups. The introduction sets the stage for the rest of the paper, which will delve into the various methods of operation and funding used by armed groups in the MENA

region. Specifically, this research paper will address the following research questions:

- What are the primary methods used by armed groups in the MENA region to fund their operations?
- How do armed groups in the MENA region utilise the funds they receive?
- What is the impact of the funding mechanisms used by armed groups in the MENA region for the broader security and stability of the region?

To answer these questions, the paper will utilise a qualitative descriptive research methodology. Qualitative descriptive research is a flexible approach that allows for the in-depth exploration of complex phenomena in their natural settings. This approach is particularly suitable for this research paper, as it will enable the collection of rich, detailed data from multiple sources to provide a comprehensive understanding of the funding mechanisms of armed groups in the MENA region.

In this context, the study examines how the economies of armed organisations influence the dynamics of war by applying examples from Yemen and Libya to the economics of conflict and the ways they employ to secure funding to cover their activities.

### **Literature Review**

As a result of internal strife, regional conflicts, and foreign interference, armed organisations have mushroomed across the MENA region in recent years. These organisations function independently of states but pose serious threats to the established order (Salloukh, 2017). In order to address the causes of disputes and foster stability in the region, an understanding of their dynamics is essential.

The armed groups in the MENA area are characterised by their varied histories and goals. Some organisations have deep historical roots; they speak for historically oppressed ethnic or religious minorities who now want autonomy or restitution. The Kurdistan Workers' Party (PKK) in Turkey and the Peshmerga forces of the Kurdistan Regional Government in Iraq both originated in the fight for Kurdish rights (Kaya & Whiting, 2017). Others, like Lebanon's Hezbollah and Palestine's Hamas, have political or ideological goals related to fighting off what they see as an oppressive foreign presence (Berti, 2019).

Armed organisations in the MENA area deploy a wide variety of strategies, each of which reflects the unique objectives and conditions of the many parties involved. There are those who use asymmetric warfare, attacking military units, government institutions, and civilian populations with guerrilla tactics, suicide bombers, and improvised explosive devices (IEDs). To further their goals of spreading propaganda, recruiting followers, and shaping narratives in order to win support and legitimacy, armed organisations also employ social media and information warfare (Paterson & Hanley, 2020).

Armed groups in the MENA often also possess territorial control. They frequently set up alternative administrative systems to guarantee the safety and well-being of their constituents. In Iraq and Syria, ISIS has declared a caliphate, while the Houthis in Yemen have taken over large swaths of the country (Honig & Yahel, 2019). Both the organisations' operational capabilities and the sovereignty and stability of the afflicted states are put to the test by these territorial gains.

Having a steady supply of money is essential for armed organisations to continue doing what they're doing and to grow in power. These organisations use a wide range of financial strategies, including partaking in criminal activity and exploiting local resources. Some armed organisations receive cash, equipment, and training from regional or global entities pursuing their own strategic interests, highlighting the importance of external backing from state or non-state actors. These organisations can also generate income through participation in criminal economies, including drug trafficking, human smuggling, and the plunder of cultural heritage sites (Podder, 2013).

The stability of the MENA region and international security are threatened by the presence of armed organisations. They make things worse, further splinter the political landscape, and hamper any attempts at peaceful resolution. The involvement of armed organisations in illegal enterprises contributes to corruption, weakens the government, and prolongs economic instability. Their activities may also have unintended consequences, such as refugee problems or the spread of extremist ideas or acts of terrorism beyond their local areas.

In order to effectively combat the threats posed by armed organisations in the MENA area, a comprehensive strategy is necessary. It entails working to improve inclusive government, advance social and economic progress, and deal with the root causes of disputes. Combating the actions of armed organisations requires a number of important measures, including the improvement of the rule of law, the sharing of intelligence, the tightening of border controls, and the disruption of funding networks. The recruitment and radicalization of vulnerable populations can be avoided by combating radicalization, investing in education, and offering economic possibilities (Dandashly, 2015).

Addressing the transnational dimension of armed group activities and fostering regional security requires international cooperation and support, including capacity-building programs. It is essential to deal with the underlying causes of discontent, foster social unity, and work toward governmental institutions that are representative of the interests and aspirations of all groups (Reveron, 2016). The MENA region may achieve enduring peace and stability by tackling the underlying reasons and implementing all-encompassing solutions, reducing the power of armed groups, and paving the way for a brighter future.

## **Materials and Methods**

The economics of armed organisations and their effects on the MENA region's economy are the focus of this qualitative study. Academic articles, reports from international organisations, government reports, and news stories were all thoroughly analysed. The thorough comprehension of the economic capacities of armed organisations and their influence on the regional economy was made possible by the review of the relevant literature.

Data from various documents and reports were analysed to identify trends, patterns, and relationships. These documents included those detailing financial transactions, patterns of war expenditure, and economic indicators in the region. The content analysis offered a comprehensive look at the financial aspects of armed conflict and terrorist organisations.

To dig further and provide more concrete examples, few case studies were used. Selected to be broadly indicative of the situation in the MENA region, these cases provided a richer context for comprehending the interplay between the financial resources of armed organisations and the regional economy.

To answer the research topic, a qualitative data analysis method was used to parse the information gathered from various sources. Triangulation, or using many sources to confirm the same piece of information has contributed to the study's rigour.

## **Results and Discussion**

### **The Economics of Armed Groups**

In wartime, economic studies focused on the effects of state relations and wars on economic development, but when the Cold War ended and the world entered a period of relative security calm, economics narrowed its focus to provide partial analyses of conflicts in order to reflect the shifting nature of international relations over time.

The pursuit of raw commodities through conquest and imperialism was made possible by early business conceptions that described war as "predation." The importance of economic resources in civil wars and conflicts has gotten more attention recently because of the shift in the character of conflicts since the Cold War. Non-cooperative game theory has been used by economists to build explanatory models for government decisions, which, when combined with macroeconomic and internal factors, provide a better understanding of the internal factors that determine the state's tendency to conflict or militarization.

But competing parties and armed organisations are not the only ones relying on natural resources for their money; there are other sources as well. For the new war economy, criminal activities like looting and black-market trade, often aided by outside sources, were the root cause of ongoing conflict (Dunne & Coulomb, 2008: 147).

Collier's theory states that any rebel movement must have a commercial activity to ensure sufficient resources for war, and these resources come from the exploitation and sale of raw materials available in the country. When the war economy plays its full role by providing them with a decent life, the conflict may diminish (ibid: 152). In other words, it is those actions or relationships that generate cash for the advantage of armed groups or parties participating in the conflict; which are opportunities for armed groups in the economic arena.

The relative strength of the warring factions, which have a variety of options for financing and external support, including donations and diversion of aid flows in their favour, or the state's own sponsorship of armed groups, including arms supplies and military aid, determines the limits of economic opportunities in conflict situations. The balance of power between the state, non-state forces, and armed groups is perhaps the most important factor in defining the war finance strategy.

For rebels and armed organisations, the ultimate goal is to not only control their own sources of funding but also to undercut and take those of their opponents. This may be the driving force behind the attacks on economic infrastructure in conflict zones, where one side aims to deprive the other of revenue, raise reconstruction costs, disrupt economic activity, and limit investment opportunities for the other side, all of which serve to reduce output, increase unemployment, and raise inflation (Taylor, 2013: 2).

As a result, in addition to receiving financial assistance from foreign governments and generating revenue from the control of natural resources, armed groups use a variety of financing methods to maintain their armies and recruit fighters they train to commit criminal acts such as bank robberies, oil well raids, and celebrity kidnappings (Wennmann, 2011: 338).

### **Conflict Economics**

There are four types of armed conflict, and the norms and tools that apply to each of them are different, according to international humanitarian law.

- There are the four Geneva Conventions of 1949, the First Additional Protocol in 1977, Hague standards, and other legal concepts that apply to international armed conflict.
- Wars of national liberation that are described under the First Additional Protocol of 1977 are included.
- Conventional and customary rules govern non-international armed conflicts, including those covered by Article 3 of the Geneva Conventions and other treaties.
- The Second Additional Protocol of 1977 defines non-international armed conflicts quite narrowly.

We may be dealing with a non-international armed conflict, as the study concentrates on the economics of the conflict, specifically non international armed conflict (OHCHR, 2015, p. 4).

Non-international armed conflict economies can be divided into two categories. These economic models are matched by a variety of armed groups pursuing different military objectives: conflict, expansion, and control.

### **Predation**

On the basis of a struggle between government forces and armed groups operating in officially state-controlled areas, this approach has been developed. Hit-and-run attacks, such as murder, kidnapping, and bank robbery, are used by armed organisations to weaken the state and increase their own financial resources. Due to the modest size of the armed organisation and the relatively small scope of its operations, these groups do not expand their activities in order to increase their money at this early stage.

### **Expansion**

The conflict economy grows increasingly parasitic as armed groups develop in size and number and in their ability to reach and have regional implications. Armed organisations then switch to low-intensity warfare, in which they pursue economic measures to damage the government instead of launching hit-and-run attacks.

Armed organisations are seeking to gain a larger piece of the shadow economy, which is bolstered by the additional earnings that these groups generate from other sources of finance, as the official economy struggles and the government loses a significant portion of its financial revenues.

### **Territorial control**

Armed groups gain more influence as their members take control of a certain area of the state and acquire responsibilities for running social services, governance, and taxation, which helps them raise their budget so they can continue military operations.

An armed force controlling land and people and establishing institutions could turn that part of the country into an independent state, as it has already been done with NPA-controlled areas in the Philippines, Bougainville-controlled areas in Papua New Guinea, and Cambodia's Khmer Reds in Cambodia (Wennmann, 2011: 345).

### **Non-State Armed Organizations' Funding Sources**

In recent decades, scholars and peace practitioners have become more interested in how non-state armed groups raise and sustain their financial resources, a topic that has sparked a great deal of debate and discussion.

Despite the great variety of funding options available to armed groups, financing for these organisations is largely dependent on a few sorts of funding that are tailored to the specific objectives and motivations of the organisations they support.

Examples of groups that obtain financial support from voluntary associations include non-state armed groups that engage in voluntary activities, but groups that do not engage in such activities may resort to criminal conduct or aggressive behaviour to raise funds.

It is also important to note that armed organisations' ability to raise funds is influenced by the economic opportunities accessible to them in the territories they control, as well as the political context in which the fight is taking place.

Understanding the war economy that sustains non-state armed groups and their activities is perhaps essential for those parties who want to engage with their members in support of the peace process. This is due to the resources mobilised by these actors severely influencing their incentives to enter into ceasefire deals or substantive negotiations to end the conflict (FATF, 2015: 13).

To continue their presence and activities, armed organisations use a variety of financial techniques, which can be classified as either legitimate or unlawful.

### **Legitimate Sources of Funding**

The money that terrorist organisations and armed groups get from charitable organisations and companies is known as “black washing,” and it refers to the practice of relying on legitimate funding sources like charities, government subsidies, and social benefits in order to fund their activities of terrorism and violence. Listed below are some of the most prominent lawful financing sources.

### **Organisations Dedicated to Philanthropy**

Trusted by a wide variety of the public, charitable or non-profit organisations have attributes that make them attractive to terrorists, and their activities, which are frequently money-intensive, make them particularly vulnerable to terrorist financing abuses.

As a result, terrorist organisations are able to more easily set up associations and charities to fund their activities because charities are subject to far fewer regulations than financial institutions or publicly owned corporations.

The FATF has stated that the misuse of non-profit organisations to finance terrorism has become a significant weakness in the global effort to limit the financing of terrorist organisations.

### **The Fraudulent Transfer of Funds**

This can be done through a legal charity or a fictitious false organisation appearing to be a legitimate charity in order to conceal the fact that the money is



being used to fund terrorist organisations, for example, by telling donors they are making a donation to help orphans.

Donations given to either of these terrorist organisations will be used to fund terrorist training camps of some kind (ibid: 10).

### **Revenues from the C-company**

Profits from lawful businesses can be used to fund terrorist activities, and the threat from this source may lie in the difficulties in monitoring it, as working on projects and enterprises does not require formal qualifications, nor does it take big investments to start one up. This makes it difficult to check reported sales and actual transactions, especially in businesses that have a large amount of cash available for transactions that support terrorist activity.

### **Donations**

Terrorist funding trials involving direct financial support from people have accounted for around 33% of all prosecutions in the United States since 2001, with rich donors constituting a significant source of cash for some terrorist organisations (Zreik, 2021).

They have acknowledged that private donors and sponsors play a crucial role in funding some terrorist organisations, including ISIS. Terrorist-affiliated individuals donate to non-profit organisations, which are then targeted by armed groups. These gangs then use the non-profits' networks to steal money.

These groups utilise the Internet to recruit more terrorists via social media and raise money for their operations. They also use the Internet to set up “fake non-profit entities” and spread the word about their activities.

In the event of a terrorist attack, the most susceptible non-profits are those that carry out “service” operations in the immediate vicinity of a known terrorist danger or a terrorist's place of business, unless appropriate oversight and scrutiny of how contributed monies are used and handled is activated. As a last safeguard, it is important to verify the integrity of the money transfer channels (ibid: 14).

### **Support from Governments**

The Financial Action Task Force, a Paris-based intergovernmental organisation that works to combat money counterfeiting and terrorist financing, does not have a particular designation for state-sponsored terrorism. Despite the fact that this type of funding does not meet FACTA's criteria and principles and is not in accordance with UN Security Council Resolutions 1 and 2 (a), it remains a long-term threat to international security because states and governments may continue to provide financial support to terrorists (Zreik, Iqbal, and Rahman, 2022).

The success of the working group's efforts to assist countries in adopting best practices to detect, dissuade, and otherwise disrupt terrorist financing is fundamentally undermined when it comes to the stability of the financial, political, and regional institutions.

### **Self-financing**

According to Financial Action Task Force (FATF) studies, the monies required to finance small attacks originate from the personal savings and business profits of terrorist elements and their support networks. The fact that terrorist organisations may fund themselves in so many different ways suggests that they can be highly decentralised and self-sustaining.

As a result of several investigations and prosecutions, it has been proven that commercial ads for projects like secondhand cars and restaurants with terrorist products are directly linked to the operations of terrorist groups, which may be done, for example, by shipping vehicles. Secondhand automobiles from West Africa and other used cars from the Middle East are being exported. It is estimated that the majority of used and imported car dealerships are based in countries like the United States, the United Kingdom, Japan, and Singapore. Conversely, high-risk areas where terrorist groups are concentrated are more likely to be home to car dealers. As part of a money laundering plan, this type of commerce generates huge profits, which are ultimately transferred to terrorist groups (ibid: 16).

### **Illicit Funding Sources**

Prior to the increased international pressure, some terrorist organisations relied heavily on finance and support from sponsoring countries. As a result, these groups have had to turn to alternate means of revenue, such as smuggling and the collection of funds from criminal operations. Weapons, kidnapping for ransom, extortion, and drug trafficking are some of the most common crimes committed by criminals.

### **The Smuggling of Drugs**

For terrorist organisations, drug trafficking provides them with the funds they need to carry out their terrorist actions, develop their techniques and weaponry, and increase their presence in their target areas.

Drug trafficking has gained importance as a means of supporting terrorist organisations at the same time that state support for terrorist organisations has decreased, making it more difficult to tell terrorist organisations apart from drug trafficking gangs until there is a large overlap between their activities.

Terrorist and criminal groups have been able to work together more easily thanks to the internationalisation of communications and banking systems, as well as the opening of borders, as a result of globalisation. Although investigations have

uncovered direct linkages between numerous terrorists and drug dealers, these relationships may evolve out of necessity, convenience, or mutual benefits (FATF & GAFI, 2008: 15).

### **Kidnapping for Ransom**

Terrorist groups, like ISIS, rely on a variety of revenue streams to stay afloat, and kidnapping for ransom is one of those streams. For each ransom, it has been estimated that the terrorist group receives 5 to 50 percent of its annual revenue, depending on other factors such as the size of the group and local economic conditions in the country where the ransom was paid (Zreik, 2022). The area in which the company does business.

Ransom payments totaled at least \$222 million by terrorists, including Al-Qaeda and ISIS, between 2008 and 2014, according to US government data. Counter-ISIS Financing for Ransom Group Statement No. 32 issued on May 13, 2015, called for the kidnappers to be denied the benefits of the ransom by making all cooperative efforts to prevent kidnappings, based on United Nations Security Council Resolutions 2133 (2014) and 2161 (2014), most recently 2199.

At the Global Counter-Terrorism Forum (GCTF) in Algiers, a note was delivered on best practices to avoid and deny terrorist organisations the benefits of kidnapping for ransom. Even more so because kidnappings and ransom payments are a major source of funding for these groups. The terrorist group receives the money in cash when it has been delivered to the cash holders. Financial institutions such as banks, exchange businesses, insurance companies, lawyers, and other systems can also be used to pay the ransom. Remittances, the sale of assets and loans, or the creation of trusts to collect donations in order to pay the ransom are all possible options (FATF, 2015: 18-9).

### **Money Laundering: A Key Revenue Source for Armed Groups in the MENA Region**

Money laundering has emerged as a significant funding source for armed groups in the MENA region, requiring an understanding of its mechanics to effectively counter these groups' activities.

Several laundering techniques are used by these organisations. These include trade-based money laundering, which involves invoice falsification and front firms, and the hawala system, an unregulated trust-based network that leaves no paper trail (Marzuki et al., 2023). Other techniques include smuggling routes and bulk cash smuggling procedures for moving money from illegal activities like drug trafficking or arms smuggling (Soudijn & Reuter, 2016). Front corporations, charities, and cryptocurrencies are also used to legitimise illicit earnings (Faccia et al., 2020).

The consequences of money laundering by terrorist organisations in the MENA region are vast, promoting corruption, weakening institutions, and fueling

violence (Al Shaher & Zreik, 2022). Countering money laundering requires concerted efforts across multiple fronts. Governments should strengthen anti-money laundering legislation and regulatory procedures (Cassara, 2015). Effective financial intelligence units and specialised law enforcement authorities are also vital for the detection, investigation, and prosecution of money laundering cases (Beebeejaun & Dulloo, 2023).

Financial institutions can contribute by implementing robust customer due diligence, transaction monitoring, and reporting systems. Public awareness campaigns and capacity-building efforts are also crucial in educating the public about the dangers and consequences of money laundering (De Koker, 2006).

## **Results and Discussion**

This study investigates the persistent violence in the MENA region, particularly in Yemen and Libya, over the past two decades. The central finding is that the economics of armed organisations significantly contribute to this enduring conflict.

The two case studies, Yemen and Libya, were selected due to their many shared characteristics. A key understanding drawn from these cases is that economic factors play a pivotal role in sustaining conflict. Armed groups' financial ability to procure weapons, ammunition, and even combatants themselves directly influences the intensity and longevity of hostilities (Chatham House, 2019). By considering the economic components of these armed groups, we gain valuable insights into the dynamics of conflicts raging in the MENA region.

### **The Libyan Case**

When Muammar Gaddafi died in 2011, Libya's internal sovereignty, including its monopoly on power and resources, was handed back to the country's local communities, who formed armed groups to fill the resulting security void and central gap. Meanwhile, the Libyan military and intelligence services tasked with maintaining the country's security have weakened as the dictatorship of former Libyan President Muammar Gaddafi has fallen.

However, the numerous armed organisations in Libya since the 2014 split in national authority have taken a variety of approaches. While some of these groups dwindled, some stayed active and grew their influence, while others dwindled.

### **Institutional Infiltration**

Armed organisations, with the exception of the Libyan Arab Armed Forces, played a more active role in Libya's war in 2014, coalescing and merging as local legitimate forces under a central leadership. Arms-wielding groups, however, concentrated on recruiting and enlisting members from the state's security services, despite the fact that they were not subject to it (Chatham House, 2020).

It was in 2016 that armed groups operating in Tripoli, the country's capital, were given government contracts, paid jobs, and access to the state's budgets in exchange for providing protection services. They also used their networks and locations to secure major commercial contracts. Armed groups and their networks became increasingly aware of this dynamic as it rose through the ranks.

In 2018, the Sarraj government's Al-Nawasi Brigade militia tried to force the Libyan Investment Authority (LIA) management to recruit and hire candidates from the same armed group, which resulted in the authority's management refusing and being forced to leave Tripoli. The LIA was forced to leave Tripoli. To maintain physical and institutional dominance, Tripoli-based militant groups took advantage of this for several months.

While in Tarhuna in August and September of 2018, the Seventh Brigade, also known as the Kani Brigade, attempted to remove Tripoli militias from the city, they referred to the armed groups as "ISIS for public funds" in Tripoli.

This demonstrates that after successfully defending their strongholds in Tripoli, the armed factions in the city have adopted a series of "predatory" measures and a predation strategy, as previously discussed.

Some armed groups were able to gain access to rent, while others were unable to do so, while the majority of armed groups focused on infiltrating the government.

### **Control of the Territory**

Armed factions in Libya's capital, Tripoli, have been able to extort rents, control access to buildings, and intimidate employees thanks to their ability to infiltrate state institutions (Chatham House, 2019).

It was during this time that the Libyan armed forces gained control of heavy weaponry and the flow of weapons in eastern Libya, as well as forging partnerships with eastern Libyan armed groups. As of April 2019, the Libyan National Army (LNA) may have posed a severe threat to armed factions affiliated with the Tripoli-based Government of National Accord (GNA) (Chatham House, 2020).

There was no UN Security Council resolution on a ceasefire, nor was there any effort to implement an arms embargo, nor was there a real effort to avoid foreign meddling in Libya, which has aggravated the violence.

### **External Support**

By November 2019, Libya's military had gained air superiority, and the Kremlin was providing mercenaries in support of a counter-escalation in response to the international uptick in violence (ibid: 51).

### **Adopting Legitimate Sources of Finance**

Because of the weak official economy and the horizontal organisation of armed groups in southern Libya, it's possible that regular fighters were forced to go elsewhere for targets to fund their lives. Due to the protracted absence of state institutions and the ineffectiveness of service delivery, these groups relied on long-term, multi-pronged strategies for fostering the development of the private sector, in addition to official support and private project income.

To compete for resources and influence, armed organisations have turned to non-traditional economic sectors such as mining and manufacturing, rather than spending as much on operational costs as their members are paid (ibid: 58).

### **The Use of Criminal Coercion**

In order to raise money, armed organisations in Libya have frequently used illegal coercion tactics. Islamic State's activities in Libya were limited to the Fezzan region and the town of Bani Walid, a hub for human trafficking, as well as the organisation's use of theft, kidnapping for ransom, extortion, and cross-border smuggling, as well as trafficking in handicrafts and other goods, to raise funds.

According to the United Nations Panel of Experts, the organisation continued to impose taxes on human trafficking networks as a source of funding. In 2021, the United Nations estimates that the Islamic State's Libyan remnants will be dispersed primarily between the southern desert cities of Ubari, Traghen, and Ghadwa and those who cross southern Libya to the borders with Chad, Niger, and Sudan in small groups. ISIS's operations are primarily supported by the illicit trade in Libyan oil and narcotics (Fitzgerald 2021: 7-8).

### **The National Transitional Council (NTC) in Libya: Emergence and Funding During the Arab Spring**

During the Arab Spring, Libya's National Transitional Council (NTC) emerged as a key political organisation, guiding the country through its transition away from Muammar Gaddafi's rule (Ajibade-Samuel & Akeem, 2016). The de facto governing body, the NTC, ran into the urgent problem of finding money to keep going during this crucial time.

The NTC came together in Benghazi in February 2011 to stand against Gaddafi's rule. Its members included opposition politicians, tribal leaders, military officials, and regional representatives. The group's principal goal was to serve as a political focal point, coordination hub, and voice for anti-Gaddafi activists all around Libya (Cole & McQuinn, 2015).

The NTC needed foreign backing in the form of financial aid to secure its continued existence. The United Arab Emirates (UAE) and Qatar both played significant roles by giving major financial aid for salaries, equipment, and logistics (Dehshiri & Shahmoradi, 2020). The NTC has been recognized as the legitimate representative of the Libyan people by Western nations such as France,

the United Kingdom, and the United States, who have all pledged support to reinforce the NTC's efforts against the Gaddafi government (Schnelzer, 2015).

The NTC benefited not only from international backing but also from the release of Gaddafi regime assets that had been frozen. The NTC gained access to these assets abroad owned by Libyan firms over time, providing a critical source of cash (Pradella, & Taghdisi Rad, 2017). The NTC was able to meet immediate demands and sustain operations because of the use of these thawed assets.

Unfortunately, the NTC still had trouble allocating its resources efficiently despite the generous donations it had received. Financial management was difficult due to the rapid pace of the political transition and the lack of adequate institutional support. Concerns about maintaining openness, accepting responsibility, and allocating resources fairly developed into persistent issues.

Furthermore, there were dangers associated with being dependent on external funds and sponsorships. Concerns were voiced regarding the potential impact on the NTC's decision-making procedures and the future political dynamics in Libya, as well as the influence and interests of the supporting countries (Kasajja, 2013).

### **The Case of Yemen**

In 2014, the Houthis seized control of Yemen's capital and largest city, Sanaa, igniting a civil war. A new government and lower fuel prices were among the demands of the Houthi movement as the Hadi government failed to deliver on its promises of economic reforms. As a result, the government removed subsidies for gasoline, which allowed the group to organise and gain support from outside its core, leading to massive protests demanding lower fuel prices and a new government (CFR, 2022).

Hadi's government resigned under pressure in January 2015, while Hadi later fled to Saudi Arabia, and military units joined Saleh loyalists in joining the Houthis, which contributed to Houthi success on the battlefield in late 2014 when the Houthis captured part of Sanaa and consolidated their control of the capital.

A “political council” to govern Sanaa and much of northern Yemen was announced in July 2016 by the Houthis and the former government of Ali Abdullah Saleh, which was overthrown in 2011 after nearly thirty years in power.

Despite Saleh's decision to switch allegiance to the Saudi-led coalition and break with the Houthis in December 2017, he was assassinated, and his forces were defeated two days later by the Houthi militias.

By 2018, the coalition had expanded to include forces from Eritrea and Pakistan and had launched an air campaign against the Houthis with the goal of restoring Hadi's government. During those years, armed groups in Yemen adopted several tracks in order to obtain funding, the most prominent of which can be addressed as follows:

## **Territory Control**

During the years of war in Yemen, al-Qaeda in Yemen benefited from the turmoil that ensued in 2015. The organisation took over the seaside city of Mukalla and released three hundred convicts from the city's prison, many of whom are thought to be members of AQAP. The terrorist group sought to extend its grip westward to Aden and took portions of the city before coalition forces reclaimed a substantial part of the territory in 2016.

Al-Qaeda in the Arabian Peninsula offered Yemenis in some regions security and public services that the state was unable to deliver at the time. In the central province of Bayda, where the Houthis and ISIS have increased their influence in recent years despite al-Qaeda's reduced activity (Robinson, 2021).

## **Infiltration of the Institutions**

Coercive measures were used by administrators and merchants allied with the Houthis to suppress economic activity in Sanaa. There hasn't been any competition for control of Sanaa except for the abrupt outbreak of combat in December 2017 when the Houthis killed their old partner, former president Ali Abdullah Saleh, and consolidated control of the capital.

No matter how many times they faced the “implicit threat” of using force and how many times they received popular support, Houthi and affiliated groups continued their campaign to seize the institutions until the Central Bank of Yemen and the Ministry of Finance were fully controlled by Houthi companies or by their role as supervisors. Although most of Yemen's customs revenue is collected in Hodeidah, Dhamar, and Amran Governorate before being sent to Sanaa for redistribution, the Houthis have also taken over the Sanaa offices of the country's major telecommunications businesses. A formidable military machine was created because Houthi militias managed to unite all three sectors of Yemeni society. They were able to build a long-term base of support for their military operations, even if the Houthis' international rejection and resistance and the Hadi government's efforts since 2016 to wrest control of the reins from Houthi hands were unsuccessful; Sanaa's economy is in shambles.

## **Remittances**

Official banking channels and the hawala system have been used by Houthi networks in northern Yemen to maintain financial and trade flows. “Houthi Central Bank,” a state-run commercial bank, and the hawala exchange mechanism form the core of this system. No real movement of funds is required (not even electronically). The Houthi organisation was able to retain its systems in diversion despite the Hadi government's previous attempts to disrupt them (Chatham House, 2019).

To support their operations, armed organisations in the MENA region draw on a wide range of resources. Some examples of such illegal pursuits are smuggling,



extortion, kidnapping for ransom, and the drug trade. They may take advantage of local economies through taxation, protection rackets, and the management of key resources (Achilli & Tinti, 2022). Their ability to raise funds is greatly influenced by donations from other, friendly organisations and governments.

Armed groups in the MENA region have access to a diverse arsenal of weapons. Weapons in this category can range from handguns and submachine guns to mortars and RPGs. Some groups may even be able to acquire more advanced equipment, such as MANPADS or anti-tank-guided missiles (Spapens & Duquet, 2022). Illicit trade routes, nefarious arms smuggling rings, the theft or appropriation of state-owned weapons, and wartime stockpiles are only some of the many possible origins of such weapons (Brightman, 2011).

Armed organisations' access to firearms is influenced by both internal resources and external backing. Some organisations get direct military aid from third parties, such as the provision of guns and ammunition (Tamm 2016). These foreign sponsors may either knowingly or unknowingly aid in the proliferation of arms by transferring weapons to state actors in order to strengthen the capabilities of the armed groups they support.

## **Conclusion**

Understanding the dynamics of contemporary conflicts requires research into the financial situations of armed groups in the MENA region. This research identified the financial backers of these organisations and assessed their effect on peace and security in the region.

Economics plays a crucial part in modern warfare. The stability of a territory is often directly affected by the mix of legal and criminal financial sources that armed organisations rely on. The inability of these parties to compromise due to financial constraints and the subsequent necessity of continual wars for their survival are more examples of how economic power contributes to the maintenance of violence.

It is crucial to address the economic causes of wars. Economic growth that includes underrepresented groups, efforts to narrow the wealth gap, and access to resources for those with fewer resources should all be given top billing. When dealing with transnational conflicts, it is imperative that states, administrations, and people work together to cut off the flow of weapons and illicit finance. Peace and stability are also promoted when civil society organisations are strengthened.

Several issues, including the effect of the COVID-19 pandemic on these economies, the function of external actors, and the distinctions between the sexes in conflict, remain unanswered. Progress toward long-term peace and stability can be facilitated by answering these issues.

There are many opinions on how major powers and armed organisations engage with one another. It's possible that major powers are providing financial, military,

or ideological support to these organisations. This backing can sometimes be used to further geopolitical interests or fuel proxy warfare. Not all armed groups, however, have the backing of larger countries; sometimes they form as a result of regional grievances or shifts in power.

Conflicts can drag on, violence can rise, and progress toward peace can be impeded when strong powers back opposing sides. It can also spread weapons, radicalise people, destabilise regions, and keep proxy battles going. Therefore, diplomatic endeavours, regional cooperation, and respect for state sovereignty must all be part of any solution to this problem. The region can become stable and safe if discussion is encouraged, inclusive government is implemented, and the causes of conflicts are addressed.

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