



Multi-National Force - Iraq
Combined Intelligence Operations Center

CIOC INFORMATION PAPER

05 August 2007

Subject: Overview of Jaysh al-Mahdi Financial Flow (U)

Summary: *This paper responds to a question from the MNF-I Commanding General regarding the flow of funding for mainstream Jaysh al-Mahdi and the Office of the Martyr Sadr, addressing sources and distribution. It is based on sensitive and special reporting.*

(U) Key Findings:

- **Aside from Iranian support, the Office of the Martyr Sadr (OMS) and Jaysh Al-Mahdi (JAM) receives at least one third of their funding from a variety of Iraqi sources including community and religious donations, criminal activity, Sadrist-owned businesses, and corruption of government contracts through Sadrist-controlled government ministries.**
- **Although the exact amounts of Sadrist annual revenue are unknown, estimates place the non-Iranian revenue totals within the range of \$12 million and probably significantly higher.**
- **JAM provides employment to young, military age males. Given high unemployment rates, many JAM units likely will turn to criminal sources of funding should centralized sources of funding be reduced. This would likely further degrade JAM/OMS leadership's authority over the organization.**

Domestic Income. Sadrist income from internal sources totals at least \$12 million to \$17 million per year, but probably significantly higher. Because much of the Sadrist income is illegal, decentralized, and otherwise hidden, any estimates of JAM income are by their nature incomplete.

Using estimates of various sources of funding, DIA assessed that current Sadrist income from domestic sources is at least approximately \$17 million per year, compared to \$8 million to \$12 million per year from Iran.

- **Detainee Qayis Hadi Sa'id Al-Khazali, a former high-ranking advisor to Muqtada Al-Sadr and JAM Special Group leader, claimed that OMS had an operating budget of \$36 million per year, of which \$12 million came from internal sources and \$24 million came from Iran.**
- **Sources of Sadrist Domestic income. OMS and JAM receive funding from a number of legal and illegal sources within Iraq including religious donations, corruption of the contracting process through Sadrist controlled government ministries, extortion rackets,**

[REDACTED]

providing jobs through control of government ministries, smuggling, extortion, bank robbery, and other criminal activity.

- [REDACTED] The Sadr Trend receives money in the form of religious donations such as Khums, a tax on one fifth of income, and Zakat. According to a detainee, as of early 2007 the local OMS office of general administration in the Shu'ala neighborhood of Baghdad requested that all members donate 20 percent of their income to JAM through *zakat* and *khums*.
- [REDACTED] OMS and JAM derive revenue through a number of corrupt contracting schemes. One of the primary intentions of the Sadr Economic Committee is to derive illicit profit from the contracting process in conjunction with Sadrism controlled ministries and JAM elements in areas where contracts are executed. The Economic Committee will accept kickbacks from companies for assistance in securing government contracts and often receives a percentage of the profits derived of these contracts. The committee also provides equipment, workers, and supplies. In addition, contractors working in areas where JAM can project influence are subject to permission and protection fees.
- [REDACTED] Based on a wide body of reporting, Sadrism elements in the upper echelons of key service ministries steer contracts to sympathetic businesses, which in return provide kickbacks to the committee. JAM exploits its control over government services to offer jobs to local residents. In turn, these residents are expected to provide financial or other support to JAM and Special Group activities.
- [REDACTED] Many JAM units engage in kidnapping-for-ransom operations to generate income to support their own operations and do not contribute the proceeds to OMS. These kidnappings are sometimes facilitated by JAM sympathizers in the ISF and target wealthy Sunnis and foreigners, netting between \$20,000 and \$100,000 with high-profile kidnappings.
- [REDACTED] Black market oil smuggling and control of gas stations are also major revenue earners for OMS and JAM. As of mid-July 2007, OMS in Najaf was receiving about 500,000,000 Iraqi dinar (over 402,000 USD) per month from black market oil revenue out of southern Iraq. JAM also controls a large number of gas stations in Baghdad, the profits which go towards JAM operations.
- [REDACTED] Since April 2006, over \$27 million has been stolen from banks in Iraq, potentially by JAM elements. According to a detainee in March 2007 reporting, an individual known as Haydar works in the Central Bank of Iraq and tips off a JAM affiliated cell about customers leaving the bank with large sums of money so that they can rob them. A JAM Special Groups commander known as Abu-Bilal then uses these funds to bankroll his JAM kidnapping and extra judicial killing group.
- [REDACTED] Other criminal techniques JAM utilizes to fund their operation include the sale of cars stolen from ports such as Umm Qasr, and general protection fees for businesses in Sadrism areas.
- [REDACTED] The Sadrists are also expanding their revenues sources through ownership of a number of legitimate businesses. Numerous reports indicate that Sadrists own the Baghdad Cooperative Association (BCA) for Telecommunication Services. JAM members run the company and channel the profits to OMS and JAM. JAM built several office buildings and

[REDACTED]

shops across from the Jamila Market in Sadr City that are rented out. One source estimated that the rent generates approximately \$9.4 million per year for OMS.

[REDACTED] **Collection and disbursement of funds.** Reporting indicates that the Economic Committee manages JAM commercial activities and may have some responsibility in distributing these funds. Mustafa al-Yaqubi reportedly oversees the JAM financial distribution office, probably separate from the Economic Committee based in Najaf, which probably handles the distribution of funds to mainstream tactical and regional levels. Some funds raised at local levels likely remain in part at that level to help pay fighter salaries.

- [REDACTED] Control and administration of at least a portion of Iraq-generated funds for OMS and JAM appear to flow upstream from local OMS offices to a centralized processing point as mechanism for controlling use and distribution. According to the now-detained JAM commander for Baghdad, funding via local taxes and fees imposed on residents are reportedly collected at the local level by local OMS representatives, delivered to local OMS offices, and sent to the economic committee in Najaf,.
- [REDACTED] Mustafa al-Yaqubi probably receives funding from several sources that he transfers to JAM's financial managers, Muhammad Al Sa'adi and Jabar Al Khafaji. Each JAM brigade in Iraq has a designated director of finance who travels to the Najaf office—often with the brigade commander—to retrieve monthly brigade stipends, according to a detainee with direct access. The amount of money being distributed to each brigade is unknown but probably varies based on each brigade's operational needs and staffing level.
- [REDACTED] According to a detainee claiming direct access, Muqtada al-Sadr created an Economic Committee in the beginning of 2004 to organize OMS financial matters and to ensure each location received sufficient funding for operations. Sadr was the final approving authority for all of the Economic Committee's decisions on the dispersal of funds to the Financial Committee.

[REDACTED] **JAM Competition for Resources.** If funding becomes scarcer due to a number of factors, JAM elements are likely to turn to domestic sources of funding, to include increased criminal activity as lower level fighters replace salary income with increased criminal activity. The increased competition at the lower levels of JAM would likely reduce the ability of the OMS/JAM senior leadership to control the organization.

- [REDACTED] Reporting indicates that OMS was facing a cash crisis in July 2007 after Mustafa al-Yaqubi, the Iran-based 'paymaster' of the OMS, failed to receive his regular supply of funds.
- [REDACTED] According to late June 2007 reporting, while recent US Military arrests of senior JAM commanders have compounded JAM's fractured state, much of the internal conflict revolved around disputes over JAM revenue-generating sources such as gas stations, bus stops, electrical generation, and propane distribution. *(Due to this loss of senior JAM commanders individual groups were attempting to encroach upon each other's territory and ensue revenue sources.)*
- [REDACTED] CJSOTF-AP reports in mid-Jun 07 JAM financial corruption, misappropriation, and mismanagement of funds has manifested itself in the short payment of monthly stipends to JAM members. JAM's shortage of funds apparently resulted from a lack of oversight of the

[REDACTED]

finance departments which allows extravagant expenditures by leadership while JAM commanders on the ground went into debt to fund operations, pay salaries, and continue humanitarian payments.

- [REDACTED] At the fighter level, JAM members are assessed to join for financial purposes, especially in provinces with high unemployment, such as 65% unemployment in Muthana. In Dhi Qar, JAM is reported to draw its membership from young, unemployed men, who intimidate shopkeepers and some have been assessed to kidnap for profit.
- [REDACTED] In Dhi Qar, JAM was reported in early 2007 to be getting the reputation as thugs rather than an army of devout Shi'ites. According to one report, JAM's targeted violence and acts of harassment are causing resentment and intimidation in the local population in Muthana. In this case, tribal sheiks are reported to threaten action against JAM to create a truce

[REDACTED] **Conclusion: OMS and JAM obtain their funding from a variety of legal and illegal sources in addition to direct support from Iran. Although the dearth of reliable data precludes an accurate estimate of size and structure of the Iraqi sources of Sadrism funding, it represents a large portion of the Sadrism budget. In addition, this money is obtained at the lowest levels of JAM, and thus is not as controlled as the Iranian funding.**

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