Caliphate in Decline:
An Estimate of Islamic State’s Financial Fortunes

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Executive Summary

About this Study

- The so-called Islamic State has often been described as the richest terrorist organization in the world.

- This estimate of Islamic State revenues for the years 2014–2016 results from a collaboration between EY and the International Centre for the Study of Radicalisation (ICSR), King’s College London. It is based on a systematic review of open source information about the finances of Islamic State in its core territory in Syria and Iraq.

Key Findings

- Estimates vary widely. It remains impossible to say exactly how much money Islamic State has at its disposal.

- The group’s most significant sources of revenue are closely tied to its territory. They are: (1) taxes and fees; (2) oil; and (3) looting, confiscations, and fines. We have found no hard evidence that foreign donations continue to be significant. Similarly, revenues from the sale of antiquities and kidnap for ransom, while difficult to quantify, are unlikely to have been major sources of income.

- In the years since 2014, Islamic State’s annual revenue has more than halved: from up to $1.9b in 2014 to a maximum of $870m in 2016. There are no signs yet that the group has created significant new funding streams that would make up for recent losses. With current trends continuing, the Islamic State’s “business model” will soon fail.

Assessment

- Evaluating Islamic State finances through traditional approaches towards “countering terrorist finance” leads to serious misconceptions. Islamic State is fundamentally different because of the large territory it controls and the unique opportunities this offers for generating income.

- Conversely, its reliance on population and territory helps to explain the group’s current financial troubles. According to figures provided by the Global Coalition, by November 2016 Islamic State had lost 62 per cent of its mid-2014 “peak” territory in Iraq, and 30 per cent in Syria. From a revenue perspective, this means fewer people and businesses to tax and less control over natural resources such as oil fields.
Prospects

- There are good reasons to believe that Islamic State revenues will further decline. In particular, capturing Mosul, the Caliphate’s “commercial capital”, will have a significant detrimental effect on Islamic State finances.

- Nevertheless, Islamic State, and its Al-Qaeda in Iraq (AQI) predecessor, have repeatedly demonstrated that financial and military setbacks can be overcome.

- Moreover, the decline in revenues may not have an immediate effect on the group’s ability to carry out terrorist attacks outside its territory. While hurting Islamic State finances puts pressure on the organization and its state-building project, wider efforts will continue to be necessary to ultimately defeat it.
Introduction

The so-called Islamic State (otherwise known as ISIS or ISIL) is often labelled the "richest terrorist organization in the world". The narrative of Islamic State as an aggressively expansive and financially successful insurgency began with its capture of the Iraqi city of Mosul in June 2014. Government agencies, journalists, and analysts have since described it as an organization generating billions of dollars of income from a combination of oil, taxes, antiquities, foreign donations, and looting.

However, much of the publicly available information about Islamic State finances continues to be contradictory and vague, while failing to support many of the grandiose claims that have been made. A careful examination of what is known about Islamic State finances reveals that the group’s loss of territory, coupled with an increasingly effective anti-Islamic State coalition, has severely undermined the group’s finances, leading to a dramatic decline of income. While accurate figures remain difficult to obtain, our estimates indicate that Islamic State’s revenues have been more than halved since its so-called Caliphate came into existence.

The estimate of Islamic State revenues in the years 2014–2016 that is presented in this research note results from a collaboration between EY and the International Centre for the Study of Radicalisation (ICSR), King's College London. It is based on a systematic review of open source information about Islamic State revenues in its core territory of Syria and Iraq.

Our conclusions can be summarised as follows:

- Estimates vary widely. It remains impossible to say exactly how much money Islamic State has at its disposal.

- The group’s most significant sources of revenue are closely tied to its territory. They are: (1) taxes and fees; (2) oil; and (3) looting, confiscations, and fines. We have found no hard evidence that foreign donations continue to be significant. Similarly, revenues from the sale of antiquities and kidnap for ransom, while difficult to quantify, are unlikely to have been major sources of income.

- In the years since 2014, Islamic State’s annual revenue has declined significantly: from up to $1.9b in 2014 to a maximum of $870m in 2016. Although there are signs that the group is increasingly reverting to illicit trade and extortion, it has failed to create new funding streams that would make up for recent losses.

In this research note, we will explain the nature (and limitations) of our data, present our findings, provide tentative explanations, and highlight future developments.

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1 See, for example, Terrence McCoy, "ISIS just stole $425 million Iraqi governor says, and became the ‘world’s richest terrorist group’", The Washington Post. 12 June 2014.
Data

Major barriers exist to collecting reliable estimates on Islamic State finances. The clandestine nature of the organization, combined with its presence in a region known for a thriving black market and lack of paper trails, only compounds the difficulty of acquiring good information. While leaked internal budget documents can be helpful, they often only provide a narrow snapshot of revenue in a particular province or sector within a limited period of time. Sampling errors are persistent problems. For example, journalists or representatives of aid agencies and international institutions may have developed contacts in certain parts of Islamic State but lack access to information from others.

All of these constraints have made the majority of estimates mirror those of the Global Coalition – an association of 68 countries fighting against Islamic State – which themselves are often reflections of the U.S. Department of Treasury’s conclusions. This over-reliance on Global Coalition data has created a consensus with relatively weak foundations, while appearing to contradict alternative assessments.

In putting together this research note, our aim was to collect every publicly available data point on Islamic State finances, and assess them: (1) on their own merits; (2) in relation to similar data points; (3) vis-à-vis existing estimates; and (4) in the context of non-financial information, such as losses (or gains) in territory and population, political and military developments, or changes in organisation and structure.

Our sources include leaked Islamic State documents, congressional testimonies, government reports, media articles, journalistic investigations, think tank studies, as well as interviews with officials and experts.

The results are necessarily imperfect, because they rely on a good deal of triangulation and many assumptions which may not, in all cases, stand the test of time. To reflect this, most of our numbers are presented as ranges.

While no outsider is currently able to provide precise figures, we are highly confident in the overarching trends: the dramatic decline of Islamic State income, and the strong reliance on “intrinsic” – that is, internal – sources of income, especially natural resources, taxes, and looting.

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Types of Revenue

There are six major categories of income that are frequently mentioned in accounts of Islamic State finances:

- **Taxes and fees**: Just like the Syrian and Iraqi governments, Islamic State collects taxes from the population under its control. It also charges fees for certain services, and raises levies on trade passing through its territory.

- **Natural resources**: Islamic State exploits natural resources within its territory, especially oil. Most of the oil is needed for domestic consumption, but some of it seems to be sold and/or smuggled into neighbouring territories.

- **Kidnapping**: Islamic State has engaged in kidnap for ransom. The most high-profile cases have been those of Western journalists, but most of the recent victims have been locals.

- **Antiquities**: Its control of archaeological sites has raised concerns that the group is profiting from the trade in antiquities. There is evidence that Islamic State has issued permits for individuals to loot these objects, and that it charges fees for their transportation.

- **Foreign Donations**: Islamic State is said to receive donations from individuals – and even governments – in the Persian Gulf who sympathise with the group’s objectives or view it as a proxy in their confrontation with Iran and its allies.

- **Looting, confiscations, and fines**: When seizing new territory, Islamic State is known to derive substantial income from looting banks and shops, as well as by confiscating the property of individuals who have fled and/or belong to minorities. It also imposes a wide range of fines.

Having reviewed and carefully assessed hundreds of available data points, our estimate (see Table 1) can be justified as follows:

**Taxes and Fees**

Based on figures for total revenue from zakat (Islamic alms-giving) and sums extrapolated from taxation income in Islamic State’s largest city of Mosul following its capture in the summer of 2014, the group received $300–400m from taxation in 2014. Despite losing territory throughout the year, its tax income increased to $400–800m in 2015, as the group consolidated and exploited its control over major population centers in Iraq. The loss of these cities – alongside key transit points in Syria such as Jarablus – meant that taxation revenue in 2016 decreased to $200–400m.
Natural Resources

For 2014, the revenue from oil was between $150–450m, based on peak earnings estimates ranging from $1–3m a day in the months following the seizure of many Iraqi oil wells during the summer. Their continued exploitation over the course of 2015 resulted in a net increase to $435–550m. However, since the launch of Operation Tidal Wave II in October 2015, which has enabled the Global Coalition to target the entire chain of the oil extraction from the refineries to the tanker trucks, revenues have significantly declined. This, combined with the loss of control of key oil markets in northern Syria and western Iraq, resulted in a much lower estimate of $200–250m for 2016.

Kidnapping

Estimates for 2014 converge on $20–40m. The lack of data points for 2015 make it difficult to generate a credible figure, though it is likely to be lower than the previous year, as most of Islamic State’s international hostages had been released or executed. During 2016, the group generated some revenue from kidnapping and ransoming local populations, including 230 Assyrian Christians who were released in 2016. Most of the figures for that year are between $10–30m.

Antiquities

Estimates according to which antiquities comprise the group’s second largest revenue source seem exaggerated. Rather than trading artifacts, Islamic State is earning money from selling digging permits and charging transit fees. Exactly how much is impossible to say. Most of the data points put the income generated from these activities at the lower end of the group’s revenue streams – and one which is likely to decline further as territorial reversals prevent the group from accessing many sites.

Foreign Donations

There is some evidence that Islamic State’s predecessor received (limited) donations from the Gulf during the 2000’s. It also seems clear that other rebel groups in Syria have received external support from which Islamic State may have benefited directly and indirectly, especially prior to 2013 when it was not yet known as Islamic State. For the 2014–2016 period, however, we could find no hard evidence of such donations or other external income.

Looting, Confiscations, and Fines

As its territory greatly expanded in 2014, the group earned between $500m to $1bn from looting, especially in Mosul, which it fully captured in June of that year. In addition to partial evidence from provincial budget documents, the figures for 2015 and 2016 are derived from a formula combining territorial decline (14% in 2015 and 23% in 2016), population losses based on prewar estimates (4.8% in 2015 and 18.3% in 2016), and a “diminishing rate of confiscation”. Based on the 2014 figure, this provides revenues of $200–300m in 2015 and $110–190m in 2016.
### Table 1: Islamic State Income, 2014–2016

<table>
<thead>
<tr>
<th>Source of Income</th>
<th>2014 (in $m)</th>
<th>2015 (in $m)</th>
<th>2016 (in $m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxes and Fees</td>
<td>300 – 400</td>
<td>400 – 800</td>
<td>200 – 400</td>
</tr>
<tr>
<td>Oil</td>
<td>150 – 450</td>
<td>435 – 550</td>
<td>200 – 250</td>
</tr>
<tr>
<td>Kidnapping</td>
<td>20 – 40</td>
<td>Not known</td>
<td>10 – 30</td>
</tr>
<tr>
<td>Antiquities</td>
<td>Not known</td>
<td>Not known</td>
<td>Not known</td>
</tr>
<tr>
<td>Foreign Donations</td>
<td>Insignificant</td>
<td>Insignificant</td>
<td>Insignificant</td>
</tr>
<tr>
<td>Looting, Confiscations, Fines</td>
<td>500 – 1,000</td>
<td>200 – 350</td>
<td>110 – 190</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>970 – 1,890</strong></td>
<td><strong>1,035 – 1,700</strong></td>
<td><strong>520 – 870</strong></td>
</tr>
</tbody>
</table>
Trends

While most of the figures in our estimates are projections and approximations, and no outsider can say with certainty how much money Islamic State has at its disposal, two important trends can be discerned.

The first is the dramatic decline in Islamic State revenues since it declared a Caliphate in 2014. As Table 1 and Figure 1 show, the group’s overall income decreased by about 50 per cent in just two years, from $970–1,890m in 2014 to $520–870m in 2016.

The second development relates to the group’s sources of funding. All three of its major sources of revenue – taxes, oil, and looting – have declined. This is particularly true for looting and confiscations, which depend on the group’s ability to capture new territory. As Figure 2 shows, while looting and confiscations contributed more than half of the group’s 2014 budget, they made up little more than a fifth in 2016.

Furthermore, although oil and taxes have increased in (relative) importance and were rising for most of 2015, they have started to decline as well, which means that, with current trends continuing, Islamic State’s “business model” will soon fail.
**Figure 1: Islamic State Income, 2014–2016**
*(range averages)*

![Graph showing average estimated revenue (in $m) for different types of income from 2014 to 2016.](image)

- **Taxes, Fees**
- **Oil**
- **Kidnapping**
- **Looting, Confiscations, Fines**
- **Total Revenue**

**Figure 2: Islamic State Income: Significance of Revenue Types**
*(range averages)*

![Pie charts showing the significance of different revenue types in 2014, 2015, and 2016.](image)

- **Taxes, Fees**
- **Oil**
- **Kidnapping**
- **Looting, Confiscations, Fines**
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Assessment

Evaluating Islamic State finances through traditional approaches towards “countering terrorist finance” leads to serious misconceptions. Islamic State is a fundamentally different phenomenon because of the territory it controls and the opportunities this offers for generating income.

Unlike most terrorist groups, Islamic State has a population from which it can collect taxes, and a territory it can exploit – be it by extracting natural resources, seizing property, or looting banks and shops. This means that the group is less reliant than most terrorist groups on foreign donors, charities, or conducting its “business” through the international banking system – the various choke points against which efforts at “countering terrorist finance” have traditionally been directed.

Conversely, though, its reliance on population and territory helps explain the group’s current financial troubles. According to figures provided by the Global Coalition, by November 2016 Islamic State had lost 62 per cent of its mid-2014 “peak” territory in Iraq, and 30 per cent in Syria. From a revenue perspective, this means fewer people and businesses to tax, and less control over natural resources, especially oil fields.

Another consequence is the group’s diminished ability to generate income from looting and confiscations. The group’s “economic model” relies on relentless expansion, providing it with new resources to seize and exploit. Leaked budget statements demonstrate how significant this source of revenue was at the height of the group’s success. Now that the expansion has been stopped and reversed, this source of revenue has largely dried up.

Not least, there are specific actions by the Global Coalition which have significantly impacted the group’s finances. Among the most important were: (1) the Iraqi government’s August 2015 decision to stop paying salaries to government employees in Islamic State-held territories; (2) the launch of Operation Tidal Wave II in October 2015 which allowed for the targeting of key oil infrastructure, transportation systems, and cash depots; and (3) continued efforts to reduce cross-border smuggling with Turkey and Kurdish-controlled areas in Iraq.

In short, Islamic State finances have declined not so much because of specific measures aimed at “countering terrorist finance” but mostly because of the wider political and military campaign to isolate the group and re-take its territory.

Prospects

As the Global Coalition continues its campaign, there are good reasons to believe that Islamic State financial revenues will further diminish. Islamic State’s adversaries have been particularly effective at cutting its oil revenues and retaking important population centres that previously served as tax bases. The potential loss of Mosul, the commercial “capital” of the self-declared Caliphate, may come to be particularly significant. Nevertheless, Islamic State and related groups have repeatedly demonstrated that financial and military setbacks can be overcome.

Islamic State’s immediate predecessor, Al-Qaeda in Iraq (AQI), did not control and exploit a similarly large swathe of territory with its abundant natural resources and large population centres. Yet, according to a New York Times estimate, it was only one of the Iraqi insurgent groups that raised a cumulative total between $70 and $200 million a year from illicit activities, such as smuggling and extortion. Despite these smaller revenues, AQI sustained a potent insurgency against the Iraqi government and its international partners, and represented a significant threat to the international community. In future, Islamic State may revert to this model of fundraising and attempt to increase its involvement in extortion and illicit trade.

Moreover, the decline in revenues may not have an immediate effect on the group’s ability to carry out terrorist attacks outside its territory. Islamic State terrorist operations are often relatively cheap and funded without relying on official grants or support from the group in Syria and Iraq. This is especially true for purely inspired attacks or what Peter Neumann has described as “remote-controlled” operations, which rely on the “mentoring” of lone attackers via personal messenger apps. While hurting Islamic State finances certainly puts pressure on the organization, wider efforts will continue to be necessary in order to ultimately defeat the group.

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Sources


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Shatz, Howard J., and Jacob Shapiro, “Is ISIS Economically and Socially Sustainable?” *CATO Institute*, 18 May 2016.


