# IMPACT OF ILLICIT FINANCIAL FLOWS ON NIGERIA

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## ACRONYMS

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| **AfDB** | **African Development Bank** |
| **AEoI** | **Automatic Exchange of Information** |
| **ANEEJ** | **African Network for Environment and Economic Justice** |
| **ATAF** | **African Tax Administration Forum** |
| **BEPS** | **Base Erosion and Profit Shifting** |
| **CISLAC** | **Civil Society Legislative Advocacy Centre** |
| **EITI** | **Extractive Industries Transparency Initiative** |
| **ESPPIN** | **Enhancing Social Protection in Nigeria** |
| **FACTI** | **Financial Accountability, Transparency and Integrity** |
| **IFF** | **Illicit Financial Flow** |
| **GFI** | **Global Financial Integrity** |
| **ODA** | **Official Development Assistance** |
| **OECD** | **Organization for Economic Cooperation and Development** |
| **OGP** | **Open Government Partnership** |
| **SDG** | **Sustainable Development Goals** |
| **SIP** | **Social Investment Programmes** |
| **StAR** | **Stolen Asset Recovery Initiative** |
| **TUGAR** | **Technical Unit on Governance & Anti-Corruption Reforms** |
| **UNCTAD** | **United Nations Conference on Trade and Development** |
| **UNCAC** | **United Nations Convention Against Corruption** |
| **UNTOC** | **United Nations Convention against Transnational Organized Crime** |

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Rev. David Ugolor

*Executive Director, ANEEJ.*

## Objective of the Research

This research seeks to probe into the trend of Illicit Financial Flows globally and in Nigeria, with a view to understanding the link between addressing the issue of IFFs and eradicating poverty in Nigeria. This is with the aim of deepening general understanding and engagement on the impacts of IFFs in Nigeria, and thus help contribute to debate within government and civil society on the tasks ahead in reversing the trend of IFFs in Nigeria, and by extension, Africa.

## Methodology

This research study relies majorly on secondary data from various works already done at regional and international levels on Illicit financial flows, media reports and literatures on economic development in Nigeria and globally and data from government sources, such as National Bureau of Statistics. The research also relied on primary data through Key Informants Interviews conducted with key informants working on IFFs.

# I
# INTRODUCTION

## 1.1 Abstract

This research is a contribution to the debate and concerns about the issue of Illicit Financial Flows (IFFs), which has to do with developmental economics, not only in Nigeria, but Africa and the developing world. This paper, having reviewed various literatures, has come to the conclusion that Nigeria's development and effort at reducing poverty has been hindered by IFFs, not just through the revenue lost by the state through IFFs, but also by the negative economic effects especially through capital flight, dislocation of economic projections, and rising insecurity. It is the contention of this paper that reversing the trend of IFFs, and recovering lost funds, will go a long way in helping reduce poverty and speed up economic development, not only in Nigeria, but Africa as a whole. This is premised on concrete evidence from various stakeholders and the work already being done by some civil society organisations involved in monitoring the use of recovered looted funds hitherto stashed in foreign jurisdictions.

Finally, this paper makes some recommendations to the national and regional authorities, multilateral organizations and civil societies, including INGOs, on how to address the issue of IFFs.

## 1.2 Background

Issues surrounding Illicit financial flows (IFFs) have become a major theme for the global policy formulators and policy makers. It has become a major economic and developmental issue in the last three decades, but it has gained prominence in international circle in the last ten years (WCO, 2018). Although a very important theme in developmental and international economics, especially in the developing world and in particular Africa, it has not become fruitful in terms of leading to improvement in funding capacity of governments.

Illicit financial flows, according to Transparency International (2014), refers to "the movement of illegally acquired, transferred or spent funds across borders". IFFs therefore involves breaking the law of a country (of origin or destination) in order to move funds across borders (Mbeki, et al, 2015). Therefore, three things are involved in IFFs. The first is the illegality in the source of the fund. Second is the illegality in the transfer/movement of the funds. And the third is the illegality in the acquisition of the fund at the destination end of the loop. IFFs can involve any or all of these.

Also, illicit financial flows are not only about illegality but illicitness of the process. The difference is that, while illegality involves breaking the law (and getting away with it), illicitness may involve not just illegality but also societal disapproval. The financial flow may be legal (possibly due to poor legislation, weak regulatory system, sophistication of the crime and the criminal, lack of cooperation among jurisdictions, etc.) but illicit i.e. adversely affect the economy of the fund origin, and therefore breaches the trust (Eriksson, F., 2017; Mbeki, et al, 2015).

But beyond the nature and character of IFFs is the issue of its impact on economies, especially of Africa and on a larger scale, the developing countries. On a global scale, IFFs is reported by Global Financial Integrity (GFI) to have led to as much as $5.9 trillion lost in the ten-year period between 2005 and 2014 (Maíra Martini, 2014). This focus is important given the enormous resource outlay needed for development in the continent, and the urgency this require. Africa is reported to have lost about $1.3 trillion to IFFs between 1980 and 2009, with an average of $50 billion lost annually. At the same time, FDI flows to Africa in 2008 was US$38 billion (AfDB, 2013), thus making the continent a net exporter of wealth. This is coming at a time when the continent needs about $50 billion annually for infrastructure (AfDB, 2014).

IFFs lost is considered greatest in West Africa, which contributes about 35% of the IFFs in Africa. Nigeria, being the biggest economy in the sub-region is reported to contribute about 79 % of all the IFFs lost in West Africa. In fact, the country accounts for over 75% of all IFFs lost in Africa through crude oil. According to GFI, in 2014 alone, Nigeria's lost revenue (through unpaid levies, taxes, customs duty, etc.) as a result of trade-related IFFs was estimated to be at least $2.2 billion; while IFFs for the year was put at $105.705 billion. The lost revenue constituted 4 % of the total government revenue, and about 14% of Nigeria's trade value.

The interesting thing is that this amount, as humongous as it is, is only a fraction of what the country is losing through IFFs, as it relates only to IFFs lost through trade misinvoicing. IFFs through bribery and corruption, criminal activities, and profit shifting, among others, are not captured in the estimation. A glance through official corruption alone shows how much the country is losing. While Nigeria is reported to have recovered over $2.4 billion from looted funds from abroad from looted funds by Abacha's family, as much as $5 billion is still stashed in foreign jurisdictions as of 2019 (CISLAC, 2019). According to Femi Odekunle (2016), around $3.0 billion (N1.3 trillion) was stolen between 2006 and 2013, a period of 7 years by 50 persons comprising governors, ministers, senior civil servants, businessmen and bankers (quoted from TUGAR, 2017). While all of these may not constitute IFFs due to corruption, at least a part of this stolen wealth would have been carted away to foreign jurisdictions to avoid scrutiny and ensure secrecy.

This scenario gives a glimpse of the extent of IFFs in Nigeria. When this is placed side by side with the existing socio-economic realities on ground, the impact of IFFs is better imagined. Close to half of the country's population, about 100 million, is living in poverty, while the population of those on multidimensional poverty are much more. Also, marginal infrastructural outlay, coupled with underfunded social services like education and healthcare, underscore why the country, nay the continent, cannot take passive look at issues of IFFs.

While understanding that addressing the issue of IFFs is multidimensional in nature, and multinational in scope, thus requiring special focus and international cooperation, the role of national governments, especially in Africa, where such resources are most needed, cannot be overemphasized. Good enough, there is growing global concerns and efforts at addressing the issue of IFFs, even though various interests, not the least economic, political and diplomatic interests still pose some form of obstacle in this direction. Furthermore, the roles of civil society groups, academia and media in digging deeper and leading the voice of the people towards ensuring that political actors take critical steps in reversing the trend of IFFs, which is robbing the poor countries of their opportunities at development, is very crucial.

It is with this background that this paper is published to bring greater focus on the impact of IFFs on Nigeria, especially as it concerns issues of poverty eradication and national development.

### 1.3 Limitations

This paper is limited by the dearth of independent information from Nigerian government sources, especially on data relating to Illicit Financial Flow and its economic impacts. Most figures by Nigerian Government sources relies heavily on estimates by International Non-Governmental organisations and multi-lateral sources[1]

[1] For example During a side event organised by the African Union Development Agency and New Partnership for Africa's Development at the 74th United Nations General Assembly, President Buhari relied on a 2014 Global Financial Integrity Report and other multilateral sources. see-https://nairametrics.com/2019/09/26/illicit-financial-flows-nigeria-lost-157-5-billion-between-2003-and-2012-buhari/

# II

# THEORETICAL BACKGROUND

## 2.1 Illicit financial flows: Definition

Illicit financial flows (IFFs), according to GFI (2011), refers to movement of funds illegally earned, transferred and used, across borders. This definition as simple as it looks, is loaded, and has generated some contentions. From this definition, we can say IFFs has the following characteristics:

1. It involves movement of fund or money (not capital) across borders
2. The fund is illegally earned, used or transferred

The second characteristics means that the fund is illegal either its source, movement or destination, or all the three. But the term illegality, as some argued (Herkenrath, 2014; Eriksson, 2017; OECD, 2013; WCO, 2018), may hide some other features of IFFs. First is the fact that some IFFs may be transferred under seeming legal means but actually illegal because its movement is shrouded in secrecy. In fact, a sizable proportion of IFFs, especially those relating to commercial activities such as trade misinvoicing are done under the legal cover of source jurisdiction or destination jurisdiction. Therefore, illegality of such IFFs will also be known when there is closer examination of transfer of such funds. In this sense, illegality may not fully cover the extent of IFFs, which can be done through legal cover of the source country or destination country.

Secondly, illegality is not exactly the same as illicitness (Mbeki, 2015; Herkenrath, 2014). As noted above, some IFFs are hidden under legal cover, but are illicit. Illicit means both illegal and against societal norms and standards. Therefore, if IFFs was perpetrated using legal cover, but its aim or process leads to unfair treatment of a country or her economy, it will still be termed illicit. Based on this, illegality may not fully cover the illicit nature of IFFs (Herkenrath, 2014; Eriksson, 2017).

Furthermore, IFFs must be distinguished from capital flight. First is the fact that capital flight is related to economic policies of a country (Herkenrath, 2014), while IFFs relates to illegal and unjust movement of funds, for pecuniary or criminal purposes. Capital flight, while it may have negative consequences for the economy of a country just like IFFs, can be carried out legally and legitimately (Herkenrath, 2014; Mbeki et Al, 2015). On the other hand, IFFs, aside being carried out illegally and against society's set standards, may not necessarily be a product of economic policy of a country, and is done with the aim of hiding such funds from public knowledge. However, IFFs can be a tool for capital flight, as it involves movement of funds, albeit illegally, unjustly and secretly, from one jurisdiction to another (Ndikumana and Boyce, 2012).

Nonetheless, the term illegal seems to cover all major aspects of IFFs. Moreover, concealment of funds for any purpose is inherently illegal, even if it is hidden. Therefore, the use of illegal to qualify the nature of IFFs is to a large extent valid. Also, capital flight, while it can be legal, can be used to launder or illicitly transfer funds, while IFFs in itself is a form of capital flight. Irrespective of the various reservations for the definition given by GFI, there is a consensus that it represents and summarizes the character of IFFs. Yet, the various observations noted on the limitations of the definition need to be factored into discourse and practicality of policies aimed at reversing the trend of IFFs.

Illicit financial flows is a serious drain on the resources and economy of the developing countries. While it is true that it affects all countries, the impact on the poor countries is more pronounced and has implications for sustainable and equitable development.

## 2.2 Classification

IFFs manifest in various forms. Still, IFFs can be grouped into three main types, based on the form in which it is carried out:

1. IFFs due to commercial activities (or trade-related or commercial-related IFFs)
2. IFFs due to bribery and corruption (corruption related IFFs)
3. IFFs due to criminal activities (organised crime related IFFs)

### 2.2.1 IFFs due to commercial activities

These are IFFs carried out using trade and commercial activities. They are carried out by business organizations including multinational corporations. They utilize loopholes in the laws, legislations, trade policies and regulations of country of origin to secretly transfer wealth from one country to the other. According to Mbeki (2015):

> "IFFs originating from commercial activities have several purposes, including hiding wealth, evading or aggressively avoiding tax, and dodging customs duties and domestic levies. Some of these activities, especially those linked to taxation, are described from a more technical perspective as "base erosion and profit shifting" especially within the ambit of the OECD. The various means by which IFFs take place in Africa include abusive transfer pricing, trade mispricing, misinvoicing of services and intangibles and using unequal contracts, all for purposes of tax evasion, aggressive tax avoidance and illegal export of foreign exchange." (Mbeki, 2015)

IFFs due to commercial activities include trade misinvoicing, abusive transfer pricing, misinvoicing of services and intangibles and using unequal contracts, "all for purposes of tax evasion, aggressive tax avoidance and illegal export of foreign exchange" (Mbeki, 2015). IFFs due to commercial activities is estimated to contribute to between 60 % and 65 % of all IFFs (Kar and Cartwright-Smith, 2010); although there are country-by-country and regional variations (GFI, 2020).

**a. Trade misinvoicing:** is the biggest contributor to IFFs globally. It involves "the act of misrepresenting the price or quantity of imports or exports in order to hide or accumulate money in other jurisdictions" (Mbeki, 2015). GFI, in its 2020 report, refers to trade misinvoicing as "deliberate manipulation of the value of a trade transaction by falsifying, among others, the price, quantity, quality, and/or country of origin of a good or service by at least one party to the transaction." Trade misinvoicing contributes as much as 80 % to all IFFs due to commercial activities (Herkenrath, 2014). According to GFI (2020), $817.6 billion was lost to trade misinvoicing by developing countries in 2017 alone, while as much as $8.7 trillion was estimated to have been lost to trade misinvoicing in the decade between 2008 and 2017 (GFI, 2020). There are four means in which trade misinvoicing are undertaken. They are: import under-invoicing, import over-invoicing, export under-invoicing and export over-invoicing.

***Import under-invoicing*** is the act of understating the value of imported goods with the aim of avoiding payment of necessary import duties, taxes and tariffs to country of destination. It can also be used for illicit capital transfer. Furthermore, it can be used to circumvent certain regulations of a country over specific imports. As an illustration, if a good cost $10 dollars in the originating country, the importer can reduce the value through exploitation of trade loopholes in the destination country to $5, thus reducing the expected import duties to be paid on the goods. Furthermore, the reduced value can help to hide capital, with the importing country being used as a conduit pipe for the transfer of hidden funds to another country. (WCO, 2018; Kar and Cartwright-Smith 2010; UNCTAD, 2015)

***Export under-invoicing*** is the deliberate underreporting of value of exports, the aim of which is to hide the true value of export so as avoid payment of export taxes. It is also used to hike a company's revenue and profit with the aim of reducing profit and company taxes. This illustratively means that if a good is worth $10, its value can be reduced to $5 or $7. With this, the exporting company will reduce its revenue and by extension, profits, which will mean lower taxes. (WCO, 2018; Kar and Cartwright-Smith 2010; UNCTAD, 2015)

***Import over-invoicing*** is the act of deliberately increasing the value of imported goods into a country. The aim of this is to move funds illegally to another jurisdiction. An illustration of this is If good worth $100 is overvalued during import to $150; meanwhile the importer pays $100 for the good to the exporter. However, the extra value of $50 allows the importer to transfer illicit funds into foreign account. This means that the $50 extra value is a hole deliberately created for the conduit of illicit, secretly held or undeclared funds into foreign accounts. This hole can be used by corrupt officials or business people to transfer looted funds using a company's export account. Also, the extra $50 value can be used to avoid payment of fair taxes to the government by presenting a non-existent $50 as expense or cost. (WCO, 2018; Kar and Cartwright-Smith 2010; UNCTAD, 2015)

***Export over-invoicing*** relates to deliberate act of over pricing the value of exported goods from a country. The aim is to falsely increase the value of export in order to enjoy government's favourable policies for export, such as tax rebate. For instance, If a government's policy to encourage exports gives, say, 50 % tax rebate for exported good, as usually the practice in free trade zones, a company can falsely increase the value of its export from $100 per unit to $150 per unit with the aim of increasing the amount of rebate to get from government. WCO, (2018; Kar and Cartwright-Smith (2010); UNCTAD, (2015)

Generally, trade misinvoicing is a serious drain on the finance and resources of developing countries, especially of regions and countries with natural resources. Moreover, trade misinvoicing can serve as enabler for other aspects of IFFs like money laundering (trade-based money laundering), drug trafficking and bribe and corruption by state officials. On the other hand, trade misinvoicing is also aided by other forms of IFFs like corruption.

**b. Abusive Transfer Pricing**: This is a form of commercial-related IFFs where a transfer price is "manipulated to shift profits from one jurisdiction to another, usually from a higher-tax to a lower-tax jurisdiction" (Mbeki, 2015). Transfer pricing is the pricing of transactions between companies within the same group. These transactions may be loans, intellectual properties, services, other intangibles or even physical goods. This is a normal practice of business. However, when these transactions are abused with the aim of perpetrating tax-base erosion and profit shifting; laundering of funds; etc., they become IFFs. As an illustration, a company, trying to avoid paying tax or reducing its tax obligations can transfer services or intellectual property ownership, or other intangible to a jurisdiction with lower tax rate or lax tax policy or poor trade policies or tax haven, with the aim of increasing profits at the jurisdiction with favourable tax and trade policies. It can also involve loan acquisition from one jurisdiction to another jurisdiction where companies within the group are located. The loan can serve as a means of base erosion and profit shifting, with the debtor company recording the loan as liability, which reduces its earning and profits, and thus reduces its tax base. Payment and servicing of the loan by the debtor company will also be recorded as expenses. However, this can actually be conduit for funds and profit transfer where the supposed loan is actually fictitious, and the creditor company is only serving as receiver of profits from the 'debtor' company.

Abusive transfer pricing can be identified through many means including: 1. Overpricing of services 2. Fictitious nature of loans 3. Incongruity between the size of company issuing loans and company receiving loans, etc. GFI, (2015), (2019) and (2020); Cobham and Janský, (2017); Kar and Cartwright-Smith (2010); UNCTAD, (2020)

**c. Tax Avoidance:** Another form of commercial-related IFFs is Tax Avoidance, which is the deliberate attempt of companies to sidestep tax payment. This is a global phenomenon, with estimates suggesting as much as $100 billion was lost in 2011 in the developing countries to tax avoidance, while between $500 billion and $600 billion is lost annually to corporate tax avoidance UNCTAD, (2015).

### 2.2.2 IFFs due to corruption and bribery

These are IFFs caused by corrupt acts of government and private persons, which involve movement of corruptly gotten funds across borders with the aim of hiding such funds. Corruption-related IFFs are rife across the world but are more pronounced in countries with poor governance structures, struggling economies and natural-resource-oriented economies, especially in the developing world. Corruption generally drains societies of needed fund for public needs and distorts the economy. More than $20 billion is reported by Stolen Asset Recovery (StAR) Initiative to have been stolen and stashed away from developing countries and countries in transition yearly (as at 2007 estimate) (UNCTAD, 2020), while assets worth about $6.5 billion was reported to be owned by 5000 individuals from 41 African countries (Moore, et al, 2018). However, IFFs related to corruption does more harm as it not only deprives the country of needed funds and distort the economic policies, but also lead to capital flight from the country.

Corruption related IFFs are estimated to contribute about 5 % to total IFFs. Yet, corruption is a potent enabler of other forms of IFFs. For instance, trade misinvoicing can easily be carried out with bribing of government officials, or involvement of officials in the process and proceeds of IFFs. Government trade and tax policies can also be tailored towards helping IFFs if government officials are going to be beneficiary of IFFs. Corruption related IFFs are estimated to contribute about 5 % to total IFFs. Yet, corruption is a potent enabler of other forms of IFFs. For instance, trade misinvoicing can easily be carried out with bribing of government officials, or involvement of officials in the process and proceeds of IFFs. Government trade and tax policies can also be tailored towards helping IFFs if government officials are going to be beneficiary of IFFs. A recent of example of this is the P and ID "Wet Gas" Contract case.[2]

The link between official corruption and trade based IFFs seems to be strong. According to a 2011 analysis by Financial Action Task Force (FATF, 2011), it was revealed that out of 32 cases of grand

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[2] See Box 1 below for other cases of IFFs in Africa

corruption reviewed, 28 involved government officials and their family members utilising corporate structures to hide beneficiary of fund transferred. Also, a review of 150 corruption cases by StAR in 2011 showed that all the cases involved using corporate structure to illicitly transfer funds. (Van der Does de Willebois, 2011).

Ironically, while corruption contribute about 5 % to IFFs (Mbeki, 2015; GFI 2017), governments, especially in the developing countries commit more resources to combating corruption and corruption-related IFFs (Kar and Cartwright-Smith, 2010). Huge funds stolen and stashed away in foreign jurisdictions may be staggering, yet they pale in comparison to trade-related or commercial-related IFFs. Nevertheless, with the current awareness, global research and advocacy, it is hoped that there will be more focus to holistically address the IFFs from all fronts.

### 2.2.2 IFFs due to Crime

Another source of IFFs is organised criminal activities. IFFs in this regard is in two ways. Funds are transferred across borders as proceeds of crime, and fund transfer for the purpose of perpetrating crime. Crimes related to IFFs include drug trafficking, human trafficking, terrorism, oil theft and bunkering, cybercrime, kidnapping for ransom, smuggling of migrants, counterfeiting, Maritime piracy, etc. Crime-related IFFs contribute as much as 35 % of all IFFs. Crime-related IFFs not only lead to movement of illicit funds, they also constitute social and political problems, especially in terms of insecurity and erosion of social fabrics of society. For instance, while cocaine trafficking in West Africa is worth more than $3 billion, the social impacts in terms of erosion of social fabrics, violence, etc. cannot be quantified in monetary terms (OECD 2018).

**Box 1**[3]:

[3] Sources: Mbeki, 2015; Jeremiah, 2019; Adesomoju, 2021; OECD, 2018; Nasiru, 2017; Banda and Smith, 2019

**Some examples of IFF loss in Africa include the following:**

1. Malabo Oil block sale in which a lucrative oil block 245 was allocated by a former oil minister under Abacha government to himself at pittance price. The block was resold to a consortium of multinational oil companies at reduced price, albeit brokered by Nigerian government.(The Africa Report, www.theafricareport.com/12999/shell-eni-and-the-nigerian-corruption-quagmire-of-opl-245/amp/)

2. Mobil Oil underpayment of taxes to the Nigerian government to the tune of over $1.9 billion, paying only $600 million, instead of $2.5 billion. (Guardian newspaper, https://m.guardian.ng/saturday-magazine/cover/nigeria-haemorrhaging-from-organised-illicit-financial-flows/)

3. Recent case of P, I & D gas processing contracts, in which, Nigeria entered into a non-implementable gas processing project. The company then used the inability of Nigeria to fulfill the odious contract, to demand for damage worth over $9.6 billion. Interestingly, it was later found out that the company is a shell company with no traceable history of involvement in gas processing (www.stearsng.com/article/nigeria-and-pid-the-story-behind-the-96-billion-judgement)

4. Undervaluing of iron ore mining in Guinea to the tune of billions of dollars. While a mining with a potential value of $140 billion was awarded for $160 million in 2007. The government later cancelled the concession and re-awarded it for $20 billion, after it was discovered that the company that won the initial concession sold half of the mining right for $2.5 billion. (Mbeki, 2015)

5. In South Africa, a multinational company avoided paying over $2 billion taxes, by transferring the headquarters of the company to Britain and Switzerland, which had scanty operation, but help to transfer profits to the two countries, which had favourable tax policy. (Mbeki, 2015)

6. Ghana reportedly lost $5.8 million to SIM Box fraud, a form of fraud perpetrated by Telecommunication Company, for money laundering and illicit capital flight. (Mbeki, 2015)

The most dangerous trend is when the judiciary is involved in this. Recently, Nigeria recovered over £4.2 million from stolen funds stashed in United Kingdom by a former governor, James Ibori with another £100 million expected (BBC News, www.bbc.com/news/world-africa-56333255.amp). Interestingly, while the British court found the governor guilty, a Nigerian court had earlier acquitted him of the same crime (Next newspaper, (web.archive.org) http://234next.com/csp/cms/sites/Next/News/National/5498438-146/story.csp).

# III

# ANALYSING IFFs: EXTENT AND IMPACTS

### 3.1 IFFs and Africa's Development

Africa is a case study of the terrible effect of IFFs on development. While sub-Saharan Africa constitute less than 3 % of global trade, it accounts for as much as 6 to 7 % of global IFFs. Given that a great number of African economies depend on natural resources, it is expected that the issue of IFFs will be extremely relevant to the region, as natural resources exploitation is a major source of IFFs. Between 1980 and 2018, Africa has lost $1.3 trillion to IFFs related to trade (Signe, et al, 2020). In fact, according to Mbeki (2015), Africa loses estimated $50 billion to Illicit financial flows annually. In terms of impact on trade, IFFs in Africa represents 17.8 % of the continent's trade in the decade between 2008 and 2017 (GFI, 2020). According to UNCTAD (2020), the annual average of total IFFs lost since 2010 stand at $88.9 billion. While the continent owes $770 billion as at 2018, the IFFs in the decade between 2008 and 2015 was $836 billion; meaning that Africa is a net creditor to the world (UNCTAD, 2020). Moreover, average annual Official Development Assistance (ODA) to Africa between 2013 and 2015 is actually about half of IFFs lost annually within the same period. Generally, the trend of IFFs in Africa has been increasing significantly, and this calls for greater concerns. IFFs in the ten-year periods of 1970s, 1980s, 1990s, 2000-2009, and 2010-2018 are: $57.29 billion, $203.86 billion, $155.74 billion, $437.17 billion and $889.0 billion respectively. Safe for the 1990s, IFFs has been increasing exponentially.

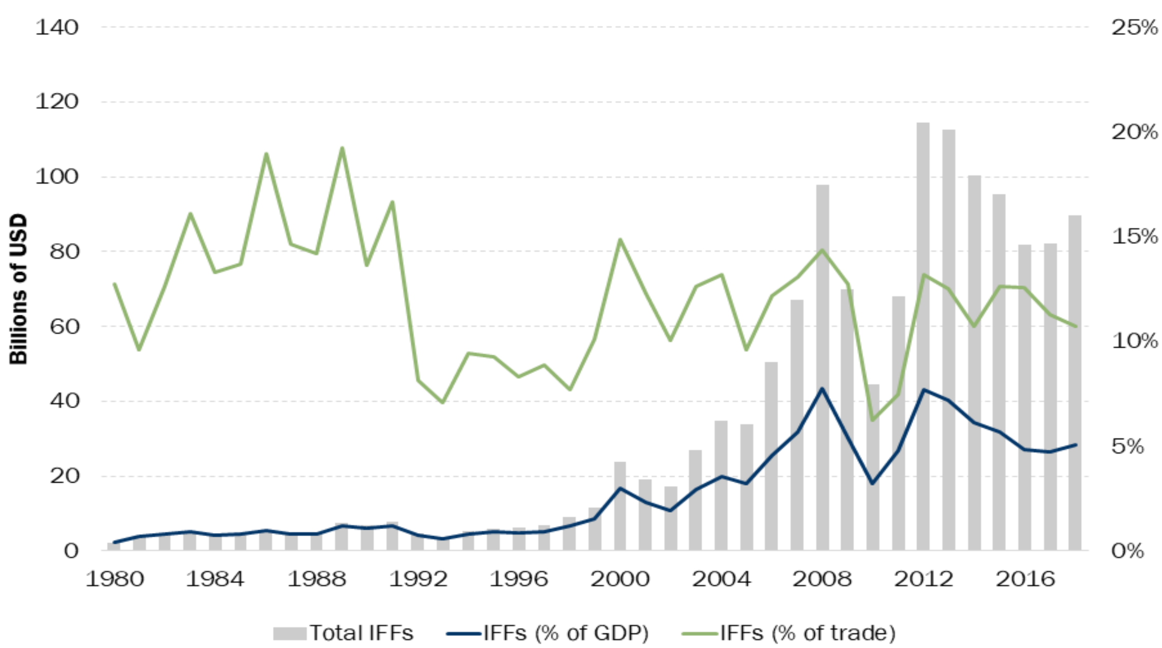


***Figure 1: Pattern of IFF in Africa in relation to GDP and Trade Sourced from (Signe, 2020)***

***IFF = Illicit Financial Flow GDP = Gross Domestic Product % = Percentage***

But the impact of IFFs in Africa is better understood when viewed from developmental and human capital standpoints. While Africa's infrastructure need would require at least $30 billion in additional annual funding (AfDB, 2014), the continent is losing average of $88.9 billion to IFFs yearly since 2010. This amount would provide about half of funding gap, estimated at about $200 billion, to actualize Sustainable Development Goals (SDG) in Africa part of which is ending extreme poverty and illiteracy (Charlier, 2021). Indeed, the IFFs lost between 2010 and 2016, worth about $1 trillion will provide about half of the $2.4 trillion needed for climate change sustainable mitigation in the continent.

Currently, Africa is home to over 433 million extreme poor: 40 % of the population, and two third of world's extreme poor (Schoch and Ladner, 2020). By investing in infrastructure and human capital development, this number can be greatly reduced within a short time. Ending IFFs and repatriating revenue lost through it can provide needed funds for these tasks. According to Mbeki Panel estimate, it would have taken 13 lesser years to achieve MDG on reducing under-5 child mortality, if IFFs was eliminated.

Addressing the issue of IFFs require holistic approach. For instance, widespread corrupt acts in the continent are a major enabler of IFFs. According to Mbeki Panel (2015), trade-related IFFs contribute between 60 and 65 % to IFFs in Africa, while corruption and organised crime contribute 5 % and 30-35 %. However, corruption contribute more as enabler of other forms of IFFs. Public officials tailor state policies to suite their private business interests or those of their partners, with a view of benefitting from this. By overlooking proper enforcement of rule, laws and regulations guiding trade and financial Flow, state officials allow huge capital outflow from the continent. Moreover, public officials collude with corporate organizations to ensure an unequal contract that put the country at the receiving end of IFFs.

Furthermore, corruption also aid organised crime and crime-related IFFs, as some of the institutions that should ensure a crime free society have been weakened due to pervasive corruption by officials and politics. Movement of drugs and illegal arms are partly a product of weak institution and corruption. The vicious cycle of this is that while corruption aids organised crimes and crime-related IFFs, on the other hand, crime weakens the society and make it difficult for the state to function properly, as resources and political capital that should have been committed to preventing crimes, would now be used to fight entrenched organised, thus allowing other forms of IFFs, especially trade-related IFFs and tax avoidance to go unchecked and unchallenged.

| Group | Total IFFs | | | | |
|---|---|---|---|---|---|
| | 1970s | 1980s | 1990s | 2000-2008 | 1970-2008 |
| **Africa** | **57,291** | **203,859** | **155,740** | **437,171** | **854,061** |
| North Africa | 19,161 | 72,020 | 59,813 | 78,742 | 229,737 |
| Sub-Saharan | 38,130 | 131,839 | 95,927 | 358,429 | 624,324 |
| Horn of Africa | 2,354 | 14,131 | 5,108 | 15,603 | 37,197 |
| Great Lakes | 6,925 | 16,079 | 4,978 | 10,285 | 38,267 |
| Southern | 5,894 | 20,581 | 31,447 | 116,828 | 174,751 |
| West and Central | 22,956 | 81,047 | 54,394 | 215,712 | 374,109 |
| Fuel-exporters | 20,105 | 67,685 | 48,157 | 218,970 | 354,917 |
| Nonfuel-exporters | 7,867 | 26,517 | 22,375 | 23,342 | 80,102 |

***Figure 2: Changes to IFFs in Africa between 1970 and 2008 … Extracted from Kar and Cartwright-Smith, 2010***

All of these underscores the fact that addressing IFFs will require holistic action, starting with a functional institution and good governance.

### 3.2 Nigeria and IFFs

Nigeria presents a classic case of the terrible impact of IFFs. Nigeria is among the 30 countries leading in IFFs, and tops the list in Africa (GFI, 2018; Mbeki, et al, 2015). This is not unexpected given the fact that the country is the 8th oil exporter and has the 7th largest gas reserve in the world. Meanwhile, natural resources and commodity exporters account for largest share of IFFs, especially in Africa where they contribute as much as 60 % of all IFFs. Nigeria lost over $217.7 billion to IFFs between 1970 and 2008, which represent 30.8 % of all IFFs in Africa and 79 % in West Africa, within this period (Mbeki, et al, 2015). Also, in the period between 2000 and 2014, Nigeria lost as much as $140 billion was lost to IFFs[4]. Given Nigeria's economic status and its huge oil resources, which is shrouded in secrecy, it is not strange that the country is among the top 30 of the world's IFFs emitters.

Nigeria's oil and gas sector represents a major source of IFFs in the country, as it represents 92.9 % of all IFFs in Nigeria. Indeed, Nigeria's share of oil-sector-based IFFs in Africa is 34.5 % for the period between 2000 and 2010. However, IFFs in Nigeria is not and oil sector affair alone. Nigeria contributes 22.3 % of IFFs from cocoa sector in Africa (Mbeki, et al, 2015). According to a Guardian report, "While the petroleum industry earned $276.642b (N84.6tn) in the last five

[4] Odewale, Taiye (2020, July 2). Senate: Nigeria lost $140bn to illicit financial flows in 14 years. Blueprint newspaper. Retrieved on 16 March, 2021 from https://www.blueprint.ng/senate-nigeria-lost-140bn-to-illicit-financial-flows-in-14-years/

years, only N8.41tn of the sum was spent on budget from 2013 to 2017. The nation's total budget within the period under review was N28.147tn"[5].

In terms of revenue loss, Nigeria was reported to have lost as much as $2.2 billion to trade-related IFFs in 2014 alone (GFI, 2018). This is a huge amount that is almost equal to what Nigeria recovered from the Abacha loot ($2.4 billion) in close to 20 years. Better put, this amount is about seven times the $322 million (about N100 billion) recovered from Abacha loot in 2017 (CISLAC, 2019), which is being used for social safety net for the millions of poor Nigerians by the government. The $2.2 billion revenue loss represents about 14 % of trade-related IFFs in 2014 ($15.704 billion)[6]. If this percentage, which represents revenue loss through taxes, levies, duties and tariffs, is applied to trade-related IFFs between 2000 and 2014, it means the country must have lost $19.6 billion (about N7.4 trillion). This is almost 5 times the $5 billion yet to be repatriated to Nigeria from foreign jurisdictions, according to Stolen Asset Recovery (StAR) Initiative, a World Bank/UNODC initiative (CISLAC, 2019).

The impact of IFFs on Nigeria's social economic situations is huge. For instance, Nigeria has more than 83 millions of its citizens, about 40 % living in extreme poverty of less than $1.9/day[7] as per 2019 estimate, while the number of unemployed Nigerians has reached 23.2 million (33.3 %) in fourth quarter, 2020 as against 21.77 million in the second quarter[8]. Mobilising resources being lost through IFFs can provide the needed funds to improve the economy by ensuring more employment generating investments are made, while government's revenue will increase significantly, which can be useful for funding social services like education and healthcare and infrastructures. According to the Mbeki Panel report (2015), it would have only taken about 10 years between 2000 and 2011 to meet the MDG goal of reducing child mortality to 77 from 186 per 100,000 if IFFs were eliminated, as against 28 years it would take on the basis of current arrangement (Mbeki, et al, 2015).

Reforming the oil sector, which currently account for about 93 % of the total trade-related IFFs in Nigeria is very important in this regard.

### 3.3 Reversing IFFs and Eradicating Poverty

As noted above, IFFs contribute significantly to revenue loss, and capital flight. These two are important contributory factors to underdevelopment and stunted growth. As noted by Mbeki

[5] Jeremiah, Kingsley (2019, June 9). Nigeria, haemorrhaging from organised illicit financial flows. Guardian newspaper. Accessed, 16 March, 2021 from www.guardian.ng.

[6] Adesomoju, Ade (2021, January 5). $15.7 billion Annual Loss: Bleeding festers as COVID-19 cuts anti-graft war budgets. Premium Times Special Report. Accessed, 15 March, 2021 from www.premiumrimesng.com

[7] Akwagyram, Alexis (2020, May 4). Forty % of Nigerians live in poverty: stats office. Reuter, Accessed 15 May, 2021 from www.reuters.com

[8] Adegboyega, Ayodedeji (2021, March 17). Nigeria's unemployment rate rises to 33.3% - highest in over 13 years. Premium Times. Accessed 17 March, 2021 from www.premiumtimesng.com

Panel (2015), a central aim of IFFs is to hide wealth with a view to avoid payment of taxes and customs, engage in unfair trade and hide illicitly gotten wealth. Therefore, the result of IFFs is to deny a country of its fair share of revenue, move capital away from a jurisdiction where the capital is made, thus denying the country of necessary investments that will aid development and help generate jobs.

Moreover, IFFs through corruption and bribery meant that public resources that should be used for public good will not be available. This will generate immediate and long-term effect. For instance, it took Nigeria close to twenty years to recover over $2.4 billion Abacha loot[9], and many wasted funds, including foreign jurisdiction levies, recovery agents' fees, etc. Most of the recovered stolen funds do not include interests that have accrued to it or only represent a fraction of what could have accrued to the stolen funds, yet the government will pay huge some to recover the funds. For instance, only $1.5 million was added to second Abacha recovered loot worth $322.5 million, representing only 0.46 percent. At the same time, Nigeria paid, as much as 4 percent of the $2.4 billion recovered loot, amounting to $96 million, to the agent who helped to recover the funds[10]. Also, the long-term impact in terms of absent infrastructure, unavailable social services and denied opportunities, which the stolen funds generate, cannot be quantified.

Furthermore, the value lost through the stashing of the funds in foreign jurisdiction is also huge. For instance, the value of $2.4 billion dollars in 1998 or 1999 cannot be compared with its value twenty years after. While in 1999, $2.4 billion will translate to 228 billion naira at an exchange rate of 95 naira to one US dollar; the same $2.4 billion will amount to over 878 billion naira as at January 2021; all other economic indices remaining constant[11]. All of this, among others show the long-term impact of IFFs on well-being of a country and its people.

Additionally, proceeds of organised crimes like illegal arms trade, drug and human trafficking, not only incentivize organised crime, but also worsen insecurity in the country involved. For instance, there has been concerns, over the high sophistication of arms used by insurgents and terrorists in Nigeria, who have made the Northeast and partly the northwest part of Nigeria hardly governable. Obviously, these arms are gotten through illegal means that use IFFs as a tool. In November, 2020, six Nigerians were sentenced to various terms by an Appeal Court in United Arab Emirates over funding of terrorism in Nigeria[12], while according to Daily Trust newspaper[13],

[9] BBC (2021, January 28). Sani Abacha: the hunt for the billions stolen by Nigeria's ex-leader. Retrieved 13 March, 2021 www.bbc.co.uk.

[10] ibid.

[11] Exchange rate calculation gotten from trading economics, www.tradingeconomics.com

[12] Six Nigerians sentenced for funding Boko Haram Terrorist Group (2020, November 10). Voice of America (VOA) News. Retrieved April 23, 2021 from www.voanews.com/africa/6-nigerians-sentenced-funding-boko-haram-terrorist-group?amp

[13] AbdulAziz, A. (2021, April 19). Terrorism financing: Dozens arrested in nationwide crackdown. Retrieved April 23, 2021 from https://dailytrust.com/terrorism-financing-dozens-arrested-in-nationwide-crackdown

security agencies and the CBN have discovered hundreds of funders of Boko Haram in Nigeria. According to the very recent report, the funders use sale of mineral resources and bureaux de change to transfer money for funding terrorism. While this is still at the level of investigation, it clearly shows how illicit flow of funds incentivizes and encourages crimes and terrorism. Failure of state to meet development, infrastructure and social needs of its citizens also contribute to the worsening of insecurity in the society, as idle youths and impoverished people look for means, either legal or illegal, to eke a living. Insecurity, as is well noted in several literatures, engenders poverty and underdevelopment, among other social and economic impacts. Therefore, the negative impact of IFFs cannot be quantified in monetary terms alone.

While decision of government to tie recovered stolen funds to specific projects like infrastructure and poverty eradication, there must be additional efforts to monitor these projects to ensure that the money is not lost again in transit. This require not only strengthening of institutions involved in implementation and monitoring, but also engaging the citizens and civil societies towards ensuring that these institutions carry out their roles.

### 3.4 Implementation of Social Investment Programmes and Constitutional Limitations

One of the cardinal aims of ending IFFs in Nigeria and Africa is to improve the living conditions of the people. However, there is also the need to discuss what the government will use resources released by ending IFFs for, if such funds are not to be stolen and looted. There is the need to have institutional framework and structures to ensure judicious use of recovered and saved funds. In Nigeria's context, the Nigerian constitution provide adequate leeway for government to implement social programmes for the benefits of the citizens. This is in addition to plethora of state organs that can ensure effective implementation of these social programmes.

Chapter 2 Sections 16 to 18 of the Nigerian constitution highlight the various directions of state policies and programmes the government must undertake, while also directing the legislature to constantly review implementation of these specific policies and programmes. However, the same constitution makes these lofty programmes and policies that can advance social safety nets and protections, not justiciable. This means that the government cannot be sued if it fails to implement these programmes and policies guaranteed by the constitution. This is like taking with left hand, what is given with the right hand.

The constitution therefore leaves the initiative to implement far reaching social protection and investment programmes to the whims of the politicians and policy makers. This can provide an excuse for politicians and policy makers to shirk their responsibility to the citizens and misdirect the resources of the country to other ends, aside public good.

It is thus not accidental that many of the social investment programmes of the governments have been piecemeal and, in many cases, haphazard. Agreed that there has been some progress in terms of scope and reach of governments' social investment programmes. For instance, the Federal government, in the last five years, has implemented various social investment programmes both in large scale and pilot schemes. These include: Nigeria Youth Empowerment Scheme (N-Power), Nigeria Home-Grown School Feeding Programme, Government Enterprise Empowerment Programme (GEEP), Conditional Cash Transfer etc. According to the government, over 12 million Nigerians have benefited from the Social Investment Programmes of the government, "with over $1 billion earmarked annually to cause positive change in the lives of the poorest and most vulnerable in the country"[14]. However, review of the programme has revealed some challenges. For instance, according to a third-party monitoring review conducted by ActionAid, many challenges were identified with the programme. In Edo State for example, the report observed non-payment of allowances, lack of training for N-health beneficiaries, etc.[15] Furthermore, at a town hall meeting organised by ANEEJ with nongovernmental organizations in Bayelsa State and the staff and beneficiaries of SIP to review the programme, an official of the NSIP in Bayelsa State, Mrs. Tonbara Kenigbolo alleged that contractors flee with funds for the project in states like Bayelsa, Akwa Ibom, Abia and Zamfara.[16] All of these show that, while stopping financial heamorrhage through IFF can help to release funds for social programmes and lift millions out of poverty, there is the need to properly monitor and follow up on the money released for projects. This is where the roles of the civil society come in.

Nonetheless, there is still that overarching need to have a constitutional backing and legislations to institutionalize social investment programmes and policies.

### 3.5 Global Efforts at Fighting IFFs

There are growing concerns about the impact of IFFs globally. This has generated increasing efforts towards curbing illicit fund transfer. These efforts have yielded some positive results in, especially fighting organised crimes, illicit fund movement and terrorism. There are also increasing efforts in support of great tax administration, especially through capacity building and technology support. Also, greater efforts are being taken towards recovery of stolen funds especially from Africa. Some of these efforts have yield positive results and help developing countries, especially in Africa, improve their monitoring systems.

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[14] Bello, Bashir. (2021, January 4). Social Investment Programme: Over 12 million households benefitted from project in last 5 years - FG. Vanguard newspaper. Retrieved on April 26, 2021 from www.vanguardngr.com/2021/01/social-investment-ptogramme-over-12-million-households-benefitted-from-project-in-last-5yrs-fg/amp/

[15] ActionAid. (2018). National Social Investment Programmes (NSIP) 2018 Third Party Monitoring Report.

[16] Utebor, Simon. (2020). Contractors absconded with Bayelsa, Akwa Ibom, others social investment funds. The Nation newspaper. Retrieved on April, 27, 2021 from www.thenationonlineng.net/contractor-absconded-with-bayelsa-akwa-ibom-others-social-investment-funds/amp/

Summarizing various literatures, some of the institutional initiatives and structures put in place to address the issue of IFFs include the following:

a. Stolen Asset Recovery (StAR) Initiative initiated by the World Bank and UNODC
b. The Global Forum for Transparency and Exchange of Information for Tax Purposes (initiated by OECD)
c. The Multilateral Convention on Mutual Cooperation in Tax Matters (initiated by OECD)
d. The Extractive Industries Transparency Initiative (EITI)
e. Base Erosion and Profit Shifting Project (initiated by OECD + G20)
f. Sections 1502 and 1504 of the Dodd Frank Act (US Regulation)
g. The Foreign Account Tax Compliance Act (US Regulation)
h. Automatic Exchange of Information (initiated by OECD, G20, G8)
i. Anti-Bribery Convention (initiated by OECD)
j. Public Registry (initiated by UK)
k. United Nations Convention Against Corruption (initiated by UNCAC)
l. The Recommendations of the Financial Action Task Force
m. Open Government Partnership
n. United Nations Tax Committee (UN)
o. African Tax Administration Forum (ATAF) (initiated by AU)
p. AU High Level Panel on Illicit financial flows (the Mbeki Panel) (initiated by AU and ECA)
q. United Nations Convention Against Transnational Organized Crime (UNTOC)
r. African Union Convention on Preventing and Combatting Corruption
s. High Level Panel on international financial accountability, transparency and integrity (FACTI) (UN)

While some of these initiatives and efforts are sweeping in their power and capacity, there is none that is specifically focused on addressing the issue of illicit financial flows, except those that have no enforcement or binding power like the AU/ECA Panel. Therefore, there must a global consensus on the nature, extent and concepts of illicit financial flows, with a view to taking a concrete global task force to addressing it in all its ramifications. Such taskforce will provide national governments, especially in the developing countries, with support and encouragement to take up multinational corporations. It will also help to build capacity. Such effort can begin at the regional level which can push other multilateral organizations and global bodies to take specific actions. Given the work and efforts of AU/ECA High Level Panel, it is expected that African Union (AU) and African government will take practical efforts towards taking the next bold step in frontally fighting IFFs by building on existing joint efforts. One of the important actions that must be taken is building the capacity of civil societies to raise regional and global advocacy and red alerts on issues around IFFs.

# IV

# CONCLUSION AND RECOMMENDATIONS

## 4.0 Conclusion

Flowing from the analysis above, it is believed that Illicit financial flows (IFFs) is a serious impediment to development and poverty eradication in Nigeria and Africa. Furthermore, while there has been increase searchlight on IFFs internationally in recent years, especially in the last decade, analyses and data from various sources have shown that IFFs has been in existence in close to five decades, with the period since year 2000 witnessing the greatest outflow. It is also observed that IFFs increased with increase in trade among countries.

While Africa's share of the global capital outflow through IFFs constitute less than 10 % of the global value, the impact of this amount is gross in the continent than other region, as Africa contributes less than 3 % to global trade, but constitute as much as 7 % of global IFFs. Therefore, while Africa may have a smaller share of global IFFs, it is more affected than other regions, given the fact that Africa's share of global IFFs in %age is more than its contribution to global trade.

Moreover, Africa revenue loss through IFFs is significant for its development and poverty eradication. While resources rich countries are most affected by IFFs, as the mineral and extractive industry constitute a major source of capital, we cannot overlook other sectors like telecommunication and high technical sectors, as noted in the case studies from Mbeki report (2015). In addition, inasmuch as it is generally agreed that IFFs through commercial activities (trade misinvoicing) constitute a largest source of IFFs, in Africa, the role of official corruption and bribery cannot be downplayed. Moreover, there is a connection of some of these sources, as money stolen through official corruption can be laundered through businesses and trade activities.

In Nigeria, while focus of successive government has been on fighting corruption, the revenue loss through IFFs again underscores the need for government to review its policies as per corruption, trade, customs and tax, with a view to deepening understanding and knowledge of government agencies towards addressing the issue of IFFs, especially through trade misinvoicing. As noted earlier, over $2.4 billion (2.29% of total trade value) was lost in revenue due to trade misinvoicing alone in 2014, based on total IFFs of $ 15.8 billion. This means trade misinvoicing alone constitute 15 % of total trade value of $104.5 billion in 2014, while revenue loss through trade misinvoicing is about 15 % of the total IFFs through trade misinvoicing alone. If this %age revenue loss is applied to total IFFs lost through trade misinvoicing between 2000 and 2014, estimated at $140 billion by Nigerian Senate, it means as much as $21 billion (N8 trillion) has been lost revenue through misinvoicing alone in this period.

### 4.2 Recommendations

Flowing from the analysis above and the FGDs, the following are recommendations for Nigerian government, civil societies, multilateral organizations and donor agencies, in effecting positive actions towards ending Illicit financial flows, and recovering, as much as possible, lost revenue to government, in order to mobilised needed funds for eradication of poverty and engendering development, especially towards the realization of the Sustainable Development Goals (SDGs):

#### 4.2.1 Civil Societies

1. Civil Societies in Nigeria must take the issue of IFFs into the front burner of public and policy debate as it is important for resource mobilization for development and poverty eradication.

2. While some of the Civil Societies are doing great work on issues around IFFs, these efforts need to be deepened. For instance, the level of localized research work on the extent, dimension and impact of IFFs in Nigeria is still low. Civil Societies need to fill this gap. There is need to have a regular update in form of annual reports and tracker on IFFs and various issues around it locally. While this may require resources and expertise, partnership among civil societies, with government and donor agencies can help in this regard.

3. In addition to this is the importance of increasing public awareness on the issue of IFFs which will bring all stakeholders to the discussion table.

4. Civil Societies in Nigeria must also lend their voices to global campaign against IFFs and its negative consequences for Africa, and Nigeria in particular. This can be done through partnership with multilateral organizations, international NGOs, etc. towards participating in international campaigns and local advocacy against IFFs.

5. Civil Societies must also independently monitor the use of recovered stolen funds in Nigeria and with a tracker on project implemented with the funds and how they are benefiting the people or help reduce poverty.

6. Civil Societies must also champion the campaign for effective legislations on Illicit Financial Flows. There is need to put more pressure on government to institutionalize structures and laws specifically addressing illicit financial flow and capital flight. This can start with the Proceed of Crime Act (POCA) already passed by the national assembly. While ANEEJ, and some other civil societies have taken good steps in this direction, there is need for follow up especially on the effective legislation and application of legislations.

### 4.2.2 Nigerian Government

1. The authorities in Nigeria must build the capacity of relevant government agencies like the Nigerian Customs, security agencies, Central Bank, tax agencies, etc. towards understanding issues around IFFs.

2. There is the need to also create synergy, possibly through inter-ministerial bodies to look at how the issue of IFFs can be addressed, and how lost revenue can be recovered, where necessary.

3. There is the need to review government laws and make necessary arrangements to capture the changing nature of IFFs. The government must partner with the national assembly towards effecting vital legislations that will address the loss of capital and revenue through IFFs. This must be backed up with adequate budgetary provision for agencies involved in revenue collection and trade monitoring, especially in terms of capacity building and technology.

4. Government need to review its trade policies especially as pertaining to tax incentives, with a view to ending unfavorable trade acts which are encouraging IFFs. Government must also ensure closer scrutiny and monitoring of the multinational companies, especially those operating in the oil and gas sector.

5. Government must also improve the capacity of the anti-graft and law enforcement agencies, and judiciary, and ensure their Independence, so as to be able to function properly. Relevant legislations such as Proceed of Corruption Act (POCA) must be given priority.

6. While the government is cooperating with foreign governments towards recovery of stolen funds, the government should go extra mile by being proactive, rather than reactive, in recovering looted public funds, proceeds of crime and corruption, and lost revenue through IFFs. The effort made by the Nigerian government at the beginning of current rule that led to recovery of more than $2.4 billion from Abacha family's loots, should serve as a worthy example to follow. Of course, the challenges, vis-a-vis lack of cooperation from other governments and sluggishness in the process of recovery, may be discouraging. However, the current global efforts and focus on IFFs should make this process much easier now.

7. Nigerian government must also play active role internationally on the issue of IFFs. This is necessary given the fact that Nigeria is one of the biggest losers of revenue and capital through IFFs in Africa. Therefore, the country must explore all avenues internationally towards ensuring fairer trade and faster actions towards ending IFFs and recovering looted and lost funds.

8. The current efforts towards tying recovered stolen funds, especially from foreign jurisdiction, to specific projects is commendable, but must be institutionalized. While the National Sovereign Investment Agency is managing some of the funds, this seems more like an ad hoc approach. Government can go a step further by ensuring that specific legislations are made to make this an

organised and legally backed arrangement. The POCA bill, which has been passed into law by the national assembly, must be quickly accented to by the president and put to effective use. Government must ensure that it does not become another toothless law, by providing necessary and proper structure for it to function. More important is the need to have institutional synergy to effect the law when passed.

9. This is need for the government to concretely involved civil societies in the processes and campaign towards stopping IFFs and recovering stolen funds and lost revenue. Moreover, civil societies should be partnered with by the government with a view to independently monitoring the usage of recovered funds, and the process of recovery of funds. The MANTRA project, which allows civil societies to monitor the poverty reduction projects which the government committed the over $322 million recovered from Abacha's loot in 2017 is commendable. However, this is just a single effort. There is need to have a more robust, comprehensive and institutionalized approach to this effort.

**4.2.3 Multilateral organizations, Donor Agencies and developed countries**

1. There is also the need to address various international concerns about how various corporate structures are being used to allow IFFs; which include:

  i. Open disclosure of beneficial ownership of corporate organizations, through a public register.

  ii. Making asset recovery much easier for developing countries

  iii. Help developing countries in building identification system and collaborate with them to prevent tax evasion.

  iv. Introducing specific legal frameworks that frontally address the issue of IFFs.

  v. Ensuring a collaborative effort that will ensure a country-by-country disclosure of bank assets.

  vi. African countries, with capacity support from multilateral organizations, must include IFFs and its component parts in the various regional anti-graft, anti-money laundering laws, conventions and policies

  vii. Multilateral organizations and global agencies must provide further guidelines and enforcement policies on existing guidelines.

2. Given the consensus on the negative impact of IFFs on Africa, it is important that multilateral organizations step up their efforts towards building capacities of African governments for them to be able to take advantage of global efforts towards ending IFFs. These efforts can come in form of goal-specific training for agencies involved in the issue of IFFs, providing necessary expertise and information to government and government agencies, and supporting government with available technologies to be able monitor trade.

3. Donor agencies need to also help in the area of building capacity of Nigeria's civil societies in the areas of advocacy, research and fund monitoring.

Some of these efforts are already being undertaken by multilateral organizations and donor agencies, but more is still needed to be done.

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