

REDUCING ILLICIT FINANCIAL AND ARMS FLOWS TO ACHIEVE TARGET 16.4 OF THE SUSTAINABLE DEVELOPMENT GOALS: PERSPECTIVES FROM NIGERIA AND THE WEST AFRICAN SUBREGION

Introduction

Illicit financial and arms flows has become a major driver of growing insecurity concerns across the world while fueling insurgency, terrorism, human trafficking, organized crime, internal insurrections and civil wars among other destabilizing trends thus posing an obstacle to the sustenance of global peace and security. It is also important to note that some parts of Africa are also not spared of this trend, like the Sahel Region, Somalia, Kenya and the Lake Chad Region. Have all experienced the devastating impacts of illicit financial and arms flow that supports the activities of violent extremist groups such as Al-Qaida in the Maghreb (AQIM), Al- Shabaab, Boko Haram Terrorist (BHT) and the Islamic State of West Africa Province.

Currently, the countries of the Lake Chad Region comprising Nigeria, republic of Chad, Niger and Cameroun are battling with increased terrorism, armed banditry, economic based conflicts between sedentary farmers and pastoralist, impact of climate change, secessionists agitations in Nigeria and the resurgence of increased piracy and youth restiveness especially in the Niger Delta and as well in some parts of the Gulf of Guinea raises security concerns¹. At the centre of these complex regional and national security and development threats lies illicit financial and arms flows as a major catalyst that has emboldened insecurities and organised crime. This huge funds availability have continued to fuel several extremists' activities, transnational criminal movements which invariably places many nations at war with terrorist organisations.

¹ SB Morgan, (2020). *Report on small arms, mass atrocities and migration in Nigeria*, April, 2020.

The continuing violence and conflict in these areas are attributed majorly to illicit financial flows and proliferation of arms across national borders in Africa and Sahel region in the last decade which have not only exacerbated multi-dimensional conflicts but have also caused debilitating effects in the West African sub region with increased grave security implications on Nigeria. Further to this, available estimate indicates that over 70 percent of about 10 million illegal weapons in West Africa are in Nigeria. This is because of the country huge population, wide expansive border regions and other internal and external factors affecting Nigeria security landscape². It is to be noted that criminals and Terrorist organizations require significant financing to create and support their organizational infrastructure, underlining followership and to sustain their propaganda as well as finance the seemingly legitimate activities needed to provide a veil of legitimacy for their organizations.³ This underscore why in the conclusion of United Nations Security Council Resolution (UNSCR) 1373 in 2001, the international community put financial measures at the centre of its efforts to combat terrorism. UNSCR 1373 requires states to criminalize terrorism financing and take number of measures to prevent and suppress it.

Consequently, the Nigerian have taken several actions and initiatives to meet international commitments on combating illicit financial and arms flows over the years. Although the state has significantly initiated specific policies, develop infrastructures and build capability and capacities of relevant authorities to meet target 16.4 of the agenda for Sustainable Development goals, illicit financial flows and arms trafficking have continued with its attendant consequences. Therefore, this paper will attempt to address, with specific reference to Nigeria, contextual issues of nuanced intersection between illicit firearms trafficking as well as corresponding illicit financial flows such as money laundry, corruption and

² SALW Survey Report 2019.

³ Financing Action Task Force: Terrorist financing (2008).

terrorist financing. And also assess state response capacity in terms of the role of financial investigation in dictating and investigating illicit firearms trafficking.

Illicit firearms trafficking and illicit financial flows in the context of Nigeria: the linkages

The West Africa sub-region have witnessed a great amount of overlapping or mutually reinforcing criminal economies⁴ which includes linkages between illicit firearms trafficking and corresponding illicit financial flows such as money laundry, corruption and terrorist financing. In Nigeria, illicit firearms trafficking and illicit financial flows are inextricably linked and have fuelled massive violent crimes and armed conflict currently threatening the corporate existence of the country⁵. Illicit firearm are often purchased through criminal proceeds such as kidnapping for ransom which have gain prominence, banditry and cattle rustling, drug trafficking, armed robbery, maritime piracy and armed robbery at sea among others. This is inspite of governments efforts, there are several methods of financial flows in Nigeria that are vulnerable and prevalent in illicit dealing that relate to firearms. These include cash flows, wire transfers and money or value transfer services and transfer of virtual assets and currencies.

Based on this, the process of illicit firearms trafficking and illicit financial flows in Nigeria is manifested in several shades. However, the 1959 Firearm Act of Nigeria prescribe the rights and privileges as well as processes needed by individuals of group to manufacture, assemble, repair, import, export, buy, sell and use firearm in Nigeria. This is geared towards curbing incidences of illicit firearms flows. Nevertheless, the lack of adherence to best practices in the safe guard by some public officials have over the year's undermined government objectives. There have been issues of clarity in licence acquisition processes, criminal diversion of firearms through criminal attacks on national stockpiles, porous and weak border

⁴ OECD (2018). *Illicit Financial Flows: The Economy of Illicit Trade in West Africa*, OECD Publishing, Paris.

⁵ ICCT Report (2021). *Cashing in on Guns: Identifying the Nexus between small arms, light weapons and terrorist financing*.

enforcement mechanisms amongst other practises. Money-laundering is also one important means of illicit financial flows that is inextricably linked to illicit firearm trafficking in Nigeria. Most illicit firearms in Nigeria have been purchased through money laundered from Nigeria in the guise of legitimate business. Because Nigeria has a large informal economy, proceeds from illicit economy such as trafficked firearms have severally been transposed into legal trade and such monies become legitimate. Money laundered across Nigeria borders, especially land and maritime borders have constituted enormous support to illicit firearm trafficking. it is worth noting that millions of naira being paid as ransom to kidnappers and bandits finds its way into the legitimate economy thereby emboldening the money-laundering – illicit firearms trafficking linkages.

The linkages between illicit firearms trafficking and Terrorist financing in Nigeria and the sub region is evident in the modus operandi of terrorist organisations like Boko Haram and ISWAP operation in the Northeast of Nigeria and the Lake Chad region. Similarly, those of the recent IPOB' Eastern Security Network, a new military wing engage in violent criminal escalation in Southeast Nigeria. The interconnections between this two factors hinge on the fact that terrorist rely on firearms to actualise their objectives. In Nigeria, terrorist financing has been a major challenge and a subject of national security concern. Bearing in mind the calibre of weapons these insurgents use to carry out attacks. This shows that there are in profound intersection between sophisticated method of terrorist financing and illicit firearms trafficking in Nigeria.

There are various ways that illicit arms flows can be linked to terrorist financing in Nigeria. It has been established that terrorist groups in some parts of North Africa, the Sahel especially in Libya, Burkina Faso, Mali, Chad and Niger are engage in gun running with Boko Haram and the BH in turn in a similar manner are engaged in gun running with other subnational criminal networks operating in the North West where bandits and kidnappers has surge in recent times. Undoubtedly, the proceeds from these criminal dealings in firearms can be used to finance terrorism. Also, trafficked firearms that are enroot through terrorist

control borderlines are been taxed by BH and ISWAP. Whereas, almost all firearms used by the all terrorist and insurgent group in Nigeria are being supplied to them by brokers or through attacks on government security forces. Therefore, firearms in Nigeria are being used for dual purposes by terrorist networks making its linkage with terrorist financing inextricable.

Specifically, BHT also uses both legitimate and illegitimate methods in sourcing and transferring funds:⁶ The legitimate methods include voluntary membership contribution, compulsory levies imposed on members and use of legitimate proxy business outfits. BHT also raise money through sale of dried fish along the lake Chad Basin⁷ and benefits from local sympathizers through fees offered by people who are in support/sympathetic to their beliefs cause as well as movement of physical cash (use of trusted courier by public or private vehicles, including motorcycles and tricycles (Keke-NAPEP. They also exploit the following:a. Bank transfers (use of proxy accounts of friends, relations, sympathizers. (c) Money laundering: items are bought with illicit funds in a particular location and moved to other locations and sold. (d) BHT also exploit the use of other Financial Institutions like Bureau de Change to move funds. It is gratifying to inform that through a collaborative approach between Nigeria and the United Arab Emirate, about six individuals were tracked and sentenced over transactions related to terrorist financing.

NIGERIA'S EFFORTS AND RESPONSES TOWARDS COUNTERING ILLICIT FINANCING AND ARMS FLOWS

Considering the enormous threats posed by illicit financial and arms flow to Nigeria's national security and development, government over the years have established various regimes and infrastructures to combat this menace. Among government efforts to improve state response capabilities is the initiation of policies and establishment of agencies saddled with responsibilities to combat illicit

⁶ National Risks Assessment (NRA), 2016.

⁷ NRA.

financial and arms flows in Nigeria and abroad in collaboration with international agencies.

Because illicit finance and firearms investigation requires the collection, collation and analysis of enormous intelligence and data, Nigeria established agencies like the National Financial Intelligence Unit (NFIU), Economic and Financial Crime Commission (EFCC), Independent Corrupt Practices and Other Related Crime Commission (ICPC). Other state agencies include; Department of State Security Service, the Nigeria Police, Central Bank of Nigeria and Correctional Service among others. Further to this, specific policy and operations have been initiated in recent years and months to combat illicit financial and arms flows into Nigeria. These include the recent Border Management Operations Exercises that ensure the closure of some identified vulnerable borders for the purposes of reducing the inflow of arms and other associated contrabands, and the establishment of a national infrastructure – National Centre for the Control of Small Arms and Light Weapons under the Office of the National Security Advisers, and in consonance with Nigeria commitment to ECOWAS Protocol and the UN PoA. The establishment of the Centre is expected to create the appropriate momentum for the actualization of a Coordinating body for the country as mandated under Article 24 of the ECOWAS Convention. This is to further reassure the international community of Nigeria’s practical commitment to the global fight against the proliferation of small arms and light weapons.

To provide a stronger legislative framework, the Nigerian Government has forwarded a Draft Bill for the enactment of a National Center for the Control Small and Light Weapons which is expected to strengthen legislation on the proliferation of arms across the country including issues of prosecution on the illegal use of firearm, manufacture, exports ad transfers. Equally of note is the development of a National Cyber Security and Strategy Policy 2021 that ensured a greater focus on the progressive use of the cyberspace of national security and economic development especially on aspects related to Fintech and other issues of applications crypto currencies amongst a few.

Nigeria fully recognises that Terrorism financing poses many challenges to all countries and considered it critical to emplace strong mechanism for Anti Money Laundering and Combating Financing of Terrorism (AML/CFT) to protect the integrity of the financial system and ensure that public funds are not being mis-used, misappropriated or found in the hands of misguided groups such as the terrorists.⁸

As part of additional measures to combat these menace effectively, Nigeria ratified its membership of the Inter-Governmental Action Group against Money Laundering in West Africa, or GIABA, a Financial Action Task Force (FATF)-style regional body. Further to this, Nigeria enacted into law the Terrorism Prevention Act of 2013 as amended, which included provisions prohibiting terrorist financing and providing for the seizure of funds and property held by individual terrorists or terrorist organizations. The act covers the provision or collection of funds used to carry out terrorist acts, including property and funds used by individuals or terrorist organizations. In addition, the Economic and Financial Crimes Commission Act includes money laundering and terrorist financing provisions.⁹

22. In line with global best practices, the Federal Government established the Nigerian Financial Intelligence Unit, which became fully operational in 2005, which is the Nigerian arm of the global financial intelligence Units (FIUs) as well as the Economic Financial Crimes Commission (EFCC).¹⁰ The NFIU was established based on the requirements of Recommendation 29 of the Financial Action Task Force (FATF[1]) Standards and Article 14 of United Nations Convention Against Corruption (UNCAC)[2]. In spite of the efforts of the NFIU, Police and other agencies so far, illicit financial and arms flow have remained prevalent. This is can also be traced overtime to lack of speedy financial investigation and prosecution

⁸ Preventing Money Laundering and Terrorist Financing A Practical Guide for Bank Supervisors
Pierre-Laurent Chatain John McDowell Cédric Mousset Paul Allan Schott Emile van der Does de Willebois.

⁹ Nigeria and the international community in the fight against terrorism-Nigeria Law Today 2012.

¹⁰ <http://www.nfiu.gov.ng/images/Downloads/downloads/nrareport.pdf>

especially as it relates to illicit firearms trafficking and other associated factors ranging from lack of capabilities and capacity of appropriate officials, porous borders governance and security, the increasing use of virtual assets and currencies, preponderance of arms trafficking, prominent informal cash flow processes, securitisation of politics and lack of engagement by local communities among others.

NATIONAL RISK ASSESSMENT

26. One of the critical success factors of any anti-money laundering and counter-financing of terrorism (AMLCFT) regime is the ability of a country to properly identify, assess and understand the money laundering and terrorist financing (ML/TF) risk elements prevalent within her jurisdiction and the efficient allocation of resources to combat them. Accordingly, Financial Action Task Force (FATF)'s recommendations one requires all countries to conduct a national risk assessment. Nigeria has complied with this prescription with the successful conclusion of the country's first National (Money Laundering and Terrorism Financing) Risk Assessment (NRA) exercise in 2016.

26. Nigeria has also implemented practical initiatives to tackle terrorism from the bottom up. CBN regulations, for example, require specific customer due diligence for wire transfers and require that names and assets are never anonymous. It is also generally required that bankers research the depositors and recipients of cash. This is in addition to prohibiting banks from keeping accounts in fictitious names. The recent introduction of the Bank Verification Number (BVN) represents another dynamic measure in the fight against terrorist financing.

RECOMMENDATIONS

- 1. Ensuring that member countries especially developing countries establish and facilitate the establishment of a national coordination infrastructure for the control of illicit arms while ensuring stronger collaborations with financial intelligence institutions.*

2. *Member Countries especially the developing countries should improve border security management and governance regimes including trans-border*
3. *The UNODC and UNTOC Working Group should assist member states in the building of capacity of relevant state agencies and officials on contemporary methods and strategies to reduce illicit financial and arms flows. This will ensure a better cooperation and effective coordination among the various relevant agencies saddled with illicit financial and firearms trafficking control.*
4. *The UNODC and the UNTOC Working Group on Fire Arms should ensure improve compliance to international protocols and cooperation with international agencies in terms of information sharing and capacity development.*