Illicit Financial Flow a Cog in the Wheel of Political and Economic Development of Nigeria.

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Abstract
Illicit financial flow is a global issue that needs am imperative ardent attention by both developed and developing nations. It is more prevalent and devastating to the economy of third world countries of African, Asia and Latin American countries. Illicit financial flow is simply the illegal movement of both human and material resources out and into a country. Illicit financial flows are two sides the outflow and inflow. The conduit for this crime and perpetrators mentioned. Secondary data was used to generate data for this study. Conduits for IFF mentioned the research also revealed the reasons for high flow of IFF from Nigeria. This study in clear terms stated the effect of illicit financial flow in Nigeria economy and development. It also offered solutions on how to combat this menace using both internal and international mechanism and institutional legal arrangement to tackle this ugly development as its effect to the political economy of Nigeria is enormous.

Keywords: *illicit financial flow, conduits, development*

1.1 Introduction

Illicit Financial Flow out of African counties to western developed countries is a cog in the wheel of progress, growth and development of African nations. The rat**e at which monies are transferred illegally out of African is a clear indication that if nothing is done to checkmate this saga** Nigeria and indeed third world countries will perpetually be underdeveloped. Illicit financial flow is another form of colonialization. Nigeria has suffered this for years and little or nothing has been done to save the nation from this new of form imperialism orchestrated by even Nigerians in corroboration with their foreign counterparts and multinational corporations, banks etc. It is not a new scenario in the international arena as it has been on for so many decades, the advent of globalization and modernization inspired by technological advancement and world economic system added salt to a bleeding injury. The fund lost through illicit financial flow via money laundry, tax evasion, and safe heaven and other channels should have been used to develop Nigerian economy.

The spillways concomitant effect of illicit financial flow out of Nigeria and Africa in general is enormous. It has stagnated growth and development in Africa.

Since the debt crisis in the early 1980s, attention has been focused on the outflow of capital resulting from distortionary domestic policies and political instability mainly in the developing nations. The rate at which huge sums of money are transferred out of developing countries illegally has become quite alarming. Consequently, cross-border illicit financial flows (IFF) which serve to conceal illegal activities are no new phenomenon. With the growing globalization of financial markets, the economic and political significance of these illegal activities has grown (GFI, 2013 in Ogbonnaya and Ogechuckwu, 2017).

The issue of illicit financial flows ranks top on the international agenda, affecting both industrialized and developing countries. Though, the current scale of IFFs originating in developing countries cannot be measured. Precisely, it is believed that the value has been worth more than official development assistance from Organization for Economic Cooperation and Development (OECD) donor countries according to Global financial integrity report (Ogbonnaya and Ogechuckwu, 2017). These practices occur in all countries and are quite damaging both to the social and economic life of the nations and much more severe to the African countries whose resources are small. Consequently, the issue of IFFs occupies a prominent place in development policy discourse of nations calling for a higher quality of national regulations, proper implementation and compliance with international best practices.. The big questions about the dimensions and effects of illicit flows, and focus on developing a better understanding of their components and correlates centered on the followings: capital flight, corruption, money laundering, tax avoidance, tax havens and transfer mispricing (Moore, 2011). This issue has a very challenging. Illicit flows have serious, systematic adverse effects on the economic and political development of many of the poorest countries. While it is impossible to block all illicit flows, there are significant, feasible opportunities to reduce them and mitigate their consequences through coordinated international action (Moore, 2011). The better we understand their adverse effects, the greater the likelihood of mobilizing more effective international action.

On the political economy dimension, Illicit flows certainly damage the quality of governance. They undermine democracy. The opportunities they create for personal or institutional enrichment create or exacerbate incentives for powerful people and interest groups both to be corrupt and to weaken public institutions so that they can continue to be corrupt (Reed and Fontana, 2010 in Moore 2011). System that permits illicit flows discourages domestic investment in poor countries, and therefore reduces rates of economic growth. The economic and political aspects of that system are deeply intertwined. Moore (2011) asserts that:

> *In the poorest countries, illicit capital flows contribute to a vicious circle of weak and illegitimate domestic capitalism: (potential) domestic capitalists expatriate much of their capital, and invest only limited amounts in the domestic economy; they have inadequate incentives to nurture the domestic institutions that would protect and encourage private investment; they therefore continue to face an array of incentives to keep much of their capital overseas; and capitalist enterprise remains suspect and politically vulnerable, in part because it typically has a high foreign component.*

The more that large scale private investment is seen to be an indigenous activity, the more quickly it will become legitimate and the more likely it is that property rights will be respected. All things being equal, a reduction in illicit flows is likely to lead to higher domestic investment. The phenomenon of illicit capital flows is systemic in two senses. First, political and economic variables interact closely. Second, they do so on a global canvas (Moore 2012). The apparently ‘ internal’ issues of weak institutions in poor countries both contribute to the prevalence and adverse effects of illicit flows and are simultaneously partly caused by those flows. The appropriate policy response is not to focus only on these putatively ‘ domestic’ political and institutional problems, setting aside for later the problem of controlling and reducing illicit international flows. For the causation also works the other way: illicit flows exacerbate ‘ domestic’ political and institutional problems. Better global regulation of illicit flows should benefit both the polities and the economies of the poorest, weakest states (Moore 2011).

1.2 Conceptual Explication

The concept of illicit financial flows is perceived by some as being vague and imprecise and its content controversial. As noted by the UNECA in Ogbonnaya and Ogechuckwu (2017) it is “marred by a lack of terminological clarity, which somewhat limits the emergence of effective policy options”. Illicit financial flows have been defined in different ways. It is the cross-border movement of money that is illegally obtained, transferred, or used. In an OECD (2010in Ogbonnaya and Ogechuckwu 2017) report, IFFs is explained to mean cross-border capital transactions that either conceal illegal activities or facilitate them. Illicit financial flows are essentially generated by methods, practices and/or crimes aiming to transfer financial capital out of a country in contravention of national or international laws. In practice, illicit financial flows can be as simple as a transfer from a private account abroad evading taxes in complex schemes involving criminal networks that hide ownership.

Council for International Development (2014) defined illicit financial flows as the transfer of illegally earned assets or the hiding of legally earned assets to facilitate illegal tax evasion. Global Financial Integrity (2013) says IFFs are activities that involve the transfer of money collected through corruption, bribery, tax evasion, criminal activities and transactions involving contraband goods. Kar and Freltas (2012) opine that IFFs are funds that are illegally earned, transferred or utilized, and cover all unrecorded private financial assets by a resident in contravention of applicable laws and regulatory frameworks. In Baker’s (2005) view, illicit financial flows are termed as ‘dirty money’ where dirty money is any money illegally earned, transferred or utilized. He argues that if it breaks any slaw in its origin, movement or use, then it is dirty money. In a seminar contribution to the dirty money literature, Reutter and Truman (2004) do not define dirty money explicitly instead they say it is the conversion of criminal income into assets that cannot be traced back to its underlying crime.

Illicit financial flows take many forms and circulate through a global maze in which ownership is obscured while profits, assets, and taxes are lost. In a groundbreaking report which uses World Bank and IMF data to estimate the quantity and patterns of illicit financial flows coming out of developing countries, the Global Financial Integrity (GFI, 2010) Nigeria as the leading source of illicit financial outflow from sub-Sahara Africa during the years 2000 to 2009. The report showed that developing countries lost USD 903 billion in illicit outflows in 2009.) While this marks a significant decrease from the USD 1.55 trillion they lost in 2008, the global financial crisis accounts for the vast majority of the decrease, rather than improved governance or economic reforms (www.gfintegrity.org). According to Ogbonnaya and Ogechuckwu, (2017) that report, developing countries lost between USD 723 billion and USD 844 billion per annum on average through illicit flows over the decade ending 2009. (www.controlcapital.net in Ogbonnaya and Ogechuckwu, 2017).

Despite the onset of the global financial crisis in the same period, illicit flows increased in current dollar terms by 15.19% per annum from USD 386 billion at the start of the decade to USD 903 billion in 2009 (www.controlcapital.net cited in Ogbonnaya and Ogechuckwu, 2017). Adjusted for inflation, illicit financial flows still grew by 10.6% making the developing world lose USD 859 billion in illicit outflows in 2010, an increase of 11% over 2009. Ogbonnaya and Ogechuckwu (2017) also revealed that illicit financial flows have increased in every region of developing countries. The real growth of illicit flows by regions over the period of study is shown as follows: Africa 23.8 percent, the Middle East and North Africa (MENA) 26.3 percent, developing Europe 3.6 percent, Asia 7.8 percent, and Western Hemisphere 2.7 percent. The group also ranked Nigeria as the 7th among the top 10 countries with the highest measured cumulative illicit financial outflows between 2001 and 2010 with the list showing China as first with $2.74 trillion followed by Mexico with $476 billion, others are Malaysia: $285 billion, Saudi Arabia: $210 billion, Russia: $152 billion, Philippines: $138 billion, Nigeria: $129 billion, India: $123 billion, Indonesia: $109 billion, United Arab Emirates: $107 billion (Ogbonnaya and Ogechuckwu, 2017).

Global Financial Integrity (2013) assert that the drivers and trends of the illicit flows are seen in Trade mispricing which was found to account for an average of 80 percent of cumulative illicit flows from developing countries over the period of 2001-2010 and which is also the major channel for the transfer of illicit capital from China and Mexico. China continued to lead the world in illicit outflows, losing $420.4 billion in 2010 as bribery, kickbacks, and the proceeds of corruption continued to be the primary driver of illicit financial flows from the Middle East and North Africa, while trade mispricing was the primary driver of illicit financial flows in the other regions (iff.gfintegrity.org). However, it was further reported that Qatar, Kuwait, Venezuela, and Poland were all displaced from the top-10 illicit financial flow ranking, and were replaced by the significantly poorer countries like Philippines, India, Indonesia, and Nigeria (Ogbonnaya and Ogechuckwu, 2017).

The vehicle for sustainable development is the mobilization and proper utilization of domestic resources. In development parlance, 'financing for development' is about increasing resources while 'good governance' is about deploying them to meet development needs. However, illicit financial flow phenomenon has marred the growth and development of nations where they occur, especially the developing countries to which Nigeria belongs. In practice, illicit financial flows range from something as simple as a private individual transfer of funds into private accounts abroad without having paid taxes, to highly complex schemes involving criminal networks that set up multi-layered multi-jurisdictional structures to hide ownership. The causes of illicit financial flows over the years have been traced to weak financial management systems, political and macroeconomic instability. GFI (2010) opines that the massive flow of illicit money out of Africa is facilitated by a global shadow financial system comprising tax havens, secrecy jurisdictions, disguised corporations, anonymous trust accounts, fake foundations, trade mispricing, and money laundering techniques. The impact of these structures and the funds it shifts out of Africa is staggering. It drains foreign reserves, heightens inflation, reduces tax collection, cancels investment, and undermines free trade. It has its greatest impact on those at the bottom of the income scales in their countries, removing resources that could otherwise be used for poverty alleviation and economic growth.

Gamuchirai (2014) in (Ogbonnaya and Ogechuckwu, 2017) reviewing the report of United Nations Economic Commission for Africa (UNECA), an Ethiopian-based UN agency whose mandate is to foster intra-regional integration and promote Africa's development, classifies illicit financial flows in the following broad categories:

- **i.** Proceeds of corruption: This is described as misappropriated public fund usually transferred and invested illegally in foreign banks by senior public officials with little or none of the ill-gotten wealth invested in local banks in order to avoid detection by the authorities.

ii. Trade mispricing: This is a popular way of transferring illicit funds abroad. It is mostly related to changes in volumes and value of the trade. This form of illicit financial flows is practiced mainly by multinational corporations due to their size, presence and influence in some countries. Multinational corporations operating in countries with both high and low tax rates. Their multi-country presence enables them to carry out inter-subsidiary transfers between countries, which facilitate illicit transfers of funds abroad. According to UNECA, illicit financial flows from Africa measured through trade mispricing are highly concentrated in a few sectors, notably the extractive and mining industries. A report by UNECA highlights that in 2000–2009, 56% of the illicit financial flows from Africa arose from mispricing and smuggling of oil, precious metals and minerals, ores, copper, iron and steel.

iii. Revenues from illegal resource exploitation: Criminal activities have long been linked to illicit financial flows through cross-border smuggling and trafficking. This has become of concern to security agencies across the globe and in Africa. Growth in international commerce and transport coupled with weak enforcement capacity and corruption has made African countries a conduit through which illegally-extracted commodities are exported abroad illegally. An example of the illegal resource exploitation that promotes illicit financial flows in Africa is the illegal trade in wildlife and wildlife products. The United Nations Office on Drugs and Crime (UNODC) estimates that in 2011 between 5,600 and 15,400 elephants were killed in East Africa, translating to between 56 and 154 metric tons of ivory destined for Asian markets. The illegally-harvested ivory was estimated to have generated US$ 31.5 million worth of illicit funds.

iv. Tax evasion: Transfer pricing is usually used to evade tax. Most multinational corporations seek to maximize profits artificially through maximizing expenses in high tax jurisdictions and maximizing revenue/income in low tax jurisdictions. Thus, because transfer pricing enables corporations to minimize tax payments illegally and transfer the funds abroad, this constitutes illicit financial flows. According to Global Financial Integrity (2013), the proceeds of commercial tax evasion perpetrated through trade mispricing account for an average of 54.7% of cumulative illicit flows from developing countries(Alex,2014).

I look at illicit financial flow as a conduit wire that electrifies developed nation, sustains their economy against the economic and political development of third world countries, to their betterment and detriment of underdeveloped nations like Nigeria. It is worst that corruption in fact it is corruption made easy and simplified. Our political gladiators and high top civil servants and public office holders use it as a channel to siphon out their loots to other nations putting the political and economic development of Nigeria in great quirgmire and jeopardy. A fight against illicit financial flow is a fight against poverty, underdevelopment and crimes.

1.3 Aims and Objectives of this Study

1. The main aim of this study is to examine illicit financial flow in Nigeria pointing out the channels and its adverse effect to the political and economic development of the nation and Africa in general.
2. The role of politicians, high public office holders, multinational corporations, banks and corporate organizations including individuals in illicit financial flow activities, pointing out factors responsible for high illicit financial flow in Nigeria.
3. This study will also highlight the conduits and proffer solutions on how this saga can be combated.

1.4 Research Questions

1. What are the effects of illicit financial flow in Nigeria political and economic development?
2. What are the factors responsible for high rate of illicit financial flow out of Nigeria?
3. What are the conduits / channels for illicit financial flow?
4. What are the probable solutions to combat illicit financial flow?

1.5 Methodology

This study made use of historical and descriptive analysis to examine and evaluate the effects of illicit financial flow in Nigeria. Thus secondary data were used and reviewed. Secondary data from journals, magazines, newspapers, gazettes, World Bank Reports, were reviewed and analyzed. The use of secondary data was adopted because it assumed that documented published literature were dependable reliable and accurate to serve the purpose of this study.

2.1 Analysis of Illicit Financial Flow from Nigeria.

The scale and regional composition of IFFs out of developing countries with particular reference to Nigeria is a matter of controversy. Organization for Economic Cooperation and Development (OECD), postulated that, there is a consensus that these flows not only surpass official development assistance but even the sum of those aid flows and foreign direct investment (OECD, 2013 in Ogbonnaya and Ogechuckwu 2017). Worthy of note is the marked growth in IFFs in all developing regions to date, though at different rates. For the 2002–2011 period, GFI concludes that the Middle East and North Africa (MENA) region registered the fastest trend rate of growth in illicit outflows (31.5 percent per annum) followed by Africa (19.8 percent), developing Europe (13.6 percent), Asia (7.5 percent), and the Western Hemisphere (3.1 percent), (Kar and LeBlanc, 2013). Existing research shows that African countries have experienced massive outflows of illicit capital mainly to Western financial institutions. In a GFI(2010) report, it was shown that over a 39 year period between 1970 - 2008, Africa lost an astonishing US$854 billion in cumulative capital flight—enough to not only wipe out the region's total external debt outstanding of around US$250 billion (at end-December, 2008) but potentially leave US$600 billion for poverty alleviation and economic growth. Instead, cumulative illicit flows from the continent increased from about US$57 billion in the decade of the 1970s to US$437 billion over the nine years 2000-2008 (www.aefjn.org).
Dev (2015) opines that the magnitude of illicit outflows from Africa with Nigeria at the forefront strongly suggests that the region can boost the effectiveness of the external aid and other transfers that it receives by curtailing the leakage of illicit capital. The continent should adopt a range of policy measures to counter this phenomenon that is sequenced and implemented in a manner best suited to the nature and sources of each country's illicit flows. Carefully designed measures to strengthen governance, transparency and regulatory oversight can significantly reduce the volume of illicit outflows. With the right reforms, Africa and indeed Nigeria is poised to see an increase in government revenue generation and effectively allowing additional resources to be devoted to poverty alleviation and improving the business climate for sustainable economic growth.

2.2. Theoretical Framework

Structuralist Theory of Development was used as the theoretical framework for this study. This theory posits that for any nation to develop that nation must intervene and ensure that her economy will be able to become fully modernized and industrialized. This theory was used to assess Latin American countries. The theory also stipulates that government of the nation must do the needful within its powers to eradicate and ensure growth and development through effective legislation, policies and programmes of action if not the nation will remain in perpetual poverty and underdevelopment stage.

Relating it to illicit financial flow as it effect Nigerian nation there is an imperative radical need for government of Nigeria to come up in clear terms and legislations with potent instrumentalities on how to free the nation from illicit financial flow out of the nation as the amount of money lost to this saga can be used for growth and development of the nation. The concomitant effect of illicit financial is grave to the political and economic development of Nigeria. Political gladiators at the corridors of powers are culpable of this offence using it as an avenue to save stolen wealth from public fund with their collaborating agents and financial institution. The structural Theory of Development maintained that government has an absolute power to protect her economy, via the protection of infant industries, super and sub structure of the entire system. The structuralist theory focuses on structural aspect that hinders the economic development and growth of the nation. Illicit financial flow out of Nigeria is a major concern to issues that negates development and growth of the country. The analysis on the transformation of a nation economy from mainly subsistence agriculture to modern manufacturing an industrialized nation is their major concern. This can perfectly come through as a result of structural thinking through policy formulation implementation and prescription; these are seen as vehicle for transformation and changes in the society.

The government of Nigerian must intervene speedily to save the nation of gross illicit financial flow out from the nation if the nation must move forward economically. The structural theory as a theoretical framework was geared toward reducing to the barest minimum if not eradicating completely illicit financial flow out of the country. Government should determine trade relations both within and outside.

2.3 The Effect of Illicit Financial Flow in Nigeria

Illicit financial as global phenomenon mostly in developing and third world countries has serious effect in the growth and development of the nation. The free movement of resources both human and materials are supposed to engender economic growth and development globally but the reverse is the case when the movement is illegally done with fraudulent intent. The illegal financial flow out of money from Nigeria soil per year is enormous a tone of $50 billion Dollars lost from African countries and Nigerian has the highest lost. These monies if properly used will reduce poverty and underdevelopment. The human resource lost in form of illicit flow out from through human trafficking will form a very strong labour force if well utilized.

1. Illicit financial flow as a conduit that drains useful blood in the heart of the man called Nigeria through foul means leaves then man in a perpetual state ill health and shortage of blood. Illicit financial flow out from Nigeria drain the nation foreign exchange reserve and keeps the nation in a state of underdevelopment. The monies hat should have been accrued to our foreign exchange are lost to other nations for their betterment and to Nigeria detriment.
2. Inflation is another bi-product of illicit financial flow out of any country. This is based on the fact that Nigeria economy is condition in a way that we produce what we don't consume and consume what we produce. Goods and services from develop from developed nations will be smuggled in Nigerian sold at a higher price. This simplified inflation as infant local industries will not grow. No wonder Nigerian is seen and made a dumping nation for second hands goods and dumping ground for inferior product. Nigeria is made to be over dependent on everything needed to make easy. We import

almost everything including fuel while we are no 13 in oil producing nations in the world.

3. Illicit financial flow has reduced the nation earning in international trade leading to international trade deficit.
4. Domestic resources are distorted and exploited out through illegal financial flow in Nigerian. A visit to Delta and Rivers State on the high, you will see for yourself the amount of resources that are lost through bunkering and exported out of Nigerian soil unaccounted for. Resources that are supposed to be mobilized for growth and development are taken by few individuals who will not even invest the money in Nigeria soil.
5. Another impact of illicit financial flow is that it discourages investment in Nigerian. Those involve in this saga, save their money in other nations leaving Nigerian to wallow on poverty and underdevelopment. There is nothing investment culture in Nigeria because of illicit financial flow.
6. Illicit financial flow according to Ayodeji (2012) contributes to the retardation of economic growth and development of developing countries. I completely kowtow to his submission.
7. The high level of poverty, low income per capital, unemployment, illiteracy, poor health care, poor education, lack of social amenities and other infrastructural services are as result of illicit financial flow.
8. Illicit financial flow is corruption simplified and personified .It aids and abates corruption in Nigeria, as Nigeria political leaders, top public officers and businessmen/women use this as a means to save their illicit siphoned wealth in foreign nations through money laundry.
9. Bad governance as seen in Nigeria for many decades is the effect of illicit financial flow. The dividends of good governance both military and democratic system has never been enjoyed as a result of illicit financial flow as our leaders are busy saving monies in foreign bank instead of embarking on development project that will add value to Nigerian people.
10. Illicit financial flow has affected our economy greatly as Nigerian depends mostly on loan from other nation and international financial institution in financing development projects. These loans are paid with interest adding to illicit flow out from Nigeria. Making Nigeria net creditor in international scenario.
11. Political instability in Nigeria today is effect of illicit financial flow. The effect and influence of Multinational Corporation in the local, state and national political electioneering process Nigerian cannot be overemphasized. Multinational companies through their collaborators determine who win what position in the nation. They finance candidate for election and install whosoever will represent their best interest. They introduce divide and rule system in many communities. Many communities today are in crisis as a result of the activities of Multinational Corporation to aid their IFF intent mostly among the oil producing communities in the coastal reverie areas.

Chisman (1984) sees development as a process of societal advancement, where improvement in the well-being of people is generated through a strong partnership between all sectors, corporate bodies and other groups in the society. Development is not only an economic exercise but also involves both socio-economic and political issues and pervades all aspect of societal life. Naomi (1995) believes that development is usually taken to involve not only economic growth but also the notion of equitable distribution, provision of health care, education, housing and other essential services all with a view to improving the individual and collective quality of life. Considering these various views, development encompasses social, economic, cultural and political development.

The direct economic impacts of illicit financial flows on developing countries cannot be precisely quantified. It may, however, be considered not only as negative but also of grave consequence. These outflows pose serious concern, as evident by inadequate growth, high levels of poverty, resource needs and the changing global landscape of official development assistance. There is broad consensus in the extant literature that IFFs deprive the affected countries of appreciable amounts of investment funds, which could otherwise spur economic growth and usefully complement foreign loans and aid payments in funding the public sector. Global Financial Integrity carried out a joint study with the African Development Bank and found that Africa was a net creditor to the world to the tune of up to $1.4 trillion over the period from 1980 through 2009, with the most conservative estimate of the capital loss being around $600 billion (Saheed and Ayodeji, 2012). Thus, despite the inflow of international aid into every region of Sub-Saharan Africa, outflows of illicit capital continue to result in a net loss of resources that overwhelms any positive economic effects of recorded capital inflows. Recognizing the particularly damaging effects of illicit financial flows on developing countries, leaders meeting at the Fourth High-Level Forum on Aid Effectiveness in Busan in 2011 agreed to “accelerate individual efforts to combat illicit financial flows by strengthening anti-money laundering measures, addressing tax evasion, and strengthening national and international policies, legal frameworks and institutional arrangements for the tracing, freezing and recovery of illegal assets. This includes ensuring enactment and implementation of laws and practices that facilitate effective international co-operation” (OECD, 2011).

Combating illicit financial flows is a shared agenda, requiring action by both developed and developing countries. Illicit flows are often a symptom of a deeper governance failure and just one element of a wider set of governance challenges faced by many countries. High levels of corruption combined with weak institutions – and sometimes illegitimate regimes – are drivers for such outflows. Ultimately, the fight against illicit flows from the developing world must focus on building responsive, effective institutions which deliver services to their population. This will encourage citizens and companies to engage in legal activities, report their earnings and pay their taxes and dues in accordance with national laws.

Channels of Illicit Financial Flow

The following are the channel of illicit financial flow in Nigerian.

1. Trade mispricing
2. Trade mispricing
3. Revenue from illegal resource exploitation.
4. Tax evasion, Tax avoidance
5. Human trafficking
6. Drugs trafficking
7. Illegal arms deals
8. Money laundry
9. Smuggling of contraband
10. Racketeering
11. Counterfeiting
12. Bribes
13. Fraud in financial sector
14. Illegal activities of multinational corporations.

15. Agriculture, mining, wildlife and tourism 16 piracy. Etc.

Reasons for High Rate of Illicit Financial Flow in Nigeria

There are so many reasons for rate of IFF in Nigerian which his study has revealed. They include

1. Bad government to produce good governance that will reduce poverty and ensure growth and development of the nation. A weak government without a strong dynamic legal and institutional framework to checkmate corruption and punish offenders accordingly will continue to wallow and swim in the ocean of IFF.

2. Nigerians mentality of shot cut to get rich without hard work.

3. Nigerians people honors people that has made money without regard and respect for people that has integrity and dignity. Imagine in some part of Rivers state those involve in oil bunkering at the high sea are given chieftaincy title. The amnesty program is a clear point those miscreant were paid eighty thousand naira per month just for been bad boys. Imagine people that carry gun to kill, kidnap and destroy oil installation while Nigerian graduates that are in national service are paid nineteen thousand eight hundred per month.

4. Political gladiators, top public office holders and top civil servants wants to accumulate so much wealth for even fourth generation unborn. They involve in money laundry.

5. Politicians wants to stay in power forever and make themselves relevant to any political dispensation because of this, they prefer to siphon our patrimonial wealth and use banks via money laundry to save it in foreign banks unless to use them during election to buy the electorates that are desperately hungry because they have failed to provide dividends of good governance.

6. Multinational corporations activities are not monitored .NNPC, SHELL, and many more see themselves to be bigger than the nation. They operate with impunity.

7. Lack of defined established functional tax system, coupled with bureaucratic bottle neck in tax administration in Nigeria. Company and people can easily evade tax without molestation.

8. Poor orientation and sensitization about the adverse effect of IFF.

9. Corruption is the grand mother of all the above reasons. Corruption has eaten so much in Nigeria that everything goes provided you can bribe your way out.

10. Banks and other corporate body's activities are not checkmated.

11. Lack of political will to fight IFF by the government in power for so many years.Poor legal institutional framework.

12. Lack of information and technological technical know-how to trash and track activities of IFF.

13. Porous border and lack of corporation amongst neighboring nations.

2.4 Cases of Illicit Financial Flow in Nigeria

Here, we are going to examine three cases of illicit financial flow in Nigeria: the case of James Ibori, former governor of Delta State, Lucky Igbenedion, former governor of Edo and Mr Samuel Duru.

The Economic and Financial Crimes Commission (EFCC), on June 16, 2016, obtained conviction on a case of suspected Money Laundering brought against Mr Samuel Duru before

Justice M.N Yinusa of the Federal High Court, Enugu. According to EFFC (2016), Duru was charged for failure to declare the sum of Eighty Six Thousand United States Dollars ($86,000.00) out of a total sum of $96,000 (ninety six thousand United States Dollars) in contravention of Section 12 of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 2011. The accused was arrested by officers of the Nigeria Customs Service at the Akanu Ibiam International Airport Enugu while travelling to China in December 2015 and was subsequently handed to EFCC for further investigation and prosecution. On June 16, 2016, Mr. Duru pleaded guilty to the one count charge preferred against him. Justice Yinusa subsequently convicted and sentenced the accused to six (6) months imprisonment from the date of arrest. He further ordered that the undeclared $86, 000(eighty six thousand United States Dollars) be forfeited to the Federal Government, while the $10 thousand USD and his international passport be returned to the convict. According to EFFC (2016) the charge read:

> *That you Duru Samuel Ikechukwu sometime in December 2015 at Akanu Ibiam International Airport, Enugu within the Jurisdiction of the Federal High Court of Nigeria while transporting in cash the sum of ($96,000) Ninety six thousand United States Dollars only from Nigeria to China, falsely declared to the Nigeria Customs Service the sum of $10,000 (ten thousand United States Dollars) only instead of Ninety Six Thousand United States Dollars ($96,000) as required under Section 12 of the Foreign Exchange (Monitoring and Miscellaneous Provisions) Act, 2011 and thereby committed an offence Punishable under Section 2 (5) of Money Laundering Prohibition Act 2011 as amended by Section 2 of the Money Laundering Prohibition Act 2012*

The political economy of these scenarios is that politicians and civil servants use political power and position to divert state's resources for their personal interest.
James Onanefe Ibori, the former governor of Nigeria's oil rich Delta state, was sentenced to thirteen years in jail by a London Judge for money laundering worth of ~~S~~250 within the period he served as the governor of the Delta State (Premium Times, 2018). According to Premium Times (2018) Ibori wife, sister and mistress have been convicted of money-laundering in the UK and are serving various terms in prisons. In addition to the prison terms, the Judge said Ibori's sentencing is not the end of matter as his property will be confiscated and consequences may arise thereafter. In 2007, a UK court froze assets allegedly belonging to him worth $35m after he failed to justify buying the property with his annual salary as Delta state governor of less than $25,000 (Premium Times, 2018).

Lucky Igbenedion, former governor of Edo state is the first Nigerian ex-governor convicted of looting public funds. The EFCC charged him with 142 counts of corruption amounting to $24 million (£12m) using front companies. Lucky entered a plea bargain with the commission in 2008 and refunded a fraction of the amount he was said to have embezzled – and went home (Premium Times, 2018)
Another case of money laundry is that of formal Inspector General of police. Tafa Balogun verse EFFC which was settled through plea bargain.
There are so many cases of human trafficking, drug abuse, bunkering etc.

Political and Economic Impact of IFF in Nigeria
There is broad consensus amongst multilateral development banks that most developing **Political Economy** countries are unable to mobilize enough domestic investment capital to

ensure robust, long-term economic growth (Ndikumana, 2013; Easterly, 1999). Not least, public investment funds are scarce for the funding of infrastructure and social policy measures for poverty alleviation (AfDB et al., 2012). As the African Development Report (2012) underlines, one of the major impacts of IFFs is that:

> *they further widen these funding deficits investment is one of the most important conduits through which capital flight affects human development. If flight capital was saved and invested in the domestic economy of the country of origin it would increase income per capita and help to reduce poverty. In Nigeria and Angola, for example, this would imply additional investment of USD 10.7 billion and USD 3.6 billion per year, respectively in the period 2000 to 2008.*

Thus, it would be a mistake to assume, however, that there is a -to-one relationship between IFFs and investment losses. The huge amount of money lost to IFF should have been used for educational, social, cultural, political and economic development of Nigeria. Illicit financial flow out of Nigeria has given rise to poverty, unemployment, low income per capital, bunkering, human trafficking, kidnapping and other atrocious crimes in the society.
IFFs sometimes facilitate round-tripping and immediately return to the country of origin supposedly as foreign direct investment (TJN, 2007).As stressed by Blankenburg and Khan (2012) in Moore (2012), some types of IFF can moreover lead to additional capital inflows into the country of origin. Examples of this would be IFFs that facilitate labour migration and ultimately increase inflows of remittances.

The amount of capital that flows back into the countries of origin would on average be markedly less than the original outflows however. In an empirical study of thirty-nine African developing countries from 1970 to 2010, Ndikumana (2013) demonstrates that IFFs (weighted according to the size of the economy concerned) have a robust and — despite the problems of measurement plaguing IFF estimation in all cases — a statistically significant investment-inhibiting effect. What is, however, interesting is that this effect concerns private investment first and foremost, whereas the impact on public investment turns out to be insignificant. According to Ndikumana, (2013) the reason for this difference is that the funding gaps IFFs create in public investment can sometimes be offset by foreign development funding and in particular by further public borrowing.

By and large, it may be considered an empirical fact that there is a close connection between IFFs and the public debt ratio. The connection works both ways, of course (Ndikumana and Boyce, 2003; Beja, 2006in, 2006in Moore, 2012)). Hence, IFFs can force the governments concerned to resort to flight-driven external borrowing. Conversely, foreign loans can also serve to trigger debt-fuelled capital flight. In this case, loans that have been contracted or guaranteed by the government flow immediately and directly into foreign private accounts. In both cases, IFFs compound government indebtedness and hence dependence on foreign aid — together with its implicit and explicit policy conditionality's.

To gauge the extent to which the investment-inhibiting effect of IFFs impacts economic growth, Ndikumana (2013) used data from a number of African developing countries to conduct an econometric simulation; the central question of the counterfactual study is how much additional growth the affected countries might have achieved without illicit financial outflows. Ndikumana (2013) concludes that the thirty-nine countries studied over the period from 2000 to 2010 might have been able to achieve on average 3 per cent more economic growth had there been a radical stop to all IFFs. In oil-exporting countries, which are especially prone to illicit financial outflows, that additional growth might even have been 3.9 per cent. 32 (Ndikumana 2013).

Ndikumana's (2013) makes the basic assumption that IFFs could be 100 per cent productively invested in the country of origin. This seems just as unrealistic as the assumption that all IFFs could be radically stopped. In this regard, the simulation carried out by Ndikumana (2013) could overestimate the growth effect that would actually result from drastic measures to limit IFFs. At the same time, the author overlooks the fact that a significant reduction in IFFs could lead to significant improvements in the quality of infrastructure and public institutions. This would positively impact not only the level of domestic investments, but also the growth they would bring about. In his model's calculations, Ndikumana 92013) nevertheless assumes that there is a constant growth yield from each unit invested. Hence, his simulation could also markedly underestimate the additional growth that would result from effectively halting IFFs. The investment- and growth-inhibiting impact of IFFs also indirectly hampers potential progress in the realm of human development and the guarantee of basic human rights. Hence, the African Economic Outlook (2012), using the example of African developing countries, underscores that

> *Without IFFs those countries could have made appreciably more headway than they have so far in poverty reduction. Capital flight out of Africa is undermining the continent's efforts to reduce poverty. If the lack of If the lack of financial resources was the only constraint to human development, investing flight capital from Africa with the same efficiency that has characterized real investment would have reduced headcount poverty by an additional 4 to 6 percentage points. With this performance, African countries as a group would halve extreme poverty by 2015 in line with the MDGs.*

It is nevertheless important to note in this context that IFFs do not impact the social development of the populations concerned through their financial effects alone. Rather, IFFs affect social development also through their impact on the quality of political institutions, tax systems, and social cohesion (Maton and Daniel, 2012; OECD, 2012; Torvik, 2009 inMoore, 2012). Hence, using various historical and contemporary examples (the Philippines, Indonesia, Malaysia, Zaire, etc.), the Norwegian Commission on Capital Flight (2009,) discusses how national and local governments systematically undermine existing state institutions in order to amass private fortunes and secretly transfer them abroad. Case studies by Tax Justice Network Africa also show how widespread tax evasion complicates the task of the government to provide basic public services and move ahead with urgently needed institutional reforms. The rapidly increasing opportunities for secretly transferring assets abroad therefore go hand in hand with development trajectories that in essence are leading to the to the worsening of existing political ills (Moore, 2012).

It should also be borne in mind that, depending on context, IFFs can have a range of motives and consequences (Blankenburg and Khan, 2012). In the review of policy impacts that follows, a distinction is drawn between two typical forms of IFF. On the one hand are IFFs that are fuelled from illegal sources – namely, corruption and the embezzlement of public funds, and on the other, those that actually come from legal activities, but which serve tax evasion purposes. The distinction is important in that IFFs from illegal sources are more frequent in less developed countries with generous raw material endowments and weak institutions, whereas IFFs for the purposes of tax evasion are mostly found in middle-income countries with relatively well-developed tax systems.

Not only are IFFs closely bound up with the funding of terrorism and transnational organized crime (human trafficking, drug crimes, the illegal arms trade, etc.), they also have a symbiotic relationship with political ('grand scale') corruption. As Moore (2012, 474) underlines, the opportunity to secretly transfer abroad the proceeds from illegal activities and escape justice increases the risk premiums of such activities: 'The potential to hide illicit capital securely in tax havens is a direct stimulus to corruption and other illicit activities such as transfer mispricing. It decreases the chances of detection and therefore increases the likely returns.' This is why the OECD (2012) describes illicit financial flows as one of the main international drivers of corruption.

Illicit financial flow has conditioned our economy to produce what we don't consume and consume what we don't produce. Imagine, Nigerian as a nation cannot boast of one functioning refinery because corruption in the oil sectors through the activities of multinational cooperation's. NNPC, SHELL and other companies are busy transferring our national fund to foreign banks. Politically, our leaders both military and civilian has plundered and appropriated our patrimonial wealth to themselves keeping and saving it in foreign banks in the developed nations of the world. Political and public office holders are only interested on how much they will save in foreign bank account. IFFs contribute to bad governance in Africa.

Conclusion and Recommendations

Illicit financial flow is a cog in the wheel of development in Nigeria. The study has revealed a lot of things about the adverse effect of IFF in the entire Africa continent, the same applies to all underdeveloped or developing countries anywhere in the world. To combat this ugly menace I wish to make the following recommendations and suggestions.

• The government of Nigeria should come up with good legislations and institutional framework on how IFF offenders should be treated, the legal system be made functional and independent. The constitution of the nation should define IFF in clear terms and state the corresponding penalty for perpetrators. Culprits punished according to the law. This will serve and act as deterrents to others.

. Nigeria leaders at all level should have the political and economic will to fight IFF and its antics.

. There is an imperative need for good governance in Nigerian, this will reduce hardship in the polity which in turn reduce IFF rate.

. Nigerian should overhaul her tax administration and tax laws, making it less bureaucratic for efficient, effective and equitable for people to pay with easy, unavoidable, with the use of digital system.

. There should be need for reorientation, sensitizations and education of people about the adverse effect of IFF, the punishment for offenders. This will reduce it.

. The battle against IFF will be useless without international cooperation between and among developing and developed nations of the world. Neighboring countries should have an agreement within themselves to reduce the rate of smuggling and other trans-border illicit flow of resources. Strengthening global cooperation will make it easy for easy tracking and repatriation as was the case of Abacha Nigeria and Swizaland cooperated that was the reason why part of Abacha's loot was sent back to Nigeria in 2013.

• Nigeria anti-graft agencies, ministries and parastals such as, Nigerian Customs Services, Nigeria Immigration Services. Economic and Financial Crime Commission, Independent Corrupt Practices and Other Related Offences Commission, Federal Inland Revenue Services, should be retrained and equip with all that is needed for them to perform optimally as government provide them with enabling environment.

. Nigerian government should have a way to check mate commercial banks activities through the central bank to monitor all their transactions on second basis this will reduce money laundry. There should be legislation, regulations and sanctions for banks found culpable of this offence. There should be automatic free flow of information on all matters, transparency and exchange of tax administration and other matters.

• The government of Nigeria should particularly reappraise the operations of SHELL, NNPC and other multinational corporations as they are serious conduit for IFF. In 1973 $3.5 billion disappeared, in 2012, $12 billon Dollars disappeared in federal pause or unremitted by NNPC. Let there be a board to monitor all their activities and forensic auditing carried out every six months.

• Corruption must be fought and resisted by all and sundry at level. The will enhance good governance.

Immunity should be expunged in the constitution of Nigerian. Capital punishment be introduced.

• Pursue automatic cross-border exchange of tax information on personal and business accounts, ideally on a multilateral basis (Ogbonnaya and Ogechuckwu, 2017).

. Nigerian government should as a matter of fact comply strictly to international regulations and standard stated to combat IFF, namely;

- **A.** Unite Nation model of Taxation Convention Between developed and Developing Countries.
- **B.** Stolen Asset Recovery Initiatives
- **C.** Addis Abba Action Agenda.
- **D.** United Nation Convention Against Corruption, etc.

Whistle Blowing should be made more practical and rewarding, keeping the identity of the blower secret and secured. Singapore used it is was effective and efficient.

Offenders should be punished according to the law and money forfeited to government. I recommend 30 years imprisonment with hard labour as punishment.

From the above suggestions and recommendations if followed religiously will reduced the high rate of illicit financial flows out of Nigeria and Africa in general.

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