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# Money Laundering and Organized Financial Crime in Nigeria: Local and Foreign Capitalist Elites Collaboration

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## **Abstract**

*The issue of money laundering and organized financial crime remains a matter of increasing importance in Nigeria. Recent years have witnessed a growing number of highly publicized money laundering scandals involving major international providers of diversified financial services and their correspondents in “off-shore” jurisdictions. This hydra-headed syndrome called money laundering, has potentially devastating economic, security and social consequences. Given the technological advantages money launderers now employ, a high level of international cooperation is needed to expose and keep them in check. Based on the above, this write-up is aimed at discovering the ways money laundering and other organized financial crime can be exposed and checked.*

## **Introduction**

Nigeria is a major oil exporter, producing about 2.4 million barrels of oil per day at an average of \$60 - \$70 per barrel and generates about \$36 billion annually from the oil and gas sector. Paradoxically, the country ranks number nine (9) on the United Nations (UN) poverty list 2006. The reasons for such artificial poverty created in

Nigeria are not farfetched; it's mainly due to the unpatriotic attitudes of corrupt rulers, politicians, public officials and their foreign collaborators.

The corrupt attitudes of Nigerian rulers, politicians, public officials and individuals have been further enlarged by more sophisticated corruption (Halliburton 2004), cross-border bribery, tax evasion, money laundering and illegal capital flight (cases of Shell 2002; Chevron 2004) and other organized financial crimes constantly perpetrated by some multinational corporations (MNCs) and other foreign capitalists operating in Nigeria. The local and foreign organized financial crimes have been further aided by the fraudulent and syndicated activities of some member countries of acclaimed Financial Task Force (FATF) particularly, Britain, France, Germany, using Switzerland as a safe haven for the looted fund in Nigeria (Agabi 2002, Olugbogi 2007).

Unlike developed countries, Nigeria has little or no resources at her disposal to combat these global crimes. Consequently, money laundering and other organized financial crimes have become more devastating to the Nigerian economy than those of developed countries. It is therefore, highly unlikely if hypocritical approach (as at present) can solve this global cankerworm and at the same time succeed in eradicating poverty globally by 2015.

### **What is Money Laundering and Organized Financial Crime?**

Money laundering is the funneling of cash or other funds generated from illegal activities through legitimate financial institutions and businesses to conceal the sources of funds. Aloba (2002), defines money laundering as concealing the source of illegally gotten money. He stated that Nigeria loses \$600 million annually to money laundering in the so acclaimed democratic era. Between 2001 and 2004 the country lost estimated \$25 billion to money laundering. He revealed that such illegal inflow and outflow of huge amount that has contributed immensely to the impoverishment of the economy cannot be easily perpetrated without the cooperation and collaboration or at the very least, connivance of the professionals, particularly accountants.

Bakare (2007), said that money laundering is the hiding of profits earned from criminal activities by converting them to a different types of assets or currency, or by moving to a secretive place. According to him, money laundering affects every part of the society, damaging significantly developing countries by diverting resources that could benefit the poor.

Arnold (2001), defines organized financial crime as a crime involving the unlawful conversion of property to one's own. Many people commit these crimes in order to acquire wealth and be recognized in the society. Even accessing basic government services often requires paying a bribe, which constitute financial crime. According to him, the following constitute financial crime:

- i. Looting
- ii. Drug trafficking
- iii. Corruption
- iv. Bribery
- v. Advance fee fraud (419)
- vi. Tax evasion

- vii. Illegal mining
- viii. Lottery scam
- ix. Internet fraud
- x. Oil bunkering
- xi. Terrorism
- xii. Kidnapping
- xiii. Credit card fraud
- xiv. Proceeds from inflated public sector contracts
- xv. Under invoicing of export goods
- xvi. Prostitution
- xvii. Over invoicing of imports
- xviii. Bank fraud and trade fraud
- xix. Money laundering

### **Stages of Money Laundering**

With the activities of money laundering have become increasingly complex and ingenious, its operation tends to consist of three basic mode of operation – placement, layering and integration. Kwesi (2006), also ascribed three stages on money laundering narrated as follows:

**Placement:** Is process of transferring the proceeds from illegal activities into the financial system in such a manner as to avoid detection by bank and non-bank financial institutions and government authorities.

**Layering:** Means generating a series or layers of transactions to distance the proceed from their illegal source and to obscure the audit trail. According to him, common layering techniques include outbound electronic fund transfers, usually directly or subsequently into a “bank secrecy haven” of a jurisdiction with lax record-keeping and reporting requirements.

**Integration:** It is the unnoticed reinsertion of successfully laundered, untraceable proceeds into an economy. This is accomplished through a wide variety of spending, investing and lending even across the border to make it appearing legitimate transactions.

### **Culpability of Foreign Countries, Ex-Leaders, Politicians, Public Officials and Individuals**

The world’s largest and wealthiest economies tend to serve as the primary hosts for money launderers and their operations. These economies generally harbor the greatest demand for illegal drugs, still the primary money laundering activity. Also, to successfully place layer and integrate proceeds, the more sophisticated money launderers look for a similar sophisticated financial sector.

Accountants in the political directorate and public services of Nigeria have used secrecy provided by off-shore places such as London, Switzerland, Bahamas etc to help late General Abacha, Governors Alamieyesigha, Audu, Dariye, Etete, Ibori,

Nyame, Nnamani, Kalu, Turaki, Igbinedion, etc to launder money looted from the Nigeria's public treasury into private bank accounts in the above mentioned countries (The Guardian, July 18 2007, Tribune, July 20 2007).

The Nigeria's anti-corruption commission, the Economic and Financial Crime Commission (EFCC) provided dramatic evidence, which put the total amount of money stolen by past and present Nigerian rulers and laundered in various erring Western Countries Banks over the past 40 years stood at about \$400 billion.

The NNPC that was under the personal control of ex-president Obasanjo for eight (8) years could not account for the sum of US \$4.4 billion from the federation account from December, 2004 to April, 2007 (Tribune, August 13, 2007). Again, at the same period, the top officials of the NNPC under the ministerial control of the ex-president Obasanjo allegedly milked the nation's cash cow of another N502 billion through various frauds including producing crude oil far in excess of assigned by Organization of Petroleum Exporting Countries (OPEC) quota and converting part of the proceeds to political electioneering and laundering the balance into private bank accounts (Daily Sun, August 13, 2007).

The monthly cases of looting the public treasury and money laundering by almost all the state governors, legislators (Ndudi Elumelu and his cohorts), politicians and individuals is so alarming that two of the Nigerian dailies described the governors as "State Executives" (Guardian, January 1, 2006; Vanguard, October 21, 2005).

Even the convicted former Inspector General of Police, Tafa Balogun who should be the government Chief Security Officer responsible for arresting and prosecuting people involved in money laundering and other financial crimes, was himself accused of stealing and laundering N17 billion and was convicted for his crime (Nigerian News on-line, June 29, 2007).

Another Inspector General of Police, Sunday Ehindero, who replaced Tafa Balogun and immediately gave the police a new motto: "To Serve and Protect with Integrity" seemed to have by his later actions changed the motto to "To Serve and to Loot without Integrity". This is because within two years in office, Ehindero was implicated in an alleged stolen of local and foreign currencies totaling about N200million belonging to the Police Force (Daily Independent, June 8, 2007).

In the case of individual fraudsters, the statistics at the EFCC (2007), shows that Nigerian fraudsters have made up to US \$500 million from fraud since 1997 to date.

However, many Nigerians are skeptical if the EFCC can have the moral courage to arrest, investigate and prosecute all the past and present corrupt leaders who have both been consistently figured in many cases of money laundering and other financial crimes while in office.

### **Causes of Money Laundering and Financial Crimes in Nigeria**

The causes of money laundering and financial crimes are myriad, and they have political and cultural variables. Iwok (2006) stated the causes of money laundering and financial crimes as follows:

- i. Obsession with materialism, compulsion for a short cut of affluence.
- ii. Poor reward system and greed: Nigeria's reward system is perhaps, the poorest in the world.
- iii. Inequality in wealth distribution.
- iv. Bad rules and taxing system.
- v. Family pressure.
- vi. Lack of ethical standard.
- vii. Political office as the primary means of gaining access to wealth

### **The Consequences of Money Laundering and Financial Crimes in Nigeria**

The consequences of money laundering operations and financial crimes can be devastating to developing economies (Nigeria inclusive). It provides the fuel for drug dealers, corrupt public officials etc. Other points identified are:

- i. Money laundering wastes skills as precious time is often wasted to set-up unending committees.
- ii. Financial crime discourages honest effort and valuable economic activities and breed inefficiency and nepotism.
- iii. It causes a reduction in quality of goods and services available to the public as some companies could cut corners to increase profit margins.
- iv. Money laundering and financial crime affects investments, economic growth and government expenditure choices.
- v. It distorts economic data and complicates government efforts to manage economic policies.
- vi. Financial crime destroys the legitimacy of government.
- vii. Lack of shelter, electricity, potable water, roads, proper sanitation and defective educational system.

### **Conclusion**

The write-up has provided evidences, which indicate that corrupt attitudes of Nigerian rulers, politicians, public officials and individuals have become ingredients the multinational companies and other foreign capitalists to continue to collaborate with the corrupt local ruling elites. Going by the facts on ground, money laundering and financial crime is being aided by public sector accountants and auditors. The accountants and auditors are responsible in most cases for the concealment and converting of these illicit funds so as to legitimize the sources of the funds, as they (accountants and auditors) have allowed personal interest to override national call to duty. Above all, people in power, officials and individuals should always remember that nothing profits a man who owns the world and lose his soul.

### **Recommendation**

- The following recommendations are made to prevent money laundering and organized financial crimes in Nigeria.
- i. The constitution should be reviewed to enact laws enabling EFCC apportion appropriated punishment to any leader, politicians, government officials, individuals caught in money laundering and organized financial crime.

- ii. Confiscation of properties acquired through financial crime, increase jail terms are key measures to effectively combat money laundering and financial crime.
- iii. The immunity clause should be expunged from the constitution without delay in order to prosecute any Governor or Deputy using the clause as a cover to commit atrocities while in office.
- iv. Provision of information and training on anti-money laundering surveillance to the foreign exchange dealers.
- v. Preventive measures should be taken by banks to know their customers to verify and establish business relationship with them.
- vi. Exchange rate control: Policy makers should devise counter measures that will allow them stay ahead of financial market development through monitoring and operating framework for money laundering.
- vii. Prudential supervision should exist between national and international policy to prevent criminals from using their banking system.
- viii. Introduction of a money laundering guidance note by the Central Bank of Nigeria.

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