

Effects of Money Laundering on the Economy of Nigeria

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Received 30 May 2016; accepted 25 June 2016; published 28 June 2016

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Abstract

The effects of economic crime can be more damaging than what analysts often describe especially in a developing country like Nigeria. For a long time, money laundering has become another terror threatening the growth of the economy such that it drags the wheel of governance and economic development. Beyond this general assessment, money laundering is a factor being considered in the National Budget, fight against terrorism and foreign relations between Nigeria and other nations. This paper considers holistic effects of money laundering on the economy of Nigeria. It adopts the doctrinal approach of methodology in researching available primary and mostly secondary sources of data in the analysis of various effects such as manufacturing of domestic products, socio-economic, financial effects, political effects, oil and gas sector. The paper further considers many challenges encountered by the past and present administration in combating money laundering. It however suggests that government should take proactive measures to tackle the menace by daring to prosecute close political associates involved as a lesson to other persons that no stone will be left unturned in the fight against the menace.

Keywords

Effects, Money Laundering, Economy, Challenge, Nigeria

1. Introduction

Economic crime is often used for numbers of crimes associated with industry, commerce and other organized criminal activities in both the private and the public sector. Money laundering is an example of economic and financial crime.¹ Money laundering has become a critical problem that affects the socio-economic structure of a

¹Money laundering is defined as a process whereby criminals who engages in illegal activities attempt to disguise or conceal the origin or sources of their illicit funds in order to avoid prosecution, conviction and confiscation of the criminal funds. Money laundering could also involve helping any person who is involved in the commission of the predicate offence to evade the legal consequences of such actions.

society. The economic health of a nation has the capacity to be endangered by money laundering because of the inflow and outflow of cash in the society (Akpabio, 2014).² This paper shall consider the effect of money laundering on Nigeria economy and the challenges encountered in combating it.

2. Effects of Money Laundering on Nigerian Economy

The economic effect of money laundering in Nigeria is enormous. The Nigeria economy being a developing country is characterized mainly with the term “informal economic activities” (Uyoyou & Ebipanipre, 2013).³ “An informal economy is the unregulated, non-formal component of the market economy that produces goods and services for sale or for other forms of remuneration” (GIABA Report, 2001).⁴ An informal economy relate to economic activities which are not covered or governed by a formal arrangements. It has being observed that informal economy in most countries in the West African region is cash and commodity oriented.⁵ Thus, payment for most products purchasing and services are basically done through direct cash payment. The 2009, World Bank report reveals that “across Africa more than 80% of households do not use formal banking”.

Money laundering affects indigenous entrepreneurs.⁶ The illicit funds gotten from money laundering activities are used in bringing goods to the market and such goods are being sold at prices below the cost prices. This will undoubtedly affect the business of other entrepreneurs in the same business (Ikpang, 2011).⁷ Money laundering promotes none or low profit making enterprises which tend to discourage indigenous entrepreneurs who got their funds from legitimate sources. This eventually frustrates these indigenous entrepreneurs out of the system leaving the economy of the countries into the hands to launderer. The resultant effect of this is that the economy of the country depends on the unsteady operators of its economy-the launderers who have no intention of making profit, thereby jeopardizing the economic stability of the country.⁸

Another effect of money laundering on the Nigeria economy is that its attacks the reliability of the people on financial institutions. It was observed that between the 80s and 90s the reputation of the financial institutions in Nigeria was very low because the financial institutions relied extensively on the illicit proceeds of economic and financial crimes. These financial institutions only enjoyed these funds for a very short period, before they became disintegrated and some liquidated because they could not stand the test of time. Banks like the National Bank, Allied Bank, Bank for Credit and Commerce International were some of the Banks that were affected during these periods (LaFraniere, 2005).⁹

Foreign investors find it extremely difficult to invest in any venture in the country during these periods due to obvious reasons which are the effect of financial and economic crimes on the economy of the country. These also hindered the growth of the economy of the country.¹⁰ Money laundering could lead to increase in liability and heighten the risks for assets quality in the financial system. When this happens, it may create systemic risks for the financial services industry and consequently lead to loss of confidence and credibility in the financial institution (Ikpang, 2011).¹¹

2.1. Impact of Money Laundering on Domestic Products or Local Manufacturers

Money launderers in Nigeria in order to conceal the source of their ill-gotten wealth commonly engages in mass importation of all kinds of good such as drugs, automobiles, automobiles spare parts baby wears etc. These goods imported into the country are usually sold out at very low prices to recoup the illicit funds now in the nature of legitimate funds. The deliberate reduction of the prices of these imported good tends to affect the economy value of domestic products manufactured by indigenous industries (Ikpang, 2011).¹² Hence, our local

²Akpabio (2014) “Money Laundering”, “Politically Exposed Persons: Effect on the Economy of the Oppressed and Downtrodden People in the Developing Economy (Nigeria as a Case Study)”, Being a Dissertation Submitted to Faculty of Law, Buckingham University, London in Partial Fulfillment for the Award of Master Degree in Law (LL.M), 2014.

³Uyoyou & Ebipanipre (2013), International Journal of Academic Research in Accounting, Finance and Management Sciences, Vol 3 (4), Pp. 173, 2013 HRMARS.

⁴GIABA Report, 2001.

⁵Ibid.

⁶Ibid.

⁷See also Ikpang (2011), “A Critical Analysis of the Legal Mechanism for Combating Money Laundering in Nigeria”, 2011, African Journal of Law and Criminology, Vol. 1 No. 1, p. 124.

⁸Ibid.

⁹LaFraniere (2005), “Africa Tackles Graft, with Billions in Aid in Play”, *New York Times* July 6, 2005.

¹⁰Ibid.

¹¹Ibid.

¹²Ikpang A. I. *Op. Cit.* 124.

products will become more expensive compared to the imported ones, the local manufactures will be confronted with the challenges of reducing the prices of their goods since the imported goods by the launderer are far cheaper than theirs.¹³

Money launders make use of enterprises and company to disguise their activities. The enterprises are being ventured into without adequate knowledge. This is because these enterprises are not motivated to generate profits; hence launderers often invest in ventures that do not benefit the economy of the country (Arowosaiye, 2015).¹⁴ Yusuf Ibrahim in his paper observed that “the experience in Nigeria in the recent past especially in the 80s and 90s which were the hey days of money laundering in Nigeria, revealed how local manufacturing industries suffered serious price crash and massive loss of investments resulting from large stock of unsold goods and products for lack of patronage and clear consumers’ preference for imported goods. Thus most local industries collapsed and thousands of workers were laid off or rendered redundant (Arowosaiye, 2015).¹⁵

2.2. Socio-Economic Impact of Money Laundering in Nigeria

On the international level, the socio-economic effect of money laundering on Nigeria is that the reputation of the country had been negatively affected, this imposes some constraints on Nigeria in international economic relations. It has been observed that until recently, Nigerian were treated with disrespect in almost every entry points of western countries on the account of the country’s association with money laundering and other crimes (MacDowell, 2011).¹⁶ The activities of PEPs involved in money laundering is never the advance the course of their nation-victim but selfish and coveted interest. Even though these PEPs live within their host nation and their families as well as other institution that facilitates their transaction and illicit activities their “predatory practices” in capital accumulation and involvement in money laundering remain a heart beating challenge to the very fabric of society (Sikka, 2003).¹⁷

The negative impact of money laundering and other financial and economic crimes on the country can be attributed to the reduction of international opportunities extended to the country which had prevented foreign investors to invest into the financial and economic growth of the country. For example, a report by the Nigerian Bureau of Statistics (NBS) below shows a great decline in capital importation for investment purposes into Nigeria. According to NBS, the total value of capital imported into Nigeria in the first quarter of 2016 was \$710.97 million, the lowest level since the series began in 2007.¹⁸ This represents a decline of 54.34% since the final quarter of 2015, and a year on year decline of 73.79%. Both the quarterly and year on year declines were also the lowest recorded since the series began. As a result of these changes, total capital importation has fallen by 89.13% since its peak level in the third quarter of 2014. In the report,¹⁹ the first quarter of 2016 also saw a large change in the composition of capital imported. Following a quarterly decline in portfolio investment of 71.55% (also the largest quarterly fall on record) portfolio investment accounted for 38.12% of total capital imported, compared to 61.18% in the previous quarter. Also, other investments also recorded a sharp quarterly decline, of 44.84%, which prevented its share from rising higher than that of portfolio investment. Foreign Direct Investment remained the smallest component at 24.54%, despite being the only component to record a quarterly increase in investment (of 41.65%).²⁰

Also, Nigeria is characterized with high level of corruption, as the country competed with Bangladesh as the first and second most corrupt nations of the world between 1999 and 2004²¹. The country had being adversely

¹³This can lead to loss of confidence in the economy of the nation. See MacDowell (2001), “The Consequences of Money Laundering and Financial Crime, Money Laundering-Economic Perspective-State Department” 2001,

<http://www.apgml.org/issues/docs/30/Negative%20Effects%20of%20MLEconomic%20Perspectives%20May%202001.pdf>.

¹⁴Arowosaiye (2015), *The Devastating Impact of Money Laundering and other Economic and Financial Crimes on the Economy of Developing Countries: Nigeria as a Case Study*. Retrieved from

<http://unilorin.edu.ng/publications/arowosayeyi/The%20Devastating%20Impact%20of%20Money%20Laundering%20and%20other%20Economic%20and%20Financial%20Crimes%20on%20the%20Economy%20of%20Developing%20Countries%20as%20a%20Case%20Study.pdf>.

¹⁵Ibid.

¹⁶See MacDowell. (2001), “*The Consequences of Money Laundering and Financial Crime*” fn 12 p. 125.

¹⁷Sikka (2003), “The role of offshore financial centres in globalization”, *Accounting Forum*, Vol. 27 No. 4, pp. 365-399.

¹⁸“Nigerian Capital Importation Report: Executive Summary Report Q1 2016”, A Quarterly Report of Nigerian Bureau of Statistics. Retrieved from <http://www.nigerianstat.gov.ng/report/393>. (8/6/2016).

¹⁹Ibid.

²⁰Ibid.

²¹See Transparency International Corruption Index (2002): http://www.transparency.md/Docs/TI_CPI2002_en.pdf, Transparency International Corruption Index (2004) http://www.investinestonia.com/pdf/CPI_2004.pdf, Accessed on May 28, 2014.

affected by the political corrupt practices of its leaders which had attracted international comments. Examples of these include the “World bank report that the Nigerian Government misappropriated about sixty five billion naira (N65 billion) out of the \$458 million repatriated to Nigeria by the Swiss government The amount being the money stashed in Swiss Banks by the Nigerian late head of state, General Sani Abacha” (*The Nigerian Tribune, 2006*).²²

Also, “the 2002 Report of the Accountant General of the Federal Republic of Nigeria on the management of the country’s finances in year 2001 was replete with numerous instances of financial irregularities, non-compliance with standard financial procedures ranging from lack of audit inspection, over invoicing, non-retirement of cash advances, payment for contract not executed, double debiting, lack of receipt to back up purchases made, and release of monies without prior approval from the appropriate authority” (*The Guardian Nigeria, 2006*).²³

Successful laundering money reveals to a large extent that a criminal activity pays off. This success encourages criminals to continue their illicit schemes because they get to spend the profit with no repercussions. This means more drugs on the streets, more drugs related crime, law enforcement resources stretched beyond their means, and a general loss of morals on the part of legitimate business people who do not break the law and do not make nearly the profit that the criminals do (*Anele, 2013a*).²⁴

2.3. Financial Effect of Money Laundering on Nigeria Government

Money laundering affects the government of any country financially; this is because launderers and other perpetrators of economic and financial crimes evade payment of taxes to government. The principle of taxation is to create adequate revenue for the government to finance and supply certain socio-economic and political needs of its citizenry (*Mohasoa, 2016*).²⁵ It is an established truth that most Nigerian does not pay or some pay inadequate tax. The effect of this is that the government will be incapacitated in discharging its duties. Revenue derive from taxes are used for national security, social and economic development of the country.

Money laundering encourage tax evasion because launderers will everything possible to conceal the source of their illicit funds in order avoid prosecution and other sanctions imposed by the law. It is important to note that those who get their money from legitimate source do also evade taxation in Nigeria. However, money laundering and other financial and economic crimes in Nigeria reduce government revenue from taxation thereby posing a great challenge on the social and economic growth of the country (*Anele, 2013a*).²⁶

2.4. Political Effect of Money Laundering in Nigeria

Another avenue of legitimating illicit funds from money laundering is by using such funds to sponsor political campaigns during elections period. The main purpose is to infiltrate the political arena and influence governance. This is because, political officers in the country also engage in money laundering. The resultant effect of this is that it undermines the democratic and economic basis of the society which leads to weakening of institutions and loss of confidence in the rule of law.²⁷ According to Otusanya, “corruption and money laundering are important not just for the volume of funds that are shifted out but also because of the damage they do to the integrity of judicial and political institutions” (*Otusanya, 2012*).²⁸

Another political effect of money laundering in Nigeria is that it undermines political stability, democratic structure of the country and the good governance, the resultant effect is that it instigates social and political unrest within the country such as the recent happenings in Nigeria. Terrorists’ activities in the country are often sponsored by launderers. Money laundering has been recognized as the lifeblood of transnational criminal networks, including drug smugglers, terrorist like the Boko Haram group and human trafficking groups in Nigeria. Laundering enable criminal activities to flourish in Nigeria, it affects the political stability of the country and exposes the system of governance to influence and manipulation of launders that are regarded as “big” and “important personalities in the societies” (*Otusanya, 2012*).²⁹

²²*The Nigerian Tribune* (2006), “FG Misused N65bn Abacha Loot”. Tuesday 19 December 2006.

²³*The Guardian (Nigeria) Newspaper* (2007), titled “The Auditor General’s Report”, Tuesday January 16th, 2007.

²⁴Anele (2013a), “An Overview of Money Laundering” in *Money Laundering Law and Policy*, Epiphany Azinge (ed), 2013, NIALS, p. 29.

²⁵See Mohasoa (2016), “Know about Money Laundering” 2-3 available at

http://www.centralbank.org.ls/employment/Know_about_Money_laundering.ng.pdf accessed 22 April 2016.

²⁶Anele (2013a). “An Overview of Money Laundering”. In Epiphany Azinge (ed). *Money Laundering Law and Policy*. NIALS, p. 29.

²⁷Ibid.

²⁸Otusanya (2012) The Role of Offshore Financial Centres in elite Money Laundering Practices: Evidence from Nigeria, (2012) *JMLC* 15(3), 336-361 at 356.

²⁹Ibid.

2.5. Money Laundering and the Oil and Gas Sector in Nigeria

The impact of money laundering on the Nigeria economy cannot be complete without considering the oil and gas sector of the country (Ribadu, 2004).³⁰ The oil and gas sector of the Nigeria economy had suffered greatly from the effect of money laundering and other economic and financial crimes. The recent removal of fuel subsidy by the Nigeria government, which resulted into a nationwide strike action in 2012, had adverse effect on the country economy. It is important to note that because of the sole dependence on the oil and gas sector, most corrupt practices of government officers in this sector result in untold hardship and instability in governance. “Oil scarcity for several years now has become a norm brewing illegal oil black marketers who make brisk business and earn illicit profits due to shortage of supplies of petroleum products” (Uyoyou & Ebipanipre, 2013).³¹

The activities and involvement of the PEPs in money laundering has serious negative effect on the citizens in the sense that money which are entitled for public use is transferred out of the country in most cases to the detriment of development purposes.

Olatunde specifically pointed out that:

It showed that in facilitating their capital accumulation some PEPs have used the global infrastructures to launder their illegally acquired funds. It has been argued that banks in both developed and developing countries were the medium through which funds from the illicit sector were converted into legitimate funds, thereby freeing the illicit money of its illegality. These activities all exacerbate anti-social practices in developing countries involving elite and “PEPs” in particular. The OFCs facilitate wealth transfers from citizens to capital and a wealthy elite (Otusanya et al., 2012).³²

3. Nigerian Politically Exposed Persons (PEPs) Who Got Involved in Money Laundering

The Economic and Financial Crime Commission (EFCC) revealed that the estimated sum of US \$521 billion was stolen and laundered by past Nigerian rulers in foreign banks. Also, the sum of US \$400 billion was estimated laundered by past military rulers of the country (Aribisala, 2014).³³ The former governor of Plateaus State, Governor Joshua Dariye was investigated by both the British and the Nigerian government for 13 offences, which included money laundering and corruption (Peel, 2014).³⁴ Also Prince Abubakar Audu former Governor of Kogi State, was involved in money laundering activity in Bahamas Republic in the Caribbean.³⁵ The said ex-governor was alleged to have lodge the sum of US \$5 million in one of the banks in the Bahamas.

The case of Atiku Abubakar and his wife Ms Douglas investigated in the US, during the eight-year period by US Senate Subcommittee on Investigations, brought nearly \$25 million in suspect funds into the USA through accounts she opened at Citibank, Chevy Chase Bank, Wachovia Bank and Eagle Bank (Otusanya et al., 2012).³⁶ It was reported that other sums were also deposited into AUN and Weidenfeld law firm accounts at Suntrust Bank. These funds were laundered through five offshore corporations located in some prominent offshore centres providing shelter to the illicit funds (Otusanya, 2012).³⁷ The trace of the flow of funds into and out of these accounts demonstrated the opaque structures designed by Mr Abubakar and Ms Douglas to disguise the ownership of the funds and the illegal source of the funds which were revealed by the Subcommittee investigations.³⁸ Five US banks facilitated the transfers of the suspect funds into the USA. The case study illuminates the level of

³⁰Ribadu (2004), *Implication of Economic and Financial Crimes of The Nation's Economy*, being a paper presented to Defence Adviser Conference at Abuja on 10th September 2004, available at

<<http://www.nigerianlawguru.com/articles/criminal%20law%20and%20procedure/IMPLICATIONS%20OF%20ECONOMIC%20AND%20FINANCIAL%20CRIMES%20ON%20THE%20NATION%27S%20ECONOMY.pdf>> p. 3 Accessed 15th July 2014.

³¹Uyoyou & Ebipanipre (2013), *International Journal of Academic Research in Accounting, Finance and Management Sciences*, Vol. 3(4), pp. 173, 2013 HRMARS.

³²Otusanya et al., 2012, *The Role of Offshore Financial Centres in Elite Money Laundering Practices: Evidence from Nigeria*, (2012) *JMLC* 15(3), 336-361 at 342.

³³Aribisala (2014), *Money-laundering Nigeria's Future* Accessed at

<<http://www.nigeriadevelopmentandfinanceforum.org/PolicyDialogue/Dialogue.aspx?Edition=51>> Accessed 28 July 2014.

³⁴Peel (2014), *Nigerian-Related Financial Crime and its Links with Britain: An African Programme Report*, at <<http://www.chathamhouse.org/sites/default/files/public/Research/Africa/nigeria1106.pdf>> Accessed 8 June 2014.

³⁵This Day Nigerian Daily News Magazine, 2007.

³⁶Otusanya et al., 2012: p. 355.

³⁷Ibid.

³⁸Ibid.

secrecy and high level of confidentiality embedded in illicit acts of money laundering which concealed through the wire transfers to various accounts. For most of the time period examined, the US banks with those accounts were said to be unaware of Ms Douglas' PEP status which allowed multiple large wire transfers into her accounts from the offshore corporations.³⁹ The review of the Subcommittee report Ms Douglas' continuously claimed the source of the fund is from her husband (Mr Abubakar), and never admitted the knowledge of the offshore corporations sending her money.⁴⁰ This perhaps suggests the level of compliance with AML in the various banks and the level of due diligence measures, and examination of KYC existing in the banks. It was also observed that the level of information exchange and cooperation between the US banks, the offshore companies and the financial institutions through which the transfers originated.⁴¹

It is obvious from the case of Abubakar and Ms Douglas that there are a number of persons who are always involved in money laundering cases. Many of who are professionals, professional firms and financial experts used to facilitate the flow of suspect funds to another country. These persons and professional firms serve as intermediaries just like offshore financial centre served as interface between Ms Douglas, Mr Abubakar, the offshore corporations and the US banks (Otusanya et al., 2012).⁴²

4. Challenges with Combating the Role of PEPs and Money Laundering in Nigeria

4.1. Political Will

Politician must be well disposed to laws on money laundering and PEPs even when it appears they are the subject of such laws. Combating money-laundering may be a mirage if the political actors do not cooperate with the effort of the international agencies and national agencies since most politicians has the political control on the implementation agencies.⁴³ Coincidentally, a closer look at the definition of PEPs again will reveal that most PEPs are the political office holders who are found at the corridor of power in control of affairs of the state.⁴⁴ The political is therefore pertinent for implementation and allowance of the law of the land to prevail in curbing money laundering and PEPs involvement in the crime.

It is not uncommon however to often find that Nigerian government is at the forefront of campaign against corruption and money laundering. For example, Nigeria is one of the that ratified the United Nations Convention Against Corruption as early as December 2004. Some of the legislations contain unequivocal provisions against financial crimes and activities of PEPs. The irony of the situation is that what is seen and experienced in practice is quite far from what is on paper and this appears to be a common phenomenon in most African states (Hatchard, 2014).⁴⁵

Political will have been categorized into different forms including active political will, partial political will, no political will, shifting political will and transnational political will.⁴⁶ John Hatchard in his discussion on these categories of political will found case studies supporting partial political will, shifting political will and transnational political will relating to Nigeria and certain PEPs who are Nigerians.⁴⁷

As noted by Otusanya:

Although a number of African countries have taken steps to prohibit and prevent money laundering in conformity with the international community through the various conventions, yet it requires the political will of the government in these countries (Otusanya, 2012).⁴⁸

Nigerian government has been emphasizing as part of its agenda, war against corruption even though the sin-

³⁹Ibid.

⁴⁰US Senate Subcommittee on Investigations (2010), pp. 222-223.

⁴¹Ibid.

⁴²Otusanya, Ajibolade, & Omolehinwa (2012), "The role of financial intermediaries in elite money laundering practices: evidence from Nigeria", *Journal of Money Laundering Control*, Vol. 15 No. 1, pp. 58-84.

⁴³Lawson (2009) "The politics of anti-corruption reform in Africa" (2009) 47(1) *Journal of Modern African Studies*, 74 at 74; Collier (2000) "How to reduce corruption" 12(2) *African development Review*, 191 at 194; Nongog and Chibiya (2006) *Independence of Anti-corruption Agencies: A Study of Six Institutions in Southern Africa* 2006, Harare, Human Rights Trust of Southern Africa, p. 23; Hatchard (2014), *Combating Corruption Legal Approached to Supporting Good Governance and Integrity in Africa* (Edward Elgar 2014).

⁴⁴Ibid.

⁴⁵Hatchard (2014) *Combating Corruption Legal Approached to Supporting Good Governance and Integrity in Africa*. (London, Edward Elgar) 29.

⁴⁶Ibid p. 29-33.

⁴⁷Ibid.

⁴⁸Otusanya, 2012: p. 356.

cerity of their commitment is in often doubted. This is true because most of the fight and particularly the persons prosecuted are seen to be people in opposition to government rather than a general or clean sweep enforcement of the law against corruption, money laundering and PEPs involvement (Hatchard, 2014).⁴⁹ This is what Hatchard referred to as “partial political will”.⁵⁰ Although “this may not always succeed and at least for a time, there is a loss of political control”.⁵¹ A very good example is the Economic and Financial Crime Commission under the leadership of Mallam Nuhu Ribadu who tried to maintain the independence of the agency in the prosecution of financial crimes including money laundering. He was however removed in 2007 to enable the government perpetrate protection of certain PEPs such as James Ibori from investigation and prosecution by the agency.⁵² The then Attorney General of the federation, Micheal Andoakaa went as far as blocking Mutual Legal Assistance requests from the United Kingdom. According to Hatchard “it was only after the untimely death of President Yar’Adua in 2010 and the swearing in of a new President, Goodluck Jonathan followed by the appointment of a new Federal Attorney General that effective cooperation was resumed”.⁵³

Flowing from the above discussion, the transnational political will⁵⁴ is a concept that if pursued vigorously will assist to combat the menace of money laundering and deal with PEPs who may find their home country very comfortable to steal public fund. In the case of *R(Alamieseigha) v. Crown Prosecution Service (2005)*⁵⁵ for example, the provision of section 308 of the Constitution of Nigeria⁵⁶ granting executive immunity to President, Vice-president, governors and deputy governors was declared ineffective in the United Kingdom. In this case, the then Governor of Bayelsa in Nigeria named Dipreye Alamieyeseighba was apprehended and charged by the Metropolitan Police in London with three counts of money laundering involving large sum of money which he allegedly and corruptly acquired from public funds and laundered abroad. He sought to challenge his arrest because the State where he came from protects him from such prosecution and as a result, he is entitled to sovereign immunity.

The implication of this exercise of partiality is that many are left unprosecuted and made to “escape the wrath of the law”.⁵⁷ Therefore, government must learn to be unbiased and deal with issues of corruption and money laundering separately from political sentiments, affiliation and interest. We believe that citizen will likely view a government who dare to prosecute a political associate more sincere than those who exhibit partial political will in dealing most especially with PEPs in politics.

4.2. E-Transactions

It was advanced that the e-transaction method of payment⁵⁸ may facilitate money laundering (Anele, 2013b).⁵⁹ For instance, several jurisdictions allow financial institutions to apply simplified or reduced customer due diligence measures in cases of low risk transactions. There is however no conformity of approach or a shared understanding with regards to when a product can be considered low risk and to what degree CDD measures can be reduced (Anele, 2013b).⁶⁰ In jurisdictions where value limits to designate low risk situations they vary significantly among jurisdictions.⁶¹

4.3. Lack of Information Sharing among Relevant Agencies and Banks

The fact is that where there is no integration, cooperation and information sharing among anti-money laundering agencies there is impediment in fighting it (Anele, 2013b).⁶² To be able to combat money laundering adequately,

⁴⁹Hatchard, 2014: p. 45.

⁵⁰Ibid.

⁵¹Ibid.

⁵²Ibid.

⁵³Hatchard, 2014: p. 30.

⁵⁴According to Hatchard.

⁵⁵[2005] All ER (D) 384; [2006] CrimLR 669.

⁵⁶Constitution of the Federal Republic of Nigeria, 1999, (as amended).

⁵⁷GIABA Report (2001), para 60.

⁵⁸The e-transaction include payment through prepaid card, credit cards, internet payment service and mobile payment service. See generally FAFT Report (2010) “*Money Laundering using New payment Methods*”. Retrieved from <http://www.faft-gafi.org/media/faatf/documents/reports/ML%20using%20New%20Payment%20Methods.pdf> accessed 26th July 2014.

⁵⁹Anele (2013b), “Money laundering” in *Money Laundering Law and Policy*, Azinge E. and Nwabuzor C., (Nigerian Institute of Advanced Legal Studies,) p. 34.

⁶⁰Ibid.

⁶¹FAFT Report (2010) “*Money laundering Using New Payment Methods*”, pp. 53-54.

⁶²Anele (2013b) 35.

all hand must be on deck. All regulatory agencies, financial institutions, insurance companies, offshore financial centres etc must cooperate with security agencies by sharing information obtained which are necessary for investigation and prosecution of cases of corrupt practices and money laundering. The challenge of lack of information among the agencies is increased where “there is no clarification on the roles and functions of these agencies, which could be as a result of legislative challenges and absence of effective monitoring mechanisms” (Van Schoor, 2012).⁶³ Some financial institution, particularly commercial have been found to have removed information from wire transfer messages, as a routine, that could disclose PEPs involved as suspect and thereby face the wrath of the law and such act encourage and facilitate money laundering.⁶⁴

The banks also worsen the situation when they fail to cooperate and transmit information as regards transaction that pass through their institution on money laundering to the relevant agencies.⁶⁵ This is found to be the case especially transaction conducted through wire transfer and high-risk customers including politically exposed persons (PEPs).⁶⁶ For example in Nigeria, transactions made by Abacha in transferring stolen loot in several European countries were clearly suspicious and the banks involved did not make any report or transmit the information even after his death.

4.4. Corruption

Corruption is major challenge to combating money laundering in Nigeria (Anele, 2013b).⁶⁷ It indirectly affects implementation standards in several ways particularly in terms of lack of adequate capacity of AML agencies. Due to corrupt leader and public office holders Nigeria is lagging behind in adopting the innovations of globalisation and technological advancement that could translate to better capacity for law enforcement.⁶⁸ It has also be argued that the legislature who ought to pass relevant law to curb this menace also constitute a challenge to achieving the solution because they are also culprit aiding or abetting the act or as principal offender and are apprehensive of effect of such laws on them if passed (Okeshola, 2012).⁶⁹

Officers of the enforcement agency appear to be the first persons to examine on this issue of corruption. It has been argued so far any organization employ and maintain corrupted personnel who lack professional integrity, accountability and probity, fighting economic crime such as corruption and money laundering would remain a mirage (Anele, 2013b).⁷⁰ Corruption is a serious challenge to the economy of the oppressed and downtrodden people. It operates as a form pressure of the regulatory agencies and develops into a web form of organised crime (Shehu, 2006).⁷¹

To this end Anele opined that:

[P] erpetrators of organized crime have greater incentive for wanting to launder their assets, minimize their risk and maximize their benefits. As a consequence, their attendant resort to corruption in furthering the enjoyment of the corrupt proceeds in quite extensive. The overbearing control of law enforcement agencies, particularly anti-money laundering agencies, by government, especially the executive arm, is another corrupt encumbrance to their effectiveness (Anele, 2013b).⁷²

A very good example is where the President intimidate or harass some politicians who constitute opposition party (Okeshola, 2006).⁷³

⁶³Van Schoor (2012), “Money Laundering” New Partnership for Africa’s Development (NEPAD), Africa partnership Forum Workshop on Illicit Financial Flows, Cotonou, Benin, December 3 2012 available at <<http://www.africapartnershipforum.org/meetingdocuments/South%20African%20presentation%20on%20Money%20Laundering%203%20December%202012.pdf>> accessed 27th July 2014.

⁶⁴Cf “Japanese Bank to Pay NY \$250 million in Laundering Case”, *The Korea Times* (2013), June 22-23, p. 13.

⁶⁵Anele, 2013b: p. 32.

⁶⁶Anti-Money Laundering Report (2016) Banks Management of High Money-Laundering Risk Situations: How Banks Deal with High-Risk Customers (including PEPs), Correspondent Banking Relationships and Wire Transfer’ Financial Service Authority (FSA), 2011, 3 http://www.fsa.gov.uk/pubs/other/aml_final_report.pdf accessed 26th July 2014.

⁶⁷Anele, 2013b: p. 31.

⁶⁸Ibid.

⁶⁹Okeshola (2012) “Corruption as Impediment to Implementation of Anti-Money Laundering Standards in Nigeria” (Vol. 2, No. 7, 186 AIJCR 2012) http://www.aijcrnet.com/journals/Vol_2_No_7_July_2012/22.pdf accessed 26th July 2014.

⁷⁰Anele, 2013b: p. 32.

⁷¹Shehu (2006) “Economic and Financial Crimes in Nigeria: Policy issues and Options” National Open University (Noun), 2006, Lagos-Nigeria.

⁷²Anele, 2013b: p. 32.

⁷³Okeshola (2006) *Anti-Corruption Campaign in Nigeria: A Paradox*, (Aboki Publishers, Markurdi 2006).

4.5. Challenges with Judicial Process and Justice System

Delay is simply defined as an act of postponing or slowing down something or an instance at which something is postponed (Garner, 2004).⁷⁴ Delay could also mean the period during which something is postponed or slowed. Sometimes, it could mean the period within which a party to a suit must take some action as perfecting an appeal or responding to a written discovery or request⁷⁵. This latter definition perfectly represents the experience in the process of prosecuting election petitions before tribunals in Nigeria. In the view of Justice Cur in the New Zealand case of *Cable William Ltd v. Trainin (1957)*,⁷⁶ the honourable justice adumbrated as follow:

The dictionary meaning of the noun delay is “the putting off” or “the deferring”. These latter words, in our opinion, in their ordinary meaning connote postponement of performance of some act or step beyond the point of time when the act or step should have been performed.

In brief, it is an act of hindrance, procrastination, protraction or suspension which has become the background for injustice in the delivery of justice. Meanwhile, delivery of justice, according to the Black’s Law Dictionary, is the giving or yielding possession or control of something to another (Garner, 2004).⁷⁷ This means that when justice is withheld, justice is delayed. This could be tantamount to slavery. However, delivery of justice means liberation, release, surrender, and of course, liberty.

Therefore, where the process of criminal justice is slow, it constitute a major challenge to the enforcement of the law and sometime could frustrate the agencies meant to implement the law. Prominent among the act constitute challenge in the judicial process is the emphasis by some Judges on legal technicalities notwithstanding the substance of the case. Again, various interlocutory application and injunction could be used just to delay the proceedings and until appeal on such issue is determine by the Supreme Court, the trial court cannot proceed with the matter. The prosecuting counsel and defence counsel equally play a major role here. Lack of diligent prosecution, unnecessary adjournments and breach of ethics of the court all end up affecting the justice delivery system (Ogundayisi, 2010).⁷⁸ Witnesses are not ready to willingly come to court to give evidence even when they are compelled because of their interest in the case or the caliber of person being prosecuted by the court.

The consequential effect of the above challenges is traffic of cases in court. Unfortunately, the courts hardly grant accelerated hearing to criminal proceedings.

5. Nigeria Corruption Level and Efforts of Present Government at Combating the Menace

Shortly before the change in government in April 2015, the report about corruption in Nigeria was getting worse. Nigeria was rated 136 out of 176 countries with a score of 27 out of 100 on the 2014 Corruption Perception Index.⁷⁹ In the survey conducted, 85 percent of Nigerian believed that corruption has increased from 2011 to 2013. The situation degenerated seriously and got to its peak when the recent rating placed Nigeria as the most corrupt country in the world for 2016. US News did the ranking out of 60 countries based on a survey of more than 16,000 people from four regions. In the survey, respondents answered how closely they related each of the 60 countries to the term “corrupt” (Rachel Dicker & Lauren Boyer, 2016).⁸⁰

The regime of President Muhammadu Buhari has however been able to tackle the scourge of corruption and money laundering to a very commendable extent. Since the assumption of office, he has prosecuted some eminent persons who siphoned money in the last administration of President Goodluck Jonathan. For example, Dasuki, former Senior Special Assistant to the former President and Alex Badeh, former Chief of Defence Staff was discovered to have corruptly spent money meant for fighting terrorism and maintaining the security of the nation. Badeh and Dasuki are currently standing trial on charges relating to the diversion of money meant for the

⁷⁴Garner (2004), Black’s Law Dictionary 8th Edition by Bryan A, Garner at p. 458.

⁷⁵Ibid at p. 461

⁷⁶(1957) NLLR 337 at p. 345.

⁷⁷Garner (2004) p. 461.

⁷⁸Ogundayisi (2010), *Delay in the Trial of Election Petition*, (Akure, Bosem Publisher 2010) 196.

⁷⁹“2014 Corruption Perception Index”, Transparency International Retrieved from www.transparency.org (8/6/2016).

⁸⁰Rachel Dicker & Lauren Boyer. (2016) “10 Most Corrupted Country Raked by Perception”, *U.S. News*. Retrieved from <http://www.usnews.com/news/best-countries/articles/2016-02-11/10-most-corrupt-countries-ranked-by-perception> (8/6/2016); “Nigeria Ranked the Most Corrupted Country in the World in 2016”, *African Spotlight*, Retrieved from <http://africanspotlight.com/2016/03/24/nigeria-ranked-the-most-corrupt-country-in-the-world-in-2016-see-top-10/> (8/6/2016).

prosecution of the anti-insurgency war. Similarly, fresh revelation from ongoing investigation by EFCC shows that the anti graft Commission will soon arraign to prosecute Diezani Alison-Maduake, former Petroleum Minister, some officials of Independent National Electoral Commission(INEC) and bank officials over \$115 m election bribe.⁸¹ The effort of the government so far has yielded result as missing fund and stolen money have been recovered back to government purse (Adesanya, 2016).⁸² The Federal Ministry of Information has released the details of the amounts. The total sums recovered include: N78,325,354,631.82, \$185,119,584.61, £3,508,355.46 and €1,250 between May 29, 2015 and May 25, 2016. The Government is also expecting to receive \$321,316,726.1, £6,900,000 and €1,826.11.⁸³

It is also worthy to mention that as a measure to prevent money laundering, President Buhari introduced a Treasury Single Account to which all federal government ministries, departments and agencies should remit their money to. The Treasury Single Account policy was established in order to reduce the proliferation of bank accounts operated by MDAs and to promote financial accountability among governmental organs. However, the compliance of the policy faces challenges from majority of the MDAs.⁸⁴ Deposit became challenging and banks could not cope with traffic of many individual having to pay directly into the TSA. Besides, some of the MDAs appear not comfortable with the TSA since it prevents them from getting away with government fund and misappropriating it the way it was allowed under the old regime, so, they do not want to support the policy. One will wonder if the same agency that is responsible for the current activity under the present government were not there before now.

6. Conclusion

This paper has been able to examine the various effects of money laundering and PEPs first on the economy Nigeria as a nation and the economy of the oppressed and downtrodden people. These effects range from economic effect, social effect, political effect, effect on oil and gas being the major source of income to Nigerian government. We have equally examined few cases of persons involved in money laundering.

Largely, we observed that money laundering has great effect on the Nigeria economy. It is important to state that despite the laws and policies put in place in the country, money laundering and other financial and economic crimes still flourish in the country because of corrupt practices of government officers who are expected to protect and fight for the interest of the common people. The current government of President Muhammadu Buhari is doing greatly but must intensify its effort in the fight against corruption and money laundering it has begun. The government should not spare any one whether in the ruling party or opposition party. The fight should be indiscriminate.

It is therefore the recommendation of this paper that possible review of the laws on corruption and money laundering be carried out with a view to harmonize them and increase punishment for economic crimes to deter future culprits. Again, there is a need to reappraise the established institutions fighting economic crimes particularly their statutory functions, roles and relationships such as the Economic and Financial Crime Commission (EFCC) and the Independent Corrupt Practices and Other Related Offences Commission (ICPC). A thorough reassessment of these institutions may likely suggest a merger that will be more formidable and structured such that its presence and operation will be felt at the state and local government levels.

Further to this suggested legal and institutional reform, government of Nigeria should collaborate and persuade with foreign countries hosting looted funds such as United Kingdom, United States of American and Switzerland to repatriate the funds back to Nigeria or better still, used the funds to shore up its foreign reserved which dwindled in the last administration.

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⁸¹“EFCC to prosecute Diezani, INEC and bank officials over \$115 m election bribe”, *Nigeria Today*. (2016). Retrieved from <http://www.nigeriatoday.ng/2016/05/efcc-to-prosecute-diezani-inec-and-bank-officials-over-115m-election-bribe/> (8/6/2016).

⁸²Femi Adesanya (2016). “Federal Government Releases List Of Recovered Loot”. *Information Nigeria*. Retrieved from <https://www.informationng.com/2016/06/federal-government-releases-list-of-recovered-loot.html> (8/6/2016).

⁸³Ibid.

⁸⁴“300 MDAs Yet to comply with Treasury Single Account Directive—AGF”. (2015). *Premium Times*. Retrieved (8/6/2016).

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