



# Terrorist Financing in Nigeria: A Case of Boko Haram

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**Abstract:** The study aims to provide information on terrorist financing methods to assist competent authorities and reporting entities in their responsibilities to combat terrorist financing. Nigeria has in recent times been labeled as one of the most corrupt countries in the world with money laundering being one of the major demons that the nation has to constantly battle with. Efforts by the government through the activities of the Economic and Financial Crimes Commission (EFCC) as well as other agencies have not yielded much fruits. The United States of America's Justice Department in 2014 placed some Nigerian banks under the searchlight in the wake of growing terrorism in the country. Specifically, the banks are being investigated to establish their links, if any, with funding of the various terror cells across the continent, particularly Boko Haram Sect. The development was sequel to BNP Paribas' guilty plea and agreement to pay nearly \$9 billion for violating U.S. sanctions, which has now triggered fresh enthusiasm on the U.S. Justice Department to also extend its investigations to Africa, especially among big banks on the continent with strong international links. Two other major French banks- Credit Agricole and Societe Generale, Germany's Deutsche Bank AG, and Citigroup Inc's Banamex unit in Mexico are among those investigated for money laundering or sanctions violations. This study examined Boko Haram and terrorist financing and its socio-economic implications for conflict resolution in Nigeria. The data for this study will be generated from Focus Group Discussion and documentary sources. Tables and the technique of content analysis will constitute our data analysis technique. Among the conclusions drawn supports the findings of Financial Action Task Force (FATF), that despite the earlier warnings to Nigeria on its non-compliance level, the country is yet to take any concrete step to stem the rising spate of financial crimes including terrorism financing, money laundering and corruption. Based on the above findings, the paper recommends that the parties and individuals that violate FATF laws should be sanctioned and that the laws on economic crimes need to be reviewed to promote enforceability.

**Keywords:** Terrorist Financing, Anti-corruption Laws, Election Management Body, Democracy and Election.

## Introduction

Terrorism has become a global and burning issue of the day. Terrorism elicits a lot of concern from troubled members of the public that are alarmed at the wanton destruction of lives and property at odd hours and in unexpected places. Bombs or explosives have been thrown by terrorists at 'soft targets' such as public places or buildings including market places, mosques and churches, and government buildings causing loss of lives. Perhaps, the most notorious case of international terrorism was the September 11, 2001 (9/11), which took place in the United States of America. That terrorist attack and many others are said to be executed or claimed by individuals or group of individuals associated with Islam. For instance, the 9/11 attack on the World Trade Centre and Pentagon was carried out by the Al-Qaeda Islamic Group led by late Osama bin Laden. In Nigeria the most recent bombings are claimed by the Boko Haram Islamic Group. In Somalia, the Al-Shabbab, is unleashing terror. In the Middle East, there is an almost daily occurrence of terrorist attacks in Islamic countries such as Pakistan, Iraq, Afghanistan and Syria. Other groups identified as terrorists include Hezbollah in Lebanon, Hamas and the Islamic Jihad Group in Palestine. Of recent, the pro-democracy crises in Egypt, Tunisia, Libya, Syria, Iraqi and Yemen have given cause for concern. The Institute for Economics and Peace (2015) had reported that the violent conflict orchestrated by the radical Islamic sect,

Boko Haram, in the north-eastern region of Nigeria claimed no fewer than 3,120 lives in 2015. This huge death toll does not include the number of soldiers, armed militants, insurgents and terrorists who lost their lives in the combat during the year under review. On the average, Nigeria lost an estimated 255 persons per month. The peak was 2,107 in January resulting from the Baga Massacre where 2,000 persons were reportedly killed in one day. So far, the conflict, which has been raging for about six years, has left several towns and villages destroyed and millions persons including men, women and children have fled their homes. A recent Displacement Tracking Matrix conducted by the International Organisation for Migration (IOM) showed that so far, the conflict has displaced a total of 2,151,979 who are currently living in 42 camps across 13 states of Nigeria. The camps are located in Adamawa, Bauchi, Benue, Borno, Gombe, Kaduna, Kano, Nasarawa, Plateau, Taraba, Yobe, and Zamfara states. In addition, there are at least seven IDP camps in Abuja, the Federal Capital Territory. Official statistics obtained from the National Emergency Management Agency (NEMA) shows that 86 per cent of Internally Displaced Persons (IDPs) across the federation are from the North-East region while the remaining 14 per cent are from other states. Boko Haram uprising has attracted attention in the past and presently, it is gaining more momentum to the extent of conquering and capturing communities and local governments, thereby threatening the unity of Nigeria. The source of funding for terrorist activities has equally been of concern in the polity. The phenomenon is underpinned by several factors, including the presence of large, informal, cash-based economies, political instability, ethnic and communal violence, pervasive corruption, widespread poverty, gross unemployment, and underemployment. Significantly, terrorist groups and their financiers drive funds from both licit and illicit activities and move them through formal and informal channels to support their activities. All of these factors have adverse effects on peace, security, and development in the sub-region. The devastating effects of terrorism and terrorist financing have provoked strong interest among academics and national governments on countering the threat, based on a clear understanding of the modus operandi of terrorist groups and their financiers. This paper seeks to contribute to this debate.

#### Contextualizing Terrorist Financing

There are various contending views among scholars about Boko Haram's funding streams. Some scholars and analysts have posited that Al-Qaeda Islamic Group is the main funder of the movement. Yet some claim that some politicians began funding the group when they saw his zeal and commitment against the government, so as a result they fund all Boko Haram activities. While some still suggest that some wealthy individuals who wanted to be linked and associated with the founder and his movement decided to fund him and his movement. All these theses are speculations and need strong verification. Before addressing this issue, there is the need to contextualize Terrorist Financing. Terrorist financing has been defined in various international and national counter-terrorism and counterterrorism financing (CFT) instruments. According to the UN Convention for the Suppression of the Financing Terrorism, the definition of terrorism according to article 2 states: Any person commits an offence within the meaning of this Convention if that person by any means, directly or indirectly, unlawfully and wilfully, provides or collects funds with the intention that they should be used or in the knowledge that they are to be used, in full or in part, in order to carry out: (a) An act which constitutes an offence within the scope of and as defined in one of the treaties listed in the annex; or (b) Any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a government or an international organisation to do or to abstain from doing any act" United Nations (1999). The above section is violated the moment funds are collected or provided, knowing or intending that they are to be used for terrorist plot whether by an individual or a group. The offence is complete whether or not the funds are ultimately so used or an intending terrorist act is accomplished or attempted and without regard to whether the funds are of illegal origin (). Thus, the above definition is the one most countries have adopted for purposes of defining terrorist financing. Under the Nigerian Terrorism (Prevention) (Amendment) Act, (2013), a person is inter alia deemed to commit the offence of financing of terrorism if he, (a) solicits, acquires, provides, collects, receives, possess or makes available funds, property or other services by any means to (i) terrorists, or (ii) terrorist groups, directly or indirectly with the intention or knowledge or having reasonable grounds to believe that such funds or property will be used in full or in part in order to commit an offence under this Act. (b) Possesses funds intending that it be used or knowing that it will be used, directly or indirectly in whole in part, for the purpose of committing or facilitating the commission of a terrorist act by terrorist or terrorist groups.

Subsection (2) extended the definition to cover “any person who knowingly enters into, or becomes involved in an arrangement –(a) Which facilitates the acquisition, retention or control by or on behalf of another person of terrorist fund by concealment, removal out of jurisdiction, transfer to a nominee or in any other way, or(b) As a result of which funds or other property are to be made available for the purposes of terrorism or for the benefit of a specified entity or proscribed organization.

Many other sources and authorities reinforce the conclusion that the financing of terrorism usually consist of such routine financial transfers that it simply could not be recognized as suspicious and prevented without advance information from an intelligence source(Terrorism (Prevention) (Amendment) Act, (2013).

The difficult issue for some countries is defining terrorism. Not all of the countries agree specifically on what actions constitute terrorism. The meaning of terrorism is not conversely adopted due to significant political, religious and natural implications that differ from country to country. The ever changing nature of terrorism has made it difficult for scholars to arrive at a single definition that will be acceptable to all. The World Bank and the International Monetary Fund (IMF) also define terrorist financing as “the financial support, in any form, of terrorism or of those who encourage, plan or engage in it”(2003) Furthermore, the Financial Action Task Force (FATF) notes that it involves the financing of terrorist acts, and of terrorists and terrorist organisations. The difficult issue for some countries is defining terrorism and money laundering have created problems on how to tackle this monsters. This is because one man’s terrorist is another person’s freedom fighter.. Not all of the countries agree specifically on what actions constitute terrorism. The meaning of terrorism is not conversely adopted due to significant political, religious and natural implications that differ from country to country. The ever changing nature of terrorism has made it difficult for scholars to arrive at a single definition that will be acceptable to all. In conjunction with the above definitions, it is useful to consider frameworks as documented by GIABA/ TATAF (2013) that provide further understanding of how terrorist financing manifests itself. It is then possible to apply these frameworks to the particular case of West Africa. While there is no broadly accepted model of terrorist financing along the lines of the placement, layering, and integration model of money laundering, a number of studies propose approaches for the systematic analyses of terrorist financing. In the West African context, it is particularly important to note the limitations of considering terrorist financing in terms of “funds” or financial transactions alone, given the limited access to formal financial services in much of the region. This is because in addition to funding individual terrorist attacks and operations, terrorism financing helps establish and maintain terrorist groups in Nigeria and foreign countries and sustains the networks that connect them. Terrorism financing supports the less violent or obvious aspects of a group’s operations by paying for daily living expenses, travel, training, propaganda activities, organisational costs, and compensation for wounded fighters or the families and dependants of terrorists who have died. Terrorism financing also poses significant risks to any organisation involved in the activity, even if their involvement is unwitting. It can severely damage the reputation of financial institutions misused as part of the process. The integrity and work of non-government organisations such as charities and humanitarian groups can be seriously undermined if they are misused as a cover for terrorism financing activity. This is because the United States of America’s Justice Department in 2014 placed some Nigerian banks under the searchlight in the wake of growing terrorism in the country. Specifically, the banks are being investigated to establish their links, if any, with funding of the various terror cells across the continent, particularly Boko Haram Sect. The development was sequel to BNP Paribas’ guilty plea and agreement to pay nearly \$9 billion for violating U.S. sanctions, which has now triggered fresh enthusiasm on the U.S. Justice Department to also extend its investigations to Africa, especially among big banks on the continent with strong international links. Two other major French banks- Credit Agricole and Societe Generale, Germany’s Deutsche Bank AG, and Citigroup Inc’s Banamex unit in Mexico are among those investigated for money laundering or sanctions violations. The Justice Department and other U.S. authorities, including the Manhattan District Attorney, equally probed Credit Agricole and Societe Generale for potentially violating U.S. economic sanctions imposed against Iran, Cuba and Sudan. Specifically, in the case of Nigeria, there had been widespread suspicion that a few banks in the country may have compromised in helping to move funds for members of the Boko Haram sect. The hammer came down over its inability to track the source of funds of the Boko Haram sect and curb terrorism financing in general. Integrated Threat Assessment Centre (2007) has offered broader definition of terrorist financing . According to it , the Terrorist Resourcing Model main premises of the model are:

- 1) the purposes and processes of terrorist financing and related activities are fundamentally different from those of money laundering; and

2) “money is only one of a number of essentially interchangeable instruments that can be exchanged for one another” in order for terrorist groups to obtain the end-use goods and other resources they need. Thus, the notion of terrorist “resourcing” can provide a more appropriate framework for assessing the economic activities of terrorist actors. The Integrated Threat Assessment Centre also argues that terrorist financing/resourcing is a non-linear process. The model thus consists of stages –acquisition, aggregation, transmission to organisation, transmission to cell, and conversion – that cover the process from end-to-end while accommodating a range of variations. The model provides a framework for analysis of all methods and means – from both licit and illicit origins – used by terrorist organisations to support their operations and infrastructure, given their different needs, capabilities, and mechanisms. While money or its equivalents are most often part of the process, these methods need not involve financial instruments or transactions at all, and could include the theft or smuggling of end-use goods, aggregations of donations, or direct provision of equipment to cells, to name a few. An additional useful framework to take into account is the typology developed by Vittori (2011). Her analysis categorises terrorist organisations – and draws inferences on their relative capability and autonomy – based on the methods and techniques in which they obtain and manage their resources. Vittori places terrorist groups within one of seven categories – lone wolf, state sponsored, franchise, bundled support, state sponsoring, shell state, and transnational corporation. These categories provide insight into a group’s reasons for employing particular resourcing methods (in addition to regional socio-economic considerations), and why given methods come to be associated with particular types of groups. Supporting Vittori (2011), Liang (2015) posited that In the past year the world became fixated on the rise of the Islamic State (ISIL), the richest and most violent terrorist group in modern history. It is gathering extremist fighters from around the globe to support its goal of establishing a “lasting and expanding” caliphate. ISIL has eclipsed all other terrorist groups on the world stage by transforming terror from a regional to a global security threat. This is due to its ability to establish and govern a semi-functioning autonomous territory, its use of 21st century marketing tools to create an international brand, and its strategy of attracting foreign fighters. ISIL’s power is also due to its unprecedented wealth, which is based on diverse and sophisticated financing strategies. In view of the above, terrorism financing can be operationalized using certain indicators for clarity. For our purpose, we shall adopt indicators that are in use in Australia to include: (a) Structured cash deposits and withdrawals, and international funds transfers to high-risk jurisdictions. (b) These transactions may be conducted at multiple branches of the same reporting entity (c) Multiple customers conducting international funds transfers to the same beneficiary located in a high-risk jurisdiction (d) A customer conducting funds transfers to multiple beneficiaries located in the same high-risk jurisdiction (e) A customer using incorrect spelling or providing variations on their name when conducting funds transfers to high-risk jurisdictions (f) Transfer of funds between business accounts and personal accounts of business officeholders which is inconsistent with the type of account held and/or the expected transaction volume for the business (g) Large cash deposits and withdrawals to and from NPO accounts (h) Operating a business account under a name that is the same as (or similar to) that used by listed entities in Australia and overseas (i) Individuals and/or businesses transferring funds to listed terrorist entities or entities reported in the media as having links to terrorism (j) Funds transfers from the account of a newly established company to a company selling chemicals that could be used in bomb making (k) Multiple low-value domestic transfers to a single account and cash deposits made by multiple third parties, which could be indicative of fundraising for terrorism financing (l) Sudden increase in account activity, inconsistent with customer profile (m) Multiple cash deposits into personal account described as ‘donations’ or ‘contributions to humanitarian aid’ or similar terms (n) Transfers through multiple accounts followed by large cash withdrawals or outgoing funds transfers overseas (o) Multiple customers using the same address and telephone number to conduct account activity (p) Proscribed entities or entities suspected of terrorism using third-party accounts (for example, a child’s account or a family member’s account) to conduct transfers, deposits or withdrawals (AUSTRAC, 2014:5). Terrorist financing is the financial support, in any form, of terrorism or of those who encourage, plan or engage in terrorism either in the form, for example, expenses for travel, explosive materials, weapons and vehicles funding required to maintain a terrorist network, organisation or cell. From these explanations, terrorism financing process involves three inter-related stages: raising funds (such as through donations, self-funding or criminal activity), transferring funds (to a terrorist network, organisation or cell) and using funds (for example, to purchase weapons or bomb-making equipment, for payment to insurgents, or covering living expenses for a terrorist cell). In view of the above explanations, Director-General, GIABA, Dr Abdullahi Shehu, expressed regret that despite the support of GIABA, Nigeria

still engages in predicate offences that assist the growth of money laundering. Meanwhile, the implications of FATF delisting would be devastating for the already comatose Nigerian economy. It means Nigeria's business environment is risky for foreign investment, an indication that the nation's financial sector is no longer safe. Furthermore, it will be difficult for Nigerians living overseas to open accounts, especially in branches of multinational financial institutions. The financial offences watchdog recommends that financial institutions should give special attention to business relations and transactions with persons, including companies and financial institutions, from the "non-cooperative countries and territories." The report also posited that Nigeria lost an estimated \$25 billion in the four years that it was on the delisted list. The loss refers to cash quantification of what would have accrued to the country's treasury through direct foreign investments. However, the efforts have been intensified in the last couple of years and made solid with the amendment of the Anti Money Laundering/ Combating Financing Terrorism Regulation 2009. The Central Bank of Nigeria (CBN) had recently released the amended Anti Money Laundering and Combating Financing Terrorism (AML/CFT) Regulation 2009 to align with the Money Laundering Prohibition Act of 2012, Terrorism Prevention Act 2013 and the Revised Financial Action Task Force (FATF) 40 Recommendations 2012. The issued guidelines made financial institutions in the country the watchdogs against those who nurture the intention to continue in the unfortunate trade of looting the nation's purse and destroying national peace through terrorism. These intensified efforts have so far yielded fruits as the FATF last year removed Nigeria from the list of countries identified as jurisdictions with significant deficiencies in their Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) regimes. The FAFT had welcomed Nigeria's significant progress in improving its AML/CFT regime and noting that the country has established the legal and regulatory framework to meet its commitments in its action plan regarding the strategic deficiencies that the FATF had identified in February 2010. More needs to be done to combat "loopholes and deficiencies" in the world financial system as part of the fight against terrorism. The next section of the paper after methods of research will address the sources of Boko Haram terrorism funding. The research is situated in the interpretive qualitative research paradigm which allows the researcher an in-depth understanding as experienced by participants in their setting. Qualitative research is an approach that advocates the study of direct experience taken at face value (Cohen et al, 2007). It allows the researcher to derive a deeper understanding of the situation. A case study was adopted in this study because the study was centred on ZOU Midlands Region only. The participants were purposefully selected to participate in individual interviews and focus groups. Zint and Montgomery (2007:3) state that, "Purposive sampling is a non-random method where the researcher selects information rich cases for study in-depth." Individual in-depth interviews were conducted with 20 students. Two focus groups of eight students each were also conducted. Documents to show students' attendance were also perused. It is better to select a variety of research methods when approaching a problem than rely on one single method (Creed et al., 2004:60). Data was analysed through the use of analytic techniques derived from qualitative research, primarily thematic analysis (Mannning and Luyt, 2011). Data analysis involves breaking up data into manageable themes, patterns, trends and relationships (Mouton, 2005:108). Themes that emerged from the data were identified.

#### **Boko Haram Current and Emerging Terrorist Financing Channels**

Underpinning the diversification of terrorist financing is the evolution of the nature of terrorist groups and the threat they pose over the past decade. Tighter border security, immigration control, and greater scrutiny of financial transactions have forced groups like Al Qaeda, Boko Haram among others to decentralise their operational approach and to rely on affiliate groups around the world to conduct operations(). Although some of the groups and cells have close ties to Al Qaeda's senior leadership, they largely depend on sources other than Al Qaeda core for their funding(). These groups and cells focus on not only operations in the areas in which they are based, but also on developing and maintaining financial and logistical support networks. Accordingly, there are changes in the means by which funds are raised, stored, and, moved, with groups often sharing information on techniques and methods(). Levitt and Jacobson (2008) also attribute the evolution in financing sources to rapid globalization and sustained technological advances, which have enabled terrorist groups to raise, store, transfer, and distribute funds for their operations with ease. In particular, the advent of new technology has spurred changes in how money is transferred, with mobile and online money transfers becoming more commonplace. In the short-to-medium term a number of channels are likely to pose an increased risk of being misused for terrorism financing:

State – Sponsored Terrorist States

There is consensus that state financing of terrorist groups has declined dramatically in the post-Cold War period, though it has not disappeared completely.<sup>23</sup> The decline in state sponsorship is partly attributed to international efforts to combat terrorist financing, including bilateral and multilateral economic sanctions against particular states suspected or known to be sponsors of terrorism. Nonetheless, active and passive state sponsorship remain an important source of terrorist financing. For instance, according to Levitt and Jacobson (2008), while “active state sponsorship is increasingly rare, states [continue] to provide terrorist groups with a tangible service by simply allowing terrorists to have access to their territory, facilitating their travel, or by turning a blind eye to their activities within their borders”. Passas has noted that this can extend to minimal enforcement of oversight measures for financial transactions and charities.<sup>25</sup> States can directly fund terrorist groups, supply them with weapons, or provide them with military training.

The on-going international campaign against terrorist financing has demonstrated that terrorists and terrorist organisations exploit the non-profit organisation (NPO) sector to raise and move funds, provide logistical support, encourage terrorist recruitment, or otherwise support terrorist organisations and operations. NPOs possess characteristics that make them particularly attractive to terrorists or vulnerable to misuse for terrorist financing. They enjoy the public trust, have access to considerable sources of funds, and their activities are often cash-intensive. NPOs may also have exposure to a large number of beneficiaries, some of whom may be vulnerable to radicalisation. Furthermore, they may have a global presence that provides a framework for transnational operations, including in insecure and conflict-affected areas, where terrorist groups may be present or seek to operate().

#### Self-Funding

Self-Funding from legitimate sources being used to pay travel and living expenses for Nigerians to fight alongside terrorist groups overseas. Family and associates in Nigeria have also knowingly or unwittingly transferred their own legitimately obtained funds to persons engaged in conflict. There is also a significant risk that self-funding may be used to fund the activities of any ‘lone wolf’ extremists within Nigeria . Lone wolf extremists act alone to plan or carry out violent acts in support of a group or ideology, without support or assistance from any group. For example, in December 25, 2011 a Nigerian and son of former MD of First Bank Abdulmutalab Abdulfarouk Umar attempted to bomb American bound Delta Airline. According to his father who confessed of having sent to Britain to further his education decided on his own went to Yemen to study and got radicalized.

#### Cross-Border Movement of Cash

There is a significant risk that the cross-border movement of cash may be used as a channel by Nigerians or any other nationals travelling overseas to fund terrorist groups and activity. The risk is heightened when they travel to Syria, Mali , Niger, and other neighbouring countries.

#### Banking and Remittance Sectors

In Nigeria, the banking and remittance sectors are used more frequently than other channels to send funds to individuals engaged in foreign insurgencies and conflicts, some of whom are also suspected of engaging with terrorist groups. This largely reflects the central role of the banking sector in Nigeria and the utility of the remittance sector to move smaller amounts of money to jurisdictions where formal financial channels are less accessible. For example the banking industry and State Security Service (SSS) was in 2013 embroiled in claims and denials over the continued detention of senior personnel of 13 Nigerian banks for alleged terrorist financing and money laundering believed to have been perpetrated by Aminu Suleiman Lamido, son of Alhaji Sule Lamido, former Jigawa State governor.

The banks whose staff are affected are Fidelity Bank Plc, First City Monument Bank Plc (FCMB), Wema Bank Plc, Access Bank Plc, Skye Bank Plc, First Bank Nigeria Limited (FBN), Sterling Bank Plc, Diamond Bank Plc, Zenith Bank Plc, Unity Bank Plc, Ecobank Plc, Guaranty Trust Bank Plc (GTBank) and Citibank

#### Online Payment Systems

Online payment systems may be used to collect donations and transfer funds to extremists in and overseas. The use of online payment systems may correspond with the use of social media by terrorist groups and extremists to radicalise, recruit and communicate with sympathizers.

#### Stored Value Cards

Stored Value Cards and credit/debit cards may be used by Nigerians linked to foreign terrorist groups to access funds overseas. In July 2011, security operatives apprehended a member of Boko Haram and owner of a Nigerian Telecommunications Company, in northern Nigeria. Upon interrogation, he confessed to using part of the profit from his business to support the activities of Boko Haram. He also confessed to supplying

pre-registered Subscriber Identity Module (SIM) cards and mobile phones to the group. Again, in September 2012, a confirmed member of Boko Haram, was apprehended by security operatives when conducting surveillance on possible targets of attack in Abuja. Upon interrogation he revealed that one of the ways through which Boko Haram funds its activities is by purchasing and sending items to its members in other locations. These items are sold at inflated prices and the proceeds are used to finance the activities of the terrorist organisation, including renting apartments and procuring Improvised Explosive Devices (IED) materials for their operations.

As a result of the above mechanisms, Nigeria has in recent times been labeled as one of the most corrupt countries in the world with money laundering being one of the major demons that the nation has to constantly battle with. Efforts by the government through the activities of the Economic and Financial Crimes Commission (EFCC) as well as other agencies have not yielded much fruits. Signals from Financial Action Task Force (FATF), the global standard setter for measures to combat money laundering, terrorist and proliferation financing, indicated that despite the earlier warnings to Nigeria on its non-compliance level, the country is yet to take any concrete step to stem the rising spate of financial crimes including terrorism financing, money laundering and corruption. In its report, dated February 11, 2014, the FATF listed Nigeria among the countries that have not made significant progress in addressing the lacunas in their Anti-Money Laundering and Combating Terrorism Financing (AML/CFT) regimes. The agency advised the international financial community on the potential risks in the country.

Recent events, especially the activities of Boko Haram and startling revelations from various probes by the National Assembly, Anti-corruption institutions and Courts are putting Nigeria under global focus and scrutiny. On June 23, 2006, FATF decided to remove Nigeria from its list of Non-Cooperative Countries and Territories (NCCTs). Since July 2001, Nigeria has been on this shame list. The cost to the economy is incalculable: inflow/outflow of transactions to Nigeria has around it a cautionary flag to the rest of the world and numerous Nigerians operating outside the country have had their financial dealings cancelled/monitored. Similarly, Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), in its 2011 yearly report, clearly showed that the sources of money laundering, corruption, tax fraud, narcotics & human trafficking and capital market related crimes were identified as the major challenges facing Nigeria. The data from GIABA, an institution of the Economic Community of West African States (ECOWAS) responsible for facilitating the adoption and implementation of AML/CFT in West Africa, stated that the National Drug Law Enforcement Agency (NDLEA) seized 195, 283, 917 kilogrammes of various types of illicit drugs, mostly cannabis valued at over N140 million. The country also generated 8,725, 213 Currency Transaction Reports (CTRs), 2,031 Suspicious Transaction Reports (STRs) and 83 confirmed cases of money laundering in the reviewed period (FATF, 2014).

#### Charities and NPOs

A number of case studies have highlighted the exploitation of NPOs as a means to support terrorism. Terrorists have abused NPOs by: (a) diverting finances; (b) diverting materials; (c) using them as an intermediary to local partners that divert financing/materials; (d) using them to facilitate travel and/or board travellers; (e) using them as a front or cover for illicit activities, such as the transfer of arms; (f) openly using them to provide social services as a means to solicit public support; (g) using them as a platform to distribute messaging as a means to gain political/ideological support; (h) using them to radicalise and/or enlist individuals; (i) kidnapping and ransoming employees; (j) impersonating employees to obtain access to particular areas/people; and (k) using an NPO's name to raise funds, without the NPO's knowledge.

These sources may be used to raise funds for groups engaged in foreign conflict and as a cover to transfer funds offshore. Funds for legitimate humanitarian aid may also be diverted in Australia, or at their destination, and used to support terrorist groups. For instance according to (FATF, 2013), an international NGO/Charity organisation headquartered in the Middle East, sought to open an account in Nigeria. While carrying out due diligence on NGO, the bank discovered that the organization and one of its directors had been indicted in a case involving terrorist financing in two countries. A Suspicious Transaction Report (STR) was immediately filed with the Nigeria Financial Intelligence Unit (NFIU). Analysis of the charity's bank statements and transactions established that the NGO's transactions were inconsistent with the profiles of its accounts. There had been frequent cash deposits and withdrawals, including those from domestic ATMs, by individuals with no apparent connection to the charity and mostly in areas with a high incidence of terrorist activity within Nigeria. The analysis further revealed that there had been transfers of funds from its accounts

into the accounts of individuals with whom the NGO had no apparent relationship. Cash deposits were structured and made through multiple branches of the same bank. Funds transfers were from a foreign jurisdiction by a national of a country known to be state sponsor of terrorism; and there had been a series of transfers into the accounts by the charities headquarters in the Middle East. Subsequent investigations established that NGO had operated in Nigeria for an extended period and had maintained multiple bank accounts in three different Nigerian banks. The NGO was also affiliated with another NGO known to have supported terrorist groups, including Al Qaeda. Finally, it was established that NGO's charity operations supported Hamas, a Palestinian extremist organisation, and Gama'a al-Islamiyya, an Algerian terrorist group. The frequency of withdrawals from NGO's accounts, especially in the states known for Boko Haram activities, raised concerns about the ultimate use of these funds. The promoters of charity claimed to be paying the salaries of itinerant Islamic clerics in Nigeria.

#### Politicians

While already popular, Yusuf rose to much greater prominence when he reportedly formed an alliance with Ali Modu Sheriff, a politician and wealthy businessman from a prominent Maiduguri family. The connection allegedly also generated resources for Yusuf and his followers. Sheriff and his associates have denied any alliance with Yusuf and accused the PDP of creating Boko Haram. In 1999 Sheriff won the Borno North senatorial seat and helped Mala Kachalla, a far older politician, become governor on the ticket of the All Nigerian Peoples Party (ANPP) that controlled both Borno and Yobe state. However, an ANPP politician said, they fell out when Kachalla backed out of an agreement to give way to Sheriff after one term. It is widely believed in the region and by many Boko Haram members that Sheriff then cut a deal with Yusuf, whose large youth following was a significant electoral bloc.

Yusuf allegedly promised to help Sheriff, provided he would implement Sharia and give the sect some senior government appointments. Sheriff denies any agreement, though many politicians and observers say Yusuf gave massive support to his campaign, reportedly including fiery attacks that portrayed Kachalla as a bad Muslim uninterested in Sharia. Sheriff took control of the ANPP's party machinery and legislators in Borno, forcing Kachalla to run on the ticket of Action for Democracy, a party mostly based in southwest Nigeria. Sheriff also has been accused of enlisting a group, named "ECOMOG" after the Nigeria-led West African peacekeeping force in Liberia, to intimidate and silence political opponents with impunity.

The state government allegedly provided funds to Yusuf through Buji Foi, known locally as a Yusuf disciple whom Sheriff made religious affairs commissioner when he became governor.<sup>57</sup> Yusuf used the money to organise an informal micro-credit scheme that gave his disciples capital to set up businesses. They in turn gave part of their profits as alms to the group, which began amassing arms, mostly Kalashnikovs from neighbouring Chad, allegedly with Baba Fugu, Yusuf's father-in-law who was killed during the 2009 crackdown, as supplier. Cracks appeared in the purported Yusuf-Sheriff alliance, however, after the latter became governor in 2003. According to Boko Haram members, he reneged on his promise to implement Sharia fully in the state, limiting its courts to social matters and refusing to allow traditional criminal punishments such as flogging for theft and fornication, amputation and stoning to death for adultery. Yusuf began to direct sermons against Sheriff and his government, ultimately branding him an apostate.

In 2007, Buji Foi resigned as religious affairs commissioner in protest. Yusuf's criticism of Western education brought him into disagreement with other clerics, including fellow Salafis; his former mentor, Sheikh Mahmud Jaafar Adam, was his foremost antagonist. Izala clerics, particularly Jaafar Adam and Adam Albany, devoted considerable time to criticising the group and warning the government about it though never prosecuted, Yusuf experienced arrests and interrogations by the State Security Service (SSS) that caused his popularity to soar. The Maiduguri SSS reportedly sent forward eleven reports on him and the group, but none were taken seriously. On a number of occasions Yusuf was arrested, taken to the SSS Abuja headquarters, quickly released and returned to Maiduguri. The SSS halted the harassment when it became apparent his followers became more restive with each arrest.

In December 2008, the Borno state government charged Yusuf with terrorism before the federal high court in Abuja. He was released on bail, allegedly following the intervention of Peoples Democratic Party (PDP) members. Four influential Nigerians, all Christians, reportedly signed the bail bond. This led to speculation that Yusuf had backing from northern Christian elites and conspiracy theories that he was being used to undermine northern Muslim leaders.

#### Conclusion and Recommendations



This paper examined terrorist financing in Nigeria and analyzed the case study of Boko Haram. The paper discussed, among others, the methods, and techniques employed by terrorists in collecting, transferring, and utilizing funds with reference to specific cases. Analysis of the cases and the use of content analyses revealed a number of trends that may seriously threaten the security and stability of Nigeria. Among these trends are:

- the upsurge in acts of terrorism and terrorist financing in the West African sub-region, emerging linkages between West African extremist groups and international terrorist organisations and provision of support by the latter to the former,

- the use of both legitimate and illegitimate means by terrorists and terrorist groups to raise funds for personal upkeep, recruitment, purchase of tools and equipment, the dissemination of propaganda, and

- the exploitation of formal and informal channels to move funds.

The use of Non-Governmental Organisations (NGOs) and charities as conduits for terrorist financing is also becoming more apparent.

A number of vulnerabilities were identified from the analysis which includes:

- Reporting institutions often lack the capacity to identify suspicious transactions related to terrorist financing.

- Terrorists, terrorist groups, and their supporters take advantage of the large informal, cash-based economy to fund their activities.

- Security and surveillance at various national borders are weak, compounded by numerous unofficial border cross points, thereby resulting in the infiltration of terrorists and illicit Small Arms and Light Weapons (SALW)

- Domestic inter-agency co-operation and collaboration, as well as information sharing among security agencies remain weak and thus providing an enabling environment for the illicit flow of cash and SALWs across borders without being detected.

Counter terrorism authorities' understanding of applicable laws is limited, which poses challenges for combating terrorist financing and terrorism. As part of efforts to address terrorism and terrorist financing in West Africa, a number of recommendations were made which include:

1. Every Nigerian must join hand together to support the money laundering law and countering of financing terrorism initiatives and the Buhari leadership should sustain the current fight against corruption and to maintain good economy for the nation. To achieve this all hands must be on deck to win this war against money laundering and terrorism financing.

2. While saying that money laundering law had developed over times, the law had become crucial in combating terrorism and terrorist financing. The money laundering law has developed over times. Initially, the law was used to fight individuals hiding their wealth from the state to avoid taxation and confiscation of same. Later the law became relevant in fighting drug related activities. But today, it is very crucial in combating terrorism, terrorist financing. The jurisdiction of the anti-money laundering must include provision that prohibits use of money laundering to financing terrorism. Hence we are concerned with both the source of the money and the destination.

3. Nigeria's money laundering prohibition law mandated financial institutions operating in the country to report transactions, which were either above certain limits or shrouded in suspicion. The money laundering prohibition law predicts certain financial transactions by financial institution and some designated non-financial institutions. Such institutions are bound to make report of such transactions to key stakeholder agencies of Federal Government when such transactions are above certain limits or shrouded in suspicion.

4. However, we urged lawmakers, regulators and law enforcement agencies as well as policy makers in the country to make use of the National Risk Assessment (NRA) report with a view to effectively covering all areas of money laundering and terrorist financing being exploited to perpetrate crimes in the country.

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