ILLICIT FINANCIAL FLOW AND ITS EFFECT ON POLITICAL AND ECONOMIC DEVELOPMENT IN NIGERIA

[1]Kins Ugwabuike Ekebuike; [2]Prof. Eugene T. Aliegba & [3]Muhammed Bello Baban'umma *PhD*.

[1,2,3] Department of Political Science,
Faculty of Social Sciences
Nasarawa State University, Keffi.

Abstract

Illicit financial flow is a global issue that needs am imperious fervent attention by both developed and developing nations. It is more rampant and overwhelming to the economy of third world countries like Nigeria. Therefore this paper examine Illicit Financial Flow and it effect on Political and Economic Development in Nigeria. To achieve this, historical and descriptive analysis method was utilized for the investigation while power-based regime theory was adopted as a theoretical framework. The findings revealed that the factors that facilitates Illicit Financial flows on Political and Economic Development in Nigeria is the nature of the nation corruption tendency, and also illicit financial flow has no any impact on the Nigerian economic development. The study among others recommends that government of Nigeria must lobby developed nations to adopt control so that individuals who move funds out of Nigeria into tax havens and secrecy jurisdictions can be exposed. This should follow up with stringent measures, legislations and institutional framework on how Illicit Financial Flows offenders should be treated. Culprits should be punished according to the law; there should be need for reorientation, sensitizations and education of people about the adverse effect of IFF, Nigeria anti-graft agencies, ministries and parastatals such as, Nigerian Customs Services, Nigeria Immigration Services. Economic and Financial Crime Commission, Independent Corrupt Practices and Other Related Offences Commission, Federal Inland Revenue Services, should be re-trained and equipped with all that is needed for to perform optimally.

Keywords: *Illicit Financial Flow, Political, Economic Development,*

INTRODUCTION

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

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

Global Financial Integrity (GFI), a Washington based think-tank working on transparency in the international financial system, estimated that in 2013 US$1.1 trillion left developing countries through IFFs (GFI, 2013). From 2008 to 2010, Africa alone had lost US$63.4 bn to illicit financial flows, US$1.2 bn more than what it has received in aid and foreign direct investment (Herkenrath, 2014).

Similarly, it was estimated in the 2015 High Level Panel on Illicit Financial Flows from Africa that Africa was losing over $50bn through illicit financial flows annually, a UNECA 2015 report says, IFFs bleeds Nigeria and other African countries of about $100bn annually (UNECA, 2015, Kulkarni, 2018). The implication of these plunder is reflected in the scourge of poverty that is witnessed on all facets of the societal life of Nigerians that are worse hit by the effects of economic exploitation in the guise of illicit financial flows.

Although estimates vary greatly and are heavily debatable, as they may well be shortfalls from reality as accurate data does not exist for all transactions and for all African countries. But there is a general consensus that illicit financial flows likely exceed aid flows and investment in volume (OECD, 2015). Meanwhile, GFI regards this estimate as highly conservative, as it does not pick up movements of bulk cash, the mispricing of services or many types of money laundering.

These outflows are by and large said to be facilitated by some 60 international tax havens and secrecy jurisdictions that enable the creating and operating of millions of disguised corporations, anonymous trust accounts and fake charitable foundations. Other techniques used are said to include money laundering, transfer pricing and revenue leakages including those generated by aggressive tax planning strategies, typically by multinational enterprises (MNEs) (Punch September 20, 2018). MNEs engage in highly complex strategies to shift profits from where they are earned to low or no tax jurisdictions also known as the Base Erosion and Profit Shifting (BEPS). The problem is exacerbated by knowledge unevenness between developed and developing countries in terms of identifying, understanding and countering these strategies (Kar & Freitas, 2012).

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

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

The more that large scale private investment is seen to be an indigenous activity, the more quickly it will become legitimate and the more likely it is that property rights will be respected. All things being equal, a reduction in illicit flows is likely to lead to higher domestic investment.

The phenomenon of illicit capital flows is systemic in two senses. First, political and economic variables interact closely. Second, they do soon a global canvas (Moore 2012). The apparently 'internal' issues of weak institutions in poor countries both contribute to the prevalence and adverse effects of illicit flows and are simultaneously partly caused by those flows. The appropriate policy response is not to focus only on these putatively 'domestic' political and institutional problems, setting aside for later the problem of controlling and reducing illicit international flows. For the causation also works the other way: illicit flows exacerbate 'domestic' political and institutional problems. Better global regulation of illicit flows should benefit both the polities and the economies of the poorest, weakest states (Moore 2011).

CONCEPTUAL CLARIFICATION

Concept of Illicit Financial Flows: For the purposes of this guidance, illicit financial flows (IFFs) means all cross-border financial transfers which contravene national or international laws. This is a wide category which encompasses several different types of financial transfers, made for different of reasons. It can include:

- Funds with criminal origin, such as the proceeds of crime;
- Funds with a criminal destination, such as bribery, terrorist financing or conflict financing;
- Funds associated with tax evasion;
- Transfers to, by, or for, entities subject to financial sanctions; and

- Transfers whose seek to evade anti-money laundering/counter-terrorist financing measures or other legal requirements (such as transparency or capital controls).

This study further discusses "illicit finance", which refers to funds with a criminal origin or destination, but outside the context of an international transfer (e.g. the domestic proceeds of crime). It can be useful to distinguish the reasons why funds themselves are illicit (e.g. their association with corruption and other proceeds-generating crimes); the methods used to move or launder them, which can include techniques which are legal (e.g. the use of shell companies or companies in secrecy jurisdictions) or illegal (e.g. false invoices); and the laws, mechanisms and policies used by governments to combat them.

A coherent approach to illicit financial flows needs to encompass illicit funds, illicit financial techniques, the deficiencies in the legislative, enforcement and policy framework which allow them to take place, and the measures which can be applied to fight them. This module considers policy coherence regarding the main types of illicit financial flows and the legal and policy instruments used to combat them, including the measures to counter money laundering; terrorist financing; and corruption; and recover stolen assets.

This module aims to help countries design and implement legislation and policies to counter illicit financial flows in a coherent way that reflects inter-sectoral linkages and minimizes the unintended consequences to effectiveness. To do this it maps the interactions of illicit financial flows and measures to combat them with each other and with wider policy objectives; identifies the most significant synergies and spillovers; and gives advice on how to facilitate a joined-up, whole-of-government approach to dealing with them.

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

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

Economics: economics is a social science that study human behavior and that attempt to maximize their satisfaction out of the available resources. Robins (1981) see economic as a science that study human behavior as a relationship between end and scarce means, which have alternative uses.

Development: In this light Chandler (2007) sees development as a broader concept that recognizes psychological and material factors that measure human well-being. Development therefore is a multifaceted phenomenon and man centered. It is the process of empowering people to maximize their potentials, and develop the knowledge capacity to exploit nature to meet daily human needs (Rodney, 1972; Nnoli, 1981; Ake, 2001).

METHODOLOGY

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

Theoretical Framework (Power-Based Regime Theory)

The theoretical foundation of this discourse is founded in the neo-realism Power-Based Regime theory amidst other theories. The power-based regime theory as propounded by Krasner (1983), stands as the foremost theoretical underpinning of this study however, the theory of prebendalism as opined by joseph (1996), dependency theory in general and the views of Immanuel wallestine in particular are used in this study as a guide in underscoring the tenets of our discussion on the politics of illicit financial flows, asset recovery and poverty. At the bottom of these theories comes the Fraud Triangle Theory also which tends to further shed light on the motives of illicit financial flow from a personality perspective of those who indulge in the crime of fraud.

In respect of the power based regime theory, its tenets were later reshaped and expanded by (Keohane, 1986; Waltz, 1979). Scholars like Keohane (1986), Gilpin (1975) and Kindleberger (1973). The major assumptions of this theory are:

i. That international institutions or regimes affect the behavior of states or other international actor. Cooperation is possible in the anarchic system of states, as regimes are by definition, instances of international cooperation. This theory is opposed to realist assumption that conflict should be the norm in international relations, instead regime theorists argued that that there is cooperation despite anarchy. Often they cite cooperation in trade, human rights, and collective security, among other issues.

ii. It assumes that states and other actors act rationally. This actor (s) is identified as a "hegemon, or hegemons" and the broader idea that underscored the theory is labeled after the hegemonic stability theory (Keohane 1980). Hence, the theory assumes that:

> *The degree of international cooperation will be directly proportional to the degree to which one actor dominates international politics. Acting either generously or maliciously, the hegemon has the resources to transform international structures so that coordinated policies to address perceived collective action problems are made" (Keohane 1980).*

iii. In the same way "power," in economic context could as well be relevant. For instance, one major actor might threaten to use trade sanctions against a "climate violator" and, if implemented, it will deprive the target country of welfare. This has been tested using trade restrictions on key environmental issues, components of three major international agreements (Inter-American Convention Against Corruption (1997), United Nations Convention against Corruption (2005), the United Nations Office on Drugs and Crime (UNODC) and other Initiatives such as Stolen Asset Recovery Initiative of the World Bank (STAR), International Centre for Asset Recovery (ICAR), The International Association for Asset Recovery (IAAR), Organization for Economic Co-operation and Development (OECD), Transparency International (TI), Financial Action Task Force (FATF), Organization for Security and Co-operation in Europe (OSCE), U4 Anti-Corruption Resource Center (U4) and UNCAC Conference of States Parties (UNCAC COSP)) are good instances.

iv. Although pessimistic about the prospects for cooperation, these scholars mostly argued that international cooperation on world economic dilemmas might be possible if a single actor with a preponderance of power exists and is willing to use its power resources.

v. Neoliberal regime theorist believes that realists neglect the degree to which countries share interests and the iterative nature of state relations. Realists err by implicitly modeling the world using the classic single-play prisoner's dilemma, in which the payoff structure makes defection a dominant strategy for both players. The difference between this model and reality is that states are not like prisoners; states must continually cooperate whereas prisoners will never see one another again. One's decisions today, then, have future consequences. Mutual cooperation is thus rational: the sum of relatively small cooperative payoffs over time can be greater than the gain from a single attempt to exploit your opponent followed by an endless series of mutual defections.

vi. In order to apply the power-based theory to the issues around illicit flows of funds and asset recovery, most international relations neorealist would concern themselves with the power distribution among the world's states in order to assess the prospects for cooperation. However, given the enormity of the IFFs challenge, it is difficult to determine the most suitable measure of power. Undoubtedly, the possession of diplomatic/bilateral power could still be relevant in the sense that one actor may be able to issue threats and coerce another into changing activities geared at worsening illicit Financial flows.

This is the context that the applicability of the regime theory fits in to the discourse of this study and of Combating Illicit Financial Flows and Asset Recovery, presupposing that reduction and building of global resilience and implementation of the UN protocol on IFFs and asset recovery can be achieved through such cooperation and networking between states which in the long run can combat the scourge of poverty.

In brief, within regime theory, liberals and realists disagree on two things; the nature of international cooperation and the role of international institutions. Liberals believe that international institutions at most brings about an environment conducive to the convergence of state interests, which facilitates regime cooperation; and at least, facilitate cooperation that might otherwise not have been able to occur in an anarchic world. On the other hand, realists believe that regimes merely reflect the distribution of power in the international system, and that any cooperation that occurs under a regime would have occurred anyway (Krasner, 1982).

In contrast to the rationalist approaches above, cognitivists critique the rationalist on the basis of its emphasis on cooperation in the international system even though, there has been views that suggest sabotages by countries that are considered as saboteurs in the international system.

Analysis of Illicit Financial Flows in Nigeria

A new, comprehensive report published by the African Union (AU) High-Level Panel on Illicit Financial Flows and the United Nations Economic Commission for Africa (UNECA) in 2015 concludes that Africa loses more than $50 billion every year to illicit financial flows (IFFs). According to the AU-UNECA report, sub-Saharan African countries have been most heavily impacted by IFFs. To corroborate this situation, Peel (2009) explains the politics of fossil fuel in the Niger Delta area of Nigeria from the perspective of how both individuals and multinational oil companies have plundered the wealth of the region with large sums of monies stashed in foreign accounts illicitly gotten from the coffers of the collective resources of the region, West and Central Africa shoulder the largest numbers of illicit financial streams, and Nigeria, Egypt, South Africa, Morocco and Angola have the five highest percentages of IFFs in the continent (UN-Africa Report, February 25, 2015).

The report represents the first African initiative of its kind, and is the product of a study that began in February 2012. It analyzes various illicit practices of governments and multinational companies that deprive African countries of tax payments, facilitate the undervaluing of African trade, and perpetuate profit-shifting schemes that collectively divert billions of dollars in essential capital from the world's poorest continent every year.

According to the AU-U.N. report (2015), Africa lost approximately $850 billion in illicit financial flows between 1970 and 2008, and over $1 trillion in IFFs over the last 50 years; a figure roughly comparable to the development assistance that Africa received during the same period. Illicit funds are often routed out of Africa to developed countries and tax havens around the world, causing Africa to function as a "net creditor to the rest of the world rather than a net debtor, as is often assumed.

The AU-U.N. report asserts that "large commercial corporations are by far the biggest culprit of illicit outflows, followed by organized crime." Commercial IFFs addressed by the report include illegal tax and trade-based activities, as well as the implementation of aggressive tax avoidance strategies that are permissible under certain African countries' under-developed tax regulations. Although corrupt practices and weak governance structures are key facilitators of IFFs in Africa, the report notes that tax evasion, international trade manipulations, and organized crime constitute large portions of illicit outflows from the continent. Indeed, the Open Society Foundations' Initiative for West Africa recently stated that throughout Africa, only 3 percent of IFFs stem from government corruption, while 64 percent arise from trade manipulations and 33 percent originate from organized crime. One of the AU-U.N. researchers' methods of estimating IFFs was to compare the reported value of African exports with the higher value attributed to the same goods by non-African countries that received the goods as imports.

IFFs plague developing and developed nations alike, yet African governments are especially impacted by these activities because they often lack the resources, capacity, centralization and collaborative networks necessary to identify and reduce illicit practices effectively. For example, without a consistent means of exchanging financial and tax information among African countries, it is difficult for African authorities to thwart the efforts of those who evade tax payments and engage in other illegal activities. In the light of these obstacles, the AU-U.N. report makes several key recommendations aimed toward African states, including the drafting of clear and concise legislation prohibiting trade mispricing, the enhancement of financial monitoring and oversight mechanisms, and the automatic exchange of tax information between African governments.

Njoroge (2016) and Chinwe (2018) in their writings had clarified that in Sub-Saharan Africa the nations are faced with almost similar vulnerabilities that compounds successful asset recovery or combat of IFFs. Nigeria suffers from:

1. Existence of Offshore Tax Havens. Illicit financial flows and corporate profit shifting zones shrouded in secrecy jurisdictions is always a minus for developing nations such as Nigeria. The UNCAC Coalition calls on signatory countries to introduce legal frameworks that enable them to take legal action against money launderers even in the absence of a request from another country (UNCAC Coalition 2013).

2. Bad governance systems which replicates itself in an endless continuum; ranging from a weak government without a strong dynamic legal and institutional framework to

checkmate corruption and punish offenders accordingly will continue to wallow and swim in the ocean of IFF.

3. Nigeria's mentality of shot cut to get rich without hard work is one of the catalysts for illicit financial flows.
4. Political gladiators, top public office holders and top civil servants indulge in primitive accumulation of wealth to the detriment of the development of the nation. Hence, they indulge in constant accumulation of illicit finances and promote money laundering on a monumental scale.
5. Politicians wants to stay in power forever and make themselves relevant to any political dispensation because of this, they prefer to siphon our patrimonial wealth and use banks via money laundry to save it in foreign banks unless to use them during election to buy the electorates that are desperately hungry because they have failed to provide dividends of good governance.
6. Multinational corporation's activities are not monitored. NNPC, SHELL, and many more see themselves to be bigger than the nation. They operate with impunity and that fuels illicit finances to the detriment of their host countries through capital flight.
7. Lack of defined and established functional tax system, coupled with bureaucratic bottle neck in tax administration in Nigeria. Company and people can easily evade tax without molestation.
8. Poor orientation and sensitization about the adverse effect of IFF.
9. Corruption is the grand mother of all the above reasons. Corruption has eaten so much in Nigeria that everything goes provided you can bribe your way out.
10. Banks and other corporate body's activities are not checkmated.
11. Lack of political will to fight IFF by the government in power for so many years coupled with poor legal institutional framework have collectively facilitated illicit financial flows from Nigeria.
12. Lack of information and technological technical know-how to trash and track activities of IFF.
13. Porous border and lack of corporation amongst neighboring nations.

A case in point to further buttress the challenges and consequences of illicit financial flows is demonstrated in the proliferation of crimes and terrorism within the country. The Boko Haram situation is one of the numerous consequences of illicit financial flows. Boko Haram and other forms of terrorism developed from social unrest, poverty and a strong disillusionment with the corruption of the Nigerian government. Today, the same factors make Boko Haram lethal.

Nigeria's rampant corruption and unhampered illicit financial flows has left the nation unequipped to deal with security concerns, especially along porous borders through which Boko Haram receives immense support. A look at one of their videos reveals an immense amount of weaponry that is not only costly but very difficult to obtain and can only be made possible by the free flow of illicit finances.

It is not out of place to state categorically that High-level corruption, financial opacity in some instances breeds larger-scale funding and support opportunities, contributing to illicit financial flows facilitated by banks and corrupt individuals. Not only is the financial system broken, but many government officials would prefer to keep it that way. Minimal oversight means "security votes," unmonitored discretionary funds for government officials are increasingly abused and bank executives are using profits to finance their own subsidiaries instead of providing local, long-terms loans. This not only takes away critical capital from infrastructure and security projects, it also shelters the nation's elite from the repercussions of devastating economic, social, and political realities which the end result is abject poverty and penury.

Effect of Illicit Financial Flows on the Political and Economic Development in Nigeria

There are various connections between illicit financial flows and its impacts on human rights and the general development of the society. Illicit financial outflows deprive Governments of resources required to realize progressively economic, social and cultural rights. They also undermine efforts to build up effective institutions to uphold civil and political rights and the rule of law in the countries of origin.

In the accounts of Perkins (2016) and in line with his thoughts on the politics inside the corrupt world of economic hit men, he opined that the advanced countries coerce poor countries into accepting huge development loans so they would perpetually be in debt to US organizations. He explains how these techniques are increasingly used round the world by what he calls the corporatocracy which he terms a vast collusion of US and international corporations, banks and the rich and powerful who run them. These ideas to a large extent have a negative impact on the possibilities of the attainment of economic development in most underdeveloped countries around the world.

A comprehensive report published in October 2013 by the International Bar Association underscored the linkages between illicit financial flows, poverty, human rights and the roles of multinational corporations in how society functions. The report found that "tax abuses have considerable negative impacts on the enjoyment of human rights. Simply put, tax abuses deprive governments of the resources required to provide the programmes that give effect to economic, social and cultural rights; and to create and strengthen the institutions that uphold civil and political rights. Actions of States that encourage or facilitate tax abuses, or that deliberately frustrate the efforts of other States to counter tax abuses, could constitute a violation of their international human rights obligations, particularly with respect to economic, social and cultural rights" (International Bar Association Report, 2014).

This linkage has also been stressed by the Special Rapporteur, Bernadette O'Hare on extreme poverty and human rights, who recently stated that tax abuse is not a victimless practice; it limits resources that could be spent on reducing poverty and realizing human rights and perpetuates vast income inequality (Bernadette, 2014). While the rich benefit from this practice, the poor feel the negative impact on their standard of living, their unequal political power and the inferior quality of health and education services for themselves and their children. Bernadette (2018) emphasized that high levels of tax abuse damage the principles of equality and non-discrimination, given that evaders end up paying less than taxpayers with the same or less capacity to pay. High net-worth individuals and large corporations also have a far greater ability to evade or avoid taxes as they are able to pay tax advisers or able to open undeclared foreign bank accounts in low-tax jurisdictions. Governments then have to raise revenue from other sources: often regressive taxes, the burden of which falls hardest on the poor. Therefore, if states do not tackle tax abuses, they are likely to be disproportionately benefiting wealthy individuals to the detriment of the most disadvantaged.

Jacinta et al (2014) posited that illicit financial outflows impacts on Economic, Social and Cultural right. Hence, divert resources intended for development may undermine government efforts to provide basic services and ability to comply with their international human rights obligations. The diversion of resources due to illicit financial outflows reduces the "maximum resources" available to the countries of origin for the realization of economic, social and cultural rights. It would be improper to solely blame illicit financial flows for lack of compliance with human rights obligations. Failure to respect social, economic and cultural rights is frequently not exclusively due to unavailability of public funds. However, illicit financial outflows from developing countries and tax abuse in industrialized countries have clearly limited the fiscal space of governments to ensure the progressive realization of social, economic and cultural rights.

In another vein, illicit financial outflows and their non-repatriation can transmit poverty; undermine civil and political rights and the rule of law in countries of origin and purpose. The existence of illicit unregulated money contributes to the spread of other criminal activities, such as illegal weapons, smuggling, terrorism and the infiltration of criminal interests in the public sector. That includes funding of political parties or election campaigns in contravention of domestic regulations, contributing to the risk of State capture and subverting the right to vote and to participation in public affairs on a non-discriminatory basis and even contributes to inflation (Christian, 2014).

Where both the incentives for and the opportunities to import illicit wealth are significant, it is likely that its harm to the rule of law will be exacerbated. It has been pointed out that "the potential to hide illicit capital securely in tax havens is a direct stimulus to corruption and other illicit activities like transfer mispricing. It decreases the chances of detection and therefore increases the likely returns" (Moore Mick cited in UN Human Right Council 2015). If parts of the political elite are able or willing to accumulate wealth through illicit outflows, economic inequalities are exacerbated and incentives to strengthen tax agencies, the investigatory powers of police services, the independence of the judiciary and public audit services are low. That is a problem in particular in developing countries that face resource constraints in establishing well-equipped and independent institutions to address such complex issues as transfer mispricing.

Chinwe (2018) critically analysed the views of Chisman (1984) and Naomi (1995) to summarize the effects into the following:

- Illicit financial flow is a conduit that drains useful resources from Nigeria through foul means and leaving the country in a perpetual state of ill health and shortage. Illicit financial flow from Nigeria drains the nation's foreign exchange reserve and keeps the nation in a state of poverty and underdevelopment. The monies that should have been accrued to our foreign exchange are lost to other nations for their betterment and to Nigeria's detriment.
- Inflation is another bi-product of illicit financial flow out of any country. This is based on the fact that Nigeria's economy is conditioned in a way that we produce what we don't consume and consume what we don't produce. Goods and services from developed nations will be smuggled into Nigeria and sold at a higher price to the detriment and in some cases, to the collapse of our indigenous efforts at development. This simplifies inflation as local infant industries will not grow. No wonder Nigeria is seen and made a dumping nation for second hand goods and dumping ground for inferior product. Nigeria is made to be over dependent on everything needed to make easy. We import almost everything including fuel while we are no 13 in oil producing nations in the world.
- Illicit financial flow has reduced the nation's earnings in international trade leading to international trade deficit.
- Domestic resources are distorted and exploited out through illegal financial flow in Nigeria. A practicality of that is displayed in the conduct of illicit affairs in the Niger Delta area of Nigeria. A visit to Delta and Rivers State on the high, you will see for yourself the amount of resources that are lost through bunkering and exported out of Nigerian soil unaccounted for. Resources that are supposed to be mobilized for growth and development are taken by few individuals who will not even invest the money in Nigeria soil.
- Another effect of illicit financial flow is that it discourages investment in Nigeria. Those involved in this economic sabotage, save their money in other nations leaving Nigerians to wallow in poverty and underdevelopment to the detriment of any investment culture

in Nigeria; as her economic fortunes are directed from outside her immediate environment as a result of illicit financial flows.

- Illicit financial flow according to Ayodeji (2012) contributes to the retardation of economic growth and development of developing countries. This submission to a large extent reflects the position of this research and reinforces the perspectives that scholars hold on the detrimental effects of illicit financial flows especially to developing countries. Other devastating effects include;
- The high level of poverty, low income per capital, unemployment, illiteracy, poor health care, poor education, lack of social amenities and other infrastructural services are as a result of illicit financial flow.
- Illicit financial flow is corruption simplified and personified. It aids and abates corruption in Nigeria, as Nigeria political leaders, top public officers and businessmen/women use this as a means to save their illicit siphoned wealth in foreign nations through money laundry.
- Bad governance as seen in Nigeria for many decades is the effect of illicit financial flow. The dividends of good governance both military and democratic system has never been enjoyed as a result of illicit financial flow as our leaders are busy saving monies in foreign bank instead of embarking on development project that will add value to the Nigerian people.
- Illicit financial flow has affected our economy greatly as Nigeria depends mostly on loan from other nation and international financial institution in financing development projects. These loans are paid with interest adding to illicit flow out from Nigeria.

CONCLUSION AND RECOMMENDATIONS

Illicit financial flow is a device in the circle of development in Nigeria. The paper has revealed a lot of things about the adverse effect of Illicit Financial Flows in the entire Nigeria, to combat this ugly nuisance I wish to make the following recommendations and suggestions.

i. The government of Nigeria should come up with good legislations and institutional framework on how Illicit Financial Flows offenders should be treated; the legal system should be made functional and independent. The constitution of the nation should define Illicit Financial Flows in clear terms and state the corresponding penalty for perpetrators. Culprits punished according to the law. This will serve and act as deterrents to others. Also Nigeria government and indeed other sub-Saharan Africa must be partner with governments of developed nations to monitor the movement of funds out of Nigeria into tax havens and secrecy jurisdictions and ensure that the culprits are brought to book.

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

    There is also the need of Nigeria government to develop customs capacity in order to fight the massive outflows of capital through illicit practices. Adequate training and retraining must be given to meet current global practice.

iii. There is an imperative need for good governance in Nigerian, this will reduce hardship in the polity which in turn reduce IFF rate. Nigerian should also overhaul her tax administration and tax laws, making it less bureaucratic for efficient, effective and equitable for people to pay with easy, unavoidable, with the use of digital system. By doing so, the united nation goal of sustainable development goal of poverty reduction would be achieved.

REFERENCE

Amah K. O & Okezie S. O. (2017) Impact of Illicit Financial Flow on Economic Growth and Development: Evidence from Nigeria: published in International Journal of Innovation and Economic Development Volume 3 Issue 4.

Baker, R. (2005). Illicit Financial Flows: A Note on Concepts. Preface to Kar, D. and D. Cartwright-Smith, Illicit Financial Flows from Developing Countries: 2002-2006 (Washington, D.C.: Global Financial Integrity).

Bernadette O. H. (2014). The effect of illicit financial flows on time to reach the fourth Millennium Development Goal in Sub-Saharan Africa: a quantitative analysis in Journal of the Royal Society of Medicine, vol. 107, No. 4, 2014; available from http://jrs.sagepub.com/content/107/4/148.short.

Centre for Ivestigation Development (CGD) Policy paper034. Dec 2013.

Chandler, N. (2007) Corruption Exposed in Nigeria. CBN Press Limited, Lagos.

Chinwe P. C (2018). Illicit Financial Flow a Cog in the Wheel of Political and Economic Development of Nigeria. IIARD – International Institute of Academic Research and Development P.38

Christian A.(2014). Losing out. Sierra Leone's massive revenue losses from tax incentives. (London, Christian Aid, April 2014), pp. 5–6, available from www.christianaid.org.uk/images/Sierra-Leone-Report-tax-incentives-080414.pdf.

Global Financial Integrity and African Development Bank (2013). Illicit Financial Flows and the Problem of Net Resource Transfers from Africa: 1980-2009. Report. May 2013. http://www.gfintegrity.org/storage/gfip/documents/reports/AfricaNetResourse
Naomi, O. (1995) Towards an integrated view of Human rights. Hunger Tech Net 6(3) 6-7.

International Bar Association (London, 2014). Tax abuses, poverty and human rights: a report of the International Bar Association's Human Rights Institute Task Force on Illicit Financial Flows, Poverty and Human Rights. p. 2.

Jacinta A. O. (2014). Left out of the Bargain: Settlements in foreign bribery cases and Implications for Asset Recovery (Washington, World Bank, 2014), p. 2.

Kar, D. & Freitas, (2012). Illicit Financial Flows from developing countries 2001-2010. A December 2012 report from Global Financial Integrity.

Krasner, S. D. (1982). Structural Causes and Regime Consequences: Regimes as Intervening Variables. International Organization 36/2 (Spring). Reprinted in Stephen D. Krasner, ed., International Regimes, Ithaca, NY: Cornell University Press,.

Krasner, S. D. (ed). (1983). International Regimes. Ithaca, NY: Cornell University Press.

Kulkarni .R (October 22, 2018). Taking global action against illicit financial flows. Project Advisor, Tax Inspectors Without Borders and Development Finance, Strategic Policy Unit, UNDP

OECD (2015). Illicit Financial Flows: The Economy of Illicit Trade in West Africa. Paris: OECD Publishing, 2018.

Perkins, J. (2016) The New Confession of an Economic Hitman. Ebury Press Ltd, Vauxhall, London.

Punch newspaper (September 20, 2018). Nigeria, others worry about illicit $100bn flow from Africa.

Reuter, P. & Truman, E (2004).Chasing Dirty Money. The Fight against Money Laundry

UNECA (2015). Making the most of Africa's Commodities: Industrializing for Growth, Jobs and Economic Transformation. Addis Ababa, Ethiopia: UNECA.

UNCAC. (2013). Economic Report on Africa 2013: Making the Most of Africa's Commodities: Industrializing for Growth, Jobs, and Economic Transformation. Addis Ababa, Ethiopia: UNECA.