Nigeria's Experience in Measuring and Curbing Illicit Financial Flows (IFFs)

Presentation by the Federal Republic of Nigeria
UN Regional Commissions Workshop on DA 15 Project
18–20 November 2025
Presented by: **Idris Muhammed Abdullahi – Focal Person**

Agenda

- Introduction / Overview of IFFs
- Scope and Sources of IFFs
- Nigeria's Achievements in Measurement & Tracking
- Challenges
- Way Forward
- Conclusion

Overview of Illicit Financial Flows (IFFs)

- IFFs undermine domestic revenue mobilization and sustainable development.
- Nigeria, as Chair of the High-Level Panel on IFFs from Africa (2018), remains committed to curbing IFFs.
- The DA 15 Project supports measurement, policy response, and coordination among key agencies.

UNCTAD–UNODC Statistical Definition

- Financial flows that are illicit in origin, transfer, or use, that reflect an exchange of value, and that cross-country borders.
- Illicit in origin, transfer, or use.
- Includes tax evasion, trade misinvoicing, and profit shifting.

Scope and Sources of IFFs in Africa

- Commercial Activities – 65%
- Criminal Activities – 30%
- Corruption – 5%

Examples of Sources of IFFs

- Commercial: BEPS, Abusive Transfer Pricing, Treaty Shopping, Thin Capitalization
- Criminal: Money Laundering, Smuggling, Drug Trafficking, Tax Evasion
- Corruption: Bribery of Officials, Transfer of Bribe Proceeds to Secrecy Jurisdictions

Methods of Estimating IFFs

- Trade Misinvoicing: Partner Country / Price Filter
- Profit Shifting: MNEs vs Non-MNEs / Global Distribution
- Tax Evasion: Offshore Assets / Offshore Wealth

Nigeria’s Journey

- Hosted Chair of High-Level Panel on IFFs (2018)
- Initial National Risk Analysis (2019)
- Commenced IFF Measurement Work (2022)
- Conducted TWG Trainings (2025) on IFF methodologies

TWG Training and Coordination

- Conducted TWG capacity-building to prepare members for IFF estimation training.
- Members trained on six estimation methodologies.
- Reconstituted TWG with all relevant MDAs (FIRS, NCS, NFIU, EFCC, etc.).
- Regular meetings coordinated by FIRS as Secretariat.

Measurement Achievements (UNECA Project)

- Workshop held in Abuja (May 2025) under DA 15 Project.
- Used Price Filter Method and MNE Profit Shifting Method.
- Customs data and CbCR data utilized.
- Estimation work ongoing – data access remains a challenge.

Policy Achievements – FIRS

- Transfer Pricing Regulation (2012, updated 2018)
- Joined OECD Inclusive Framework (2016)
- National BEPS Implementation Committee (2016)
- Signed BEPS Multilateral Instrument (2017)
- Finance Acts (2019–2023): SEP, Thin Cap, VAT reforms

Policy Achievements – Transparency & Cooperation

- Automatic Exchange of Financial Information (2019)
- Beneficial Ownership Framework (CAC, NEITI, NUPRC)
- Enhanced digital and crypto-trade compliance
- Improved international cooperation on tax and AML/CFT

Measurable Impact

- IFF-related tax reforms (2016–2024) led to ₦1 trillion in recoveries.
- Indirect improvements in self-assessed tax payments by MNEs.
- Improved international reputation for transparency.

Challenges

- Data availability and reliability constraints.
- Limited access to microdata from customs, banks, and corporates.
- Weak inter-agency data sharing and low technology infrastructure.
- Large informal sector obscures financial flow tracking.

Way Forward – Strategic Actions

- Conduct comprehensive IFF risk assessment.
- Develop integrated inter-agency data system.
- Formulate 3-Year National Action Plan (2026–2028).
- Strengthen enforcement and prosecution capacities.

Lessons Learnt

- Early TWG engagement ensured ownership and readiness.
- Inter-agency cooperation critical for sustainability.
- Data access challenges must be addressed through reforms.
- Align actions with SDG 16.4 targets.

Conclusion

- Nigeria remains committed to evidence-based IFF strategies.
- Collaboration among MDAs and international partners is vital.
- The DA 15 Project provides a strong framework for sustainable action.

Thank You

- Federal Inland Revenue Service (FIRS)
- Illicit Financial Flows Coordination Unit
- Email: abdullahi.idris@firs.gov.ng
- Phone: +234 9068544447