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Challenges of Addressing Money Laundering As A Threat To National Security: A Study of Nigeria and Senegal

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Abstract

Purpose – This study examines the challenges of addressing money laundering as a threat to national security in Nigeria and Senegal. The research was undertaken to assess how institutional weaknesses, regulatory fragmentation, and technological adaptation by criminal networks undermine the effectiveness of anti-money laundering and counter-terrorist financing (AML/CFT) frameworks in both countries. **Design/methods/approach** – The study adopts a qualitative comparative research design based exclusively on secondary data. Data were collected from FATF, GIABA, UNODC, national legislation, institutional reports, and peer-reviewed literature. Institutional Theory served as the principal analytical framework, complemented by Systems Theory, while qualitative thematic and comparative analyses were employed to evaluate legal frameworks, institutional coordination, enforcement practices, and national security implications. **Findings** – The findings reveal that Nigeria records high volumes of AML investigations and Suspicious Transaction Reports (STRs), yet conviction rates remain disproportionately low due to institutional fragmentation, political interference, and weak inter-agency coordination. Senegal demonstrates relatively stronger institutional coherence following FATF delisting, but enforcement effectiveness remains constrained by limited capacity and low detection rates. Both countries remain vulnerable to cash-based laundering systems, porous borders, and emerging digital and cryptocurrency channels. **Research implications/limitations** – The study relies solely on secondary data and focuses on two West African countries, which may limit the generalisability of findings to other regions. Variations in institutional reporting standards and data availability also affected comparative assessment. **Originality/value** – This study contributes to the literature by positioning money laundering as an institutional and systemic national security challenge rather than merely a financial crime issue. It provides comparative insights into AML governance in West Africa and highlights the need for institutional consolidation, technological upgrading, and regional cooperation.

Keywords: Money Laundering; National Security; Anti-Money Laundering; AML/CFT; Nigeria; Senegal.

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Introduction

Money laundering has evolved from a predominantly financial crime into a structural threat to national security, with far-reaching implications for governance and economic stability as well as state authority. By enabling the concealment and reintegration of illicit proceeds from corruption, terrorism, organised crime and transnational trafficking, money laundering undermines the integrity of financial systems, distorts markets and weakens public institutions. Contemporary policy and academic literature increasingly conceptualise money laundering as a security issue because it empowers criminal and extremist networks, erodes public trust and constrains the state's capacity to deliver essential functions (FATF, 2020; UNODC, 2023). In this regard, national security extends beyond territorial defence to include economic resilience and institutional legitimacy, both of which are directly threatened by illicit financial flows [1].

Global experience demonstrates that money laundering is treated as a national security priority across both developed and developing economies. In the United States and the United Kingdom, illicit finance is explicitly framed as a threat to national prosperity and security, prompting coordinated responses by financial intelligence units, law enforcement agencies, and regulatory authorities (U.S. Department of the Treasury, 2024; National Crime Agency [NCA], 2024). Similarly, cases from the United Arab Emirates and South Africa illustrate how weaknesses in Anti-Money Laundering (AML) regimes expose states to organised crime, terrorism financing, reputational damage, and economic vulnerability, including reduced foreign investment and constrained access to global financial markets (Ministry of Economy, UAE, 2025; FATF, 2023).

The security implications of money laundering are particularly severe in West Africa, where structural vulnerabilities such as large informal economies, cash-based transactions, porous borders, and rapidly evolving financial technologies weaken oversight and enforcement mechanisms (GIABA, 2025; FATF, 2024, 2025a). Nigeria and Senegal exemplify these challenges, albeit in different forms. In Nigeria, money laundering is closely linked to corruption, fraud, drug trafficking, illegal oil bunkering, and kidnapping for ransom, with empirical evidence revealing high investigation volumes but persistently low conviction rates, reflecting institutional and prosecutorial constraints (EFCC, 2019–2021; NFIU, 2016; NRA Nigeria, 2022). In Senegal, illicit funds, particularly from drug trafficking and tax fraud, have penetrated sectors such as real estate and construction, while relatively low levels of suspicious transaction reporting and case referrals suggest limitations in detection and enforcement capacity despite legal reforms (FATF, 2018; CENTIF, 2023–2024; ISS Africa, 2022).

Despite growing policy attention, the literature reveals a significant gap in comparative, security-oriented analyses of AML responses within West Africa, particularly between countries that share regional vulnerabilities but differ in institutional capacity and enforcement trajectories. Existing studies often prioritise technical compliance with international standards rather than assessing how AML frameworks function as instruments of national security. This study addresses this gap by undertaking a comparative examination of Nigeria and Senegal, analysing their legal frameworks, institutional arrangements, and enforcement outcomes to assess the extent to which money laundering undermines national security and how state responses can be strengthened [2]. By situating AML within a broader national security framework, the study contributes to both scholarly debate and policy formulation on countering illicit finance in West Africa.

Objectives

The objective of this paper is to examine the key challenges confronting efforts to address money laundering as a threat to national security in Nigeria and Senegal, with a view to assessing how these challenges affect the effectiveness of existing anti-money laundering and counter-terrorist financing (AML/CFT) frameworks in both countries.

Theme of the Study

The literature on money laundering in Nigeria underscores substantial institutional and operational challenges that undermine national security. Adetunji and Oyebade (2021) analysed Nigeria's AML framework, particularly the Money Laundering (Prohibition) Act of 2011 (amended in 2012 and 2022), highlighting overlapping mandates between agencies such as the Economic and Financial Crimes Commission (EFCC) and Nigeria Financial Intelligence Unit (NFIU), which impede investigation and prosecution efficiency. Similarly, Okoye, Chinasa, and Kenechukwu (2022) emphasised systemic and structural hurdles, including corruption within enforcement agencies, underreporting of suspicious transactions by financial institutions, political protection of Politically Exposed Persons (PEPs), and technological inadequacies in detecting cyber-enabled laundering. These institutional weaknesses create a conducive environment for terrorism financing, enabling insurgent groups like Boko Haram as well as bandits to undermine socio-economic stability. Ekwueme and Chukwu (2024) further reinforce this view, noting that widespread poverty, informal financial systems, and inadequate funding exacerbate enforcement challenges, calling for enhanced community awareness campaigns and strengthened institutional capacity [3],[4].

In Senegal, money laundering challenges are shaped by both regulatory and socio-economic factors. Niang (2020) identifies the cash-based economy, porous borders, and limited judicial capacity as key obstacles, with real estate being a primary laundering channel for drug proceeds. Thiam (2022) focused on trade-based money laundering (TBML), noting difficulties in monitoring property transactions due to the absence of central registries and fake identities. Diallo (2023) highlights weak regional coordination, limited interagency collaboration, and resource constraints, despite Cellule Nationale de Traitement des Informations Financières (CENTIF)'s progress in compliance and Financial Action Task Force (FATF) delisting. Olawale and Ibrahim (2023) emphasise the technological dimension, showing how cryptocurrencies and insufficient digital forensics infrastructure in Nigeria, mirrored in Senegal's fintech sector (Ndao, 2025), undermine detection and enforcement. These create cross-border vulnerabilities that threaten national and regional security. Collectively, these studies demonstrate that both countries face converging challenges of institutional weakness, technological gaps, and socio-economic drivers of illicit financial flows [5].

Several scholars have also examined cross-cutting challenges linking AML failures to national security risks. Kutigi (2024) and Young (2023) highlight regulatory fragmentation, weak judicial enforcement, and offshore financial centres that shield illicit flows, while Jamri (2023) and Sambo (2023) emphasise the growing role of digital channels in layering funds for insurgent and criminal networks. Ndikumana (2015) and Kohnert (2024) extend this analysis to West Africa, showing that illicit financial flows (IFFs) facilitated by weak trade regulations, porous borders, and limited capacities of Financial Intelligence Units threaten national stability in both Nigeria and Senegal. Based on this literature, it is evident that combating money laundering requires integrated approaches to address institutional inefficiencies, technological adaptation, and socio-economic vulnerabilities. Effective AML strategies must combine robust legal frameworks, capacity building for enforcement agencies, technological upgrades, and regional harmonisation to safeguard national security and socio-economic development in Nigeria and Senegal [6].

Theoretical Framework

This seminar paper is anchored on Institutional Theory and Systems Theory to analyse the challenges of addressing money laundering as a threat to national security in Nigeria and Senegal. The Systems Theory, which originates from the work of Ludwig von Bertalanffy, conceptualises social and organisational phenomena as interconnected systems whose components interact dynamically (von Bertalanffy, 1968; Heylighen & Joslyn, 1992). Applied

to money laundering, the theory views AML/CFT regimes as complex systems involving financial institutions, regulatory agencies, law enforcement bodies, technological tools, and transnational criminal networks. From this perspective, deficiencies in one part of the system, such as weak inter-agency coordination, limited technological capacity, or porous borders, can undermine the effectiveness of the entire AML framework and, by extension, national security. Empirical studies demonstrate that AML processes generate feedback loops between institutions and technologies that shape how money laundering threats are detected and managed (Demetis, 2008). While Systems Theory is useful in illustrating the interconnected and transboundary nature of financial crime in West Africa, it remains largely descriptive and abstract, offering limited guidance on normative issues such as institutional accountability, power relations, and reform. These limitations reduce its suitability as the primary framework for analysing persistent enforcement gaps in Nigeria and Senegal [7].

Accordingly, the study adopts Institutional Theory as its principal theoretical framework because it more effectively explains the governance, compliance and enforcement challenges confronting AML and national security efforts in Nigeria and Senegal. Institutional Theory, as developed by Meyer and Rowan (1977) and advanced by North (1990), emphasises how formal laws, organisational structures and informal norms shape institutional behaviour and policy outcomes. This perspective is particularly relevant for examining how institutions such as Nigeria's Economic and Financial Crimes Commission (EFCC), Nigeria Financial Intelligence Unit (NFIU), and Senegal's CENTIF and Observatoire de la Lutte contre la Corruption et les Infractions Assimilées (OFNAC) operate within national and regional institutional environments influenced by the Economic Community of West African States (ECOWAS), Inter-Governmental Action Group against Money Laundering in West Africa (GIABA), and FATF standards. Evidence from FATF mutual evaluation reports indicates that regulatory asymmetries, weak enforcement capacity, political interference, and fragmented institutional coordination continue to be exploited by criminal networks in both countries (FATF, 2020; FATF, 2021). Institutional Theory explains that many AML reforms are adopted primarily to gain international legitimacy and approval, such as compliance with FATF standards, rather than to ensure effective enforcement and practical implementation within the domestic context. This critique is consistent with observations that institutional structures often prioritise conformity over performance. By focusing on institutional legitimacy, capacity, and cooperation, Institutional Theory provides a robust analytical framework for understanding why money laundering persists as a national security threat and why strengthening

institutions and regional coordination is central to overcoming these challenges in Nigeria and Senegal [8],[9].

Method

This paper adopts a qualitative comparative research design, relying exclusively on secondary data to examine the challenges of addressing money laundering as a threat to national security in Nigeria and Senegal. The study employs a comparative case study approach to analyse two West African states that share structural vulnerabilities such as large informal economies, porous borders, and exposure to transnational illicit financial flows, yet differ in institutional capacity, regulatory maturity, and enforcement outcomes. Data are drawn from authoritative sources, including FATF mutual evaluation and follow-up reports, GIABA and United Nations Office on Drugs and Crime (UNODC) publications, national legislation and policy documents, and official reports from relevant institutions such as Nigeria's EFCC, NFIU, and National Risk Assessment, as well as Senegal's CENTIF and OFNAC, complemented by peer-reviewed academic literature and policy research. Analysis is conducted through qualitative content and thematic analysis. The analysis focuses on key themes such as legal and regulatory frameworks, institutional coordination, enforcement and prosecution outcomes, technological vulnerabilities, and national security implications, with cross-case comparison used to identify converging and divergent patterns.

Result and Discussion

Data Presentation

Table 1: Selected AML/CFT Institutional and Enforcement Indicators (Nigeria and Senegal)

Indicator (2015–2025)	Nigeria	Senegal
FATF/GIABA Evaluation Status	Under enhanced monitoring (grey list periods)	Removed from FATF grey list (2021)
Principal FIU	Nigeria Financial Intelligence Unit (NFIU)	CENTIF
Key Enforcement Agency	EFCC	OFNAC / Judicial Police
STRs filed annually (average)	High volume (100,000+ reported in peak years)	Relatively low (below regional average)
AML investigations initiated	High	Moderate
AML-related convictions	Low relative to investigations	Low–moderate

Dominant laundering channels	Corruption proceeds, cyber-fraud, oil theft, kidnapping	Drug trafficking proceeds, real estate, trade-based ML
Cash-based economy	Very high	High
Use of digital/crypto channels	Increasing	Emerging

Sources synthesised from FATF, GIABA, EFCC, NFIU, CENTIF and national risk assessments (2015–2025).

Table 2: National Security–Relevant Risk Factors Linked to Money Laundering

Risk Dimension	Nigeria	Senegal
Terrorism financing linkage	Strong (Boko Haram, ISWAP)	Moderate (regional spillover risks)
Organised crime penetration	High	Moderate
Corruption and PEP exposure	Very high	Moderate
Border porosity and trade risks	High	High
Institutional coordination	Fragmented	Improving but uneven
Reputational/economic impact	High (investment risk, sanctions threats)	Moderate (improved post-delisting)

Table 3: Institutional Performance Gaps in AML/CFT Systems

Institutional Variable	Nigeria	Senegal
Legal framework adequacy	Strong on paper	Adequate
Implementation effectiveness	Weak	Moderate
Inter-agency coordination	Low	Moderate
Judicial capacity	Constrained	Constrained
Technological capability	Inadequate for scale	Inadequate but improving
Regional cooperation	Limited effectiveness	Moderate effectiveness

Enforcement–Outcome Disparity and Institutional Effectiveness

The data reveal disparity between investigative activity and prosecutorial outcomes, particularly in Nigeria. Despite high volumes of Suspicious Transaction Reports (STRs) and investigations, conviction rates remain disproportionately low. From an Institutional Theory perspective, this reflects institutional isomorphism without substantive performance: agencies comply formally with international AML standards to achieve legitimacy, yet lack the

internal capacity, coordination, and autonomy required for effective enforcement. Overlapping mandates between the EFCC and NFIU, weak prosecutorial follow-through, and political interference undermine institutional effectiveness, validating Meyer and Rowan's (1977) argument that formal structures often decouple from actual practice [10],[11].

In Senegal, the data suggest comparatively better institutional coherence, especially following FATF delisting. However, low STR volumes and modest prosecution rates indicate latent weaknesses in detection and enforcement capacity. Institutional Theory explains this as a capacity-constrained compliance model, in which institutions adopt reforms to meet external expectations but struggle with resource and skill constraints that limit their operational impact [12],[13].

Systemic Vulnerabilities and Interconnected Failures

From a Systems Theory standpoint, AML/CFT regimes in both countries function as interconnected systems comprising financial institutions, regulators, law enforcement, judicial actors, and cross-border partners. The data demonstrate that failures in one subsystem, such as inadequate financial institution reporting or weak judicial capacity, cascade across the entire system. In Nigeria, high STR generation without corresponding judicial processing creates systemic bottlenecks, weakening deterrence and emboldening criminal and terrorist networks. In Senegal, limited real estate oversight and trade monitoring weaken the feedback loops essential for early detection of laundering schemes. These findings affirm von Bertalanffy's conception of systems as interdependent wholes: inefficiencies are not isolated but cumulative, ultimately translating into national security vulnerabilities [14],[15],[16].

Money Laundering and National Security Outcomes

Empirical indicators show a strong linkage between money laundering and national security threats, particularly in Nigeria. Illicit financial flows facilitate terrorism financing, organised crime, and large-scale corruption, directly undermining state authority and public trust. The persistence of these flows, despite extensive legal frameworks, highlights the institutional gap between rule-making and rule-enforcement, reinforcing Institutional Theory's emphasis on governance quality over mere regulatory presence [17].

In Senegal, while direct terrorism financing linkage is less pronounced, money laundering threatens economic security through reputational risk, real estate distortion, and exposure to transnational crime networks [18]. The data indicate that improvements in institutional legitimacy (e.g., FATF delisting) have

not fully translated into robust security outcomes, underscoring the need for deeper institutional consolidation [19],[20].

Technology, Informality, and Adaptive Criminal Networks

Both countries exhibit high vulnerability arising from cash-based economies and rapidly evolving financial technologies. The data show increasing use of digital platforms and, in Nigeria's case, cryptocurrencies, which outpace institutional monitoring capacity. Systems Theory explains this as an adaptive imbalance: criminal networks evolve faster than regulatory subsystems, exploiting technological asymmetries. Institutional Theory further clarifies that without sustained investment in technological infrastructure and human capital, formal AML reforms remain symbolic rather than transformative [21],[22].

Comparative Insights and Theoretical Implications

Comparatively, Nigeria's challenge is primarily one of institutional fragmentation and politicisation, while Senegal's challenge is capacity limitation within a more coherent framework. Both cases confirm the central proposition of Institutional Theory adopted in this study: that money laundering persists as a national security threat not because of legal absence, but because of weak institutional performance, coordination, and accountability. Systems Theory complements this by illustrating how institutional weaknesses interact systemically to magnify security risks across borders and sectors [23],[24],[25].

Synthesis of Findings

The analysis demonstrates that:

- i. High AML activity does not equate to effective national security outcomes without strong institutions.
- ii. Institutional legitimacy driven by international compliance pressures often masks domestic enforcement weaknesses.
- iii. Systemic interdependencies mean that isolated reforms cannot address money laundering effectively.
- iv. Strengthening AML as a national security tool requires institutional consolidation, technological upgrading, and regional system integration [26].

The findings validate the theoretical framework adopted in this study and reinforce the argument that combating money laundering in Nigeria and Senegal must be approached as an institutional and systemic security challenge rather than a purely technical or financial regulatory issue [27],[28].

Recommendations

- i. Nigeria and Senegal should institutionalise legally mandated inter-agency AML/CFT coordination mechanisms, implemented by the EFCC, NFIU, Office of the Attorney-General, and Central Bank of Nigeria (CBN), and by CENTIF, OFNAC, the Ministry of Justice, and Banque Centrale des États de l’Afrique de l’Ouest (BCEAO), also known as Central Bank of West African States in Senegal, to eliminate mandate overlap, improve intelligence sharing, and strengthen enforcement outcomes [29],[30].
- ii. Both countries should enhance judicial and prosecutorial capacity for AML-related cases through specialised courts or dedicated financial crime units, implemented by the National Judicial Council and Federal Ministry of Justice in Nigeria and by the Ministry of Justice and judicial authorities in Senegal, to address low conviction rates and enforcement bottlenecks [31],[32].
- iii. Nigeria and Senegal should invest in advanced financial intelligence analytics, digital forensics, and cryptocurrency monitoring systems, implemented by the NFIU, EFCC, CBN, and National Information Technology Development Agency (NITDA) in Nigeria and by CENTIF, BCEAO, OFNAC, and the Ministry of Digital Economy in Senegal, to counter technologically adaptive laundering methods [33],[34].
- iv. Risk-based AML supervision should be intensified in high-risk sectors such as real estate, trade, and Designated Non-Financial Businesses and Professions (DNFBPs), implemented by the CBN, EFCC, and Federal Inland Revenue Service. (FIRS) Now, the Nigeria Revenue Service (NRS) and Corporate Affairs Commission (CAC) in Nigeria, and by CENTIF, the Ministry of Finance and land registry authorities in Senegal, are working to reduce informality and cash-based laundering channels [35],[36].
- v. Regional and international AML/CFT cooperation should be deepened as a national security strategy, implemented through GIABA, ECOWAS, FATF, and Interpol in coordination with national Financial Institution Units (FIUs) and law enforcement agencies in Nigeria and Senegal, to address the transnational nature of illicit financial flows [37].

Conclusion

Money laundering has evolved from a financial crime into a structural threat to national security, affecting governance, economic stability, and state authority. By facilitating the concealment and reintegration of illicit proceeds from corruption, terrorism, organised crime, and transnational trafficking, money laundering undermines financial system integrity, distorts markets, and erodes public trust. This paper undertakes a comparative analysis of Nigeria and Senegal, two West African states facing similar structural vulnerabilities, including large informal economies, cash-based transactions, porous borders, and emerging financial technologies, yet differing in institutional capacity and enforcement outcomes. Drawing on secondary data from FATEF, GIABA, UNODC, national legislation, and institutional reports, the study applies Institutional Theory as the primary framework, supplemented by Systems Theory, to examine how legal frameworks, institutional arrangements, and enforcement practices influence national security outcomes. Findings reveal that high investigative activity does not translate into effective enforcement in Nigeria due to institutional fragmentation, political interference, and weak inter-agency coordination, while Senegal exhibits better institutional coherence but remains constrained by capacity limitations and low detection rates. Both countries face systemic vulnerabilities exacerbated by cash dependence and technological adaptation by criminal networks. The study underscores that AML reforms often prioritise international legitimacy over domestic enforcement effectiveness. Recommendations include strengthening inter-agency coordination, enhancing judicial and technological capacities, risk-based supervision of high-risk sectors, and deepening regional and international cooperation. The paper concludes that combating money laundering in Nigeria and Senegal requires a holistic approach integrating institutional consolidation, technological investment, and regional system harmonisation to protect national security and economic resilience.

Author Contributions

Umar Sanda Babashani: Conceptualization, Methodology, Writing - review & editing, Supervision, Project administration, Investigation.

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Conflict of Interest

The authors declare no conflicts of interest.

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