

CONCEPT NOTE ON PROPOSED TRAINING FOR NIGERIA CUSTOMS SERVICE STAFF ON ESTIMATION OF ILLICIT FINANCIAL FLOWS USING METHODS 1 & 2 (PARTNER COUNTRY METHOD & PRICE FILTER METHOD)

1. BACKGROUND

The outcome of the 2 -day training conducted for the members of the Technical Working Group in Nigeria shows that the Nigeria Customs Service (NCS) staff who attended the training cannot perform any analysis of the Nigeria customs import and export data.

An analysis of Nigeria's international trade in 2023–2024 was characterized by growing dependence on Asian markets for imports and continued dominance of crude petroleum in exports. The surge in imports from China and exports to Europe in 2024 signals changing trade dynamics. Several anomalies, such as extreme unit price variance and the appearance of non-traditional trade partners (e.g. Andorra), point to areas that require deeper scrutiny for trade compliance and customs enforcement.

Furthermore, a review of unit price distributions for high-volume imported goods reveals substantial variation in declared values across shipments of ostensibly similar products. This is particularly evident in categories such as motor vehicles and electronic equipment. Such discrepancies may reflect pricing inconsistencies, under-invoicing, or product misclassification, all of which could have significant implications for revenue collection and customs enforcement. These patterns warrant further investigation through risk-based audit or valuation review mechanisms.

It is therefore imperative that the capacity of the NCS be improved in risk-based internal audit and the use of PCM+/PFM+ to estimate IFFs and implement strategies which will make more revenue available to deliver public goods in Nigeria.

2. OBJECTIVE

The objective of the training is to equip the NCS staff and other relevant officials with the skills in the use of PCM+ and PFM+ to estimate IFFs and conduct risk based audits. The training will aim at improving the capacity of the NCS staff to conduct effective risk assessment, estimate IFFs on a regular basis, evaluate the effectiveness of internal controls and risk management processes and recommend effective measures to curb IFFs through trade misinvoicing.

3. EXPECTED RESULTS

- The capacities of the participants in the measurement of IFFs due to trade misinvoicing is improved;
- Improved capacity of NCS staff to track IFFs from the customs import and export data;
- Improved monthly reports on import and export and actionable recommendations to curb IFFs due to trade misinvoicing;

4. ACTIVITIES TO BE IMPLEMENTED

- Overview of Illicit Financial Flows (IFFs)
- Measurement of IFFs using Methods 1 and 2 (PCM+ and PFM+)
- Statistical measurement of IFFs using NCS raw data
- Overview of Risk based audit

5. TARGET NUMBER OF STAFF

A total of 25 participants comprising - 15 participants from NCS; 5 participants from National Bureau of Statistics (NBS), 3 participants from Federal Inland Revenue Service (FIRS) and 2 participants from Federal Ministry of Finance (FMF).

6. DURATION

Five (5) days is proposed for the training to yield an impactful result.

7. LOCATION

The location and venue of the training is a key factor to ensure the learning outcomes of the training are achieved. It is therefore proposed that a location devoid of official distractions be selected. One of the towns in Nasarawa State will be selected for the training. Since Nasarawa State is one of the States to the Federal Capital Territory, no cost will be incurred on return air-tickets.