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Dubai Property: An Oasis for Nigeria's Corrupt Political Elite

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A recent report by the group Carnegie Endowment for International Peace (the "Report") looks at the issue of Dubai properties linked to corruption in Nigeria.

In the opening summary the author sets out his argument: *"For politically exposed persons (PEPs) with ill-gotten wealth, Dubai in the United Arab Emirates (UAE) is an alluring destination for investing their gains. Although certainly not the only place to stash money, Dubai—dubbed the commercial capital of the Middle East—exercises minimal oversight and has few legal or logistical obstacles to transferring large amounts of cash or purchasing property. PEPs, defined as individuals who are or have been entrusted with a prominent public function, are at higher risk of involvement in unlawful activity due to their positions of influence and access to assets."*

At least 800 properties in Dubai appear to have ties to current or former prominent Nigerian politicians, laundering hundreds of millions of dollars.

While a Nigerian politician's ownership of Dubai real estate doesn't indicate criminality in and of itself, roughly 25 percent of the properties identified in the report can be *"linked to individuals who have previously been investigated, arrested, prosecuted, or convicted by Nigeria's anticorruption agencies."* The Report continues to explain that *"This category includes, for example, a man the EFCC arrested in 2010 for smuggling gold from Nigeria to Dubai; he is connected to five Dubai properties purchased for a total of \$1.4 million."*

Dubai property may have been a welcome oasis for the investment of ill-gotten gains for some time, not just for Nigerian misappropriated funds; however, the release of data (dubbed the "Sandcastles" data) to the Centre for Advanced Defense Studies ("C4ADS") showed properties worth over \$400 million linked to Nigerian PEPs. Whilst not definitive proof of possession of unexplained wealth, the fact that Nigerian PEPs hold wealthy Dubai properties is an indicator that wealth is being misappropriated and taken out of the jurisdiction.

The Report estimates illicit funds totalling \$178 billion has flowed out of Nigeria since 2004 and states that *"Dubai's receptivity to dubiously acquired funds fuels and incentivizes the looting of Nigeria by its kleptocratic elites."*

The Report highlights four main reasons for the problem. As these reasons are universal, they may be used to identify flaws in any jurisdiction's systems and regulations that would allow, may allow, or at least would attract corruption, embezzlement and the investment of illicitly gained funds.

1. Accessibility

There are daily flights from Nigeria to Dubai, Dubai is closer than London and New York, and it is easier to get a visa for the UAE for Nigerian citizens than a UK or US visa. There is also no need to have legal residency or a permit to buy property in Dubai.

2. Permeability

A strong banking system but lax financial regulations allow money laundering activities to flourish. According to the Report, the US Department of State assessed the UAE to be “a major money laundering jurisdiction” in December 2018.

3. Reliability

Investments in Dubai real estate are profitable and reliable. A strong government and supervisory bodies over real estate make property investments here attractive and safe.

4. Affordability

Dubai has low property taxes and is relatively affordable in terms of international property markets.

This corruption is not a victimless crime. Poverty rates are high in Nigeria, 52% in rural areas, and curbing the embezzlement of funds can only improve the lot of the general public in Nigeria.

The Report notes the difficulties law enforcement agencies have in stemming this tide. The US, UK and other European agencies attempting to investigate or prevent such flows of finance may be constrained by political policies and relationships. Close diplomatic and governmental ties to the United Arab Emirates may prevent such law enforcement agencies from looking too closely at the alleged investment of illicitly gained funds.

It is for the Nigerian government to take responsibility here and begin investigating historic financial transactions flowing from Nigeria to Dubai over the last 10 or 15 years. Similarly, the Dubai authorities need to investigate the inflow of funds and tighten up their AML/KYC regulations, particularly looking at the source of funds.

Asset recovery professionals face a battle to acquire the relevant information regarding the ownership of companies and the flow of funds in order to prevent further corruption and misuse of funds.

The author of the Report, Matthew Page, warns that *“If Dubai becomes a central port for spoils and a haven for kleptocrats, its attractiveness to mainstream investors could fade over the long term.”*

For more, see www.carnegieendowment.org

BDO invites enquires regarding resources and other ways our firm can provide assistance with such matters to Declan Magennis (DMagennis@bdo.ky) or Russell Smith (RSmith@bdo.ky).