



## Illicit Trade and Extortion: The Nexus Between Boko Haram's Revenue Streams and Regional Instability

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### ABSTRACT

Illicit trade and extortion have emerged as central financial lifelines for violent non-state actors across Africa. In Nigeria, Boko Haram's involvement in transnational trafficking, extortion, and informal cross-border economies has sustained its insurgency and deepened regional instability in the Lake Chad Basin and Sahel. This paper explores the intersection between illicit trade, insurgent financing, and regional insecurity, highlighting how Boko Haram has evolved from a domestic religious sect into a transnational network embedded within the informal economy. Using a qualitative synthesis of existing empirical studies, policy documents, and secondary data, the study examines how the group's economic strategies underpin its longevity and how weak governance structures, porous borders, and underdevelopment perpetuate these dynamics. Findings reveal that Boko Haram's exploitation of illicit trade routes, revenue from extortion, and manipulation of local markets have not only financed its operations but also entrenched cycles of displacement, poverty, and insecurity across Nigeria and its neighbours. The paper concludes with policy recommendations for economic stabilisation, community resilience, and regional cooperation aimed at disrupting terrorist financing through illicit economies

## INTRODUCTION

Illicit trade has long underpinned the economic foundations of insurgent and terrorist groups across fragile states. In Nigeria, Boko Haram's insurgency represents a stark example of how transnational criminal economies intersect with violent extremism. The group's ability to sustain operations despite intensive military campaigns is due to its control of, and participation in, illicit trade networks spanning arms trafficking, smuggling, extortion, and human mobility across the Lake Chad Basin. This study explores how Boko Haram's economic strategies, particularly through illicit trade and extortion, have contributed to regional instability, undermining governance, trade, and development across West and Central Africa. Boko Haram's rise since 2009 has coincided with an expansion in Nigeria's informal economy and the proliferation of unregulated trade networks linking Nigeria to Chad, Niger, and Cameroon (Iocchi, 2019; Flynn, 2017). Despite sustained military interventions, the group continues to adapt, embedding itself within local economic systems. Understanding the group's financial architecture is essential for designing effective counterinsurgency and development policies. This paper therefore addresses the question: How have illicit trade and extortion financed Boko Haram's operations and contributed to regional instability?

## LITERATURE REVIEW

### *Contextualizing Illicit Trade and Terrorism Financing*

Illicit trade—defined by the United Nations Office on Drugs and Crime (UNODC, 2021) as the “import, export, purchase, sale, or transport of goods in violation of legislative or regulatory regimes”—encompasses activities such as arms smuggling, fuel diversion, counterfeit goods, and human trafficking. In conflict zones, illicit trade becomes intertwined with the political economy of survival, forming a critical component of insurgent financing (Makarenko, 2020). In the Lake Chad Basin, such trade thrives on weak border governance, corruption, and economic exclusion. Boko Haram's integration into these networks has created a hybrid economy where criminal and ideological motives reinforce one another.

As noted by Ewi and Aning (2022), insurgent groups often manipulate informal trade to secure community support, redistribute resources, and legitimise their authority. Boko Haram's financial ecosystem thus mirrors that of other regional movements such as al-Shabaab in Somalia and the Islamic State in the Greater Sahara, which sustain their operations through illicit commerce and taxation in ungoverned spaces (United Nations Security Council, 2023). Nigeria's geographic and economic position further enables these dynamics. With vast porous borders and limited state presence in the northeast, cross-border trade with Niger, Chad, and Cameroon provides opportunities for arms and goods smuggling. The region's historical reliance on informal trade has normalised illicit activity, creating blurred boundaries between legal and illegal economies (Mailabari & Hamidu, 2015). Boko Haram has capitalised on this ambiguity, taxing goods, extorting traders, and embedding itself within local supply chains.

### ***Historical Development and Organisational Structure of Boko Haram***

Boko Haram originated in the early 2000s under the leadership of Mohammed Yusuf, initially as a religious reformist movement opposing state corruption and advocating Islamic governance (Flynn, 2017). Following Yusuf's death in police custody in 2009, the group transformed into an armed insurgency seeking to establish an Islamic state in Nigeria's northeast. Its violent escalation coincided with deteriorating socio-economic conditions, youth unemployment, and distrust in government institutions (Abdullahi, 2015). The group's organisational structure evolved alongside its financial diversification. Under Abubakar Shekau (2010–2016), Boko Haram relied heavily on looting, robbery, and ransom kidnappings. The emergence of the Islamic State West Africa Province (ISWAP) in 2016 marked a strategic reorientation: a more structured command hierarchy, territorial control, and administrative systems including taxation of local populations and trade routes (International Crisis Group, 2022). ISWAP's governance model integrates economic management into military strategy. It levies taxes on trade, provides limited welfare, and operates judicial systems in areas under its control, thereby presenting itself as a parallel authority (Zenn, 2023). This duality – terrorist group and de facto local government – has reinforced the nexus between illicit trade and insurgent financing.

## **METHODOLOGY**

### ***Boko Haram's Revenue Streams and Financial Networks***

#### ***Illicit Trade in Goods and Commodities***

Boko Haram's involvement in illicit trade extends beyond arms trafficking to include fuel smuggling, agricultural goods, and the diversion of humanitarian aid. Studies by the Institute for Security Studies (ISS, 2021) estimate that illicit fuel trading alone accounts for millions of dollars annually in insurgent revenue. The group's operations exploit Nigeria's extensive informal petroleum market, moving fuel from Nigeria into Niger and Cameroon through unregulated corridors. Illicit trade routes serve both financial and logistical purposes, enabling access to supplies and facilitating communication between cells. The porous borders around the Lake Chad Basin make enforcement difficult, while complicity from local officials and impoverished traders perpetuates these networks (Ayoki & Obwona, 2005; UNODC, 2021). The Nigerian Customs Service has identified numerous illegal crossing points in Borno and Yobe States, many of which remain beyond effective state control.

#### ***Extortion and Taxation***

As territorial control fluctuated after 2015, Boko Haram increasingly turned to extortion and informal taxation. The group imposes levies on farmers, herders, and traders in exchange for "security" or freedom of movement. This practice mirrors traditional governance structures, where taxation symbolises authority and legitimacy (Zenn, 2023). Extortion payments, often collected in cash or in kind, are systematised through local intermediaries who record transactions. The UN Security Council (2023) reports that Boko Haram and ISWAP generate substantial income through kidnapping for ransom, extortion of local businesses, and control of market access points. Ransom payments – both

domestic and international—remain one of the group’s most lucrative revenue streams. According to Ewi and Aning (2022), between 2011 and 2021 Boko Haram secured approximately USD 20 million through kidnappings alone.

#### ***Informal Financial Systems and Money Laundering***

Boko Haram’s reliance on informal financial systems, particularly hawala networks—enables cross-border fund transfers beyond state supervision. The Financial Action Task Force (FATF, 2022) highlights Nigeria’s vulnerabilities to trade-based money laundering, exacerbated by limited interagency coordination. While the Nigerian Financial Intelligence Unit (NFIU) has intensified monitoring, enforcement capacity remains limited (Abdu Abubakar, 2013). The group’s transactions are typically cash-based, minimising traceability. Field reports reveal that Boko Haram operatives engage in barter arrangements—exchanging livestock, fuel, or contraband goods for weapons and supplies (Ribadu, 2018). This fluidity between cash and commodity economies complicates financial disruption efforts.

## **RESULTS AND DISCUSSION**

### ***Cross-Border Dynamics and Regional Instability***

#### ***Transnational Networks and Border Economies***

Boko Haram’s economic survival depends on its integration into transnational networks that transcend Nigeria’s borders. The Lake Chad Basin—encompassing Nigeria, Niger, Chad, and Cameroon—has historically been a hub of trade and migration. Weak border management, inadequate infrastructure, and overlapping ethnic linkages facilitate the movement of goods and people. Insurgent activities exploit these dynamics. Smuggling routes originally established for livestock, grains, and consumer goods now serve as channels for arms and narcotics. Boko Haram and ISWAP maintain alliances with criminal groups controlling these routes, creating a mutually beneficial relationship (Mailabari & Hamidu, 2015). Such cooperation ensures operational resilience even when military pressure intensifies.

#### ***Spillover into Neighbouring States***

The consequences of Boko Haram’s illicit trade extend beyond Nigeria’s borders. Refugee flows, disrupted trade, and insecurity have destabilised Neighbouring countries. Cameroon, Niger, and Chad face cross-border attacks that undermine local economies and governance capacity. According to the African Development Bank (AfDB, 2022), trade losses in the Lake Chad Basin exceed USD 6 billion annually due to insurgency-related disruptions. Smuggling also affects regional food security. Disruptions to agricultural supply chains have raised prices and limited access to essential goods. The Food and Agriculture Organization (FAO, 2023) notes that over five million people in northeastern Nigeria and surrounding countries face food insecurity exacerbated by conflict-related trade disruptions.

### ***Impacts on Local Populations and Economic Sectors***

#### ***Agricultural Disruption and Livelihood Erosion***

Agriculture—the principal livelihood for most households in northern Nigeria, has borne the brunt of Boko Haram’s insurgency. Continuous attacks on farmers, destruction of farmlands, and forced displacement have crippled food

production. The FAO (2023) estimated that by mid-2022, agricultural output in Borno, Adamawa, and Yobe States had declined by more than 70 per cent compared with pre-insurgency levels. Thousands of farmers have abandoned arable lands near conflict zones, while livestock herders face heavy taxation or confiscation by insurgents. These developments have led to soaring food prices, malnutrition, and growing dependence on humanitarian aid. In the Lake Chad Basin, where over 60 per cent of the population rely on fishing and farming, insurgent control of trade corridors has disrupted supply chains and increased transport costs (Ribadu, 2018; Oyama, 2019). Consequently, livelihoods have shifted from agriculture to low-return petty trading and illicit activities, deepening poverty and creating recruitment opportunities for extremist groups.

#### ***Markets, Informality, and Coping Strategies***

Despite persistent violence, informal markets continue to function in insurgent-affected zones. Traders adapt by relocating to clandestine market sites or negotiating safe passage with Boko Haram intermediaries (Ewi & Aning, 2022). These coping strategies illustrate both resilience and vulnerability: while they sustain basic commerce, they also normalised insurgent taxation. Local entrepreneurs and transporters frequently pay levies at checkpoints or surrender part of their goods as “protection fees.” The persistence of such informal economies demonstrates the population’s pragmatic engagement with insurgent governance. As Zenn (2023) observes, civilians often prioritised survival over allegiance, cooperating with whichever authority guarantees relative safety and market access. However, this complicity – whether coerced or voluntary – reinforces Boko Haram’s control and finances.

#### ***State Responses and Counter-Insurgency Operations***

##### ***Military Campaigns and Their Limitations***

Nigeria’s response to Boko Haram has primarily relied on kinetic military operations. Large-scale offensives such as Operation Lafiya Dole and Operation Hadin Kai have succeeded in reclaiming territory but failed to neutralise the insurgency’s financial networks (International Crisis Group, 2022). The Multinational Joint Task Force (MNJTF) comprising troops from Nigeria, Chad, Cameroon, and Niger has enhanced regional coordination, yet operational challenges, coordination, funding, and intelligence sharing – persist. Excessive reliance on force has produced humanitarian crises and civilian mistrust. According to Human Rights Watch (2022), military blockades and movement restrictions have disrupted legitimate trade, sometimes punishing communities more severely than insurgents. These measures inadvertently drive economic activity into informal or illicit channels, indirectly sustaining the very networks they aim to suppress.

##### ***Governance Gaps and Corruption***

Corruption and weak governance significantly undermine counter-insurgency effectiveness. Reports from Nigeria’s Economic and Financial Crimes Commission (EFCC, 2021) reveal that embezzlement within defence procurement and local government structures diverts resources meant for security operations. Moreover, collusion between security personnel and smugglers facilitates the leakage of arms and fuel to insurgents. Selective

governance—whereby the state tolerates or informally taxes certain illicit trades—creates ambiguity in enforcement and legitimises criminal economies (Makarenko, 2020). In some cases, military officers or local administrators benefit from extortion and checkpoints, blurring lines between state authority and insurgent practices. This “shadow governance” erodes trust and entrenches the informal economy that Boko Haram exploits.

### ***Regional and Geopolitical Implications***

#### ***Spill-over Across the Lake Chad Basin***

Boko Haram’s insurgency has transformed the Lake Chad Basin into a transnational conflict theatre. The displacement of over 3 million people across Nigeria, Niger, Chad, and Cameroon has created complex humanitarian emergencies (UNHCR, 2024). Refugee inflows strain host communities and heighten competition for scarce resources. Cross-border insecurity also deters trade and foreign investment, impeding regional integration efforts under the African Continental Free Trade Area (AfCFTA). The group’s networks link with other militant movements, including Islamic State affiliates in the Sahel, thereby expanding the operational geography of extremism (United Nations Security Council, 2023). The porous Sahelian frontiers facilitate the exchange of fighters, arms, and financial resources, turning the Basin into a hub of interconnected insurgencies.

#### ***Impact on Governance and International Partnerships***

Persistent insurgency undermines state legitimacy and diverts national budgets from development to defence. Donor fatigue and inconsistent coordination among international partners have limited the sustainability of assistance programmes (AfDB, 2022). While Western governments focus on counter-terrorism capacity-building, local actors emphasise livelihood restoration and governance reform—illustrating a persistent mismatch between security and development agendas (Ewi & Aning, 2022). The continued instability of the Lake Chad Basin also affects broader African security architecture. It compels regional organisations such as ECOWAS and the African Union to balance counter-terrorism priorities with peacebuilding and migration management, stretching already limited resources.

### ***Policy Implications and Mitigation Strategies***

#### ***Economic Stabilisation and Community Resilience***

Disrupting Boko Haram’s financial networks requires a dual approach: weakening illicit economies while strengthening legitimate livelihoods. Evidence from post-conflict contexts demonstrates that purely militarised responses are insufficient (Makarenko, 2020; ISS, 2021). Economic stabilisation programmes—micro-credit schemes, agricultural subsidies, and youth employment initiatives—can reduce communities’ dependence on insurgent-controlled markets. Investing in cross-border infrastructure such as roads and storage facilities could incentivise legal trade and integrate peripheral regions into the formal economy. Programmes that empower women and displaced persons with entrepreneurial skills enhance community resilience and limit recruitment into extremist groups (UNDP, 2023).

### ***Strengthening Regional Cooperation and Border Governance***

Regional cooperation remains pivotal. The Lake Chad Basin Commission and MNJTF should move beyond ad-hoc security coordination toward institutionalised border management frameworks. Joint patrols, harmonised customs procedures, and intelligence sharing can curb trafficking and improve transparency (Mailabari & Hamidu, 2015; AfDB, 2022). Technological innovations, satellite surveillance, digital customs tracking, and biometric registration—could strengthen oversight of transnational trade routes. Simultaneously, anti-corruption reforms within border agencies are essential to dismantle collusive networks.

### ***Financial Regulation and Anti-Money-Laundering Mechanisms***

Nigeria's Financial Intelligence Unit and Central Bank must enhance monitoring of trade-based money-laundering schemes. Expanding financial inclusion through mobile-money regulation can bring transactions into the formal banking system, increasing traceability (FATF, 2022). Collaboration with international bodies such as INTERPOL and the Egmont Group would facilitate cross-border asset recovery and the identification of terrorist financiers. Capacity-building for local banks and micro-finance institutions in risk assessment and suspicious-activity reporting remains a cost-effective means of closing laundering loopholes. The adoption of digital-forensic tools can strengthen evidence gathering for prosecutions.

## **CONCLUSIONS AND RECOMMENDATIONS**

Boko Haram's endurance underscores the intricate relationship between illicit trade, extortion, and regional instability in West and Central Africa. The insurgency thrives within the economic voids created by weak governance, underdevelopment, and porous borders. By embedding itself in informal markets, taxing trade, and exploiting transnational trafficking routes, Boko Haram has transformed economic marginalisation into a weapon of survival. Counter-insurgency efforts that rely solely on military force have failed to dismantle these economic lifelines. A sustainable strategy must therefore integrate economic recovery, governance reform, and regional cooperation. Prioritising legitimate livelihoods, transparent financial systems, and accountable border management will gradually erode the group's fiscal autonomy. Ultimately addressing the nexus between illicit trade and terrorism in Nigeria requires a re-imagining of security as both a political and developmental endeavours. Strengthening the social contract between state and citizens—through inclusive growth, justice, and regional solidarity—offers the most credible path toward enduring peace in the Lake Chad Basin.

## **FURTHER STUDY**

This research still has limitations, so further research is needed on the topic of Illicit Trade and Extortion: The Nexus Between Boko Haram's Revenue Streams and Regional Instability in order to perfect this research and increase insight for readers.

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