



Corinna Robbins: Mercy Corps

GIFTS AND GRAFT

How Boko Haram Uses Financial Services for Recruitment and Support

SEPTEMBER 2016



Executive Summary

In April 2016, Mercy Corps published a study titled “‘Motivations and Empty Promises’: Voices of Former Boko Haram Combatants and Nigerian Youth,” exploring the reasons youth join Boko Haram. In that initial study, we uncovered a number of factors driving support for and recruitment to Boko Haram, including governance grievances and inequality. With support from the Ford Foundation, we conducted this follow-up study to examine in greater depth how inequality drives recruitment, and particularly how Boko Haram uses financial incentives to lure people into the group. We also explored the broader landscape of financial opportunities and barriers to accessing them, with the aim of informing smart policies and programming that address youth needs and help to prevent future participation in violence.

Key Findings

1. **Boko Haram’s financial services provide more than money: they offer the promise of protection and opportunity.** Many respondents who accepted financial support and cooperated with the group’s demands did so under a protection scheme from Boko Haram. In other cases, community members’ desire to improve their financial standing made them receptive to recruitment tactics.
2. **Communities see Boko Haram’s financial services as more accessible than existing alternatives.** Many respondents reported they did not know of viable alternatives to access cash or credit that would allow them to pursue their economic ambitions. They reported that government-provided economic support was not accessible without political connections or bribes.
3. **Boko Haram’s financial services are used both for recruitment and to gain community support.** Respondents reported that Boko Haram used financial support to increase recruitment, achieve tactical aims through local business connections, and broaden popular support.
4. **The conditions of Boko Haram’s financial support are fluid and unpredictable.** While many recipients knew the conditions of their financial assistance at the outset, others did not. Demands could come at any time and without warning and be ideological, tactical, or financial in nature.

Recommendations

- › **Increase the quality, availability, and diversity of financial services, particularly to youth with small, informal businesses.** In addition to engaging with youth to discuss their financial options and needs, government and private sector financial service providers should expand their products for informal businesses, including micro loans that comply with Islamic financing.
- › **Improve the transparency and accessibility of government-led economic programs.** Respondents perceive that government economic development programs are available only to an elite few with money and connections. These programs should be more transparent and accessible for underserved populations and reinforce continued efforts to reduce corruption and address underlying governance grievances.
- › **Expand the role of civil society in developing the Northeast’s economic sector.** Civil society’s role in advocating for equitable economic development and government accountability is crucial to ensuring growth is inclusive and government programs are increasingly transparent.

Table of Contents

- Executive Summary 2**
 - Key Findings 2
 - Recommendations 2
- Introduction 4**
 - Methodology 4
 - A Snapshot of Boko Haram’s Financial Services 5
- Key Findings 7**
 - Boko Haram’s financial services provide more than money: the promise of protection and opportunity 7
 - Communities see Boko Haram’s financial services as more accessible than alternatives. 7
 - Boko Haram’s financial services are used both for recruitment and to gain community support..... 8
 - The conditions of Boko Haram financial assistance are fluid and unpredictable..... 10
- Recommendations 11**

ACKNOWLEDGMENTS

Mercy Corps is grateful to the Ford Foundation for its generous support of this research and its continued commitment to this topic.

Ballama Mustafa led the interviews with support from the Mercy Corps Nigeria Conflict Management team, in particular Claire-Lorentz Ugo-Ike, Rasmus Nielsen, and Tim Melvin. Special thanks go to reviewers from Mercy Corps’ Peace and Conflict, Policy and Advocacy, and Financial Inclusion teams.

Introduction

Northeast Nigeria and the greater Lake Chad Basin region continue to suffer from the violence stoked by Boko Haram, one of the world's deadliest armed groups.¹ In addition to the deaths of more than 17,000 people and displacement of millions, at least 250,000 children in Borno State alone are malnourished and risk starvation.^{2,3} Although recent security gains have made some communities more peaceful, Boko Haram's continued acts of violence threaten Nigeria's future, demanding a concerted response.

In April 2016, Mercy Corps published a study titled "'Motivations and Empty Promises': Voices of Former Boko Haram Combatants and Nigerian Youth," based largely on interviews with dozens of former members of Boko Haram and youth who resisted joining the organization.⁴ By examining various pathways to participation in violence, that study aimed to promote evidence-based policies and programs designed to reduce youth participation in extremist activities and undermine support for the extremist group.

Our first study showed that an atmosphere of deep-seated frustration with the government paved the way for Boko Haram to garner recruits. A diverse body of Nigerian youth participated in Boko Haram due to a variety of factors, including influence from social and business contacts and a desire to get ahead in a highly unequal society. Boko Haram took advantage of this economic ambition to attract—or coerce—youth by offering financial assistance for young people to grow their businesses. With continued support from the Ford Foundation, Mercy Corps conducted this study as a follow-up to "Motivations and Empty Promises" to dig deeper into this finding. This study examines in greater detail how Boko Haram uses financial incentives to induce or force participation in and support for the organization. It also explores the broader financial landscape and opportunities for community members, including how perceptions of government programs compare with views of Boko Haram's financial services.

Importantly, this study does not explore drivers of participation in greater depth; rather, it focuses on the mechanics by which financial or in-kind support for businesses helped attract recruits and force participation. We did not limit our pool of interviews to youth so we could capture a broad range of community members' experiences with Boko Haram's financial services and better understand how youth fit within that context. As with "Motivations and Empty Promises," we present evidence that we hope will inform smart policies and programming that address youth needs sustainably, helping to prevent future participation in violence. The report ends with recommendations derived from our interviews and from Mercy Corps' experiences working in contexts such as Nigeria's Northeast.

Methodology

Findings are based on interviews with 74 community members, including youth, currently residing in Maiduguri, the capital of Borno State. Of these respondents, 45 received financial or in-kind support from Boko Haram. An additional seven were

¹ Institute for Economics and Peace. (2015). Global terrorism index 2015. Retrieved from <https://www.amnesty.org/en/documents/AFR44/1657/2015/en/>

² UNICEF. July 2016. An estimated quarter of a million children severely malnourished in Borno state, Nigeria. Retrieved from http://www.unicef.org/media/media_91911.html.

³ Amnesty International. (2015). Stars on their shoulders. Blood on their hands. War Crimes committed by the Nigerian military. Retrieved from <https://www.amnesty.org/en/documents/AFR44/1657/2015/en/>

⁴ Mercy Corps. (2016). 'Motivations and empty promises': Voices of former Boko Haram combatants and Nigerian youth. Retrieved from <https://www.mercycorps.org/research-resources/motivations-and-empty-promises-voices-former-boko-haram-combatants-and-nigerian>

offered financial support from Boko Haram but refused, and 22 respondents are friends or family members of recipients of financial or in-kind support from the group.

Male and female researchers from Borno conducted all interviews in Maiduguri, using semi-structured interview guides designed, piloted, and revised collaboratively by Mercy Corps and local researchers. Most respondents were from the Maiduguri area, though some were internally displaced persons (IDPs) who had settled there recently after fleeing their communities. To select respondents, researchers used the snowball sampling method, starting with former Boko Haram members interviewed in “Motivations and Empty Promises.” These respondents directed our researchers to other interview subjects. Interviews were mostly conducted one-on-one and in private settings, according to the preference and comfort level of the respondent. The following provides an overview of the study’s respondents:

Recipients of financial or in-kind support (Total: 45)

- › Men: 42; Women: 10
- › Ages 16-24: 3; Ages 25-35: 34; Ages 36+: 15
- › Ethnic Group: Kanuri: 29; Marghi: 6; Hausa: 5; Other: 12

Respondents who turned down support (Total: 7)

- › Men: 5; Women: 2
- › Ages 16-24: 0; Ages 25-35: 3; Ages 36+: 3
- › Ethnic Group: Kanuri: 4; Marghi: 1; Other: 1

Family and friends of recipients (Total: 22)

- › Men: 15; Women: 7
- › Ages 16-24: 1; Ages 25-35: 9; Ages 36+: 10; Unknown: 2
- › Ethnic Group: Kanuri: 6; Hausa: 4; Shuwa: 4; Marghi: 2; Other: 6

The analysis is based primarily on interviews with respondents who either received support from Boko Haram or were offered but refused it, with information from relatives and friends of recipients used as secondary verification. Due to the ongoing military operations and widespread fear of Boko Haram reprisals, the subject matter of the interviews continues to be sensitive in nature. Despite precautions taken by the research team, including the guarantee of anonymity, it is possible respondents were not completely forthcoming when describing their relationships with Boko Haram. Finally, while these findings provide insight into Boko Haram recruitment and community engagement, these data are not representative of all Boko Haram financial support recipients due to the non-random nature of the sampling method.

A Snapshot of Boko Haram’s Financial Services

Boko Haram offers financial support to a wide range of small businesses. As with the diversity of pathways to Boko Haram identified in our first study, recipients of financial support came to be affiliated with Boko Haram in a variety of ways. A few respondents sought out financial support from Boko Haram. Boko Haram members or affiliates approached most respondents, some of whom were either forced or deceived into accepting financial support.

Boko Haram uses a variety of financial support mechanisms to recruit or obtain support from community members. Cash support comes in different forms, such as interest-free loans to support an existing or new business or gifts given without expectations of returning the favor. Most of the respondents interviewed who accepted cash reported receiving amounts

ranging from 10,000 to 1,000,000 Nigerian Naira (NGN).⁵ In-kind support came in the form of goods to sell—allowing business owners to re-stock without incurring any expenses—or equipment to create or expand their own business, such as a motorcycle or an embroidering machine. The money was usually given as a lump sum, but some recipients received the money over two or three tranches.

While the majority of financial support recipients we interviewed were male, women also obtained financial support from Boko Haram. We saw similar patterns across women and men, with key exceptions. First, some women receive support because of or through their relationships with men, and second, female recipients at times face gender-specific expectations in return for accepting financial support. We spoke with women who received support through their husbands, who were Boko Haram members. Others received financial support and became Boko Haram members themselves or accepted assistance under certain conditions, such as getting married or leaving university. More examples are detailed below.

Boko Haram offers support to people running a wide array of businesses, the majority of them micro- or small businesses, and unregistered, which reflects the status of many businesses in Borno and Nigeria as a whole. A large proportion of businesses supported are in the retail sector, but other types include tailoring, *achaba* (motorcycle) driving, welding, and cattle rearing. Respondents generally reported that the only businesses Boko Haram would not support are those selling products considered *haram* (meaning forbidden in Arabic), such as alcohol and illegal drugs. Our research did not identify the extent to which these financial services are systematically embedded in the group's strategy, nor did it provide a comprehensive picture of how Boko Haram funds its financial services. However, as noted below, some respondents reported sharing profits from their businesses with Boko Haram, and others described assisting the group in acts of theft and illicit smuggling, all of which would increase the group's financial standing.

⁵ This converts to roughly \$30 - \$3,000 in August 2016 US Dollars.

Key Findings

Boko Haram's financial services provide more than money: they offer the promise of protection and opportunity.

Community members and youth cited benefits of taking financial assistance that went beyond its monetary value. Boko Haram provides financial assistance either under a protection scheme for the business owner—given Boko Haram's need to guard its business interests—or with the promise to get ahead. Particularly in recent years, when levels of violence had reached new heights and Boko Haram began seizing additional territory, movement became unsafe and dangerous. Several respondents who accepted financial support and cooperated with the group's demands also received protection from Boko Haram's own violent activities and were able to remain safe or keep their businesses running without disruption. One male recipient of Boko Haram support described how, after the organization invested 1,000,000 NGN into his cattle rearing business, they guaranteed safe passage for his animals. Another male recipient used a Boko Haram investment of about 200,000-300,000 NGN to expand his retail shop, which many Boko Haram members patronized. In return for a portion of his profits, his shop was spared when Boko Haram attacks destroyed other businesses in the area.

For many community members, their financial ambitions and needs either attract or make them vulnerable to Boko Haram's financial service offerings. They view Boko Haram's services as a promising opportunity to get ahead or as an essential strategy for keeping their livelihoods on track. One male recipient shared how he was complaining to a friend that he wanted a job so he could better provide for his parents. The friend then liaised with Boko Haram leaders to secure a motorcycle to allow the recipient to start a motorcycle taxi business. Another male recipient was a small vendor who previously sold his goods on foot and wanted to expand his activities after seeing a colleague grow his own trading business. He used a tranche of money from Boko Haram to open up a shop. "I am now able to rent a shop and settle down to grow the business," he said. One male youth used financing from Boko Haram to buy the inputs that enabled him to improve his brick-laying business and transition to selling materials for construction, a more lucrative livelihood. Another received a sewing machine so he could open his own tailor shop instead of renting a machine from another tailor. Finally, a young woman used the support to convert a household activity—making incense—into a business, allowing her to take products to the market and sell to her neighbors. In all of these cases, recipients described Boko Haram's financial assistance as a catalyst for starting or growing their enterprises and achieving a better economic situation for themselves and their families.

Communities see Boko Haram's financial services as more accessible than alternatives.

Most respondents who received financial assistance from Boko Haram saw it as the only viable option for growing their business. Of the 45 financial support recipients we spoke to, Boko Haram first approached the majority, while a few sought out funding on their own. Most recipients reported they took support not out of belief in Boko Haram's ideology or to support the organization's activities, but because they did not see an alternative to access cash or credit. Almost all respondents said that government support was preferable to Boko Haram's support, but that these services were not attainable without political connections or bribes.

The respondents' understanding of government business and development programs varied greatly.⁶ Some respondents were unaware of existing government programs and services capable of supporting their needs, while others said they knew of financial services provided by the government or civil society, but believed these were only available to some people, such as farmers. Many respondents were aware of appropriate programs but either did not know how to access them or believed that they could not access them.

Respondents overwhelmingly reported preferential treatment and a lack of transparency in government-led economic development programs, saying existing programs were only for the wealthy and well connected. As one respondent said, "We used to hear a lot of things from government, banks, and private organizations, but it's all a story and only rich men or politicians get the benefits." Respondents who had attempted to acquire financing through official channels faced government loan application fees they saw as too high or interest they were unwilling to pay due to rules of Islamic financing. A few respondents had participated in and benefited from government programs.

This lack of understanding around how to access government financial assistance programs, along with perceptions that they were unavailable, increased Northeast residents' receptivity to Boko Haram's anti-government messages. Such messages featured early in the group's formation and laid the groundwork for some measure of popular support—in opposition to a government some individuals saw as unable to provide for them. These factors also increased youth vulnerability to the group's immediate financial schemes, and, as noted above, as they saw it as their only or the best option for getting ahead.

Boko Haram's financial services are used both for recruitment and to gain community support.

While membership was not always a requirement for receiving financial support, Boko Haram used this assistance to bind people closer to the organization and its ideology. Recipients of Boko Haram's financial support were both members and non-members of the group, though as our first study showed, the distinction between members and non-members is both blurred and fluid.⁸ The majority of respondents reported that Boko Haram used financial support for recruitment, influence, or specific business purposes that would improve the group's financial standing.

Recipients reported that some Boko Haram demands—placed in return for financial assistance—were ideological, intended to shape the community as per the group's doctrine and vision for society. For example, respondents reported that Boko



*"[The government] people will tell you stories...that either you are not qualified for assistance, or you are not educated enough, or you don't have a 'big man' to recommend you."*⁷

— Male recipient of Boko Haram support

⁶ Mercy Corps has learned of government programs intended to help unemployed youth get jobs through skills training and job placement, entrepreneurship development programs, and a loan disbursement program for Borno businesses. At the time of this study, these programs varied in funding and implementation stages, and it was unclear how actively they were operating in study respondents' communities.

⁷ "Big man" is a colloquial term referring to a person of clout, standing, or influence in the community.

⁸ In this study, we rely on self-identification to determine if a respondent was a member given the challenges of creating an objective definition.

Haram offered financial support to female respondents on the condition they drop out of the Nigerian formal education system. Some of these women were also forced to marry male Boko Haram combatants. Some reported that the group forced government employees to quit their jobs because the group had declared government activities at any level to be *haram*.

Other demands were purely tactical and business-related. Boko Haram could demand services related to the recipient's particular type of business in exchange for support. For example, *achaba* (private motorcycle taxis) drivers who had received financial support from Boko Haram were used as messengers, delivering letters between cities for Boko Haram on demand. Respondents operating larger scale trading operations, especially involving the transport of goods between cities, were offered informal loans or the possibility of participating in a joint venture in exchange for carrying Boko Haram members from one city to another or for smuggling goods. In another example, Boko Haram kidnapped a female business-owner's family and used her store to hide weapons and ammunition. They provided her with both money and goods to keep business operating as a front, but her family remained in captivity, compelling her to comply with Boko Haram's demands. In the most extreme cases, as our first study showed, Boko Haram demanded the recipient participate in the group's military activities. One male recipient reported that after he was given money, someone from the group came back to him and demanded he become a combatant. He was given boots and a gun, but he ran away to avoid joining. The group later took over his house.



“I have seen [Boko Haram] on many occasions discussing that someone [in the community] has collected their money and is not doing what they want, so they will go to the person and demand the money back.”

— Male recipient of Boko Haram support

When Boko Haram's tactics became violent in 2009, respondents increasingly became hesitant to accept the assistance out of fear. Rather than accepting assistance, some residents who felt pressure to become affiliated with Boko Haram fled their communities, leaving behind their businesses. Others accepted money, but did not spend in case they were asked for it later.

Community members conduct business at the Gamboru market in Maiduguri, Borno State.

Ballama Mustafa for Mercy Corps



In addition to purely transactional demands, Boko Haram often accompanied financial services with persuasive tactics intended to garner more widespread support. Some community members' gratitude for financial support—and the ways in which Boko Haram's financial services exposed government deficiencies—contributed to their belief in the organization's mission. Many recipients of Boko Haram's financial support attended the group's preaching, some because they supported the movement, particularly before 2009. Many reported attending out of curiosity after receiving financial support, and some attended because they saw the gatherings as a business opportunity, with the large gatherings of people representing potential customers for their businesses. Finally, others said Boko Haram forced them to attend preaching. Once at the preaching, attendees listened to anti-government messages that promised a new era of governance in Nigeria.

The conditions of Boko Haram financial assistance are fluid and unpredictable.

The majority of recipients who understood financial support was coming from Boko Haram often initially did not know what type of financial support they were receiving and what, if any, conditions were tied to the assistance. While respondents did not report having made agreements around interest and direct repayment, Boko Haram often made either non-monetary demands or placed implicit or explicit expectations on recipients to contribute to the group's finances. Demands and conditions could come at any time and without warning, in some cases a year after the provision of support. In other cases, Boko Haram broke its promises. One male recipient described how Boko Haram protected his shop for a time, but later in the insurgency it was burned down during a massive attack. Several recipients expressed fears about whether they should use the money, as Boko Haram's intentions were not clear. A gift could become a de facto loan or create an expectation for a share in the profits from the business.

While nearly three quarters of the respondents knew that the financial incentives came from Boko Haram, in some cases, recipients believed they were receiving financial support from a friend or acquaintance unaffiliated with the group. In these cases, once Boko Haram operatives revealed the source of the money, they either demanded adherence to the group's objectives or specific actions from the recipient. Sometimes, Boko Haram approached individuals, often through a friend or neighbor, with an offer of investment in their businesses. One young woman believed the money she was receiving was *zakat*, the Arabic term for giving to the less fortunate, considered a religious obligation in Islam. However, she was told later she had to marry someone from Boko Haram in exchange for the money and fled.



“I was told from the onset that it was a loan for repayment from the leader of [Boko Haram] in my area. But later I was told by him that I will not repay but remit contributions to the organization on a continuous basis.”

— Male recipient of Boko Haram support

Recommendations

A clear story emerges from these interviews: Boko Haram took advantage of deep dissatisfaction with governance and provided economic support to increase its recruits and improve standing in the community. Its use of financial and in-kind support to community members achieved two objectives simultaneously. First, by presenting an alternative set of services for community members, it highlighted government and private sector deficiencies. Second, it provided an immediate pathway for people to get ahead by offering ways for them to expand their businesses. Combined, affiliations with Boko Haram helped some people feel protected and also provided Boko Haram with leverage it needed to persuade, not just potential recruits, but community members at large who could help with its operations, even in small ways.

Ultimately, the lack of perceived alternatives made residents of the Northeast vulnerable to Boko Haram's financial schemes. While money itself was not the singular driving factor in participation in Boko Haram, the perceived lack of financial options provided opportunities for Boko Haram, even if only for a limited time, to juxtapose perceived government inability to deliver services with a movement willing to support those looking for a way ahead. Our recommendations, therefore, largely focus on addressing the governance gaps at the root of Boko Haram's rise. These measures should be paired with private sector development, to ensure sustainable economic growth and continued opportunities for youth and their communities.



“[Boko Haram financial support] is not better than the government's, but the government does not care about its people.”

— Male recipient of Boko Haram support

- **Increase the quality, availability, and diversity of financial services, particularly to youth with small, informal businesses.** Government, private sector, and civil society actors should first learn what youth most need to get ahead, whether it is financial capital, in-kind support, skills and training, or a combination. Upon engaging with youth to discuss their options and needs, government and private sector financial service providers should increase their products for informal businesses, including very small investments or micro-loans that comply with Islamic financing. Promising programs in Kenya that increase economic opportunities for youth could serve as a useful model, including the Youth Enterprise Development Fund and 2JIAJIRI, which specifically targets youth operating in the informal sector and provides a variety of financial products as well as ongoing support.^{9,10} Civil society and development partners can provide additional alternatives for the informal sector. These could include business services, informal access to finance programs, and employment skills for the vulnerable. Any civil society initiatives should complement government efforts, not supplant them.
- **Increase transparency and accessibility of government-led economic programs.** The public perception that government economic development programs—including entrepreneurship, job creation, and access to finance

⁹ Youth Enterprise Development Fund. (2016). *Who we are*. Retrieved from <http://www.youthfund.go.ke/>

¹⁰ 2JIAJIRI. (2016). *KCB group launches KShs.50 billion job creation programme*.

Retrieved from <https://ke.kcbbankgroup.com/about/media/126-news/173-kcb-group-launches-kshs-50-billion-job-creation-programme>.

programs—are available only to an elite few creates a receptive audience for Boko Haram’s anti-government messages. In addition to strengthening and expanding existing government programs, applications for these programs should be made more transparent, and the government should ensure program administrators are held accountable for fair selection practices. Improving the transparency, access, and public awareness of government-funded programs would provide tangible improvements for the most at-need youth and other community members and simultaneously improve the image of the government, addressing an existing grievance and removing a pathway to Boko Haram.

These improvements should be incorporated into broader governance reforms. Findings from this study corroborate those of our previous study, showing that perceptions of government corruption, neglect, and marginalization create grievances that Boko Haram has been able to manipulate to gain support. Until these grievances are addressed, Boko Haram and any future armed groups that arise in Nigeria may have a steady stream of potential recruits.



Residents of Maiduguri sell and buy goods in Gaboru market, Borno State.

Ballama Mustafa: Mercy Corps

- **Create platforms to warn community members about Boko Haram financial schemes.** Many community members shared some of the same negative experiences around Boko Haram’s financial assistance, but they were not able to learn from one another to prevent coercion or recruitment. Because of the sensitivities of speaking about affiliation with the group, and because of a lack of communication channels, youth and other community members often have little access to information about the risks they face. Civil society can create a platform to share crucial information such as warnings and risks, whether through radio, community meetings, or other means. Civil society would need to take care to prevent the spreading of false rumors, while ensuring that youth are able to learn from the experiences of others in their communities. Engaging former members of Boko Haram or others who can share their experiences receiving financial assistance from the organization can help provide this accurate information to community members.
- **Expand the role of civil society in developing the economic sector of the Northeast.** Civil society’s role in advocating for equitable economic development and accountability of government programs is crucial to ensuring that growth is inclusive and that government policies and programs are transparent and target at-risk groups. In addition, civil society can also provide support for those individuals who fall through the cracks of government and

private sector efforts, ensuring that the most at-risk youth have some basic level of support. One ingredient for success will be that the initiatives of both Nigerian and international civil society organizations have local voices at the fore, ensuring that Northeast residents have the opportunities to shape their own future. By playing a more prominent role in policy development and the implementation of government-run programs, civil society and Northeast community members would improve efficiency and public awareness of government efforts and decrease the opportunities for Boko Haram to manipulate youth and communities.

CONTACT

LISA INKS

Peacebuilding Advisor | Mercy Corps

links@mercycorps.org

LIZA BARAN

Director of Conflict Management Programs | Mercy Corps

Nigeria

lbaran@mercycorps.org

About Mercy Corps

Mercy Corps is a leading global organization powered by the belief that a better world is possible. In disaster, in hardship, in more than 40 countries around the world, we partner to put bold solutions into action — helping people triumph over adversity and build stronger communities from within.

Now, and for the future.



45 SW Ankeny Street
Portland, Oregon 97204
888.842.0842
mercycorps.org

