

**A CLOSER LOOK AT NIGERIA:
SECURITY, GOVERNANCE, AND TRADE**

HEARING
BEFORE THE
SUBCOMMITTEE ON AFRICAN AFFAIRS
OF THE
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UNITED STATES SENATE
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A CLOSER LOOK AT NIGERIA: SECURITY, GOVERNANCE, AND TRADE

THURSDAY, MARCH 29, 2012

U.S. SENATE,
SUBCOMMITTEE ON AFRICAN AFFAIRS,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:20 p.m., in room SD-419, Dirksen Senate Office Building, Hon. Christopher A. Coons (chairman of the subcommittee) presiding.

Present: Senators Coons and Isakson.

OPENING STATEMENT OF HON. CHRISTOPHER A. COONS, U.S. SENATOR FROM DELAWARE

Senator COONS. I am pleased to chair this hearing of the African Affairs Subcommittee, which will focus on Nigeria and pressing issues of security, governance, and trade.

I would like to welcome our three distinguished witnesses today—Ambassador Johnnie Carson, Assistant Secretary of State for African Affairs; Sharon Cromer, Senior Deputy Assistant Administrator for Africa at USAID; and Paul Marin, Regional Director for sub-Saharan Africa at the U.S. Trade and Development Agency—and thank all three of you for joining us here today.

Our witnesses have extensive experience and expertise in a range of issues that are relevant to Nigeria, and I look forward to your testimony.

I am also especially pleased to be joined by my good friend and ranking member, Senator Isakson, with whom I traveled to Nigeria last June. Our trip then came on the heels of last year's elections and President Goodluck Jonathan's inauguration. It was a time defined by uncertainty surrounding Nigeria's future, mixed with cautious optimism, given President Jonathan's leadership.

The elections, while far from perfect, marked a dramatic improvement from the violence and lack of transparency that had marred previous Nigerian elections. At the same time, there was post-election violence that killed hundreds and demonstrated lingering tensions that continue to this day and will be discussed in the context of this hearing.

During our visit, we were both particularly impressed with the commissioner of the National Electoral Commission, Professor Jega, for his leadership and his commitment to electoral reform, which allowed Nigeria to hold the most transparent elections in its history.

One year later, Nigeria today faces significant challenges—an increasingly sophisticated and deadly wave of extremism, pervasive corruption, and growing levels of income inequality and poverty. With more than 155 million people, Nigeria is Africa's most populous nation and its second-largest economy after South Africa.

As Africa's largest producer of oil and one of the top five suppliers of oil to the United States, Nigeria plays an important role in the global economy and in our own. The maps that I am about to refer to illustrate the underdevelopment of the north and the growing need for President Jonathan to do more to bridge persistent geographic, sectarian, and economic divides between north and south.

The wealth in Nigeria is largely concentrated in the south, as demonstrated by the first map, which indicates the southern concentration not just of wealth, but also of oil resources. Nigeria's economy relies disproportionately on oil, which accounts for 80 percent of government revenues and 95 percent of export earnings.

Poverty levels are rising, with more than 60 percent of the population living on less than a dollar a day, and indicators such as income distribution, health, and literacy indicate a sharp north-south divide.

The second map here on my left demonstrates the clear distinction between northern states, where less than 10 percent of children are typically vaccinated and southern states, where that percentage is significantly higher, often 30, 40 percent, or more.

And this final map demonstrates another clear distinction between north and south on female literacy rates, less than 20 percent in a majority of northern states and more than 50 percent in a majority of southern states. So Nigeria faces these significant regional distinctions, which in part are driving some of the ongoing tensions and sectarian division within the country.

Nigeria also faces problems including corruption, instability, and economic mismanagement, which have hampered growth and economic opportunity. With its growing population and significant resources, Nigeria holds enormous economic potential, and I believe the United States can play a critical role in helping diversify the Nigerian economy beyond oil and gas, expand its power system infrastructure, address widespread transparency problems, strengthen the rule of law, and address weak environmental regulations.

In this regard, I was pleased the State Department recently led a trade mission to Abuja and Lagos focused on expanding United States investment in Nigeria's energy sector. I look forward to hearing from our witnesses about prospects for deepening United States economic engagement in Nigeria and partnering with public and private sectors.

Nigeria's growing population represents an important market for United States goods, but they are counterbalanced by rising security concerns, which have hampered United States enthusiasm for investment.

In the past 2 years, Boko Haram, a violent northern-based Islamic extremist group, has launched increasingly sophisticated attacks on civilians, government and police installations, and the United Nations headquarters building in Abuja itself. In fact, only

6 months after Senator Isakson and I met with the Archbishop and the imam of Abuja in a memorable breakfast conversation, Boko Haram launched attacks on Catholic churches in and around Abuja, killing dozens of people after the celebration of Christmas Mass.

Now this last graph for today's hearing demonstrates visually the very sharp rise in the number of attacks perpetrated by Boko Haram in the past year. As you can see, from 2003 to 2009, the number of attacks was minimal, one or two annually on average. In 2010, however, the number of attacks rose to 30.

And alarmingly, that number increased fivefold in the past year, with more than 150 attacks in 2011 alone, and this doesn't include the coordinated multiple bombings that led to hundreds of deaths just in January of this year.

The Nigerian security services and police have faced significant challenges addressing the threat posed by Boko Haram, elements of which may be affiliated with al-Qaeda in the Islamic Maghreb, or AQIM, and other transnational terrorist organizations. The bulk of its followers, though, from information we have, appear to be focused on domestic issues, primarily the lack of jobs and economic inequities that have disproportionately impacted northern states.

The essential component to addressing economic and security challenges is governance. We have seen clear examples of the importance of democracy and good governance in West Africa just in the past week with developments in both Mali and Senegal.

It is clear, in my view, that Nigeria plays a critical role, and there is more that could be done by President Jonathan to encourage meaningful reform to root out endemic corruption and encourage transparency.

We are pleased to have before us three strong witnesses from the administration who will consider these issues and assess the difficult questions surrounding governance, economics, and security in Nigeria and how they all interrelate.

I look forward to hearing from each of you, but let me first turn to Senator Isakson for his opening remarks.

**OPENING STATEMENT OF HON. JOHNNY ISAKSON,
U.S. SENATOR FROM GEORGIA**

Senator ISAKSON. Well, thank you, Mr. Chairman. And I would associate myself with all of your remarks, which will make mine a lot briefer, because I agree with everything that you said.

I would like to welcome Mr. Marin, Ms. Cromer, and in particular, my good friend, Johnnie Carson. We remain the only two guys in Washington over 60 with the name Johnny. So I am glad to be with you again today and was glad to be with you yesterday as well.

I share the concerns outlined by the chairman in his remarks, particularly with regard to our visit. We were there 1 week after Goodluck Jonathan was inaugurated into office. There was great hope at that period of time, and that was the first relatively peaceful, democratic election in the history of Nigeria, and there was a lot of hope.

We did not meet with Goodluck Jonathan, but we met with Vice President Sambo and others there, who were looking forward to the

future with great anticipation. And I am deeply concerned about Boko Haram and the terrorist-like activities that are taking place that are so disruptive in the country and equally care about what was referred to by the chairman in terms of infections in the north.

We met with the lead imam and expressed our concern about some of the imams and some of the churches actually telling people not to take vaccinations from the United States foreign assistance folks. And I know Ms. Cromer from USAID will probably address it. But Nigeria is the last stand of polio. It has a huge measles infestation and infection, and tetanus is still a major problem.

All of those are substantially or actually are completely eradicable with the right vaccination and the right education. So I look forward to hearing comments particularly on that.

Last, my great passion for Africa, after going on this subcommittee a number of years ago, is the great potential friendship and economic development opportunities that the United States and Africa share together, some of which examples already have taken place, particularly around petroleum and oil.

When we flew to Nigeria on the plane, if you remember, we were the only people that didn't work for Chevron in the section we were in because they were all going back on their rotation in terms of exploration. And the partnerships like Marathon's partnership in Equatorial Guinea for natural gas have been great, great opportunities for the United States and great opportunities for African countries as well.

So I am glad we have an economic trade person here today to talk about those opportunities but also talk about what is absolutely essential, and that is the reduction of corruption and more open policies in terms of doing business with American companies and vice versa with African countries.

So, Mr. Chairman, I commend you on calling the hearing.

I welcome our testifying guests today, and I look forward to your testimony.

Senator COONS. Thank you, Senator Isakson.
Ambassador Carson.

STATEMENT OF HON. JOHNNIE CARSON, ASSISTANT SECRETARY OF STATE FOR AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE, WASHINGTON, DC

Ambassador CARSON. Thank you very much, Senator Coons.

And thank you very much, Ranking Member, Senator Johnny Isakson.

I have a longer piece of testimony that I have submitted, but I will read a shorter prepared statement.

Thank you and your committee members for welcoming us here today. Nigeria is one of the two most important countries in sub-Saharan Africa and a county of significant strategic importance to the United States.

It plays a central role in West Africa because of its dominant political, economic, and military influence. A stable, prosperous Nigeria can be a powerful force to promote stability and prosperity all over Africa.

Nigeria faces a number of challenges, and we maintain a regular dialogue with the Nigerian Government on ways to address those

concerns through the U.S.-Nigerian Binational Commission. This framework has allowed us to sustain high-level engagement with Nigerian officials on the most critical issues of mutual importance to our countries.

Those issues are good governance, energy, and investment, the Niger Delta, agriculture and food security, and regional security cooperation. Let me say a little bit about elections and governance.

The April 2011 general elections in Nigeria were the most successful since its return to multiparty democracy in 1999. Despite some imperfections, they represented a substantial improvement over the deeply flawed 2007 electoral process, reversing a downward trajectory for democracy and governance in that country and providing the country of Nigeria a solid foundation for strengthening its elections procedures and democratic institutions in the years to come.

We continue to engage with the National Election Commission and with its chairman, Professor Jega, to further strengthen Nigeria's electoral institutions, and we are pleased to see peaceful by-elections with strong civil society participation were held just last month in several states in Nigeria.

The Nigerian Government is now faced with the challenge of using this electoral mandate to provide the good governance and the reliable service delivery that Nigeria's population so desperately needs and wants.

Progress on good governance and the steady elimination of corruption is absolutely essential to Nigeria's continued economic development. Nigeria is our largest trading partner in sub-Saharan Africa and a crucial global supplier of oil, playing an important role in helping to keep the global oil market stable. However, a lack of accountability and transparency has prevented the oil revenues from being translated into economic growth.

President Jonathan's ambitious economic agenda includes a commitment to power sector reform, significant investment in public resources, and improved regulatory frameworks to attract greater foreign investment. The Nigerian Government has undertaken important reforms in the banking and power sectors that have improved the prospects for greater economic growth.

We support the reformers in the Nigerian Government whose initiatives are attempting to overcome entrenched interests, interests that block Nigeria from achieving its potential as a top emerging market economy. We are committed to helping Nigeria strengthen its regulatory environment, and we continue to press the Nigerian Government to pass a petroleum industry bill that would modernize the rules for oil and gas extraction.

We are also committed to helping Nigeria promote nonoil economic growth, particularly in its agricultural sector. Agriculture comprises 40 percent of the Nigerian economy and employs about 70 percent of the Nigerian population.

Our Binational Commission Working Group on Agriculture and Food Security brings together various public and private interests pursuing stronger implementation of Nigeria's Comprehensive Africa Agricultural Development Program and facilitating private sector investment in Nigeria's agricultural sector. Nigeria was once

a net exporter of food, and there is no reason why it cannot be so again.

The introduction of modern agriculture as well as greater investment would help to revitalize and strengthen Nigeria's agricultural sector.

The socioeconomic and environment issues continue to plague the Niger Delta region. The 2009 amnesty program was successful at stemming the violence by militants, but oil theft, kidnapping, and other crimes remain a problem.

The Binational Commission Working Group on the Niger Delta helps to highlight these issues and encourages stronger governmental accountability in the Niger Delta region.

Security issues remain a central concern in northern Nigeria. A loosely organized group known as Boko Haram has carried out attacks on Nigerian and international interests and attempts to exploit the legitimate grievances of the northern populations to garner recruits and public sympathy.

Boko Haram is not a monolithic or homogenous organization and is composed of several groups that remain primarily focused on discrediting the Nigerian Government and attacking Nigerian Government institutions. Attacks ascribed to members of this group have improved in sophistication and lethality and have increased in number over the last few years, and we take the potential threat to American lives and interests by Boko Haram very seriously.

There are reports of episodic contact between elements of Boko Haram and other extremists in Africa, including al-Qaeda in the Islamic Maghreb. The Nigerian Government must address the underlying political and socioeconomic problems in the north in order to effectively deal with the Boko Haram security issues.

The government must also promote greater respect by its security forces of the local populations. Heavy-handed tactics and extrajudicial killings reinforce the belief that Abuja is insensitive to the concerns of the northern population.

When looking at the problems in Nigeria, and those particularly of Boko Haram and northern Nigeria, it is important to note that religion is not driving extremist violence in Nigeria. While some seek to inflame Muslim-Christian tensions, Nigeria's religious and ethnic diversity is a source of strength, not weakness, and there are many examples of communities working together across religious lines to protect one another.

The challenges facing Nigeria are enormous, but Nigeria is up to the task. It has a large and very talented professional class, an abundance of natural resources, and a strategic location along the West African coast.

We stand ready to partner with those Nigerian leaders committed to tackling the country's multiple challenges. Building on its strong partnership with the United States and the international community and drawing on its other strengths, Nigeria can build on the momentum of last year's Presidential elections and begin to develop the structures for better governance and service delivery to its people.

Thank you again, Mr. Chairman and Ranking Member Isakson, for allowing me to be here with you this afternoon. I look forward to your questions.

Thank you.
 [The prepared statement of Ambassador Carson follows:]

PREPARED STATEMENT OF ASSISTANT SECRETARY JOHNNIE CARSON

Thank you for having me here today. Nigeria is one of the two most important countries in sub-Saharan Africa, and a country of significant strategic importance to the United States. It plays a central role in West Africa, because of its dominant political, economic, and military influence. A stable, prosperous Nigeria can be a powerful force for promoting stability and prosperity all over Africa.

Nigeria faces a number of challenges, and we maintain a regular dialogue with the Nigerian Government on ways to address those concerns through the U.S.–Nigeria Binational Commission. This framework has allowed us to sustain high-level engagement with Nigerian officials on the most critical issues of mutual importance to our countries. Those issues are good governance; energy and investment; the Niger Delta; agriculture and food security; and regional security cooperation.

ELECTIONS AND GOVERNANCE

The April 2011 general elections in Nigeria were the most successful since its return to multiparty democracy in 1999. Despite imperfections, they represented a substantial improvement over the deeply flawed 2007 process, reversing a downward trajectory for democratic governance and providing the country a solid foundation for strengthening its elections procedures and democratic institutions in the years to come. The Independent National Electoral Commission, under the leadership of Professor Attahiru Jega, set a new standard for cooperation with civil society and inspired many Nigerians to become more actively involved in the electoral process. But, the elections were not perfect—post-election riots in several northern cities left hundreds dead, and work remains to be done to ensure more peaceful and improved votes in the future. We continue to engage with Dr. Jega to further strengthen Nigeria's electoral institutions, and we were pleased to see peaceful by-elections, with strong civil society participation, in several states last month.

The Nigerian Government is now faced with the challenge of using this electoral mandate to provide the good governance that the Nigerian people deserve. Voters need to see credible elections translate into tangible gains, and all levels of government must prioritize transparency and accountability to ensure that government services and economic development are available to every Nigerian. The recent appointment of Ibrahim Lamorde to lead Nigeria's Economic and Financial Crimes Commission (EFCC) was an important step in this direction. We are currently developing programs to strengthen the EFCC's capacity to target corrupt officials and to improve the professional quality of Nigeria's justice sector. We also continue to press for strong leadership in Nigeria's other anticorruption institutions.

Progress on good governance and the steady elimination of corruption is essential to Nigeria's continued economic development. Nigeria is our largest trading partner in sub-Saharan Africa and a crucial global supplier of oil, playing an important role in helping keep the global oil market stable. However, a lack of accountability and transparency has prevented the oil revenues from being translated into economic growth.

ECONOMIC REFORM

President Jonathan's ambitious economic agenda includes a commitment to power sector reform, significant investment in public resources, and improved regulatory frameworks to attract greater investment. The Nigerian Government has undertaken important reforms in the banking and power sectors that have improved the prospects for inclusive economic growth. We support the reformers in the Nigerian Government whose initiatives are overcoming entrenched interests, interests that block Nigeria from achieving its potential as a top world economy.

In February, the Africa Bureau organized a successful 10-company energy trade delegation that visited Nigeria and Ghana to discuss opportunities for U.S. investment in the power sector. Their meetings with key decisionmakers in the energy sector advanced our economic and energy agenda for Nigeria, and the visit yielded potential partnerships between U.S. and Nigerian firms. We are committed to helping Nigeria strengthen its regulatory environment. For example, we continue to press the Nigerian Government to pass a Petroleum Industry Bill that would modernize the rules for oil and gas extraction, and address lingering uncertainty in Nigeria's energy sector. Increasing trade would benefit both our countries, and we plan to hold formal discussions soon on a Trade and Investment Framework Agreement to further that goal.

AGRICULTURAL REFORM

We are also committed to helping Nigeria promote nonoil economic growth, particularly in its agricultural sector. Agriculture comprises 40 percent of the Nigerian economy and employs about 70 percent of the population. Our working group on agriculture and food security brings together various public and private interests pursuing stronger implementation of Nigeria's Comprehensive Africa Agricultural Development Program and facilitating private sector investment in Nigeria's agriculture sector. In addition to addressing food security within its borders, Nigeria can play an important role in regional food security, and we support their efforts to reform agricultural and trade policies to promote that growth. Nigeria was once a net exporter of food, and there is no reason why it cannot be one again. We have encouraged greater investment in the agricultural sector and for additional policy reforms to promote regional trade to revitalize and strengthen Nigeria's farming and agroprocessing industry.

THE NIGER DELTA

Socioeconomic and environmental issues continue to plague the Niger Delta. The 2009 Amnesty Program has been successful at stemming the violence by militants, but oil theft, kidnapping, and other crimes remain a problem. Continued government engagement and investment in development is critical if progress is to be maintained. The Binational Commission working group on the Niger Delta helps to highlight these issues and encourages stronger government accountability in the Delta. We have also encouraged the Nigerian Government to act upon the recommendations of the U.N. Environmental Program report issued last year.

BOKO HARAM

Security issues remain a central concern in Nigeria. A loosely organized group known as Boko Haram has carried out attacks on Nigerian and international interests, and attempts to exploit the legitimate grievances of northern populations to garner recruits and public sympathy. Boko Haram is not monolithic or homogenous and is composed of several groups that remain primarily focused on discrediting the Nigerian Government. As Boko Haram is focused primarily on local Nigerian issues and actors, they respond principally to political and security developments within Nigeria. Attacks ascribed to members of this group have improved in sophistication and increased in number over the last few years, and we take the potential threat to American lives and interests very seriously. There are reports of contact and growing relationships between elements of Boko Haram and other extremists in Africa, including al-Qaeda in the Islamic Maghreb. While we are careful not to conflate these groups, we are monitoring the situation closely.

The Nigerian government must effectively engage communities vulnerable to extremist violence by addressing the underlying political and socioeconomic problems in the North. The government must also promote respect for human rights by its security forces, whose heavy-handed tactics and extrajudicial killings reinforce the belief that Abuja is insensitive to the concerns of the North. The appointment of credible northerners to lead the government response to northern grievances would be an important and tangible step toward reversing that perception.

MUSLIM-CHRISTIAN TOLERANCE

It is important to note that religion is not the primary driver behind extremist violence in Nigeria. While some seek to inflame Muslim-Christian tensions, Nigeria's religious and ethnic diversity is one of its greatest strengths, and there are many examples of communities working together to protect each other. To support those leaders advocating tolerance in the diverse and sometimes troubled Middle Belt region, we have a \$700,000 program to strengthen the conflict prevention capacity of religious leaders.

HUMAN RIGHTS

As we support credible Nigerian voices advocating for positive change, the promotion and protection of human rights remains a priority in our engagements with the Nigerian Government. Reports of human rights abuses by Nigerian security forces are alarming—the Nigerian people deserve a government and security services that work to protect them, and the Nigerian Government must respond quickly to allegations of abuses, and hold perpetrators accountable, in order to build trust with the communities that they serve.

The challenges facing Nigeria are great, but Nigeria is up to the task. It has a large and very talented professional class, an abundance of natural resources, and

a strategic location along the West African coast. We stand ready to partner with those Nigerian leaders committed to tackling the country's multiple challenges. Building on its strong partnerships in the international community, and drawing on its strengths, Nigeria can build on the momentum of last year's elections and begin to develop the structures for better governance and service delivery to its people.

Thank you again for the opportunity to speak with you today on this important issue. I welcome any questions you may have.

Senator COONS. Thank you, Ambassador Carson. Thank you for your testimony.

Ms. Cromer.

STATEMENT OF SHARON CROMER, SENIOR DEPUTY ADMINISTRATOR FOR AFRICA, U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT, WASHINGTON, DC

Ms. CROMER. Good afternoon, Chairman Coons and Ranking Member Isakson.

Thank you for inviting me to speak to you today. As Assistant Secretary Carson has stated, Nigeria is among the United States most strategic African partners. Assistant Secretary Carson is furthering that partnership through the Binational Commission, signed last year. This important political dialogue touches on each of the most crucial issues facing Nigeria.

Today, I will build on Assistant Secretary Carson's remarks and briefly discuss three main points—the USAID development framework in Nigeria, the impact of Boko Haram on United States priorities, and the areas of interest for this hearing, namely, USAID's efforts to improve governance and increase trade and investment.

First the development framework. Home to the seventh-largest population in the world, Nigeria is the world's largest contributor to peacekeeping missions in Africa, the fifth-largest supplier of United States crude oil imports, Africa's second-largest economy, and home to the continent's largest Muslim population.

In Nigeria, the U.S. Government's goal is not to unilaterally plan or implement development work, but rather to help Nigerians come together to solve and address their own problems. We strive to support the government's engagement with its people to address deficiencies and demonstrate the benefits of development and efficient use of the country's own resources.

In our development partnership with Nigeria, the United States seeks to help Nigerians strengthen the country's governance, delivery of quality basic services, and trade. While some activities are conducted nationwide, we have focused considerable resources geographically in northern Nigeria.

At the national level, USAID supports key policy reforms and ensures that diverse voices are heard. For example, in 2010, women, people with disabilities, Muslims, and Christians participated in the electoral reform process that ultimately led to the fairest and most transparent elections in Nigeria's 50-year history.

Yet many regions still feel disenfranchised, destabilizing the government, the country, and the region. In 2010, nearly 100 million Nigerians made less than \$1 a day, 10 percent more than in 2004. Most of the poor can be found in northern Nigeria.

Of the 10 million children not enrolled in school, most reside in the north, and only 30 percent of northerners have access to safe drinking water and adequate sanitation. Boko Haram targets these

disenfranchised people, preying on their desire for improved service delivery and to speak and to be heard.

My second point is the impact of Boko Haram on U.S. priorities. Because extremist views feed on people's lack of fundamental health and education services, USAID will continue to work with state and local governments to help them improve the delivery of social services in the north.

The Millennium Development Goals to reduce maternal and child mortality in Africa cannot be achieved without major improvements in the health status of Nigeria's women and children. Nigeria's maternal mortality rate is among the highest in the world, 545 deaths for every 100,000 live births.

The average woman in the north has more than seven children in her lifetime. Many of them die before the age of 5 from malaria or preventable diseases. We focus our work with Nigerians to treat and prevent malaria, tuberculosis, HIV and AIDS, improve the health of mothers and children, including immunizations, birth preparedness, maternity services, and obstetric fistula repair.

There are 30 million primary-age schoolchildren. Approximately one-third are not enrolled in school. A large portion of out-of-school children reside in the north. USAID supports equitable access to education through teacher training, support for girls' learning, and a focus on improving reading skills. We also work to create a culture of peace, promoting interfaith dialogue to reduce sources of tension in the north.

My third point is to share our programs on governance and increased support to trade. USAID works to assist the government in institutionalizing systems that combat corruption. We start at the national level, ensuring that diverse voices are heard on key legislation, which can be a source of tension and disenfranchisement nationwide, and then we help Nigerians to implement the law at the state and local level.

As stated previously, USAID provided opportunities for diverse groups to participate in the electoral reform process. While there were flaws in the April 2011 elections, they have been held as Nigeria's first credible elections since the end of military rule.

USAID plans to help improve the elections in 2015 by supporting the organizational development of political parties, strengthening the electoral commission's effort to develop a new voter registrar, and furthering civil society input into the electoral and constitutional reform process.

Also, in May 2011 President Jonathan signed the freedom of information bill, which will enable citizens to access information that will enhance transparency and accountability at all levels of government and spur advocacy for needed reforms and service delivery. Thanks to USAID, information about that law was quickly and widely accessible to 93 million cellular users through a free app that allows easy download of the entire law.

In September 2011, the Minister of Finance resumed publication of federal, state, and local budget allocations last made public in 2003.

And finally, trade and investment. Nigeria, with its location, population size, vast resources, and relatively sophisticated infrastruc-

ture, financial systems, and communications, make it a key trade hub for the region, especially in light of current food crisis.

USAID is working with the government to promote trade by modernizing and reforming the customs system and revising legislation to be in line with global best practices. Our West Africa Trade Hub facilitates Nigeria's participation in the African Growth and Opportunity Act and its exports of economically important cash crops that employ thousands of farmers. Increasing exports of non-petroleum products helps to increase food security and create jobs, while assistance to entrepreneurs further stimulates growth.

I will conclude by stating that Nigeria's political leadership faces many critical choices moving forward. These leaders must engage politically, socially, and economically with marginalized populations and pursue reforms that invest in all of its people.

In turn, Nigerians must hold their government accountable. We are hopeful that the new generation of Nigerians will engage with their leadership so that the country will not stagnate or backslide, but rather provide a better future for all.

Thank you.

[The prepared statement of Ms. Cromer follows:]

PREPARED STATEMENT OF SENIOR DEPUTY ASSISTANT ADMINISTRATOR
SHARON CROMER

Good afternoon, Chairman Coons, Ranking Member Isakson, and members of the subcommittee. Thank you for inviting me to speak with you today about Nigeria. It is always an honor and pleasure to have the chance to discuss our work with you and hear your input.

Before I begin, I want to express our deepest sympathies on the passing of our friend and colleague, Representative Donald Payne. Congressman Payne championed USAID's work around the world, while also challenging us to always strive to do better. He will be sorely missed, but his legacy will live on through the many, many lives he touched.

Nigeria is among the United States most strategic African partners. Home to the seventh-largest population in the world, Nigeria is the world's largest contributor to peacekeeping missions in Africa, the fifth-largest supplier of U.S. crude oil imports, Africa's second-largest economy, and home to the continent's largest Muslim population. Nigeria plays a significant role in African regional affairs through the African Union, the Economic Community of West African States, and counter-terrorism and transnational crime efforts.

Despite relatively strong economic growth over the past 7 years, poverty remains a major concern due to Nigeria's inadequate infrastructure, a dearth of incentives and policies that promote private sector development, and poor access to quality basic education and health services. Oil and gas revenues dominate the government's income, but agriculture, Nigeria's largest employer, contributes very little. Endemic corruption at all levels of society, poor governance, and weak health and education systems constrain progress; a massive and growing youth population combined with widespread unemployment, and recurring outbreaks of sectarian, ethnic, and communal violence threaten overall stability.

However, there are promising signs. Since 2003, Nigeria has been carrying out an ambitious agenda of reforms in public finance, banking, the electoral process, oil and gas, power, telecommunications, ports, steel, and mining. On May 29, 2011, President Goodluck Jonathan and 26 state governors were sworn in for 4-year terms after elections that were characterized by observers as the freest and fairest in Nigeria's history. The government's new and very strong economic management team is poised to play a crucial role in carrying out sound macroeconomic policies and strengthening trade and investment to sustain the growth that will be needed to create jobs.

GOVERNANCE

Last year, Nigerians participated in arguably the most credible and transparent elections in the country's 50-year history. In May 2011, President Jonathan signed the Freedom of Information (FOI) bill into law, enabling citizens to access informa-

tion that will enhance transparency and accountability at all levels of government and spur advocacy for needed reforms and service delivery. Information about the law was quickly and widely accessible to 93 million cellular users thanks to a free, easily navigable USAID-supported application that allows users to download the entire law to a cell phone. In September 2011, the law received a further boost when Nigeria's Minister of Finance resumed publication of federal, state, and local budget allocations, which were last made public during the Obasanjo administration in 2003.

However, roadblocks to a strong democracy persist at all levels of governance. Conflict—whether triggered by political rivalries, competition for resources, or communal, ethnic, or religious tension—poses a challenge to consolidating gains and strengthening democratic institutions. Corruption pervades the daily lives of Nigerians. Civil society lacks both the capacity and the resources to effectively engage with government and advocate for change. Government institutions have not established meaningful partnerships with citizens or the private sector, which lack the capacity to carry out their own mandates.

While the international community and many Nigerians recognized that Nigeria's 2011 elections were a vast improvement over previous polls, there were many flaws that must be addressed before the 2015 elections, including underage voting, electoral fraud, and election-related violence. USAID will provide assistance to update Nigeria's flawed voter registry with the goal of registering the highest number of eligible voters before the next elections. USAID is also funding voter and civic education campaigns that target under-represented groups, such as women, youth, and people with disabilities, to ensure that they can participate in the electoral process. Eight to ten political parties will be trained on the elections' new legal framework, including how to build coalitions and how to conduct outreach to their members. USAID will also support civil society coalitions in mounting nationwide advocacy campaigns that promote needed reforms and stimulate interest and support for a national dialogue on electoral reform. To further identify problems that could undermine the credibility of future elections, USAID, in collaboration with Nigeria's Independent National Elections Commission and other key stakeholders, will conduct an assessment of the 2011 elections that will be used to develop the Commission's action plan and approach to electoral reform, management, and security.

To promote the rule of law, USAID supports federal courts, including the Supreme Court and Courts of Appeal, which have shown a willingness to reform and to operate effectively and transparently. The Judiciary Undergirding, Development and Gateway to Empowerment project will build on progress made by previous work with the judicial branch, which improved court operations in Abuja, Lagos, and Kaduna, to further strengthen the institutional capacity of the Supreme Court, Courts of Appeal, Federal High Courts, and the Judicial Commission. These activities will be designed to ensure that these institutions are able to maintain accountable and transparent operations even after our assistance ends. In addition, USAID will support management reforms that improve the efficiency of the federal courts, which will improve public perception. The program will also build public demand for the autonomy of the courts and constituencies for targeted public policy reforms to achieve judicial independence. To ensure a more equitable judicial system, USAID will implement innovative approaches, including helping to establish professional legal associations and supporting nongovernmental organizations that assist citizens in gaining access to the judicial system.

State and local governments have considerable political autonomy, manage more than half of Nigeria's revenues, and deliver most essential services. To deepen good governance, USAID has increased its engagement at the state and local levels. Approaches include building the capacity of key government agencies to plan, budget, track, manage, and evaluate development programs; reinforcing policies and systems that improve transparency; mobilizing civil society and the private sector to participate in community planning and budgeting, monitor financial flows, and assess the quality of services rendered; and assisting civil society organizations to hold elected officials accountable. USAID also supports civil society groups and media to strengthen their capacity to understand and advocate for critical reforms, especially those that combat corruption.

Building on the success of anticorruption legislation already passed, USAID continues to seek to ensure effective implementation of the Freedom of Information Law at both the national and state levels. We also continue to focus on the Government's effective implementation of other recently enacted laws, including the Public Procurement and Fiscal Responsibility Laws and on building the capacity of civil society groups to increase their membership base and strengthen alliances. To strengthen the media's ability to better cover critical issues—particularly controversial ones—in a noninflammatory manner, journalists and staff are being trained to

produce interactive programs that give voice to a range of perspectives, bring citizens, policymakers and civil society actors together for informed discussions, and provide opportunities for citizens to ask policymakers questions directly. These programs engage audiences in informed discussion around governance issues such as oil sector transparency, health and water management, community services, education, and conflict mitigation.

SECURITY

Although it has been described as an “anchor state” for West Africa, Nigeria’s uneven development has created conditions for extremism that pose a formidable threat to stability in Nigeria and the wider region. A high poverty rate, coupled with a large population of unemployed and underemployed youth—41.6 percent of those between the ages of 15–24—heightens the risk. Over the next 25 years the country’s total population will balloon to more than 300 million people, seriously straining the country’s ability to meet future needs for jobs and adequate social services such as health and education, further sowing discontent.

In early 2011, President Jonathan announced a series of measures to confront terrorism in Nigeria, including working toward the approval of an antiterrorism bill, which was passed in June 2011. Through the Trans-Sahara Counterterrorism Partnership (TSCTP), USAID coordinates with the Departments of State and Defense to strengthen Nigeria’s counterterrorism capabilities, enhance and institutionalizing cooperation among the country’s security forces, promoting democratic governance, discrediting terrorist ideology, and reinforcing bilateral military ties with the United States.

At the same time, creating a culture of peace that includes historically marginalized groups is critical for political, social, and religious stability. Since 2000, USAID has worked with the Government to reduce violence through efforts that prevent and mitigate conflict arising from sectarian and ethnic tensions. A new project set to begin in 2012 will focus on strengthening the ability of Nigerian stakeholders, including government, to better understand and address causes and consequences of violence and conflict in priority states and communities. To this end, we also promote interfaith dialogue and stronger collaboration between government and civil society to reduce sources of tension and build robust conflict early-warning systems.

TRADE AND INVESTMENT

Nigeria displays the characteristics of a dual economy: one dominant sector (oil) with weak links to the rest of the economy, and a typical developing economy that is heavily dependent on agriculture and trade. Trade in Nigeria faces multiple challenges, from lack of consistent policy support to poor infrastructure, including inadequate roads and inefficient, expensive, and congested port facilities. Private enterprises lack capacity and access to credit, as well as strong regulatory frameworks and enforcement of existing laws. Despite the Government’s economic reform efforts over the last 12 years, its capacity to overcome these persistent obstacles to growth has a long way to go. Overall, economic growth without equity in terms of resource distribution and access to the benefits of economic growth is a key issue.

The reform efforts, supported with revenue from high oil production and high oil prices, have contributed significantly to macroeconomic improvement, including reduced inflation and strong GDP growth, which remained steady in 2011 at 7.2 percent. While significant, this growth rate is insufficient to raise the majority of Nigerians out of poverty, especially given the relatively high population growth rate of 3 percent, and that over half of its people live on less than \$2 a day. The economy is structurally imbalanced, with the most highly concentrated export structure in the world. Oil accounts for 95 percent of Nigeria’s export earnings and 85 percent of government revenue, while agriculture—which employs 7 out of 10 Nigerians—accounts for only 2.6 percent. The performance of the agricultural sector in Nigeria has been improving in recent years, and the new Minister of Agriculture, who was previously an official with the Rockefeller Foundation and the Alliance for a Green Revolution in Africa (AGRA), is introducing significant and positive changes, many based on experience from USAID agriculture programs. Unemployment is also a growing concern, with up to 3 million young people entering the labor market each year.

U.S. assistance is focused on expanding trade and investment opportunities to promote regional trade and food security objectives. To improve agricultural productivity and expand rural job opportunities USAID is supporting adequate infrastructure such as roads, ports, and energy, and good policies at both the federal and state levels. Funds are leveraged from the Government of Nigeria, the World Bank, and

other donors to rehabilitate and construct rural roads. USAID also works closely with the Government to promote trade by modernizing and reforming the customs system, revising legislation to be in line with global best practices, and supporting the customs risk management unit. With USAID support the Lagos-Kano-Jibiya Transport Corridor Management Group is positioned to be a stronger advocate for improved governance and trade flow for this transportation corridor that is vital for national and regional food security. At the same time, assistance to private enterprises will stimulate exports by providing export-ready private enterprises with training in finance and export competitiveness and linking them to international markets and partners. USAID's West Africa Trade Hub supports Nigeria's implementation of the ECOWAS Trade Liberalization Scheme, business-to-business linkages, increased trade under the African Growth and Opportunity Act, and exports of economically important cash crops that employ thousands of farmers, including cashews and shea. USAID's African Competitiveness and Trade Expansion initiative is working to increase exports of nonpetroleum products, especially unique high value-added agricultural products within the larger context of helping to increase food security and create jobs. To further expand links with the U.S. market and neighboring country markets, the Trade Hub's business-to-business program includes a "buyer alert" service to inform and link client enterprises to new markets in the United States and West Africa.

Agriculture programs are aligned with Feed the Future, the U.S. Government's global hunger and food security initiative, to address policy constraints at the local and national levels, as well as support the harmonization of Nigeria's economic policies within the wider region of West Africa. Agriculture programs concentrate on building private sector demand-driven value chains for selected commodities—those that have a ready market with value-added possibilities and that can generate employment. The program seeks to develop partnerships with private sector firms involved in processing, agricultural input supply and that are interested in expanding exports to the West Africa region, the United States, and other international markets. Through Feed the Future, USAID is helping build Nigeria's capacity to participate more fully in the Comprehensive Africa Agriculture Development Program and support the timely distribution of inputs such as fertilizer, seeds, and pesticides. To help Nigeria make further progress toward meeting the Millennium Development Goals, USAID is supporting the Government's work on agricultural policy, irrigation, farmer training, and technology development. USAID also helps to expand access to credit through partnerships with commercial banks and the Central Bank of Nigeria.

In the energy sector, Nigeria struggles to successfully integrate sustainable economic development and environmental protection. Annually, Nigeria loses \$2 billion of potential revenue through natural gas flaring, a process that not only negatively impacts Nigeria's economy, but also creates significant greenhouse gas emissions. Efforts to reduce flaring have been implemented for decades, but we have recently seen policy progress in the Government's Accelerated Gas Development Project, which seeks to eliminate flaring and reduce greenhouse gas emissions. USAID support to develop the country's small hydropower sector will reduce the volume of greenhouse gas emissions from diesel generators, and the increased supply of hydropower will improve infrastructure stability. USAID is also helping to establish an organizational framework, staffing plan, and procurement manual as the basis for operationalizing the Nigeria Bulk Electricity Trading Company to strengthen its mission to procure viable independent power provider capacity on the most attractive commercial and financial terms for consumers. We are also exploring opportunities to provide partial risk guarantees to local commercial banks to increase lending to companies for clean energy projects. These activities have generated optimism that private sector participation in power generation and supply will soon result in the availability of additional megawatts of clean energy.

USAID has a burgeoning portfolio of public-private cooperation in Nigeria, with over 20 operational partnerships that engage the private sector in development investments. In one such partnership, Chevron is matching USAID's \$25 million investment to improve the agriculture value chain for selected crops in the Niger Delta.

CONCLUSION

Nigeria's political leadership faces many critical choices moving forward. It can choose to expend enormous resources to contain the consequences of ungoverned spaces and disparity in incomes, or it can pursue reforms that will create a large, educated middle-income country that is sufficiently invested in a future that inspires people and holds government accountable while engaging politically, socially,

and economically marginalized populations. We are hopeful that the new generation of Nigerians will engage with their leadership so that the country will not stagnate or backslide, but rather work to shape a better future for all.

Senator COONS. Thank you, Ms. Cromer.
Mr. Marin.

STATEMENT OF PAUL MARIN, REGIONAL DIRECTOR FOR SUB-SAHARAN AFRICA, U.S. TRADE AND DEVELOPMENT AGENCY, ARLINGTON, VA

Mr. MARIN. Thank you.

Chairman Coons, Ranking Member Isakson, and members of the subcommittee, thank you for the opportunity to testify today about the experience of the U.S. Trade and Development Agency in advancing U.S. trade and investment interests in Nigeria.

USTDA's unique trade and development mandate positions our agency to create jobs here at home, while promoting sustainable infrastructure in developing countries around the world, such as Nigeria. We welcome the subcommittee's interest in USTDA's work, and we look forward to outlining some of the opportunities and some of the challenges that we have faced while working in Nigeria, particularly in the energy sector.

In carrying out our dual trade and development mission, USTDA is unique among U.S. Government agencies in the way that we bring U.S. equipment, technology, and expertise to bear in advancing economic development and U.S. commercial interests overseas. Specifically, USTDA relies on the U.S. private sector to carry out project-specific feasibility studies, technical assistance programs, and reverse trade missions.

Each of these activities is designed to assist countries to make informed investment decisions while at the same time positioning U.S. companies to apply their goods and services for use in new infrastructure development or expansion. It is important to note that USTDA focuses its program on sectors where U.S. firms are globally competitive, such as energy, including clean energy, transportation, and information and communication technology.

USTDA works closely with private industry and trade associations, and with these partners, we have developed a successful program that matches U.S. commercial solutions to the development needs of our partner countries. This approach has generated a return of over \$58 in U.S. exports for every program dollar expended worldwide. USTDA's programs have directly supported nearly \$18 billion in U.S. exports over the past 10 years.

Now, in Nigeria, there are significant commercial opportunities. But as my fellow panelists have discussed, there are also some very complicated and difficult challenges that U.S. businesses and investors face.

The first challenge is one of country risk, both real and perceived, related to Nigeria's security environment. Another challenge relates to fuel and electricity subsidies that distort the market. It is exceedingly difficult to attract private sector investment if the market does not allow investors the ability to make a profit.

And finally, another major challenge to trade and investment in Nigeria is corruption and the lack of a predictable business climate.

Now while there are challenges, Nigeria's energy sector offers tremendous opportunities for United States firms. As we are all aware, Nigeria has significant oil and gas reserves, and under the right market conditions, Nigeria can attract significant new United States private sector investment as well as utilize United States technologies to expand its oil-refining capacity.

Nigeria's gas sector is in a relatively early stage of development, which presents significant export opportunities for gas infrastructure, including pipelines, storage facilities, and processing plants, for example. In these areas, we have been working closely with Nigeria's private sector to introduce them to United States technological solutions that can help Nigeria build its gas infrastructure.

Another area of promise for U.S. companies is in power generation. Nigeria suffers from frequent power outages, and there are opportunities to refurbish existing power plants as well as to construct new ones. And under the right market conditions, there are opportunities for independent power producers to feed power directly into the grid.

The lack of reliable and efficient electricity has forced many Nigerian companies to turn to expensive and polluting diesel fuel generators. In response, TDA recently funded studies with several Nigerian private sector companies that want to reduce the reliance on diesel fuel. These companies are interested in investing in renewable energy technologies from the United States, including solar and wind power solutions.

Another significant area for United States technology and investment is in Nigeria's electricity transmission systems. And in particular, U.S. companies are well positioned to supply smart grid technologies that help utilities manage their grid and minimize power losses. In this area, USTDA is working with three state-owned utilities to identify suitable technologies that will make these companies more efficient as well as more attractive to potential private sector investors.

So, in conclusion, I would like to thank the subcommittee for inviting me here today. I will end this testimony by stating that despite its challenges, Nigeria is a market that offers significant commercial opportunities for U.S. firms.

Nigeria should be at the forefront of any strategy to increase United States exports to Africa. USTDA welcomes the opportunity to work with you to advance economic development in Africa and to stimulate the United States economy in these challenging times.

So, again, thank you, Senators Coons and Isakson, for having me here today and for allowing the U.S. Trade and Development Agency to discuss our successes on the continent.

Thank you.

[The prepared statement of Mr. Marin follows:]

PREPARED STATEMENT OF PAUL MARIN

Chairman Coons, Ranking Member Isakson, and members of the subcommittee, thank you for the opportunity to testify today about the U.S. Trade and Development Agency's experience in advancing U.S. trade and investment interests in Nigeria. USTDA's unique trade and development mandate positions our Agency to create jobs here at home, while promoting sustainable infrastructure development in markets around the world, such as Nigeria. We welcome the subcommittee's interest in USTDA's work in Nigeria, and we look forward to outlining some of the opportuni-

ties and challenges that we have faced while working in Nigeria, particularly in the energy sector.

Chairman Coons, we know that you and U.S. Senators Durbin and Boozman, among many others, are committed to creating U.S. jobs and increasing U.S. exports to Africa. We also know that you are committed to improving America's competitiveness throughout the continent. We wholeheartedly agree with these objectives, and that African development and trade must be a priority. These objectives are precisely in line with the mission of USTDA—to create opportunities for U.S. exports and U.S. jobs, while promoting economic development in developing countries such as Nigeria. Nigeria, despite its challenges, is a market that offers significant commercial opportunities for U.S. firms and should be at the forefront of any strategy to increase U.S. exports to Africa.

MISSION OF THE U.S. TRADE AND DEVELOPMENT AGENCY

In carrying out our dual trade and development mission, the Agency is unique among U.S. Government agencies in the way it brings U.S. equipment, technology, and expertise to bear in advancing economic development and U.S. commercial interests overseas. Specifically, USTDA relies on the U.S. private sector to carry out project-specific feasibility studies; technical assistance programs; and reverse trade missions. Each of these activities is designed to assist countries to make informed investment decisions while also better positioning U.S. companies and their goods and services for use in new infrastructure construction or expansion. It is important to note that USTDA focuses its program on sectors where U.S. firms are competitive such as energy, with a particular focus on clean energy; transportation; and information and communication technology. Much of USTDA's program in Nigeria has centered on the energy sector, in particular.

Working with private industry and trade associations such as the U.S. Chamber of Commerce, the National Association of Manufacturers, and the Corporate Council on Africa, USTDA has developed a successful program that matches the development needs of our partner countries with the best U.S. expertise and ingenuity in the manufacturing and services sectors. Using this model, we have seen the benefits that exports provide to both host countries and the U.S. economy. The success of this approach is demonstrated by a historical return of over \$58 in exports of U.S.-manufactured goods and services for every program dollar expended worldwide. In total, USTDA's program has directly contributed to over \$17.9 billion in U.S. exports over the past 10 years.

USTDA'S PROGRAM IN NIGERIA: CHALLENGES AND OPPORTUNITIES

Opportunities

Nigeria's energy sector offers tremendous opportunities for U.S. firms. As we are all aware, Nigeria possesses significant oil and gas reserves—in fact, the country is one of the top five exporters of crude oil to the United States. Still, Nigeria imports around 70 percent of its refined fuels. Under the right market conditions and regulatory environment, Nigeria possesses the potential to attract significant new U.S. private sector investment and technologies for oil exploration and refining.

We understand from our U.S. private sector partners that Nigeria's gas reserves even outstrip its reserves of oil. However, Nigeria's gas sector is in a relative stage of infancy, needing significant investments for growth, including technologies that can be sourced from the United States.

USTDA sees export opportunities related to extending Nigeria's gas pipelines, gas processing, and gas storage infrastructure. In these areas, USTDA has been active with the private Nigerian company, Oando, PLC, which is one of Africa's largest energy companies. In June 2011, USTDA supported a reverse trade mission to the United States for Oando officials who are looking to the United States for gas storage and processing solutions. Following this visit, USTDA and Oando entered into an agreement to jointly fund a feasibility study on the development of a new gas pipeline that will service the southwest part of the country. The objective of this activity is to highlight U.S. technological solutions in a sector that offers tremendous opportunities for U.S. firms.

Another significant area of promise for U.S. companies in Nigeria is power generation. Nigeria suffers from frequent power outages, and there are opportunities related to the refurbishment of existing powerplants, as well as the construction of new powerplants. About 50 percent Nigerians have access to power, although it is unreliable and intermittent. Under the right market conditions, we see opportunities for independent power producers to feed power into the grid; we also are aware of opportunities in remote locations that are not currently served by the grid, as well as business opportunities with larger scale private sector electricity consumers.

The lack of reliable and efficient electricity has forced many Nigerian companies to turn to expensive and polluting diesel fuel generators. USTDA has recently funded studies with several Nigerian private sector companies that are looking to reduce their reliance on diesel fuel by investing in renewable energy technologies from the United States, including solar and wind power solutions.

Another potentially important area for U.S. technology and investment is in Nigeria's electricity transmission and distribution grids. There are locations in Nigeria's power grid that lose up to 40 percent of the power that is being generated. These losses are mostly due to old infrastructure that is not being maintained, as well as theft (aka nontechnical losses). In addition to supplying new equipment for the power grid, U.S. companies are world leaders in the development of smart grid technologies. These technologies help power utilities to better manage the power grid, to improve the stability of the grid, to minimize power losses, and to improve customer service. In this area, USTDA is currently working with three power distribution companies in Nigeria, in Abuja, Eko, and Ikeja, to identify suitable technologies and infrastructure requirements to make these state-owned companies more efficient, as well as more attractive to potential private sector investors.

Challenges

While there are significant opportunities in Nigeria, there are also some very complicated and difficult challenges that U.S. businesses and investors face.

The first challenge is one of country risk—both real and perceived. Stories of kidnappings of businesspeople, vandalism and theft of infrastructure assets, and violent clashes between ethnic and religious groups have raised serious concerns related to security and to Nigeria as a business and investment location.

Another challenge relates to fuel and electricity subsidies that distort the market. Prior to January of this year, fuel subsidies—or, allowances—accounted for an astonishing 25 percent of Nigeria's Government spending. In terms of building new oil refineries and powerplants, it is exceedingly difficult to attract private sector investment if the market does not allow investors the ability to cover their costs and make a profit. While the Government of Nigeria has taken recent steps to roll back some of its subsidies and to provide guarantees to investors, it faces significant public opposition to some of these changes.

The Jonathan administration announced a serious power sector reform strategy in 2010. This included the partial privatization of state-owned generation and distribution assets and activities. Several U.S. companies have been short-listed as potential buyers for these assets. The government is working to finalize model power purchase agreements and off-taker payment guarantees to support its major privatization program. Privatization efforts are moving slowly and the government recently announced that the privatization would be delayed until October 2012.

Another major challenge to trade and investment in Nigeria is corruption and a lack of transparency in government procurement. As my fellow panelists will be covering/have covered this subject in some detail, we will defer to their testimony on the subject.

And finally, there is tremendous talent and knowledge in Nigeria, but not enough to keep up with the demands of a growing infrastructure. Nigerians who have been trained in highly specialized fields are often recruited by firms in the Middle East, Europe, and even the United States. Training is costly, but without specialized technical and financial knowledge, it is a great challenge for Nigerian entities to negotiate complicated power purchase agreements and other business arrangements that help to build Nigeria's energy infrastructure. The need for specialized expertise also impacts U.S. companies' ability to operate in Nigeria as local content provisions require local sourcing of oil and gas supplies that normally not manufactured in Nigeria.

CONCLUSION

I would like to thank the subcommittee for inviting me here today. I will end this testimony by repeating that despite its challenges, Nigeria is a market that offers significant commercial opportunities for U.S. firms and should be front and center of any strategy to increase U.S. exports to Africa. Exports to Nigeria benefit both Nigeria and the U.S. economy. We are proud of our Agency's history of opening markets and creating jobs through exports. We welcome the opportunity to work with you to encourage U.S. companies to avail themselves of opportunities in Nigeria, and throughout Africa, which will advance Africa's economic development and stimulate the U.S. economy in these challenging times.

Senator COONS. Thank you very much, Mr. Marin.

We are now going to begin apparently 10-minute rounds of questions.

I am going to start, if I might, Mr. Marin, just where you left off. There was some content in your written testimony about the challenges that are faced about the very real risks that American companies looking at investment opportunities in Nigeria face, both around vandalism, theft of infrastructure, or corruption and so forth.

What role does private issuance of political risk insurance by OPIC or by private issuers, what role does the availability of risk insurance play? And what do you see as the major barriers to persuading American companies that they can and should either return to Nigeria or for the first time look at it as a market opportunity?

Mr. MARIN. OK. Thank you for the question.

I think it is important to note that the U.S. Government has numerous agencies that could help mitigate the risk of United States companies entering Nigeria and sub-Saharan Africa and thriving in these markets. You mentioned the Overseas Private Investment Corporation. The U.S. Trade and Development Agency also is one of these agencies that helps to mitigate that risk.

And I believe that the U.S. Government is very well coordinated among the trade and finance agencies, as well as TDA and our relationship with technical agencies like the Department of Energy and the Department of Transportation, to well represent U.S. interests in these markets and to mitigate risk.

Now I think that maybe I will just sort of leave it there and not get into too many details.

Senator COONS. Ms. Cromer, you mentioned the West African Trade Hub. Senator Isakson and I had an opportunity in Accra to visit with a number of different Commerce and State employees who were working hard on improving regional trade, on reducing barriers, both transportation and customs and less licit barriers.

What is USAID doing to work with Nigeria to overcome these barriers? How vital or important do you think sustaining our presence in the West Africa Trade Hub is, and what do you see as the additional resources needed to bolster these and related activities?

Ms. CROMER. As my colleague said, trade in Nigeria faces multiple challenges, from the lack of adequate policy support to poor infrastructure, including inadequate roads and inefficient and expensive, congested port facilities. Private sector lacks capacity to access credit, and there are many more challenges.

Our assistance under the Trade Hub focuses on a couple of things. We work closely with the government to promote trade by modernizing and reforming the customs system, revising legislation to be in line with global best practices, and supporting the customs risk management unit, reducing the time it takes for goods to clear ports and border posts.

Our West Africa Trade Hub is also working with small and medium-sized enterprises to increase export of nonpetroleum products, especially high value-added agricultural products under AGOA. And we are also helping to expand credit to small enterprises through commercial banks, improving their access to mar-

kets and meeting the high product standards of Europe and the United States.

Finally, we are supporting the Trade Facilitation Task Force. This is an interministerial body that is set up to improve Nigeria's ranking in the global trade facilitation scorecard. And we are coordinating with DFID, our British counterpart, on technical assistance to be provided to the Ministry of Trade and Investment.

We are also supporting the AGOA resource center. We have done so since June 2009. I am sure Ambassador Carson can also speak to this, but our AGOA resource center has, since its opening, supported more than 300 companies, training them in export readiness—these are Nigerian companies—and provided over 30 referrals of companies that were export-ready or near export-ready with some information to help them in international trade shows and the like.

You asked about the transport corridors and some of the borders. We are supporting the Lagos-Kano-Jibiya transport corridor. There is a management group that oversees that corridor. We are helping them to position themselves to be a stronger advocate for improved governance and food security along those corridors so that transport can be made easier in that important corridor.

Senator COONS. That is great. Thank you.

Ambassador Carson, what are the biggest takeaways and what are the followup actions from the recent State Department-led trade mission to Nigeria?

I wanted to, first, commend the State Department for seeing the enormous opportunity that is available in Africa, for coordinating and leading a trade effort. But I would be interested in hearing what you learned from the 10 companies, how they assessed the opportunities in Nigeria and the continent? What you think are the most important followup activities we and others in the Senate could be engaged in?

Ambassador CARSON. Thank you for that question, Senator Coons.

First of all, I would say this trade mission, which went to four countries, focused on the energy sector. The transmission, the distribution, and the generation of power, which is in enormously short supply in many parts of Africa, but particularly in the countries that we visited, including Nigeria.

Takeaways from this is that there is a tremendous interest in having American investment and American businesses in Africa. Africa wants and needs our investment. They need our technology. They need our expertise, and they want and seek our collaboration.

Second is that not enough American companies are going into Africa because they lack the information and understanding about countries like Nigeria. And when they have information, it is incomplete information, and it is information that more often frightens them than encourages them.

A third takeaway is that we need to engage more aggressively in sending trade missions into Africa to show our skills, show our interests, and to win some of the many contracts that are to be had out there in the energy area.

Secretary of State Clinton has made it a priority for the Department of State, including the Africa Bureau, to promote economic statecraft and diplomacy. Our efforts are designed to do this.

I applaud our colleagues from USTDA, who were a part of our effort, as well as our colleagues from the Export-Import Bank, who also participated in this trade mission as well. Equally, our companies demonstrated through some of their success that by going out there, they can find deals.

In Nigeria, for example, Symbion Power was able to fund a development, a relationship with Transcorp, one of Nigeria's largest corporations. And they are partnering on a couple of energy efforts, efforts to win tenders, to take over and run power-generating companies in Nigeria.

Energy International, a mid-sized American company which has done enormously well in Latin America, also found great opportunities in Nigeria. But the bottom line is, is that we need to do more in the promotion of our business interests in Africa.

Indeed, we believe that the continent is the last global economic frontier. And if that belief is correct, that assumption is correct, Nigeria is, in fact, the most promising and the most important of those markets for much of what you said in your opening remarks, Mr. Chairman, a country of 170 million people.

The largest oil producer on the continent, a country which already supplies us with some 9 percent of our petroleum needs, just behind Saudi Arabia, but yet a country, which today probably only generates enough power as probably two or three city blocks in New York City. And equally, a country which has virtually no functioning railroad at all.

So it is a country with enormous potential, enormous needs, and we need to be out there exposing American companies to the prospects and the possibilities that exist there.

Senator COONS. Thank you very much, Ambassador Carson. I will follow up on this topic next.

But I will now turn to my partner, Senator Johnny Isakson.

Senator ISAKSON. Thank you, Senator Coons.

Ambassador Carson, corruption is one of the big barriers in Nigeria to business entering the country, to the continuation of governance. And Senator Coons and I attended a reception on our visit to Nigeria with some of the newly elected parliamentarians. Most, in fact, I think if I remember right, there was an 80-percent turnover in that election when Goodluck Jonathan was elected.

And the major issue that elected these new parliamentarians was that the old parliamentarians had spent 80 to 100 percent of their budgets on their own personal income and families and had no staff, no services, and did nothing that a normal representative would do. And they were, obviously, running on a platform of ending that and not having that kind of corruption.

Do you know or, if you can, if you don't, can you find out if that has improved in Nigeria? Because if the government continues to be corrupt, you are only going to breed more corruption in a civil society.

Ambassador CARSON. Senator, I will give you a specific answer to that question in writing. But let me just make two quick points.

Corruption is one of the most serious impediments to doing business in Nigeria today, and corruption is a problem both in the government sector and also in the private sector. But despite this, it should not, in fact, be the impediment that keeps us from engaging.

Third point that I would like to make is that President Goodluck Jonathan has made some serious, important, and creditable appointments in the anticorruption field. One is that he has appointed a Mr. Nuhu Ribadu, who, in fact, did run the anticorruption commission under former President Obasanjo and was ultimately fired because he was doing his job too well.

Mr. Ribadu has been put in charge of ensuring that the accounts and assets and income of the oil sector are transparent and accounted for, are going where they are supposed to be going, and that the money that is generated by oil gets into the treasury.

Equally, a new anticorruption czar has been appointed to run the Economic and Financial Crimes Commission, and the individual running that is a Mr. Ibrahim Lamorde. He has, like Mr. Nuhu Ribadu, an excellent reputation. Both of these individuals are of the highest integrity, and they have been put in very sensitive and key jobs.

Mr. Lamorde to fight corruption generally and to bring cases against those in government and the private sector, and in the case of Nuhu Ribadu, to oversee assets and finances and income from the oil sector. We think these are very promising appointments that indicate on the part of President Jonathan that he is paying attention.

But I will get a written response to your question about how we see the government's performance.

[The written reply supplied by Johnnie Carson follows:]

We are hopeful that we will see an improvement in good governance by the members of this National Assembly, as corruption remains a central obstacle to progress in Nigeria. We certainly concur that an independent and effective legislative branch is a vital component of successful democratic governance, and we will continue to engage the Nigerian National Assembly members as they carry out their mandates. There is a great deal of enthusiasm for reform within this National Assembly, which is evident as the newly elected members and leadership set their agenda. For example, they are considering ways to ensure the independence of Nigeria's anticorruption institutions and help shield those agencies from political pressure or interference.

Senator ISAKSON. Well, if these new appointees do as good a job as Commissioner Jega did in terms of the Elections Commission that really managed that first successful election, the whole country will be a lot better off.

Mr. Marin, you mentioned the smart grid. You mentioned the need in Nigeria for reliable energy. How would USTDA facilitate and who would they work with to get United States investment in a smart grid in Nigeria? What type of company?

Mr. MARIN. Thank you for the question.

TDA has a fairly robust set of program tools to facilitate partnerships between United States companies and potential partners in Nigeria. One tool that we are most proud of is our reverse trade mission program. It is what we are contributing to the National Export Initiative.

Since 2010, we have supported about 15 reverse trade missions from sub-Saharan Africa to the United States to bring decision-makers and buyers from the continent to the United States to meet with U.S. sources of supply and to look at U.S. technology in an operating environment.

Most recently, about a month or two ago, we had a delegation from South Africa come to the States, including the State of Georgia, to look at some of the smart grid technologies that U.S. companies can supply. And so, that particular mission, we are hoping, is a model for other work that we can do in Nigeria in the power sector.

And as the Ambassador had mentioned, USTDA participated in the energy sector mission to Nigeria, and we are currently working with State, Commerce, and all of our other U.S. Government partners to identify perhaps a reverse trade mission that we could do as a followup to that particular mission that was hosted in Nigeria.

Senator ISAKSON. So you act really as a facilitator, almost like a Chamber of Commerce, trying to match need in Nigeria with ability of the United States to deliver product. Is that a fair statement?

Mr. MARIN. With the reverse trade mission program, yes. Most of the work that we do as an agency relates to project preparation assistance.

So, for example, we worked with a municipality in South Africa called eThekweni. It is the Durban municipality, the third-biggest utility in the country. We worked with them on a consultancy to define all the different technical requirements to build out smart grid infrastructure in that city, and they are currently moving forward with U.S. technology.

So the bread and butter of the program is doing those sorts of project preparation activities to provide access to U.S. consultants that are experts in this area and, hopefully, to level the playing field so that U.S. companies can be successful selling smart grid technologies or other technologies to key markets in sub-Saharan Africa, such as Nigeria and South Africa.

Senator ISAKSON. Thank you very much.

Ms. Cromer, you said in your remarks about northern Nigeria and the fear of Boko Haram taking over, one of the things that USAID was trying to facilitate was social services in the north. Does that include medical services and, in particular, the vaccinations for measles, tetanus, and polio?

Ms. CROMER. Yes, it does. Thank you.

I was looking for an opportunity to respond to your question about polio. Polio eradication has been elusive in Nigeria, despite our most strident efforts. We have seen polio recede and then spread again over time in Nigeria. Of course, this has impact on the region and globally.

We are trying to address this issue through dissemination of accurate information on the immunization, as well as working very closely with local government, community leaders, religious leaders, and traditional leaders in northern Nigeria. We think it is absolutely critical that we work with a full array of stakeholders, including Muslim women's organizations. They have been very

effective in getting the word out to mothers and fathers and having a good impact on increasing immunizations of children.

We have seen success as Nigerian stakeholders at the local level engage. We are taking an integrated immunization approach, where polio campaigns are integrated with other immunization campaigns. But total eradication is still elusive.

I can provide you more information on our polio campaign, as well as other maternal-child health efforts in northern Nigeria.

Senator ISAKSON. I would appreciate that because my observation, when we were in Nigeria and particularly after meeting with the imam from the north, was that that is what we have got to be able to crack to win the confidence of leaders, and I think a lot of the leaders in the mosques, so they accept United States help and United States NGOs with regard to health care, vaccination, and things of that nature.

The healthier they are, the less disease they have, the lower we can lower their infant mortality rate, the better off they are going to be. And usually people like Boko Haram aren't able to take advantage of people who feel like their lives are improving. It is usually people who feel like they have no improvement ahead.

Ambassador Carson, I want to read you—this will be my last question, too. I may run a minute over, but I would like your response to this.

General Andrew Azazi, Nigeria's national security adviser, wrote in a January 2012 Washington Times op/ed piece that the United States "lags far behind other countries in forging a meaningful strategic counterterrorism relationship with Nigeria."

What do you make of that statement, and how do you assess United States-Nigerian cooperation in this sector? And the op/ed was written immediately after the attacks on the Christians in Nigeria early this year.

Ambassador CARSON. Thank you, Senator Coons—Senator Isakson, pardon me.

I disagree with that statement. We have worked with the Nigerians very closely. Secretary Clinton has met in over the last 6 months on two occasions with President Goodluck Jonathan. On both of those occasions, General Azazi, the national security adviser, was present at those meetings.

In both of those meetings, we had long and extended discussions about the security situation in the north. We have volunteered assistance and said that we are prepared to work in greater collaboration than we are right now with the Nigerians, and we have offered a number of suggestions and programs which we think will significantly enhance their ability to go after Boko Haram.

We believe very firmly that there needs to be a comprehensive strategy, one in which the Government of Nigeria not only addresses the security threat, but equally addresses the socio-economic problems that exist in northern Nigeria and which were so graphically laid out on the charts put forward by Chairman Coons.

We believe that there are major social and economic disparities in the north that have to be addressed alongside and in parallel with dealing with the security issues. But we also, coming back to

the security side, have worked directly with the Nigerian authorities, with our investigative services in the field.

We have provided the Nigerian Government with training and with equipment that deal with countering terrorism, investigating terrorism, and we have had FBI agents and others on the ground in Nigeria working in a collaborative relationship with the Nigerian authorities.

We can all do more. We are encouraging the Nigerians to do more, and we have made some suggestions as to how they can do it. But we are providing training and instructions and working with them, and we will continue to step up our efforts to work with them to the extent that they are willing to embrace ideas and suggestions that we put on the table.

Senator ISAKSON. Well, excuse me for going a little bit further. I thank you for your answer.

Because when I read that and reflected back on our visit, we visited with FBI agents on the ground in Lagos, Nigeria. I am familiar with a lot of counterterrorism efforts that we have made all across West Africa, and it seemed like to me that was a defensive statement by the government after these attacks against Christians, which is when this comment came, more to deflect attention away from them rather than being an indictment against the United States.

And I think your answer just indicated that as being correct because I think the United States is doing a lot in counterterrorism and certainly doesn't lag behind anybody else in the Western world in terms of terrorism.

Ambassador CARSON. Senator Isakson, you are right. It is not that we can't do more. We are attempting to do more. As I say, we have put some suggestions on the table, and we will continue to put others on the table for the Nigerian Government to think about and hopefully adopt.

But with respect to programs, our FBI and others have worked alongside of the Nigerian Government in explosives detection, in identification of potential threats, in forensics and examination of bombmaking materials, and in investigations in tracking down individuals and following specific leads.

We continue to advocate a comprehensive policy, however, one in which we say that there is a need to address the security aspects of the concerns they have in the north, but also to address the socioeconomic problems that give rise to recruitment and support.

Senator ISAKSON. Thank you, Mr. Chairman. And I apologize for going over.

Senator COONS. No need, Senator Isakson. This is a topic of great interest to both of us.

If the Jonathan administration, Ambassador Carson, has made real progress in appointing strong leaders around anticorruption efforts, what more can and should they be doing to deal with the significant and the sustained divides around poverty and economic opportunity between the north and south?

In your written testimony, you said that appointing a credible northerner to address longstanding grievances would be one of the most important first steps the Jonathan administration could take. And then how are we working in partnership with them, with

USAID resources, with economic development opportunities, to focus on the importance, both in terms of security and long-term stability, of addressing northern grievances in order to reduce some of the recruitment and some of the legitimacy that Boko Haram is seeking and some of the tensions that they seek to inflame?

Ambassador CARSON. Thank you very much for that question.

All of the social indicators for the north are far worse than they are for the south, for the southern part of the country. We believe that it is important to put and ensure more resources for education, for health care, for water and sanitation, and for agriculture and employment opportunities be directed toward that area, very much the way the government directed increased efforts toward the Niger Delta in order to help improve the situation in that part of Nigeria.

We think that there should be probably an effort to have credible northern figures be spokespersons for the government in trying to advance an economic and social agenda that will have credibility with the population there and improving of the lives to demonstrate that the central government genuinely is concerned about the situation. Equally, we, ourselves, are looking at ways to expand our USAID operations in the north to put more emphasis and focus on some of the key education and social programs.

Equally, we would like to expand our diplomatic representation there by opening a consulate in northern Nigeria hopefully in Kano. It is the desire of the Secretary for us to do so, and we actively look forward to trying to do this. It would give us a presence in the north diplomatically, but it would also give us an opportunity to expand our development assistance activities into the north as well.

Senator COONS. Thank you, Mr. Ambassador.

If I could, both of us are going to have to leave relatively soon, as I think I told our panel earlier. I would be interested in hearing, Ms. Cromer and Mr. Marin, about how the reality or the perception of danger, of the threat of terrorism, of corruption, is it or is it not a significant barrier to attracting interest in investment by United States companies in Nigeria?

And Ms. Cromer, from USAID's perspective, you mentioned an interfaith dialogue program efforts to help facilitate peace and reconciliation. That was of particular interest to me, and I would be interested in hearing how you think USAID's work, particularly in the north and to states of focus, are able to move forward reconciliation and progress that can lead to a more positive trade and bilateral environment?

If you would in order.

Mr. Marin.

Mr. MARIN. Thank you for the question.

Nigeria is a complicated market, and I think what I have tried to demonstrate today in this discussion is that there are opportunities and there are challenges. And some companies will be more risk averse than others. We found large companies willing to forgo the market, and we found small companies willing to engage the market.

So I think when companies are made aware of the resources of the agencies such the U.S. Trade and Development Agency, the U.S. Export-Import Bank, and OPIC and others, I think when they have utilized the full resources and the tools that the U.S. Government has to provide, they enter the market understanding that they have got the weight of the U.S. Government behind them.

I would like to point to an example, a success story that we are very proud of at TDA, involving a small business in Illinois called Roeslein Associates. It is a company that manufactures aluminum can processing lines, and they approached TDA several years ago, asking for assistance to cofund a feasibility study on whether the Lagos market was large enough to accommodate a \$30–\$35 million plant.

And the results of the feasibility study were positive. This U.S. company in a small, economically depressed area of Illinois won a \$30–\$35 million contract as a consequence. That particular contract, that particular transaction was guaranteed using the U.S. Export-Import Bank.

And what was really terrific to see is that this company has moved ahead with a second such facility in Nigeria on their own. So I think that is the sort of example that we, as an agency, are capable of enabling, together with our other U.S. Government partners and with the assistance of the State Department and the general consulate in Lagos and the Embassy in Abuja.

Senator COONS. Well, thank you. And thank you for highlighting USTDA's capabilities. That is, I think, an important part of our having an all-of-government strategy to accessing these important and growing markets.

Ms. Cromer, if you would, just around the question of interfaith dialogue and the focused efforts of USAID in the north to deal with some of these ongoing sources of tension?

Ms. CROMER. USAID is funding three 5-year programs in the north that focus on governance, integrated family health, and education. We are focusing currently on two states in the north, Bauchi and Sokoto. They are our lead states.

They were selected because they were considered at the time to be reforming states, having significant needs in health and education, and were going to serve as model states for possible expansion to other states in the north.

We are working in these states with about \$38 million going into these states, and we have had some good success to date. But we do hope to expand this in the area of governance and conflict mitigation in particular.

Since 2000, USAID has been working with governments in the north to reduce violence through prevention and mitigation of conflict rising from sectarian and ethnic tensions. This year, we are designing a new project that will focus on strengthening the ability of Nigerian stakeholders to better understand the causes and consequences of violence and conflict and address those causes and consequences.

We promote interfaith dialogue and a stronger collaboration between government and civil society to reduce the tensions. You mentioned the Interfaith Mediation Center, Senator. Since 2002,

we have been supporting the Interfaith Mediation Center, directed by Pastor James Wuye and Imam Muhammad Ashafa.

With this assistance, USAID supports the center, which hosts Muslim-Christian dialogue forums, focuses on interfaith dialogue, ethnic relations, youth and student engagement, trauma healing for women and youth, early warning and response to outbreaks, media sensitization, and special election monitoring. So we have had a robust engagement with the Interfaith Mediation Center, which we plan to continue.

Senator COONS. Thank you, Ms. Cromer.

My last question for Ambassador Carson would simply be what do you think we ought to be doing, both in the Senate and as a government as a whole, in terms of improving our bilateral relationship with Nigeria? It is a nation of enormous both opportunity, as we have spoken about today, and challenges. It is a significant recipient of U.S. aid.

There are encouraging signs of progress. There are things not yet completed. The petroleum bill, for example, improvement in fighting corruption, strengthening security sector partnerships. There is also, I think, some real progress you have pointed to today in terms of our development work, our trade promotion assistance.

What do you think is the top priority for the United States, Ambassador Carson, in terms of strengthening our bilateral relationship and areas of focus for our working with the people of Nigeria?

Ambassador CARSON. I think we need to continue to work to make our strategic Binational Commission a vehicle for advancing our overall partnership with Nigeria. That Binational Commission has a number of working groups that include energy, agriculture, and security, and democracy and governance.

We need to use that Binational Commission in a comprehensive, whole-of-government approach to work with the Nigerian Government to address issues of mutual concern and to find vehicles and programs for addressing the many challenges that they have.

If we can use that Binational Commission effectively at a high level, we can be a strong and useful partner with Nigeria in helping it to improve its energy sector, improving and strengthening its agricultural sector, dealing with some of the security concerns that they have, and working with them in health care and in strengthening their democratic institutions, including the election commission.

We need also to work hard through our own Government agencies, whether it is the State Department, OPIC, Export-Import Bank, USTDA, to ensure that American companies are aware of the enormous number of opportunities that exist commercially in Nigeria. Opportunities that they can take advantage of if they are patient, persistent, and know that they have the resources of the U.S. Government behind them.

Senator COONS. Thank you very much.

I want to thank both Senator Isakson for joining with me in this hearing today and thank our distinguished panel for sharing your insights and expertise on this critically important subject.

With that, I will conclude the hearing. I will keep the record open to the close of business tomorrow for any members of the committee who wish to submit questions for the record.

Senator COONS. But with that, this hearing is hereby adjourned. [Whereupon, at 3:35 p.m., the hearing was adjourned.]

