

**Testimony of U.S. Agency for International Development Senior Deputy Assistant
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“A Closer Look at Nigeria: Security, Governance, and Trade”

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 counterterrorism and transnational crime efforts.

Despite relatively strong economic growth over the past seven 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 four 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 information 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 under-age 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 anti-corruption 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 non-inflammatory manner, journalists and staff are being trained to produce interactive programs that give voice to a range of perspectives, bring citizens, policy makers and civil society actors together for informed discussions, and provide opportunities for citizens to ask policy makers 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 anti-terrorism 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 seven out of ten 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 non-petroleum 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.