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## CLOSER LOOK AT NIGERIA: SECURITY, GOVERNANCE, AND TRADE

UNITED STATES SENATE COMMITTEE ON FOREIGN RELATIONS

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**Testimony by Assistant Secretary Johnnie Carson,  
Bureau of African Affairs, U.S. Department of State  
Senate Foreign Relations Committee  
Subcommittee on African Affairs  
March 29, 2012  
“A Closer Look at Nigeria: Security, Governance, and Trade”**

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 anti-corruption 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 decision-makers 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 non-oil economic growth, particularly in its agricultural sector. Agriculture comprises forty percent of the Nigerian economy and employs about seventy 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 agro-processing industry.

### **The Niger Delta**

Socio-economic 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 UN 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-Qa'ida 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 socio-economic 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.

**Testimony of U.S. Agency for International Development Senior Deputy Assistant  
Administrator for Africa Sharon Cromer**

**Senate Foreign Relations Committee  
Subcommittee on African Affairs  
March 29, 2012**

**“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.

**Statement by Paul Marin**  
**Regional Director, Sub-Saharan Africa**  
**U.S. Trade and Development Agency**  
**Before the Committee on Foreign Relations**  
**Subcommittee on African Affairs**  
**March 29, 2012**  
**2:30 p.m.**

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 opportunities 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 power plants, as well as the construction of new power plants. About 50% 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 non-technical 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 power plants, 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 shortlisted 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.

Thank you.