

**Testimony of U.S. Agency for International Development  
Assistant Administrator for Africa, Earl Gast**

**House Foreign Assistance Committee  
Subcommittee on African Affairs  
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**“U.S. Policy Toward Nigeria: West Africa's Troubled Titan”**

Good afternoon Chairman Smith, Ranking Member Bass, and members of the Subcommittee.

Thank you for inviting me to speak today. It is an honor for me to appear before this Subcommittee to discuss such a critical issue.

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.

Since 2003, Nigeria has been carrying out an ambitious agenda of reforms in public finance, agriculture, 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 freer and less violent than any since Nigeria's return to democracy in 1999. . The government's strong economic management team is playing 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.

In May 2011, President Jonathan signed the Freedom of Information 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. Most recently, President Jonathan has replaced some of his security advisers in an effort to more effectively tackle the Boko Haram insurgency and other challenges facing the nation.

However, 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 threaten this progress. Oil and gas revenues dominate the government's income, but contributions from agriculture, Nigeria's largest employer, make up only a quarter of the GDP.

Although it is considered an "anchor state" for West Africa, bringing a sense of stability amongst its neighbors, Nigeria's uneven development has potentially created conditions for extremism that could pose its own formidable threat to security in the 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 population will balloon from 160 million to more than 300 million people, further straining the country's ability to meet future needs for jobs and adequate social services such as health and education.

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. Civil society lacks both the capacity and the resources to effectively engage with government and advocate for change. Government institutions in general have not established meaningful partnerships with citizens or the private sector, which lack the capacity to carry out their own mandates.

Poor governance remains a consistent impediment to development and a major trigger for political violence and public discontent. Unless Nigerians begin using their substantial human and natural resources to address these challenges, the destabilizing influence of violent extremist groups such as Boko Haram, as well as inter-communal conflicts in the Middle Belt and Niger Delta, will continue to undermine Nigeria's aspirations toward development and its desire to play a greater role on the world stage. Additionally, without addressing the increase in security force abuses and impunity within both the military and police, violence will continue to spiral.

Consistent with the U.S. Strategy Toward Sub-Saharan Africa, USAID's development activities target the root causes of the popular frustration with the Government of Nigeria that stokes instability in the North, Middle Belt and Niger Delta regions: poor governance, insufficient respect for human and civil rights, inadequate delivery of basic services, and a lack of economic opportunity, particularly for young Nigerians. Creating a culture of peace that acknowledges and transcends Nigeria's ethnic, religious, and cultural diversity is critical for stability, democracy, and economic development.

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.

In response to violent extremism, USAID's contributions include working with traditional leaders to build on existing cultural and social resilience to violence, such as our programming in the Middle Belt that supports groups working across religious and cultural communities to mitigate conflicts when possible and provide early warning when serious troubles arise. Across the North, the concept of providing economic and leadership opportunities to empower vulnerable youth and help them serve as positive role models in their community is intertwined throughout USAID programs. In the states of Bauchi and Sokoto, USAID and its partners have built the capacity of elected local authorities and supported small-scale community improvement projects, which tie in with our ongoing health and basic education programs. USAID is also examining ways to incorporate governance and conflict mitigation throughout all programming in its next five-year strategy beginning in 2014.

These programs were designed and commenced implementation before the Boko Haram phenomenon spread beyond a few communities in northeastern Nigeria. However, they reflect the underlying economic challenges stemming from neglect of the agricultural sector and

infrastructure across Northern Nigeria, as a result of poor governance, corruption, and an over-reliance on oil revenues that skewed the terms of trade away from other productive sectors.

Diversified trade and sustainable economic growth will also play a critical role in building the kind of long-term development that contributes to national and regional stability. However, Nigeria's policy and regulatory frameworks do not sufficiently encourage investments in basic infrastructure. 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.

These reform efforts, supported with revenue from high oil production and high oil prices, have indeed 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 needs to be both increased and more widely distributed before it can raise the majority of Nigerians out of poverty. 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 and benefits only a small segment of the population. Agriculture, on the other hand, employs seven out of ten Nigerians and 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, is introducing significant and positive changes, many based on experience from USAID agriculture programs.

U.S. assistance is focused on expanding trade and investment opportunities to promote regional trade and agriculture. USAID is strengthening the enabling environment at both the federal and state levels for improved infrastructure. We are leveraging funds from the Government of Nigeria, the World Bank, and other donors to improve roads, ports, and energy sources. 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 commerce 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, including cashews and shea, that engage thousands of farmers. 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.

Through the Feed the Future Initiative, our 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. 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. With its Development Credit Authority, USAID also helps to expand small businesses' access to credit through partnerships with commercial banks and the Central Bank of Nigeria.

In the energy/electricity sector, Nigeria struggles to successfully integrate sustainable economic development and environmental protection. Nigeria recognizes the urgent need to continue and accelerate the reforms it has initiated in its electricity and gas sectors. 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. Nigeria's government has recognized its need to capture and utilize these flared gases, support the creation of markets and industries utilizing the captured gases, and attract private sector investment to build power plants and other facilities to capture and transport these gases to the Nigerian markets. USAID is supporting the Nigerian government in all three of these areas. USAID support to develop privately constructed natural gas plants and support for the country's small hydropower sector will help to significantly reduce the volume of greenhouse gas emissions from diesel generators, and the increased supply of hydropower will improve infrastructure stability. It is also supporting efforts by the Nigerian government to increase lending to companies for clean energy projects through partial risk guarantees with local commercial banks. 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.

Each of these efforts contributes to Nigeria's development and mitigate the root causes of instability. Yet Nigeria's political leadership faces many critical choices. It can choose to expend enormous resources to contain the consequences of ungoverned spaces and disparity in incomes, or it can address the root causes: continue to pursue reforms that will create a large, educated middle-income country, while holding itself accountable to engage and serve 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 that promising future.

Thank you again for inviting me to speak to you today and I look forward to any questions you might have.