

**Testimony by Deputy Assistant Secretary Linda Thomas-Greenfield,
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“Nigeria’s Struggle with Corruption”
House International Relations Committee
Subcommittee on Africa, Global Human Rights and International Operations
Chairman Christopher H. Smith
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2:00 p.m.**

Mr. Chairman and members of the subcommittee, I am honored to testify before you today on Nigeria. The Administration views the Economic and Financial Crimes Commission (EFCC) as an important partner in the effort to combat corruption and promote good governance in Nigeria.

U.S. policy goals in Nigeria are to strengthen social stability through pluralism, democracy, and good governance; to promote more market-led economic growth as the best means to reduce poverty in a sustainable way; and to enhance Nigeria’s ability to act as a responsible regional and bilateral trade partner. Combating corruption and improving transparency are two cornerstones of this policy optic. The United States raises this issue at the highest levels of the Government of Nigeria, and reminds Nigerian officials that engaging in corrupt activities to promote their political positions is unacceptable. Evenhanded and transparent prosecution of corruption in politics can build Nigerians' confidence in the accountability of their elected officials and strengthen Nigeria’s most recent transition to democracy. Good governance will strengthen the transparent and effective use of public and donor resources and encourage increased investment and growth in Nigeria.

Nigerian President Obasanjo and Finance Minister Ngozi Okonjo-Iweala have done much at the national level to improve federal public expenditure management. We strongly support greater transparency in the budget process to lock in economic reform. We have worked with the National Assembly’s Budget and Research Office, and are encouraging overall fiscal transparency and fiduciary management. We also are assisting Nigeria in its anticorruption efforts through the Africa Growth and Opportunity Act (AGOA), the U.S. – Nigeria Trade and Investment Framework Agreement (TIFA), support for the African Union Peer Review Process, and through the G-8.

At the Evian Summit in June 2003, the G-8 endorsed a comprehensive anticorruption and transparency action plan that included a commitment to help developing countries build their capacity to strengthen domestic institutions and enhance transparency and accountability. President Bush expanded on these commitments at the Sea Island Summit by joining Nigerian President Obasanjo in launching an anticorruption and transparency compact to support country efforts to

improve transparency in government budget processes, procurement, and the awarding of concessions.

As a result, the United States is working closely with Nigeria, a co-member of the International Advisory Group of the Extractive Industries Transparency Initiative (EITI). Nigeria is playing an important role in EITI, having volunteered to pilot the new disclosure and validation methodologies, and has just completed a comprehensive audit of oil sector payments and government revenues for the period 1999-2004. Nigeria must continue to fully implement EITI and ensure transparency on the revenue expenditure side at the federal and state levels for this effort to truly be a success.

Our anti-corruption efforts are a true international partnership. We are working together with Nigeria's law enforcement agencies, and also with international entities dedicated to improving international financial regulation. If the international community joins forces to combat financial crime in Nigeria, we will see important benefits from a reduction in the diversion of resources and in "419" (advance fee fraud) email scams and more effective action to block potential terrorist finance. In accordance with standards established by the Financial Action Task Force, the international standard-setting body, Nigeria is working towards implementing an effective national regime for combating all-source money laundering and financing of terrorism.

Our international partners have an important role to play. The European Union has just offered Nigeria more than \$30 million for assistance managed by the United Nations Office of Drug Control. The UNODC Global Program against Money Laundering (UNGPML) is managing the assistance to the EFCC.

The United States through the Financial Crime Enforcement Network (FinCEN), the US Financial Intelligence Unit (FIU) and other appropriate agencies, will work with the UNGPML, the UK and World Bank and IMF to develop a state-of-the art Nigerian Financial Intelligence Unit (NFIU). FinCEN is sponsoring the NFIU for admission to the Egmont Group of FIUs. Part of this process requires assessments of the NFIU and its abilities to combat financial crimes, money laundering and terrorist financing. FinCEN is providing training to the NFIU in analysis, methodologies and typologies and regulatory issues. FinCEN is assisting the NFIU in meeting Egmont standards, which will enable the NFIU to receive, analyze and disseminate suspicious transaction reports to domestic agencies and sharing vital financial information with foreign FIUs. All vetted law enforcement agencies will be electronically linked to the FIU.

Corruption affects many aspects of the business climate in Nigeria. By improving economic governance, Nigeria can set itself on the path towards attracting new investment and achieving sustainable economic growth. In this regards, it is especially important to implement a transparent regulatory framework governing public safety and public infrastructure. Speedy ratification of pending Nigerian legislation on EITI, public procurement, and fiscal transparency are key first steps that will diminish the potential for graft and bribery and improve Nigeria's business climate. The Nigerian government's struggle against corruption is a crucial element of our efforts to promote sustainable development in the Niger River delta. This region produces a sizeable proportion of Nigeria's GDP and 11% of our own petroleum imports. Yet, the region is deeply impoverished and subject to destabilizing violence.

We are working in partnership with the Nigerian government, the United Kingdom, and other stakeholders to strengthen rule of law in this crucial region. Our strategic objective in the oil-producing Niger Delta is to address the root causes of the region's security problem. By addressing insecurity in the Niger River delta, we also contribute to stability in the international oil market. On April 28, the governments of the United States, United Kingdom, and Nigeria met in Washington for the third round of discussions on addressing energy security in the Niger Delta through community development, improved coastal security, and increased control of financial crimes and small arms trafficking. Nigeria is considering offers by the United Kingdom and United States for targeted technical assistance in these areas.

Combating crime is a crucial element of restoring law and order in the oil-rich Niger Delta. This includes the critical need for community policing training, to ensure respect for human rights and to increase public trust, confidence, and cooperation with Nigeria's security forces. Establishment of a Police Service Commission to investigate police corruption in the Delta is another vital need.

Democracy promotion is our foremost policy objective. Corruption undermines democracy in Nigeria. Good governance and accountability build trust in the democratic system and elected officials. It is important for Nigerians to see their elected officials held accountable for wrongdoings, if the rule of law and accountable, democratic government are going to take further hold in Nigeria.

Nigeria's primary anti-corruption agencies, the EFCC and the Independent Corrupt Practices Commission (ICPC), have taken on corrupt government officials. They have identified and recovered ill-gotten gains from notable Nigerian officials, and their activities have contributed to the prosecution or removal of several officials, including five former ministers and two former governors. These are important and symbolic measures, even if much remains to be done.

The Government of Nigeria continues to combat corruption on various levels and in several areas. Our support of the EFCC is part of a broader effort to work with Nigerian law enforcement agencies to combat corruption and international crime. The United States has helped the EFCC and ICPC in this effort with one million dollars in technical assistance. ICPC has also benefited from the assignment of a U.S. prosecutor to assist in both procedural and conceptual matters. We have trained more than 800 prosecutors. We congratulate Nigeria's anti-corruption agencies for obtaining results, and doing so in a tough environment.

Under the leadership of Chairman Ribadu, who is on the second panel, the EFCC has emerged as a formidable law enforcement agency. The EFCC has a broad mandate to investigate and prosecute all forms of financial crimes in Nigeria and the legal authority and resources to begin to address Nigeria's corruption. While we congratulate the EFCC for these successes in combating political corruption, we also take note of the considerable challenges it faces, especially in the upcoming election year. The EFCC has a difficult balancing act; it must prosecute corrupt public officials while avoiding politically motivated prosecutions. The public must see the EFCC's operations as credible, impartial and fair. Otherwise, its hard work will fail in its major mission of creating a new culture of accountability and opposition to corruption.

Addressing corruption also supports our efforts to combat the scourge of narcotics trafficking in Nigeria, in the United States and the world. Nigeria remains a major transit hub for global narcotics distribution. Cocaine and heroin are transshipped through Nigeria by well-established international criminal networks. Nigerian law enforcement has had some modest success in interdicting narcotics in small shipments of hard drugs. Enhanced screening procedures at Nigeria's international airports have helped, and we continue to work with Nigerian officials to improve narcotics interdiction.

The corrosive impact of corruption continues to hamper Nigeria's capability to address these challenges. We welcome steps the Nigerian government has taken in the past year to fortify mechanisms for identifying and prosecuting corruption. We urge Nigeria to continue its efforts in this regard, and we support the Nigerian government's efforts to include addressing corruption at the local level. Until recently, we have not seen significant numbers of large-scale seizures, and Nigeria's success in apprehending and prosecuting major traffickers has been limited. With the appointment of dedicated new leadership in Nigeria's National Drug and Law Enforcement Agency (NDLEA) and National Police, Nigeria's cooperation with U.S. law enforcement agencies is now much stronger, as is Nigeria's participation in regional counter-narcotics efforts.

Mr. Chairman, all these arguments point to the need for more robust bilateral law enforcement cooperation. The Administration is pleased to have this opportunity to highlight Nigeria's importance as an increasingly close and strategic partner of the United States, to hear Chairman Ribadu's comments on what Nigeria is doing to solidify that partnership, and to answer your questions. Thank you.