

NIGERIA'S STRUGGLE WITH CORRUPTION

HEARING

BEFORE THE

SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN
RIGHTS AND INTERNATIONAL OPERATIONS

OF THE

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THURSDAY, MAY 18, 2006

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN RIGHTS
AND INTERNATIONAL OPERATIONS,
COMMITTEE ON INTERNATIONAL RELATIONS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 2:05 p.m. in room 2172, Rayburn House Office Building, Hon. Christopher H. Smith (Chairman of the Subcommittee) presiding.

Mr. SMITH OF NEW JERSEY. The Subcommittee will come to order and good afternoon everybody. When Nigeria became an independent nation on October 1st, 1960, that development was seen as a major leap forward for Africa. Its most populous nation would now govern itself and use its tremendous natural and human resources for the benefit of its more than 100 million citizens, and the rest of Africa would enjoy at least residual benefits. Unfortunately, Nigeria's blessings have not proved to be as widespread as was hoped.

This great nation has gained a reputation for corruption that is difficult to overcome. It is not the only nation consistently ranked high on Transparency International's Corruption Perceptions Index; however the reach of Nigeria's fraud peddlers exceeds that of most other nations. Many of us who use the Internet have received solicitations to claim foreign funds abandoned in some foreign bank account. These schemes, known as 419 scams after the provision in the Nigerian law outlawing them, are among the issues often cited by those who know little else about Nigeria. There are numerous accounts of retirees and even churches losing many thousands of dollars when Internet users respond to these fraudulent requests. Those who try to obtain someone else's money are as criminal as those who initiate the scam.

Moreover, the Nigerian Government has made a serious effort to address this problem. At the heart of corruption in Nigeria, however, are those who wield government authority. According to a report done by Nigeria's Economic and Financial Crimes Commission last year, the country's excessive government stole or misused about \$400 billion during the last four decades of the 20th century. That amount is about equal to all of the aid given to Africa by Western donors during the same period of time.

Nigeria's people are those who overwhelmingly suffer as a result. According to the World Bank, with Nigeria's large reserve of human and natural resources, it has the potential to build a prosperous economy, reduce poverty significantly, and provide the

health, education and infrastructure services its population deserves and needs. However, despite the country's relative oil wealth, poverty remains widespread. About 37 percent of the population lives in extreme poverty.

Testimony in prior congressional hearings has cited corruption as Nigeria's biggest single problem. It has not only sapped public trust in government, but it has cost the government and the people of Nigeria billions due to corrupt management of public companies, unrealized public projects and deteriorated infrastructure caused by looted maintenance budgets.

One of the earliest government scams was the cement scandal of the early 1960s in which a grand public housing plan was announced where vast quantities of cement were purchased from foreign contractors, but far more cement was ordered than was needed. Overloaded Nigerian ports saw ships loaded with cement backed up for miles out to sea. Corrupt officials made profits, however, from selling cement import licenses. But the promised housing was never constructed on the scale that had been envisioned.

Another 1960s scandal involved an aluminum smelter that was supposed to be part of the industrialization of Nigeria. Unfortunately, corrupt manipulators drove the cost of the smelter up to \$2.4 billion, which was 60 to 100 percent higher than comparable plants elsewhere in the developed world. Once completed, the smelter never operated above a fraction of its capacity.

More recently, in 2003, a commission of inquiry was appointed to investigate the collapse of Nigerian Airways. That commission found that former top airline officials, Federal cabinet members and high-ranking civil servants were to blame for the nation's airlines collapse through waste and misappropriation of funds.

One of the hallmarks of Nigerian corruption is that top officials most responsible for the looting of public enterprises are almost never punished for their crimes or forced to return the funds that they have stolen. Even President Obasanjo, who is seen as a campaigner for transparency, has failed to bring to justice the many corrupt officials who have yet to answer for their crimes.

Corruption in Nigeria squanders the vast resources available to this nation and has been a factor in the country's brain drain as well.

Tens of thousands of Nigerian professionals have immigrated to America and other developed countries, where they can operate in environments in which those who loot their companies or steal government funds can expect prosecution. Even the officers of Fortune 500 companies such as Enron and WorldCom have faced prosecution, no matter how slow the process.

Fortunately, transparency in Nigeria seems to be catching on. After failing to successfully tackle corruption with the Independent Corrupt Practices Commission, the Nigerian Government in 2003 created the Economic and Financial Crimes Commission. Its initially limited mandate which focused on 419 fraud and other business crime now appears to include government corruption as well.

Government actions in pursuit of greater transparency seem to indicate a renewed commitment to attacking high-level corruption. In December 2003, several prominent cabinet members were removed, and former ranking members of the ruling party were ar-

rested, following investigation into the questionable national ID card scheme that year.

As positive as this development and subsequent arrests and indictments are, the fact remains that too many high-ranking officials are either not prosecuted or are merely fired. Without accountability, no transparency program can be considered a success. Those who violate the public trust must be prosecuted and made to return the money they have stolen.

Corruption in Nigeria is not merely a problem for that country. Over the past two decades, fraud in programs designed to develop the oil-rich Niger Delta have left its residents bitter and frustrated and lacking in faith for reforms offered by their government. Every oil company official kidnapped or killed and every pipeline ruptured threatens global energy supplies and drives up the price of oil worldwide. Nigerians cannot afford continued fraud, and neither can the rest of the world.

The recent audit of Nigeria's oil industry as part of its commitment to the Extractive Industries Transparency Initiative is a good sign that the Nigerian Government realizes that accountability must be established.

We can only hope that this will lead to greater accountability for those high-ranking officials who continue to enjoy immunity from prosecution and the fruits of their theft.

The Nigerian Government must understand that their people are watching and the rest of the world as well.

I yield to my friend and colleague, Mr. Payne.

[The prepared statement of Mr. Smith follows:]

PREPARED STATEMENT OF THE HONORABLE CHRISTOPHER H. SMITH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY AND CHAIRMAN, SUBCOMMITTEE ON AFRICA, GLOBAL HUMAN RIGHTS AND INTERNATIONAL OPERATIONS

When Nigeria became an independent nation on October 1, 1960, that development was seen as a major leap forward for Africa. Its most populous nation would now govern itself and use its tremendous natural and human resources for the benefit of its more than 100 million citizens, and the rest of Africa would enjoy at least residual benefits. Unfortunately, Nigeria's blessings have not proved to be as widespread as was hoped.

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Many of us who use the Internet have received solicitations to claim a fortune in funds abandoned in some forgotten bank account. These schemes—known as "419" scams after the provision in Nigerian law outlawing them—are among the issues often cited by those who know little else about Nigeria. There are numerous accounts of retirees, and even churches, losing many thousands of dollars by responding to these fraudulent requests, but those who try to obtain someone else's money are as criminal as those who initiate the scam. Moreover, the Nigerian government has made a serious effort to address this problem.

At the heart of corruption in Nigeria, however, are those who wield government authority. According to a report done by Nigeria's Economic and Financial Crimes Commission last year, the country's successive governments stole or misused about \$400 billion during the last four decades of the 20th century. That amount is about equal to all the aid given to Africa by Western donors during the same period.

Nigeria's people are those who overwhelmingly suffer. According to the World Bank, with Nigeria's large reserves of human and natural resources, it has the potential to build a prosperous economy, reduce poverty significantly, and provide the health, education, and infrastructure services its population needs. However, despite the country's relative oil wealth, poverty is widespread—about 37% of the population lives in extreme poverty.

Testimony in prior congressional hearings has cited corruption as Nigeria's biggest single problem. It has not only sapped public trust in government, but it has cost the government and the people of Nigeria billions due to corrupt management of public companies, unrealized public projects and deteriorated infrastructure caused by looted maintenance budgets.

One of the earliest government scams was the cement scandal of the early 1960s, in which a grand public housing plan was announced, and vast quantities of cement were purchased from foreign contractors. But far more cement was ordered than was needed, and overloaded Nigerian ports saw ships loaded with cement backed up for miles out to sea. Corrupt officials made profit from selling cement import licenses, but the promised housing was never constructed on the scale that had been envisioned.

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More recently, in 2003, a commission of inquiry was appointed to investigate the collapse of Nigerian Airways. That commission found that former top airline officials, federal cabinet members and high-ranking civil servants were to blame for the national airline's collapse through waste and misappropriation of funds.

One of the hallmarks of Nigerian corruption is that the top officials most responsible for looting public enterprises are almost never punished for their crimes or forced to return the funds they've stolen. Even President Obasanjo, who is seen as a campaigner for transparency, has failed to bring to justice the many corrupt officials who have yet to answer for their crimes. Nigerian officials can and should go after the late dictator Sani Abacha and seize his ill-gotten wealth. But they also must not exempt from justice other former leaders, who are not only shielded from prosecution, but even now are considering running again for the Presidency of Nigeria.

Corruption in Nigeria squanders the vast resources available to this nation and has been a factor in this country's brain drain. Tens of thousands of Nigerian professionals have immigrated to America and other developed nations where they can operate in environments in which those who loot their companies or steal government funds can expect prosecution. Even the officers of companies such Fortune 500 companies as Enron and WorldCom have faced prosecution, no matter how slow the process.

Fortunately, transparency in Nigeria seems to be catching on. After failing to successfully tackle corruption with the Independent Corrupt Practices Commission, the Nigerian government in 2003 created the Economic and Financial Crimes Commission. Its initially limited mandate, which focused on "419" fraud and other business crime, now appears to include government corruption as well.

Government actions in pursuit of greater transparency seem to indicate a renewed commitment to attacking high-level corruption. In December 2003, several prominent cabinet members were removed and a former ranking member of the ruling party was arrested following an investigation into the questionable national ID card scheme that year. As positive as this development and subsequent arrests and indictments are, the fact remains that too many high-ranking officials are either not prosecuted or are merely fired. Without accountability, no transparency program can be considered a success. Those who violate the public trust must be prosecuted and made to return the monies they have stolen.

Corruption in Nigeria is not merely a problem for that country. Over the past two decades, fraud in programs designed to develop the oil-rich Niger delta region have left its residents bitter and frustrated and lacking in faith in reforms offered by their government. Every oil company official kidnapped or killed and every pipeline ruptured threatens global energy supplies and drives up the price of oil worldwide. Nigerians cannot afford continued fraud, and neither can the rest of the world.

The recent audit of Nigeria's oil industry as part of its commitment to the Extractive Industries Transparency Initiative is a good sign that the Nigerian government realizes that accountability must be established. We can only hope that this will lead to greater accountability for those high-ranking officials who continue to enjoy immunity from prosecution and the fruits of their theft. The Nigerian government must understand that their people are watching, and the rest of the world is too.

Mr. PAYNE. Thank you very much. Thank you for calling this very important hearing. The issue of corruption in Nigeria is very timely. And we look forward to the witnesses and their testimony.

As it has been indicated by the Chairman, and as we know, Nigeria is a major United States ally, a regional leader economically and in terms of mediating conflicts and peacekeeping and in terms of its supply of energy to the United States.

Besides being the most populous country on the continent, it is only twice the size of the State of California, although it has 132 million people living in its borders.

Nigeria is composed of over 250 different ethnic groups, the largest of these groups, the Hausa, Fulani, Yoruba and Ibo. And although English is the official language there, there are at least four other major languages and dozens and dozens of more dialects that are spoken in this country. And so this is a country that is large and difficult to manage. This country is about 50 percent Muslim, 40 percent Christian and about 10 percent in traditional beliefs.

Suffice to say, Nigeria is a country of great diversity which has led to severe ethnic and religious tensions and great—and a nation of great wealth and oil and gas which has tragically led to abject poverty and unrest.

As I indicated, it is a country that has been very helpful in mediating conflicts. When the conflict in Liberia broke out initially, under ECOWAS, Nigeria went in to stabilize Liberia before Taylor took over.

Following the situation in Liberia, Nigeria was called to go to Sierra Leone to fight the RUF and Foday Sankoh and those brutal terrorists who chopped off limbs of children and wreaked havoc on their population, and once again, it was leadership of the Nigerians that went in recently into Sao Tome and Principe, the government was almost overtaken by a planned coups d'etat, but it was Nigeria's President Obasanjo who sent word to Sao Tome and Principe that they needed to go back into the barracks, and there would not be a military takeover because of the newly found oil in the Gulf of Guinea. And that was settled. And even in Togo, where the son of the President decided that he would take the leadership of the country without due elections, it was Nigerian President Obasanjo who said there is a process and you cannot become President because your father has died. There is a process, and the process won out.

And so we have a regional leader that has done tremendous good on the continent. And as we know, with the dependence on oil, 20 percent of oil from Africa will be consumed in the United States, and it is the crude, that is the sweet crude, it is called, which is the most valuable oil.

And so we do have a country that is very significant and important.

This is a nation which we simply cannot ignore. In fact, the United States relies on Nigeria and has strong interests in its welfare and that of other Gulf of Guinea States in particular due to our dependence, as I mentioned, on their natural resources, cooperation of African governments and the United States global fight against terrorism, Nigeria has been very helpful in the need to work jointly in the struggle to prevent the further spread of HIV and AIDS and the increasing number of Americans who are of African birth, many, many Nigerians, tremendous number of physicians in the United States who are originally from Nigeria.

According to a Bank of America report in 2005, Africa surpassed the Middle East in United States oil imports at close to 19 percent. Nigeria, of course, provides the lion's share, and as we always look at oil, we feel that it is the Middle East. But that was yesterday, and today it is Africa.

Nigeria's oil boom of the 1970s led to the neglect of the agricultural sector and contributed to urbanization, an overwhelming trend we are seeing throughout the continent at an alarming rate. And that is something we need to encourage—and I asked the USAID—to encourage Nigeria to get back into the agricultural sector. They can not only do two crops a year, they can do three crops a year in some places. And this can be a tremendous boom to their economy. However, people have left the rural areas, and urbanization has become a strangle hold around cities. Communities in the Niger Delta oil-producing region have felt left out of the benefits of Nigeria's oil wealth because, despite Nigeria's growing oil wealth, the region has seen little development and bears the brunt of the detrimental environmental impact caused by the oil industry.

Since Nigeria's independence from Britain in 1960, it has been plagued by political and economic crises at different intervals. In 1999, after 16 years of military rule which was particularly brutal under the leadership of General Sani Abacha, who died in 1998, Nigeria adopted a new constitution and transitioned into a civilian government under General Abubakar who was the one who decided it was time to rid the country of military dictators.

The current President Obasanjo was elected in 1999 and again in 2003.

He has done a great deal, but there is criticism about the poor economic conditions that have continued under his tenure, and there is much debate over the third term presidency issue which interestingly enough was struck down by the Nigerian Senate on Tuesday, which really shows democracy at work, and hopefully, that will be able to be enforced.

I mention the history briefly because it is impossible to talk about corruption without talking about General Sani Abacha who is believed to have stolen over \$3 billion during his brutal 5-year reign. His security adviser was accused of stealing close to \$3 billion from the Nigerian Central Bank. Some of the funds stolen under Abacha are still in Swiss banks; though, in recent years, about \$64 million was returned, and the Abacha family has agreed to return \$1 billion. But the damage done to the Nigerian people and to the fabric of Nigerian society is still there.

Corruption is still a major problem in Nigeria, in the private sector and in the government, and in response, President Obasanjo lost an anti-corruption campaign. In the past year alone, at least three ministers have been fired as a result of the United States, and the SEC is investigating an allegation of bribery, a case with the Nigerian Natural Gas Project involving foreign countries, France, Italy, and the United States Halliburton subsidy, Chicago Bridge & Iron.

So we see too many hands are involved in the corruption in Nigeria, and we need to wipe it all out.

As I conclude, this is a reminder that while we encourage our allies to root out corruption, we must also make sure that we deal properly with the corruptors. All eyes are on Nigeria right now as the third term debate continues in lead up to the 2007 elections. This is a critical time for Nigeria, and I am encouraging strong, effective and fair engagement by our Government. We must look beyond our oil interests and invest more in education, agriculture, health in Nigeria, particularly for the people of the Niger Delta and the other poor regions of the country.

Thank you very much, Mr. Chairman.

Mr. SMITH OF NEW JERSEY. Thank you.

Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman.

I want to thank you and our Ranking Member for this very important hearing, and I want to welcome our witnesses here today.

And I want to associate myself with the remarks of our Ranking Member and just make couple of additional points.

Yes, we all recognize that Nigeria has faced numerous challenges in its path toward democracy, human rights and investment in people, and there are still many challenges to overcome.

Nigeria has 70 percent of its population living on a dollar a day, and 91 percent live on less than \$2 a day.

In Africa, on a per capita basis—it is one of the poorest countries in the world actually, but it is the second country in Africa, that is the second in terms of per-capita that is one of the richest countries.

So this doesn't make much sense. And so, given the vast oil reserves and given the fact that it is the fifth top supplier to the United States, I for the life of me can't figure out why many don't benefit from really the wealth that Nigeria really has in terms of oil wealth.

We spend a lot of, in terms of our companies spend quite a bit with regard to oil in the region, and I am not sure what the impact of these expenditures are on the people of Nigeria.

Finally, let me just say, I remember on one visit to Nigeria, we were talking about the whole issue of corruption. And certainly we have got to figure out what that is about, because it further inhibits the government's ability to serve people, and this hearing is focused on that. I know, however, that it takes two to tango, and in the private sector, when I was in Nigeria, we talked about those companies for example that are trying to make a quick buck, whose companies that see Nigeria as an opportunity, and it is an opportunity in terms of its oil wealth. But if in fact we have had any kind of charges or allegations of multinational companies really violating anti-corruption laws, as it relates to Nigeria, because we have got to root out corruption wherever we find it. And certainly, when there is corruption, some go to places where they know corruption exists, and they very clearly engage in that with those countries.

And so I would like to get a sense from you of how you see that as it relates to multinational companies, especially any companies from the United States. Thank you, very much.

Mr. SMITH OF NEW JERSEY. Thank you, Ms. Lee.

It is now my privilege to welcome on the Committee Ms. Linda Thomas-Greenfield who was appointed Deputy Assistant Secretary in the State Department's Bureau for African Affairs in January 2006. Prior to this, she served as the Deputy Assistant Secretary in the Bureau of Population Refugees and Migration. Her Africa-focused assignments include Nigeria Gambia and Kenya.

Ms. Thomas-Greenfield was the 2000 recipient of the Warren Christopher Award For Outstanding Achievement in Global Affairs.

Ms. Secretary, the floor is yours.

STATEMENT OF MS. LINDA THOMAS-GREENFIELD, DEPUTY ASSISTANT SECRETARY, BUREAU OF AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE

Ms. THOMAS-GREENFIELD. Thank you, Mr. Chairman, and thanks to all the Members of the Subcommittee for inviting us here. I am very honored to testify before you here today. If you will allow me, I will summarize my testimony and request that the written statement be entered for the record.

Mr. SMITH OF NEW JERSEY. Without objection, your full statement will be made a part of the record.

Ms. THOMAS-GREENFIELD. Thank you.

United States policy goals in Nigeria are strengthened social stability through pluralism, democracy and good governance, to promote 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 strategic and trade partner.

Combatting corruption and improving transparency are two cornerstones of this policy. The United States raises this issue at the highest levels of the Government of Nigeria both in Abuja and in meetings here in Washington. Evenhanded and transparent prosecution of corrupt politicians strengthens Nigeria's democracy by holding public officials accountable. Good governance reinforces effective use of public and donor resources and encourages increased investment in growth in Nigeria. Nigeria's President Obasanjo and Finance Minister Ngozi have done much at the national level to improve Federal public expenditure management. More clearly needs to be done, especially at the state government level.

We strongly support greater transparency in the budget process to lock in economic reform.

And on this account, we commend minister Ngozi for her decision—and it was a brave one—to make public for the first time the national and state budgets.

We also are assisting Nigeria in its anti-corruption efforts through the Africa Growth and Opportunity Act, the U.S.-Nigeria Trade Investment Framework Agreement, support for the African Union Peer Review Process and also through the G-8.

At the Evian summit in June 2003, the G-8 endorsed a comprehensive anti-corruption 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 this at the Sea Island Summit by joining President Obasanjo and launching an anti-corruption and

transparency compact to support efforts to improve transparency in the government budget process, procurement and the awarding of concessions.

The United States is working closely with Nigeria, a co-member of the International Advisory Group of the Extractive Industries Transparency Initiative. Nigeria is playing an important role, 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 to 2004.

Our anti-corruption efforts with Nigeria represent a true international partnership. We are working together with Nigeria's law enforcement agencies to improve international financial regulations.

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 e-mail scams and in more effective action to block other criminal finance schemes. In accordance with standards established by the Financial Action Task Force, the international standard-setting body, Nigeria is working toward implementing an effective national regime for combatting all source money laundering and finance of terrorism.

Corruption affects many aspects of the business climate in Nigeria.

By improving economic governance, Nigeria can set itself on the path toward attracting new investment and achieving sustainable economic growth.

The Nigerian Government's struggle against corruption is a crucial element in our efforts to promote sustainable development in the Niger River Delta. The region is deeply impoverished and subject to destabilizing violence. We are working in partnership with the Nigerian Government, the United Kingdom, oil companies and other stakeholders to strengthen rule of law in this crucial region.

On April 28th, we 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. Combatting crime is a crucial element of restoring law and order in the oil-rich Niger Delta. This includes the critical needs for community police and training to ensure respect for human rights and to increase public trust, confidence and cooperation with Nigerian security forces.

Democracy promotion is our foremost policy objective. Corruption undermines democracy in Nigeria.

Good governance and accountability builds trust in the democratic system and elected officials.

It is important for Nigerians to see their elected officials held accountable for wrong doing if the rule of law and accountable democratic government are going to flourish in Nigeria.

The 2007 Presidential and legislative elections in Nigeria pose a unique opportunity for democratic consolidation.

Members of the Nigerian House and Senate, as Mr. Payne mentioned, recently voted again, against the constitution national amendment that would have allowed the President to run for a

third term, despite reports of votes being bought to influence its passage. Notwithstanding the controversy surrounding this contentious issue, the greatest United States concern regarding corruption and democracy in Nigeria is that serious work remains to be done to realize genuinely transparent and legitimate elections in 2007.

The National Democratic Institute Assessment Team that visited Nigeria in May shed light on some of the areas requiring improvement. The department will propose spending about \$10 million in fiscal years 2006 and 2007 to provide voter education and strengthen the ability of national and state electoral commissions to implement the elections.

Nigeria's primary anti-corruption agencies, the EFCC and the Independent Corrupt Practices Commission, have taken on corruption by 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 of these officials. These are important and symbolic measures even though much still remains to be done.

The United States has helped the EFCC and the ICPC in its effort with a \$1 million contribution for technical assistance.

ICPC has also benefitted from the assignment of a United States prosecutor to assist in both procedural and conceptual matters. We have trained more than 800 prosecutors. And we congratulate Nigeria's anti-corruption agencies for obtaining results and doing so in a very tough environment.

I am pleased that Mr. Ribadu is here to brief you on the accomplishments of the EFCC. Under his leadership, the EFCC has emerged as a formidable law enforcement agency. But it has a very difficult balancing act. It must prosecute corrupt public officials while avoiding politically motivated prosecutions. Without this transparency, its hard work will fail in its major mission, which is creating a new culture of accountability and opposition to corruption.

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.

Mr. Chairman, all these initiatives point to the robust bilateral law enforcement cooperation we have had with Nigeria. But more needs to be done.

The Administration is pleased to have this opportunity to highlight Nigeria's importance as an increasingly close and strategic bilateral and regional partner of the United States. We look forward to hearing Chairman Ribadu's comments on what Nigeria is doing to solidify that partnership. And I am available to answer your questions. Thank you.

[The prepared statement of Ms. Thomas-Greenfield follows:]

PREPARED STATEMENT OF MS. LINDA THOMAS-GREENFIELD, DEPUTY ASSISTANT
SECRETARY, BUREAU OF AFRICAN AFFAIRS, U.S. DEPARTMENT OF STATE

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 appoint-

ment 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.

Mr. SMITH OF NEW JERSEY. Thank you so very much, Madam Secretary, for your testimony.

Let me begin the questioning first. You mentioned in your testimony that AGOA is being used to promote transparency and to fight corruption. I wonder if you might elaborate on exactly what we are doing with AGOA.

Secondly, you rightfully pointed out that state governments need to be focused upon as well, and I think that is a universal problem. You know, the Federal Governments everywhere get scrutiny, but state is where the big money often is to be made as contracts are being offered, as other kinds of bribery occurs.

How would you assess the Federal versus the local in terms of a progress meter? Would you say the local is far behind, because obviously there are so many more people who potentially could be bribed or corrupted in some way?

And then, if I could ask you with regard to what the U.S. Government is doing to help the Extractive Industries Transparency Initiative in Nigeria. As you know, approximately 70 civil society organizations have asked that mining be included in that. What is the Administration's view on that?

And in his testimony, later on today, David Goldwyn, the president of Goldwyn International Strategies, makes the point, and I quote him: "The United States has been an observer but not a supporter of EITI in general, or the NEITI effort in particular." And it is a criticism, as if we were observing, but not embracing and pushing. If you can give some insights on that as well. I have one other question after that.

Ms. THOMAS-GREENFIELD. Good. Thank you very much. On AGOA I have been working on that on planning for the AGOA conference which is going to take place in Washington in June.

And what AGOA does to deal with corruption, we look at issues related to how business is done in these countries and what we can do to promote better practices to allow business to flourish and investments to take place.

For example, in many countries, the number of days and the number of signatures that are required to open a business are just—it is a breeding ground for corruption.

And we make countries aware of those issues. And Nigeria is one of the countries where I think it is about 30 days. I am not sure of that number. But again, the number of signatures required really is an opportunity to breed corruption.

And bringing that to the attention of many governments who are just not aware that these opportunities are out there is a way that AGOA has contributed to this.

You ask about the state government versus local government or Federal Government in terms of what is being done on corruption.

I think with the leadership of the finance minister, having published the budgets of state and local governments, that was a very important effort that allowed the normal citizens to see how much money was going into the coffers of state and local governments and also allowed those citizens to ask where that money is going.

I think more progress is being made at the national level, but I think also efforts are being made to address issues of corruption at the local level.

And on NEITI, you asked what we are doing on that. I think the record will show that we have been extremely supportive of this effort. President Bush expanded the commitments that were made at the Evian G-8 by joining with President Obasanjo. I mentioned that, in my statement, we have given \$1.7 million in fiscal year 2005 funds to support a Nigerian pilot; USAID in Abuja has about \$1.1 million for supporting training for these efforts. So, again, I think we can do more. But, certainly, we are not sitting as observers. We are really actively involved in this progress.

Mr. SMITH OF NEW JERSEY. Should mining become a part of that portfolio?

Ms. THOMAS-GREENFIELD. I don't know the answer to that question, but it is something I will look into for you.

Mr. SMITH OF NEW JERSEY. If you get back to us, we will add your answer to the record.

As you know, over the past decades, various plans to develop the oil-rich Niger Delta were sabotaged by the theft of untold millions of dollars from such projects as the Petroleum Trust Fund. Obviously that leads to a great deal of discontent among the local population.

What is your view on that? Because it seems to me that, you know, given the volatility of that region, had that money been spent and spent wisely, people would have been—I won't say a stable middle class would have ensued, but there would have been much better roads, bridges, houses, infrastructure. What is your take on that? And is it too late to resurrect that and save it?

Ms. THOMAS-GREENFIELD. Let me start with the last comment. It is not too late. It is never too late. I have been actively involved with the Niger delta initiative and the Gulf of Guinea initiative with the Nigerians. It was one of the first things I did when I started in my position.

And we have had two meetings since I have been there, and the third meeting, as I mentioned, of the Niger Delta Group, the governor of River State, for example, committed to giving \$20 million for supporting development in River State. We think that is a very positive initiative. It is small change, but I think it says to people in the community that the government, the state government is willing to make a commitment.

We are trying to encourage this in other states in the delta region. And we are also trying to encourage accountability. We see the impact of neglect in this region. And the impact is seen in the lack of education, the lack of health care, the lack of infrastructure, and the increase in violence that we have seen in recent months.

So we are working with the Nigerian Government. It is not about us giving them money, because we think they have enough money to do it themselves, but giving them support and encouragement

and capacity to deal with some of these issues. And we are hoping that this will start to bear fruit soon.

Mr. SMITH OF NEW JERSEY. I would just note parenthetically that, several years ago, I led a delegation to a Parliamentary Assembly in Europe in Bucharest as part of the OSCE Parliamentary Assembly. We had about 358 members of parliament from 55 countries that make up the OSCE. And the interesting topic for almost 5 days of discussion was corruption as the hijacker of democracy or emerging democracies. Corruption is just as lethal to an emerging democracy as the most barbaric dictatorship because of the corrosive effects. And it was a very interesting interchange. You don't just look askance at this kind of thing. And I know we are not. And I know you are not. But it is just that some people fail to see that this is as much a potential threat as dictatorship is. So it often leads to dictatorship as well.

Mr. Payne.

Mr. PAYNE. Thank you very much. As you indicated, the transition in Nigeria trying to, as you know, 28 of the 43 years, it was under military rule and the feeling was that with democracy coming in, Nigeria could flourish. And I guess with Babangida that started the process when MKO Abiola was elected June 12, and then the election was aborted, Sani Abacha then taking over—I mean Abubakar, I guess who finally said, enough is enough, and we are trying the democratic regime.

This whole question of 419 and other kinds of corrupt policies is really something that the government claims it is trying to work on. Of course, in many instances, unfortunately, people's own greed in a lot of instances is what gets them caught in the trap. Many people feeling there is a tremendous amount of money that could be made. This country here must not be up to stuff on what is going on, and so I will put this little contribution in this fund, and I am going to reap all these benefits. So it is once again challenging individuals' own greed to feel they could get something for nothing. And it is unfortunate that there are so many people out there that fall into that gap.

So somehow we have got to work on people to get them to be more realistic about life. No one is going to give you a million dollars if you give them \$100,000 and you might have a little criminal mind yourself because that sounds illegal to me.

But any way, 419. What is your assessment of what will happen on this whole debate of a third term? Do you think it is good? I know the Senate rejected it. Is that the final end? Does it go on? We had a meeting that was supposed to be with President Obasanjo when he came to Washington, some members of the Black Caucus, because we were going to urge him to live up to the constitution and step down. However, he left town before we could meet with him. However, do you think that there will be a, that he will conclude with the Senate vote or is there another process, or how does it work? Is there going to be a referendum?

Ms. THOMAS-GREENFIELD. Thank you for that question. I will go do my best in answering it.

I think I should start out by just saying it is our view that term limits should be respected. And we have made that view known not

only in Nigeria but in other places in the world. Leaders need to groom new leaders to take over.

We were pleased not—we were pleased with the fact that a vote was made, and it reflected, as you said in your remarks, it reflected democracy in Nigeria.

And it is, I think, the best hint that we have that democracy is there in Nigeria and it has taken root.

We are not sure what this means as far as any future desires on the part of the President to seek a third term. I think the legislature has spoken, and the amendments were not approved. What happens after that, we are all interested in seeing and hearing, and we will be watching it very, very closely, and we are hoping that whatever happens, that it is constitutional and nothing extra-constitutional is done.

Mr. PAYNE. Thank you. What is our current relationship with Nigeria? I know that our—the current Administration requested that Nigeria receive Charles Taylor before the United States would go—well, the United States wasn't really going in any way, but before there could be any move on the part of the United States, it was President Bush said, we will not go in until Taylor is out, and Nigeria agreed to that.

What is the, in your opinion, relationship between Nigeria and the United States Government with the military also, and Obasanjo at the present time? And do you think that the generals are starting to get anxious again in the barracks, as has happened in the past in Nigeria?

Ms. THOMAS-GREENFIELD. I think we have a good relationship with the Nigerian Government. We have to, and I think in your statement, you made reference to the very positive role President Obasanjo and the Nigerian Government have played in the region. And even the fact of the Nigerian Government taking Taylor and helping to end the civil war in Liberia is something very important that we have to give President Obasanjo and the Nigerian Government credit for.

We have not heard any reports, and I am not aware of any reports that the military is beginning to get uneasy. I hope that is not the case. Nigeria is a burgeoning democracy. And I think they have seen some of the benefits of having a democratically elected President and not a military government.

President Obasanjo has made his views known in the region about the problems with the military government having interjected himself and in making his views known in Togo and other places in the world. So I would hope that, in the case of Nigeria, we don't see that happen again.

Mr. PAYNE. Well, thank you very much.

I do think that, hopefully, the era of the generals are over.

I was in a meeting once with General Babangida, General Abubakar and General Abacha and former General Abiola, and we really don't want once again to have people in uniforms making the decisions for a country as important to Africa and the world. And so that is our hope, that we can keep the military out but also have the current President abide by the constitution.

Thank you very much.

Mr. SMITH OF NEW JERSEY. Thank you.

Mr. Tancredo.

Mr. TANCREDO. Thank you, Mr. Chairman.

Just one very quick question. You mentioned in your testimony that the—you were referring to the Evian summit in 2003 where the G-8 endorsed a comprehensive anti-corruption and transparency action plan and then went on to say that President Bush expanded on these comments at sea Island summit by joining President Obasanjo in the anti-corruption and transparency compact.

What I am really hoping to hear beyond the description of what they actually agreed to is what has happened in the 2 years or almost 2 years subsequent to that last meeting? Certainly we hope there has been some progress, and I wonder if you could give us some specific evidence of that progress.

Ms. THOMAS-GREENFIELD. Yes, sir. Thank you for that question. There has been some progress. Again, as I said throughout my speech, more needs to be done.

President Obasanjo in February 2004 established a working group to guide the implementation of Nigeria's participation in the Extractive Industries Transparency Initiative and to encourage revenue transparency.

The Nigerian Senate still has to vote on the bill. And the bill would mandate that the Nigerian Government and oil companies disclose certain information about how much oil is being extracted and how much is being paid. And it would also provide a permanent basis for some budgetary funding of annual audits.

Nigeria, because of this, is playing a very, very active role in EITI and the Nigerians volunteered to pilot the new disclosure and validation methodology, as I mentioned in my statement, and has just completed a comprehensive audit of the oil companies. So we are seeing progress. The EITI issued an audit report, identified certain problems that the government was facing. The government has now decided that it will audit the Niger Delta Development Commission, and we are looking forward to seeing the result of that audit.

Again, more can be accomplished.

Mr. TANCREDO. Have there been any indictments brought or arrests made?

Ms. THOMAS-GREENFIELD. I think there has been one, but I will have to get back to you on that, or, it is possible that Mr. Ribadu may have an answer to that when he gives his testimony. But I am aware that there has been one indictment.

Mr. TANCREDO. Thank you very much.

I have no other questions, Mr. Chairman.

Mr. SMITH OF NEW JERSEY. Thank you, Mr. Chairman.

Ms. Lee.

Ms. LEE. Thank you, Mr. Chairman. I want to pursue this whole issue with regard to United States anti-corruption laws, RICO. What have you found in terms of any violations or prosecutions of any individuals or United States companies that are engaged in the corruption that is taking place in Nigeria?

Ms. THOMAS-GREENFIELD. I am not aware of any United States companies that have been engaged in direct corruption in Nigeria. I am not saying it doesn't happen. I am just not aware of it.

I think our companies are so conscientious of our own laws in Nigeria they have—I have heard them complain that they are disadvantaged because of our laws, and the law is the law, but they are disadvantaged because other companies from other countries don't have the restraints that they have on providing bribes to other governments.

Ms. LEE. Let me tell you, one company told me when I was there, you know, we pay marketing representatives and we pay consultants in the United States to help us get a contract. Here, that is considered bribery, and we can't pay somebody to do that.

How—what is the difference as you see it between paying a sales rep or consultant to do marketing versus paying a bribe in Nigeria to help get a contract?

Ms. THOMAS-GREENFIELD. Well, my response to that is, it is not illegal to get a sales rep but it is illegal in Nigeria as well as in the United States to pay bribes. Now Nigeria doesn't enforce it, but we would.

So I think companies are very conscientious of that.

Ms. LEE. So companies can pay a sales rep as long as they comply with the anti-corruption laws and have arranged agreements; that is the difference.

Ms. THOMAS-GREENFIELD. That would be my understanding.

Ms. LEE. Okay because I heard this several times come from United States companies, and I am glad to hear that none have, could be, or you don't know of any that have been investigated or prosecuted. Because like I said earlier, when I was there, and this was years ago. Over and over I was told it takes two to tango, and many companies from abroad would come to Nigeria for the express purpose of engaging in certain types of business deals that were totally inappropriate and corrupt but they went there because they knew they could make a quick buck and get away with it.

Let me ask you about the HIV/AIDS pandemic that is taking place. Again, the rates now are over 5 percent. Several years, again when I was there, the reported rates were 4 percent, but in a country with what, 131 million, people, that is pretty high.

One of the tragedies in Nigeria was that a large percentage of the cases were as a result of not having a safe blood supply. And HIV, the virus, was contracted through blood transfusions. Do you know or can you give us an update on any strategies that we are working on with the Nigerian Government to make sure that there is a development of a safe blood supply as it relates to a part of a strategy to address the HIV and aids pandemic?

Ms. THOMAS-GREENFIELD. Thank you for that question.

HIV/AIDS is a major problem in Nigeria. I think our statistics show that there are about 4 million adults affected, and Nigeria has the largest number of AIDS orphans.

We have a very large PEPFAR program in Nigeria, and included in that PEPFAR program are programs to support prevention. It does not specifically mention blood supply, but I would assume that prevention would include dealing with issues related to the blood supply.

Ms. LEE. Is there a way you could check on that? Because, again, I was there within the last few years, and there was no program strategy or piece in place. And we had several discussions with

high level ministry officials. We discussed that. And we have even talked about the Red Cross maybe coming over to try to help figure that piece out.

Ms. THOMAS-GREENFIELD. I will definitely get back to you on that. But our program is \$138 million. So, hopefully, some of that is going in that direction.

Ms. LEE. Thank you very much, and I look forward to receiving your response.

And let me ask you finally about the conflict in the delta region in terms of how you see that now as it relates to threatening oil and gas production.

Ms. THOMAS-GREENFIELD. The conflict in the delta has had a major impact on Nigeria's production of oil. Right now, the figures indicate that about 400,000 barrels of oil per day are shut in because of what is going on in the delta region. And the insecurity in that region continues.

This is a region where we have been working closely with the oil companies, with the Nigerian Government at the national level but also with the government at the state level to try to develop programs that will improve security in the region. But security is not the only issue. The biggest issue in that region that I think we need to deal with is the lack of infrastructure, the poverty, the lack of education, and the lack of tangible benefits going into those communities, and that has led to the insecurities.

Ms. LEE. Are the oil companies paying fair wages and providing economic development for the region, providing for environmental protections, are they providing for health benefits and that type of real quality of life that they deserve?

Ms. THOMAS-GREENFIELD. I think they have gotten that message, and yes, they are. But again, it is just, it is small potatoes compared to the needs. But they are taking very seriously the approach that we have taken in our cooperation with the Nigerian Government to look for programs to assist the population. They also participate in development programs, and they have contributed to this Rivers State program that I described earlier. So I think they are—they have gotten the message.

Ms. LEE. Are they exploiting the workers or not, as you see it?

Ms. THOMAS-GREENFIELD. I can't say that they are exploiting workers. They are paying salaries in a place where unemployment is very, very high. There is a perception on the part of many workers that they are being exploited because they are seeing people benefit in a much better way than they are able to benefit. But I also think the companies are trying to address this.

Ms. LEE. Thank you very much, Mr. Chairman.

Mr. SMITH OF NEW JERSEY. Ambassador Watson.

Ms. WATSON. Thank you so much, and I thank you, Mr. Chairman, for holding this hearing. I am going to go back some time in the past when Shell Oil was down in the Abomey Delta Region and following the testimony from the locals in that area, the local farmers, that their farm land had been almost destroyed by the siphoning of the gasoline and the flow into the fields. And as you know, several of the farmers had complained, and there was a battle and, some of the military ended up getting killed. And then there were hangings in the square. We happened to be in South Africa at the

time. And Mandela came on, and I had never seen him so furious. And so he hung it on the fact that the oil companies come in and, indeed, themselves corrupt the land.

I know they paid off Abacha, I understand, \$4 billion, and so he persecuted his own people.

Since that time, there has been a very bad feeling that grew up within that West Coast of Africa, particularly Nigeria. And people have held very hostile feelings toward the oil companies. Now going back and forth through Lagos, and that is a place that I don't like to go to because of the dash, but I am wondering what we can do to improve the perception that locals have of our oil companies who come in, not only oil, but they mine gold and they mine diamonds and so on, and very little turns back to the government.

So can you comment on what is happening now in this decade in terms of those—now they say, the Shell division of Royal Dutch in that area. And they control everything that happens there, but it is still under the umbrella of shell.

And I am just wondering if our companies are any more responsible or responsive to Nigeria and the other countries where they are? I know the history in South Africa, and I have said this to the headquarters on the West Coast, and we have got a little bit out of them because of the abuse.

So, tell me, how are our companies becoming responsible corporate citizens there in Nigeria? And in turn, is the government under Obasanjo reacting in a more positive way, and are they training their young to do the work of these companies, not only the mining but diamond gold miners so on?

Ms. THOMAS-GREENFIELD. I think the oil companies were shocked by the response that you described in the Ogoni region, and I think, having worked on this issue only for 3 months but spending a tremendous amount of my time with oil companies, that they do see this as an important effort to improve their image. We are having oil companies participate in these meetings at various senior levels, sending their CEOs from Nigeria, and every single oil company participated in the last meeting, which was even a surprise to us.

Now, they are concerned about their security, but they also are very conscious that in order to deal with the security issues that they are experiencing, that they are going to have to deal with environmental issues, and they are going to have to deal with development issues, and they are going to have to deal with the discontent of the people in the communities that they are working in, and I think they are taking it seriously.

Ms. WATSON. Do you, as the Department of State, have requirements that they have to comply with? You know, our companies that go over there, and they reap the benefits, and the people get very little of the bottom line.

Ms. THOMAS-GREENFIELD. Yes.

Ms. WATSON. So I am just wondering what your programs are and what your requirements are as they relate to businesses, or are they completely independent?

Ms. THOMAS-GREENFIELD. No, they are not. I will mention that the office that deals with human rights, Jeff Krilla is going to Nigeria on the 21st through 25th on a task force visit to Nigeria to look

at voluntary principles for these companies, and all of the companies are participating in this, and the Nigerian Government has decided to participate in this with NGOs. The head of the Nigerian National Petroleum Corporation has also agreed to participate, and the Nigerians have expressed a real interest in trying to address some of these issues, but we are holding United States companies that tend to have a very positive image, we are holding them accountable, and they know that we are holding them accountable, and because of that they have a much more positive image than some of the other companies.

Ms. WATSON. My final comment, Mr. Chairman, if I may, if there are a set of principles would you share them with us? I have connections and friends from back in the 1970s in Nigeria, and I have followed some of the challenges that the locals have had, and they have really suffered greatly because of the hunters and the change and it is a coup every other year. You know the history. But I think it is a two-sided problem. So I think that the principles need to be shared, and we need to raise these questions. We, as the Congress, need to raise these questions with our companies that make great profit abroad, and I do know the dark cotton, the cotton of Africa is the cotton of the future because they have the natural resources that we need and there is going to be closer relationships with that cotton and its 54 nations. So I would hope that we would all understand the principles and in our places, see that our companies that go over there, live up to those principles. So you can give those to me at another time, and thank you very much for being here.

Ms. THOMAS-GREENFIELD. Thank you.

Mr. SMITH OF NEW JERSEY. Thank you. I can just conclude, and I know Mr. Payne has one final question. In his testimony Mr. Goldwyn points out that the NEITI committed to conduct audits under international accounting standards with a reputable external auditor and points out that the order years were 1999 to 2004, the duration of the Obasanjo administration. And I quote him here:

“Those audits set an unequal precedent for other resource-rich countries. Nigeria was the first to insist that all such revenues be published in a disaggregated fashion, company by company, category by category, and well by well. All of the results, including interim reports, were posted on the Web at www.neiti.org. Nigeria was the first government to look intrusively at its own entities, not just at the conduct of private companies. It was first and still the only country to look at physical systems in business processes as well as financial flows. NIETT’s ability to achieve success and future successes is due, in large part, to constant support of the President.”

My question is about elections. First, do you agree with that assessment? Second, elections are, by definition, volatile events. Elections can either result in a right turn, left turn or U-turn. And my question is, are you confident that Nigeria’s commitment to transparency is sustainable?

Ms. THOMAS-GREENFIELD. That is a hard question. I hope it is sustainable, and I think the Nigerian Government hopes that it is going to be sustainable. We met with the Finance Minister recently, and she is trying to put measures in place that will leave

a legacy when she is gone, and one of those measures is, again, publishing those budgets. Now people have an appetite for knowing exactly how much money is going into the coffers of the government. So again, we are hoping it is sustainable. We are hoping it becomes institutionalized. It requires leadership. If it is not institutionalized by the next administration of the Nigerian Government, we will be raising it with them in very tough terms.

Mr. SMITH OF NEW JERSEY. Thank you. Mr. Payne?

Mr. PAYNE. Yes. Just once again, on the problem with the oil company, as you may recall, just on Sunday a hundred people were burned to death in a fire which occurred as they were siphoning off oil, and the oil was ignited and the people perished, but my—and that was very tragic. But my question more relates back to the oil companies themselves. During Obasanjo's regime, as you may recall, the oil companies cooperated with the government. In other words, there was a time when they needed some pursuit, boats and the oil companies, the oil company there, the main company allowed them to use their speed boats to try to apprehend some people, and the other thing too, that complaint of course of the Ogoni people and the Ogoni aid. I think there was eight of them that were hung because they were protesting, and there were some deaths that followed the protests and therefore, the hanging of these Ogoni people occurred and—went the Ogoni folks. And they were protesting about the exposure of oil pipes, the degradation of the oil, of the pipeline, which were above ground, not below ground like in many places. And the soot that comes down when the rain comes because there is so much smoke in the air, that soot comes down, and the problems of the asthma and other kind of diseases that come from this environmental degradation.

Has there been any significant improvement in, one, the companies' cooperation with the military, it was a military government at that time, but with the government illegally allowing them to use their assets?

And secondly, has there been any improvement in the poor quality of the environment that the oil companies have as a legacy in Nigeria, creating, you know, serious health problems?

Ms. THOMAS-GREENFIELD. I think the companies, and we are very conscious of some of the environmental impact of the oil production areas in Nigeria. They have done a tremendous amount of work to reduce flaring, which has caused problems for people in those areas, and I think they are working closely with the government to try to address some of those issues. I also think they are very conscious that this is not a military problem. And if it becomes a military problem or a military solution to addressing this, we end up with some of the problems we had when Shell Oil Company allowed those boats to be used by the government. Fortunately, most of the U.S. companies' extraction is offshore and they are—they have not been affected by this as much as Shell Oil Company, but I think again, we are working to try to address the root causes and not see this as just a security and military solution.

Mr. PAYNE. Thank you.

Mr. SMITH OF NEW JERSEY. Thank you.

Ms. LEE. One more very quick—thank you, Mr. Chairman. I just learned that last week, two Global Fund HIV/AIDS grants were

canceled as a result of some allegations of corruption. I wanted to find out if you know anything about that, what that was about, and what will happen now—well, first of all to the grants and the money, which ultimately means what happens to the people who are going to—should have benefited from that. And then secondly with regard to the oil companies, I know in South Africa, many United States businesses actually have established very fine health care centers, support centers, HIV/AIDS prevention, you know, programs, the distribution of anti-retroviral drugs, what have you. Are the oil companies in Nigeria doing such—are they following the companies in South Africa, or what do you know about that?

Ms. THOMAS-GREENFIELD. I am not aware of the Global Fund corruption issue that you raise. I can look into it, but I haven't seen anything on that one. The companies are putting in hospitals. I don't think it is on the scale that we have in South Africa. But in a meeting with Shell Oil Company recently, they mention that in some of the areas they are working in they have put clinics and they have put hospitals, but again, not on a very large scale.

Mr. PAYNE. Also would you yield?

Ms. LEE. Yes.

Mr. PAYNE. Just on a problem that we were having being involved with the eradication of polio, and as you know, polio has been eradicated in most countries, only in about three or four countries, only about 4 or 5 years ago. There has been a resurgence again, but one of the countries was Nigeria. Now, there was a rumor in the northern part that the vaccine was, you know, poison or it was not—it was used to infect the people, and it was not being distributed up in the north.

Has that—and the feeling is that because it has gone unchecked in northern Nigeria, that polio, the spread of polio, once again is starting to move into other countries, and there are more reported cases this year than we had 2 years ago. Do you know if that situation has been settled in regard—and whether the governors in the north are allowing the vaccine, the oral polio or whatever way they use it, to be distributed?

Ms. THOMAS-GREENFIELD. I am aware of the situation, and I am not—I don't know the answer to the question, whether the governors are allowing it to be used, but it is an issue that we have on our agenda for the World Health Assembly that is taking place in Geneva and working with WHO and other international agencies to address the concern in Nigeria. But it is something that we are quite concerned about, when polio has been eradicated in most places in the world.

Mr. SMITH OF NEW JERSEY. Okay. Secretary, thank you so much for your testimony, and it is great to have you here again.

Ms. THOMAS-GREENFIELD. Thank you very much.

Mr. SMITH OF NEW JERSEY. I would like to now welcome our second distinguished witness to the witness stable, Mr. Nuhu Ribadu, who is the Executive Chairman of the Economic and Financial Crimes Commission for the Government of Nigeria. Previously he served for 18 years in the Nigeria Police. Mr. Ribadu has been the recipient of several awards, including the triple Inspector General of Police Award. Notable Nigerian newspapers, including *This Day*

and the *Nigerian Tribune*, declared him the Man of the Year in 2004 and 2005.

And I especially want to thank him for flying in to be here to present this testimony to our Committee. We are most appreciative of that. The floor is yours, sir.

**STATEMENT OF MR. NUHU RIBADU, EXECUTIVE CHAIRMAN,
ECONOMIC AND FINANCIAL CRIMES COMMISSION, FEDERAL
REPUBLIC OF NIGERIA**

Mr. RIBADU. Good afternoon, Chairman Smith.

Mr. PAYNE. There is a button there, and pull that closer to you.

Mr. RIBADU. Thank you. Thank you very much. A very good afternoon to you, Chairman Christopher Smith, Ranking Member Donald Payne, and other distinguished Members present.

I appreciate the opportunity to testify before you, the House Subcommittee on Africa, Global Human Rights and International Operations. It is indeed a privilege, an honor for me to really have this chance to share with you our experience on what is going on in Nigeria today.

The history of corruption in Nigeria is a topic we are talking about, is strongly rooted in the 29 years of military rule my country has experienced since achieving independence in 1960. Successive military regimes subdued the rule of law, facilitated the wanton looting of the public treasury, decapitated public institutions and free speech and instituted a secret and opaque culture in the running of government business. The result was total insecurity, poor economic mismanagement, abuse of human rights, ethnic conflicts, and capital flight.

Democracy was started in Nigeria only in May 1999, with the election of the civilian government of President Obasanjo.

One cardinal program is the fight against corruption and waste in the public service. This he has demonstrated by the establishment of the two major anti-graft institutions, the Independent Corrupt Practices (And Other Related Offenses) Commission and the Economic and Financial Crimes Commission, which I am privileged to head. It is important to note that the fight against corruption is situated within the larger economic reform program of government, the National Economic Empowerment Development Strategy, a home-grown medium-term poverty eradication strategy. NEEDS is an economic and structural reform program designed to bring improved macro-economic stability, better public expenditure management, reduced corruption, increased transparency and improvement in key sectors, including the financial sector.

The anti-corruption strategy of the Government of Nigeria. The government's target is zero tolerance for corruption. This it has pursued through promulgation of laws, anti-graft laws, Independent Corrupt Practices—I have a very long statement. I am just going to go through and briefly summarize some of the major points that are reflected in the report.

The promulgation of the new most stringent laws, anti-corruption, economic crimes, institutions for effective law enforcement, prosecution and conviction of high-ranking public administration officials, judicial and justice sector reforms, tracing, seizing and confiscation of all proceeds of crime, public reorientation through

targeted advocacy, institution of the Due Process Mechanism in public sector procurements, transparent privatization of failing public institutions and creating an enabling environment for effective private-public partnerships, monthly publication of distributable revenue from the Federation Account to the different tiers of government, institution of transparencies and accountability in the oil and gas sector through the work of the Nigerian Extractive Industries Transparency Initiative, which has opened up the oil and gas sector through a landmark independent audit, conducted by the Hart Group.

Institution of the three services saved the nation over 3 billion U.S. dollars, which would have been lost through inflated contracts, and introduced local-international competitive bidding for government contracts.

Formalization of due process through a law. That law is now awaiting passage by the National Assembly of Nigeria. The establishment of Nigerian Financial Intelligence Unit, NFIU, helps in the detection of suspicious transactions.

Nigeria is one of the 21 most improved nations in 2005. More importantly, the 2005 World Economic Forum and World Bank Governance Surveys by Daniel Kaufman indicated significant improvement on corruption, public procurement, public finances and taxation.

Indeed, the Transparency International Report for this year has also clearly shown resolve. Some of the steps taken in Nigeria are beginning to show. This, indeed, if we address the problem of corruption, has a chance of changing the country.

Economic and Financial Crimes Commission—this is the commission I am heading. I will give you a brief overview of what it is and what we are doing. The EFCC, which is today the arrowhead in the fight against corruption in Nigeria, was established in 2003 as a part of a national reform program, as I have told you earlier. Yes, this is an interagency commission comprising a 22-member boardroom from all Nigerian law enforcement agencies and other regulators. I am just going to talk very briefly on some of the positive steps and measures that have been so far achieved from the work of the EFCC.

Fundamentally, the most important thing I can see is the change of attitude. We have been able to show really for us to move forward, for us to be able to solve the problems facing us, we have to first of all change, change in the way—really we have to start more or less from the beginning, clean, sanitized, and establish due process and transparency in our system. We have to just do that. Otherwise, there is no chance for us to really make any headway.

EFCC has been involved in the investigation of cases ranging from high-profile corruption cases, investigating fraud, money laundering, tax evasion, contract scams, identity theft, illegal oil banking, bribery, looting, and foreign exchange practices.

EFCC is also at the forefront in the drive to sanitize and clean key government agencies. We have been able to more or less put a case for the change of obligations in most of these important government agencies, for example, Nigerian Police Force, the Customs Department, Drug Law Enforcement, Ministry of Justice, and now we are in the maritime sector as well.

The work of the EFCC somehow more or less sees the possibility of removing the very bad people who have been in control of these agencies, put in new people, and then through them will be able to somehow have a new way of handling things.

Prosecution and conviction of corrupt government officials and cleansing of the banking sector. This is extremely very important in the work we are doing. We believe that unless we start bringing people to justice, unless we start showing that there is rule of law, order, unless we start bringing the bad people who are responsible for the bad things that happen in the country, those who brought disrepute, abominate, somehow responsible for the failure. Unless we bring them to justice, there is no way, no chance for us to really move forward. Nobody will believe whatever step or intent we mean to take. In that we are doing fairly well.

As a result of the work we have done, we have been able to, for example, bring the most important, number one law enforcement officer in the country, the Inspector General of Police, to justice. We seized over \$151 million from him. We have brought the President of the Senate, the Leader of the National Assembly, the three most important persons and popular Senators and Representative members in Nigeria to justice. We have been able to bring two Governors. One of them is a prior State Governor, the one that we caught earlier. He is a Governor of one of the oil-producing states in Nigeria. We got from him today over 18 billion naira, we got from him 23 million pounds, and this we did through the assistance and support of the U.S. Government. We are reporting a fairly good, impressive number of convictions so far, particularly with the cases of foreign corruption. We have about 56 convictions in a country that never had one up to September 2003. For well over 40 years of our independence, we have never had one single conviction for corruption in our country. Today I am proud to tell you that we have had 56. It is a real indicator that things have changed in our country.

We have made huge recoveries in terms of money. The work we have done today, we have recovered well over \$5 billion, money that ordinarily would have gone down the drains. Some of the money belonging to innocent victims of 419 scams all over the world. We are returning such money. We have returned money to Brazil, we have returned to Singapore. We have returned to Hong Kong and even to the United States. Right now I am planning to hand over well over a million dollars to a victim of 419 fraud. We are showing by that that Nigeria will no more be a safe haven for fraud or fraudulent activities.

We have helped in setting up the FIU, Financial Intelligence Unit. This is very important and critical. It helps us to have control and understanding of the finance sector in Nigeria. Through that we have been able to understand really the nature of corruption in the country, what is going on. And through that, we have been able to bring some of the major cases that we have today in our courts. We are prosecuting well over 350 cases in our courts, and somehow the establishment of the FIU has helped greatly in helping us with that initiative.

We were setting up initially for monetary activities in the oil industry and prevention of illegal banking. We have done fairly well

in that, the EFCC addressing the problem of illegal banking of crude oil. In 2003 we had a record of up to 100,000 barrels of oil stolen daily in the country. We went in, we were able to bring so many of them—we have got up to about 10 convictions. We went after about 23 companies. We seized well over 40 tankers. And for the first time, for the first time I think we have got a report from the LMPC Nigerian oil, national oil company, that the incident of theft of crude oil reduced to less than 20,000 barrels a day. These are some of the things that we have been doing.

The lesson with law enforcement agencies, excellent working relationship with law enforcement agencies all over the world. When we started working, we believed that for us to really start making headway forward, we have to move forward for us to make an impact, we have to ensure that we build a reputation, to be able to have the confidence of the international community, particularly the law enforcement agencies, and we have got that. We have been working closely with, for example, the Metropolitan Police of the U.K., the FBI, INTERPOL, and particularly the FBI. It has been really, really helpful.

We have had joint control delivery operations. We have had working relations with the United States Drug Enforcement Agency, joint investigation with the Regional Security Office on general fraud and visa/passport fraud and FBI Legal Attache in Lagos. Several training courses have been organized by United States officials and in different departments of the U.S. Government.

There exist serious challenges to the continued successful prosecution of the war on corruption in Nigeria. These include: Relatively slow judicial system, the technological complexities in fighting economic crimes in cyberspace, lack of capacity and investigation tools, such as analysis.

And of course, some of the problems are also external. The availability of safe havens for corrupt Nigerian officials outside the country to keep their loot. And this is probably one of the biggest problems that is facing fighting corruption, not just Nigeria but indeed African countries. Most of this grand corruption that does take place in the country does go out, 80 percent of it. And the moment it is out, we have no control over it. And unless you address such, chances are you won't win the war back home. Revising the bad image and real bad position of the country. Lack of cooperation from some countries.

Request of the U.S. authorities. The U.S. and members of the G-8 should be—and we are acting strongly—be in the forefront of building a global coalition against corruption. Make transparency and accountability and the fight against corruption the primary basis for relating with any government.

We also ask you to speak out against governments that provide safe havens for proceeds of corruption from Nigeria and other developing countries and deny for all persons indicted of graft in Africa.

The U.S. should also consider the deployment of additional FBI agents and other officials or law enforcement officials at the United States Embassy in Nigeria and starting collaboration with Nigerian law enforcement agencies. This is really helping us greatly. We have seen the result of the work we have done with the Metropoli-

tan Police of London. Some of the major cases that we have been able to really achieve is as a result of the support they have given us.

In conclusion, I want to end by drawing attention to the grievous harm that corruption has done to Nigeria and Africa over the years. Corruption is the reason there has been a perpetual collapse of structures and institutions. It is the cause of the endemic poverty in Africa. It is the reason for the underdevelopment and the cyclical failure of democracy to take root in Africa. Corruption can be as destructive as terrorism. Public officials who are corrupt should receive equal treatment reserved for terrorists. Probably if you ask me, it has caused more damage than anything. If you see what is happening in Africa, in the last few years alone, I can assure you we have lost well over two million people simply because of the mismanagement, simply because of the way our leaders handle their own countries. And this is as a result of directly primitive, crude corruption that is really more or less the order of the day that is happening.

It is high time we refocus and give issues of corruption the attention they rightly deserve. The challenge before us is to set our sights on making corruption, which is a fundamental cause of the poverty of the African nations, a part of Africa's history. Corruption has been the missing piece in this worrisome puzzle, and as soon as it is tackled everything else will fall into place and poverty will definitely become a part of our history.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Ribadu follows:]

PREPARED STATEMENT OF MR. NUHU RIBADU, EXECUTIVE CHAIRMAN, ECONOMIC AND FINANCIAL CRIMES COMMISSION, FEDERAL REPUBLIC OF NIGERIA

INTRODUCTION

The history of corruption in Nigeria is strongly rooted in the over 29 years of military rule, out of 46 years of her statehood since 1960. Successive Military regimes subdued the Rule of law, facilitated the wanton looting of the public treasury, decapitated public institutions and free speech and instituted a secret and opaque culture in the running of government business. The result was total insecurity, poor economic management, abuse of human rights, ethnic conflicts and capital flight.

Democracy was restored in Nigeria only in May 1999, with the election of the Civilian Government of President Olusegun Obasanjo.

One cardinal Programme of the Obasanjo administration is the fight against corruption and waste in the public service. This, he has demonstrated by the establishment of two major anti-graft institutions, the Independent Corrupt Practices (And Other Related Offences) Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC) in 2000 and 2003 respectively.

It is important to note that the fight against corruption is situated within the larger economic reform programme of the Government, the National Economic Empowerment and Development Strategy (NEEDS), a home-grown medium-term poverty eradication strategy. NEEDS is an economic and structural reform programme designed to bring improved macro-economic stability, better public expenditure management, reduced corruption, increased transparency and improvement in key sectors, including the financial sector.

THE ANTI-CORRUPTION STRATEGY

The Government's target is zero tolerance for corruption. This, it has pursued through—

- Promulgation of laws against graft—Independent Corrupt Practices And (Other Related Offences) Commission (ICPC) Act, Economic and Financial Crimes Commission (EFCC) Act, Money Laundering (Prohibition) Act 2004

- Strengthening of anti-corruption and other economic crimes Institutions for effective law enforcement
- Prosecution and conviction of high ranking administration officials
- Judicial and justice sector reforms
- Tracing, seizing and confiscation of all proceeds of crime
- Public reorientation through targeted advocacy
- Institution of the Due Process Mechanism in public sector procurements
- Privatisation of failing public institutions and creating an enabling environment for effective private-public partnerships
- Monthly publication of distributable revenue from the Federation Account to the different tiers of government
- Institution of transparencies in the oil and gas sector through the work of the Extractive Industries Transparency Initiative (NEITI)

Economic and Financial Crimes Commission

The EFCC which is today the arrow-head in the fight against corruption in Nigeria was established in 2003 as part of a national reform programme to address corruption and money laundering and in answer to the Financial Action Task Force (FATF) concerns about Nigeria's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) laws.

EFCC is an inter-agency Commission comprising a 22-member Board drawn from all Nigerian Law Enforcement Agencies (LEAs) and Regulators. The Commission is empowered to investigate, prevent and prosecute offenders who engage in

“Money laundering, embezzlement, bribery, looting and any form of corrupt practices, illegal arms deal, smuggling, human trafficking, and child labor, illegal oil bunkering, illegal mining, tax evasion, foreign exchange malpractices including counterfeiting of currency, theft of intellectual property and piracy, open market abuse, dumping of toxic wastes, and prohibited goods”

(Section 46, EFCC Establishment Act, 2004)

The Commission is also responsible for identifying, tracing, freezing, confiscating, or seizing proceeds derived from terrorist activities. EFCC is also host to the Nigerian Financial Intelligence Unit (NFIU), vested with the responsibility of collecting suspicious transactions reports (STRs) from financial and designated non-financial institutions, analyzing and disseminating them to all relevant Government agencies and other FIUs all over the world.

In addition to any other law relating to economic and financial crimes, including the criminal and penal codes, EFCC is empowered to enforce all the pre-1999 anti-corruption and anti-money laundering laws. Punishment prescribed in the EFCC Establishment Act range from combination of payment of fine, forfeiture of assets and up to five years imprisonment depending on the nature and gravity of the offence. Conviction for terrorist financing and terrorist activities attracts life imprisonment.

POSITIVE RESULTS SO FAR

Since the establishment of EFCC in 2003, it has been involved in the investigation of cases ranging from high profile corruption cases, advanced fee fraud, money laundering, tax evasion, contract scams, identity theft, illegal oil bunkering, bribery, looting, and foreign exchange malpractices.

• *Cleansing of the Banking Sub-sector*

EFCC has contributed to the sanitization of the banking sector through investigation and prosecution of Chief Executives and other officials for Money Laundering and other frauds. Bank failures which were rampant in the past have now become a thing of the past.

• *Reorganization of Critical Agencies of Government*

EFCC has led the drive to clean up and reorganize key agencies and institutions of government in Nigeria. The Commission's work has led to the change of leadership of the most critical agencies such as the Nigeria Police, the Customs and the National Drug Law enforcement Agency (NDLEA). The new leadership are driving necessary reforms of these vital agencies that were hitherto steeped in corruption.

• *Prosecution and Conviction of Corrupt Top Public Officers*

The Commission has successfully prosecuted and secured convictions against top government functionaries, including the former chief law enforcement officer of the

nation, the Inspector-General of Police (IGP). Investigation by EFCC has caused the removal from office and prosecution of a Senate President, a Governor, Ministers, National Assemblymen, Bank Chief Executives, etc.

- *Record Convictions for '419', Money Laundering and Terrorism*

So far, 56 convictions have been recorded on corruption, money laundering, oil pipeline vandalism and related offences. Assets well over \$5 billion have been frozen and seized from corrupt officials, their agents and cronies.

- *Recovery and Return of Proceeds of Crime*

The fight against advance fee fraud (419) and identity theft has been aggressively pursued, leading to the prosecution and conviction of kingpins including the celebrated \$242 million case involving a Brazilian Bank. Much of the sum has been recovered and returned to the Bank in Brazil.

The EFCC also recovered and returned the sum of \$4 million to a victim of 419 in Hong Kong and has seized and returned over \$ 500,000 to sundry US citizens. It is in the process of returning \$1.6 million (already blocked) to a victim in Florida.

- *Setting up of the FIU and Taking Action against Terrorist Financing*

The fight against money laundering, terrorism and terrorist financing has heightened with the establishment of the Nigerian Financial Intelligence Unit (NFIU) by the EFCC. This has helped in the detection of Suspicious Transactions in financial institutions.

The EFCC is coordinating the implementation of the National Strategy Plan Against Money Laundering and Terrorist Financing. This has no doubt impressed the Financial Action Task Force (FATF) of the G8 whose Review Team only recently concluded an on-site visitation to the country with a view to assessing her level of compliance in order to have her delisted from its list of Non-Cooperating Countries and Territories (NCCTs).

Nigeria is fully in compliance with the UN Convention Against Corruption and UN Resolutions on terrorism and terrorist financing particularly Resolution 1247. The EFCC on March 3, 2006, froze the assets and properties of Ahmed Idris Nasreddin and his associated companies, NASCO Group Nig Ltd. The value of the assets frozen is worth over N100 million (\$787,402). Two (2) convictions on terror have been recorded and the 5 convicts are presently serving 10 years and 3 years imprisonment respectively. EFCC also maintains a database on Terrorist Groups, individuals, Non-Governmental Organizations (NGOs), etc, and is constantly profiling them.

EFCC has extended the fight against Money Laundering to the Economic Community of West African States (ECOWAS) Sub-region by facilitating the operationalization of the FATF-style regional anti-money laundering outfit, the Inter-Governmental Action Group Against Money Laundering in Africa (GIABA).

- *Setting up Machinery for Monitoring Activities in the Oil Industry and Prevention of Illegal Bunkering*

EFCC is vigorously addressing the nagging problem of illegal oil bunkering and pipeline vandalism in the Niger Delta Region. Over 10 convictions on pipeline vandalism have been recorded, 25 trailers (instrumentalities of crime) seized and confiscated and accounts of beneficiaries blocked.

- *Partnership with Microsoft against Internet Scam and Identity Theft*

EFCC has deployed technology to combat cyber crimes and is presently working in partnership with Microsoft to find appropriate software to definitively address the problem.

- *Capacity Building for Law Enforcement and Judicial Officials*

Capacity building is key in the fight against graft. EFCC has responded by establishing a state-of-the-art Training and Research Institute in Karu, Abuja, for the training of its officials and those of other stakeholders.

EFCC has also assisted through donor agencies with the training of judges handling cases of corruption, money laundering and other financial crimes. This has helped to reduce the trial cycle-time.

RELATIONSHIP WITH LAW ENFORCEMENT AUTHORITIES (LEAS)

EFCC has excellent working relationship with major Law Enforcement Agencies all over the world. These include the INTERPOL, the UK Metropolitan Police, FBI, Canadian Mounted Police, the Scorpions of South Africa, etc.

The relationship with the FBI has been particularly special. This has manifested in the following:

- Joint Controlled delivery operations and investigations with officers of the US Postal Inspections Service
- Joint Investigations and collaboration with the Resident Regional Agent of the United States Secret Service, Pretoria, South Africa, especially in cases of document and currency counterfeiting
- Working relationship with the United States Drug Law Enforcement Agency
- Joint Investigation with the Regional Security Office on general fraud and Visa/passport fraud
- Joint Investigation with the FBI Legal Attaché and the FBI Internet crime Complaint Centre
- Extradition proceedings commenced in respect of a Suspect (Nigerian-American) wanted in the United States for child abuse
- Collaboration and information sharing with the Attorney's Office, Brooklyn, New York
- Several training courses organized by the US officials on Cyber-crime, Money Laundering, Public Corruption, Counterfeiting, Identity Theft, etc.

OTHER ANTI-CORRUPTION INITIATIVES OF THE NIGERIAN GOVERNMENT

The work of the Nigeria Extractive Industries Initiative (NEITI) has opened up the oil and gas sector through its landmark independent audit conducted by Hart Group. The audit had a three-pronged component—Physical, Financial and Process. The result of the audit revealed discrepancies in physical hydrocarbon balances and declared volumes for royalty purposes, physical hydrocarbon balances and the declared volumes for Petroleum Profit Tax (PPT) purposes, deductions claimed by Companies for PPT purposes against the expenditures in their audited accounts and differences between the amounts reported by the Companies as paid and the amounts reported by the CBN as received.

Other revelations of the audit Report include:

- (a). Defective metering infrastructure
- (b). Wide differences used by oil Companies for royalty and PPT
- (c). Contradictions in Gas investment and incentives which appear to be inconsistent with the PPT Act and the Companies Income Tax.

A whole range of recommendations have been outlined to address the above deficiencies. By the time-table set by the National Stakeholders' Working Group (NSWG) of the NEITI, all reconciliations of the discrepancies are to be completed by June 14, 2006. The work of this body for the first time is enabling Nigerians know how revenue from oil and gas is determined and how much has accrued to the nation.

The Due Process mechanism has in 3 years saved the nation over \$3 billion which would have been lost through inflated contracts. The Process has also introduced local and international competitive bidding for government contracts. Formalization of the process through a law is now awaiting passage by the National Assembly.

Nigeria is listed as one of the 21 most improved nations in 2005. More importantly, the 2005 World Economic Forum and World Bank Governance Surveys by Dr. Danny Kaufman indicated significant improvements on Corruption, Public Procurement, Public Finances, Taxation, etc.

The Rule of law has been substantially restored and Nigerians are once more, regaining their confidence in the justice system. The restoration of the Rule of law and the fight against graft has manifested in the improved rating by Transparency International (TI) and Direct Foreign Investment (DFI) inflows into the country. This is also manifest in the high support received from the international donor community including the World Bank, the European Union and the Commonwealth Secretariat. The European Union through the UNODC is today, implementing perhaps, the biggest donor project in Nigeria involving \$32 million. This project aims to improve EFCC capacity in investigating and prosecuting corruption and other economic crimes. In addition, it will help equip the NFIU with the best available technology on AML/CFT.

CHALLENGES OF FIGHTING CORRUPTION IN NIGERIA

There exist serious challenges to the continued successful prosecution of the war on corruption in Nigeria. These include:

Internal

- Relatively slow Judicial system

- The technological complexities in fighting economic crimes in the cyber space
- Lack of capacity and investigation tools such as analyses tools, financial transactions software, etc

External

- The availability of safe havens for corrupt Nigerian officials to keep their loot abroad
- Reversing the bad perception of the country
- Lack of cooperation from some countries

REQUEST TO THE US AUTHORITIES

1. The US and members of the G8 must be in the forefront of building a global coalition against corruption. Make transparency and accountability and the fight against corruption the primary basis for relating with any government
2. The US must speak out against countries that provide safe havens for proceeds of corruption from Nigeria and other developing countries. It ought to be a condition that your government will have no relationship with countries where grand corruption is prevalent and, those whose financial institutions provide safe havens for proceeds of crime
3. The government of the United States should support and empower local agencies on the ground, through capacity building and technical assistance
4. I will also implore you to make it a matter of policy to deny entrance to your country of all those persons who have been indicted of graft in Africa. The honour which they do not deserve at home should not be accorded them abroad
5. The US Authorities should also consider the deployment of additional FBI Agents at the US Embassy in Nigeria and strengthen collaborative initiatives between agencies fighting corruption in Nigeria and all law enforcement agencies and the Justice Department in the US. This will expedite requests for assistance made to US Authorities on economic crimes. The huge population of Nigeria (150 million) and the relatively high rate of white collar crimes in Nigeria justify this request.

While we seek more support for the monumental changes happening in Nigeria, we are happy that certain critical international agencies and governments are acknowledging the effort at tackling corruption and money laundering and recognizing that things are changing for the better, as evidenced in the following encouraging comments:

“Nigeria is a prime example of what can happen when leaders finally say no “Enough!” to rampant corruption. I therefore salute Nigerian President Obasanjo’s “Zero Tolerance” initiative that has triggered high level resignations, arrests, and indictments”.

—**Antonio Maria Costa**, Executive Director, United Nations Office on Drugs and Crime

“Finally, thank you very much for your assurances that the £3m which we recently transferred is all being used to support the Economic and Financial Crimes Commission (EFCC). The ongoing work of the Commission and its head are very important to the way in which Nigeria is perceived internationally. I much admire your decision to establish the EFCC and give it your personal backing”.

—**Mr. Tony Blair** to President Olusegun Obasanjo

CONCLUSION

I want to end by drawing attention to the grievous harm that corruption has done to Nigeria and Africa over the years. Corruption is the reason why there had been a perpetual collapse of infrastructure and institutions; it is the cause of the endemic poverty in Africa; it is the reason for the underdevelopment and the cyclical failure of democracy to take root in Africa. Corruption is worse than terrorism. Public officials who are corrupt should receive worse treatment than that reserved for terrorist.

It is high time we refocus and give issues of corruption the attention they rightly deserve. The challenge before us is to set our sights on making corruption, rather than poverty or any other socio-economic malaise, history. For, as soon as we do so, everything else, like a worrisome jigsaw puzzle, will fall in place. Making corruption history is the surest way of making all the problems of Nigeria and Africa history.

Thank you for your time

Mr. SMITH OF NEW JERSEY. Thank you so much again.

Mr. RIBADU. Thank you very much for the opportunity to share with you.

Mr. SMITH OF NEW JERSEY. Thank you. Let me ask you a few questions if I could, beginning—you mentioned in passing that the U.S. law enforcement assets have worked cooperatively with you. Is it to the maximum extent, are you satisfied that when it comes to dealing with the American bank accounts and other places where this money may have been deposited, that the FBI, DEA, and others are working well? Could you elaborate on that?

Secondly, some complain about the Governor of Bayelsa—and did you mention him a moment ago—I think it was \$22 million that had been stolen or had ripped off in some way. Some say he had been targeted, but other Delta governors not hostile to Obasanjo had been left alone. Is there any validity to that?

And finally on the issue of bidding, bidding in any country of the world is an area where if there is not real transparency, whether it be procurement with the U.S. Government or anywhere else, it lends itself to corruption. If you write the regulations, if you write the specifications for a bid, and you have an inside job going, you get the bid. What is being done to target that?

Mr. RIBADU. Well, thank you. There are three questions there. First is on the relation with the law enforcement, particularly FBI. We have been working. I will really be getting the support, especially at that local level, the Attache in Lagos, we have had very good support, but we really need more. We think that for us to make an impact, to make a difference, we will definitely have to get the support of very powerful—those with the means to be able to really give us the support for us to survive back home. We have had the greatest support, for example, from the Metropolitan Police in the U.K. They gave us almost unfettered, really open support. Whatever we wanted is just for us to ask, and we have got it. Through that, we have been able to bring so many people to justice, including the Governor of Bayelsa. He was detained by the Metropolitan Police. He was arrested in London. The money was seized by the Metropolitan Police, some part of the money, and we know for a fact that some of his properties and money in the U.S., for example, we have been trying to get the support to go after it. Up to now, we have yet to get that.

Mr. SMITH OF NEW JERSEY. Are the U.S. authorities indifferent?

Mr. RIBADU. Through the Metropolitan Police, we asked for support as far back as 6 months ago. Up to now we have not received any response. The important thing here is that some such people do enjoy immunity in our country. We find it extremely difficult to bring them to justice as a result of constitutional immunity, but they do not enjoy immunity outside and that is why they take the money out. Unless we get support from outside to ensure that they will not just get away with it, that the money they have taken out will not be—will not have a safe haven anywhere, we may never bring them back to justice in Nigeria because of the immunity they enjoy. It is a constitutional immunity.

Mr. SMITH OF NEW JERSEY. Are there several cases where you have sought help from the U.S. and did not get it?

Mr. RIBADU. We have got fairly good support from the local Legal Attache in Lagos, but in Washington here, unfortunately no, not much. I have been here about three times, requesting such support. But somehow it has not been 100 percent forthcoming really. And it is—

Mr. SMITH OF NEW JERSEY. Without compromising those investigations, could you provide us examples?

Mr. RIBADU. For example, we talk about the Eboli case, the one that you said we are likely—why up to now we have not gone after him. We are in need. We have gone very far. We are almost to the end of it. We ask for assistance here. Somehow no.

We are investigating a case involving Halliburton also. We have yet to get any support. The case involving two other governors—because some of these cases are not yet out, we are constrained in making them public. We have yet to get support.

I have been to the Justice Department. I have been to some of the key law enforcement agencies here, but there is always very good support. This is the first question I think.

Somehow we have got, but we can still do with more support and particularly working relation, working cooperation. This is more important than anything. If there is a possibility, for example, if you ask for something, it will be given, it will be assisted. You do have the capacity to really get anything anywhere in the world, and some of these people do also—somehow directly. They are bringing some of these things, this process into the U.S. And we have been able to identify some of them, and really, really to make a huge, huge difference.

I think the second question is in respect to whether we have been selective in the way we are enforcing. So we have been—this is probably the most difficult work you can ever do in the world, fighting corruption, especially in an environment like our own. It has been going on for a very, very long time.

In the last 3 years, we have been accused of everything. They will say that we are taking sides because of religion, one. They will go again, talk about tribes, typical of Africa. And now they are talking about politics, simply because they want to escape justice. They are used to money corruption to frustrate because of justice. Somehow it is not working with EFCC. It is a case of giving a dog a bad name in order to hang it.

I want to ask anybody anywhere in the world, including Nigeria, to mention one single case that we have gone after, any person, simply because of his political belief. All the people we have brought to justice, especially the very powerful ones, are those that are extremely close to the President, close to the power. We have not taken—up to today—one single case from opposition, not a single case of any individual in the opposition. We brought the cheap law officer who is very close to the President, the Senate President, all these people are in the same party.

But sir, the issue is simply whether what we have is a case that we can make public, transparently, and show the work we are doing in defense. Some of them are using it to really escape justice. It has become a fashionable thing now. Anybody you touch is because I am against the position of Mr. President or I am against that. It is part of somehow what has been going on in our country

in the last 40-some years. They don't want it. They will do anything to escape it. And it is easy for them to really say whatever you are doing is simply because of any other reason but not because of what they have done before—I mean, what they are asked to account for.

On the third issue of the transparency in the process of the meeting, Nigeria has changed. We have never had what we have today. Getting immunity is just taking and giving to friends, girlfriends and business associates. For the first time, we have a process that is opening up, accountable. For the first time, we are bringing international reputable companies to come and oversee and supervise the whole process. For the first time, best time that is brought to the system, but it is growing. It is not something that we can say is on time, no. We are improving daily. It is all part of this global approach to solving our problems. We are working hard in establishing rule of law, transparency and accountability in the system. And through that, I believe most of these problems will—as a matter of time, but it is opening up. The process is improving daily. It is part of this EITI. We in Nigeria want to be at the forefront of implementing it. Today we have implemented it more than any country in the world today, and I think it is a testimony of the resolve of the government and people of Nigeria that enough is enough.

We suffer because of distance. We are the ones that should change. We are the ones that are not getting money for the resources we have. And we know that until we start opening up, cleaning, distribution order, doing things properly and correctly, we will not be able to solve our own problems. We do have enough to take care of ourselves. Mismanagement did not allow us for a while, but things are changing, sir. And I think this is the direction Nigeria is moving now.

Mr. PAYNE. Thank you very much. And let me certainly commend you for the report that you have given, and the importance that you have given to your position. I just have a question. You indicated that the U.S. authorities in some instances have not cooperated with your requests. I would like to, once again, get the information from you about the cases on individuals that you would like to have cooperation on, and I think that we should have our Committee request those agencies to cooperate. We don't necessarily need it to be discussed here in the public.

Mr. RIBADU. Yes, sir.

Mr. PAYNE. But I would be happy to work with the Chairman to write to our—whether it is our banking authorities. And if they refuse, maybe we need to bring them before the Committee to ask them questions about why are they not cooperating. Since we are always lecturing about transparency and anti-corruption, then how could some of our agencies in the U.S. Government refuse to cooperate or our banking colleagues and fellows. So we would like to certainly follow up on that.

Mr. RIBADU. Thank you very much.

Mr. PAYNE. The Sani Abacha family has indicated it is estimated that \$3.5 billion was—up to \$5.5 billion was stolen. What is the current status of Abacha's estate? And are the European govern-

ments, banks or others cooperating? And how much has been recovered? I saw a \$64 million amount, but is there more?

Mr. RIBADU. Well, sir, EFCC was established about 3 years ago. So it was handled by a different agency before our establishment, but I know a bit of it, and I have worked in some areas of it but not totally. I can confirm to you that we have recovered well over \$1 billion so far, part of it from Switzerland and a substantial part of it from Jersey, Leicester in the U.K., but we believe still about \$2 to \$3 billion is still out there yet to be recovered.

His son, one of his children is right now in prison, in prison custody in Switzerland, going to go through a criminal trial. Back home in Nigeria, when we started working, we decided to go after some of the things that we have never known, I mean were never revealed. Some of the shares they had in companies in Nigeria. We recovered about \$2 billion naira, a hundred and something million dollars as a result of these initiatives. We are going after some of his relatives, including two of his brothers who run out of the country. This is the work of the EFCC.

But we believe that—to sum up—maybe as much as \$6 billion was lost as a result of control of the economy. We intend to continue to pursue this case. We intend to—we will not rest. We are going to follow up. We have had difficulty in the cooperation with some other countries, Switzerland for a while, until things changed not long ago. We had sort of a delay in going after the process in the U.K., up to a point where most of the money was taken out, and somehow some of it had been taken to other jurisdictions.

We do have difficulty with France, probably is the biggest problem that we have. For example, we are going after one of the very key individuals involved, who was his Minister of Petroleum. He today is living in Paris, but to get to him it has been extremely difficult. Some real frustrations.

But then it is just like a reflection of almost all other—I mean the work we are doing. A country in Africa usually finds it extremely difficult to get the support of, particularly the countries where most is there.

It is not just Nigeria. It is Kenya, Tanzania. It is all the other countries. We all face more or less the same problems. That is why when we started working in the EFCC we started to build our confidence in law enforcement of different jurisdictions by telling them, look, we are extremely serious. If you want to help us and assist us by solving the problems, this is the best way to go about it. Nothing can change things in Africa but to fight and help us to establish a law and order rule of law, transparency and accountability, good governance in short. And if the world will understand that, then maybe this is the smartest way, the cheapest way to address the problems that they leave when here we are talking about AIDS, talking about the killings, talking about—most of these really are symptoms, but the big problem is the corruption, the mismanagement.

If there would be a way that the world would come and understand that and give the support, fight it, and it can be fought, as we are showing in Nigeria today. We have demonstrated it can really be done, and it is not going to be very costly even. If there is going to be a global coalition, sort of a global understanding, a

resolve that we are not going to tolerate mismanagement again, we are not going to tolerate poor governance, we are not going to tolerate despotic leadership, you are indirectly solving the problems or problem of poverty. You are indirectly solving the problem of AIDS.

What is the problem of AIDS? It is simply lack of education. It is simply because the hospitals are not there. It is simply because the roads to really get things across are not there. Until you solve this, until you get awareness, until you get property, and you can never get it until you have order. Unless you have sort of openness and following rules and transparency, never. Whatever resources that are pumped in there are going to go down the drain, is going to go to waste.

The first and fundamental thing is to address the issue of getting—as to do things properly and correctly. And this is really, really critical. It is very key in solving and understanding the problems facing Nigeria and, indeed, Africa.

On the issue of the specific cases, some of them are more or less waiting to go to trial. It will be maybe at the closing, might want to tell you some of the cases. We ask for support and somehow we have not been—I mention a couple of them, for example, involving a couple of governors in Nigeria. We ask specifically that we are here to get a response.

The case involving even the one who is right now facing criminal trial, the Governor of Bayelsa. Only 3 weeks ago we got information that someone attempted to take money from the account in the United States here. This is part of the problem. We never got really to go after it. But in the U.K., the entirety of the properties and money has been seized. We have succeeded in getting that done in South Africa, and in the Netherlands as well, but we have yet to get anything done in the United States. This is just one case that is out. But we have several, and maybe I don't have to reveal it, sir, because it is like opening up for them to know what is going on. Some of them are very powerful, very, and so on. Maybe it will just give them the signal what is going on, but maybe at the close, something, I will be able to share such information with you.

Mr. PAYNE. Well, thank you very much. I really appreciate it. I didn't want to press the other question of—it was alleged before about some gratuities for persons to try to vote against the referendum or vote for the third term. However, they were defeated, but there was allegations that the funds were taken out of the Central Bank, and it was alleged that it was going to attempt to pay some government parliamentarians to vote for a third term. Have you heard any of that allegation?

Mr. RIBADU. Yes, we had, sir, and we are investigating. The very moment we got to hear about it, we learned about the investigation. We went to almost all the banks in Abuja. That is the Federal capital. We have seized the records and proceeds—I mean most of the banks. We went into the strong rooms, and we took account of whatever. And we did that with the Central Bank as well. That is EFCC. We have done a couple of very similar cases, you may be aware that the Senate, former Senate Member is today standing trial. It is a very similar happening. It is almost exactly like that. We have done it before, and we intend to do it again. We have al-

ready started. We have gone extremely far. I am going to talk to my own office in Abuja. We know we took in two people today, in direct connection to the issue. But at the same time, we even investigated Obasanjo. We even took testimony, a deposition from Mr. Obasanjo.

So in Nigeria, I can confidently tell you, nobody is above the law, and we are doing this honestly, honestly. We believe we have to do it for us really to face our own problems and change them. It is for our own selves. There is a change in the country, and even the failure of the whole process is a testimony that things have changed.

I don't think there is any country in the poor African continent where if money is spent you cannot get the constitution changed to allow a leader to continue, but it has failed in Nigeria. It is a message. It is a huge, big sort of signal that things are no longer as they used to be. Even if money was spent, definitely the money did not make an impact, and this is a big, big, big impact. And I think it is as a result of the happenings in the country in the last 2 to 3 years.

Nigeria has changed. What we need is the support of the world to move forward with what is going on in the country today. I can give you the assurance that nobody—and I mean it—nobody will ever say that he is going to be above the law again in Nigeria. And this is fundamental. Unless we do it, there is no hope for the country, but I can give you the assurance, the resolve of us. Fundamentally, we are not bad people. A few individuals made a mess of our name, our history, our reputation, and some of us are extremely very angry, and there are so many of us like that. The majority of Nigerians are good people, hard working, who want to improve things for themselves and for their own people and their own families and that we know if we do not do that, maybe there is no hope for Africa even because we occupy a very particular central position in Africa.

If things continue to go wrong in Nigeria, I can give you the assurance there is no hope for the rest of the continent. We know that responsibility is on us. We know that we have really been unfairly, unfairly treated by our leaders in the past, and we are not going to take it alone. Enough is enough. So the issue of anybody using anybody is not there. Definitely, no. It will not work.

Mr. PAYNE. Let me really commend you for your courage, and you are a breath of fresh air, if nothing else, for this hearing. We have heard the ugly stories about the greed and the robbery and the stealing and so forth. However, to hear you talk about the new Nigeria and for you to be so committed to eliminating corruption, I think that what has happened in the past has happened. Try to bring people to justice. However, I think that your statement here today, if that is the new Nigeria, the Nigeria will be what it was intended to be, one of the greatest nations in the world because you have the people, you have the resources, you have the natural resources, you have—God has blessed Nigeria. And your words and the new Nigeria—if you are an example of it—will certainly be a world leader tomorrow.

Mr. RIBADU. Thank you very much.

Mr. SMITH OF NEW JERSEY. Let me just conclude as well by thanking you not just for your courage, but also for your passion,

and I would agree with my friend and colleague that it gives all of us great hope for Nigeria. As a matter of fact, when Greg Simpkins met with you just about 3 weeks ago, he came back saying, "You have got to meet this man." And it is at his request that you are here, and I think the entire Congress needs to hear you. And again, in follow-up to the lack of cooperation on those specific cases, whatever it is you would like to make available to us in a confidential way, we will talk to people in Justice and State to ensure that that cooperation is robust and thorough. It seems to me that we should be absolutely working overtime to ensure that those who are breaking the law and robbing Nigeria of its future—and if we can be a part of putting them behind bars and reclaiming that money for the people of Nigeria, we have got to do our part as well.

So thank you so much.

Mr. RIBADU. Thank you very much. Thank you.

Mr. SMITH OF NEW JERSEY. It has been great having you.

I would like to invite our third panel, beginning with Mr. David Goldwyn, who is President of Goldwyn International Strategies, an international energy consulting firm. Through GIS, he has advised the Federal Government of Nigeria on its Extractive Industries Transparency Initiative. Mr. Goldwyn has authored a series of works on energy issues, including a new book, *Energy and Security: Towards a New Foreign Policy Strategy*.

We will then hear from Dr. George Ayittey, a native of Ghana, who is a distinguished economist at American University and President of the Free Africa Foundation, both in Washington, D.C. Previously he was National Fellow at the Hoover Institution at Stanford University. He has published several books including, *Africa: Indigenous African Institutions and Africa Unchained*.

Mr. Goldwyn, if you could begin.

STATEMENT OF MR. DAVID GOLDWYN, PRESIDENT, GOLDWYN INTERNATIONAL STRATEGIES

Mr. GOLDWYN. Mr. Chairman, Members of the Committee, thank you for the invitation to be here. You have already read some of the best parts of my statement, Mr. Chairman. So I will be very brief.

Let me start by saying it was a privilege for me to be able to assist Nigeria in designing and implementing this effort. This is called part of—it is the Nigeria Extractive Industries Transparency Initiative, or NEITI. EITI is a very important minimum standard for transparency in the world. Disclosing revenues, auditing both—independently auditing both government and state-owned enterprises, is designed to empower people to hold their governments accountable. But in Nigeria the problem was much bigger. In Nigeria, basically nobody trusts the system. Nobody trusts the companies. Nobody trusts the government. Nobody trusts the regulatory agencies. So when they set out to design an audit, they decided to look at the entire system, from the time the oil comes out of the well-head to where it is turned into cash, to where it goes when it is exported from the country and whether it ends up in the Central Bank. They could have just looked at a year or 2, but they decided to look at the whole Obasanjo term at that time, which was 5

years, which was a large undertaking, extremely ambitious and also courageous, courageous by the President I think, President Obasanjo, because I think they all knew that this would expose deep weaknesses in basically every part of government. It was courageous on the part of Obi Ezekwisi, who was Special Assistant to the President and now the Minister of Solid Minerals, because it was a fight to push this through and to get the kind of disclosure that she wanted, and the Nigerian system far exceeds the ITI principles, far exceeds anything done anywhere in the world. I mean, they have published into this aggregated way every well, what every company pays, what they pay for, and they have looked at every government process.

The audit was just released, and I think the discrepancies tend to obscure the success. So let me talk a little bit about the success. Ninety-eight percent of revenues were in fact reconciled. That means they reconciled how much oil came out of the terminals, how much oil got sold, where it got sold, and the cash ended up in the Central Bank. Two percent, when you are talking about last year \$24 billion in federation revenue, is a lot of money. There are discrepancies, but in fact they found, they did reconcile enormous amount of flows. They reconciled the net liftings. They would ask people to get access to the way all these government agencies operate, and they were able to expose tremendous weaknesses. And I think that is a huge accomplishment, that they got that done, and that they had it published on the Web, and that they are taking actions.

Of course what it exposed was enormous weaknesses all over the government, all weaknesses in the way their internal revenue system, the FIRS audits in the way their internal revenue system, their regulator really doesn't regulate. It exposed that there really is no system for measuring oil that comes out of the wellhead, only the terminal, which means nobody has a number, a real number on how much oil is being stolen. And the companies will say, you know, all kinds of things come out of the wellhead, water and gas and all kinds of other things. No one is saying you ought to pay royalty on what comes out of the wellhead, but you need to know how much is being stolen because that is a big problem for the United States and for the region as well. They did find incredible discrepancies for years and the Central Bank recorded more payments than the companies indicate that they paid, and years—in 2002 in particular \$212 million I think in net payments were reported paid by the companies but didn't end up in the Central Bank. Does that mean there is corruption? We actually don't know. There was a tremendous amount of poor recordkeeping and misreporting that the auditors found throughout the course of the year, you know, things that were recorded in the wrong category.

Investigations now will take place to see what happened, but it is really a tremendous accomplishment which no one has ever, has ever accomplished to highlight all these weaknesses.

What did it generate? It generated an enormous menu of things that needed change, from change in the business processes of basically every part of government that deals with the oil industry, changes in the way Nigeria decides what projects to invest in. They don't actually act as an effective partner in the joint ventures be-

cause they don't make strategic decisions about which projects are the best projects. And so a number of things have to happen to implement these changes.

The President has heard the report and directed the NEITI to proceed with a plan to implement all of these changes. The law that will institutionalize this, the NEITI law has been passed by the House but not the Senate. That needs to be passed. They need to prioritize which reforms will take place. They need to communicate the results to the Nigerian people so this empowerment actually takes place. They need to modernize virtually every agency and government, and they need to audit 2005 and figure out whether any of the changes which have been recommended have been made.

This leads me to what the U.S. can do. Good governance is really expensive. And I heard my colleague from the U.S. Government say they gave a million or a \$1.7 for EITI. I believe that was the worldwide, and there are a lot of countries trying to do that. There is a big program in Nigeria, but it is not supporting EITI. The audit cost over \$2 million. A communications strategy, a minimal one, to communicate to Nigerians might cost a half a million dollars. Modernizing the information technology systems for the petroleum revenue, that could cost \$10 million. The United States doesn't have to pay for all this, shouldn't pay for all this. Nigerians will pay for a lot of this, but getting this thing off the ground, getting the technical advice to help countries do this is really expensive, and a million dollars, \$2 million, especially worldwide, just doesn't cut it.

And I think, as you said, Mr. Chairman, we talked to a lot of countries about you need to be more transparent, you need to fight corruption. Well, they are doing it in Nigeria or they are trying. Now we will see them implement what has been presented to them, but there are lots of things the United States can do.

The first thing is we ought to have some acknowledgement by the Secretary of State, by the President that wow, this is a really tremendous accomplishment, and Nigeria should be complimented for it. Didn't really make the news, and I think it should.

Second, we should support EITI even though it is a minimum standard, and we should do much more, more than G-8 statements in Evian because, you know, I participated in five of those. They are done once they are over. You have the communique, but to concretely support it, which means the Secretary of State needs to talk about it when she talks to another leader. The President needs to talk about it when he talks to another leader. That doesn't happen right now. We ought to contribute to the World Bank's EITI trust fund because they are helping countries all over the world. And we don't have to care about all these countries, but we can at least contribute the way the U.K. and Norway and others have to have this happen, but I think we ought to step up and help Nigeria. We have technical assistance in all these areas where they don't. Public diplomacy, how to do a communications strategy, how to modernize a regulatory system, how to implement transparent regulations, you know, how to conduct, you know, to build your IRS up so you can conduct effective audits.

You know, we have got the world standard on all these things. We could send people over there. We could help with technical sup-

port. It is not about the money. It is about the quality of the advice. So I think Nigeria has accomplished something, something tremendous. They still have to implement it, and we ought to hold them to that as a country, but I think after telling so many people what to do, when somebody actually steps up and does it, we ought to be there to help.

Thank you.

[The prepared statement of Mr. Goldwyn follows:]

PREPARED STATEMENT OF MR. DAVID GOLDWYN, PRESIDENT, GOLDWYN
INTERNATIONAL STRATEGIES

NIGERIA'S STRUGGLE WITH CORRUPTION: THE SUCCESS OF NIGERIA EXTRACTIVE
INDUSTRIES TRANSPARENCY INITIATIVE

It is my pleasure to testify today on Nigeria's struggle with corruption. I have had the honor of advising Nigeria on the design, management and implementation of the audit they conducted in Nigeria's indigenous version of the Extractive Industries Transparency Initiative (NEITI). The NEITI process, launched in 2004, is the most comprehensive transparency program ever attempted under EITI auspices. Their efforts culminated last month in the publication of three audits that examined private sector and government participation in Nigeria's extractive industries from 1999–2004. It was a remarkable feat of political courage. Nigeria's leaders were keenly aware that the audits would reveal great weaknesses in government systems in a very public way yet they sought to make the audit as broad and deep as possible. The government and NEITI are now addressing the weaknesses in government oversight systems highlighted by the audit, evaluating how to implement the numerous reforms they recommended and addressing the discrepancies revealed by the audits. Today I will talk about what EITI is, what Nigeria's program aspires to accomplish, its progress to date and what US can and should do to help.

What is EITI?

In 2002 the UK Prime Minister, Tony Blair, announced the establishment of the Extractive Industries Transparency Initiative (EITI). This global initiative supports improved governance in resource rich countries through verifying and publishing company payments and government revenues from the oil, gas and mining sectors. The belief that underlies EITI is that the provision of information is a form of empowerment, and that implementing EITI will help to ensure that natural resource revenues contribute to sustainable development and poverty reduction.

Resource rich states have traditionally suffered from poor governance. The problem, called the resource curse or "paradox of plenty", is that governments that earn revenues from selling off natural resources are not accountable to their citizens because they do not need to tax them to run the government or the country. The non-oil sector atrophies. Governments tend to steal and squander monies they do have available. Governments employ anti-democratic methods to obtain and maintain power. By making revenues transparent, citizens can hold their governments accountable for natural resource wealth. A public understanding of government revenues and expenditures over time should encourage public debate and inform the selection of appropriate and realistic options for sustainable development.

EITI is a multi-stakeholder process. The theory is that all stakeholders have important and relevant contributions to make—including governments and their agencies, extractive industry companies, service companies, multilateral organizations, financial organizations, investors, and non-governmental organizations. EITI is not a cure all, but rather a minimum standard. EITI presupposes that a broadly consistent, simple and workable approach to the disclosure of payments and revenues is necessary and that it should involve all extractive industry companies operating in a country.

Structurally, EITI is made up of a coalition of governments, including France, Norway, the G8 and UK; companies, such as Anglo American, Barrick Gold, BG group, BHP Billiton, BP, Burren Energy, Chevron, Eni, ExxonMobil, Hess Corporation, Lonmin, Marathon, Newmont, Norsk Hydro, Repsol YPF, Rio Tinto, Shell, Statoil, Talisman Energy, TOTAL, Woodside, Xstrata; civil society groups, investors and international organizations including the European Bank of Reconstruction and Development, the International Monetary Fund, the World Bank Group, and the OECD. EITI is supported by an International Secretariat based in the UK's Department for International Development (DFID).

Since its inception, nearly 20 countries have endorsed EITI principles and criteria as delineated in the EITI source book, which can be obtained at <http://www.eitransparency.org/keydocuments.htm>. The EITI stakeholders are working to ensure that the EITI brand is meaningful. In 2005 the Initiative set out six criteria for countries implementing EITI. They are as follows:

1. *Regular publication of all material oil, gas and mining payments by companies to governments ("payments") and all material revenues received by governments from oil, gas and mining companies ("revenues") to a wide audience in a publicly accessible, comprehensive and comprehensible manner.*
2. *Where such audits do not already exist, payments and revenues are the subject of a credible, independent audit, applying international auditing standards.*
3. *Payments and revenues are reconciled by a credible, independent administrator, applying international auditing standards and with publication of the administrator's opinion regarding that reconciliation including discrepancies, should any be identified.*
4. *This approach is extended to all companies including state-owned enterprises.*
5. *Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.*
6. *A public, financially sustainable work plan for all the above is developed by the host government, with assistance from the international financial institutions where required, including measurable targets, a timetable for implementation, and an assessment of potential capacity constraints.*

It takes time to get this kind of process off the ground. Countries go through six stages: sign up, set up, process development, disclosure and publication, public dissemination and discussion and review. Some countries are only beginning to launch the process; far fewer have published audits. Nigeria is essentially at stage six.

The goals of NEITI far exceed the criteria mandated by EITI. Nigeria has taken the transparency initiative to a new level by expanding the program to audit the physical flow of hydrocarbons and by taking a holistic approach to examining the energy sector, investigating government agencies in addition to private and state owned companies.

Nigeria's EITI Program

Nigeria set its own, very ambitious course for EITI. The initial leadership came from President Obasanjo, who was a founding member of Transparency International before he was elected President, and Obiageli Ezekwisi, the Chairperson of NEITI, and now Minister for Solid Minerals and a former Finance Director of Transparency International. The EITI effort was part of a broader anticorruption campaign which included an intensive value for money review of government contracting and civil service reform, as well as the Economic and Financial Crimes Commission program. The President appointed a National Stakeholders Working Group (NSWG) comprised of 28 individuals with representatives from civil society, the media, government, indigenous and multinational companies, the organized private sector, the National Assembly, and the State's (Regional) House of Assembly. The NSWG is the platform through which the NEITI is implemented.

NEITI set goals far beyond the basic EITI principles of revenue disclosure. Nigerians had little confidence in the integrity of any of the actors in the oil and gas value chain. It was essential to the NSWG to examine and audit the quantity of oil and gas lifted from well head to fiscalization, to track the money paid for the oil and gas from first sales to recordation in the Central Bank, to verify that all taxes and royalties and payments of any kind had been paid in full and deposited in the Central Bank, and to examine every major process from licensing to refining. The audits looked deep into the conduct and practices of the Central Bank of Nigeria (CBN), the Department of Petroleum Resources (DPR), the Nigerian National Petroleum Corporation (NNPC), the Federal Inland Revenue Service (FIRS) and many other government agencies. NEITI aims to institutionalize EITI principles and objectives by codifying them into law. NEITI seeks to build institutional capacity in the extractive industries, by modernizing its processes for acreage allocation, licensing, local content and information technology management. NEITI also strives to communicate the complex and comprehensive information it produces to all Nigerians, from diverse linguistic and socio-economic backgrounds, so that they are empowered to hold their governments accountable.

NEITI committed to conduct these audits under international accounting standards with a reputable external auditor. An international tender was conducted and the Hart Group of the UK was selected by the NSWG to conduct three highly com-

prehensive and intrusive audits: a financial audit, a physical audit and a process audit. The NSWG elected to audit the years 1999–2004, the duration of the Obasanjo administration at that time.

These audits set an unequalled precedent for other resource rich countries. Nigeria was the first to insist that all such revenues be published in a disaggregated fashion—company by company, category by category and well by well. All of the results, including interim reports, were posted on the web at www.NEITI.org. Nigeria was the first government to look intrusively at its own entities, not just at the conduct of private companies. It was the first, and still the only country, to look at physical systems and business processes as well as financial flows.

NEITI's ability to achieve this success and future successes is in large part due to the constant support of President Obasanjo. Implementation was not always easy and compliance lagged. In the end there was tremendous cooperation on the part of all parties. Enormous amounts of information have been generated, audited and now published on the web. But at multiple points the President issued orders to cooperate or sat down with the entities covered by the audit—public and private—to forge cooperation.

Results of the Audit

The financial audits summarize, analyze, and confirm the financial flows between the federal government and the oil and gas industry from 1999 to 2004. Net inflows from the sector to the Federation Account at the Central Bank, taking Nigerian payments to joint-ventures into account, amounted to US\$6 billion in 1999, US\$14 billion in 2000, \$15 billion in 2001, \$8 billion in 2002, \$12 billion in 2003, and \$24 billion in 2004. The cash flows include sales of crude oil, petroleum profits taxes (PPT), royalties, gas flare penalties, general non-oil specific flows (VAT, withholding tax), and payments to the Niger Delta Development Corporation (NDDC). All transactions involve the Nigerian Central Bank (CBN) and two regulatory agencies, the Federal Internal Revenue Service (FIRS) and the Department for Petroleum Services (DPS), and the audit compared the records of the oil and gas companies with records from all three government bodies.

The discrepancies between the CBN's and the companies' reported payments were less than 2% of financial flows, but still significant, reaching a net \$230 million in 2002. The Financial Audit reveals that accounting, timing, and classification differences account for some, but not all of these discrepancies. One significant difference is that the government uses the cash basis of accounting while company accounting is done on an accrual basis. The audit encountered several difficulties stemming from the inadequacy of systems at government level, including the absence of independent records by the Accountant General of the Federation (AGF), the failure of the CBN to maintain complete records, the failure of the FIRS to effectively audit the accounts of state owned or private companies, and the failure for the DPR to regulate the calculation and payment of royalties by companies operating in the sector.

To remedy these shortcomings, the Hart Group recommends reforms that place the AGF in a position of management and control over the Federation account. To accomplish this, the information system of recording and reporting revenues and production levels requires overhaul so that the AGF can directly monitor money received by the CBN.

The NEITI Physical Audit is based on hydrocarbon net volume balances provided by companies. The data is questionable, however, as it is based on how much oil reached export terminals, rather than how much was originally pumped from oil-fields. A mass hydrocarbon volume balance could not be calculated because the DPR does not require that mass volumes be recorded and reported, and operating companies do not record, and in some cases have failed to report, these volumes. This is problematic because it is not possible to calculate the amount of crude oil stolen along the supply chain. Oil industry estimates of the amount of oil Nigeria loses to crude theft vary widely, but “bunkering” is undoubtedly a significant problem.

The audit recommends that in the short term reconciliation of export liftings between DPR and companies should take place regularly to identify inconsistencies on a timely basis. In the long term the NSWG, federal government, and companies need to open a dialogue to improve and expand metering infrastructure, ultimately providing more accurate data along the flow stream. The audit also recommends that DPR create a standard for measuring royalties, which have been calculated at various points along the flow stream, to ensure consistent calculations of amounts owed to the Federation. Standardizing definitions of the hydrocarbon mass balance across the industry will ensure that all companies pay royalties and PPT at the same point in the flow stream.

The NEITI Process Audit examined multiple aspects of the process by which oil and gas industry operates, including refining and importation, capital and operating expenditure, marketing crude, licensing, and marketing natural gas. The report on refineries cited significant discrepancies between the crude oil lifted from terminals and the crude received at refineries, in the amount of 200,000 tonnes. Nigerian refineries were also found to be inefficient (41% capacity) compared to the rest of the world (85% average capacity) due to poor management processes.

With regard to licensing, the Hart Group recommends that Nigeria tighten its pre-qualification criteria for companies licensed to import oil products to avoid the potential for licensing to unsuitable companies. They also cite the need for greater transparency in the bidding process through improvements in the quality and quantity of publicly available data. The Process Audit on the marketing of natural gas cited major impediments to the development of the sector, including the absence of a regulator for the sector, the non-payment of gas bills by parastatals, and subsidized pricing. The audit also indicated that there was no clear marketing strategy for gas, and that the approach thus far was largely politicized.

In sum, the NEITI Financial, Physical, and Process audits succeeded in identifying numerous problem areas where sector management is not transparent and where reform is required to deter corruption and mismanagement. The audits represent a significant step towards greater transparency in Nigeria's oil and gas sector.

Next Steps

The key test for Nigeria will be what comes next. The relevant stakeholders must now ensure that the information garnered by the audits is effectively used to improve the sector. The three audits have been posted on the NEITI website, www.neiti.org but the key findings must be simplified and communicated effectively across the country. On May 3, 2006, President Obasanjo endorsed the recommendations of the auditors presented to him by NEITI and authorized NEITI to develop a work plan to implement them. He expressed his commitment to comprehensively respond to the Audits' findings through initiatives that will repair the relevant systems to avoid future failures and opportunities for corruption and to prosecute any clearly identified case of wrongdoing. NEITI is devising a work plan to implement these recommendations.

The most immediate steps will be to clarify remaining discrepancies, institutionalize NEITI by codifying it into law, communicating the results of the audit, adopting a reform agenda, modernizing relevant government agencies, and conducting the 2005 audit. Some detailed explanation of these next steps will illuminate the magnitude of the task Nigeria faces.

Resolving Discrepancies. Further work is needed to reconcile financial discrepancies between the CBN and the companies as well as nonconformities between the DPR and company assessments of oil production and export value. Discrepancies in volumetric data for hydrocarbon streams also need to be re-examined. The President has directed the Hart Group to update progress on these issues by mid-June.

Improving Regulatory Capacity. The auditors essentially recommend that the DPR assert more authority in the collection and regular monitoring of royalties, and that the DPR spearhead arrangements for monitoring the entire hydrocarbons balance. The DPR is also tasked with establishing guidelines for the preparation of mass balance statements, which oil companies should be required to complete annually. The auditors further recommend that the FIRS improve record keeping and the assessment of PPT. Finally, external auditors should be required to report annually on the hydrocarbon mass balance.

Institutionalizing NEITI. The NEITI bill has been passed by the National Assembly and is expected to be passed by the Senate. The bill is designed to develop a permanent framework for transparency in the reporting and disclosure of revenues accrued by companies or paid to the government, to require the companies to maintain accurate records of costs and sales of petroleum; and to ensure annual audits of the sector. Once it is passed, NEITI will require a fresh appropriation for its audit work, as well as funding for communications work and additional analytical work.

Communicating Results. The results of the audit need to be communicated to the Nigerian public. Disclosure and publication will enable Nigerians to hold their government accountable for the management of revenues; ensure a level playing field amongst producing companies; bring about improved corporate governance and improve energy security. The goal of the initiative was to help eliminate the opacity of energy sector transactions to ease the social divisiveness and instability which has led to disruption of production in the Niger Delta. This will require a sophisticated effort, requiring translation into five languages, using television, news-

paper, radio and billboards and requiring road shows to travel into remote parts of the country to explain the audit work and the reform agenda. If done correctly it will be a mammoth undertaking.

Adopting a Reform Agenda. Engagement of the Nigerian public is intended to compel the government to adopt a reform agenda. The roles and strengths of relevant agencies need to be re-evaluated. The DPR needs to play a greater role in assessing royalties, the AFG needs greater management and control capacity, the FIRS' capacity to deal with PPT should be strengthened. These are each major, multiyear capacity building efforts. Some help in these areas could be outsourced, but it would require major funding to do so. The government will need to balance what is most critical with what can be done promptly and what it can afford.

Modernizing IT Systems. A necessary component of strengthening government capacity is modernization of the way it does its business. Nigeria needs a major business process reengineering effort. To ensure proper computation, assessment, and calculation of royalties, DPR should implement a robust accounting system and IT infrastructure comparable to those used by the producing companies. To ensure that companies pay tax liabilities on time, FIRS needs to adopt best practices for their record keeping and accounting system. To facilitate the accessibility of detailed information on lifting and payments, the Crude Oil Marketing Department (COMD) needs to adopt a double entry bookkeeping system and maintain a record of accounts receivable. Standardizing definitions and clarifying critical practices that require common understandings between entities will also serve to regularize the sector. Each one of these systems reforms can be a major financial undertaking; creating a system that multiple government agencies can use is both indispensable to better governance and formidably expensive.

How the U.S. Can Help

The United States has been an observer, but not a supporter of EITI in general or the NEITI effort in particular. The US did endorse EITI at the Evian and Sea Isle G-8 Summits, and it attends the EITI International Advisory Group meetings. But EITI is rarely raised at the Head of State or Secretary of State level. The US does not contribute to the World Bank Trust Fund for implementation of this initiative or provide bilateral support for it. The US rightly believes that expenditure transparency is as important as revenue transparency. This is indisputably true. But EITI is a first step and a fundamental one.

To date, most of the support for NEITI has come from the UK's DFID and some from the World Bank. The DFID has committed \$4.2 million to the World Bank EITI Trust Fund so far, of which \$2.6 million has been earmarked for NEITI. The sum of \$2,814,000 has been disbursed to date, largely in form of a Development Grant.

Achieving Nigeria's ambitious goals will require overcoming enormous obstacles. The technical needs are huge: regulators need to be trained, IT systems need to be designed and implemented, funds need to be raised for deploying the communication strategy, and agencies need to be provided with basic support.

There is a great opportunity for the US to contribute to NEITI in the months and years ahead. The US should acknowledge the accomplishments of NEITI at the highest level to publicly demonstrate US support for Nigeria's effort and to reinforce their positive improvements.

Financial support should be made through the World Bank Trust Fund and bilateral assistance programs. Congress appropriated \$1 million last year to support EITI in resource-rich developing countries through US bilateral programs and directly to civil society. This amount should be increased significantly and should be focused on implementation issues where the US has strong expertise, such as public diplomacy, oil and gas regulation, and information technology systems.

Nigeria has taken an enormous step forward in creating transparency and empowering the public to fight corruption. Courageous work such as this should be encouraged and supported. As a nation we are quick to criticize corruption and condemn governments that tolerate it. We must be as quick to lend a helping hand to those who have taken up the fight, but need the weapons to prevail.

Mr. SMITH OF NEW JERSEY. Thank you very much. Dr. Ayittey.

STATEMENT OF GEORGE B.N. AYITTEY, PH.D., DISTINGUISHED ECONOMIST IN RESIDENCE, AMERICAN UNIVERSITY

Mr. AYITTEY. Mr. Chairman, I would like to thank you for inviting me here to testify before about this Committee. I would like to

make brief remarks, and my lengthy statement has been submitted for the record.

First of all, I would like to tell this—inform this Committee that I very, very happily compliment Mr. Ribadu. He is one courageous individual who is making a great deal of personal sacrifice in order to fight the scourge in Nigeria, and we need to do all that we can to protect him. We must never, never allow him to become another John Githongo of Kenya; and we should support him in his fight to make a new—to make put in place a new Nigeria. Because all of us want to see a new Africa, and we want to see a new Africa because the leadership in Africa has bitterly failed its people.

We are talking about a continent which is tremendously rich in mineral resources, and yet the continent is wallowing and its people are wallowing in abject poverty.

Now, corruption is not only unique to Africa alone. We all know that corruption appears in many countries in the world. But in Africa it has become an epidemic and a scourge.

You know, according to former British Foreign Secretary Lynda Chalker, 40 percent of the wealth that is produced in Africa is invested outside the continent; and Obasanjo himself indicated that African leaders have stolen more than \$140 billion from their people since independence. This is not small change, but Nigerian rulers have stolen far more from their own people, \$412 billion.

Now if you had that money—that money is six times the Marshall aid that was sent to Germany—there is no reason why such an amount of money—the loot, for example, is not being utilized either to build infrastructure, provide schools, clean water for these people. Nigeria with all its mineral wealth ought to have been the giant of Africa, but it is not because of the Kamikaze plunder by its military bandits.

Right now, as Nigerians enter the new century, for example, its income per capita is about \$260. That \$260 is about the same level of income per capita that Nigerians had back in 1961 when it gained its independence.

Now, the loot that has been taken out of the country is massive, and the worst aspect of this is that it is brazen. State governors are stealing and claiming that they have constitutional immunity, they are secure from prosecution. In fact, when President Obasanjo was in Davos, Switzerland, to make the case for more aid or debt forgiveness for Africa, four of his own governors in London were being probed for money laundering.

Now, the facts support this. We know corruption corrodes the fabric of society. We also know that corruption leads to institutional decay. We also know that corruption also aggravates a budget deficit crisis. It drives away foreign investors. But a far more insidious and devastating effect that corruption and massive looting in Nigeria has brought on its people is that it has deprecated the dignity of their people. Now the name of Nigeria itself is synonymous with scams and fraud. Now the people have become alienated from their government. Now, when governments become corrupt, they are totally incapable of leading economic development.

Now, in many places, especially on the Niger Delta, people are in open rebellion against their government. And I am sure you have heard testimony about what is going in the Niger Delta.

There has been attacks on oil pipelines, and foreign oil workers are being held hostage. I don't want to repeat that.

But this escalating attack is also helping drive up oil prices. So American consumers here, one of the reasons why oil prices have gone up, American consumers are paying for the negligence of governments in Nigeria, for example.

Now, it is very worrisome. Worrisome because, number one, it destabilizes global oil supplies, spiking up prices; and, number two, it also adds a potential dynamics to the turmoil in the entire west African region. We cannot afford to have a country as large as Nigeria blow up, because in West Africa we have seen Liberia, Sierra Leone, Ivory Coast, and Togo, for example. We cannot afford to have another western African country teetering on the brink of total disintegration because the political climate in Nigeria has degenerated since Obasanjo. And Obasanjo has been denied from his third term and, fortunately, the Senate of Nigeria shut that thing down.

Now there are ways by which we can fight corruption. And to fight corruption effectively—I mean. In the past, African governments and Nigerian governments have made efforts to fight corruption. One of those efforts was made by Sani Abacha of Nigeria. He set up his own anti-corruption commission, and Nigerians scoffed at that and laughed at that and dismissed that as a crude oil joke.

You may remember that Pius Okigbo in 1995, he discovered that Nigerian's rulers have squandered more than \$12.4 billion in oil revenue. When he handed in that report to Sani Abacha in September, 1994, he had a one-way ticket to London in his pocket and fled his country. That tells you how difficult it is to combat corruption in Nigeria and also elsewhere in Africa.

But, Mr. Chairman, to fight corruption effectively, you need simply, basically, three institutions; and I want to lay them out and also indicate how the U.S. can help.

The first institution that you need is you need to have a free and independent media. It is the function of the media to expose the corrupt.

The second institution that you need is an aggressive attorney general or anti-corruption czar like Mr. Ribadu. Now, every effort must be made to protect such attorney generals or czars and give them the powers that they need to prosecute the corrupt.

The third institution you need is you need an independent judiciary to enforce the rule of law.

Now if you look at these three institutions, they have been woefully lacking in Nigeria. The independent and free media, for example, haven't really existed in spite of the fact that country has moved toward democracy.

I have included in the appendix of my longer testimony a compendium of attacks on the press and the media, journalists who tried to expose corruption.

And I must also say that the judges themselves really have not upheld the rule of law in Nigeria.

But we need to strengthen these particular two institutions so that the Nigerian people, the Nigerian society itself can take care of the problem of corruption.

In addition, I would recommend that we have an independent central bank in Nigeria. Because one of the things which facilitate capital flight during Abacha's regime—for example, Abacha's goons used to organize pre-dawn raids on the vaults of the central bank of Nigeria.

Quite often, the governors of the central banks are too close to the government in order to resist any incursions or encroachments for liquidity. One of the things we can do, especially in the west African region, is to rotate the governors of central banks to make them at least more independent from the central Government.

Now we must also take lessons from the fight against corruption in other African countries. Nigeria is not the only country—as a matter of fact, as Mr. Ribadu indicated, Nigeria is not the only country which is fighting against corruption. We should take lessons from other African countries, for example, Kenya; for example, Malawi and south Africa. We should not be fighting corruption as the Kenyan Government tried to do. They set up these corruption commissions with no teeth in them, and then when they pried too close—they sort of shut down the commissions completely. We should never allow that to happen in Nigeria.

There is one rare example, success story in Africa, and that comes from South Africa. Thabo Mbeki set up an anti-corruption squad called The Scorpions. And The Scorpions were not only able to sting Jacob Zuma of South Africa—the person was even closer to Thabo Mbeki—but also Winnie Mandela. The Scorpions have had more than 80 percent success rate in cracking down on senior government officials. That is a rare African example that can be emulated.

Now what can the United States do? There are several things the United States can do to supplement and to strengthen the efforts that Nigerians are making.

The first thing the United States can do is to help tighten regulations against money laundering, especially in developing countries in Asia. Because the regulations are being tightened in Western Europe, they are trying to shift the loot to Asian countries, in Asian banks, for example.

The second thing which the United States could do is to help persuade Nigerian Government to set up an escrow account into which a certain percentage of oil revenue could be placed and managed by an independent body for the benefit of the people on the ground from which that resource is taken. This is exactly the same deal which the World Bank struck with the Chadian and Cameroonian oil pipeline, to put a certain amount of money into an escrow account, to help the people there, rather than to have the money disappear in the pockets of corrupt government officials.

Now—and also we should also—it will be wrong for me—or misleading for me to suggest that corruption alone is the only problem Nigeria faces. Right now, Nigeria is in the grips of a constitutional crisis, torn by sectarianism, north-south divide over claims of the presidency, religious and ethnic rivalries.

So you see you need to have a bigger, a broader framework to resolve all these problems; and we have that in Africa. It is called a sovereign national conference. That is the mechanism South Africans used to dismantle apartheid. That was the mechanism that

the small country Benin used to make their transition into a democratic Benin.

It is exactly the same mechanism that we should goad, not the President of Nigeria but the Senate of Nigeria to convene a sovereign national conference to draw up a better dispensation or democratic dispensation for the people of Nigeria. The people of Nigeria have suffered too long for us to neglect them.

Thank you so much.

Mr. SMITH OF NEW JERSEY. Thank you so much for your testimony and your recommendations.

[The prepared statement of Mr. Ayittey follows:]

PREPARED STATEMENT OF GEORGE B.N. AYITTEY, PH.D.¹, DISTINGUISHED ECONOMIST
IN RESIDENCE, AMERICAN UNIVERSITY

Corrupt African leaders have stolen at least \$140 billion (£95 billion) from their people in the decades since independence.

—Nigeria’s President, Olusegun Obasanjo, at an African civic groups meeting in Addis Ababa, Ethiopia, in June 2002 (*The London Independent*, June 14, 2002. Web posted at www.independent.co.uk).

I would like to thank Chairman Henry Hyde and members of this Committee for giving me the opportunity to present this testimony on corruption in Nigeria. Many African governments do not invite individuals with alternative viewpoints to testify. Freedom of the press and of speech is not tolerated in most African countries. In fact those who do not toe the government’s line are simply liquidated. This intellectual barbarism on the part of “educated” African leaders is one of the root causes of the crises in Africa. If killing or detaining people solves problems, Africa ought to be the most highly developed continent. But the tyrants do not realize this.

Section A: Introduction

Corruption is certainly not a social vice unique to Africa alone. It prevails in one form or another in practically all countries, Western and communist alike. However, it has become endemic in Africa. Over the post-colonial period, the African state has evolved into a predatory monster or a gangster state that uses a convoluted system of regulations and controls to pillage and rob the productive class—the peasantry. It is common knowledge that heads of state, ministers, and highly placed African government officials raid the African treasury, misuse their positions in government to extort commissions on foreign loan contracts, skim foreign aid, inflate contracts to cronies for kickbacks and deposit the loot in overseas banks. The very people who are supposed to defend and protect the peasants’ interests are themselves engaged in institutionalized looting.

Dishonesty, thievery, and speculation pervade the public sector in Africa. Public servants embezzle state funds; high-ranking ministers are on the take. The chief bandit is often the head of state himself. As Nigerian journalist, Tony Nze Njoku, noted: “Leadership in Africa, with few exceptions, is seen as an opportunity to get rich rather than serve the people” (*Finance & Development*, June 1998, 56). The extent and magnitude of this scourge is difficult to estimate, owing to its illegality and the painstaking efforts the culprits make to conceal it. However, in August 2004, an African Union report claimed that Africa loses an estimated \$148 billion annually to corrupt practices, a figure which represents 25 percent of the continent’s Gross Domestic Product (GDP). “Mr. Babatunde Olugboji, Chairman, Independent Advocacy Project, made this revelation in Lagos while addressing the press on the survey scheduled to be embarked upon by the body to determine the level of corruption in the country even though Transparency International has rated Nigeria as the second most corrupt nation in the world” (*Vanguard*, Lagos, Aug 6, 2004. Web posted at www.allafrica.com).

At the Commonwealth Summit in Abuja, Nigeria on December 3, 2003, former British secretary of state for international development, Rt. Hon Lynda Chalker, revealed that 40 per cent of wealth created in Africa is invested outside the continent. Chalker said African economies would have fared better if the wealth created on the

¹The author, a native of Ghana, is a Distinguished Economist the American University and President of the Free Africa Foundation, both in Washington, DC. He is the author of *African Unchained: The Blueprint for Africa’s Future* (Palgrave-MacMillan, 2005). He can be reached at (202) 885-3779.

continent were retained within. “If you can get your kith and kin to bring the funds back and have it invested in infrastructure, the economies of African countries would be much better than what there are today, she said (*This Day* [Lagos], Dec 4, 2003). And the loot is not small change. Speaking to representatives of African civic groups meeting in the Ethiopian capital, Addis Ababa, to prepare the African Union to be launched in South Africa, Nigeria’s President, Olusegun Obasanjo, said that “corrupt African leaders have stolen at least \$140 billion (£95 billion) from their people in the decades since independence” (*The London Independent*, June 14, 2002; web posted). But that is small change compared to the \$412 billion Nigerian rulers have stolen.

Section B: Nigeria: Looting With Impunity

Nigeria is a truculent African tragedy. With immense mineral wealth, it was poised to become Africa’s answer to South Korea. But kamikaze plunder by military bandits reduced the “giant of Africa” to a comatose midget. The discovery and exploitation of oil fields in the early 1970s led to a booming economy. Oil quickly became the dominant sector of the economy, accounting for more than 90 percent of exports and providing the federal government with 80 percent of its revenue. As money flowed into Nigerian government coffers, military dictators went on a spending spree. They frittered away the oil bonanza on extravagant investment projects, a new capital at Abuja with a price tag of \$25 billion, and highly ambitious Third Development Plans, upon the false projections of oil output and revenue. Agriculture was neglected and food imports rose rapidly.

In 1981, oil prices fell precipitously. Export receipts plummeted from \$22 billion in 1980 to \$10 billion in 1983 and then to \$6 billion in 1986. To maintain income and the consumption binge, Nigeria borrowed heavily. Its foreign debts quadrupled from \$9 billion in 1980 to \$36 billion in 1990. Federal and state budgets sank into deficits. These were financed with the accumulation of more debt and the depletion of international reserves. External imbalance caused difficulties with debt servicing and forced the country to go into arrears.

To help improve balance, the Economic Stabilization Act of 1982 was passed. Stringent trade controls, the rationing of foreign exchange, a restriction on import licenses, an increase in duties, and the initiation of an import deposit program were adopted. These measures however failed miserably and an economic crisis emerged in 1983. Growth rates turned sharply negative. The GDP growth rate in 1983 was -6.7 percent; non-oil sector growth fell to -9.3 percent and petroleum sector growth to -2.5 percent. By 1985, the distortions in the economy had reached alarming proportions. The exchange rate was grossly overvalued and the budget deficit out of control. The government resorted to heavy domestic borrowing from the banking system to finance its profligacy.

The supreme irony of Nigeria’s economic development is that, despite the flow of substantial oil wealth, the country entered the new millennium with real income per capita of about \$260 today, which is nearly the same as it was at independence in 1960 and saddled with a foreign debt of \$30 billion. About 60 percent of Nigeria’s population live on less than a \$1 a day. The drop was more dramatic in the 1980s. In 1980, income per capita stood at \$1029—the fifth highest in Sub-Saharan Africa. By 1990, it had dropped to a woeful \$266. This sharp decline in economic performance was not due to external economic adversities but to grotesque mismanagement and brazen, unprincipled looting.

Corruption has become so pervasive that navigating the most basic government services, such as getting freight through customs, often requires a bribe in Nigeria. Pay police officers—many armed with automatic rifles—set up impromptu roadblocks to shake down motorists. Politicians take bribes and give them, including payments to reporters who can make more money from those they cover than from their meager newspaper paychecks.

Most Nigerians trace the root of corruption to the decades of military governments that ruled Nigeria before Obasanjo’s election in 1999. The treasury, flush with money from some of the world’s most productive oil fields, became a personal bank account for a succession of generals. The rot oozed down to lawmakers, governors and judges. Civil servants, who in some cases went months or years without receiving their salaries, collected what they could by selling their services.

Between 1970 and the early 2004, more than \$450 billion in oil money flowed into Nigerian government coffers, which simply vanished into private pockets. Nigerians are now asking what happened to the “oil money.” The situation deteriorated so rapidly that Nigeria often ranks as the most corrupt nation and the scam capital of the world. According to Chief Eke Urum-Eke, an ex-major of the Biafran war and exiled in New York, “The only two flourishing business in Nigeria today are the business of government and the business of smuggling. Smuggling is not for self-

respecting individuals, however lucrative it may be. Therefore the only avenue open for our leaders to maintaining their known lifestyle is the business of government—pen-based robbery and signature abuse by those inside, and fraudulent contracts for those outside, government. And for them to get any of these fraudulent contracts, state or federal, they must sing Abacha's tune" (*Nigerian Times International*, 16–31 January 1996, 8).

The September 1996 issues of Nigeria's news magazines, *Tell* and *This Week*, screamed about "How [Military] Administrators Plundered the States." Ike Nwosu, the ex-administrator of Abia State, "spent some 16.875 million *naira* (\$214,000) on himself between March 1995 and March 1996" (*African News Weekly*, 28 October–3 November 1996, 17. Then a 27 September 1994 audit (The Okigbo Report) revealed that a total of \$12.4 billion—more than a third of Nigeria's foreign debt—was squandered by its military rulers between 1988 and 1994. Pius Okigbo fled the country after handing in the report.

Indeed, within two weeks the death of General Sani Abacha, local newspapers reported that, his wife, Maryam was seeking "seeking political asylum in a Middle East country thought to be Lebanon," according to the Nigerian Democratic Movement.² She was reputed to have inherited "the vast fortunes of her husband estimated at \$5 billion including an oil refinery in Brazil and had contracted a private security outfit to guard the family, whilst she assesses the situation."

Following Abacha's timely and mysterious death in June 1998, elections were held by his successor, General Abdulsalam Abubakar. Upon assuming power on May 29, 1999, President Obasanjo found the country ungovernable. A near government paralysis resulted from wrangling over distribution of power between the executive and the legislative. For 18 months (Feb 1999 to August 2000), Nigeria's 109 senators and 360 representatives passed just five pieces of legislation, including a budget that was held up for five months. Immediately upon taking office, the legislators voted for themselves hefty allowances, including a 5 billion *naira* (\$50 million) furniture allowances for their official residences and offices. The impeached ex-chairman of the Senate from President Obasanjo's own People's Democratic Party (PDP), Chuba Okadigbo, was the most predatory:

"As Senate President, he controlled 24 official vehicles but ordered 8 more at a cost of \$290,000. He was also found to have spent \$225,000 on garden furniture for his government house, \$340,000 on furniture for the house itself (\$120,000 over the authorized budget); bought without authority a massive electricity generator whose price he had inflated to \$135,000; and accepted a secret payment of \$208,000 from public funds, whose purpose included the purchase of 'Christmas gifts'" (*New African*, Sept 2000; p.9).

Section C: Looters Go Scot-Free

More than \$1.3 billion of Abacha's loot was believed to have been siphoned through London banks; one popular British bank alone was reported to have handled more than \$170 million of funds suspected to have been looted from the Nigerian treasury by Abacha's military regime. The Abacha family and associates area argued that they had an immunity deal from General Abdulsalam Abubakar's transitional regime that briefly ruled Nigeria after Abacha's sudden death on June 8, 1998 before Obasanjo came to power on May 29, 1999. The family and associates said General Abubakar's government had agreed that if they returned "some money" (and they duly returned \$750 million), they would be given immunity from criminal prosecutions. In May 1999, General Abubakar's regime acknowledged that some money had been returned. Since then, more Abacha-associated accounts have been discovered in 19 Western banks, but the Abacha family still insist that the deal with General Abubakar's government must stand. They have subsequently gone to court in Britain to stop the British government from handing over the results of its investigation into the money to the Nigerian and Swiss authorities" (*New African*, Nov 2001; p.10).

Upon assuming office, President Obasanjo vowed to recover the loot of former head of state, General Abacha. He established the Corruption Practices and Other Related Offences Commission. Much public fanfare was made of the sum of about \$709 million and another £144 million recovered from the Abachas and his henchmen. But, alas, this recovered loot itself was quickly re-looted. The Senate Public Accounts Committee found only \$6.8 million and £2.8 million of the recovered booty in the Central Bank of Nigeria (CBN) (*The Post Express* (July 10, 2000). Uti Akpan, a textiles trader in Lagos was not impressed: "What baffles me is that even the

²This information was posted on the internet on 23 Jun 1998 by the organization: ndmorg@cldc.howard.edu.

money recovered from Abacha has been stolen. If you recover money from a thief and you go back and steal the money, it means you are worse than the thief" (*The New York Times*, Aug 30, 2000; p.A10).

In May 2000, Jack Blum, a partner of Lobel Norins and Lamont, experts in transparency and corruption, testifying before the US House of Representatives Subcommittee on Domestic and International Monetary Policy, Jack Blum, revealed that "From independence to the present time, past leaders in Nigeria have either stolen or misappropriated state funds estimated at N400 billion (\$40 billion . . . The amount also involved funds received on behalf of the country by key government officials as international assistance, loans from international financial institutions, kick backs to government officials involved in purchasing and special arrangements for currency conversion. The amount includes misappropriated oil revenue emanating from international oil deals between Nigeria and her customers abroad. The amounts which were taken were so large that they have become embarrassing and destabilizing. Theft has disrupted the economies of major countries such as Nigeria, Mexico and Indonesia," Blum added (*Post Express*, June 1, 2000; web posted).

According to David Blair of London *Telegraph* (June 25, 2005):

"Nigeria's past rulers stole or misused £220 billion (\$412 billion). That is as much as all the western aid given to Africa in almost four decades. The looting of Africa's most populous country amounted to a sum equivalent to 300 years of British aid for the continent. Former leader Gen Sani Abacha stole between £1bn and £3bn. The figures were compiled by Nigeria's anti-corruption commission.

Nigeria's rulers have already pocketed the equivalent of six Marshall Plans. After that mass theft, two thirds of the country's 130 million people—one in seven of the total African population—live in abject poverty, a third is illiterate and 40 per cent have no safe water supply. With more people and more natural resources than any other African country, Nigeria is the key to the continent's success."

Mallam Nuhu Ribadu, the chairman of the Economic and Financial Crimes Commission, set up three years ago, said that £220 billion (\$412 billion) was "squandered" between independence from Britain in 1960 and the return of civilian rule in 1999. "We cannot be accurate down to the last figure but that is our projection," Osita Nwajah, a commission spokesman (*Telegraph*, June 25, 2005). The stolen fortune tallies almost exactly with the £220 billion of western aid given to Africa between 1960 and 1997. That amounted to six times the American help given to post-war Europe under the Marshall Plan.

The scourge of corruption was exacerbated by Nigeria's military regimes' hopeless inability to control their own budgetary expenditures. For ten years (1990–2000), there was no audit of public accounts in Nigeria. "The Speaker of the Lagos State House of Assembly, Dr. Olorunnimbe Mamora, revealed that the Lagos government account since 1994 has not been audited" (*P.M. News*, 26 July 1999). The Chairman of the Senate Committee on Public Accounts, Alhaji Idris Abubakar, disclosed in May 2000, that the committee was making inquiries about the \$550 million realized from the sale of the five per cent federal government equity shares in Shell, which from 1993 to 1998 was managed by the Nigerian National Petroleum Company (NNPC). Nobody knew what happened to the sale proceeds, nor were proper accounting made. Abubakar said that "the committee discovered that only photocopies of the accounts of the NNPC for 1993, 1994 and 1995 were submitted to the office of the auditor-general of the federation, while the domestic reports for 1996, 1997 and 1998 had not been submitted. "The accounts of its subsidiaries have also not been forwarded in spite of requests from the office of the auditor-general," he said (*The Guardian*, May 20, 2000; web posted).

Even some Nigerian diplomats were on the take. By January 2003, the Permanent Mission of Nigeria to the United Nations, located at Nigerian House on 802 Second Avenue and 44th Street in New York, had become a nightmare of unpaid bills and constant harassment from landlords, credit card companies, phone companies as well as other utilities. Nigerian diplomats could not be reached by phone because the lines had been cut. Even electricity to the giant building was also disconnected some time ago. According to Nigerian author and publisher, Chika Onyeani,

"Diplomats at the Mission have not been paid for the past five months, while the "locally-recruited-staff" (the staff not sent from Nigeria but recruited domestically) have not been paid for three months. Most of them have exhausted their savings, having to depend on borrowing from friends and relatives, and it is only the depressing job market in America which has forced them to continue

to endure the humiliation of constant eviction notices" (*African Sun Times*, January 16–22, 2003; p.1).

Increasingly, Nigeria has fast gained an unenviable reputation for financial mismanagement and scams. In fact, "on January 13, 2003, the IMF warned West African countries against having one currency if Nigeria was to be included. The Fund believes that these countries would lose the value of their respective currencies if Nigeria was allowed to become a member because of high corruption in the country and the specter of financial scam practitioners in the country" (*African Sun Times*, January 16–22, 2003; p.1). The scams have been estimated to have defrauded foreigners of more than \$2.2 billion.

Africa's case for more aid and debt relief has not been helped by President Olusegun Obasanjo of Nigeria, arguably the most mismanaged economy in Africa. As he was pleading for more aid at the World Economic Forum in Davos, Switzerland, in February, four of his state governors were being probed by London police for money laundering. The most galling was the case of Plateau State Governor, Chief Joshua Dariye, accused of diverting N1.1 billion (over \$90 million) into his private bank accounts.

Dragged to the Federal High Court in Kaduna by Economic and Financial Crimes Commission (EFCC), Justice Abdullahi Liman ruled on December 16 that although Dariye was a principal actor in the case, Section 308 of the Nigerian Constitution protected sitting governors from criminal prosecution. Imagine. And would the police apprehend him if he had no such "constitutional immunity"? In February, Nigeria's police chief himself, Inspector General Tafa Balogun, was forced into early retirement after investigators probing money-laundering allegations found \$52 million hidden in a network of 15 bank accounts after being on the job for only two years. He was eventually prosecuted and sentenced to a mere six-month jail term—a slap on the wrist. Lawmakers have mocked attempts by the police to investigate MPs for corruption. Said President Obasanjo: "The fact that Tafa Balogun was removed or asked to resign and the money found in his account seized; the fact that two ministers—one former and one serving—were charged to court over corruption should be applauded. I believe that we are doing well as far as fighting corruption is concerned" (*Daily Independent*, Feb 27, 2005). Well not good enough. Even Nigeria's Senate is riddled with scams and inflated contracts, with proceeds pocketed by sitting senators. Now, it is open looting by state governors with impunity and immunity.

The Governor of oil-rich Nigerian state (Bayelsa State), Chief Diepreye Alamieseigha, was arrested at London Heathrow Airport on Sept 15, for money laundering in Britain. He appeared in a UK court on Sept 18 and charged with laundering £1.8m (\$3.2m) found in cash and in bank accounts. Seven London bank account have been traced to him.

Governor Alamieseigha was said to have been collapsed in court just as he was alleged to have been engaging in directing in direct transfer from government account to individual accounts. According to Nigeria's Sunday Tribune, the genesis of the governor's arrest, was traced to when a woman was arrested in London with \$30 million which she claimed belonged to the Bayelsa State governor. The governor earns less than \$1,000 a month. Sunday Tribune also gathered that Alamieseigha, on hearing of the arrest of his top aides, put a call through to a top Presidency chief whom he accused of witch-hunting him.

He was believed to be on his way to Nigeria en route London after undergoing medical checkup in Germany before he was apprehended for alleged money laundering. Reports said that the Metropolitan police seized his passport, ostensibly to restrict him to Britain because of his court trial. He was granted bail, while the case against him was adjourned till November 15. He was originally arrested on 15 September as he passed through Heathrow Airport in London. Detectives found almost £1m in cash in his west London home. The governor claims he is innocent and enjoys diplomatic immunity.

Nigeria's Economic and Financial Crimes Commission (EFCC), has overwhelming evidence on most of the alleged corrupt government officials—especially state governors—even as the Commission's chairman, Mallam Nuhu Ribadu, said the recent case involving the governor of Bayelsa State, Diepriye Alamieseigha, was just a tip of the iceberg. In fact, an allegation of corruption has been leveled against President Olusegun Obasanjo himself by the governor of Abia State, Orji Uzor Kalu.

Many Nigerians scoff at Obasanjo's anti-corruption campaign as an elaborate form of public relations to win concessions from lenders and burnish the president's reputation as a world leader. Critics note that only now, six years after Obasanjo first won office promising to crack down on corruption, are any major figures being brought to justice, and few have gone to jail. One such figure, General Ibrahim

Babangida, an ex-military dictator, thumbs his nose at his people by even refusing to testify before the anti-corruption commission. When caught, punishment amounts to a mere sacking.

When the nation's education minister, Fabian Osuji, was caught giving \$400,000 to Nigerian lawmakers for favorable votes, he formally protested that such behavior was "common knowledge and practice at all levels of government." Besides, Osuji added, he had struck a good deal; the lawmakers had asked for twice as much. He was fired from the government. Besides Osuji, a succession of senior government figures—including the top police official, the housing minister and the Senate president—also have been pushed from their jobs in recent months and threatened with jail for offenses that once would have earned them little more than a wink. But political opponents contend that the president's election victories in 1999 and 2003 were so brazenly rigged that he lacks the moral authority to attack corruption.

Efforts to stem corruption began making headlines in August 2003 when Nasir Ahmad el-Rufa'i, who had just been named to a ministerial post overseeing the capital region, announced that two senators had asked him for bribes to facilitate his confirmation (*The Washington Post*, May 1, 2005; p.A18). El-Rufa'i estimated that at least three out of every four lawmakers are corrupt, as are more than half of the nation's governors and many of its civil servants. "If a few more ministers go to jail, if a few more members of the National Assembly go to jail, believe me, people will line up and do the right thing" el-Rufa'i said (*The Washington Post*, May 1, 2005; p.A18).

Section D: The Deleterious Effects of Corruption

Albeit unscientific, the above represents an effort to catalogue the brazen and outlandish plunder of Nigeria's resources that could have been devoted to development. The worst part of all this is that the thieving elites do not invest the booty in their own country, to build factories and railroads—as did America's "robber barons" in the nineteenth century. Rather, Nigeria's kleptocrats spent the booty lavishly on mistresses, luxurious automobiles, fabulous mansions—on consumption, not productive ventures. The rest of the loot was spirited out of the country into foreign bank accounts to develop the already advanced countries—a double whammy.

Bribery, embezzlement and theft—sometimes on a grand scale—divert enormous resources from public coffers into private hands. Unchecked, it eventually blossoms into a "culture of corruption." Nigeria is a typical case where corruption has mushroomed and spilled over on to the international scene with various "advance fee" frauds and scams. This pattern of looting has become so deeply ingrained that it is difficult to eradicate.

Inefficiency

Corruption has several deleterious effects on economic development. First, it breeds inefficiency and waste. Contractors and suppliers fail to deliver because they have bribed some official. Who you are and how big a kickback you offer matters more than how well or efficiently you perform a job. As a result, contracts are inflated and some kick backs paid to some conniving official. Work done is shoddy: Roads are poorly constructed and wash away at the first drop of rain. Telephones refuse to work, postal service is non-existent and the entire communication system is in shambles, costing the country billions in lost output.

Infrastructure has crumbled in Nigeria because contractors failed to perform. The educational system has sharply deteriorated. Roads are pot-holed. Hospitals lack basic supplies because they have been stolen or diverted, and patients are often asked to bring their own bandages and blankets. State institutions decay and breakdown. Nobody cares because tenure of office and promotions are based not on competence and merit but on personal loyalty to the president, ethnicity, and sycophancy. Institutions such as the civil service, the judiciary, parliament, and the police disintegrate and fail to function since they have all been perverted.

The rot is not confined to one area but seeps into all areas of government. Parliament becomes a joke—a rubber-stamp. The police, the military and the civil service—all are hopeless. Even though the state soaks up scarce resources (through heavy taxation), it fails to fulfill its role in facilitating economic growth or deliver essential services. "Nigeria has many fine lawyers, but the judiciary is tainted by trials settled with bribes. It has fine academics, but universities are tarnished by the trade in diplomas. It has respected chiefs, but the nobility has been mocked by the sale of chieftaincy titles. In many ways, the institution which has suffered the most under this military regime is the military itself. 'Military men are not soldiers anymore' is a common Nigerian observation (*The Economist*, 21 August 1993; Survey, 6). Nigerian cities have fire departments, but often there is no equipment. When a three-story apartment building and a bakery were destroyed by fire in

Umuhia “one volunteer, Mr. Timothy Nwachukwu, said that the fire service did not help because they had no working vehicles” (*African News Weekly*, 24 February 1994, 12).

Institutional break-down and the failure to provide the most basic essential services creates an environment inimical to development. The cost of doing business in such an environment increases enormously. Simple, routine applications takes weeks to be approved. Security of persons and property can seldom be guaranteed. Increasing production becomes chancy, given intermittent disruptions in the supply of electricity and water.

Soaring Government Deficits

Second, corruption aggravates the budget deficit problem. Expenditure figures are padded. Ghost workers proliferate on government payrolls. “An audit task force appointed by the Nigerian Government said on 1 November 1996 that it had discovered 28,000 ‘ghost workers’ on the state payroll . . . ‘The ‘ghost workers’ are either fake, retired or dead persons whose names remain on the payroll for fraudulent officials to claim their wages” (*African News Weekly*, 11–17 November 1996, 17). Revenue collectors are notoriously corrupt, pocketing part of tax proceeds, waiving taxes if they receive large enough bribes.

Deters Foreign Investment

Third, corruption drives away foreign investors: “Government contracts in Nigeria, say international businessmen, are among the most expensive in the world ‘mainly because of excessive margins built into such contracts for personal interests.’ Those personal interests can be seen attending expensive schools in Britain, or parked outside plush government villas: a Maserati or Lamborghini is quite normal for an army chief” (*The Economist*, 21 August 1993; Survey, 5).

Africa has remained a wilderness to foreign investors for a variety of reasons: weak currencies (except notably in extractive industries, where output is priced in dollars), exchange controls, a feeble local private sector, poor infrastructure, small domestic markets, stifling bureaucracy, political instability, uncertain legal system, and corruption. Despite fanciful ads, elaborate investment codes, and guarantees of profit repatriation, Africa “attracts less than 5 percent of the direct investment going to the developing countries, an estimated \$2.5 billion or so in 1994” (*The Economist*, 12 August 1995 11). In 1995 when a record \$231 billion in foreign investment flowed into the Third World, Africa’s share fell to a miserly 2.4 percent.

Crumbling infrastructure, chronic instability and corruption have deterred foreign investors. Even French investors are shying away from Africa. According to *The African Observer* (April 4–17, 1995), “Africa’s share of French overseas investment dwindled from \$500 million in 1983 to \$170 million in 1992, Jean-Pierre Ranchon [vice president of the Council of French Investors in Africa] said. Asia’s grew from \$4 million to \$600 million over the same period (22). But why should foreign investors be excoriated when Africa’s kleptocrats do not invest their own wealth in their own countries? Asked Herman Cohen, former U.S. Assistant Secretary of State for African Affairs in 1991: “Over the last 10 years, Africans themselves have exported \$20 billion a year into bank accounts in Europe [and the U.S.] buying real estate. So if Africans don’t have confidence in their own continent, why should the rest of the world?” (*Africa Insider*, July 1994; p.4).

Economic Contraction and Collapse

Fourth, corruption leads to economic contraction and collapse. Corruption and capital flight, which flourish under non-democratic systems, seriously stunt economic development. At an April 2000 press conference in London, U.N. Secretary-General Kofi Annan lamented that: “Billions of dollars of public funds continue to be stashed away by some African leaders—even while roads are crumbling, health systems have failed, schoolchildren have neither books nor desks nor teachers, and phones do not work” (*The African-American Observer*, April 25–May 1, 2000; p.10). While corruption and capital flight exist under all political systems, their incidence tends to be more pervasive when rulers are not held democratically accountable.

Africa’s experience shows that a corrupt government is incapable of efficient economic management and eliciting the sacrifices necessary for the development effort. A corrupt African government cannot attract foreign investment or spur domestic investment. Like the colonial state, the predatory African state is also extractive. Under colonialism, Africa’s resources and wealth were plundered for the development of metropolitan European countries. Today the tiny, parasitic ruling elites use their governing authority to exploit and extract resources from the productive members of the society. These resources are then spent lavishly by the elites on themselves or siphoned out of Africa. As Robinson (1971) asked plaintively: “What incen-

tive does the peasant have to produce more when through taxation the surplus is siphoned off to be spent in conspicuous consumption?" (43).

Popular Rebellion and Social Upheaval

By far, however, the most serious has been the severe damage rampant corruption has wrought on the international reputation of Nigeria and the self-image of its people. The name "Nigeria" itself is now synonymous with scam or fraud.

Over the years, Nigeria's governments have steadily lost credibility with the people. People became alienated and no longer trusted their government. They saw the state, not as a "partner in development" but as enemies to be evaded, cheated and defeated. In the Niger Delta, are in open rebellion against the government.

Nigeria's oil wealth is produced in the Niger delta, which has been the scene of increasingly violent rebellion. Nigeria's state oil company, working with partners that include Shell, Chevron, Mobil, Amoco and Texaco, produces 2.4 million barrels of oil—worth \$30 million to \$40 million—each day. But for years, most of that river of cash has flowed to military governments that have broken promises to spend fixed percentages of it to bring electricity, clean water, village clinics, and schools to the oil belt. The regime of General Sani Abacha, for example, promised to return 13 percent of Nigeria's oil proceeds to develop the oil communities but the funds were siphoned off by corrupt officials. "If we would honestly put even 3 percent of the oil revenues into these communities, it would make a big difference", said Frank Efeduma, a Shell oil spokesman in Warri, Nigeria (*The Washington Post*, Nov 9, 1998; p. A18). In the 1990s, the Ogonis, Nembe, Ijaws and other ethnic groups escalated protest to violence, often seizing oil facilities and oil company workers.

The entire delta area with 6 million people, consisting of 20 tribes, has been devastated. As *The Washington Post* (Nov 9, 1998) put it: "The curse of natural wealth has fallen heavily around the Niger River delta, Africa's most lucrative oil field. Nearly 40 years of oil production, directed mostly by military governments, has left the delta peoples poorer, sicker, less nourished and less educated than the rest of the country. Oil spills have damaged fishing grounds and farmland" (p. A18). For instance, in Nembe, home to several thousand people on the edge of Nigeria's largest oil field, there is no electricity, clean water, or roads or other basic amenities. Gas is burned there, causing environmental pollution. Nor does the area have a major oil refinery. In a policy that defies economic sense, oil is piped from the delta area hundreds of miles to the north, where it is refined to provide employment and industrial activity to the Hausa-Fulani, who have monopolized political power since Nigeria's independence in 1960.

Hardest hit in the Niger delta are the Ogoni, who number 500,000 and sit on top of billions of dollars of oil reserves. But "we get no benefit from it, absolutely none", complained Chief Edward Kobani, a senior elder of the Ogoni. Their homeland is an environmental mess. Gas—a by-product of the oil industry for which there is no use—is burned 24 hours a day, producing acid rain and toxic pollution. Air and water quality has suffered, and crops damaged. The health toll is enormous: There are high levels of skin rashes, allergies, abscesses and infections. Ken Saro-Wiwa started the Movement for the Survival of the Ogoni People (MOSOP), demanded \$10 billion for environmental damage and royalties from the federal government and Royal Dutch/Shell, and threatened to secede the area from Nigeria. The group wrote an Ogoni national anthem, designed a national flag, and printed a national currency. Frightened of another Biafra, the military government attacked Ogoni villages. In May 1995 Saro-Wiwa was arrested; he and eight others were hanged on November 10, 1995 despite a chorus of international pleas for clemency. But the Ogoni have not given up their fight; nor have others in the Delta region.

The delta youths demand not just equity from the state but also in the redistribution of income from their oil. A first attempt at secession was led by Isaac Adaka Boro, who called for a Niger Delta Republic in 1965. The rebellion was short-lived and faded into history, but the anger in the delta was reignited with Saro-Wiwa's MOSOP. The Abacha military regime, as well as western oil companies, felt threatened. Despite Saro-Wiwa's hanging and the militarization of the entire Ogoniland, the groups were not deterred.

On October 4, 1998, militant Ijaws seized oil facilities throughout their land. At the Batan station, they ordered the pumping station's crew to shut it down and leave. "We are like mad dogs", said Augustine Egbane, an Ijaw leader (*The Washington Post*, Nov 11, 1998; p. A28). The oil field at Batan was producing 26,000 barrels—worth \$380,000—a day but little money went back to the village. In the 35 years that Shell operated the Batan field, oil spills have spoiled the village's traditional livelihood of fishing. Further, villagers must paddle for three hours to find clean water. The village has no clinic and no real school, only an unequipped classroom that villagers built themselves. In 1993, a government development agency

strung electrical lines in the village but never connected them to the outside (*The Washington Post*, 11 November 1998; p. A28).

On December 11, 1998, 5,000 Ijaws signed a declaration in Kaiama—Adaka Boro’s birthplace—and asserted ownership of all resources in their swamps and creeks, and served notice to oil companies operating in the area. In addition, they formed the Niger Delta Volunteer Force, modelled after Boro’s army, and vowed to go to war.

Since the Kaiama declaration, the Abdusallam Abubakr military regime, which succeeded Abacha’s, promised to raise the revenue to resource-producing states from 3 percent to 13 percent and give N15.3 million (\$184,000) in development funding. The promises, however, were not fulfilled. According to *The Washington Post* (November 9, 1998),

“The deep poverty of the delta—alongside the luxurious homes and lives of the military rulers, their political allies and the U.S. and European oil firms who are their partners—has left people desperate, frustrated and bitter. Bitter enough that, in recent years, youths have formed militias, stolen guns, seized oil facilities and made war on their ethnic rivals” (p. A18).

Groups in the 9 oil-producing states of Nigeria’s 36-state federation have for years demanded that they should receive more money than the rest of the country from the oil sales, since Nigeria earns around 90 percent of its 10 billion-dollar foreign currency earnings from oil and gas sales. The impoverished oil-producing areas charge that they only see a tiny percentage of that money ever spent in their regions.

On October 7, 1998, angry youths opposed to Nigeria’s government took control of 9 Shell oil pumping stations, blocking the daily flow of about 250,000 barrels of petroleum. The facilities were seized in several areas by groups of demonstrators charging that “government election preparations are unfair”, according to Shell Nigeria Managing Director Ron Van Den Berg. Two of the company’s helicopters and an oil rig were seized by the angry mobs. According to *The Washington Post*:

Registration for the 1999 presidential vote began with youth groups in the oil-rich Niger River delta region using the occasion to protest what they say is their exclusion from the political process. Communities in Nigeria’s southern states say their interests are not represented in federal politics, which is dominated by northerners. Although rich in oil, the Niger River delta states are among the poorest and most neglected in Nigeria (Oct 9, 1998; p. A38).

Since the election of President Obasanjo, the militancy has grown more violent and sophisticated. Since December 2005, militants have launched a series of ferocious attacks on Nigeria’s oil industry, sending crude oil prices sky-rocketing on the world market. Nigeria is the world’s eighth largest exporter of oil, producing 2.4 million barrels a day. Nigeria is also the fifth-largest oil exporter to the United States, after Mexico, Venezuela, Canada and Saudi Arabia. Nearly half of Nigeria’s oil exports go to the United States.

Since December 2005, incidents in the Western part of the delta have regularly shut down about 10 percent of the country’s oil production. Four foreign workers were abducted in January by the Movement for the Emancipation of the Niger Delta (MEND) and were held for three weeks before being released. The attacks have escalated with such ferocity that there is much concern about Nigeria holding together as a country. On Feb 18, 2006, MEND launched a string of attacks on the country’s oil industry, abducting nine foreign workers, bombing a major tanker loading platform and sabotaging two pipelines. These forced Royal Dutch Shell to suspend exports from the 380,000-barrel-a-day Forcados tanker terminal, and shut down the 115,000-barrel-a-day EA oilfield as a precaution. The Forcados loading platform, which is located about 20 kilometers offshore, was set on fire while a pipeline was blown up. [The nine foreign contractors who were kidnapped—three Americans, two Egyptians, two Thais, one Briton and one Filipino national working for Willbros Group of Houston—were working on a pipe-laying barge. They were released on March 27 without harm.] As a result of these attacks, Nigeria’s oil production was cut by 455,000 barrels a day out of a total of about 2.4 million barrels, or by about 20 percent. The effect was to push up crude oil prices sharply: Brent crude oil for April delivery jumped \$1.57 a barrel, to \$61.46, on London’s ICE Futures exchange. “We would expect the potential for further chaos in Nigeria to provide a floor for prices above \$60, and we expect that Nigeria will continue to be a major issue in terms of supply security,” Kevin Norrish, an analyst at Barclays Capital in London, wrote in a note to investors” (*The New York Times*, Feb 25, 2006).

MEND said the attacks were a response to military air raids in Delta State and would be followed by another wave of violence “on a grander scale.” The militants are determined to cut Nigeria’s oil production by 30 percent and have warned all

foreign workers to leave the delta immediately. The militants want more local control over the Niger Delta's vast oil wealth and the release of two ethnic Ijaw leaders, including a militia leader who is on trial for treason.

The ferocity and frequency of the recent attacks have alarmed observers. First, they threaten to destabilize the global oil supplies, spiking up prices. More unsettling, the attacks breed their own perverse incentive for more attacks. The militants derive their funds from "bunkering"—the practice of siphoning off oil from pipelines for sale on the black market. Attacks, which partially shut down oil supplies to the world market, raise oil prices, yielding greater revenue from "bunkered oil" to finance purchase of arms for more attacks. Second, the attacks are exacerbating political tensions and the climate, which had already deteriorated due to a misguided bid by supporters of President Obasanjo for a constitutional amendment to permit a third term. Fortunately, the Senate on May 15 shot down that bid.

Although the attacks have been directed primarily at Royal Dutch Shell, the oldest and largest oil producer in Nigeria, their real target is the government, said Sebastian Spio-Garbrah, an analyst at the Eurasia group, a private research firm (*The New York Times*, Feb 25, 2006). "They are trying to hurt the government, not really the oil companies," Mr. Spio-Garbrah said. Efforts to defeat militant groups militarily have floundered, enabling them to carry out several audacious attacks on oil facilities. "The government says the group pays for its weapons by stealing oil, but several government officials, including two admirals of the Nigerian Navy, have been charged with stealing oil as well" (*The New York Times*, Feb 25, 2006).

The Obasanjo regime, though far better than the string of military gangster regimes it succeeded, has been scandalously incompetent and hopelessly ineffective in tackling the myriad of social ills confronting Nigerians. Provision of basic social services—clean water, reliable electricity, etc.—remains sporadic and anemic. And since President Obasanjo took office in 1999, ethnic and religious fighting, land disputes and conflicts between communities have driven more than 3 million Nigerians from their homes, according to the National Commission for Refugees, which also said the problem of internal displacement in Nigeria, Africa's most populous nation, was worsening and appeared to be a permanent feature of society.

The commission said the problem of displaced people stemmed from three decades of military rule that caused deep but repressed anger within society. The return to civilian rule in 1999 allowed frustrations to surface and erupt into conflict. At least 14,000 Nigerians have died in ethnic, religious or communal fighting since 1999, according to conservative estimates of human rights groups. In the most recent outbreak, religious riots in February, 2006 in Maiduguri, in the north, killed up to 50 people, mostly Christians, and left many more homeless. Those killings sparked reprisal murders of Muslims in Onitsha, in the south, where thousands fled their homes, seeking refuge in army barracks or leaving the area altogether. Many disputes that lead to displacement begin over land or political control of local areas and later take on an ethnic or religious dimension, the commission said (*The New York Times*, March 14, 2006).

Section E: Fighting Corruption Effectively

What breeds corruption, bribery, and other types of malfeasance in modern Africa generally are the system of pervasive state controls and regulations; concentration of economic and political power in the hands of the state or a few individuals, the institution of undemocratic systems of governance that lack accountability, the muzzling of the press to expose corruption, the perversion of the judicial system, banishing the rule of law; and an elite culture that tolerates high levels of corruption. Obviously it would be futile to rail against corruption and still keep in place the very system which breeds it.

The Byzantine maze of state controls and regulations provide the ruling elites with rich opportunities for self-aggrandizement. Revenue collection, passport control, and even government stationery can all be diverted, manipulated or used for illicit gain. Civil servants demand bribes, exploit their positions in government, and manipulate the state's regulatory powers to supplement their meager salaries. Almost every government regulation and nuance of policy can be "exploited" for private gain.

Corruption has become the canker of the African body politic: malignant and pervasive. It has been nurtured by the system of state controls and an elite grab mentality. It has remained an intractable problem because the prevailing intellectual environment characterized by brutal repression, censorship and state control of the media, does not permit an exposure of the problem. This is aggravated by the absence of rule of law. The crooks are seldom caught and the law can hardly be enforced when the chief culprit is often the head of state himself.

In the post-colonial period, corrupt Nigerian governments have combated corruption half-heartedly and cynically with various ad hoc measures, such as probes and anti-corruption commissions. Most Nigerians collapsed into hysterical laughter when they heard their head of state, General Sani Abacha, (“The Butcher of Abuja”) had launched “a war on corruption,” because they knew “several of his cronies, active or retired, are millionaires and no military men involved in the banking scandal [that cost the country \$180 million] have been touched. ‘When the soldiers have eaten enough, he retires them,’ said a civil-rights lawyer.” (*The Economist*, June 8, 1996, 48). Recall that from 1988 to 1994, Nigeria’s military rulers squandered \$12.4 billion in oil revenue, estimated by the September 1994 Pius Okigbo Commission to be a third of the nation’s foreign debt. A Petroleum Trust Fund set up by former head of state, General Ibrahim Babangida “lost” \$600 million. No one was prosecuted. In fact, for an entire decade—1990 to 2000—not one single high government official was indicted and punished for corruption. Since corrupt governments hardly reform themselves, the pressure must come from outside the state—from civil society.

To fight corruption effectively requires taking the following steps:

1. Exposing the problem, which is the business of the media, and
2. Appointing an aggressive Attorney-General,
3. Punishing the corrupt for all to see that crime does not pay. No exceptions to the rule of law.

The first step has been stymied by the fact that the media in much is controlled by the state. Only 8 African countries have a free media. The state uses the media to control the flow of information and to conceal corruption and wrong-doing. When intrepid journalists expose them, they are brutally assaulted by security forces—or worse.

On Feb 22, 1998, armed soldiers invaded the Ondo State television station, ransacked the editorial offices and took away the evening bulletins which included accounts of the assault two days earlier on the station’s media managers, Dunning Fagbayiyo and Tunde Yusuff. Five days later, unidentified gunmen killed Tunde Oladepo, a senior editor of *The Guardian*, after breaking into his Ogun State home. “He was shot to death in front of his wife and children. The murderers stayed in the house for 30 minutes after shooting him to make sure the journalist was dead” (*Index on Censorship*, May/June 1998, 116).

Attacks on the media continued, even under the “democratic” regime of President Olusegun Obasanjo. On April 4, 2000, nine armed members of the dreaded State Security Service (SSS) invaded *This Day* newspaper offices in Abuja, claiming they were looking for “subversive and incriminating documents” (*Africa New Service*, April 14, 2000). Earlier on Jan 19, 2000, 50 police raided the international press center in Lagos with guns drawn, demanding computer files and arresting journalists on suspected charges of terrorism (*Africa New Service*, April 14, 2000). A compendium of these attacks can be found in the Appendix A. Obviously, control of the media must be wrestled out of the hands of the state if the fight against corruption is to succeed.

Second, an aggressive Attorney-General or anti-corruption czar should be appointed and given the powers of prosecution. Such an Attorney-General or czar must be protected by the President himself or, failing that, by western donors. Third, combating corruption will require reforming the judicial system. Only an independent judiciary can establish the rule of law and prosecute corrupt government officials. As we have seen, state governors loot with impunity because the corrupt are seldom punished.

Further measures can be taken as well in the fight against corruption.

- The pervasive array of state controls which breed corruption and malpractices must be removed. It entails the removal of controls on prices, exchange rates, imports, exports, rents, and others. These controls did not exist in Africa’s own indigenous economic system in the first place. Such measures would liberalize the economy, by taking economic power out of the hands of the state and giving it back to the people where it rightly belongs. Incidentally, this is partly what Structural Adjustment Programs are intended to do.
- An independent central bank is also vital, as can be discerned from the following quote:

“Swiss judicial authorities have opened an inquiry into alleged money laundering and participation in a criminal organization involving Nigeria’s late leader Sani Abacha and his entourage. Abacha, his eldest son Muhammed Sani Abacha, his widow Mariam and brother Abdulkadir, are among those accused by Nigeria’s elect-

ed government of having “systematically plundered” the country’s central bank, a Swiss statement said earlier in October, 1999. A Geneva lawyer representing the Nigerian Government alleges Abacha and his entourage diverted \$2.2 billion from the Central Bank alone” (*The Washington Post*, Oct 27, 1999; p.A25).

I would recommend rotating governors of central banks in a region, say West Africa; which would help enhance the “independence” of the central bank. Further, to help combat corruption effectively, it might be best to appoint a non-national (a Westerner or African) to head the anti-corruption units. For example, a Ghanaian may be appointed in Nigeria and a Nigerian in Kenya. The reason is that quite often non-national Africans do perform well when pulled out of their socio-cultural environment since they are not burdened by a myriad of social obligations. A Ghanaian is not Yoruba or Igbo and therefore cannot be expected to grant special tribal favors to a corrupt Yoruba politician.

- Lessons must be drawn from anti-corruption efforts in other African countries. African governments set up anti-corruption commissions with no teeth to prosecute the corrupt. And when they snoop too close, they are shut down. Such was the case of Richard Leakey, appointed by Kenya’s ex-president Daniel arap Moi in July 1999 to head the civil service in an effort to eradicate corruption. But when he pried too close, he was sacked six months later. The next anti-corruption czar, John Githongo, appointed in 2001 by the new president, Mwai Kibaki, did not fare better. When he fingered thieving ministers, threats were made on his life and he fled to Britain in 2005.

The rare case of success in the fight against corruption comes from South Africa. There President Thabo Mbeki swung into action and established “The Scorpions,” South Africa’s elite anti-corruption unit, which had pursued “bigger fish”—senior members of the ruling party, the African National Congress (ANC). The Scorpions went after Jacob Zuma, the deputy president and the most likely successor to President Mbeki, who was “accused of (and denies) asking for 500,000 rand (or \$68,000) from a foreign arms company, Thales, to protect it from a probe into alleged kick-backs” (*The Economist*, Aug 2, 2003; p.45). Other senior government officials also felt the sting of The Scorpions: Tony Yengeni, chief whip of the African National Congress was jailed in 2003 as was Winnie Madikizela-Mandela, former wife of Nelson Mandela. The conviction of Yengeni centered on his purchase of a luxury sport utility vehicle that was sold to him at a steep discount by a defense contractor. The contractor, European Aeronautic Defense and Space Co., eventually won a contract to build radar systems as part of a \$6 billion package of weapons purchases made by the government in 2001 (*The Washington Post*, Oct 4, 2001;p.A26).

Mrs. Madikizela-Mandela, the president of the ANC’s Women’s League and member of Parliament, was convicted of defrauding a bank of more than \$103,000. She was still a member of parliament when she was jailed. She was involved in a scheme in which a codefendant obtained personal loans for fictitious Women’s League employees by using her name and letterhead to support the fraudulent loan applications. Mrs. Madikizela-Mandela publicly denied the bank fraud charges. In an interview with the *City Press* newspaper, “she acknowledged financial problems, but said the investigation was inspired by her rivals within the A.N.C. She had been one of Mr. Mbeki’s most vocal critics, assailing him for questioning whether H.I.V. causes AIDS and condemning the government for promoting conservative economic policies that she says neglect the poor. “One can safely conclude that the campaign is being waged within my organization,” Mrs. Madikizela-Mandela said (*The New York Times*, Oct 18, 2001; p.A5).

The Scorpions report an impressive conviction rate of 85 percent and enjoy huge popular support. And the secret of their success? According to *The Economist* (Aug 2, 2003),

Cases of graft are known about largely because the police, newspapers and political parties are free to unearth them. The national prosecuting authority now has over 3,500 staff and fast-rising budget worth 950 million rand (or \$129 million) in 2003. In July 2003, Mr. Mbeki authorized a probe into 285 cases of fraud in the department of justice and the courts and police are broadly free of political meddling. The president says of his deputy’s troubles that the ‘law must run its course’” (p.45).

Again, it is worth recounting the ingredient of this successful campaign: freedom to unearth cases of corruption (exposure), prosecuting the corrupt for all to see and providing funds and staff to the prosecuting authority. These ingredients are woefully lacking in Nigeria. If Nigerian leaders want to be popular with their people, they should establish “The Scorpions” or “Black Mambas” in the country.

Section F: What the U.S. Can Do to Help

It would be wrong to leave you with the impression that corruption alone is the major scourge afflicting Nigeria. In the grips of a constitutional crisis, torn by sectarianism, North-South divide over claims to the presidency, religious and ethnic rivalries and communal violence, the country teeters on the brink of disintegration. These broader issues are best handled in a “sovereign national conference.” This political vehicle was successfully used by Benin in 1991 and South Africa in 1994 (the Convention for a Democratic South Africa—CODESA) to chart a new democratic political dispensation for their respective countries. President Obasanjo indeed convene such a confab—the National Political Reform Conference. But, as it turned out, it was a scam. The Nigeria Labor Congress (NLC) declared it a “failed conference” because it had a pre-determined agenda and therefore, was not “sovereign” (*The Vanguard*, July 14, 2005).

To help Nigeria in its efforts to tackle its problems, the U.S. government could do any of the following:

1. Help tighten international regulations against money-laundering, especially in developing countries in Asia, which now seem to be the destination point of looted funds.
2. Help persuade the Nigerian government to place a certain percentage of oil revenues into an offshore escrow account, to be managed by an independent body for the benefit of the people in the Niger Delta.
3. Gently goad, not the President but the Nigerian Senate to convene a sovereign national conference. The Senate has shown some streak of independence in voting against the Constitutional amendment that would have allowed President Obasanjo to seek a third term.

I believe with patience and political will, Nigeria can be saved.
Thank you.

APPENDIX A: ATTACKS ON THE PRESS

2004 World Press Freedom Review

Personal attacks and detention of journalists were rampant throughout the country in 2004: The following is a compendium of brutal attacks:

- On 12 January SSS officers interrogated Tony Eluemunor, Abuja bureau chief for the *Daily Independent* newspaper after an 8 January story regarding links between the presidency and an alleged plot to oust Anambra State Governor Chris Ngige. Eluemunor was initially refused access to his legal counsel and was pressured for several hours to reveal his source for the article. He refused to do so.
- On 21 January nine journalists were suspended for providing coverage of an aborted strike over increases in petroleum products prices. The Nigeria Labor Congress had planned the strike. The journalists, all of whom worked for the state-owned Ondo State Radiovision Corporation (OSRC) in southwestern Nigeria were given suspension letters that accused them of “derelection of duty.” The letters were signed by OSRC board chairman Clement Adebambo on the orders of the State Governor Olusegun Agagu who was reportedly outraged by the reports. The decision of the management to suspend the journalists for covering a news worthy and relevant story exemplified an unsettling willingness to be influenced by political forces.
- A correspondent for the African Independent Television (AIT) station, Joseph Nafoh, was assaulted on 27 March by a group of men allegedly acting on orders from Boniface Kobani, a councillorship candidate for the People’s Democratic Party (PDP) in southern Nigeria. While trying to capture incidents of multiple voting and electoral fraud on film, Nafoh was attacked and his camera was taken before police officers at the polling centre. The police did not attempt to arrest the attackers. Nafoh’s camera was returned to the AIT office on 29 March by State Commissioner for Information Magnus Abbey, but his tape had been removed.
- On 25 June, a group of policemen in Osun State, southwestern Nigeria, beat Gbenga Faturoti of the *Daily Independent* newspaper almost to the point of unconsciousness. O. C. Agboromoti, an assistant superintendent of police at the Osun State parliament ordered officers to attack the journalist. Faturoti was beaten because he had not turned off his mobile phone while reporting at the House of Assembly. After being slapped in the face, manhandled and dragged from the building he was arrested and detained for several hours.

- Kola Oyelere, a correspondent for the privately owned *Nigerian Tribune* in Kano State, northwestern Nigeria was arrested by police on 4 July and charged with publishing false information after the publication of a story entitled "Panic in Kano? As Fresh Crisis Looms." Before he was arrested, he was declared, "wanted" by the police and charged under six sections of the penal code. Oyelere said that while in police custody he was repeatedly beaten and tortured and was refused access to his medication for typhoid fever. On 8 July, he was released by Kano police and the charges against him dropped.
- On 9 July, two journalists, Lawson Heyford of *The Source* and Okafor Ofiebor of *The News* were arrested and detained for their alleged association with Pastor Joe Alatoru, who had accused two senior police officers of taking bribes from him. Police officers from the Rivers State Security Agency's Special Operations Squad (SOS) arrested the three individuals and told them they would face trial for trying to frame two police officers. The journalists were detained for over 18 hours before the charges against them were dropped. While little explanation was offered as to why the journalists had been detained in the first place, the Media Foundation for West Africa condemned the arrest as an example of the abuse of power that police authorities use whenever a news report threatens them in any way.
- The assistant commissioner of police, H. C. Ugwu allegedly ordered the assault of *The Sun* newspaper correspondent Uja Emmanuel on 21 July while Emmanuel was investigating the abduction of journalist Johnson Babajide. The incident took place in Makrudi, the capital of Benue state in north central Nigeria. Babajide, a correspondent for the *Nigerian Tribune* was said to have been taken by police early in the day and was alleged to have been severely beaten by a group of men hired by the People's Democratic Party (PDP). Ugwu confronted Emmanuel while he was at police headquarters inquiring about Babjide. The officer accused him of publishing criticism of the way police were handling a conflict in nearby Kwande. Ugwu reportedly ordered his officers to seize Emmanuel's camera and tape recorder and to beat him in front of other reporters.
Babajide was released that day and reporters waiting outside police headquarters said that he was soaked in his own blood and weeping as he recounted his story of having been dragged out of his house earlier that morning by the governor's chief press secretary Tahav Agerzua and his group of 20 thugs. He was allegedly tortured and told by the governor's special advisor on security that police were acting on orders from the Benue state governor.
- In one of several raids perpetrated by the State Security Service (SSS) officers, the editorial offices of *The Insider Weekly* news magazine in Lagos were attacked on 4 September. Officers smashed the doors in and vandalized the office, seizing several documents. While inside, they arrested production manager Raphael Olatoye. They later visited the printers' office and seized all copies of the magazines' most recent edition. Before leaving the editorial offices they chained and locked the doors. Later that day the SSS published a statement saying that they had "stormed" the magazine because it had been "consistently attacking, disparaging and humiliating the person and the office of the President and the Commander-in-Chief."
The next day the officers returned to confiscate files, computers and other equipment. Editor-in-chief Osa Director, fled his home on 6 September after reports that the SSS were looking for him. Despite the harassment, no official charges were laid against the paper.
Later that week the *Global Star* weekly newspaper in Lagos became the subject of an SSS attack. On 8 September SSS forces raided the newspapers office, and in the absence of editorial consultant Isaac Umunna, arrested his wife Hope Umunna and other staff members. Officers seized computers and other documents and continued to raid the paper's printing press and to arrest the press's principal officers.
The arrested staff members were detained until later that day. On 9 September, Isaac Umunna reported to the SSS office and was arrested and detained. For several days he was denied visits from his wife or lawyer and was refused permission to see a doctor when he developed diarrhoea. On 15 September, he was taken on a 10 hour journey to SSS national headquarters in Abuja and was questioned overnight. He was released the next day and escorted to his home in Lagos.
- *Weekly Star* correspondent Owei Sikpi was assaulted by SSS operatives in the River State capital of Port Harcourt on 25 October. The attack followed a 30 September story in which Sikpi wrote about Steven Diver, chairman of the

Southern Ijaw Local Government Area in Bayelsa State, accusing him of illegally and recklessly spending state money. A group of men, who identified themselves as SSS officers forced Sikpi into a house where they beat him severely, stripped him and then photographed him. They threatened to publish the photos if he wrote about Diver again. Prior to the attack Sikpi received a threatening letter from Diver's legal counsel.

- As the wave of politically motivated violence continued in 2004, two public radio stations in the southeastern state of Anambra were vandalized and torched on 10 November. The conflict began when supporters of State Governor Chris Ngige interrupted a meeting of supporters of local politician Chris Uba. Fighting ensued between the two groups and later that night over 100 pro-Uba supporters stormed public radio stations in two separate communities and attacked staff members. They tied up and beat the staff before setting fire to the studios. Similar incidents of violence plagued the country as citizens were directed to aggressively support opposing political leaders.

On the same day, at the Federal High Court building in Ikeja, Lagos, Diran Oshe, photographer for the daily *Vanguard* was attacked and beaten by military intelligence agents acting as bodyguards for Major Hamza Al-Mustapha. Oshe was trying to take a picture of the Major who was on trial for involvement in the murder of *The Guardian* editor Alex Ibru, when agents beat him with the butts of their rifles and smashed his camera.

Although intimidation of the press through violent means was rampant throughout the country, forces also harassed journalists through diplomatic means. Silvia Sansoni, a journalist with *The Economist* was expelled from Nigeria on 19 February after being accused of "abusing her accreditation." Later in the year, Stephan Faris, a reporter with U.S. based *Time* magazine was prevented from entering the country when he arrived at Murtala Muhammad airport in Lagos on 27 November. He was later expelled without explanation. In a continued display of contempt for the foreign press, several foreign radio broadcasts were banned throughout the year.

One of the more disturbing aspects of the blatant harassment targeted at journalists is that perpetrators act with impunity and are rarely punished for their violent actions. As most attacks are carried out by police or security forces to avenge perceived criticism or to uphold directives given to them by state authorities, there are no measures in place to prevent the further escalation of violence. For his part, President Obasanjo seems unwilling to promote a regime that creates a safer and more tolerant environment for journalists.

Source: <http://www.freemedia.at/wpfr/Africa/nigeria.htm>

Mr. SMITH OF NEW JERSEY. Let me just ask, on law enforcement, you heard just a few moments ago Mr. Ribadu's concern that some of the recommendations or some of the requests for cooperation that he had made were not honored and we will follow up on that.

But I would be interested in what your take on United States law enforcement cooperation with the Nigerians is. What puts reform at risk?

One of the questions I asked earlier was about upcoming elections, whether or not that might lead to a U-turn or a diminution of the reform movement. What is your response to that?

But also—and you mentioned this just a moment ago, Dr. Ayittey—that the Asian banks, you know, China and we have had a couple of hearings on our Subcommittee on the growing influence of China, that country's ability to strike deals, ask no questions, with the intent of getting oil, gas, minerals, lumber, and to do it at the lowest price, and perhaps even with a fair degree of corruption, and we know that China is very active in Nigeria. Does that put reform at risk?

In the PRC itself today if you publish information, economic information that the government construes to be a state secret, you go to prison. You go to a laogai, a concentration camp. They don't just do it for religious freedom advocates and democracy advocates. They do it for economic and capitalist-oriented Chinese as well.

Does that then carry through to their dealings with Nigeria, which could put a real dent on any reform movement?

The Publish What You Pay coalition, as you know, has said that solid minerals ought to be included in the transparency effort. What has been the progress on that score?

And I guess that is it for now.

Mr. GOLDWYN. Let me take questions two, three and four. I don't have anything to contribute on the law enforcement cooperation. That is not an area I have a lot of exposure to.

Sustainability of this effort, the only way this transparency effort will be sustained is if the law is passed and if the government agencies are reformed. You will still need political will to actually enforce them. But this has to be institutional reform. The law being passed will be a critical first step; and we will see I think this year, by the end of the year, whether or not NEITI will be a permanent part of the Nigerian Government.

But the real key is going to be reforming the Department of Petroleum Resources because corruption is pretty sophisticated. This is not about people sticking their hand in the till. This is how does a decision get made to bid out a particular bit of acreage. Is there enforcement or is there not for tax collections. You know, what Nigerians call value for money. A project gets, you know, bid out and paid for. Does it actually get built? And that is all training institutions' function.

And we will see. We will see in the next year and a half. It will be a long process to actually bring these institutions up to speed, but we are going to see pretty quickly whether there is money and political will behind it. If so, then I believe the effort will be sustainable, because people will have better information, people will have the ability to fight back against the government. The rules will be changed, which will deter the opportunities for corruption; and I think that will provide sustainability, not foolproof, but I think that will help.

Let me take solid minerals next. It was the good fortune of Nigeria that the senior special assistant for EITI was named the minister of solid minerals by the President. This is Oby Ezekweseli, and she is bringing NEITI principles to that. They have redone the mining cadastre. They are passing a new mining law.

I have been able to give them a little bit of advice on that with a former—the help of a former director of the Minerals Management Service here. They are looking to implement probably one of the most transparent systems in mining that Africa has seen, and the minister is committed to reducing the discretion of the minister to make these decisions because she sees that as the greatest weakness.

So I think there is enormous promise when this bill is passed and, more importantly, when the implementing regulations are passed as well. It is another area where the U.S. Government has expertise where we could probably lend a hand.

On China, finally, China has legitimate energy security needs and they are competing and they are competing in the way we used to do business 20 years ago. It is a challenge not to global energy security, because if they produce the oil it doesn't really matter who does it, but it is a challenge to U.S. policy. Because they don't

have the same concerns about democracy or about transparency, they are not part of this EITI effort, they don't contribute to it, and the mini-bid round that is taking place in Nigeria this weekend has empowered China with the right of first refusal on a couple of blocks in exchange for China's grant of building certain infrastructure.

In my view, that is not completely consistent with transparency, because Nigerians will never know whether they are getting the marketplace price for the block of oil, and they will never know whether they are getting the market price for the railroad or for the road either because neither of them are probably tendered. And that is why I think it is a bad practice.

That is how China is competing in Africa. In Angola, there are similar problems with loans. I think China's strategic interests long run are the same as ours in promoting stability. But China doesn't see it that way yet. I think that is something we need to work on not as an adversary but dealing with them as they are competing with us. But it is definitely a challenge to United States policy in Nigeria and other parts of Africa, and I think it is something government to government we ought to take on with the Nigeria Government.

Mr. AYITTEY. I agree with David for much of what he said, and I want to add a couple of things.

I personally see the increasing incursions of China in Africa as a danger, a danger in three senses.

Number one, it takes the pressure off African governments to reform. We can see this in Sudan, for example. We can't—the Darfur region, for example, we can't call what is going on genocide. Even the United Nations Security Council can't take any action against them. They can't call it because China will block it.

Why is China doing so? It is because China has invested a considerable amount of money in Sudan's oil.

Now we have seen something like a redux of the Cold War era, where smart or shrewd African dictators are going to play one superpower against another to extract maximum aid.

Of course, both the United States and China are looking for oil in Africa. So if one despot doesn't get it from the United States it is going to try the others.

Now this is not going to help us in the—I mean, the Chinese have no scruples about the type of regimes that they deal with; and they are willing to supply whatever weapons or whatever—even if those weapons are used to suppress and kill the African people.

So this is why—I mean, this is very dangerous. I personally would like to see the African Union take a firm stand in terms of like defining what human rights are that needs to be protected or even defining one standard for democracy in Africa.

Of course, the Chinese are not alone. Of course, there are the French wars in Africa; and sometimes, you know—I must say this—sometimes the United States also casts a blind eye to flagrant human rights violations. Take a look at Equatorial Guinea, for example, where you have massive corruption because you have one President Obiang, for example, who owns the country. He himself has more than \$700 million in overseas bank accounts, some of them, including Riggs Bank, here in Washington, D.C.

So we are looking at—we have lots of problems in Africa. The Chinese are not going to help. At least what we can do is the message we can send is one consistent set of standards.

Mr. SMITH OF NEW JERSEY. Finally, is the United States using the anti-corruption provisions of the AGOA effectively in Nigeria?

Mr. AYITTEY. No, I don't particularly think so. In terms of using, I think, the mechanism for applying the anti-corruption measures, what the U.S. can do is probably through the Millennium Challenge Account where they are—where there have been very, very strict benchmarks, at least 15 of them, which an African country will have to qualify before it gets any of those Millennium Challenge grants. So far, Nigeria doesn't qualify.

Mr. GOLDWYN. I think it is important when a country is moving in the right direction to show some patience and some nuance in how we apply standards. I wouldn't deprive—given the progress that Nigeria is making, if we are not applying the AGOA standards on anti-corruption to the letter, I wouldn't punish Nigeria, given the enormous progress that is being made, as long as the direction is moving forward. I think these can be blunt instruments, and I wouldn't use them bluntly, particularly with Nigeria when we see the kind of courage that we see from Mr. Ribadu and because we want to see this movement go forward.

In the end, all of these efforts are in some extent about politics. If the leaders don't get a political benefit from doing this, then it is going to be very hard for them to sustain the effort. There is no question that all anti-corruption efforts undermine the existing political class in almost any country and they create instability, and so there has to be a dividend. Debt relief for Nigeria was a huge dividend. It was indispensable to sustain the anti-corruption effort. Because what did they have to show other than depriving a lot of people of their iron rice bowls? So I would just say we should be patient and gentle in how we treat the AGOA standards.

Mr. SMITH OF NEW JERSEY. Thank you.

Mr. Payne.

Mr. PAYNE. Thank you very much.

I certainly agree with what you are saying and the tremendous amount of corruption that we have seen in Africa, and I just wonder when this whole era of external forces on Africa will finally end.

As you know, we went through colonialization and World War II started and then, after that, decolonialization began and countries started to ask for their independence and fight for their independence.

Kenya led the way with Jomo Kenyatta and the Mau Maus that said we will have to take it by those means. Other countries, Ghana had a more peaceful way. But whatever was done, it was done, and colonialism was starting to leave. But, once again, it gave Africa a problem in trying to have stable governments after World War II and then going into the Cold War.

And during the Cold War, as you know, this whole question of we don't care what you do, Patrice Lumumba killed, you put in Mobutu. Moroccans helped him three times stay in power, and that is why we allowed Morocco now to take western Sahara, because they have been our long-time allies. And western Sahara gets inde-

pendence from Spain and Morocco said, well, it is ours; and the United States looks the other way because Morocco has been our hand up there for many years and won't let a referendum go, never opposed South Africa—

Talk about China today. We never opposed apartheid. It wasn't until the CAAA, it wasn't until people in cities and states had divestment in states, never did, on a Federal level, until the Comprehensive Anti-Apartheid Act of '86 passed, which was vetoed by President Reagan but was overridden because men like Senator Lugar had enough courage to say to his good friend, I am going to vote for this anyway. It was almost in the '90s before we would even say that, apartheid governments, because they were our friends and we looked the other way.

We supported militarily Portugal in Cape Verde, Mozambique, Guinea-Bissau and—up until '75 when NATO weapons—they defeated African armies, and we saw pictures of NATO weapons. And NATO was not supposed to use any weapons in their colonial powers, but they were captured. I was there. I saw them.

If you have got an army, you don't put a NATO United States supply gun here and a Portuguese gun there. You are using whatever means you have to win your war, and that is a fact. And I have got pictures from when I was down there in the '70s.

So Africa has been just the one that has been kicked around forever, and now along comes the Chinese. They are going to put in the same kind of, you know, anything goes policies; and once again it is going to be a battle now because they have very little or no regard for human rights. However, the U.S. had a policy that we—whatever you do to your people, it is all right, too, because we want to kill and defeat communism.

So Africa, like I said, is the richest continent in the world, and it makes everyone else rich, and they remain poor. It doesn't make sense. And people do gold and they become wealthy because the gold sits in a safe somewhere or diamonds or gold or oil, and the people there live on a dollar a day, 70 percent. The other 20 percent are more fortunate. They live on \$2 a day. Unbelievable.

But I just think that we need to get support, as you have indicated, Mr. Goldwyn, to get the West to support these new initiatives being made in these countries so that they can actually have the financial support but also the technical support to move in and to try to install these anti-corruption procedures.

And, Dr. Ayittey, I have heard your talks for many, many years and agree that something has to change. And maybe, as we have indicated, a change is coming. Maybe the winds of change is what is happening, and Nigeria is an example of what we can do if we give the support that we should give to the countries. And we have to bring those countries like France to bear, and say you can't do this anymore.

Malaysia, when they go in and they take timber and they drag it through and they destroy all of the ecology, all they want to do is get the timber out, whether it is stripping whole mudslides in countries in Indonesia and other third-world countries where—this whole kind of raping of the natural resources and the rush to get resources in this economically driven world.

So I would hope, too, that we could, UN or EU, take up this whole commission and, if we are not willing to fund it, perhaps other organizations in the world could fund this whole transparency organization so that we could really move toward eliminating this object of corruption that exists.

So I would just appreciate both of your testimonies; and if any of you have anything else you would like to say, you certainly can do it on my—the rest of my time.

Mr. AYITTEY. If I may add to what you said—and I thank you for your great concern for Africa. It is a continent which breaks my heart. It is bleeding. And for many of us who are Africans, for example, we find the situation intolerable, totally intolerable and maddening because there is no reason why we should be in such a state, given the natural resources wealth of the continent.

But there is one thing which I would like to add. It is just not the foreigners who come in and rape and plunder the resources in Africa. Our own Government, our own leaders are doing so. Look at the Congo, for example, where you have the second scramble. Governments in Uganda, Rwanda, Burundi, they are plundering the wealth of the Congo.

Now this is where it is always important for us to make a clear distinction between the African leaders or governments and the African people. The leadership has been the problem, and that is why Ribadu talked about governance. We have a very, very poor governance.

We sort of believe that, look, these problems in Africa have to be solved by the Africans themselves. The United States can't micro-manage solutions for Africa from Washington. We have to make the effort, the initiative, to solve the problems. What the U.S. can do is provide support for the initiatives that we ourselves are taking. We need better governance.

If you look across Africa today, there are 54 African countries. Only 16 them are democratic. Look at how they change constitutions to run for the third term. In Uganda, in Chad, for example; in Egypt, for example; Eritrea, Ethiopia, recently held elections, okay. But we have a continental organization called the AU. It is totally hopeless. It can't even define democracy. Now that organization can be compared to the Organization of American States in Latin America. It has done far better.

So we urge you in terms of, you know, to identify those Africans, the African initiatives, those Africans who want to bring African solutions to African problems and support them.

Thank you.

Mr. GOLDWYN. One brief comment. I wasn't sure when you were talking about external forces whether you were talking about external pressure to promote anti-corruption. Oby Ezekweseli would have my head if I didn't say that this effort in Nigeria is home grown. There are countries where definitely the World Bank, the IMF, the U.S. pressured other countries to do this and say, here is something you ought to join.

But this effort was home grown in Nigeria. It was the President's idea and Oby's idea, to design something which has not been done anyplace else, pushed it through. They have fought some pretty aggressive hand-to-hand battles with their own government and with

the companies in order to push this through; and that is what give me hope, is that this is not an externally driven change. This is an internally driven change. And that gives me hope that it will be sustained.

Mr. PAYNE. That is great. Thank you very much and, hopefully, that can be the model for Africa. Believe me, if they can do it in Nigeria, it will be a snap in the other countries. Thank you.

Mr. SMITH OF NEW JERSEY. Dr. Ayittey and Mr. Goldwyn, thank you so much for your testimony and your very valuable insights and recommendations. Thank you.

The hearing is adjourned.

[Whereupon, at 4:38 p.m., the Subcommittee was adjourned.]

