

The Global Financial Crisis and Financial Reforms in Nigeria

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Representative Meeks Prepared Remarks

Before we begin, I would like to thank the ranking member, Representative Miller, for working with me to organize this critical hearing on the financial crisis impact on Africa, and the reforms being implemented in Nigeria. I would also like to thank our distinguished witnesses for agreeing to testify before Congress today. In particular, I would like to thank Governor Sanusi and Director Oteh for traveling all the way from Nigeria to testify before this subcommittee. It is quite uncommon for senior government officials from another country to agree to testify before the United States Congress. But these are unusual times we live in. The global financial crisis from which the world is only beginning to emerge continues to hang over many nations' recovery plans. Most emerging markets, including Nigeria, were adversely impacted by the secondary effects of the crisis, in the form of collapsing demand and prices for their

primary exports, as well as a dramatic decrease in remittances.

Over the past two years, I have been privileged to lead two bipartisan congressional delegations to Africa. These bipartisan delegations focused on the impact of the financial crisis and global recession in Africa, the programs implemented by the multilateral institutions to prepare African nations for the expected effects of the crisis, as well as the support the continent received to cushion the impacts of the crisis.

In February 2010, Chairman Watt and I co-led a bipartisan delegation to Nigeria, where we had the privilege of meeting with Mr. Sanusi, the Governor of the Central Bank of Nigeria. Our working lunch meeting with the governor followed an overnight flight to Nigeria and no rest at all before engaging in an aggressive meeting schedule that day. Jetlag and the tiredness meant that we were struggling to stay focused in some of our meetings. But as soon as the central bank governor began to speak, every single person

in attendance caught a second wind. Our working lunch went well over the allotted time, as we discussed and debated the impact of the financial crisis in Nigeria, the tough decisions that he and his colleagues had to make as they evaluated the health of the nation's leading banks and the political and economic pitfalls of bailing out failing financial institutions, as well as the initiative to establish a so-called "bad bank" to acquire the toxic assets from these banks' balance sheets to get the banks lending again. It was also fascinating to hear how Nigeria held the leaders of the failing banks accountable in a way that many Americans wish had also been done here for the leaders of financial institutions that benefitted from tax-payer funded bailouts.

Governor Sanusi also engaged members in a great discussion about the need to reform the entire financial sector in Nigeria, which he will address in his testimony today. One point in particular strikes me as something we struggle with here also. Creating differentiated banking licenses allows specialized banks to emerge, serving critical

parts of the market with targeted products and services. Yet each such institution must be subject to appropriate oversight and a strong regulatory framework, so as to not trigger regulatory shopping, or a regulatory race to the bottom as we arguably witnessed in this country. Increased capital requirements and more stringent risk management structures for the most systemically significant institutions will help Nigeria and Africa as a whole mitigate systemic risks going forward. Lastly, improved regulation of capital markets to promote transparency and will be critical to attract the necessary capital to finance Nigeria's exceptional growth potential and private sector development needs. In many ways, the discussion we had, in a hotel conference room in Nigeria, reflected debates we were having here in the U.S. as we considered necessary reforms to our own financial sector.

Following that meeting, all members in attendance agreed that we had to invite the governor, and his colleague Ms. Oteh, as well as the incredibly knowledgeable Mr. Moss from the Center for Global Development, to testify before

Congress and to tell Nigeria and Africa's story. Hearing this, and listening to our witnesses today, will better inform our support for assistance and reforms in emerging markets.

In closing, I would like to point out that much of the work that we have done here in this subcommittee to push the international institutions seems to have yielded results, as Africa seems to have endured fairly well through the crisis, and may be on track to resume on the positive growth path it was on prior to the financial crisis.

So with that, I would like to once again thank our distinguished witnesses for appearing before the committee today, and I look forward to a spirited and informative discussion.