



IMPROVED BUSINESS AND INVESTMENT CLIMATE IN WEST AFRICA



Making regional integration work for the people and the private sector in West Africa



This project is funded by the European Union and implemented by the World Bank Group.

Project at a Glance

The ECOWAS Commission has launched a new regional investment climate program. This program is funded by the European Union and technically supported by the World Bank Group.

- **Objective:** Deepen regional integration in West Africa to the benefit of the private sector.
- **Area of Intervention:** Investment Policy.
- **Focus:** Remove constraints on the regional expansion of cross-border investments and their taxation.
- **Timeframe:** 2014–2018.
- **Donor:** European Union (EU).
- **Beneficiary Institutions:** Economic Community of West African States (ECOWAS), in collaboration with the West African Economic and Monetary Union (WAEMU), Representations of National Governments.
- **Technical Assistance Partner:** World Bank Group /Trade and Competitiveness Global Practice (WBG).

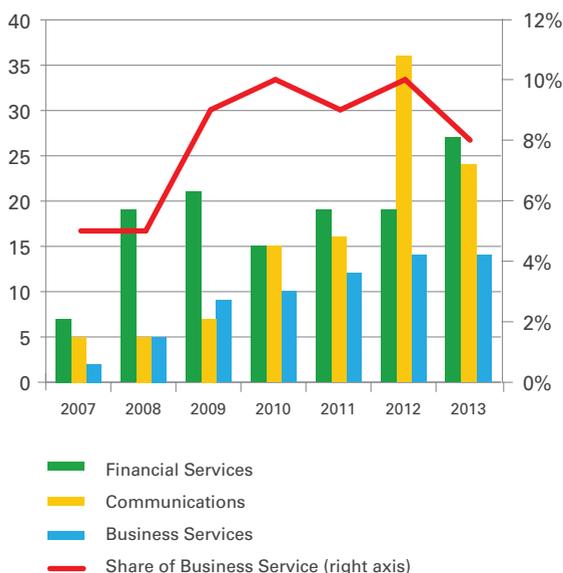
Context

The emergence of African Multi-national Enterprises (MNEs) is helping to foster integration in the West African region. Increased foreign investment in consumer-oriented sectors and enabling services such as business services and retail reflect promising new business opportunities in the region.

Intra-regional flows of foreign direct investment (FDI) are still at comparatively low levels, estimated at roughly 5 percent of total inflows to the continent.

Allowing the private sector to reap the benefits of a larger regional market will require the reduction of investment constraints and the effective realization of a more open investment space in West Africa.

Number of FDI Projects in West Africa by Sectors, 2007–2012



Source: fDi Intelligence from The Financial Times Ltd.



“The ECOWAS Commission is irrevocably committed to facilitating regional integration through effective implementation of its flagship free movement protocol and programmes.”

**Kadré Desire
Ouédraogo**

President of the
ECOWAS Commission

Ongoing Regional Initiatives

West Africa has already taken important steps towards developing a more seamless regional market.

In particular, the **ECOWAS** and **WAEMU Commissions** (the latter representing the sub-set of Francophone countries in the region) have issued a series of strategic policy documents that define clear objectives for improving the investment climate.

The countries in the region have also agreed to an investment framework mandating the non-discriminatory treatment of intra-regional investors.

These initiatives can gain further momentum across West Africa as Member States increasingly embark on their reform agendas focused on policies that will foster the private sector in achieving sustainable growth and job creation.



Program Objectives

The project will support regional organizations and West African countries in fostering private sector competitiveness and facilitating trade and investment flows as a basis for sustainable regional development.

To this end, the project seeks to address a range of investment policy issues that constitute barriers for the private sector to invest efficiently across the region.

The project is expected to mobilize intra-regional investments particularly in consumer-oriented sectors and enabling services such as agribusiness, business services and retail.



Regional Framework for an Open Investment Space

- Article 3.2(d) of the 1993 ECOWAS Treaty stipulates the establishment of a common market through the removal of obstacles to the free movement of persons, goods, services and capital, and the right of residence and establishment.
- The Supplementary Act to the ECOWAS Treaty Adopting Community Rules on Investment and the Modalities for its Implementation within ECOWAS (Articles 5, 6) provides for general national treatment and most-favored-nation treatment of investors within ECOWAS.
- Article 23 of the Act suggests that Member States avoid competition for the attraction of investments through incentives or other means that distort regional competition for investments.
- Other provisions concern liberalization of intra-regional payments and transfer of funds, removal of nationality restrictions, and simplification of visa regulations within the region.

Anticipated Project Results Will Include:

- Improved and facilitated access of regional investors to domestic markets.
- More transparent and more efficient investment incentives regimes taking into account different types of investment.
- Improved legal frameworks for transfer pricing and audit functions in selected countries in the region.
- Establishment of a stakeholder collaboration mechanism to initiate and monitor the reform progress, including the use of reform scorecards.
- Public-private dialogue to allow the private sector to alert policy makers and experts about its reform needs.

Reform Areas

Investment Entry and Non-Discrimination

Targeted reforms of investment entry regulations can allow governments to attract more and better-quality investments to their countries and enable the flow of investment across the region. Typical investment entry reforms include:

- Promoting sectors of high economic potential by removing investment limitations and barriers in these sectors, and attracting foreign investors.
- Streamlining procedures to register regional and foreign investors to reduce the time and cost of compliance.
- Increasing domestic value addition and linkages between foreign and domestic investment local content in a manner consistent with regional best practices.
- Closing the gap between the intent of regional frameworks and the reality on the ground through effective implementation of regulations. This will level the regional playing field, or investors.





Investment Incentives

Many governments in West Africa grant investment incentives aimed at attracting investment to different sectors, locations, and economic activities. Member States can profit from detailed stock-taking and analysis of their investment incentives regimes with a view to ensuring that incentives are effective, transparent, and make a contribution to attracting the right type of investment in a sustainable manner.



Transfer Pricing

Transfer pricing rules govern the determination of prices for transactions between associated parties, such as those between members of multinational enterprise groups. Transfer pricing can have major implications on multinational companies' overall tax obligations. An increasingly integrated regional market with a high number of multinationals poses a challenge to domestic tax collection and exposes investors to the risks associated with unclear or unspecified transfer pricing rules, such as double taxation. Clear and rational compliance requirements on transfer pricing practices reduce uncertainty for investors and ensure that countries collect revenues in accordance with international good practices.

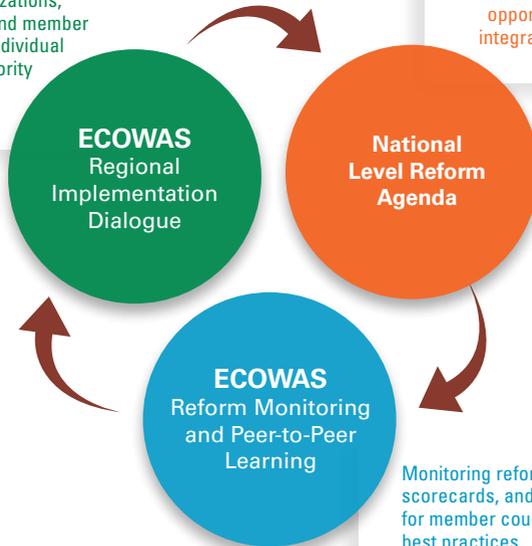


Project Approach

The project will assist countries in West Africa in implementing reforms to encourage greater competitiveness in the international marketplace and the creation of a more integrated regional investment market. Policy advice to be provided by the World Bank Group will take into consideration domestic reform agendas and will leverage the regional umbrella to foster coherence throughout the West African community.

Fostering policy coherence in the West African region through dialogue, reforms, learning, and monitoring of reform progress.

Mechanism that brings together the Regional Organizations, the private sector and member States to address individual reform issues of priority relevance for the private sector.



National level reforms to address investment policy concerns member countries may have and to help member countries fully exploit the opportunities of a regionally integrated investment space.

Monitoring reform progress through scorecards, and offering opportunities for member countries to learn about best practices.

Highlights:

- **Public-Private Dialogue:** The project will develop a multilateral mechanism to prioritize matters of relevance to the private sector and to set the reform agenda.
- **Peer-to-Peer Learning:** The project will disseminate and share regional best practices in investment policy matters across the region.
- **Scorecards:** In order to keep track of achievements and the remaining tasks to be accomplished, the project will undertake regional monitoring and benchmarking of reform progress.

Get Engaged

Private Sector: Let us know about the constraints your business is facing in cross-border investment in West Africa.

Governments: If desired, this project can assist in implementing reforms aimed at attracting regional and international investments.

Business Associations: Participate in organizing the private sector voice to set reform priorities in the region.

Project Contacts



ECOWAS Commission



Donor: European Union



WAEMU Commission



Technical Cooperation Partner:
World Bank Group
Trade and Competitiveness Global Practice

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