



IMPROVED BUSINESS AND INVESTMENT CLIMATE IN WEST AFRICA

BULLETIN | APRIL 2017

Project at a glance

Support to the Economic Community of West African States (ECOWAS) to deepen regional integration in West Africa to the benefit of the private sector.

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 objective is to increase FDI flowing into the region and intra-regional investment flows by:

- Removing barriers to cross-border investments;
- Promoting more transparent and sustainable investment incentives regimes; and
- Reducing investor uncertainty by addressing unpredictable transfer pricing rules.

Timeframe

2014-2018

Stakeholders

ECOWAS, West African Economic and Monetary Union (WAEMU), representatives of national governments and private sector investors at the national, regional and international level.

Donor

European Union

Implementing Partner

World Bank Group



Strengthening the ECOWAS regional investment climate policy framework

Modelling international best practice and customizing for West Africa

The Project is supporting the ECOWAS Commission to draft a regional investment climate policy. The aim is to define a framework for the ECOWAS Member States, which will enable them to align their national investment policy standards with international best practices.

As a reference points for the work, the ECOWAS Commission selected the Organisation for Economic Co-operation and Development (OECD) policy framework for investment and the World Bank Group's Investing Across Borders (IAB) Report. Global investment experts consider the OECD framework the best source for international best practices that apply to investment and trade-related investment measures.

This project is funded by the European Union.
Implemented by:





ECOWAS Regional Scorecard Tool

What is it and how will it work?

The ECOWAS Regional Scorecard Tool is an innovative instrument that serves as a simple, flexible, and evolving policy tool.

It will enable both the ECOWAS Commission and national policymakers of the Member States to achieve the following:

- Identify investment barriers both nationally and regionally;
- Track the progress of national investment-climate (IC) and investment-policy (IP) reforms;
- Share good practices and proposed investment reforms both nationally and regionally; and
- Encourage the creation of a transparent and attractive investment milieu to enhance private sector-led development in West Africa.

The scorecard tool will gauge the commitment of each Member State to implement ECOWAS-conforming reforms through the adoption of "pre-agreed" IC/IP action plans and reform agendas that adhere to good-practice standards, including those set forth in the ECOWAS IP Framework.

In order to achieve this, the tool supports and monitors the implementation of the ECOWAS investment reforms at the individual Member State level by aligning national reform initiatives to the regional ECOWAS IP Framework.

The OECD takes an expansive view to investment generation by examining all aspects of investment, including: investment facilitation and promotion capacity, investment-entry hurdles, trade-related investment measures, competition policy, human capital and labor regulation, physical infrastructure development policy, financial infrastructure development policy, corporate governance, and responsible business conduct such as the protection of the natural environment. The policy also provides a reference for the application of fiscal incentives in a regional economy setting.

The OECD countries that adhere to these standards tend to generate more investment than countries who do not adopt this comprehensive approach to investment generation.

With the aim of increasing investment generation in the challenging conditions of the ECOWAS common market, the ECOWAS Commission chose the best global investment principles and adapt them to the unique economic, social and business conditions in West Africa.

Upon request from the ECOWAS Commission, the Project has issued a draft policy, which will be discussed with all Member States at a regional meeting in June 2017.

Deepening regional integration through national and regional dialogue

The ECOWAS regional scorecard tool

The Project is furthering the regional integration agenda by working simultaneously at the regional and national levels to identify, address and monitor elimination of specific barriers to the expansion of cross-border investments.

At the heart of this agenda is establishing a strong Regional Public-Private Dialogue (PPD) mechanism. The first PPD forum was initiated through an inaugural technical workshop in Dakar in June 2015 and is now being advanced at the national level.

National action plans are being obtained from these national PPD structures in Cote d'Ivoire, Mali, Senegal, Ghana, Nigeria and Guinea, towards the formal commitment to the Project's regional monitoring scorecard.



This exercise was an opportunity for all stakeholders to discuss around the national and regional barriers to investment, the relevant reforms to be issued and implemented, best practices in national and regional reforms and ways to create a transparent and attractive environment to investment for private sector in the West Africa region.

The Project team designed the scorecard to measure and monitor the regulatory reforms that will remove the barriers and increase foreign direct investment in the West Africa region. The regional scorecard will be used to monitor reform implementation progress of the 6-7 focus countries under the Project.

To promote the desired regional investment integration that can contribute to sustainable job creation and poverty reduction in West Africa, the Scorecard Tool must first generate the necessary reform momentum at the national level in the individual Member States. A major purpose of the tool is to initiate and monitor the national IC/IP reform process by first triggering the evaluation of the respective national investment frameworks and then highlighting the reforms required for a particular Member State to undertake to achieve greater openness for foreign direct investment in the ECOWAS region.

The Project team embarked on a road show hosting workshops with five focal Member States (Cote d'Ivoire, Ghana, Senegal, Mali, and Nigeria) and private sector stakeholders to present and seek buy-in of the ECOWAS Investment Climate Scorecard framework. The team elicited feedback from the key public and private sector stakeholders in those Member States and then integrated their comments/feedback into the Scorecard framework. Now that the road shows have been completed, the Project team is now ready to invite the public and private sector representatives from the five focal countries to participate in the regional roundtable event for the Scorecard. The regional launch of the scorecard will take place in June 2017.



A regional best practice for special economic zones

Developing a model SEZ law for ECOWAS Member States

The Project has supported governments in Senegal and Mali to improve legislation for Special Economic Zone (SEZ). In Senegal, a new SEZ law was adopted in January 2017. Technical assistance was provided by the Project team to the Government of Senegal to align the law with the World Trade Organization (WTO) requirements on the Agreement on Subsidies and Countervailing Measures (WTO-ASCM). The original draft of the law included provisions that infringed the WTO-ASCM, requiring the export of 80% of products out of the zone. The Project team made recommendations on how to address this issue and adopt a WTO compliant law.

In Mali, the Project provided assistance to the government to draft an SEZ law in a very inclusive manner by involving experts from the Ministry of Industrial Development in the process. The outcome is a best practice SEZ law that the Ministry will submit for approval in May 2017 to the Malian Council of Ministers.

The Project team will propose to the ECOWAS Commission that the draft SEZ law from Mali be leveraged as a model SEZ law for all Member States. The draft law, the result of years of international experience in SEZ legislation, is a synthesis of the best practices applied in successful SEZs across the globe. The law supports



a regional SEZ approach. It is unique in that it achieves a balance between the English Common Law System and the French Civil Law System by integrating the best of both worlds and making it applicable for both Anglophone and Francophone ECOWAS countries.

Transfer pricing: Taking stock and determining the direction of further progress

Protecting the tax base and building a strong investment climate across West Africa

The transfer pricing component of the Project supports domestic resource mobilization by helping countries to protect their corporate tax base from profit shifting.

The Project, along with ECOWAS and the Federal Inland Revenue Service (FIRS), co-hosted the first Transfer Pricing Regional Meeting for ECOWAS Member States in Nigeria in October 2016. The meeting provided a platform for ECOWAS countries to take stock of the current state of transfer pricing in the region and to determine the direction of further progress.

Over 60 participants participated in the three-day event, including tax administration and tax policy officials from the 15 Member States, as well as representatives from the ECOWAS Commission, the European Union, West African Economic and Monetary Union (WAEMU), the World Bank Group, the Organisation for Economic Co-operation and Development (OECD), the African Tax Administration Forum (ATAF), and the West African Tax Administration Forum (WATAF).



The meeting was an opportunity for ECOWAS countries to share their experiences of introducing and implementing transfer pricing rules. Initiatives were identified to assist member states to address implementation challenges arising from the scarcity of data, information and limited capacity.

"Taxes from multinational companies constitute a substantial amount of tax revenue in West African countries. This regional workshop is an opportunity for Nigeria and other ECOWAS Member States to collaborate on protecting their tax base with efficient transfer pricing regimes," said Mathew Gbonjubola, Head, International Tax, FIRS.

"...collaborate on protecting their tax base with efficient transfer pricing regimes..."

The meeting determined the future direction of transfer pricing regimes in ECOWAS countries, in light of regional and international initiatives. The Member States explored how they can cooperate to support each other to introduce effective transfer pricing regimes throughout the region.



Component spotlights:

Investment policy/entry

Results so far:

- Scorecard Progress Questionnaire designed
- Investment climate/policy reform policy strategy note drafted; summarizes the reform recommendations for each country based on the Scorecard Analysis
- National scorecard roadshows presentations with key private sector/public sector representatives in Mali, Senegal, Nigeria and Cote d'Ivoire; Individual country scorecard endorsements and feedback obtained
- Member states' comments integrated on the ECOWAS Investment Policy Framework in accordance with the Francophone Civil Law and English Common Law traditions to finalize the relevant text
- Technical assistance provided to stakeholders in Cote D'Ivoire and Senegal to implement confirmed national IC/IP Action Plans
- Roll out the ECOWAS IC Scorecard (regional round table with the primary focal countries)
- Contributions to two SEZ laws passed in Senegal
- Draft mediation law endorsed by the Government of Mali

Investment incentives

Results so far:

- Completion of Ghana and Mali incentives studies (inventory of incentives regime) prepared and shared with national governments
- Regional peer to peer workshop to raise awareness about fiscal costs/distortionary impacts that can arise from ineffective and improperly structured investment incentives regimes

Transfer pricing

Results so far:

- Transfer pricing regional report assessment of regimes in all 15 ECOWAS countries finalized and shared at regional meeting
- First transfer pricing regional meeting held in Abuja in October 2016

Liberia

- TP regulations revised by Government of Liberia with the support of the Project team and came into effect July 2016
- Policy support with development of transfer pricing practice note, thin capitalization rules and Advanced Pricing Agreements (APA) program
- Assistance with transfer pricing risk assessment, selection of transfer pricing comparables, development of transfer pricing return schedule for small taxpayers
- Ongoing support with capacity building for the conduct of transfer pricing audits





Nigeria

- Launch of regional work on transfer pricing comparables in ECOWAS
- Policy support with the review of transfer pricing legislation, introduction of thin capitalization rules and transfer pricing documentation requirements aligned with OECD BEPS recommendations
- Support to develop a transfer pricing manual, selection of transfer pricing comparables
- Ongoing support with capacity building for the conduct of transfer pricing audits

Senegal

- Policy support with the review of transfer pricing legislation and regulations, introduction of thin capitalization rules and new transfer pricing documentation requirements aligned with OECD BEPS recommendations
- Assistance with development of transfer pricing return schedule and transfer pricing audit manual, selection of transfer pricing comparables, safe harbor and six method rules and transfer pricing risk assessment
- Support with capacity building (transfer pricing training)



Contact information

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This bulletin was produced with the financial support of the European Union (EU). The views expressed herein can in no way be taken to reflect the official opinion of the EU. The World Bank Group is responsible for the content of this publication.