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Introduction

Partly as a result of the poor economic growth performance of many West African countries since the late 1970s and partly as a reflection of the range of economic reforms that have been embarked upon in these countries since the mid-1980s, poverty eradication has become the overarching goal of economic development strategy across the region. The reforms generally focus on rapid and sustainable economic growth as the primary vehicle for poverty alleviation, and they also presume that the required growth will essentially be led by the private sector. Thus both the development goal and the strategy to which West African countries subscribe place considerable emphasis on investment promotion and the enhancement of private enterprise.

The Cotonou Partnership Agreement endorses both the goal and strategy of development of the West African and other ACP countries that is specified above, and hence provides for co-operation in the form of support to encourage investment and enhance private sector development in these countries. But Cotonou only sets the stage for co-operation between the EU and ACP countries; the precise framework and forms of the envisaged co-operation will constitute the subject of negotiations aimed at establishing a series of economic partnership agreements between the EU on the one hand and specific ACP regional sub-groups on the other. These negotiations will determine the precise forms of co-operation in the areas of investment and private sector support, as well as how such co-operation is to be incorporated into the EPAs. As the primary beneficiaries of the enhanced investment flows and private sector development envisaged by Cotonou, the ACP regional groups obviously have an interest in ensuring that the investment and private enterprise component of the negotiated EPAs will promote, protect and guarantee the flow of domestic and foreign direct investment to ACP countries in ways that enable them to derive the greatest developmental benefits from the investment. The strengthening of their negotiating capacity in the area of investment agreement is an important prerequisite in this respect.

The composition of the various ACP sub-groups in Africa for EPA negotiations was a subject of intense debate (Oyejide, 2004a,b). Issues relating to multiple membership of intra-African regional integration arrangements and incomplete integration processes in the sub-regions featured prominently in this debate. There were also concerns about ensuring cohesiveness in each group and about how to avoid duplication without forcing countries to make difficult choices about their membership of particular regional organisations. In the end, the West African EPA negotiating group was constructed around an existing regional integration group, ECOWAS. ECOWAS is a free trade area made up of 15 member countries: Cape Verde, The Gambia, Ghana, Guinea, Liberia, Nigeria, Sierra Leone, Benin, Burkina Faso, Côte d' Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo; the last eight countries are also members of the West African Economic and Monetary Union (WAEMU), which is a customs union. In addition to ECOWAS, the West African EPA negotiating group also includes Mauritania, an original ECOWAS member country that withdrew from the organisation in 1999 to join the Arab Maghreb Union. This study covers the West African EPA negotiating group, which is defined as ECOWAS plus Mauritania.

Structure of the report

This report is structured around the tasks specified by the terms of reference and categorised into the three blocks described above. Thus chapters 2, 3 and 4 cover activities under block I. In particular, chapter 2 reviews investment patterns in West African countries. It demonstrates the limitations of domestic sources for financing the investment levels and rates required for poverty-reducing growth and thus establishes the importance of, and need for, foreign investment inflows. Chapter 3 describes the evolution of various aspects of the domestic investment environment in a number of West African countries and shows that virtually all of them have taken significant steps in the direction of liberalising their investment regimes, although reservations continue to exist in several countries.

Finally, chapter 4 reviews the bilateral and regional investment arrangements and treaties involving West African countries and attempts to demonstrate their impact on attracting foreign investment to specific countries in the region.

Chapter 5 fulfils the requirement of the terms of reference categorised under block II. More specifically, the chapter examines, compares and contrasts the enterprise development mandates of the various multilateral, African regional and ACP-EU development agencies, and analyses the relative adequacy and effectiveness of their private sector investment, financial and non-financial support services in West Africa. In addition, it discusses the extent to which these enterprise development support activities are competitive or complementary. Finally, based on an evaluation of their experience, the chapter offers suggestions on lessons to be learned and how these may be used to design more effective mechanisms for enhancing the impact of the support of ACP-EU related institutions for private sector development in the region.

The activities called for by the terms of reference that are categorised under block III constitute the focus of the presentation in chapter 6. The chapter reviews the elements included and excluded in the investment components of regional trade agreements, the extent of the liberalisation of investment regimes in West African countries and their levels of economic development as a basis for formulating appropriate options and strategies for the West African countries in negotiating the investment component of the West Africa-EU EPA.