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# Conclusions and Recommendations

This chapter sets outs the conclusions and recommendations that emerge from the analysis in chapters 2–6.

## ECOWAS economic performance and investment patterns

### Conclusion

There is a need to design policies to attract more FDI inflow into the ECOWAS sub-region, particularly into the services sector, which has the greatest potential to contribute to economic growth in the sub-region. When combined with increased domestic private savings and a favourable macroeconomic environment, increased inflow of FDI is likely to propel growth in the ECOWAS countries to the level required for attaining the MDGs and the NEPAD targets.

### Recommendations

Given the observed large gap in resources, there is a need to promote domestic private savings and increased inflow of FDI into both the LDCs and developing countries in the ECOWAS region. Since saving is a direct function of income level, there is a need to boost the level of economic activities in the ECOWAS so as to increase income levels and consequently raise the level of savings. This involves the creation of a favourable macroeconomic environment to promote economic activity in the region. The attraction of greater levels of FDI into the ECOWAS region requires the maintenance of macroeconomic and political stability, outward-oriented policies, sound economic management and the eradication of corruption.

## The domestic investment environment

### Conclusion

In general, West African countries moved from a control of foreign investment policy stance in the 1960s and 1970s to a policy of investment promotion from the mid-1980s. The emerging investment legislation reflects a significant degree of liberalisation, indicated by the elimination of certain government control measures and the application of positive standards of treatment aimed at eliminating discrimination against foreign investors. This liberalisation process remains an ongoing process in many West African countries.

### Recommendations

While recommending the continuation and sustenance of this process, West African countries may wish to re-examine the use of fiscal incentives to attract foreign investment, which the literature shows to be largely ineffective. Similarly, the use of certain performance requirements for regulating foreign investment may be counterproductive. Many West African countries are involved in negotiating investment issues in various bilateral, regional and multilateral fora. These countries need to exercise caution and ensure that the various arrangements enable them to establish coherent investment regimes.

## Bilateral and regional investment arrangements or treaties

### Conclusion

The bilateral investment treaties between West African countries and the EU have not attracted a significant increase in the flow of investment to West Africa except in few cases. Investment performance under regional arrangements, however, and specifically under Lomé III and Lomé IV, has exhibited a classic average increase over the timespan of each of the agreements. Given the weakness of the West African economies compared with those of the EU countries, maintaining this trend under the reciprocal EPA requires a strategic positioning of the West African countries to encourage the flow of investment.

### Recommendation

A way to achieve the proper positioning of the West African countries is for the countries of the region to team up to attract specific concessions from the EU such that the FDI performance enjoyed under the Lomé Agreements can be surpassed under the EPA.

## International institutions and enterprise development in West Africa

### Conclusion

There is a plethora of bilateral, regional and multilateral development agencies and financial institutions involved in providing both financial and technical support for private sector development, especially in relation to SMEs in West Africa. Several ACP-EU institutions constitute an important block among these agencies and institutions. Within this block, duplication of efforts and the absence of an integrated approach to the delivery of financial and technical support, which is what SMEs need, constitute significant defects that affect the effectiveness of the support that is being provided. In addition, this support is likely to have a larger developmental impact when provided through channels which 'crowd in', rather than displace, available private local resources.

### Recommendation

In order for the ACP-EU institutions to fulfil their mandate under Cotonou, their lending programme will have to expand its coverage of countries and enterprises in West Africa, and also strengthen the capacity of these enterprises to participate more effectively in the programme. The latter requires a more effective integration of the lending and investment programme with the technical assistance programme. A reform of the ACP-EU institutions along these lines could significantly enhance the effectiveness and developmental impact of their support for private enterprise in West Africa.

## Investment negotiations in the Economic Partnership Agreements

### Conclusion

West African countries can generally rely on their experiences with domestic investment regulations, bilateral investment treaties, the Lomé Conventions and CPA, the GATS and EU FTAs to envisage in which direction the investment component of the West Africa-EU EPA will go and plan ahead for eventualities. Specifically, growth-inhibiting or growth-enhancing provisions in these agreements can be harnessed, studied and presented as negotiating instruments to the EU. In this way, West African countries can, for the first time, become proactive rather than reactive to EU proposals concerning investment. West African countries need to take cognisance of the reciprocity of the EPA; presenting proactive qualitative proposals will thus demonstrate their readiness to engage in effective investment negotiations.

### Recommendation

The various studies on different aspects of investment, such as those related to legal guarantees, a most favoured investor clause, protection in cases of expropriation and nationalisation, transfer of capital and profits, and international dispute arbitration, mandated by the CPA, need to be concluded before negotiations on investment commence. Furthermore, the West Africa-EU EPA should initially take a less stringent form, similar to the EU-Med agreements and the TDCA, to allow West African countries to properly examine the implications of the full liberalisation of capital flows on their economies and adequately prepare for them.