Executive summary

West Africa offers a large and diverse market of over 400 million people and natural resource wealth, yet it is not currently living up to its potential as a destination for international investment. Inflows of foreign direct investment (FDI) in the region have stagnated, in spite of some modest improvement in 2021. Furthermore, FDI in the region has not always fulfilled its promise in terms of promoting sustainable development. No single factor alone can explain this trend, but it strongly suggests that the region does not sufficiently provide a conducive environment for sustainable investment. Beyond political instability and strife, elements commonly cited within the region include fragmented regulatory frameworks, small market sizes, and insufficient infrastructure and skills.

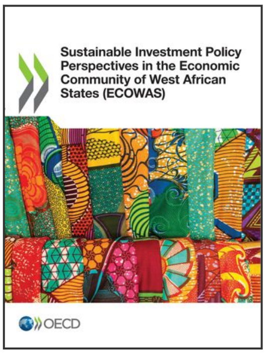
In recognition of the challenge of attracting FDI to create jobs and promote sustainable development, the Member States of the Economic Community of West African States (ECOWAS) have taken steps to improve policies and governance in the region. This includes the ECOWAS Investment Policy, based in part on the OECD Policy Framework for Investment, whose primary purpose was to establish harmonised regional investment-climate policies. This framework is complemented by the ECOWAS Supplementary Investment Act and the ECOWAS Investment Code. These regional initiatives are intended to provide guidance for implementing country-level reforms.

This report is designed as a baseline diagnostic to explore ways to reinvigorate the reform of the ECOWAS investment climate while also providing a greater focus on how to improve sustainable outcomes from investment. This report looks primarily at what host governments can do to attract sustainable investment and promote the benefits of investment for social and environmental objectives, including how to facilitate and enable RBC. It provides an analysis to make ECOWAS a preferred destination for national and foreign investment that is reinforced by effective governance that promotes sustainable and inclusive regional economic development. It is based on the OECD tools, including the Policy Framework for Investment and the FDI Qualities Policy Toolkit and Indicators. Key messages and main considerations that emerge from the report are the following:

- *Increase coherence between national legislation and regional and continental treaties.* Greater coherence in approaches within and across regions in Africa at all levels could contribute to improved clarity and predictability for both governments and investors, although sufficient room should be left for further experimentation at national level.
- *Consider further integrating SDG considerations into investment promotion strategies of ECOWAS Member States.* IPAs in the region should increase focus on attracting FDI that contributes to the SDGs and prioritise investors with good sustainability track-records.
- *Further develop IPAs' value propositions for sustainable investment opportunities*. IPAs in the region should enhance their value propositions for sustainable investment opportunities by providing prospective investors with detailed and comprehensive legal and industry information, potentially also bankable projects, and improving their marketing.
- *Put in place adequate key performance indicators (KPIs) to ensure effective prioritisation and sound monitoring and evaluation by IPAs*. ECOWAS IPAs should also ensure that the KPIs used

to select priority investments and measure their outcomes are aligned with national development objectives and the agencies' overarching investment promotion priorities.

- *Use the SDGs to guide investment facilitation and aftercare services of IPAs to existing investors looking to expand or reinvest.* IPAs in ECOWAS could consider focusing aftercare activities on investors with the highest sustainability impacts, and encourage investors to comply with sustainability-related laws and to embrace responsible practices in their business operations.
- *Assess whether investment tax incentives are aligned with investment promotion strategies and SDGs, and consider whether they are the best policy instrument to achieve these goals*. Economic, social and environmental goals might be better supported by other policies, and tax incentives should be used in complement with wider development strategies.
- *Ensure that incentives are designed to generate investments that would not materialise otherwise*. Governments could consider phasing out costly profit-based incentives and introducing more targeted types of incentives. Improving incentive design, by promoting desired outcomes through tax relief on qualifying expenditure, can help limit redundancies and encourage positive spillovers.
- *Improve monitoring and evaluation of the costs, benefits and uptake of tax incentives*. The ECOWAS Commission could play an important role in advocating for improved monitoring and evaluation, as well as transparency and good governance in incentive policies.
- *Strengthen NDC targets and develop long-term low-emission development strategies.* Long-term strategies offer many benefits, including guiding countries to avoid costly investments in high-emissions technologies, supporting just and equitable transitions, and sending early and predictable signals to investors about envisaged long-term societal changes.
- *Use ECOWAS as a platform to promote strategic environmental assessments (SEA) and transboundary environmental impact assessment (EIA).* Recognition of transboundary SEA and EIA at the ECOWAS level could encourage other ECOWAS governments to adopt these tools in their national EIA systems.
- *Consider scaling down or phasing out investment incentives for non-green activities.* ECOWAS countries would benefit from classifying green and nongreen activities in targeted sectors using emerging taxonomies and scaling down or phasing out lengthy corporate-income tax holidays for non-green activities.
- *Consider developing frameworks for voluntary disclosure of environmental and climate impacts.* Frameworks for climate-related disclosure help to reveal how companies are preparing for a lower-carbon economy and support investors to better assess financial exposure to climate-related risks.
- *Raise awareness about the relevance and key elements of RBC.* ECOWAS and its Member States could strategically raise awareness and foster the understanding about the relevance of RBC in relation to trade and investment, through learning activities and workshops on international RBC instruments and risk-based due diligence.
- *Create an enabling environment to implement and enforce policies promoting RBC.* National governments could lead the way by developing and implementing National Action Plans on RBC as well as sector or issue-specific reforms.
- *Ensure policy coherence and harmonisation on RBC in line with international standards.* ECOWAS could support alignment and coordination of policies on RBC among Member States to ensure a common approach and level-playing field at the regional level.
- Build the capacity of companies to carry out due diligence. ECOWAS and its Member States could promote the use of the OECD due diligence framework by enterprises in ECOWAS and actively support the uptake of due diligence by companies, investors, and other stakeholders.



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