

5 Promoting investment for green growth

Foreign direct investment (FDI) can contribute the needed financial and technological resources to deliver green growth. This chapter discusses the specific enabling conditions for green investment in ECOWAS, including key elements of the broader framework for environmental protection, and policies designed to attract and facilitate green FDI.

Investment for green growth needs to be scaled-up significantly to advance sustainable development in West Africa, and achieve national economic, social and environmental policy goals. Green growth means fostering growth and development while preserving natural assets, and ensuring that they continue to provide the resources and environmental services on which our well-being relies. Beyond minimising the environmental footprint of investments in general, this requires investments in new technologies, services and infrastructure that make more sustainable claims on natural resources (green investments). Under certain circumstances, foreign direct investment (FDI) can contribute the needed financial and technological resources to deliver green growth. But foreign investors can also deteriorate environmental outcomes and hamper sustainable development. This chapter discusses the specific enabling conditions for green investment in ECOWAS, including key elements of the broader framework for environmental protection, and policies designed to attract and facilitate green FDI.

Green growth and climate change in West Africa

The Economic Community of West African States (ECOWAS) faces both challenges and opportunities in its path toward green growth. Challenges include a heavy dependence on natural resources and unsustainable use of these resulting in degradation of land and water, a major investment gap for basic infrastructure and increasing vulnerability to climate change and extreme weather. Addressing these challenges also presents an opportunity for ECOWAS to promote green investment. The imperative to urgently scale up access to electricity and promote energy security, the region's high renewable energy potential and the need to improve the efficiency of how natural resources are used illustrate the potential for green investment in West Africa. A measured and inclusive approach, based on a sound policy framework that promotes investment in green sectors and facilitates the greening of investment overall, can help address challenges and promote sustainable development in ECOWAS.

Natural resources are critical for continued development in West Africa

West African countries are at different stages of development, but almost all their economies, have grown by over 80%, and twelve have more than doubled since 2000 (Table 5.1). ECOWAS countries have relied heavily on natural resources to support economic development in past decades, and primary sectors continue to contribute substantially, despite the rising importance of services, and to a lesser extent, industry. In 2020, agriculture, forestry and fishing made up over 20% of GDP in 10 Member States, with Sierra Leone (60%), Liberia (41%), Niger (38%) and Mali (36%) depending disproportionately on subsistence agriculture. Rents from natural resources amounted to over 9% of GDP in six ECOWAS countries, with forestry rents in excess of 10% in Liberia (15%) and Guinea-Bissau (11%), and coal rents amounting to 11% of Cabo Verde's GDP.

Heavy reliance on natural resources for development, coupled with unsustainable use of these resources, means that the environment costs of growth have been high. Forest cover in the region has shrunk by 19% over the last thirty years, compared to a 15% decrease in Africa as a whole, a 4% decrease in non-OECD countries and a 2% increase in forest cover in the OECD (Figure 5.1). All but two ECOWAS countries (Cabo Verde and Mali) have seen their forests shrink, with the largest drops observed in Côte d'Ivoire (65%), the Gambia (41%) and Benin (35%). In some countries, desertification and high population growth are putting pressures on the few remaining forest lands.

Deforestation and land degradation have also been major drivers of biodiversity loss and rising carbon emissions. While West Africa is responsible for less than 1% of global CO₂ emissions, and 13% of Africa's emissions, emissions per unit of GDP have risen in all but three ECOWAS economies, by 20% on average since 2000 (Figure 5.2). This is contrast with declining carbon emissions per unit of output in Africa as a whole and non-OECD countries more generally. Urbanisation has exacerbated land degradation and biodiversity loss and brought additional environmental challenges. According to the 2022 Environmental

Performance Index that covers 180 countries worldwide, most ECOWAS countries rank poorly in terms of progress toward improving environmental health, protecting ecosystems, and mitigating climate change, with eleven countries ranking among the lowest 50 scores (Wolf et al., 2022^[1]).

Table 5.1. Selected economic and environmental indicators

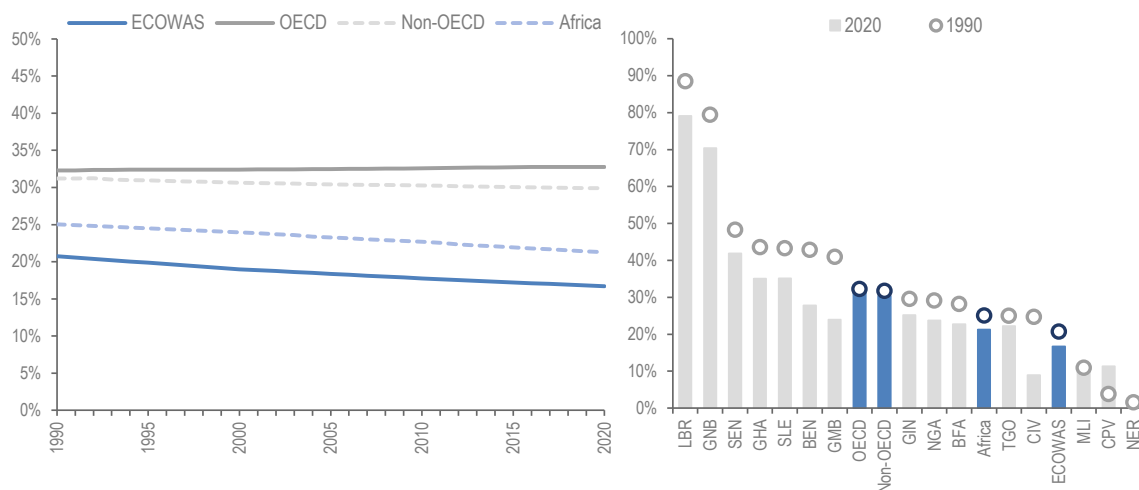
MS	GDP growth over 2000-2021 (%)	Agriculture, forestry & fishing (% of GDP)	Natural resource rents (% of GDP)	Rural population (% of population)	Poverty rate (% of population)	2022 EPI Rank
BEN	154	27.1	2.3	51.0	38.5	155
BFA	220	18.4	9.0	68.8	41.4	127
CIV	115	21.1	2.0	47.8	39.5	138
CPV	107	4.9	11.5	32.9	12.3	91
GHA	230	18.9	9.5	42.0	23.4	170
GIN	154	25.8	4.1	62.7	47.7	98
GMB	83	21.2	2.8	36.8	48.6	122
GNB	82	30.9	10.5	55.4	43.7	146
LBR	48	41.1	15.7	47.4	41.9	174
MLI	161	36.2	9.4	55.3	50.9	159
NER	184	38.4	5.6	83.2	40.8	110
NGA	189	24.1	6.2	47.3	40.1	162
SEN	132	16.2	3.2	51.4	46.7	136
SLE	180	59.5	7.8	56.6	56.8	140
TGO	119	18.8	4.3	56.6	55.1	135

Note: GDP and population data refer to 2021; value added shares and natural resource rents to 2020; and poverty rates range from 2016-2021 depending on survey year. EPI = Environmental Performance Index.

Source: Authors' elaboration based on World Bank (2023^[2]); UNDP-OPHI (2022^[3]); and Wolf et al. (2022^[1]).

Figure 5.1. Forest cover as a share of land area in ECOWAS, 1990-2020

Percentage of total land area (%)



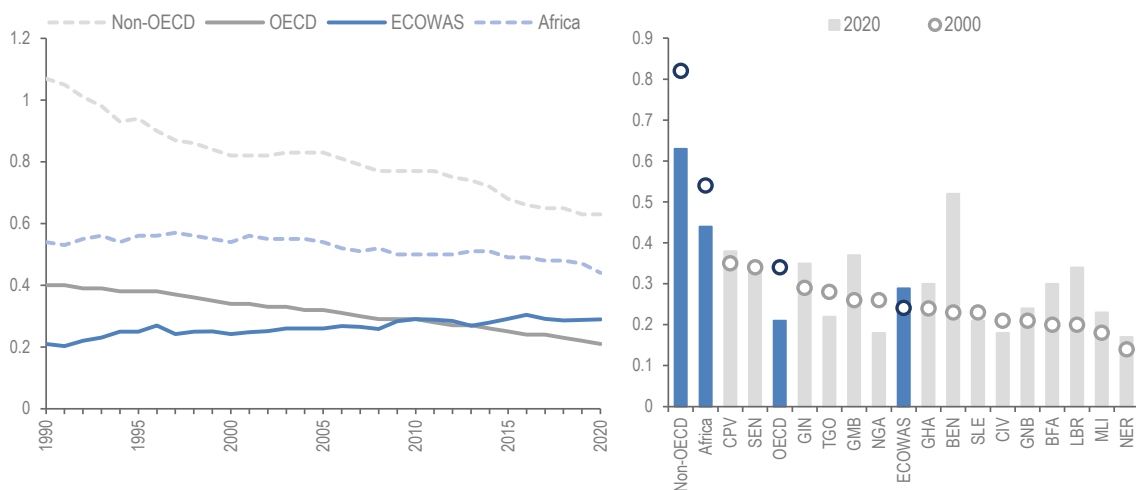
Source: FAO (2022^[4]), Agri-environmental indicators – Land use, <http://www.fao.org/faostat/>, accessed 6.02.23.

West Africa’s land, forests, rivers and coasts support employment and livelihoods for most of the region’s people and are especially critical for continued progress on reducing poverty. Over 40% of the region’s

population lives in extreme poverty and over half of the population lives in rural areas (Table 5.1). The number of people living in poverty is particularly high in remote rural areas where peoples' livelihoods rely on small-scale agriculture, fisheries and forest resources. With approximately 400 million people, and an estimated growth rate of 2.75%, the region's population is projected to exceed one billion by 2059. Escalating deforestation, soil degradation, biodiversity loss and over-exploitation of wild-life, fisheries and rangelands undermine the development prospects for present and future generations in many ECOWAS countries.

Figure 5.2. Carbon emissions in West Africa

CO₂ / GDP (kgCO₂ per 2015 US\$)



Source: Authors' elaboration based on IEA Greenhouse Gas Emissions from Energy database (2022^[5])

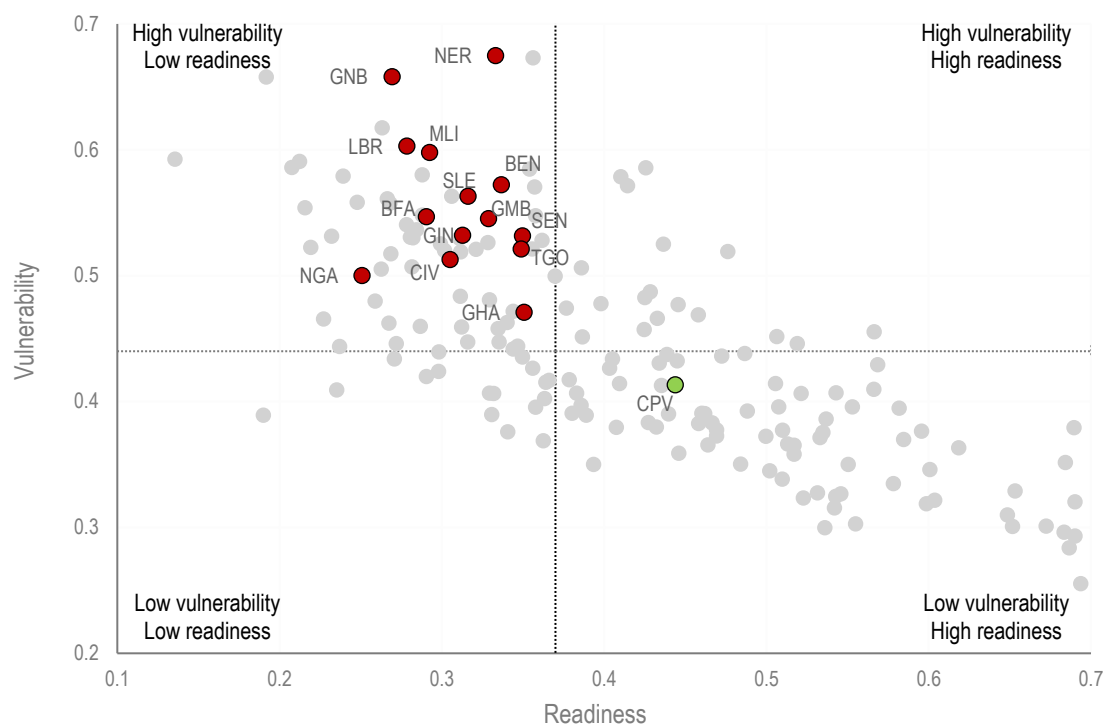
West Africa remains highly vulnerable to climate change

The developmental challenges facing ECOWAS countries, exacerbated by poor economic and political governance, make the region highly susceptible to the effects of climate change. Over the last three decades, extreme weather and climate-related disasters have increased in frequency and severity in West Africa. According to the Emergency Events Database, floods and droughts remain the most dominant and devastating disaster events in the region, affecting 70% of the population at least once every two years. The 15 ECOWAS Member States have recorded 22% of all weather-related disasters in Africa in the past four decades. These affected 143 million people, left 2.8 million homeless and inflicted damage in excess of US\$ 6.7 billion (UCLouvain, 2023^[6]). Climate change is expected to increase the frequency and intensity of extreme hazards such as floods, droughts, storms and wildfires, damaging infrastructure, destroying agricultural crops, disrupting livelihoods and causing loss of lives. Many communities in the region have little ability to adapt, and their dependency on natural resources and exposure to repeated and extreme hazards render them extremely vulnerable.

The Notre Dame-Global Adaptation Index (ND-GAIN) measures the predisposition of countries to be negatively impacted by climate-related hazards across life-supporting sectors, like water, food, health, and infrastructure (i.e. vulnerability), against their economic, social and governance ability to make effective use of investments for adaptation actions thanks to a safe and efficient business environment (i.e. readiness). The index suggests that almost all ECOWAS countries exhibit high levels of vulnerability combined with low levels of readiness, with Niger, Guinea-Bissau, Liberia and Mali among the least

resilient (Figure 5.3). With somewhat lower levels of vulnerability and significantly higher readiness, Cabo Verde is the only ECOWAS country considered to be resilient to the effects of climate change.

Figure 5.3. Resilience to climate change in ECOWAS



Source: Authors' elaboration based on ND-GAIN Index (2022^[7]).

FDI can improve access to clean and affordable energy in the region

Access to energy remains a challenge in West Africa where many countries are dependent on expensive fossil fuels. Despite improvements in electrification over the last two decades, access to electricity in West Africa is at 50%, on average, and at 31% in rural areas (Figure 5.4). Less than 10% of the rural populations of Liberia and Sierra Leone have access to electricity. The region is subject to power shortages of up to 80 hours per month, and electricity costs that are twice the global average, at US\$ 0.25 per kilowatt-hour. Russia's invasion of Ukraine has sent food, energy and other commodity prices soaring, increasing the strains on ECOWAS economies already hard hit by the Covid-19 pandemic. Domestic demand in West African countries is often too low to attract investments in large projects that benefit from economies of scale. Instead, these countries rely on small-scale, expensive oil-fired power generation.

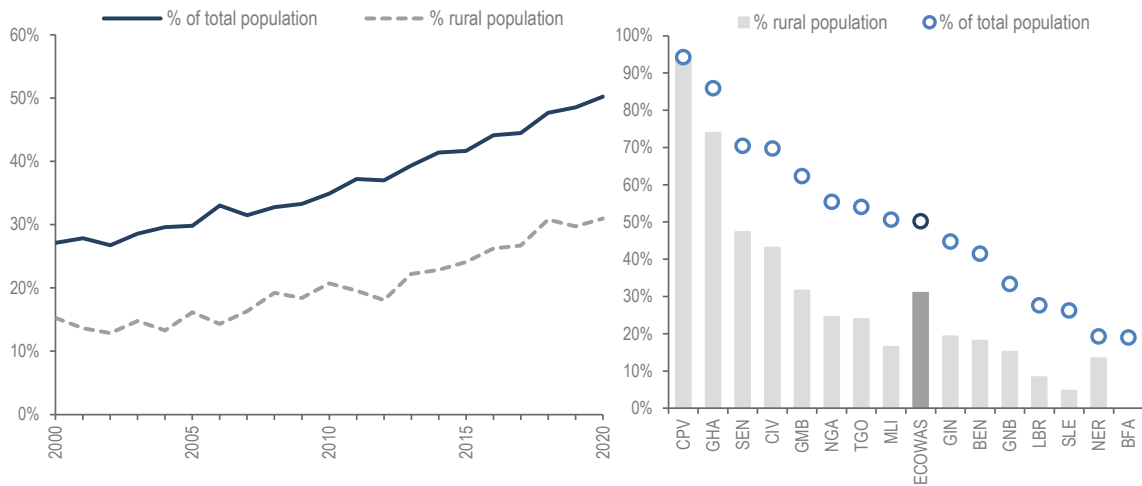
Improving access to cleaner and more reliable energy is critical for the provision of health and education services, and plays an important role in poverty reduction and the promotion of economic growth. West Africa's continued progress toward sustainable development will require enormous investment in climate-aligned energy infrastructure. Private investment, and in particular FDI, can play a key role in supporting rural electrification, while also advancing the energy transition of ECOWAS countries. Greenfield FDI is responsible for 30% of new investments in renewable energy, globally, and as multinational enterprises are key players in the deployment of capital- and R&D-intensive clean energy technologies across borders (OECD, 2022^[8]).

In West Africa, fossil fuels have attracted the bulk of greenfield FDI flows in the energy sector since 2003. Yet, there has been a substantial rise in renewable energy FDI paralleled by a significant decline in fossil

fuels investments in the last decade, and this trend is expected to continue (Figure 5.5). The variation across countries is wide. In Guinea-Bissau, Niger, and Benin, fossil fuels account for over 50% of total greenfield FDI accumulated since 2003, and over 96% of FDI stocks in the energy sector. In Guinea, Senegal, Ghana and Nigeria, fossil fuel FDI is also substantial and accounts for over 80% of FDI in the energy sector. Conversely, in Togo, Mali, the Gambia, Burkina Faso and Sierra Leone, virtually all FDI in the energy sector goes to renewable energy, which accounts for between 8% and 13% of the overall greenfield FDI stock. These countries also have the lowest levels of rural electrification, suggesting that scaling up renewable energy FDI is essential for reducing energy poverty and promoting sustainable development.

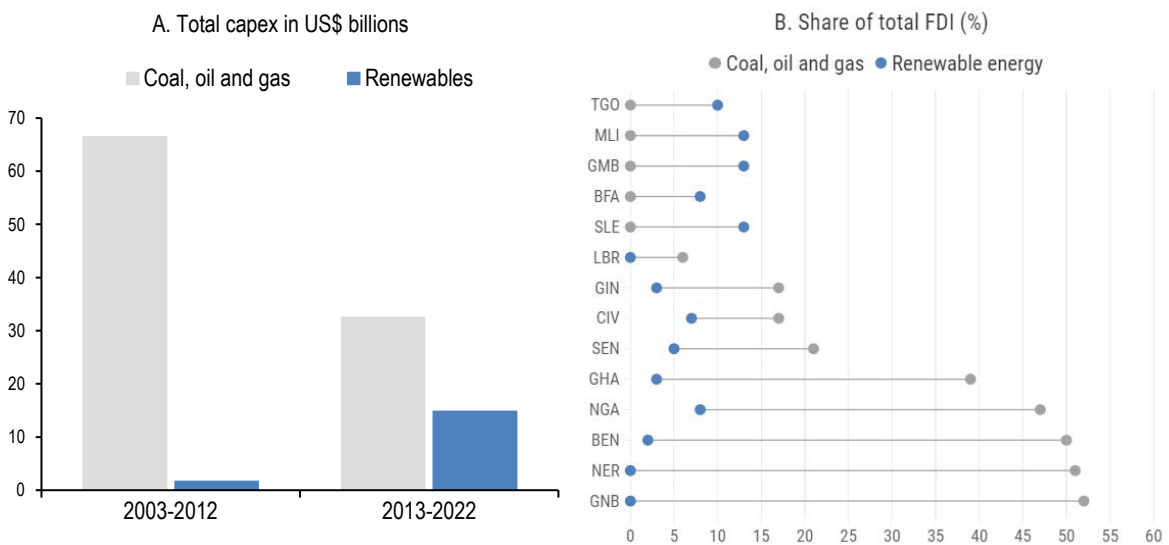
Figure 5.4. Electrification remains low in rural parts of West Africa

Percentage of population with access to electricity (%)



Source: World Bank Global Electrification Database (2023^[21])

Figure 5.5. FDI in renewable energy is rising



Note: Figure B is calculated using greenfield FDI flows accumulated over 2003-2022.

Source: OECD based on Financial Times (2022^[9]) FDI Markets Database.

Policy framework for green growth and climate change

Strong government commitment to combat climate change and to support low-carbon growth, underpinned by a coherent policy framework and clear decarbonisation targets, provides investors with encouraging signals regarding the government's climate ambitions. Setting a clear, long-term transition trajectory that is linked to the national vision or goals for growth and development is critically important to build capacity for investors to understand transition risks, and to attracting foreign investment that contributes to the country's climate agenda.

International commitments to green growth and climate action

ECOWAS recognises the importance of sustainable use and management of the environment in the fight against poverty and energy and food insecurity. ECOWAS Member States have committed themselves to integrated and sustainable development, and climate change adaptation and mitigation. This commitment is reflected by the ECOWAS Treaty establishing the organisation, and active participation in the negotiations and ratification of major Multilateral Environmental Agreements (MEAs). All ECOWAS Member States have ratified the three Rio Conventions: the Convention on Biological Diversity, the United Nations Convention to Combat Desertification (UNCCD), and the United Nations Framework Convention on Climate Change (UNFCCC). There is, however, currently a lack of cohesive regional target-setting across all three Rio Conventions within ECOWAS. These targets are often expressed differently between countries, while the level of detail varies in terms of commitments and implementation plans.

In addition to the Rio Conventions, ECOWAS members have ratified or acceded to most major global MEAs on biodiversity, climate and atmosphere, land and water resources, and chemicals and waste, though some exceptions remain (Table 5.2). ECOWAS members have overwhelmingly ratified most MEAs on biodiversity and migratory species, yet only Liberia has ratified the Lusaka Agreement on Co-operative Enforcement Operations Directed at Illegal Trade in Wild Fauna and Flora, which is the only existing co-operative enforcement instrument assisting the implementation of other biodiversity related agreements at regional level. Four countries in the region have yet to accede to the Bamako Convention on the import of hazardous waste into Africa (Cabo Verde, Ghana, Guinea and Nigeria), and two countries to the Minamata convention on Mercury (Cabo Verde and Liberia), remaining potentially vulnerable to illegal dumping of spent chemicals, hazardous wastes and banned pesticides. Less than half of ECOWAS members have ratified the UN Watercourses Convention, each ECOWAS country (with the exception of Cabo Verde) shares at least one watercourse with one of its neighbours, suggesting a high degree of interdependence of West African countries with respect to water and a need for collaborative sustainable management of shared water resources.

As of 2019, all ECOWAS Member States signed and ratified the Paris Agreement under the UNFCCC and submitted their Nationally Determined Contributions (NDCs) to the convention, joining the global collaborative effort to mitigate and adapt to climate change. All ECOWAS members have committed to reducing their GHG emissions, albeit to varying degrees, and all countries in the region have submitted updated NDCs, in line with the five-year cycle mandated by the Paris Agreement. These updated NDCs have universally strengthened or added sectoral targets for GHG emissions reductions, as well as strengthening or adding climate policies and actions. In all but one country the updated NDCs offer more information for clarity, transparency and understanding. Only ten revised NDCs strengthened the adaptation component while only five have reduced the total emissions target for 2030.

Table 5.2. Multilateral environmental agreements (MEAs) ratified by ECOWAS Member States

Year of ratification / accession

MEA	BEN	BFA	CPV	CIV	GMB	GHA	GIN	GNB	LBR	MLI	NER	NGA	SEN	SLE	TGO
Biological diversity															
AEWA	2000	2013		2013	2000	2005	2000	2007		2000	2000	2004	2000		2000
Cartagena Protocol	2005	2003	2006	2015	2004	2003	2008	2010	2003	2003	2004	2003	2004	2020	2004
Convention on Biodiversity	1994	1993	1995	1995	1994	1994	1993	1996	2001	1995	1995	1994	1995	1995	1996
CITES	1984	1990	2005	1995	1977	1976	1981	1990	1981	1994	1975	1975	1977	1995	1979
Convention on Migratory Species	1986	1990	2006	2003	2001	1988	1993	1995	2005	1987	1984	1987	1988		1996
Lusaka Agreement									2005						
Nagoya Protocol	2014	2014		2014	2014	2019	2014	2014	2015	2016	2014	2022	2016	2017	2016
Chemicals and waste															
Bamako Convention	2016	2009		1998	2000			2019	2013	1998	1998		1998	2020	1998
Basel Convention	1998	2000	1999	1995	1998	2003	1995	2005	2004	2001	1998	1992	1993	2017	2004
Minamata Convention	2017	2017		2019	2017	2017	2017	2019		2017	2017	2018	2017	2017	2017
Rotterdam Convention	2004	2004	2006	2004	2004	2004	2004	2008	2004	2004	2006	2004	2004	2017	2004
Stockholm Convention	2004	2005	2006	2004	2006	2004	2008	2007	2004	2004	2006	2004	2004	2004	2004
Climate and atmosphere															
Kyoto Protocol	2005	2005	2006	2007	2005	2005	2005	2006	2005	2005	2005	2005	2005	2007	2005
Montreal Protocol	1993	1989	2001	1993	1990	1992	1992	2003	1996	1995	1993	1989	1993	2001	1991
Paris Agreement	2016	2017	2017	2016	2017	2016	2016	2019	2018	2016	2016	2017	2016	2016	2017
UNFCCC	1994	1994	1995	1995	1994	1995	1994	1996	2003	1995	1995	1994	1995	1995	1995
Vienna Convention	1993	1989	2001	1993	1990	1989	1992	2003	1996	1995	1993	1989	1993	2001	1991
Land and water resources															
Ramsar Convention	2000	1990	2005	1996	1996	1988	1993	1990	2003	1987		2000	1977	2000	1995
UNCCD	1996	1996	1996	1997	1996	1997	1997	1996	1998	1996	1996	1997	1996	1997	1996
UN Watercourses Convention	2014	2014		2014		2020		2014			2014	2014			
UN Convention on the Law of the Sea	1998	2005	1994	1994	1994	1994	1994	1994	2008	1994	2013	1994	1994	1995	1994

Source: Authors' elaboration based on <https://www.informea.org/en>.

Collectively ECOWAS NDCs are not yet aligned with the objectives of the Paris Agreement of limiting the increase in global average temperature to well below 2°C. Only three countries in the region (Cabo Verde, the Gambia and Liberia) have committed to achieving net-zero GHG emissions by 2050, and Nigeria as committed to reach net-zero by 2060 (Table 5.3). Emissions reduction targets are specified in ways that are not directly comparable across countries, due to different time frames and business-as-usual scenarios. Thirteen countries have both an unconditional target, and a significantly more ambitious conditional target, and Mali and Sierra Leone only commit to emissions reductions conditional on international support. The conditions of these targets differ across countries, but frequently include access to international aid in the form of financial resources, technology transfer and capacity building.

Benin, the Gambia and Nigeria are the only countries to have submitted long-term strategy documents in addition to their NDCs. Ambitious long-term low-emission development strategies are vital since current near-term NDCs are only sufficient to limit warming to 2.7-3.7°C. Moreover, long-term strategies provide a pathway to a whole-of-society transformation and a vital link between shorter-term NDCs and the long-term objectives of the Paris Agreement. Given the 30-year time horizon, these strategies offer many other benefits, including guiding countries to avoid costly investments in high-emissions technologies, supporting just and equitable transitions, promoting technological innovation, planning for new sustainable infrastructure in light of future climate risks, and sending early and predictable signals to investors about envisaged long-term societal changes.

Table 5.3. NDC targets of ECOWAS Members

GHG reduction targets relative to Business-As-Usual (BAU) levels

MS	Unconditional target	Conditional target	Net-Zero Target	Sector Targets
BEN	3.6% by 2030	16.1% by 2030	None	AFOLU, energy
BFA	19.6 by 2030	29.4 by 2030	None	AFOLU, energy, transport, waste
CPV	18% by 2030	24% by 2030	2050	Energy, transport, tourism, waste, AFOLU
CIV	30.4% by 2030	98.9% by 2030	None	Energy, agriculture, forestry, waste
GMB	2.6% by 2030	49.7% by 2030	2050	Energy, AFOLU, transport, waste, IPPU
GHA	24.6 MtCO ₂ eq by 2030	39.4 MtCO ₂ eq by 2030	None	Forestry, transport, energy, IPPU, waste
GIN	20% by 2030	49% by 2030	None	Energy, transport, mining, waste, FOLU
GNB	10% by 2030	30% by 2030	None	Energy, waste, AFOLU
LBR	10% by 2030	64% by 203	2050	AFOLU, coastal zones, health, fisheries, transport, industry, energy, waste
MLI	None	39% by 2030	None	energy, AFOLU, waste
NER	12.6% (AFOLU) and 10.6% (Energy) by 2030	22.8% (AFOLU) and 45% (Energy) by 2030	None	Energy, AFOLU
NGA	20% by 2030	47% by 2030	2060	Energy, AFOLU, waste, IPPU
SEN	7% by 2030	29% by 2030	None	Energy, AFOLU, waste, IPPU
SLE	Not specified	25% by 2050	None	Energy, IPPU, waste, transport, AFOLU, blue economy
TGO	20.5% by 2030	50.6% by 2050	None	Energy, AFOLU, IPPU, waste

Note: Details on the conditions of the targets can be found in the source. BAU scenarios and base years vary by country. IPPU = Industrial Processes and Product Use; AFOLU = Agriculture, Forestry and Other Land Use; RAC = Refrigeration and Air Conditioning.

Source: NDCs were retrieved from the official registry (<https://www4.unfccc.int/sites/ndcstaging/Pages/Home.aspx>).

Policy framework for environmental protection

ECOWAS countries have recognised the mutually reinforcing relationship between human rights and environmental rule of law. The constitutions of nine ECOWAS Members explicitly state the right to a healthy or balanced environment, while another four (the Gambia, Ghana, Nigeria and Sierra Leone) contain clauses to ensure the protection of the environment and natural resources by the State and its citizens. The constitution of Guinea-Bissau refers to the population's right to a "balanced insertion" in its socio-ecological environment in the context of public health but does not explicitly mention environmental protection, while Liberia's constitution omits environmental rights altogether.

West African countries made great strides in formalising EIA into their legal frameworks, with all ECOWAS Member States having promulgated laws in this regard. Four countries in ECOWAS, Cabo Verde, Guinea, Guinea-Bissau and Nigeria, do not have any specific EIA regulations, but have detailed guidelines for the EIA process in the corresponding acts. ECOWAS Members have adopted the same general approach to EIA, which is mandated under an environmental agency (e.g. the Ministry of Environment). EIA processes consist of similar procedures in line with principles set out by the International Association for Impact Assessment (IAIA), involving screening, scoping, impact assessment, approval, and monitoring. The exception is Sierra Leone, where the Environmental Protection Agency Act does not mention scoping. With few exceptions, laws and policies of ECOWAS countries provide for the three critical procedural rights of access to information, public participation, and access to remedies, including grievance redress mechanisms and other project specific complaints processes (Table 5.4). These procedural rights are necessary to ensure that EIAs can effectively identify community concerns about development projects, and therefore critical for environmental governance. They also ensure that the human rights obligations to a clean and safe environment are protected.

Table 5.4. Common elements of EIA systems in ECOWAS

	Year of Act / Regulation	Screening list	Public participation	Access to information	Access to justice	EMP & monitoring	SEA	Transboundary EIA	Certified consultants
BEN	1998 / 2017	■	□	■	□	■	■	□	■
BFA	2013 / 2015	■	■	■	■	■	■	□	□
CPV	2020	■	■	■	■	■	□	□	■
CIV	1996 / 1996	■	□	■	□	□	■	□	□
GMB	1994 / 2014	■	□	■	■	□	□	□	□
GHA	1994 / 1999	■	■	■	■	■	□	□	□
GIN	2019	■	□	■	■	■	□	□	□
GNB	2010 / 2017	■	□	■	□	□	□	■	□
LBR	2003 / 2006	■	■	■	■	□	□	■	□
MLI	2021 / 2018	■	□	■	□	■	■	□	□
NER	2018 / 2000	■	□	■	■	□	□	□	□
NGA	1992	■	□	■	■	□	□	□	□
SEN	2001 / 2001	■	■	■	□	□	□	□	■
SLE	2022 / 2010	■	□	■	■	□	□	□	□
TGO	2008 / 2017	■	■	■	■	■	□	□	□

Note: ■ = Clear legal requirement in EIA laws and regulations; □ = Partial legal requirement (e.g. no regulations or guidelines); □ = No legal requirement. SEA = Strategic Environmental Assessment; EMP = Environmental Management Plan.

Source: Authors based on national EIA legislation and Walmsley and Patel (2020_[10]).

EIA processes are most effective where key interested and affected parties are consulted at an early stage of the process, and empowered to contribute to assessing alternatives, identifying community issues and concerns and ensuring that these are addressed in the EIA report. While some level of public consultation is required as part of the EIA process in all ECOWAS countries, the timing and mode of consultation vary significantly. The scope of participation ranges from full engagement of interested and affected parties through various means, including public meetings and focus groups (e.g. in Senegal), to the passive placement of the EIA report for public review and comment (e.g. in Sierra Leone). It is generally considered best practice to consult the public as early in the EIA process as possible, that is, in the scoping phase. Six ECOWAS countries (Burkina Faso, Cabo Verde, Ghana, Liberia, Senegal and Togo) require this. Nine ECOWAS countries require the proponent to undertake public participation during the preparation phase of the EIA. In Benin, Côte d'Ivoire, Guinea-Bissau and Sierra Leone, the authorities will hold public hearings as the sole means of public consultation, while in Guinea there are no regulations or guidelines on specific measures to be followed for public participation and consultation.

Lack of effective post-EIA follow-up and implementation of an Environmental Management Plan (EMP) reduces the value of the EIA process. In almost all ECOWAS countries, the EIA must include measures setting out how the proponent proposes to avoid, reduce, manage or control the adverse impacts of the development on the environment in an EMP. In addition to mandating and offering guidance on EMP formulation, EIA laws should lay out obligations and procedures for monitoring compliance with the EMP. Five ECOWAS countries make provisions for inspections, audits and monitoring by the authorities. In practice this is seldom achieved due to a range of factors including lack of public sector resources. Côte d'Ivoire and Niger place the responsibility for project compliance monitoring and auditing solely on the proponent, who is required to submit regular monitoring and auditing reports to the authorities. This approach requires that the project proponent take ownership of the environmental monitoring process and the management of related risk. Eight countries formally require joint monitoring and auditing, with the proponent doing the day-to-day compliance monitoring activities, and the authorities carrying out periodic inspections. This approach is most effective in ensuring compliance with EMPs.

Strategic environmental assessment (SEA) continues to gain momentum, and much of the newer legislation requires SEAs for policies, plans and programmes, notably in seven ECOWAS countries (Benin, Burkina Faso, Côte d'Ivoire, Guinea, Mali, Niger, Senegal). Of these only Benin, Burkina Faso, Côte d'Ivoire and Mali additionally elaborate on the administrative process to be followed and the content of the SEA report in corresponding regulations. In Ghana the legal requirement for SEA is weak, with plans and programmes included in the “undertakings” for which environmental assessments are required. Nevertheless, non-statutory guidelines for the “Ghana SEA Approach” have been developed and over 20 SEAs have been conducted in the last decade, on a range of proposed policies and plans. In Nigeria there is a SEA guideline document published by the Federal Ministry of Environment, and SEA is provided for in the draft EIA bill. In Gambia there is only a fleeting mention to SEAs in the EIA Regulations, while no mention of SEAs is made in the environmental laws of the remaining ECOWAS countries.

The application of EIA principles to the assessment of transboundary impacts of investment remains limited in ECOWAS, and only Guinea-Bissau and Liberia provide a legal framework for the control and restriction of any contaminants that may have a cross-border effect or regional. In Senegal and Togo, environmental authorities are required to initiate a consultative process with the relevant authorities of countries that may be significantly adversely affected by a proposed activity. In Côte d'Ivoire, Gambia, Ghana and Nigeria, the EIA report must include an indication of whether the environment of any other State is likely to be affected by the proposed project and what mitigation measures are to be undertaken, but there is no reference to consultation with the concerned countries. All other ECOWAS countries do not require transboundary EIA in their environmental laws, but may be signatories to trans-boundary agreements which require sharing of information, as well as some trans-frontier conservation initiatives.

Ensuring a high level of professional quality and conduct of EIA practitioners is central to the effectiveness of the EIA process, and for this reason, it is good practice to introduce a certification scheme for EIA practitioners and consultants. At present, only Benin, Cabo Verde, and Senegal have a statutory requirement for certification of environmental assessment practitioners. Côte d'Ivoire, Nigeria and Togo have put in place registration systems for EIA practitioners based on professional criteria, which also afford some degree of quality control. The Gambia and Mali require EIA consultants and their qualifications to be sent to the authorities for approval before commencing the EIA, affording a lower level of quality control that hinges on the accuracy of the information provided by the consultants. The lowest level of quality assurance is provided in Burkina Faso, Guinea, Liberia and Niger, where the environmental agency has a list of approved consultants. In Ghana, Guinea-Bissau and Sierra Leone there is no certification or registration system for EIA practitioners. There is, therefore, little control over the professionalism and conduct of EIA consultants in the region.

Policy approaches to promote green investment

Uncertainty and unpredictability are among the greatest barriers to green investment. Too often the reason governments fail to attract green investment is due to the lack of an enabling environment for investment. Green investors are no different than any other in requiring a stable, predictable, and transparent investment environment in which to identify bankable projects. Thus, efforts to mobilise green investment will fail to meet their intended target unless governments ensure a regulatory climate that provides investors with fair treatment and confidence in the rule of law. The widely accepted features of this enabling environment are detailed in the OECD Policy Framework for Investment (PFI).

At the same time, openness, stability, and fair treatment are not enough to channel private investment towards green growth and decarbonisation objectives. In other words, policies conducive to FDI will not automatically result in a substantial increase in green or climate-aligned FDI. Policymakers will also need to improve specific enabling conditions for green investment by developing policies and regulations that systematically internalise the cost of environmental externalities like carbon emissions. Targeted financial,

technical and information support can also help address market failures that reduce the competitiveness of climate-aligned investments.

Stimulating investment in green technologies

Private investors do not internalise the positive spillovers of low-carbon investments and are likely to under-invest in related technologies and skills compared to socially optimal levels. Targeted financial and technical support by the government is therefore warranted but must be transparent, time-limited and subject to regular review. Studies have shown that the variations in the cost-effectiveness of these technology support policies depend on the country context rather than on the specific tool used. In general, government support should decrease over time as the technology matures (OECD, 2022^[11]). As noted previously, FDI in renewable energy is picking up in some West African countries, but still considerably lags behind FDI in fossil fuels overall. Targeted measures to accelerate investments in the renewable energy sector can be an effective way to decarbonise the region and promote green growth.

Many ECOWAS Member States have put in place incentives for renewable energy products and technologies. The most widely used forms of financial support include subsidies and grants for electrification programmes, tax exemptions on renewable energy equipment and generation, and tariff-based schemes like public auctions, feed-in-tariffs and net-metering schemes (Table 5.5). Only Nigeria is in the process of developing a voluntary carbon offset market.

Table 5.5. Financial support for renewable energy

	Subsidies	Tax incentives	Tariff-based schemes	Carbon markets
BEN	Green bond	Import tax, VAT	Auctions, Net-metering	None
BFA	RE Fund	CIT, Import tax, VAT	Auctions	None
CPV	Loan subsidy	CIT, Import tax,	Auctions	None
CIV	SEP	Import tax, VAT	Auctions	None
GMB	SEP	CIT, Import tax, VAT	Feed-in tariff, Net-metering	None
GHA	RE Fund, Loan subsidy, SEP	CIT, Import tax, VAT	Net-metering, Feed-in tariff (repealed 2020)	None
GIN		None	None	None
GNB	SEP	CIT, Import tax, VAT	None	None
LBR	RE Fund	Import tax, VAT	Auctions	None
MLI		Import tax, VAT	Auctions	None
NER	SEP	Import tax, VAT	Auctions	None
NGA	RE Fund, Loan subsidy, SEP	None	Feed-in tariff	Under development
SEN	RE fund, SEP	VAT	Net-metering	None
SLE	SEP	Import tax	Auctions	None
TGO	SEP	CIT, Import tax	Auctions, Net-metering	None

Note: CIT = Corporate Income Tax; REP = Solar Electrification Programme; RE = Renewable Energy; VAT = Value Added Tax.

Source: OECD FDI Qualities Mapping

With few exceptions, all ECOWAS countries offer some form of subsidy for renewable energy investments, in the form of funds or grants, electrification programmes, or subsidised loans. Various types of funds that offer capital and production-based subsidies to renewable energy developers are found in Burkina Faso (Green Energy Fund), Ghana (REFUND), Liberia (REFUND) and Senegal (RE & EE Fund). Eight ECOWAS countries seek to increase renewable energy capacity through solar electrification programmes (SEPs). Several of these programmes in Niger (PRODERE, ROGEP, Haske Electrification Programme), Guinea-Bissau (GEF Project), Ghana (RESPRO, Solar Rooftop Programme), and Nigeria (Energizing Economies Initiative) involve the direct the installation of mini-power plants and photovoltaic solar kits in

rural and peri-urban areas. Three ECOWAS Member States have put in place measures to increase access to credit to finance renewable energy investments: Ghana's SUNREF initiative offers long-term, low interest rate financing to local commercial banks for on-lending to renewable energy and energy efficiency projects; Nigeria's Green SME Financing initiative provides exclusive credit lines to finance eligible green SME; and Cabo Verde provides interest rate support of 50% for micro production of renewable energies. Benin is the first country in the region to have launched an SDG bond to help finance, among others, renewable energy projects.

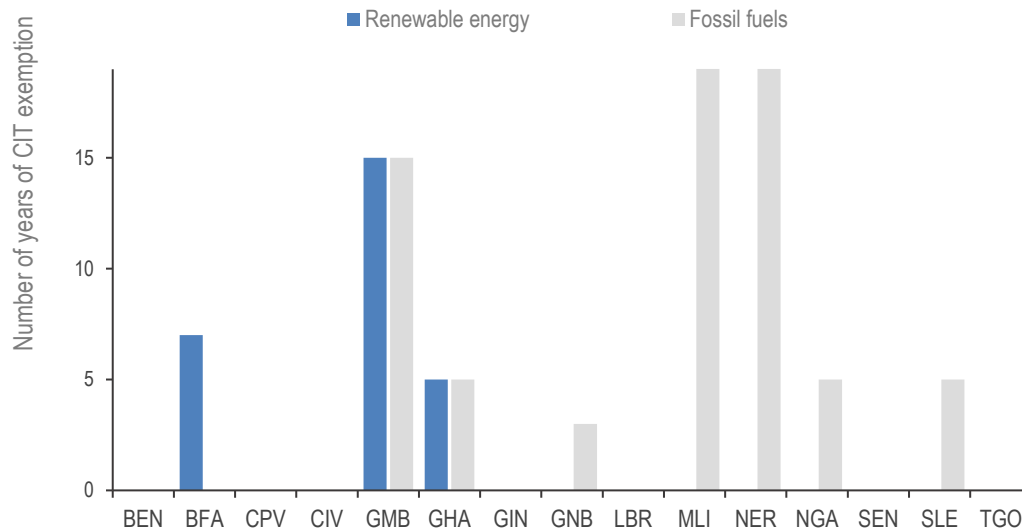
The most widely used tax incentives to promote renewable energy include import tax and VAT exemptions on related machinery and equipment, provided by the majority of ECOWAS countries. Togo and Cabo Verde also offer credits and deductions from corporate income tax (CIT) for qualifying investments in the renewable energy sector, which have the advantage of reducing initial capital costs. Burkina Faso, the Gambia and Ghana offer corporate income tax (CIT) holidays ranging 4-15 years, which are potentially very costly in terms of forgone revenues (see Chapter 4). The Gambia and Ghana simultaneously offer similar CIT tax reductions for investments in fossil fuels, while another six ECOWAS Member States offer CIT holidays only to fossil fuels. Moreover, in Mali and Nigeria these exemptions are permanent. These types of incentives erode the tax base and reduce the ultimate effectiveness of efforts to promote clean energy investment (Figure 5.6). These countries would benefit from categorising green and non-green activities according to emerging taxonomies and phasing out or scaling down financial and fiscal incentives granted to non-green activities, while implementing more targeted measures to ensure energy access and affordability.

Tariff-based schemes have become an integral part of policy instruments to promote renewable energy investment in West Africa, and are provided by all ECOWAS Members with the exception of Guinea and Guinea-Bissau. These instruments reduce the risk of private investments by guaranteeing a predetermined price (or tariff) for the electricity generated for a predefined period of time. Feed-in tariff regimes have been put in place by the Gambia, Ghana and Nigeria (though later repealed in Ghana) and are typically combined with guaranteed access to the grid for renewable generators. A key drawback of these regimes is that setting the right tariff is a complex exercise with the rapidly decreasing cost of the technologies, particularly in young markets where government capacity in the design of feed-in tariffs may be low and there may be asymmetry of information between regulators and companies. Indeed, there has been evidence of limited effectiveness of Malawi's feed-in tariff regime (OECD, forthcoming^[12]). Public auctions have the advantage of overcoming such informational asymmetries and promoting cost efficiency by allowing for a market-based determination of tariffs. This has led most ECOWAS countries to opt for auctioning renewable capacity to determine the price of the feed-in tariff. While auctions are well-suited for established projects, they transfer higher risk to investors, and a number of Southern African countries (Malawi, Namibia, South Africa, Zambia) opt for a hybrid approach combining feed-in tariffs and auctions (OECD, 2023^[13]).

Net metering is a billing mechanism that credits solar energy system owners for the electricity they add to the grid. Customers also benefit from reduced electricity bills through self-consumption of the electricity they produce. As such, net metering schemes can be a vital policy option to encourage community-based small scale renewable energy producers, while also encouraging energy efficiency. Growing populations and increasing shares of SMEs in West Africa have amplified the demand for small-scale decentralised renewable energy projects, yet only four West African countries (Benin, Gambia, Senegal and Togo) have put in place net-metering frameworks. In order to be effective, these schemes could be accompanied by subsidies to set up solar installations. For instance, in Ghana, the Solar Rooftop Programme subsidises investments in rooftop solar panels to encourage solar self-consumption, while any excess production of renewable energy can be added to the grid to benefit from the net-metering compensation scheme.

Figure 5.6. Tax incentives continue to favour fossil fuels

Maximum number of years of CIT exemption



Note: In Mali and Niger, CIT exemptions for fossil fuels are permanent.

Source: OECD elaboration

Building green capabilities and addressing informational barriers to green investment

Technical support is a useful tool for reducing the environmental footprint of investments, building capabilities related to green technologies, and promoting green innovation and spillovers. The majority of ECOWAS countries offer technical support to develop renewable energy capabilities, in particular of workers, often delivered in partnership with development cooperation agencies (Table 5.6). For instance, the Solar Thermal Training & Demonstration Initiative (SOLTRAIN) is a capacity building programme implemented in Burkina Faso, Ghana, Nigeria, and Senegal, with financial and technical support from the Austrian Development Agency. Similarly, the Green People's Energy for Africa initiative aims to improve the conditions for decentralised energy supply in rural areas in Benin, Côte d'Ivoire, Ghana and Senegal, and is implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ). Cabo Verde and Côte d'Ivoire also have dedicated renewable energy training centres, while Nigeria offers clean energy qualification courses. Programmes in Gambia (REPGam) and Ghana (Green Programme) seek to enhance the skills potential and employability of youth by offering training on photovoltaic system installation, maintenance and franchising, while Togo's Wenyonu Programme seeks to empower women to become solar entrepreneurs. These kinds of initiatives essential to build capabilities necessary to attract renewable energy investments, and promote spillovers to domestic businesses and entrepreneurs.

Technical support can also be directed towards starting up green businesses, improving the energy and environmental performance of existing businesses, or encouraging green innovation. Five ECOWAS countries (Cabo Verde, Côte d'Ivoire, Ghana, Nigeria, and Togo) have put in place incubators and accelerators tailored to support green start-ups and entrepreneurs. Gambia and Liberia offer business development services that target SMEs to help improve their energy performance or to facilitate technology adoption. While still not present in the region, green special economic zones, industrial parks and technology parks can also be tailored to facilitate green FDI and create green innovation hubs that attract talent and investors. For example, South Africa's Atlantis Greentech Special Economic Zone (SEZ) makes use of a range of investment attraction tools, including streamlined investment facilitation, preferential land use, infrastructure provision, easy access to major transport hubs, and SEZ-specific customs and fiscal

regimes to attract investors in green technologies. Moreover, South Africa is striving to develop the first zero solid-waste eco-industrial park in Africa, known as the Limpopo Eco-Industrial Park by improving resource use and fostering industrial synergies in existing industrial parks (OECD, 2023^[13]).

Table 5.6. Technical and information support for green investments

MS	Technical support		Information support		
	<i>Training & skills development</i>	<i>Business & supplier development</i>	<i>Green promotion & facilitation</i>	<i>Public awareness campaigns</i>	<i>Disclosure, certification & labelling</i>
BEN	RECASEB, Green People's Energy	RECASEB		RECASEB	
BFA	SOLTRAIN, Green Economy Learning Assessment				
CPV	CERMI Training Course, CdC 3C	CERMI Spin-off incubator, CdC 3C	Energy Information Management System		
CIV	Pollution Monitoring & Control, RE Training Centre, Green People's Energy	Incubation Express, uPOPCI	Environmental Information system	PNCC, PNGD, PNGEC, PNGRN, PNGPC	
GMB	REPGam, Greening Productive Sectors	Business Development Services for MSMEs, Empretec Gambia	GIEPA solar energy investment resources		
GHA	Green Programme: Youth Employment, SOLTRAIN, Green People's Energy	Green Programme: Incubation Acceleration, Mentoring	Green Programme Investment Forums	Green Climate Fund for Civil Society	Sustainable Banking Principles
GIN					
GNB	Green Seed Program			GEF Project	
LBR		SME Green Competitiveness	Renewables Liberia		
MLI					
NER	Mainstreaming Climate Change Adaptation	PACRC			
NGA	NAPTIN, Clean Energy Qualification, SOLTRAIN	NCIC Incubation Programme	Green Energy Investment Platform	NCIC Public Events	
SEN	SOLTRAIN, Green People's Energy				
SLE	Renewable Energy Empowerment project		Renewables Sierra Leone, SLIEPA investor guides	Environmental awareness campaign, Power for All	
TGO	Wenyonu Programme, Solar Entrepreneurship Programme	Energy Generation Incubator			

Source: OECD FDI Qualities Mapping

In addition to technical support, information and facilitation services can help reduce informational barriers and asymmetries that lead to sub-optimal investment and consumption choices, and generally result in under-investment in green technologies. For instance, lack of awareness on the energy performance of household appliances leads to an inability of consumers to interpret the impact of energy prices on the operational costs of one product relative to another, meaning that price signals do not influence purchasing behaviour as expected. Measures to raise public awareness and understanding of energy and environmental performance, including information campaigns, product labelling schemes, certification and disclosure requirements can help alleviate these information barriers. Investment promotion and facilitation

tools can also help potential investors identify green investment opportunities and overcome related administrative barriers.

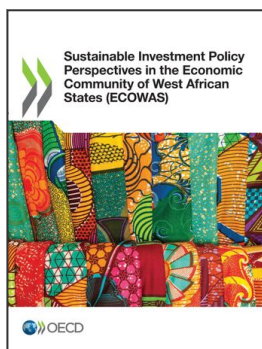
Many West African countries have developed effective tools to facilitate access to environmental information and opportunities related to green investments. The most common information tools used to promote green investments in West Africa, include public awareness campaigns and information platforms. In Côte d'Ivoire, for example, various programmes seek to raise awareness among the general public on issues related climate change, waste management, natural resource management and preservation, and dangers associated with chemical products. Nigeria's Climate Innovation Centre hosts public events for awareness raising, especially in opportunities available for green business, entrepreneurship and innovation, while Ghana's Green Climate Fund for Civil Society sponsors public awareness campaigns related to climate action. Campaigns in Benin and Guinea-Bissau focus the importance of energy efficiency and renewable energy to increase energy access and security. In terms of investment information tools, five countries in the region (Cabo Verde, Gambia, Liberia, Nigeria, and Sierra Leone) have put in place platforms that offer detailed information, data and contacts, relating to investment opportunities in the renewable energy sector. Sierra Leone's investment promotion agency also offers investor guides with detailed information on green investment opportunities, while Ghana holds biannual investment forums to bring together potential investors interested in Ghana's green sectors, under its Green Programme.

Voluntary disclosure and reporting of environmental impacts remains limited in West Africa. Nevertheless, in November 2019, the Bank of Ghana launched the Ghana Sustainable Banking Principles to provide the guiding principles to underpin effective Environmental and Social Risk Management policy frameworks for banks, including reporting requirements for five sectors that are critically sensitive to the environmental and social standards. As of 2020, 24 commercial banks in Ghana agreed to measure and report their progress in implementing the principles. Other countries in the region should consider developing frameworks for voluntary disclosure of environmental impacts in critical sectors.

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