

**ISSUES IN BENCHMARKING THE  
MONITORING OF ECOWAS  
COMMON INVESTMENT MARKET**

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# **PART I**

## **AIMS AND BASIS FOR BENCHMARKING THE MONITORING OF ECOWAS COMMON INVESTMENT MARKET**

While economic integration theory suggests that common market could offer new development opportunities to contracting parties, such commercial intercourse could equally create serious challenges if not monitored with benchmarks.

# A. Aims of Monitoring Common Investment Market

- To ensure that the development dimensions of the common investment market are fulfilled in line with ECOWAS Treaty, without negatively affecting member nations of the community, it is of prime importance to closely monitor the harmonization and implementation of the process.
- There is also the need to evaluate whether the development objectives agreed in ECOWAS Treaty and as provided for in the common investment market initiative as presented by the Commissioner yesterday are achievable, and that they will actually justify the – induced reforms which ECOWAS countries must abide with.

## **Aims of Monitoring Common Investment Market (Cont....)**

- The monitoring would also aim at assessing the progress of the process against the goals set out by the ECOWAS Council of Ministers for the region.
- The heated debates and doubts as to efficacy of common investment market at developing ECOWAS, integrating the region into the multilateral system, and using it to alleviate the poverty in the region demands appropriate monitoring instruments to ensure the targets set are realizable.
- A transparent monitoring process will ensure that ECOWAS common investment market effectively contribute to the development objectives of the region.

## **B Phases in the Monitoring**

The monitoring of the **content, process and implementation** of the proposed ECOWAS common investment market may take place at two levels.

- 1 **During the Harmonization Process:** At the harmonization stage, monitoring is expected:-
  - to ensure that ECOWAS countries are sufficiently prepared to harmonize their investment rules; and
  - to ensure that the design of the regional investment code meets the objectives set out in the regional Treaty, notably in terms of development of ECOWAS states.
  
2. **During the Implementation Phase:** At the implementation stage however, the monitoring of EPAs will concentrate on how:
  - to ensure that ECOWAS countries have the capacity to implement the common investment market provisions to their benefit.
  - to ensure that the ECOWAS take the advantage of new opportunities, notably in terms of market access and build on their regional markets.
  - to reduce the negative impact of the common investment market processes.

## Phases in the Monitoring (Cont...)

- Monitoring instruments of the regional market should therefore be designed to monitor the **content** and **impact** using the various economic analysis and empirical models as indicators.
- It will also be used to monitor the performance of the process with a view of improving ownership and transparency of the process as well as its implementation.
- In other words, irrespective of the format adopted, a monitoring mechanism of ECOWAS common investment market should pay attention not only to the **substance** of the market on the community (i.e. its impact) but also **assess the process** (i.e. preparation, the harmonization, common investment market – induced reforms, adjustment ownership, participatory and consultative approach).

# PART II

## Benchmarking and Monitoring of Common Investment Market Process

Effective monitoring of ECOWAS Common Investment Market demands having a sequence of targets in its harmonization and implementation process. Such sequence involves establishment of benchmarks and benchmarking process.

### A. Benchmarks and Benchmarking

- **A benchmark**, derived from its use in surveyor parlance, can be described as **a point of reference**;
- In management sciences however, the term is used to set the standards for comparison of the best practice performance in any benchmarking exercise.
- For the common investment market therefore, benchmarking is seen as those **targets and standards** with which to measure or to monitor the progress achieved or otherwise in the implementation of the process

## Benchmarks and Benchmarking (Cont...)

- **Benchmarking** of the common investment market is thus seen to evaluate various aspects of its processes in relation to the best practice toward the expectations (benchmarks) envisaged.
- The benchmarking of ECOWAS common investment market process will allow the region to develop plans on how to adopt the best practices of the Investment Policy Framework in the course of the implementation of the common investment market to achieve the desired targets for the region.
- The benchmarking is however to be treated as a continuous process in which the various institutions involved in the common investment market continually seek to challenge their own practices.



## B. Use of Benchmarks and Benchmarking

Using this concept of benchmarking to evaluate the process common investment market is trying to apply this management instrument dedicated to evaluation of production units at the micro level of firms to the economies of ECOWAS in relation to the harmonization and implementation of the process.

- I am aware that this is not going to be an easy task because of a number of issues:

**First** , there are a vast differences between a firm and an economy/region, and it is a fallacy to compare firms and the economy/region as more or less similar agents of production (one at micro level and the other macro level)

- The difference in results is that the performance of firms can be easily benchmarked to a large extent and in many ways that cannot be done for individual economy nor for the region as a whole.

## Use of Benchmark and Benchmarking (Cont...)

- Firms can be benchmarked objectively but this is not easily possible for an economy/region because of many socio – cultural factors (e.g. it is difficult if not impossible to identify a direct and indirect measure of good governance including good policy design and implementation – and good institutions).

**Secondly**, benchmarking an economy/region can easily lead to evaluation on the basis of stylized facts derived from other or previous superior – performing economy/region that embraced common investment market initiative, as a standard

- Measuring performance with reference to stylized facts may be acceptable but it is usually easy to miss or ignore a crucial or essential element of indicator that formed part of the package of such stylized facts being used as a sample.

- For example, analyses that seek to apply the stylized facts of the fast-growing Asian Tigers experience to slow-glowing developing economies political considerations could easily miss the lack of labor rights during the initial years of fast development of the region (which are no longer possible now); a complementary determinants that may have been important in launching low-cost production, high investment (FDI) and export competitiveness.

A **third** qualification encompasses the problem of setting benchmarks (the specification of a set of objective best practice criteria) for investment policy harmonization between groups of highly diverse economies like ECOWAS states for the sake of developing a common investment code to implement the common investment market initiative.

- Given the dynamic and diverse nature of economies of ECOWAS countries , it is difficult to envisage the setting of objective benchmarks for all the countries at the same time in the harmonization of the various investment policies of member nations into a singular code the will be applicable to all.

## **C. Basis for Benchmarking Common Investment Market for ECOWAS**

- The idea to benchmarking common investment market for the region is based on the notion that seeks to determine if the harmonization and the implementation of the process will live up to sustainable development goals of as spelt out in the regional Treaty and the desire of the Community leadership.
- Benchmarking of common investment market for the region should also offer policy roadmaps towards the effective implementation of the initiative.
- It is believed that the exercise would assist all the stakeholders in the ECOWAS common investment market process to appropriately evaluate the progress of the market and to ensure that at the very least, ECOWAS region would not be worse off than hitherto but hopefully advance further in its economic integration process.

## Basis for Benchmarking (Cont...)

- The benchmarking process will therefore assess the common investment market initiative in terms of the its **main objectives** which should determine the conduct and outcome of the harmonization and **the approach** to its implementation .
- Assessing the extent to which the common investment code are monitored to fulfill the main objectives of common investment market so as to promote sustainable development of the region; as well as promote the structural transformation of ECOWAS economies as the basis of their integration into the world economy will become easier with the benchmarking.
- It will equally make the monitoring of the community investment code easier so as to ensure that it accord with the agreed salient principles that will not make the region being worse off than hitherto.

## **Basis for Benchmarking (Cont...)**

- The harmonization of the investment policies represents an exercise to put in place a system that will manage investment relationships between ECOWAS countries for the benefit of the regional growth and development
- Evaluation of the harmonized policies into a singular code must be benchmarked to guarantee that the exercise results in positive outcome.
- The identification and monitoring of the benchmarks in the common investment market implementation serve the important purpose of guiding the planning of any adjustments required midway so as to improve the development outcome (performance) of the process;

## **D Steps to Take in Benchmarking Common Investment Market**

- ❖ Learning from the procedures of benchmarking in strategic business management, the following steps can be identified in common investment market evaluation and benchmarking for ECOWAS region:
  - Identify the problem areas that needed to be targeted;
  - Identify individual countries peculiar situations as it can serve as better signals in designing the benchmarks; and
  - Apply the identified peculiarities to the benchmarks so as to achieve the development objectives of the common investment market suitable for all the member nations of ECOWAS

# Steps to Take in Benchmarking the Implementation (Cont...)

- ❖ Since the common investment market would be established to meet the requirement of creating a single market for the community in a way that will not compromise the developmental aspirations of ECOWAS countries, a distinction must be drawn between its **content, its process and its outcomes**. Such process and outcome benchmarking can be described under four categories:
  - (a) The **first** is the building of the regional capacity to have access to be able to perform the needed functions in the implementation of the process.



# Steps to Take in Benchmarking EPAs

## Implementation (Cont...)

- (b) The **second** is to develop regional market to be able to absorb the larger output arising from the consequent economies of scale; this should also include improved negotiation of better access of ECOWAS products into the EU market and the rest of the world,.
- (c) The **third** category of preparation is how to create appropriate policy spaces that exist for the ECOWAS countries to face the challenges of development and adjustments brought about by the common investment market, and how to have the ability to decide on and implement appropriate policies to manage such developments in their different economic development levels.
- (d) **Finally**, is what outcome of economic development needs to be benchmarked by each country in the region that will respect the goals of development and the progress made over time must be put into consideration.

## **PART III**

# **Monitoring Some Aspects of the Common Investment Market**

The extent to which ECOWAS common investment market could contribute to the creation of expanded regional markets in the region and further deepening of the other existing integration process depends on appropriate answers the following questions:

- Will the provisions and the implementations in the common investment market offer enough incentives for member nations of ECOWAS to eliminate intra-regional barriers to investment in preference for common investment code.

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- Will the investment and trade created among member nations in the region as a result of the common investment market be larger than the trade diverted away from third parties in favor of ECOWAS economic actors?
- Will the creation of regional investment hubs strengthen or weaken the overall regional integration process of ECOWAS countries?.
- Are the financial and human resources in place adequate to cater for the task invoiced by the process?

- Will the common investment market provide an incentive as well as financial resources for the establishment of regional frameworks in area of public procurement; investment promotion, investment protection; common monetary policies, etc?
- Are such regional integration scope and agenda created along with the common investment market appropriate with national development strategies of individual member nations of ECOWAS?
- Are the related regional policy reforms, legislations and authorities planted at national levels to support the common investment market initiative?

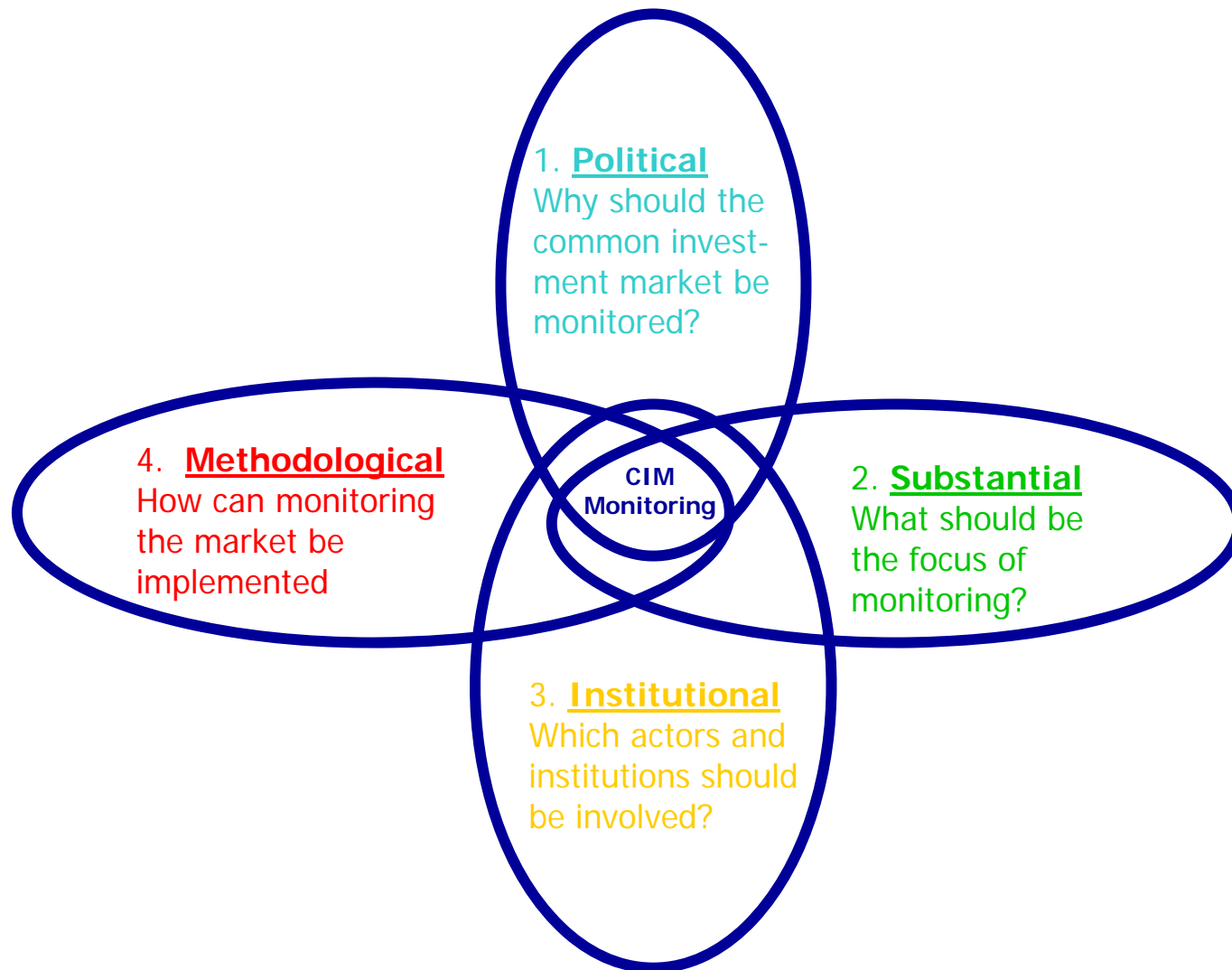
- Is the sequencing of the common market harmonization , implementation and the existing regional integration customized to the needs and development aspirations of all ECOWAS countries?
- Will the current groupings ECOWAS countries encourage the single investment market ?
- Will the endogenous regional processes be developed enough before ,during or after the common investment market is implemented?

# PART IV

## Model of a Benchmarking in the Monitoring

- While people are becoming more aware of the importance of monitoring the implementation and impacts of EPA, little thought is yet to be given so far to the possible details of an appropriate monitoring mechanism either by LDCs or non-LDCs whether one entered into EPAs or yet to enter into any of its options.
- So also is the same with respect to benchmarking any policy
- ❖ There are four questions for monitoring EPAs which this presentation is bound to answer (see **Figure below**) which can equally be applicable to common investment market

# CIM Monitoring Model



## Brief answers to these questions

- For question (1), the three main reasons for monitoring common investment market are: (a) to ensure the actors' capacity to implement the required reforms in a way that benefit them; (b) to guarantee compliance with the commitments made under the ECOWAS Treaty; and (c) to ensure that the outcome and impacts of the common investment market initiative are not detrimental to the ECOWAS countries.
- For question (2), issues to monitor in the investment market reforms include: (a) the content of the harmonized code and framework (as well as related commitments and strategies); (b) the context (i.e. the economic conditions, institutions, policies and existing capacities); and (c) the actors involved and the interests as well as expectations that each represents.



## Brief answers to these questions (Cont...)

- The methods to use in answer to question (3), for the collection and analyzing the monitoring of the common market can be selected and refined once the regional investment code has been reached on the focus, content and purpose of the monitoring.
- On those to be involved, as question (4) required, since the implementation will affect large number and variety of stakeholders in ECOWAS , including regional and national state, non-state actors as well as the population at large, the range of those to be involved should go beyond official signatories to include even parliamentarians, the private sector and civil society, along government officials.
- In view of the importance of the monitoring exercise, it is judicious for the stakeholders in the common investment market not to focus on issues on the contents of the common investment market alone; but should enshrine the principles of a monitoring framework in the text of each of the provision in the common investment code.

# PART V

## Conclusion

As earlier discussed, the benchmarking approach could present a possible way to address the difficulties involved in monitoring common investment market for ECOWAS

- Credibility, transparency as well on ownership of the monitoring exercise would be maximized, assisting those concerned about the uncertain development content of the common investment market to be better informed (by offering concrete option to guarantee that such content materializes after all) and those, who believe in the development content of the process to be more informed.

## Conclusion (Cont...)

- Establishment of development benchmarks would ensure clarity on the assumptions and values underlying the monitoring exercise of both the code and the common investment market that code was harmonized to defend as well as on the specific methodology adopted in the monitoring.
- The use of benchmarks would provide an important analytical tool for ECOWAS economic actors, civil societies, private sector analysts and entire stakeholders in the region to appreciate the benefits of common investment market
- It would also strengthen the capacity of ECOWAS countries to undertake comprehensive consultative processes to prepare for their for the initiative within the region as well as multilaterally

## Conclusion (Cont...)

- Benchmarking the monitoring of the common investment market would certainly facilitate and improve the broader discussions on the economic, development and institutional impact of the initiative on member nations of ECOWAS,
- Since it is the governments of member nations of the community and the stakeholders in these countries that should ultimately decide what a good common investment market entails (in a development sense) benchmarking will be a very useful tool to get this done appropriately.
- Defining the complete set of benchmarks capturing national and regional specific features and common investment market- related objectives, as well as carrying out the regular assessment of the process should be the responsibilities of all involved .



**...END...**



**THANK YOU FOR LISTENING**



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