

**MACRO-ECONOMIC POLICIES TO
SUPPORT THE IMPLEMENTATION OF
ECOWAS COMMON INVESTMENT
MARKET**

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Introduction

- Movement towards Common Investment Market (CIM) requires:
 - **Considerable** amount of Policy cooperation and coordination
 - **Effective** harmonisation of national investment policies of Member States (partial loss of sovereignty)

- **Arguably** it is the most difficult stage of economic integration process (due to loss of national sovereignty in some policy areas)

- In ECOWAS, 10 selected macro-economic policy areas are of importance to the implementation of the CIM

1. Monetary Cooperation

- Objective of achieving monetary cooperation remains elusive despite practical & intellectual efforts
- To reach degree of financial stability conducive to having a common currency in ECOWAS region – 3 convergence criteria essential, among others:
 - ✓ Foreign exchange reserves
 - ✓ Exchange rate stability and
 - ✓ Foreign debt-servicing ratio
- Over the years, many ECOWAS countries have struggled to achieve exchange rate stability and debt-service criteria
- WAMI report has also confirmed a mixed success in satisfying fundamental criteria
- Generally the success in achieving these broad-based economic convergence has been rather low
- If Monetary Cooperation is the goal, criteria must become integral part of budgetary and policy formation in Members States
- More **political will is** needed to proceed for the needed monetary cooperation

2. Financial Services Policy Harmonisation

- Some important elements that drive process of economic integration:
 - Cross border investment
 - Other forms of cross-border supply of financial services

- Regional Working Group on Financial Services Policy
Harmonization should either be set up or the existing similar institution should be strengthened to conduct appropriate consultations with member states experts and stakeholders in the entire regional financial system comprising the bank and non-bank financial institutions

2. Financial Services Policy Harmonisation (cont.)

- Numerous areas of the consultation to include:
 - Cross-border supply of financial services
 - Cross-border Supervision of Transitional Financial Corporations and Conglomerates
 - Data processing in the Financial Services Sector
 - Harmonization of Financial Instruments and Products
 - Harmonization of Financial Prudential Guidelines
 - Depositors' Protection Policy Simplification
 - Credit Information Facility and Credit Rating
 - Collateral Security in Cross-border Market
 - Mergers and Acquisitions in Financial Services Sector etc

3. Capital Market Integration & Development

- In keeping with the objective for Capital Market Integration the Scheme for movement of capital should be introduced – starting with **cross-listing and cross trading** of securities
- Member States should be encouraged to set up integrated system based on single ECOWAS Stock Exchange
- Regional Capital Market Committee (RCMC) should be established to examine:
 - ✓ Cross-listing & cross trading
 - ✓ Creation of a new entity
 - ✓ Scheme modeled off the EURONEXT (Europe)

3. Capital Market Integration & Development (cont.)

- EURONEXT –most viable short-term alternative to jumpstart regional Stock Exchange
- Advantages of EURONEXT to a new entity for all the countries in the region are:
 - Retain individual national identity
 - Retain listing but have access to wider market
 - Same regulation will continue at national levels
 - Access for brokers to any of the exchanges in the region
 - Movement towards single electronic platform model

4. Investment Policy Harmonisation

- Various policies, legal, administrative, bureaucratic and statistical reforms needed to improve investment climate are being harmonized already into regional IPF & CIC
- Association of Investment Promotion Agencies of West Africa has been established

5. Incentives Policy Harmonisation

Under incentive policy harmonisation, 5 areas of concern are important:

1. Harmonised Incentives Regimes should be separated from that of ECOWAS Investment Code since the harmonisation of the incentives can take more time
2. Harmonised Incentives Regimes should allow for certain amount of regulatory flexibility at national levels
3. Harmonised Incentives Regimes once agreed should be legally binding and enforceable
4. Incentives should be applied to specific sectors without calling them priority or approved sectors
5. Core of harmonised incentives should be to lower corporate income tax rate in conjunction with selective and targeted incentives

6 . Corporate Tax Harmonisation

- Implementation of CIM will require common treatment for various allowances and other types of tax deductions such as:
 - Pensions deduction
 - Extra-regional agreement tax
 - Explorations & research allowances

- Reservations among Member States expected regarding:
 - Capital allowances and other forms of chargeable income
 - Allowance for interest on fixed capital and interest accrued
 - Trade/business losses as a result of corporate tax harmonization

- Working Group on Fiscal Policy Harmonization to be set up to resolve these issues

7. Fiscal Policy Harmonization

- Working Group on Fiscal Policy Harmonization should be mandated to work on issues of:
 - Depreciation allowances
 - Transfer pricing
 - Withholding taxes
 - Consumption/VAT taxes
 - Excise Tax
 - Property tax and other levies
 - Administrative systems

- Group should design and craft a minimum package of measures to be signed off

8. Double Taxation Agreement

- Most Member States have signed and ratified many Double Taxation Agreements
- Many of these agreements will have to be reviewed to be in conformity with the provisions of the Supplementary Act adopted by the Authority of the Head of States in ECOWAS region.

9. Movement of Community Nationals

- Movement of Community nationals involves issues relating to movement of businessmen, artisans, graduates, medical professionals, sportspeople, musicians etc.
- Consequently, issues concerning accreditation and certification of these nationals that will move across borders must be resolved

10. Development Fund for Disadvantaged Countries, Regions & Sectors

- ECOWAS Investment & Development Bank (EIDB) should be developed and recommended for Development Fund to implement those negatively affected by the operation of the CIM
- Strong emphasis should be placed on external sources to provide required funds
- Development Fund mechanism important for stimulating economic development and promoting sectoral development

Conclusion