

STRUCTURE OF ECOWAS INVESTMENT POLICY FRAMEWORK

Jonathan A Aremu Ph.D
Consultant

ECOWAS Common Investment Market
Private Sector Department

Tel: 234-1-8033061476

E-mail: marketlinkconsults@yahoo.com

PART I

WHAT IS INVESTMENT POLICY FRAMEWORK?

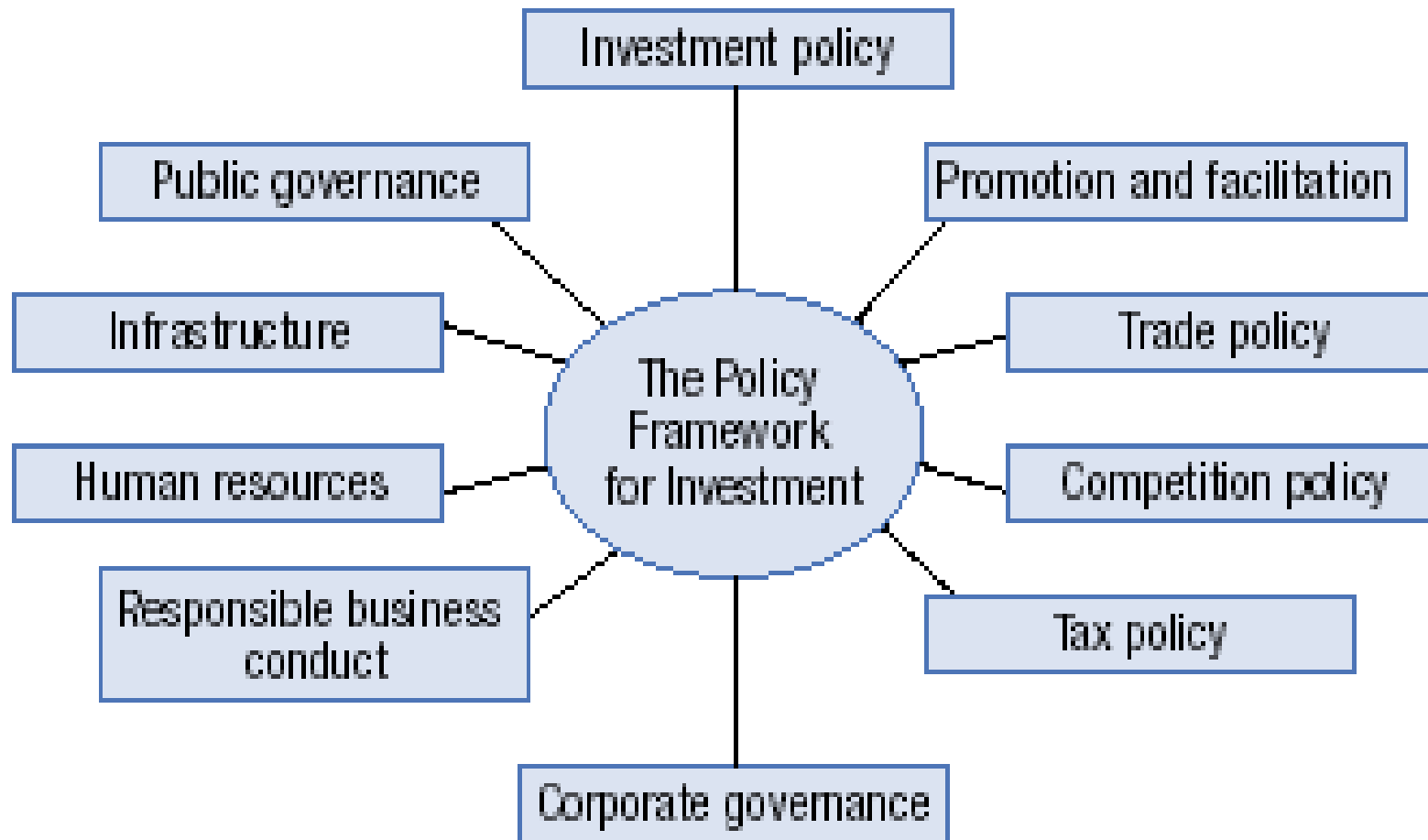
- Investment policy framework (IPF) is a tool, providing a checklist of issues in policy domains for consideration by any national/regional government interested in creating an environment that is attractive to all investors and in enhancing the development benefits of investment to society.
- IPF gives a list of questions under each theme to encourage policy makers to ask appropriate questions about their economy, their institutions and their policy settings and to help governments determine whether their policies are likely to encourage or discourage investment.

What Is Investment Policy Framework? (Cont...)

- The policy areas covered are widely recognized, as underpinning a healthy business environment for all investors, from domestic small- and medium-sized enterprises to multinational enterprises.
- These policy areas are: Investment policy; Investment promotion and facilitation; Trade policy; Competition policy; Tax policy; Corporate governance; Responsible business conduct; Human resource development; Infrastructure and financial sector development and Public governance”

PART TWO

ISSUES IN INVESTMENT POLICY FRAMEWORK



1. Investment Policy

- ❖ *The quality of investment policies directly influences the decisions of domestic and foreign investors. Transparency, property protection and non-discrimination are investment policy principles that underpin efforts to create a sound investment environment for all.*

Investment Policy (Cont...)

Set of laws and regulations that focus on issues such as:

- Property and contractual rights, including intellectual property rights.
- The equal treatment of foreign and national firms (*e.g.* national treatment of foreign firms).
- Removing administrative obstacles to investment.
- Cost-benefit assessment of investment incentives.

2. Investment Promotion Policy

- ❖ *Investment promotion and facilitation measures, including incentives, can be effective instruments to attract investment provided they aim to correct for market failures and are developed in a way that can leverage the strong points of a country's investment environment.*

Investment Promotion Policy (Cont...)

- Institutions, strategy and policy to promote the investment environment to existing and potential investors.
- Cornerstone of investment promotion is typically a well-funded investment promotion agency and a streamline procedure to facilitate investment.

3. Tax Policy

❖ *To fulfill their functions, all governments require taxation revenue. However, the level of the tax burden and the design of tax policy, including how it is administered, directly influence business costs and returns on investment. Sound tax policy enables public policy objectives to be achieved while also supporting a favourable investment environment.*

Tax Policy (Cont...)

- Framework, institutions, laws and strategies that impact investment decisions.
- Specific areas of focus include: -Corporate tax regime
- Tax administration
- International tax treaties and standards
- Transparency of regulations

4. Anti-corruption Policy

❖ *Public policies promoting recognized concepts and principles for responsible business conduct, help attract investments and enhance the contribution that investors make to sustainable development. Such policies include: providing an enabling environment which clearly defines respective roles of government and business; promoting dialogue on norms for business conduct; supporting private corporate responsibility initiatives; leading by example where the government acts as owners, partners or clients of business; and participating in international co-operation in support of responsible business conduct.*

Anti-corruption Policy (Cont...)

- Laws and institutions to reduce corruption at the national and local level.
- Specific programs address:
 - Conflict of interest
 - Training of customs and tax officials
 - Training of judges

5. Competition Policy

- ❖ *Regional Competition policy favours innovation and contributes to conditions conducive to new investment. Sound competition policy also helps to transmit the wider benefits of investment to society.*

Competition Policy (Cont...)

- Set of laws and institutions (*e.g.* competition law and competition authority) that promote competition and prevent firms from gaining excessive market share and abusing market power.
- Effective competition policy encourages investment and economic development by reducing barriers to entry.
- It also increases consumer welfare, encourages innovation and enhances economic efficiency

6. Trade Policy

- ❖ *Trade policies can support more and better quality investment by expanding opportunities to reap scale economies and by facilitating integration into global supply chains, boosting productivity and rates of return on investment.*

Trade Policy (Cont...)

- Laws, policies and procedures relating to trade of goods and services.
- Cornerstone is typically an export promotion agency or equivalent and regional or bilateral trade agreements (e.g. creating a free trade area in SEE).

7. SME Support Policy

❖ *How public policies and laws are formulated and enforced influences investment decisions. While there is no single model for good public governance, there are commonly accepted standards of public governance to assist governments in assuming their roles effectively. The checklist questions address regulatory quality and public sector integrity, two dimensions of public governance that matter for the investment environment.*

SME Support Policy (Cont...)

- Government strategy, policy and institutions to support the creation, development and growth of small and medium-sized enterprises.
- Key areas of focus include:
 - Business incubation (Women's entrepreneurship)
 - Access to finance
 - SME links to FDI
 - Structure and program of SME agency

8. Public Administration Policy

❖ *How public policies and laws are formulated and enforced influences investment decisions. While there is no single model for good public governance, there are commonly accepted standards of public governance to assist governments in assuming their roles effectively. The checklist questions address regulatory quality and public sector integrity, two dimensions of public governance that matter for the investment environment.*

Public Administration Policy (Cont...)

- How laws and public policies are designed and enforced.
- Includes:
 - Policy elaboration mechanism
 - Regulatory strategy
 - Regulatory oversight body
 - Public/private consultation

9. Financial Institutions and Infrastructure Policy

❖ *Sound infrastructure development policies ensure scarce resources are channeled to the most promising projects and address bottlenecks limiting private investment. Effective financial market policies facilitate enterprises and entrepreneurs to realize their investment ideas within a stable environment.*

Financial Institutions and Infrastructure Policy (Cont...)

- Laws and institutions that structure financial markets in particular with respect to privatisation and competition (collateral requirements, credit risk assessment, registry of cadastres, access to credit).
- Legal and regulatory framework allowing private sector participation in infrastructure projects (energy, telecommunications, transport, municipal services).

10. Human Capital Policy

❖ *Human resource development is a prerequisite needed to identify and to seize investment opportunities, yet many countries under-invest in human resource development due in part to a range of market failures. Policies that develop and maintain a skilled, adaptable and healthy population, and ensure the full and productive deployment of human resources, thus support a favorable investment environment.*

Human Capital Policy (Cont...)

- Consists of four main components:
 - Educational attainment
 - Workforce skills
 - Population health
 - Labour market policy and regulation
- Human resource development is a critical component to building an attractive investment environment, in particular in developing regions such as SEE.



...END...



THANK YOU FOR LISTENING



Yemi Aremu