

# Foreword

This inaugural issue of the World Bank Group's *Global Investment Competitiveness Report* presents novel analytical insights and empirical evidence on foreign direct investment's (FDI) drivers and contributions to economic transformation. The report focuses on developing countries, given their growing role as both sources and recipients of FDI, and explores how policy makers and local companies can best harness FDI's potential benefits for inclusive and sustainable development.

Three key features distinguish this report from other leading FDI studies. First, its insights come from a variety of sources, including a new survey of investor perspectives, extensive analysis of available data and evidence, and a thorough review of international best practices in investment policy design and implementation. Second, the report provides targeted, in-depth analysis of FDI differentiated by motivation, sector, and geographic origin and destination of investment. Third, the report offers practical and actionable recommendations to developing country governments.

The report introduces a new concept of *investment competitiveness*, defined by the ability of countries to not only attract but also retain and integrate private investment

into their respective economies. Enhancing investment competitiveness thus requires establishing a business environment in which both domestic and foreign companies can efficiently enter the market, expand operations, and develop more and better linkages with local, regional, and global economies. This report examines the key dimensions of investment competitiveness and highlights those that most commonly influence companies' investment decisions.

The report's groundbreaking survey of 754 executives of multinational corporations investing in developing countries finds that—in addition to political stability, security, and macroeconomic conditions—a business-friendly legal and regulatory environment is the key driver of investment decisions. The report also explores the potential of FDI to create new growth opportunities for local firms; assesses the effectiveness of fiscal incentives in attracting FDI; analyzes the characteristics of FDI originating in developing countries—so-called South–South and South–North FDI—and examines the experience of foreign investors in countries afflicted by conflict and fragility. Future editions of this biennial *Global Investment Competitiveness Report* will present findings on new sets of investment competitiveness

topics high on the agendas of reform-oriented governments, complemented by an update of the survey.

We are confident this new report will bring value and a fresh perspective to a variety of audiences. For policy makers, the report offers clear insights into the role of policy and the decision-making processes of investors. For foreign investors and site location consultants, the report discusses relevant FDI developments and drivers across sectors

and geographies. For academic audiences, the report's new datasets on investment incentives and FDI motivations offer scope for additional research and analysis. Last, for development assistance providers, the report highlights approaches for harnessing FDI's potential development benefits.

Above all, we recommend this report to all audiences interested in the central role that private investment can and must play in furthering sustainable and inclusive development.



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