Investment Climate

Investment Policy and Promotion:

Attracting Foreign Investment and Maximizing Impact for the Local Economy

The World Bank Group supports client countries in attracting, facilitating, and retaining different types of foreign direct investment, as well maximizing the positive spillovers of FDI for the local economy.

Context

Productive private sector investment is an important component of competitiveness and growth strategies for developing countries. Attracting foreign direct investment, in particular, helps to link a country's domestic economy to global value chains in key sectors. FDI brings not only investment and jobs, but also increased exports, supply chain spillovers, and new technologies and business practices. Realizing these benefits requires clear and effective implementation of investment strategies and policies that respond to the realities and aspirations of a particular country. As a critical part of this, countries need to define their value proposition as an attractive investment location and to proactively market investment opportunities to investors in sectors and subsectors, highlighting their comparative advantages relative to other locations. Clear strategies and effective marketing are particularly important for countries with little track record of attracting FDI, or a reputation as difficult places to invest.

What we offer

Support to client governments focuses on improving their investment policy framework, and maximizing the effectiveness of investment promotion efforts. This includes:

Developing an FDI Strategy and Investment Reform Map:

- Providing a logical framework enabling clients to visualize the different types of FDI flowing into their economies and the different policy mixes and regulatory approaches required to maximize the potential benefits of each kind of investment.
- Setting priorities to design coherent and concrete investment policy and promotion reform agendas at both economy-wide and sector levels; helping attract, facilitate, retain, and maximize positive spillovers of FDI into the domestic economy.

Improving the effectiveness of policies and efforts aimed at attracting and facilitating FDI, including:

- Establishing enhanced investor entry regimes by helping countries adopt and implement non-discriminatory treatment of foreign and domestic investors, and reducing sectoral restrictions and performance requirements.
- Streamlining investment procedures.
- Enhancing investment promotion capacity, including the competitive proposition for facilitating investment in priority sectors and capacity building to undertake effective investor outreach and facilitation.

Promoting good practices in improving the effectiveness of investment incentives including helping clients to identify whether and how incentives contribute to FDI inflows and policy objectives such as employment generation, export promotion and sustainable development.

Strengthening investor confidence to help clients retain and expand FDI through:

- Upgrading and improving legal and regulatory frameworks to reduce investment risks by putting in place measures addressing unlawful expropriation, protection against internationally recognized arbitrary actions or payment transfers, and currency convertibility.

- Increasing investment protection by promoting best practices in tracking and resolving key regulatory implementation issues as well as in investment grievance management.
- Designing and implementing investor aftercare programs that help clients build strong relationships with investors and facilitate company retention, expansion, and diversification while deepening links with local suppliers.

Promoting good policies and practices in maximizing linkages and positive spillover effects of FDI for the local economy to maximize impact and promote inclusive growth.

Implementing good practices to help clients participate in wider regional markets for investment through regional integration processes that promote greater FDI flows within and into a region.

Relevant publications

Investment Policy Toolkit

FDI Investment Generation Toolkit

Promoting Foreign Investment in Fragile and Conflict-Affected Situations

East African Common Market Scorecard 2014

Providing Incentives for Investment: Advice for Policy Makers in Developing Countries

Investment Incentives: An introduction to the main concepts and challenges

Investment Regulation and Promotion: Can They Coexist in One Body?

Global Investment Promotion Best Practices (GIPB) reports and support resources

Investment Promotion: Winning Tourism Investment Guide

Our work in action

In **Turkey**, reform of FDI policy and legislation led to the removal of minimum investment requirements and elimination of screening for FDI approvals. A simple registration system was established instead. Three years after the reform FDI inflows increased by a factor of 10.

In **Mongolia**, development of a new investment law entailed the elimination of screening for FDI approvals. The introduction of good practices in investor protection boosted investor confidence by protecting more than $10 billion of existing FDI stock from being subject to expropriation.

In the **East African Community (EAC)**, a scorecard assessing compliance with regional obligations boosted national reform efforts. For example, in **Tanzania** the scorecard triggered the liberalization of regulations that had restricted the movement of capital.

In **Brazil**, the World Bank Group helped build the capacity of APEX (Brazil's investment promotion intermediary) and two state investment promotion intermediaries in Para and Pernambuco, northern frontier states, to undertake targeted investor outreach. This led to the attraction of over $1.3 billion of new investment, of which some 70 percent went to the two frontier states.

In **India**, the World Bank Group helped define Rajasthan's competitive proposition in the automotive, solar power manufacturing and IT-enabled services sectors, reforming the investment environment to make each sector more attractive, and undertaking targeted sector outreach. This helped create a pipeline of approximately $2 billion in investment in these sectors.

For further information

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