

## World Development Report 2005: A Better Investment Climate for Everyone

### BACKGROUND

The *World Development Report 2005: A Better Investment Climate for Everyone* is the 27<sup>th</sup> edition of the annual series produced by the World Bank. Each report examines a specific topic related to development. The *World Development Report 2005* focuses on what governments can do to create better investment climates for their societies.

### SUMMARY OF THE REPORT

The *World Development Report 2005* defines the investment climate as "the set of location-specific factors shaping the opportunities and incentives for firms to invest productively, create jobs, and expand." The report focuses on those factors that the government can influence: costs, risks, and barriers to competition. The report examines the striking differences in investment climates across - and even within - countries. In doing so, it provides a series of case studies, best practices, and practical suggestions to help countries improve their investment climate. The report is broken into four parts: improving the investment climate, delivering the basics, going beyond the basics, and how the international community can help.

The *World Development Report 2005* draws on the World Bank's Investment Climate Survey, country case studies, and the World Bank's *Doing Business* reports. The appendix contains a series of data tables highlighting indicators that measure the investment climate and other social and economic indicators.

### MAIN FINDINGS

- A good investment climate is crucial to growth and poverty reduction. The goal should be to create an investment climate that benefits the entire society, not just firms. Society benefits from a better investment climate through increased job opportunities, the availability of more affordable goods and services, and increased public services financed by taxes from the growing private sector.
- Efforts to improve the investment climate must go beyond reducing business costs. Policy-related risks and barriers to competition also need to be addressed.
- Investment climate improvement requires more than changes in formal policies. Firms make decisions based on how the policies will be implemented in practice. Efforts are needed to remove corruption, to build policy credibility, and to ensure that policy responses correspond with local conditions.
- Investment climate improvements cover a wide field and should be viewed as a process, not a single event. Governments should determine priorities based on the current conditions, the potential benefits, links with national or regional goals, and constraints to implementation.

### HOW TO ACCESS THIS REPORT

The full document of the *World Development Report 2005*, and previous publications, can be accessed at: <http://econ.worldbank.org/wdr>