Foreign Direct Investment: Getting it right

Together with UNCTAD, the ILO has organized a dialogue on how best to ensure that Foreign Direct Investment (FDI) benefits everyone through the creation of quality jobs.

Comment by Aeneas Chuma, ILO Regional Director for Africa

In Africa, the region where I work, attracting investment capital has been a game changer to job creation and social progress. Remittances and foreign direct investments now outpace international aid.

Rwanda's economic performance provides an excellent example. Between 2001 and 2011, Rwanda's economy grew by more than 8 per cent per annum, earning it a spot on the list of the ten fastest growing countries in the world. It's become a service-centre hub for the entire Eastern African region. Foreign direct investment (FDI) has led to more and better investments in infrastructure, connectivity and skills development. Strong macro-economic policies have increased competitiveness, productivity, and growth. Most importantly, the quality jobs which have been created have slashed poverty rates by 14 per cent, lifting more than one million Rwandans out of poverty.

Making FDI work for the sustainable development goals is important not only for Africa but around the world. Between 2015 and 2030, about 670 million jobs will have to be created to contain the current spread of unemployment and cope with the growing number of people of working age.

Globally, 75 million youth are currently unemployed—the proportion of youth not in employment, education or training is increasing in most countries, threatening to break societies and leaving long-lasting scars on an entire generation.

Investment negotiators and investment promotion...
agencies are also aware of the urgent need to create more jobs. A 2014 global survey of investment promotion agencies by UNCTAD ranked job creation as their most important objective, followed by technology transfer, export promotion, local linkages, domestic-value added and development of skills.

The quality of jobs, not just the quantity, is at stake. Of all those who are employed, nearly one in four are raising their families on less than US$2.00 per day. Informal and casual jobs with uncertain earnings are the norm in most developing countries and are becoming more common in advanced economies. People surveyed from 160 countries by a recent Gallup World Poll ranked good jobs as their number one priority.

Investment policy makers and investment promotion agencies have an important role to play in facilitating greater linkages between investors and local enterprises, in particular enterprises of small and medium size as well as in creating an environment which is conducive to responsible business. Since the ILO and investment policy-makers share a common objective, we took the opportunity during the World Investment Forum 2014 to start a dialogue on how to create more and better jobs through investment.

The dialogue brought together ministers and deputy ministers of industry, trade and investment; CEOs of export promotion agencies; as well as representatives of the International Organization of Employers and the International Trade Union Confederation.

Participants highlighted a number of issues, including the importance of ensuring the respect of workers' rights and building the capacity of local entrepreneurs, especially women and young people, for sustained national development. Some also emphasized the role of public procurement policies in encouraging the development of responsible businesses.

This dialogue is part of a broader ILO effort to encourage policy coherence to maximize the positive contribution of MNEs to sustainable development, as set out in the ILO MNE Declaration. The MNE Declaration offers guidelines to multinational enterprises, governments, and employers' and workers' organizations in the fields of employment, training, conditions of work and life and industrial relations. It also highlights how multinational enterprises can contribute to employment by establishing linkages with national enterprises.

The MNE Declaration is inspiring initiatives such as in Zambia where the ILO is facilitating dialogue between the government, mining companies and employers' and workers' organizations to address issues related to local economic development and conducting studies to identify promising areas for expanding business linkages with local enterprises.

Society is increasingly looking to investors to make positive contributions to economic and social development. Government policies impacting the decisions of those investors are a critical part of promoting decent work for all. The ILO and its constituents are teaming up with investment policymakers. We are joining forces with home and host countries of multinational
enterprises and by working hand in hand, we can get the most out of direct foreign investments and create more and better jobs.

Tags: enterprises, enterprise creation, multinational enterprises, foreign investment, investment

Regions and countries covered: Americas, Global, Congo, Democratic Republic of the, United States, El Salvador, Panama, Bangladesh, Philippines, Indonesia, Sweden, Finland

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The creation of more and better jobs through investment

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