Opening remarks

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ILO- WAIPA training course on: Investment facilitation, sustainable development and building back better (07 June 2021 – 02 July 2021)

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Dear participants,

It is my pleasure to give opening remarks in this 6th ILO-WAIPA training for investment promotion agencies. I am also joining from Geneva, where the headquarters of the International Labour Organization are located.

This training is part of the ILO-WAIPA partnership that was established in 2016 – one year after the adoption of the Sustainable Development Goals and the Addis Ababa Financing for Development agenda. When the heads of our two organizations signed a cooperation agreement to support IPAs in attracting foreign direct investment (FDI) that leads to the creation of quality jobs and decent work, sustainable enterprises and more inclusive growth.

Over the years, we have seen an increase in the number of participating IPAs in this course that puts the emphasis on FDI contributing to sustainable development and decent work. Each time, the course offers participants insights into relevant developments at the international level as well as facilitating exchanges on this topic between participating IPAs from different regions and countries around the world.

This year's course is again organized against the backdrop of a number of important developments at the international level.

Let me start with the continuing impact of the COVID-19 pandemic.

Last week the ILO published its World Employment and Social Outlook: Trends 2021 projecting the global unemployment to stand at 205 million people in 2022, greatly surpassing the level of 187 million in 2019. This corresponds to a global overall unemployment rate of 5.7 per cent, wiping out the progress made since 2013. The fall in employment and hours worked has translated into a sharp drop in labour income and a sharp rise in poverty. Compared to 2019, an additional 108 million workers worldwide are now categorized as poor or extremely poor (meaning they and their families live on the equivalent of less than US$3.20 per person per day). "Five years of progress towards the eradication of working poverty have been undone," the report says, adding that this development renders the achievement of the UN Sustainable Development Goal of eradicating poverty by 2030 (SDG1) even more elusive.

This current crisis has disproportionately hit women. Their employment declined by 5 per cent in 2020 compared to 3.9 per cent for men. A greater proportion of women also fell out of the labour market, becoming inactive. Additional domestic responsibilities resulting from crisis lockdowns have also created the risk of a "re-traditionalization" of gender roles – as well as gender stereotyping.

Another vulnerable group – youth – was also hit hard. Globally, youth employment fell 8.7 per cent in 2020, compared with 3.7 per cent for adults, with the most pronounced fall seen in middle-income countries. The consequences of this delay and disruption to the early labour market experience of young people could continue for many years.

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.

Between 2015 and 2030, about 670 million jobs will have to be created to contain the current spread of unemployment and cope with the growth in the working age population. At the same time the labour market is profoundly impacted by technological developments – the Future of Work".

Informal and casual jobs with uncertain earnings unfortunately remain the norm in most developing countries but are also becoming more common in advanced economies. So not just the quantity but also the quality of jobs is at stake. Of all those who are employed, 50% are own-account or unpaid family workers, while nearly one in four have to cope with their family on less than US$2 a day. Many of them have to combine different jobs to get the income needed to sustain their families.

The Gallup World Poll, sampling from 6 billion people in 160 countries, ranks access to good jobs as the number one global priority. Governments everywhere have committed to SDG 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. FDI has a critical role to play in helping countries to achieve this goal". However, FDI inflows do not automatically lead to quality job creation in the host country.

We need to ask the right questions and follow through with the right actions, particularly if we are going to build back better in a post-COVID 19 world. So,

– How can an IPA better position itself globally to attract employment-generating FDI?
– What government policies have the greatest impact on FDI quality job creation?
– What kind of investors tend to create quality jobs locally and generate linkages with local firms, in particular SMEs?

Investment facilitation should be more closely aligned with national development goals by:

– Enhanced policy coherence at all levels, connecting FDI with sustainable development objectives as reflected in and aligned with national development priorities
– Reviewing the incentives offered
– Better balancing the interests of the governments looking for FDI and the interests of potential investors ILO is supporting governments, including through support to their IPAs, to maximize the positive impact and limit the negative impact that MNE operations can have in host countries.

This mandate comes from the ILO instrument to engage with governments, social partners and business in home and host countries, the Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy (MNE Declaration), most recently revised in 2017.

The MNE Declaration:

– aims to encourage the positive contribution of MNEs to socio-economic development and decent work for all and mitigate and resolve possible negative impacts
– stimulates dialogue and consultations between governments and enterprises and employers' and workers' organizations; and between host and home countries of multinational enterprises on issues of mutual concern.

Numerous inter-governmental organizations have called for international policy coherence on investment agreements and policies to promote FDI, both inward and outward, that contribute to inclusive economic growth identifying the MNE Declaration as an important tool for achieving this goal, including:

– The Association of Southeast Asian Nations (ASEAN)
– The European Union (EU)
– The G7 and G20 – Southern African Development Community (SADC)
– The Organization of American States (OAS)

The link between investment promotion and quality of jobs also appears in most multilateral trade and investment treaties in recent years – and we will more from Karl Sauvant on these developments.

ILO is also supporting governments to enhance the positive impact of exports to SDG8. We recently published a survey, undertaken with UNCTAD that look at "Enhancing the Impact of Export Processing Zones to SDG 8 on Decent Work and Inclusive Economic Growth". This study concluded that government-led EPZs are not sufficiently using good working conditions, social protection schemes and a skilled workforce as elements to attract investors or facilitate investment – in addition to the emphasis put on infrastructure and tax incentives.

This brings me to the last point, namely the increased importance of "responsible business", the expectation on business to reduce, mitigate and prevent its negative impacts on people and planet. Clauses on responsible business conduct are increasingly included in trade and investment agreements. Expectations for businesses to conduct due diligence already exists in global instruments such as the UN Guiding Principles on business and human rights, the ILO MNE Declaration and the OECD MNE Guidelines. Many businesses are already taking a risk-based approach to upholding human rights and the rights of workers in their operations. But in addition to these private initiatives, increasingly governments, especially in the EU but also in other OECD countries, are adopting "due diligence" legislation making these due diligence processes mandatory. These legislations – especially as they have a number of consequences for companies not complying with them - will have an impact on investment decisions by MNEs, especially as part of their broader risk assessments. The ILO is supporting governments, employers, workers and enterprises with services and tools on due diligence processes in relation to human rights and the rights of workers.

It is within this context of the continuing impacts of the covid-19 crisis, the global commitments to build back or build forward better to stay on track of the SDGs, increasing expectations for companies to conduct their businesses in a responsible way with respect for people and planet, as well as specific developments on corporate tax, that this year's course is taking place.

This joint course therefore could not be more timely to help you reflect on important developments, learn from experts and from each other and go back – virtually at least – with a box full of ideas of tools that will work for your IPA to better connect FDI facilitation with sustainable development and decent work.