

Private Investment and Job Creation Pillar
“To Los Cabos and Beyond”
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on behalf of the Inter-Agency Working Group (IAWG)

The views expressed are those of the author and do not necessarily reflect the views of UNCTAD.

On behalf of the IAWG (UNCTAD, UNDP, ILO, OECD, World Bank), I would like to reiterate our commitment to supporting the G20 DWG. Our inter-agency group has worked very well, and in close collaboration with our co-facilitators Germany and Saudi Arabia, on significant deliverables during the French Presidency – our report on *promoting responsible investment* and our interim report on *promoting high-value added and employment-generating investment in developing countries* are evidence of that. The group continues to work as one as we progress on our field piloting work and start bringing together the findings for our final report to the G20 DWG in June. We are confident that we will deliver a single high quality final report on time.

I would like to take this opportunity to briefly update the DWG on the latest developments in global investment and employment, as a context for our work in this Pillar:

- Despite the fragile global economic growth for 2011-2012, global FDI (real investment in productive capacity) recovered to the pre-crisis average in 2011 and our current projections show it will continue to grow at a moderate pace in 2012. However, downward risks are growing. Moreover, low-income countries (LICs), i.e. Africa and the group of Least Developed Countries continue to suffer from a very low level of international investment flows to their markets, particularly in those sectors where it is needed badly, such as agriculture, infrastructure and environmentally friendly manufacturing.
- According to the ILO's latest Global Employment Trends, published last week, global unemployment is estimated to stand at some 200 million individuals, with job losses since 2007 amounting to some 26 million. The world needs to create some 600 million jobs over the next decade to absorb this backlog and to cope with new entrants into the workforce. Close to 500 million jobs will be needed in developing countries.

These grave challenges make the G20 DWG efforts on investment and job creation highly relevant and timely.

The work of our IAWG during the Mexican Presidency will follow two tracks:

1. Operationalize results achieved during the French presidency; and
2. Prepare the final report for the DWG on promoting sustainable, high value adding and job-creating investment into LICs.

On the *first* point, a key activity of the IAWG is the field-testing of indicators for impact assessment of investment into LICs, with the kind support of Germany, Korea and Singapore. Our working philosophy here is "*hitting two birds with one stone*". In addition to providing the testing results that we need to finalize the report to the G20 DWG, we are making sure that the field work in itself will also provide direct value added in the 6 pilot countries, through a process of advisory services and capacity building. The pilot-project deliverables are meant to be results-oriented and to make a difference on the ground. They are meant to help LICs build industry-specific investment promotion and regulation strategies.

The "two-birds-with-one-stone philosophy" also shows in the fact that we have built in a capacity-building program with the support of Singapore, in parallel with the pilots in Cambodia and Laos, and in the fact that we are incorporating our G20 recommendations in work on the general policy framework for investment that we, and other agencies in the IAWG (notably the OECD and the ILO) are doing in Bangladesh, Mongolia and Mozambique.

Through this pragmatic approach, we are trying to ensure that the outcome of the G20 DWG work in this area – on *promoting high-value added and employment-generating investment in developing countries* – will have a natural outlet post-Los Cabos, and will, in addition to informing policymakers, have a natural place in the technical assistance work of the agencies involved.

On the *second* point, the preparation of the final report will follow three principles:

- Succinct and focused
- Action-oriented and value-added
- Mindful of issues that are sensitive to G20 members

The co-facilitators of our Pillar have already presented the draft outline of the final report. In addition to presenting the deliverables of the Pillar, we envisage that the final report will deal with a number of *key challenges*, which may form a basis for a continued DWG agenda in this area, including:

- Channeling international investment into priority areas for sustainable development, including agriculture, infrastructure development, and the green economy
- Promoting responsible and sustainable investment
- Making international investment policy arrangements between G20 countries and LICs more sustainable development oriented
- Develop stronger business linkages between SMEs and multinational enterprises in support of local enterprise development

As you may note, all these aspects have a green growth dimension and can be linked with the priority work in this area. Indeed, it is impossible to promote green growth without investment.

We hope you agree with us that these challenges need to come out strongly in our final recommendations to you. We look forward to our discussions, and to our continued collaboration.

Thank you.