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Foreign investment in poorest nations should focus on job growth, says UN report

3 May 2011 –
The United Nations trade and development body is calling for shifting foreign direct investment (FDI) in the world's poorest countries towards creating jobs and diversifying their economies, ahead of a major global conference next week on those nations.

In a report **released** yesterday, the UN Conference on Trade and Development (**UNCTAD**) notes that while FDI to the 48 least developed countries (LDCs) grew rapidly over a decade to reach an estimated $24 billion in 2010, most of that was dedicated to natural-resource extraction – a sector that has tended to create relatively few jobs.

"Such investment also has not tended to 'fertilize' LDC economies by leading to greater links between foreign businesses and local firms that can spread know-how and technology and help spur broad-based, long-term economic growth," the agency says in a news release about the report.

Although FDI has been an economic boon to some LDCs, the report – entitled "**Foreign Direct Investment in Least Developed Countries: Lessons Learned from the Decade 2001-2010 and the Way Forward**" – states that the majority of them remain marginalized from the world economy.

Strengthening economies and reducing poverty in the LDCs will be among the issues discussed at the Fourth UN Conference on LDCs, a five-day event that starts on 9 May in Istanbul, Turkey. Participants will also assess the results of the 10-year action plan for the LDCs adopted at the Third UN Conference on LDCs in Brussels, Belgium, in 2001, as well as adopt new measures and strategies for the sustainable development of these countries into the next decade.

The report, which is intended to contribute to next week's discussions, recommends a number of steps including setting up a "LDC infrastructure development fund" that would improve the ability of LDCs to attract investment by upgrading such factors as electricity supply, roads, railroads and computer or Internet connections.

It also calls for an aid-for-productive-capacities programme that would support technical and vocational training, education and entrepreneurship in LDCs.

“The intent is to provide LDC populations with skills that can attract foreign investment and spur sustainable economic progress,” UNCTAD points out.

In addition, the report recommends that LDC governments and overseas development partners boost efforts to attract small- and medium-scale international investors, and that LDC governments develop strategies and provide incentives to target opportunities where investors can use technology to “leapfrog,” as is already the case in areas such as telecommunications.

In a report launched in March, the UN International Labour Organization (**ILO**) highlighted the need for LDCs to diversify their economies and for measures to ensure productive employment.

The report found that employment in LDCs has grown at an annual average rate of 2.9 per cent, slightly above population growth but much weaker than that of gross domestic product (GDP). However, this growth did not produce sufficient social and economic benefits, according to the agency, which noted that the large majority of workers remained trapped in vulnerable forms of employment that cannot lift them above the poverty line.

Of the 48 countries currently designated by the UN as LDCs, 33 are in the African region, 14 in Asia and Oceania and one (Haiti) in the Caribbean.

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