

8th World Investment Forum

Session on

FDI, ESG and Inclusivity- Promoting Decent Work and Social Development

Organised in partnership with

CUTS and the International Labour Organisation (ILO)

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1.1 Introduction

This session focused on the critical importance of ESG principles—Environmental, Social, and Governance (ESG) in shaping the future of the global economy. It deliberated on investment’s impact on employment. Speakers argued that there is a need to reckon with the value-creation aspect of recognising the long-term benefits of investments in employment including through the development of infrastructure. Focusing on the ‘S’ gives companies the social licence for operations, the session highlighted.

1.2 Speakers of the Session

- Pradeep S Mehta, Secretary General, CUTS International
- Christoph Ernst, Senior Specialist, Informal Economy, ILO
- Pranav Sharma, Co-founder and General Partner, Woodstock Fund
- Shraddha Bhandari, Founder and Chief Executive Officer, Confluence Consultants
- Hannah Irfan Siddiqui, Managing Principal, Kaleidoscope Dei Consulting LLC
- Jean Shahdadpuri, Managing Director, Nikai Group of Companies and Founder, Ardent Consulting

1.2 Session Highlights

In recent years, ESG principles have gained unprecedented prominence, becoming key drivers of international trade agreements. However, as these principles become more deeply integrated into our economic landscape, there is a need to ensure that they do not inadvertently become trade barriers, particularly for firms in the Global South. Balancing economic development with sustainability goals is a complex challenge that we must face together, speakers in the session maintained.



Pradeep S Mehta, Chair and Moderator of the session gave his remarks

Recent developments in promoting decent work and social development within global supply chains underscore the importance of the 'S' or the social dimension of ESG. The COVID-19 pandemic has stressed the need for post-pandemic supply chain resilience, amplification of worker voices, fair wages, gender parity or equality, and above all, worker safety and social protection during the crisis. Multi-stakeholder collaborations and technology-driven transparency initiatives are fostering accountability, ensuring that the 'S' in ESG is no longer neglected.

Yet, despite the significance of the 'S' dimension, its focus on production, international investment, and global supply chains has been inconsistent over time. Environmental and governance aspects have often taken precedence due to factors, such as climate change discourse and corporate laws.

Furthermore, the speakers held that investment does have an impact on employment. The effects on employment vary depending upon the types of investment. For example, technology can be a variable that can have a different effect on employment.



Christoph Ernst, Senior Specialist, Informal Economy, ILO speaking at the session

FDI inflow has a positive effect leading to more production and more jobs and therefore strengthening the social or the ‘S’ aspect. Jobs remain while tasks change, a speaker stated. Governments need to look at long-term employment effects including infrastructure development which will have an impact on development, the speaker suggested.

There is a general assumption that FDI will lead to more spill-over effects on technology, speakers held. However, countries like Mali and Indonesia do not have technological spillover effects, they maintained. Therefore, instead of just focusing on the job outcome of FDI, there is a need for investments to create an impact on the communities, they alluded.

According to the speakers, companies must have programmes for local development through skilling populations. Marginalised people need to be brought into its fold. Any FDI in a given nation must refrain from excluding the local population and must include the marginalised sections of the society.

ILO defines the working environment including what constitutes fair income, equal wages for equal work, gender nationality, and social network for workers and their families, a speaker argued. However, this needs to be contextualised in the global context, the speaker added.

To assess the jobs outcome of FDI, whether impacting the community, companies must have programmes for local development, and marginalised people should be brought into the fold.



Speakers (L-R) Pradeep S Mehta, Hannah Irfan Siddiqui, Christoph Ernst, Jean Shahdadpuri, Pranav Sharma

According to the speakers, multinationals operate with phenomenal complexity when it comes to ESG. They grapple with questions such as how to set the right standards and how to create the ambience in which the rights of employees are protected. FDI similarly comes with a certain amount of set specifications including the extent to which the workplace should be global and how to build parity with local employees.

Only the right balance can take employees and teams to a higher level, the speakers in the session stated. The social aspect of ESG is very important because the generation gap is narrowing and it is just about five years now. ESG here emerges as the balancing factor, they suggested.

There are difficulties for investments in the MENA region because of the free tax regime unless you are at the top of the line or bottom of the line, a speaker outlined. When we are looking at frameworks such as Corporate Social Responsibility (CSR), shared value creation, and different kinds of global markets, it is important to see how communities are involved with some regulation, as one speaker recommended.

Recently, there has been a backlash against ESG including in the US, as exemplified by an anti-ESG crusader and Republican presidential aspirant, Vivek Ramaswamy who is speaking against the ESG principles. The session concluded on the note that ESG must be looked at from the perspective of long-term value creation and it is sensible for investors to look at investing in human capital for their benefit.



Speakers with some organisers and a few participants