Briefing note

Opportunities for Commonwealth development

Creating jobs, sharing prosperity and increasing resilience

Moizza Binat Sarwar, Maximiliano Mendez-Parra, Dirk Willem te Velde, Emily Wilkinson and Hanna Nomm

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Key messages

- Commonwealth countries need to create 50,000 jobs each day until 2030 to provide opportunities for young people entering the labour market. Promoting trade and investment is crucial for reaching this target.
- The Commonwealth should support member states to accelerate progress on the Sustainable Development Goals and target policies and finance to prioritise those most at risk of being left behind.
- The Commonwealth must work together to improve Small Island Developing States' access to financing that allows them to increase climate resilience and better cope with disasters.

Introduction

Spanning 2.4 billion people in 53 countries, the Commonwealth is one of the most diverse and dynamic intergovernmental networks. It includes some members of the G7, of the G20, of the Least Developed Countries (LDCs) and of Small Island Developing States (SIDS). The Commonwealth's shared cultural, political and institutional features, and established mechanisms for partnership, peer support and learning – such as the Heads of State and Government meetings and Commonwealth Secretariat – bolster its potential to advance the collective development and prosperity of member countries.

Ahead of the Commonwealth Summit 2018, this briefing looks at three development challenges and how the Commonwealth can support progress, highlighting positive examples from member countries of action and innovation.

By showcasing these examples and offering recommendations for collective and national action, this briefing aims to contribute to discussions at the Summit and beyond to advance the Commonwealth's sustainable development.

Three development challenges

1. The Commonwealth population is young. Globally, one in three 15–29-year olds live in a Commonwealth country, and to thrive, **these young people need more and better-quality jobs than are currently available.** We consider the role of trade and investment in promoting jobs.
2. **Commonwealth countries must accelerate action to achieve the Sustainable Development Goals (SDGs) and ensure that no one is left behind** by progress. We consider how member countries have addressed marginalisation and how they might redouble efforts to leave no one behind.
3. A significant proportion of Commonwealth countries are **Small Island Developing States, which are highly exposed to environmental hazards and urgently require financing to build their resilience.** We highlight initiatives to build resilience and exchange knowledge, and present opportunities for further progress.

Trading for jobs in the Commonwealth

A key challenge for Commonwealth countries is ensuring good quality jobs for all. This is not an easy task. Automation and weak manufacturing growth are already posing major challenges to job-intensive development strategies (Banga and Te Velde, 2018). The young age of the Commonwealth population is adding to the urgency of addressing this challenge.

Data from the World Development Indicators (WDI) show that, across the Commonwealth, some 12 million additional jobs were created each year between 2003 and 2016. But to keep up with the new entrants to the labour market, 17.5 million jobs a year – or 50,000 jobs every day – must be created. Of all the Commonwealth countries, the need for more jobs is greatest in India, where 7.4 million more jobs will be needed each year. India is followed by Nigeria (2.3 million), Pakistan (1.8 million) and Bangladesh (1.0 million).

Together, Commonwealth countries need to create three in every five jobs in the world, as other areas, such as Japan, China and Europe, see their labour force shrink.[1] Job creation must be stepped up by 50% to meet this demand, and the promotion of trade and investment is central to creating quality jobs.

Trade among Commonwealth countries is considerable, and increasing rapidly (APPG and ODI, 2018). However, strong challenges to global trade are coming from outside the Commonwealth – for instance, increased trade protectionism and value chain restructuring in the United States and China. Intra-Commonwealth trade is particularly important for the least developed and most vulnerable member states: between 2013 and 2016, the Commonwealth was responsible for 26% of the total goods exports for LDC countries – up from 21% in 2006. For small, vulnerable economies (SVEs), this figure currently stands at 34% (data from UN-Comtrade).

Trade in goods within the Commonwealth directly supports an estimated 32.5 million of jobs in its members' economies.[2] Employment generated through trade within the Commonwealth represents around 3.7% of the total, with variations among countries.

1 The United Nations Department of Economic and Social Affairs (UNDESA) Population Division estimates for each country how many people will enter the working age population (between 15–64 years) over the period 2015-2030. Dividing this total number by 15 years allowed us to calculate the total number of additional people entering the working age population each year. We then assumed two thirds of the working age population participate in the labour force (which is appropriate for the average, but varies markedly by country) and calculated the total number of people entering the labour force. See Appendix 1 for more detail.

2 Based on average labour productivity data of the International Labour Organization during the period of 2013–2016. Considering that value chain activity within the Commonwealth is limited, we trust that the double counting of jobs generated by this methodology will be small. Ideally, the calculation of jobs required should be based on the value added generated by the intra-Commonwealth trade. We also consider that the implicit assumption of equal productivity across sectors and across destinations of production may distort the final number of jobs generated.

Examples from the Commonwealth

There are many examples of how intra-Commonwealth trade and investment supports job creation, and how this process can be boosted through innovative policies.

Creating jobs and reducing trade barriers in Kenya

The UK-owned Hela garments firm, headquartered in Sri Lanka, has set up a factory in Kenya and created 4,000 jobs within a year. It is providing free meals, childcare cover and leadership training for local managers, and is now in discussions with suppliers located elsewhere in East Africa. Similarly, UK firm Diageo recently announced it is setting up a $144-million brewery in northern Kenya, generating more than 100,000 direct and indirect jobs. TradeMark East Africa, a not-for-profit company that was established in 2010 to support regional and international trade through innovative projects, has considerably reduced trade costs in Mombasa port (te Velde, 2017).

Trading in services in the Caribbean

Trade in services – such as e-commerce, digital and especially tourism services – are particularly important for small states. For example, in the Caribbean, tourism supports some 700,000 direct jobs and 2.2 million indirect jobs – together accounting for 17% of all jobs in the region (WTTC, 2015). Knowledge-intensive services and digital trade support development strategies for small, landlocked and remote Commonwealth states that cannot rely on economies of scale in agriculture or manufacturing production and lack decent physical access to other countries.

Empowering women and young people

Technological and innovation hubs such as Kenya's iHub and Ghana's Kumasi Hive are examples of enterprises that capitalise on the young populations and increasing connectivity to develop advanced digital skills and unlock youth entrepreneurship. Elsewhere, initiatives such as the International Trade Centre's *SheTrades*, which facilitates connections between women-owned enterprises, make a crucial contribution to empowering female entrepreneurs.

Opportunities for progress

Many opportunities for supporting trade and investment, and in turn, boosting job creation, remain untapped.

ODI and the UK All-Party Parliamentary Group on Trade Out of Poverty have highlighted five priority areas for promoting trade cooperation within the Commonwealth (Box 1). As well as this, we identify the following steps that would allow Commonwealth countries to maximise the potential for trade and investment to support productive capabilities and job creation:

- Commonwealth countries should prioritise investment in the digital economy to successfully integrate into global value chains and take advantage of their young populations.
- Commonwealth countries should expand women's participation in trade by supporting trade policies and initiatives that explicitly target female entrepreneurs, such as by supporting the International Trade Centre's *SheTrades* initiative, and by encouraging businesses to sign up to the United Nations' Women's Empowerment Principles.
- Commonwealth countries that are already at the forefront of advancing trade should step up their efforts to fill trade finance gaps for small countries and small firms across the Commonwealth, thus accelerating growth and supporting formal employment.
- Greater focus should be put on creating green jobs that make use of trade preferences in new industries and build up new disaster-resilient infrastructure.

Box 1 Priorities for advancing trade and development in the Commonwealth

1. Reduce the costs and risks of trade and investment.
2. Boost services trade through regulatory cooperation.
3. Make trade more inclusive: women, young people and small and medium-sized enterprises.
4. Address the special needs of small and vulnerable states.
5. Strengthen partnerships: government, business, diaspora, civil society.

Source: APPG and ODI, 2018.

Leaving no one behind in the Commonwealth

The Sustainable Development Goals (SDGs), approved by 193 Member States of the UN, paint an inspiring vision of the world in 2030. Central to this vision is the concept of 'leaving no one behind', which addresses marginalisation by prioritising the needs of those who have been excluded from widespread progress gains (UN, 2015; Box 2).

The Commonwealth has set for itself the goal of creating a fairer and a more sustainable, secure and prosperous future (CHOGM 2018, 'The ambition'), an aim that cannot be achieved without putting the poorest and most marginalised groups first.

Achieving gains on 'leave no one behind' is possible – especially when policy and funding is directed towards areas that are most likely to improve outcomes for the marginalised groups. ODI's research suggests these areas include service delivery (with a focus on health, education, social protection and connectivity), anti-discrimination policies, and institutional and legal reform (Stuart et al., 2016).

Box 2 What leaving no one behind requires

'Leave no one behind' aims to deliver progress for the poorest of the poor by:

- ending absolute poverty – in all its forms, and ensuring that those who have been 'left behind' (in relative or absolute terms) can 'catch up' with those who have experienced greater progress
- stopping the group-based discrimination that has resulted in unequal outcomes for some disadvantaged or marginalised populations
- as the UN General Assembly resolution sets out, prioritising and fast-tracking action for those furthest behind.

Source: Stuart and Samman, 2017.

Examples from the Commonwealth

Commonwealth countries are improving the conditions of vulnerable populations by investing in infrastructure to promote growth, focusing education efforts on the inclusion of girls, and improving teacher recruitment and training in local communities.

Boosting rural infrastructure in India

From 2005 to 2009 the Indian government ran a flagship rural infrastructure programme called Bharat Nirman to promote inclusive and equitable growth for under-resourced rural areas. As a result, 72% of the targeted population was connected to all-weather roads, and the scheme helped increase the income of beneficiaries by cutting transport costs and improving accessibility to markets. In Gujarat state, people employed in the agricultural sector reported an increase in annual income of more than 60% (Stuart et al., 2016).

Increasing school enrolment in Nepal

In Nepal, the 2005 Welcome to School Initiative led to a net increase in enrolment of 470,000 children, of whom 57% were girls, within a year of the programme's implementation. Promoted by UNICEF, this initiative included an enrolment drive that focused on girls and disadvantaged groups and a push to improve teaching and learning environments so that children would complete primary school. Mechanisms that enabled this success included community-level mobilisation, economic incentives such as school supplies and scholarships, and increasing capacity to meet demand (Stuart et al., 2016).

Expanding teacher training in Ghana

In Ghana, a programme run by the Global Partnership for Education fast-tracked teacher training and led to 6,480 trainees being more willing to stay in remote and rural areas. The programme focused on recruiting and training people from local communities and helped narrow the gaps between teacher deployment and performance, ensuring that no child was left behind because they were denied a good quality education (Blampied et al., 2018).

Opportunities for progress

There are several ways in which the Commonwealth can accelerate efforts to tackle marginalisation and ensure that everyone benefits from development progress:

- The Commonwealth should champion the achievement of the SDGs, support its members to accelerate progress on 'leave no one behind' and encourage learning from successful initiatives in member states.
- Commonwealth countries should consider acting collectively at the UN General Assembly and High-level Political Forum on Sustainable Development as champions of the leave no one behind agenda – with specific and pragmatic examples to share from both developed and developing countries.
- Commonwealth country governments should increase their understanding of what marginalised groups themselves want, need and prioritise, and ensure this is reflected in policy.
- Commonwealth countries should ensure that domestic and international public finance is channelled to the areas where those left behind live, and on issues that are most likely to improve their lives.

Building a resilient Commonwealth

Over half of all Commonwealth member states are small states – that is, sovereign countries with a population of 1.5 million people or fewer – and 25 are classified by the UN as Small Island Developing States (SIDS).

The geographical location and topography of these small nations exposes them to high levels of disaster risk – exemplified in September 2017 when hurricanes Irma and Maria passed through the Caribbean in quick succession, causing widespread destruction and an estimated $130 billion in losses (Munich Re, 2018). The most-affected countries could take 15 years to recover and, with the likelihood of more extreme weather events in the future, building resilience has become a political priority for SIDS around the world and for the Commonwealth as a community.

The devastating events of 2017 come on top of multiple structural problems that constrain development in many small islands. These include high levels of debt and dependency on external finance, economic fragility, insularity, remoteness and environmental fragility, as well as patterns of land use that have over time created high levels of hazard exposure (Wilkinson et al., 2016).

Although capacities to manage disaster risk are improving, small islands lack the strong institutions and systems needed to anticipate and cope with hazards (Boruff and Cutter, 2007; Ferdinand et al., 2012), and access to concessional finance. Weak adherence to building codes and the use of sub-standard materials for informal construction exacerbate both exposure and vulnerability (Ahmad, 2007).

The very development problems that make SIDS so vulnerable to environmental hazards are accentuated by disasters impacts. And this has significant macroeconomic impacts, resulting in lower investment, limiting growth, increasing poverty levels and creating a more volatile revenue base.

Development and adaptation aid

Though concessional finance to SIDS has grown and development aid and adaptation finance per capita is disproportionately high across these states, there are significant differences between countries.

When it comes to adaptation finance, Tuvalu comes out on top with an annual average of $329.03 per capita (from 2002–2014), while Trinidad and Tobago only received $0.082 per capita (OECD Stat, n.d.). In total, only 14% of total concessional finance committed to SIDS between 2011 and 2014 went to managing climate and disaster risks, and of this a limited amount came from Commonwealth countries. Australia is the principal provider of concessional finance for disaster and climate resilience in Pacific SIDS (33% of total to the region), whereas in the Caribbean, Africa and the Indian Ocean, finance comes largely from non-Commonwealth countries (OECD and World Bank, 2016).

Examples from the Commonwealth

Some Commonwealth countries have successfully increased their resilience to disasters through actions that could prove useful for other members of the group:

Building a resilient economy in Mauritius

Climate extremes and disasters need be addressed as part of the macroeconomic framework of small island states. Mauritius has been able to overcome geographical, economic and capacity constraints, diversifying its economy from a sugar monoculture – which is vulnerable to natural hazards and climate shocks – into textiles and then services, and is now one of the most successful economies in Africa (Zafar, 2011). The government recognises the potential of its sizable 'ocean economy', including the sustainable management of fisheries (Cervigni and Scandizzo, 2017).

Reducing disaster impacts in Samoa

Investments can also be targeted at reducing the impact of specific environmental shocks affecting coastal areas. In Samoa, following the 2009 tsunami and Cyclone Evan in 2012, some families opted to rebuild away from the coast. The World Bank supported a new system of access roads inland to link these households together and provide safe routes away from the coast in case of another tsunami or major storm (Kyte, 2014).

Multiple benefits of resilience investments in the Eastern Caribbean

There are many aspects of construction practice that can help enhance resilience over the long term, as well as offering immediate benefits to communities. Rainwater harvesting and surface water drainage projects implemented in communities in the Eastern Caribbean have reduced long-term landslide risk while also enhancing water supply, providing training for community contractors and improving access by reducing mud and debris on footpaths (Anderson and Holcombe, 2013).

Opportunities for progress

To minimise the impacts of future extreme weather events, Commonwealth countries must work together to build climate resilience – especially for its Small Island Developing States.

- The Commonwealth should advocate for increased access to finance for resilience in SIDS. This includes promoting SIDS as a priority in the broader conversation at the OECD Development Assistance Committee (DAC) discussions around reform of the rules governing access to official development assistance (ODA). The DAC should introduce a standard exception for small island states in its ODA eligibility framework as their income levels can fall significantly after a disaster.
- The Commonwealth should promote opportunities for peer learning and support SIDS to address the structural challenges that exacerbate their vulnerability to hazards.
- Countries with high levels of risk should invest in measures that reduce climate disaster but also produce 'resilience dividends' – that is, benefits that are realised even if a disaster doesn't happen.
- Resilience should be a key topic for future meetings of Commonwealth small states and Commonwealth finance ministers, and the Commonwealth should champion the interests of SIDS in wider UN and international forums.

Appendix 1 Jobs created and required in the Commonwealth

The United Nations Department of Economic and Social Affairs (UNDESA) Population Division estimates for each country how many people will enter the working age population (15–64 years) over the period 2015–2030. Dividing this total number by 15 years allowed us to calculate the total number of additional people entering the working age population each year. We then assumed two-thirds of the working age population participate in the labour force (which is appropriate for the average, but of course varies markedly by country) and calculated the total number of people entering the labour force.

Table 1 provides the number of additional jobs Commonwealth countries need to create each year and each day to keep up with the new young people entering the labour market. It also includes WDI data for past employment statistics.

Table 1 Additional jobs required to address demographic changes each year until 2030

	Millions of additional jobs created each year between 2003–2016	Millions of new jobs needed each year until 2030	Thousands of new jobs needed each day until 2030
Commonwealth	12	17.5	48
Sub-Saharan Africa	9	12.9	35
World	32.2	30.3	83
Illustrative Commonwealth examples			
India	4.5	7.4	20
Nigeria	1.3	2.3	6
Pakistan	1.6	1.8	5
Bangladesh	0.7	1.0	3
Tanzania	0.4	0.8	2
Uganda	0.6	0.6	2
Kenya	0.4	0.6	2
Mozambique	0.2	0.4	1
South Africa	0.2	0.3	1
Ghana	0.3	0.3	1
Melanasia	0.1	0.1	0
Caribbean	0.0	0.0	0

Source: authors' calculations based on UNDESA population statistics; WDI for past employment statistics

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Overseas Development Institute
203 Blackfriars Road
London SE1 8NJ

Tel: +44 (0) 20 7922 0300
Fax: +44 (0) 20 7922 0399
Email: info@odi.org.uk

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