Preface

It has widely been acknowledged that overall achievement of the 2030 Agenda and the Sustainable Development Goals (SDGs) hinges on progress made within the least developed countries (LDCs). As we approach the end of the Istanbul Programme of Action and begin to reach the mid-point of the SDGs, this publication reflects on the transition process within Commonwealth LDCs. Out of 53 Commonwealth member countries, almost one third are LDCs. This situation will change dramatically in forthcoming years, however, as a number prepare to exist the country category in view of their development progress to date (approximately 12 countries by 2024). While for some Commonwealth LDCs this progress is celebrated, for others major concerns remain regarding susceptibility to environmental shocks and the looming climate change crisis.

This publication draws together research findings from a "kickstarter" assignment that formed part of preparatory processes for the Commonwealth Heads of Government Meeting (CHOGM) held in London in 2018. It focuses on two groups of Commonwealth LDCs: first, those LDCs graduating in the coming few years and that exhibit the greatest economic vulnerability to a trade shock induced by graduation and loss of accompanying tariff preferences; and second, those that remain far from graduation but experience severe economic vulnerabilities and susceptibility to extreme environmental shocks.

For both groups of Commonwealth LDCs, the objective of the research (based on case study analyses of Bangladesh, Mozambique and Solomon Islands) was to identify areas where international support measures could be improved so as to more effectively support the transition process, as well as boost export diversification and therefore reduce economic vulnerability. The case study analysis was undertaken by a multidisciplinary team comprising trade and debt expertise, under an inter-agency steering committee including the City of London, the Organisation for Economic Co-operation and Development (OECD) and the Enhanced Integrated Framework (EIF) of the World Trade Organization (WTO).

With regard to the first group of LDCs, the research undertaken during the inception phase of the assignment clearly identified Bangladesh and Solomon Islands as being highly vulnerable to the loss of tariff preferences induced by the graduation process. With regard to this group of LDCs, in order to relay some of the fears related to the graduation process, a guide to trade-related impact assessments using the global value chain (GVC) approach was developed. This was submitted to the United Nations Committee for Development Policy (CDP) and its new online platform (www.gradjet.org), to be embedded within national ministries to guide the transition from LDC status. It was also applied through fieldwork and case study analysis to Bangladesh and Solomon Islands, the results of which are presented in this volume.

The graduation process and loss of international support measures such as tariff rents may mean 1) a reduction in exports, as a result of the increased cost of trade; 2) margin trimming, where the producer bears the increase in costs; or 3) other competitiveness effects. The international community recognises that LDCs may need particular support as they begin their transition process. According to the procedures set out by the CDP, this may take approximately nine years, starting from the first moment a LDC is formally identified as meeting the graduation criteria.

According to the established procedures, a country can graduate from the LDC category by meeting two of the three criteria at two consecutive Triennial Reviews of the CDP. At the second meeting, the CDP can recommend the country's graduation. Graduation itself normally happens three years later. For example, if a country meets two of the three criteria at both the 2018 and the 2021 meetings of the CDP, it may be recommended for graduation and consequently leave the LDC category in 2024. Alternatively, a country can graduate if its per capita income level is more than twice the income graduation threshold, currently US$1,230, at two consecutive Triennial Reviews. Most of the forthcoming graduates are leaving the category based on progress related to income per capita.

With regard to the second group of LDCs – those far from graduation – we sought to explore ways to deploy targeted economic assessment tools in order to ascertain limitations in public finances and to identify where private finance, for example in infrastructure, could be more effectively leveraged. In this respect, we sought to bring best practice to African Commonwealth LDCs, focusing on Mozambique, through application of the internationally recognised Global Infrastructure Hub framework. Through this approach, we sought to embed effective debt management within the research framework.

In view of the future "Africanisation" of the LDC group – as a number of Asian and Pacific LDCs move out of the category over the coming years – and the specific challenges of commodity-dependent economies, innovative and multidisciplinary approaches are required, to more specifically target structural vulnerabilities, including weak infrastructure. While this publication does not pertain to have all of the answers, it does present a conceptual framework that could assist LDCs and their development partners in the transition process. As the 2030 Agenda and adoption of the SDGs recognise, changes in existing international support measures are required, as well as in our ways of working.

This publication combines the full reports developed as part of the 2018 CHOGM kickstarter assignment and is written for policy-makers, in non-technical language. Graduation from LDC status is imminent for a number of Commonwealth member countries, and greater sensitisation as to the full implications of this movement is required.

This publication is organised as follows. First, we focus on the Commonwealth LDCs most likely to experience a major trade shock as a result of the graduation process:

Bangladesh and Solomon Islands. We find that, in the absence of maintaining the same level of market access, graduation from LDC status will require major trade-related adjustment in Bangladesh and Solomon Islands.

Second, we introduce Mozambique, a commodity-dependent LDC. Without changes in international support mechanisms, including more effective targeting to address economic vulnerabilities, lack of export diversification and susceptibility to environmental shocks, LDCs such as Mozambique will continue to remain far from graduation. This country case study elaborates on some of the specific challenges of commodity exporters and the trade-debt nexus.

The commonalities across both sets of LDC case studies include an emphasis on the critical role investments in infrastructure can make in boosting trade, achieving export diversification and reducing economic vulnerabilities.

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