

Needs of Countries in Special Situations¹ : The Time for Priorities and Choices

A Focus on Least Developed Countries

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Introduction

The intergovernmental process to determine the post-2015 development agenda has begun in earnest. Although it is still early days, there are a few key differences between this process and the one that led to the Millennium Development Goals (MDGs). In contrast to the formulation of the MDGs, the current process is inclusive and participatory, involving all stakeholders – not only member states, but increasingly drawing on the views of civil society, business, academia, and other non-governmental actors. These stakeholders, strongly mindful of the role, its importance, and the considerable progress made with the MDGs, understand that a limited number of clear goals have the power to decisively change the course of development action. The MDGs provide evidence that this concerted action is possible.

Learning from the success of the MDGs, countries in special situations have an intense interest in the post-2015 process, and have advanced dozens or even hundreds of objectives for the post-2015 agenda. In some workshops on Sustainable Development Goals (SDGs) – the successor to the MDGs – participants have suggested more than two hundred goals. This abundance of energy and good will should be understood in a largely positive way. Many people in least developed countries (LDCs) and other countries in special situations believe in the transformative capacity of the post-2015 development agenda. Even though they were not consulted about the MDGs, they appreciate the progress made in the last 15 years; and they believe that by participating in the design of the post-2015 goals and indicating their own needs, the achievements will be that much greater.

Countries in special situations are not the only ones to believe in the transformative power of the post-2015 agenda, of course. The next agenda aims to be a global and universal agenda, with every country playing a role

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and cooperating equitably in its implementation. In other words, the post-2015 development agenda is a sort of coalition for development; a coalition where each and all accept and assume a share of responsibility; a coalition where each and all clearly derive its benefits.

The transparency of the process already underway has enormous potential, which must be supported and consolidated to be made inclusive and relevant for all stakeholders. **At this critical juncture, we face a more difficult challenge ahead - prioritizing and defining choices.** If the post-2015 agenda is to exceed the promise of the MDGs, it must at a minimum keep the best features of the MDGs. Namely, goals should be specific, measurable, accepted/relevant, accurate, simple, feasible, temporally defined, and concise.

As it comes to decision time for the global development agenda, it is useful to analyze groups of countries in special situations and draw meaningful lessons for policy orientation and choice. Based on this, the post-2015 agenda can be sensitive to the common trends in countries in special situations. **This policy brief tackles this task by highlighting common trends in countries in special situations, and secondly, identifying two overarching priorities to address the opportunities and challenges ahead. This paper identifies physical infrastructure and open, fair, predictable, and accountable institutional infrastructure as crucial priorities to realize the benefits of sustainable development.**

Footnotes

¹ Throughout this paper, "countries in special situations" refers to Least Developed Countries (LDCs), Landlocked Least Developed Countries (LLDCs), and Small Island Developing States (SIDS), as defined by the UN Office Of The High Representative For The Least Developed Countries, Landlocked Developing Countries And Small Island Developing States.

1. Context and common trends in countries with special needs

Firstly, it is useful to identify the opportunities, the challenges, and the risks to countries in special situations in the international and national context. Of course, every country has its own unique opportunities and challenges, but we can look to a few overarching trends which can help guide critical decisions on the coming global agenda.

1.1. The opportunities

In general, countries in special situations realized significant economic progress over the past decade. Progress was marked by average growth rates of about 7% per year, even including recent slower growth rates of 3.3% and 4.9% in 2012 for the least developed countries (LDCs)² and landlocked (LLDCs)³, respectively, in an international environment where the financial crisis slowed global growth overall.

Good economic performance has been influenced by, among other factors, favorable foreign direct investment (FDI) flows. FDI played a major role in capital formation this past decade. Except for the years 2008 and 2009, and as a result the difficulties of the global financial crisis, FDI flows have remained steady in countries in special situations. In LLDCs, from 2003 to 2012, these flows increased from \$8.9 billion USD to \$34.6 billion USD, nearly quadrupling in less than 10 years. These same flows increased from \$6.6 billion in 2006 to \$26 billion in 2012, nearly four-fold in a five year period in LDCs⁴ and have increased by about 10% in the small islands developing states (SIDS)⁵. All in all, FDI flows have increased about 8% in countries in special situations, in 2012 raising the share of these groups of countries to about 4.4% of the global FDI flows, with LDCs comprising 1.9%⁶. This suggests that even in a timid and cautious global environment, countries with special situations were able to maintain and improve the attractiveness of their economies for investment.

Countries in special situations represent approximately 15% of the world population in 2010, and this rate is likely to increase to 21% in 2050⁷. This population dynamic, combined with the relative decline in birth rate as well as in maternal mortality, puts countries with special needs in a position to benefit from a demographic dividend.

²"Factsheet - Least Developed Countries (LDCs)." *UN-OHRLLS*. <<http://unohrlls.org/custom-content/uploads/2013/09/LDC-Factsheet-2013.pdf>>.

³"Landlocked Developing Countries (LLDCs)." *UN-OHRLLS*. <http://unohrlls.org/UserFiles/File/LLDC%20Documents/LLDC%20factsheet_Aug2013.pdf>.

⁴"The Least Developed Countries Report 2013." *UNCTAD*. <http://unctad.org/en/PublicationsLibrary/ldc2013_en.pdf>.

⁵"World Investment Report 2013: Overview." *UNCTAD*. <http://unctad.org/en/PublicationsLibrary/wir2013overview_en.pdf>.

⁶"The Least Developed Countries Report 2013." *UNCTAD*. <http://unctad.org/en/PublicationsLibrary/ldc2013_en.pdf>.

⁷"Countries with Special Needs." *United Nations*. UN Task Team on the Post-2015 UN Development Agenda, <[http://www.un.org/millenniumgoals/pdf/Think Pieces/1_countries_with_special_needs.pdf](http://www.un.org/millenniumgoals/pdf/Think%20Pieces/1_countries_with_special_needs.pdf)>.

Another critical trend is urbanization. The rate of urbanization is increasing, growing faster than the population growth rate. Urbanization can be both an opportunity and a challenge, but certainly creates the potential for countries in special needs to take advantage of the concentration of the population to bring about greater returns on investments in infrastructure. It also creates the potential for better service delivery.

Altogether, three main opportunities characterize countries with special needs: 1) the strong economic performance in terms of economic growth and FDI inflows, 2) the potential demographic dividend, and 3) rapid urbanization. The aim for the goals and targets of the post-2015 agenda should be to capitalize on the potential of these trends and opportunities.

1.2. Challenges

Alongside these opportunities in countries in special situations, there exist also challenges. The first of these is intimately linked to the nature of economic growth. The strong economic growth of these countries has not been reflected in employment, to the extent that some have characterized it as "jobless growth". This is mainly due to the fact that much of the strong economic performances have been supported by the boom in oil prices, and concentrated in the mining and the extractive industries, which are highly capital-intensive rather than labor-intensive. In the developing world where the largest numbers of countries with special needs are, Sub-Saharan Africa (SSA) and Southeast Asia (SEA), job quality is still a significant challenge, especially for young people. Although the unemployment rate is relatively low in these countries, this belies the actual situation, because most jobs are informal or irregular. Poverty makes work necessary and young people are ready to take any kind of job to assure a minimum level of livelihoods. The working poor rate in these countries illustrates this fact. The working poor at \$1.25 per day represented 33.7% of the population in South Asia in 2010 and 41.1% in 2012 in SSA⁸. This form of underemployment, invisible both in SSA and in South Asia takes a visible form in Southeast Asian countries where many part-time workers would like to have full-time work. Latin American countries, associate underemployment with a relatively high rate of young people who are not in education, employment or training (NEET) at 19.8%, affecting 1 out of 5 young people. There is a high average rate of young people who face the risk that they do not have the necessary skills and qualifications to survive in the labor market.

⁸"Global Employment Trends for Youth 2013." *International Labour Organization*. <http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_212423.pdf>.

Despite strong economic growth in countries in special situations, job creation has not followed because of the intrinsic nature of the growth. Youth unemployment in particular remains a serious concern which takes different forms according to the region, i.e unemployment, visible or invisible underemployment, and NEET.

The challenges include the high dependence of countries with special needs on external debt. The Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiatives (MDRI), helped to improve the debt situation of these countries. The experience of countries in special situations, and in particular the LDCs, demonstrates that beyond these initiatives, the key to sustainable debt is the development of productive capacities. The relationship with the debt burden is complex. On one side, the solid economic growth of the last decade has eased the burden of debt, while on the other side, the development of the productive capacities needed to sustain economic growth is highly dependent on non-concessionary loans, which worsen the debt burden. This trade-off establishes debt as a core element that should be discussed as part of post-2015 financing.

The heavy reliance of LDCs on aid is also a challenge. In 2011, aid flows came to around \$44.6 billion and \$25.7 billion respectively for LDCs and for LLDCs.⁹ Though aid can play a counter-cyclical and stabilizing role, it is important to point out that this heavy reliance on aid makes these countries more vulnerable to external shocks that affect donor countries.

Despite solid economic growth, the share of world trade for countries in special situations has not improved much and is still around 1%. This is largely due to limited access to the market, technology constraints, low levels of economic diversification, human capital constraints, and low levels of productive infrastructure.

⁹Factsheet - Least Developed Countries (LDCs)." UN-OHRLLS. <<http://unohrlls.org/custom-content/uploads/2013/09/LDC-Factsheet-2013.pdf>>.

1.1. Risks

Alongside the opportunities and challenges are serious risks facing countries in special situations. **Three trends stand out: immigration; persistent cycles of violence; and vulnerability to climate phenomenon.** Firstly, immigration from countries in special situations, and the horrific situations under which some of these migrations occur, as witnessed in the recent tragedies of Lampedusa, which brought to light the extent to which migrants face threats from kidnapping, sexual violence, and torture. Second is the trend towards criminalization and the development of transnational and regional armed conflicts in LDCs and especially in Africa LDCs¹⁰. Thirdly there is the exposure and the great vulnerability of countries in special situations to the effects of climate change. This vulnerability affects the availability of scarce resources such as water and land, with profound consequences for agriculture, food security, and health. The livelihoods of those who depend upon terrestrial ecosystems and coastal communities are at risk. The presence and persistence of these alarming trends points to the need for security, stability, and protection.

¹⁰"Conflict Trends (No. 20)." *Armed Conflict Location and Event Dataset*. <<http://www.acledata.com/wp-content/uploads/2013/11/ACLED-Conflict-Trends-Report-No-20-November-2013.pdf>>.

Table 1: Countries in special situations: an overview of common trends

Opportunities	Challenges	Risks
Economic growth	Unemployment and under-employment	High immigration
FDI Inflows	High dependency on external debt	Persistent cycles of violence and increasing transnational violence, organized crime and armed conflict
Demographic dividend	High dependency of aid	Exposure and vulnerability to climate phenomenon
High rates of urbanization	Low share in world trade	

2. Lessons for priorities and choices

In the search for the post-2015 development agenda, it is important to draw appropriate lessons from previous development experiences. The failure to establish priorities and make the necessary choices to address the specific challenges related to countries in special situations would ignore the needs of approximately half of the world's countries representing 15% of world population in 2010, which is likely to reach 21% in 2050¹¹ - including the most vulnerable. Almost half of the population in LDCs lives on less than \$1.25 per day.¹²

From the above analysis, some objectives and priorities emerge from the lengthy list of asks for the post-2015 development agenda. Some of these priorities and choices have not been paid sufficient attention, despite their great importance for countries in special situations. The priorities we draw from the context of countries in special situations are twofold: on one side a set of priorities that aim to specifically address issues related to each common trend and on the other side a cross cutting priorities related to the common trends.

2.1. Specific lessons

2.1.1. Sustaining and Building Upon Opportunities

Economic growth that does not create jobs, does not self-power and therefore is not sustainable. **It is therefore essential to find a way to make it equitable and inclusive.**

FDI inflows are in a significant growing trend but are on an unsustainable path in the sense that they are oriented towards the mining and extractive industries and largely benefit only those countries with an abundant natural resources endowment. Diversification of FDI and the opening-up of LDCs to new investors, including China and India, also need to be strengthened to reduce the risks of over-exposure to shocks that affect investors, as was experienced with traditional investors during the debt crisis in Europe. **Appropriate measures must be designed to ensure greater diversification in the sources of FDI inflows as well as in the beneficiary sectors.**

Demographic trends are a potential asset, particularly in Africa, which is set to experience a large youth bulge. The contemporary history of the development

¹¹"Countries with Special Needs." *United Nations*. UN Task Team on the Post-2015 UN Development Agenda, <[http://www.un.org/millenniumgoals/pdf/Think Pieces/1_countries_with_special_needs.pdf](http://www.un.org/millenniumgoals/pdf/Think%20Pieces/1_countries_with_special_needs.pdf)>.

¹²"Least Developed Countries (LDCs)." *UN-OHRLLS*. <http://www.unohrls.org/UserFiles/File/UN_LDC_Factsheet_053112.pdf>.

of Asia shows that the demographic dividend has been an important factor in progress in Asian countries. **However, it is important to maintain and sustain the progress made on the MDGs to realize the benefits of demographic trends. Otherwise, unlike the Asian experience, these countries will not be able to draw on an abundant, innovative, and skillful workforce; instead, they will have a large, unemployed, and discontented population.**

The high degree of urbanization, which is a corollary of development and facilitates better access to public services, can bring improvement in well-being for people in countries in special situations. However, this position is untenable if the development of cities is not based on a sustainable approach. **The sustainability of cities must empower local communities and strengthen the availability of and access to energy infrastructure, sanitation, and transportation. Otherwise, rapid urbanization will not produce dynamic and sustainable cities but just shift poverty localization from rural areas to urban areas.**

2.1.2. Overcoming challenges

The persistence and the worsening of unemployment and underemployment issues in countries in special situations is a central concern. Policies to overcome these challenges include not only the labor market, but also the education and training markets. Not only the quantity but also the quality of the education and training must be addressed. **A significant challenge for countries in special situations is the structural transformation of the economies to promote inclusive and participative growth. Countries will need to undertake necessary reforms to increase the agricultural productivity and break the cycle of monoculture, embracing diversification of products and markets.**

Countries in special situations, and in particular LDCs, have a complicated relationship with external debt. Despite international efforts to address the debt problem, including through HIPC, MDRI, and Paris Club initiatives, debt sustainability and indebtedness remain serious challenges for the least developed countries. The post-2015 agenda must seek to put in place new debt instruments that can reduce the possibility of debt crises in LDCs. For instance, development assistance in the form of grant and concessional financing especially for productive investment can make important contributions to maintaining debt sustainability in those countries. It is also important to ensure that HIPC eligible countries get full debt relief from all their creditors, including multilateral, bilateral, and commercial creditors¹³.

¹³"Addressing the Debt Problems of the Least Developed Countries." UN-OHRLS. <[http://www.unohrls.org/UserFiles/File/Debt 27 Sept FORMATED.pdf](http://www.unohrls.org/UserFiles/File/Debt%20Formatted.pdf)>.

The heavy reliance of countries in special situations on aid constitutes one of the major constraints to a sustainable development approach. Sustained aid must not create dependence but rather create progressive conditions of ownership by the beneficiaries. The current approach has failed to establish this ownership. Post-2015 should increase the credibility of historical aid commitments, but also channel aid directly to the productive sector. **The idea that should underpin the partnership for aid should be to create conditions for progressive ownership and independence.** Beyond this, the Post-2015 development agenda should seek to encourage trends towards strengthened domestic resources mobilization. **This implies that aid should aim to strengthen domestic resource mobilization capacity. Another important element to reduce the heavy burden of debt and dependency on aid is to put in place partnerships that enhance domestic resource mobilization through greater transparency in the extractive industries and strengthen efforts on the recovery of stolen assets, reducing illicit flows and tax evasion.**

The low share of countries in special situations in world trade deserves greater attention and will require greater responsibility by the international community. The current share of trade reflects large disparities of income, knowledge, technology, market access, and financing. The current situation is a good measure of global exclusion and is a gauge for progress towards a more just and inclusive world. **The credibility of the international community and its commitment to more sustainable and inclusive growth rests on the ability to contribute to more participation by countries in special situations in world trade. This includes achieving results on technology and knowledge transfer, capacity building, and improving market access.**

2.1.3. Managing and mitigating risks

In establishing priorities for post-2015, a major challenge is reversing alarming trends and managing the risks that come with them.

Migration is often a response to the deterioration of living conditions and a lack of opportunity in the country of origin. The failure to properly address this situation lies in its approach. The management of the immigration issues seems to consider the migrant as more of an opportunist than a victim. The post-2015 agenda should change this approach and aim to create the conditions for sustainable immigration for the migrant, the country of origin, and the country of destination. We cannot ignore the real political problems

posed by emigration, nor lose sight of the prospects that migration can offer, both in countries of origin and destination. **A few important steps to ensure a productive approach to migration include reducing the costs of remittances and building partnerships to foster greater involvement of diaspora communities in the development of their home countries.** Beyond these measures, it is important to recognize immigration as one reflection of the great disparities that characterize the world. Here also, we must draw lessons from management of rural migration at the local level. Global sustainable management of immigration issues should aim to correct disparities in terms of satisfaction of social demands and address inclusiveness, as well as the economic development the countries with special needs. These sustainable solutions should also aim to ensure more accountability on behalf of the origin countries of the migrants.

Countries in special situations are also subject to the growing threat of transnational violence, organized crime, armed conflicts, and instability, which are serious threats to growth and development nationally and regionally. This has been identified explicitly by countries in special situations, including by the Kingston Outcome of the Caribbean Regional Preparatory lessons Meeting for the Third International Conference on Small Island Developing States (SIDS), "Recognizing that the sustainable development of Caribbean SIDS is negatively impacted by crime and violence, including gang and youth violence, and transnational organized crime, including drug trafficking and the illicit trade in small arms and light weapons, as well as by terrorism in all its forms and manifestations."

Though the nature of these threats is violent, these threats are often brought about by an environment where institutional failure leads to the aggravation of poverty, unemployment, hunger, tragic childhood situations, the spread of diseases, and injustice resulting from national and international disparities. The post-2015 agenda should promote domestic and international policies to address these challenges. Peace, safety, and stability must be directly (through a stand-alone goal) and indirectly (through mainstreaming across goals) taken into account in the post-2015 agenda.

These issues are identified as priorities in the Istanbul Programme of Action for Least Development Countries: "Priority areas for support should be targeted, better matching these areas with goals and targets, and specific means and tools to reach them should be identified; Focus on issues like good governance at national and international levels and the fight against corruption, respect for human rights, gender issues, building institutional capacity, social protection and social services and environmental concerns is important to a broad approach to poverty eradication."

The evidence shows that it will be increasingly difficult to escape exposure to natural disasters and the effects of climate change; however it is possible to mitigate the effects through adaptation and building resilience. This is particularly important for countries in special situations. **Of utmost importance are appropriate safety nets, strengthening the resilience of the populations to climatic shocks and improving the capacity to respond appropriately to emergencies caused by extreme natural phenomena.**

2.2. Cross cutting priorities to address common trends: infrastructure and institutions

The successful implementation of the post-2015 development agenda in countries in special situations will require a priority on infrastructure and institutions. Putting in place the required investment in infrastructure to support the structural transformation of these economies is a prerequisite for success. In development, infrastructure and institutions have an important role to play.

There is a growing consensus in both the scientific and policy communities that with good governance and strong institutions, the relationship between infrastructure, economic growth, poverty reduction, and development can be positive and reinforcing. **The absence of goals or targets on infrastructure and institutions has been identified as a weakness of the current MDGs, and a barrier to development.**

Therefore, intense and appropriate investment in infrastructure can help countries in special situations in at least five ways.¹⁴ These include (i) fostering economic growth; (ii) expanding opportunities; (iii) direct savings; (iv) improvements in levels of education; and (v) improvements in good governance practices.

¹⁴There are various estimates of the scale of investment needed from all sources, public and private. An OECD report estimates that the investment needed in sub-Saharan Africa alone (where the largest concentration of LDCs is) is approximately \$93 billion a year for capital expenditures and maintenance. *Mapping Support for Africa's Infrastructure Investment*, OECD 2012. <<http://www.oecd.org/daf/inv/investment-policy/MappingReportWeb.pdf>>.

However, **if physical infrastructure is necessary to realize growth and poverty reduction, the sufficient condition which ensures that these effects are shared by all is that the construction of physical infrastructure is accompanied by the development and maintenance of fair, transparent, predictable, and accountable institutional infrastructure.** Institutional infrastructure allows people to participate in forging their own paths towards growth and opportunity and supports inclusive growth. It also complements physical infrastructure by ensuring access to infrastructure for all groups, especially the most marginalized, proper maintenance, and the stability and predictability necessary for investment. Infrastructure – physical and institutional – are therefore necessary preconditions to build on the opportunities, confront the challenges, and mitigate the risks that face countries in special situations.

Benefits of Physical Infrastructure				
Benefits of Institutional Infrastructure				
Economic Growth	Expanding Opportunities	Direct Savings	Improved Education	Improved Governance

Conclusion

In conclusion, countries – according to their respective contexts, capacities, and capabilities – should engage in the post-2015 agenda with the commitment to accept and contribute their share. The current global situation is insular, focused on self-interest. No party is willing to take on the responsibility to change, even though as a global community we are aware that more cooperation will yield better outcomes for all. There is widespread awareness of the need to change our actions and that business as usual is no longer an option. So what is needed now is enlightened self-interest, where we realize the mutual benefits at home *and* for the global community. **The post-2015 agenda must aim to create a global partnership that establishes trust, essential to the implementation of common and universal goals and the vision for a better world, where the most vulnerable –including the 50% of the countries in the world in special situations– are protected and supported.**