

LLDCs Statement and Call for Action on COVID-19

Introduction

Today, COVID-19 marks a severe development challenge for especially vulnerable countries like LDCs, LLDCs and SIDS at household and at national levels. The pandemic is much more than a health crisis that is resulting in significant socio-economic impacts affecting the ability of LLDCs to achieve the goals of the Vienna Programme of Action for LLDCs for the decade 2014-2024 and the 2030 Agenda for Sustainable Development.

Confirmed cases of COVID-19 in LLDCs as of 22 May 2020 totaled 54,648 compared to 955 on 24 March 2020. The number of deaths has also increased to 1,240 on 22 May 2020 compared to 9 on 24 March 2020. The COVID-19 cases and deaths are increasing and so is the demand for health care resulting in higher health sector costs. The health systems of LLDCs are weaker than those elsewhere in the world, with lower ratios of health professionals and hospital beds to their population. They are also critically dependent on imported medical and pharmaceutical products.

We note that due to our structural vulnerabilities associated with being landlocked, including our dependency on transit neighbors, transport and digital connectivity, transit and cross-border trade facilitation, international trade, regional integration, and structural transformation, undiversified economies, weak public health services, low productive capacities, and limited resources to mitigate the spread of the virus; will have a significant impact on our socio-economic development.

We affirm that facilitating smooth movement of goods and keeping borders open as much as possible, while protecting public health and to refrain from any restraints on traffic in transit to make sure that goods can reach the LLDCs when needed, without delay or hinderance is critical. Public and private stakeholders are urged to work closely together to facilitate transport and maintain functioning of supply chains.

We stress the importance of promoting collaboration and inclusive, equal and non-discriminatory partnership between landlocked developing countries and transit countries on the basis of common interest and consistent with international rules and commitments.

We note that LLDCs are being impacted by commodity price shocks, challenges in transit, loss of export revenue, investment and remittances along with a rapid plummet in tourism, with long-term ripple effects. Global output is projected to decline sharply and it is estimated that the LLDC economies will face significant contraction in 2020 as their growth rate will be about -0.3 per cent.

We commend the Secretary-General of the United Nations for his strong leadership and welcome the launch of the United Nations COVID-19 Response and Recovery Fund and UN Framework for the immediate socio-economic response to COVID-19. We also appreciate G20 countries, the IMF, World Bank, WHO and other multilateral and bilateral development partners for their swift actions in the form of emergency health support, debt relief and other economic assistance.

We recall that the midterm review of the progress achieved in implementing the Vienna Programme of Action conducted last year revealed that although some progress had been achieved on some SDGs by LLDCs, they are lagging behind global averages on most of the SDGs. If the

impact of COVID-19 is not prevented or mitigated, it could have the effect of reversing the gains that have been made by the LLDCs on the SDGs and the LLDCs might be left behind. It is important that the international community acts to support the LLDCs to respond to the development crisis resulting from the pandemic.

Call for Action to support the LLDCs to address the COVID-19 Pandemic

I. Transport, cross-border transit and trade facilitation

Due to LLDCs' geographical location and their reliance on transit countries for exports and import of goods, restrictive measures at borders aimed at curtailing the spread of COVID-19 will greatly affect movement of goods to and from LLDCs. The imposition of border restrictions by neighboring transit countries in their efforts to combat the spread of the virus greatly impact the movement of goods and services to LLDCs. This affects the timely delivery of the much-needed medical supplies. Facilitating smooth movement of goods and keeping borders open is fundamental during this time. It is also vital that measures imposed to combat the spread of the virus are justifiable, transparent and are temporary. The full implementation of the WTO Agreement on Trade Facilitation remains fundamental.

The COVID-19 crisis threatens to impact the transport and logistics industry which plays a crucial role in economies of many of the LLDCs and are the backbone of trade. For example, IRU estimated a decline in global road transport activity of up to 20% in 2020, depending on how long the situation continues, leading to a global loss in operator revenues of around \$800 billion¹. Global air passenger demand has fallen 70% and industry revenues from the passenger business are forecast to be reduced by at least \$252 billion in 2020².

In light of this we call on the following actions

- LLDCs and transit countries are encouraged to keep cross-border transport networks for goods and supply chains open, while protecting the safety of transport workers and citizens, to maintain the integration of LLDCs into world trade and ensure that critical goods needed to contain and combat the pandemic such medical supplies and equipment as well as food supplies can timely reach the LLDCs. Public and private stakeholders, including border agencies need to work closely together to facilitate transport and proper functioning of supply chains in these times.
- Governments and border and customs agencies should work together to simplify, facilitate and fast-track clearance of critical medical equipment³ and basic goods such as food to LLDCs.
- Given that over 80% of international trade is transported by sea, public and private operators in coastal countries need to ensure that ports remain open and provide the necessary services for international trade while protecting public health.
- Transit countries in particular, as well as regional organizations, should support smooth functioning of transit, transport and trade corridors and ensure freedom of transit.

¹ <https://www.iru.org/resources/newsroom/coronavirus-covid-19-iru-calls-governments-help-keep-road-transport-supply-chains-and-mobility-networks-moving>

² <https://www.iata.org/contentassets/a686ff624550453e8bf0c9b3f7f0ab26/itf-iata-joint-statement.pdf>

³ List of COVID-19 medical equipment has been identified by WCO, see http://www.wcoomd.org/-/media/wco/public/global/pdf/topics/nomenclature/covid_19/hs-classification-reference_en.pdf?la=en

- Development partners, United Nations and other international and regional organizations need to urgently step up capacity building and technical assistance to LLDCs in support of trade facilitation, transport services and logistics solutions. LLDCs should particularly be supported to make use of digital solutions in border clearance operations such as electronic data exchange, automation, electronic payments, electronic submission of documents as much as possible to limit physical contact at borders and protect the health of workers.

II. International Trade

LLDCs economies are heavily reliant on international trade as demonstrated by relatively high trade-to-GDP ratio, which stood at about 73 per cent compared to world average of 59 per cent in 2018. Due to COVID-19 related dramatic supply and demand shocks in the world economy and the inevitable major disruptions to international trade, LLDCs face a relatively huge loss of foreign exchange earnings. According to the WTO, world merchandise trade is expected to plummet by between 13 per cent and 32 per cent in 2020 depending on the depth and extent of the global economic downturn⁴. Primarily, the LLDCs' losses in export earnings will be compounded by the sharp decline in commodity prices, which is estimated to be 37 per cent this year according to UNCTAD⁵. The limited diversification of economic activity in many LLDCs, with greater commodity dependence, leave them more vulnerable than ever to new shocks and disturbances. This is not without consequences for their development needs, their structural transformation plans and the implementation of the VPoA and the 2030 Agenda for Sustainable Development. This situation also further marginalizes LLDCs from global trade as well as global value chains.

According to the WTO export prohibitions or restrictions as a result of the COVID-19 pandemic are on the increase and the products covered by these new export prohibitions and restrictions mostly focus on medical supplies (e.g. facemasks and shields), pharmaceuticals and medical equipment (e.g. ventilators)⁶. In some cases, the restrictions are also extended to additional products, such as foodstuffs. Most LLDCs lack the capacity to manufacture these products and therefore export prohibitions and restrictions could curtail LLDCs' efforts to deal with the pandemic.

In light of this we call on the following actions:

- Development partners, the United Nations, the International Financial Institutions, and other international organizations should support LLDCs to build their productive capacities and diversify their economies.
- A strong rules-based multilateralism is critical, including a commitment to maintain open and free trade; a commitment to keep open borders, with restrictions only for clear health reasons. Emergency measures designed to tackle COVID-19 must be transparent, targeted, proportionate, and be consistent with WTO rules.
- Countries must exercise maximal restraint in the use of export restrictions and other measures that could disrupt access to medical and food supplies in particular to vulnerable countries.

⁴ https://www.wto.org/english/news_e/pres20_e/pr855_e.pdf

⁵ https://unctad.org/en/PublicationsLibrary/gds_tdr2019_covid2_en.pdf

⁶ https://www.wto.org/english/tratop_e/covid19_e/export_prohibitions_report_e.pdf

III. Economic Impact

LLDCs are generally among the poorest of the developing countries with 17 of the LLDCs classified as least developed. One-third of the population of LLDCs still live in extreme poverty and the average human development index of LLDCs lags behind the world average. Inadequate domestic financial resources, high debt levels and fragile health systems present an urgent challenge for LLDCs.

The social distancing necessary to stop the contagion has already led to economic shutdown affecting the already vulnerable LLDCs' private sector which comprise mainly Small and medium-sized enterprises (SMEs), and the informal sector. SMEs which make a larger proportion of the private sector in LLDCs and are also an important contributor to job creation are among the worst hit by the pandemic. According to OECD, the crisis has affected SMEs disproportionately, and has revealed their vulnerability to the supply and demand shocks with a serious risk that over 50% of SMEs will not survive the next few months⁷. A widespread collapse of SMEs could have a strong impact on the LLDCs' economies including contraction of their incomes as well as falling fiscal revenues. Unemployment is expected to increase significantly. Without appropriate policy measures, workers face a high risk of falling into poverty and may experience greater challenges in regaining their livelihoods during the recovery period.

Tourism is one of the key sectors in many LLDCs and tourism has dried up as countries continue to impose travel restrictions. The mining and agriculture sectors which form the backbone of the LLDCs' economies are also negatively impacted by the lockdowns. Other traditional services sectors, such as retail, hospitality, and civil aviation, and some labor-intensive and supply-chain-based manufacturing are being affected resulting in increased layoffs and unemployment.

In light of this we call on the following actions:

- Policy responses need to focus on providing immediate relief to workers and enterprises in order to protect livelihoods and economically viable businesses, particularly for enterprises and workers operating in the informal economy.
- Targeted package of international support measures for the LLDCs which takes into account their special challenges is necessary.

IV. Health

As the number of cases and deaths are rising in LLDCs, the health systems of LLDCs are weaker than those elsewhere in the world and they are also critically dependent on imported medical and pharmaceutical products. The Rand in 2016 analyzed and ranked 195 countries for their vulnerability to infectious disease. Fifty percent of the LLDCs are in the top 50 countries estimated to be most vulnerable to infectious disease⁸.

Fighting COVID-19 requires the rapid mobilization of emergency health-care resources to strengthen the healthcare systems, to purchase medical equipment for treatment such as ventilators, oxygen concentrators, protective gear, testing kits and other medicines. It also requires recruitment of trained personnel in sufficient numbers. It also requires additional resources in order to avoid

⁷ https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19_SME_Policy_Responses

⁸ https://www.rand.org/pubs/research_reports/RR1605.html

diversion of resources from pre-pandemic health care and to circumvent a set-back in the progress that has been made on the health SDGs.

In light of this we call on the following actions:

- Development partners, the United Nations, the International Financial Institutions, and other international organizations should support LLDCs with the resources to prepare and respond to the health impact of COVID-19, including for strengthening national health systems and laboratories, purchasing of required medical supplies such as personal protective equipment, ventilators and strengthening of prevention measures.
- Restrictions on the import of medical equipment products by LLDCs should be lifted immediately by partner countries.
- Ensure adequate, affordable and rapid supply of vaccines/immunization and relevant drugs related to COVID-19, when they are developed.
- Provide technology, technical know-how and free license to manufacture antiretroviral drugs and vaccines, when they are developed and approved for mass use after necessary controlled clinical trials.
- The international community should support the LLDCs with medical personnel or capacity building to ensure that medical personnel needs are met.
- Immediately open virtual “Tele-health and Telemedicine Vendors” where feasible, coordinated by WHO, with virologist working in developed and advanced developing countries to provide 24- hour treatment and care services for patients and doctors treating COVID-19 patients in LLDCs.

V. Food security, social protection and gender equality

LLDCs even before the onset of COVID-19 have higher levels of food insecurity when compared to world averages. According to the UN SDG database⁹ the prevalence of undernourishment in LLDCs increased from 21.2% in 2015 to 21.9% in 2018 whilst world average was 10.8% in 2018. Prevalence of moderate or severe food insecurity in the adult population in LLDCs increased from 46.5% in 2015 to 50.8% in 2017 compared to world average of 25.4% in 2017. Food insecurity is exacerbated by climate change, desertification, land degradation and drought that LLDCs are vulnerable to since due to the majority of their agricultural land being located in arid and semi-arid areas, with an estimated 54 per cent of their land classified as dryland. LLDCs are also dependent on food imports and costs of imported food items are relatively high due to high trade costs that are often passed on to consumers. Domestic food prices in LLDCs are estimated to be three times volatile than their coastal neighbors¹⁰.

The 2020 Global Report on Food Crises¹¹ that assesses acute food insecurity situations around the world indicate that 16 LLDCs were among the 50 countries with food crises. The current COVID-19 pandemic further exacerbates the prevalence of moderate to severe food insecurity in LLDCs. It is therefore important that measures are put in place to support the LLDCs to be able to maintain food security.

⁹ <https://unstats.un.org/sdgs/indicators/database/>

¹⁰ <http://www.fao.org/europe/news/detail-news/en/c/273889/>

¹¹ https://www.fsinplatform.org/sites/default/files/resources/files/GRFC_2020_ONLINE_200420.pdf

Effective social protection schemes and policies, along with government spending on key services are crucial to safeguarding the poor and vulnerable during crisis. However, in many LLDCs effective social protection systems remain limited in coverage and will need significant upgrading to respond to COVID-19 pandemic. In addition, LLDCs face high levels of income and wealth inequalities that is likely to constrain implementation of effective stimulus measures that will help the most vulnerable segments of their population. The pandemic heightens the need for social assistance to vulnerable groups including people with severe disabilities, the unemployed, the elderly, women and others. Women are disproportionately affected by COVID-19 as they are responsible for a variety of unpaid activities, such as taking care of children and the elderly, and domestic chores. They are also disproportionately affected by domestic violence which has been on the increase since the onset of the pandemic. Women in LLDCs also tend to form the majority of those who are in informal employment and SMEs. The impact of COVID-19 and limited access of women to social protection can result in compromised gender equality now and in the future.

In light of this we call on the following actions:

- Development partners, the United Nations, the International Financial Institutions, and other international organizations should support LLDCs to:
 - Ensure full and unimpeded humanitarian access to those in need, in line with the commitment to leave no one behind, including increase humanitarian support to towards food security and livelihoods.
 - expand social protection programmes and strengthening of social safety nets to help prevent vulnerable groups from falling (deeper) into poverty and food insecurity and to help families and businesses restore income, preserve livelihoods, and compensate for price hikes.
 - strengthen food supply chains, and promote measures to facilitate affordable food supplies.
 - strengthen development interventions that address the root causes of food insecurity such as increased agricultural productivity through for example increased irrigation capacity, technology transfer, and sharing of experiences.
 - ensure that gender, income and wealth inequalities are addressed to ensure that economic stimulus support is fully inclusive.
- Trading partners including transit countries are encouraged to keep trade channels open including by facilitating free movement of goods, to avoid piling and unnecessary food price crisis on the current health and economic disasters.

VI. Means of implementation

ODA to LLDCs amounted to \$28 billion in 2018, falling by 4.1% in real terms since the previous year. Despite the recent fall, ODA will be vitally important means for LLDCs to support national responses to the COVID-19 crisis as for many of them ODA still remains a critical source of external finance. For 40% of the LLDCs (13 of the 32), ODA represented larger inflows than FDI and remittances combined in 2018. ODA is important for these countries to continue and enhance investments in health, education and social safety nets as well as humanitarian needs.

While it is encouraging that OECD DAC donors will “strive to protect ODA budgets¹²”, it is critical that LLDCs be provided with the aid needed to prepare and respond to the threat of

¹² See [Joint Statement by the OECD Development Assistance Committee on the Covid-19 crisis \(9 April\)](#)

COVID-19. Increased ODA, in particular in the form of grants, and including through enhanced crisis response mechanisms, will likely be needed to support LLDCs' response to the COVID-19 crisis.

In light of this we call on the following actions

- Development partners are encouraged to increase ODA to LLDCs
- Countries of the South should strive to increase financial and technical assistance to LLDCs, in the spirit of solidarity and South-South Cooperation.

FDI flows to LLDCs have been falling since the all-time high of \$35.2 billion in 2011. Total FDI inflows to LLDCs stood at \$22.6 billion in 2018, falling by 2.2% compared to the previous year. As a percentage of GDP, FDI to LLDCs has also fallen, from 3.2% to 2.9% between 2017 and 2018. UNCTAD has estimated (as of 26 March) that the economic impact of COVID-19 could put downward pressure on FDI flows in a range of -30% to -40% during 2020-2021¹³. All components of FDI are being affected by physical closures of businesses, plants and manufacturing sites, production slowdowns and other mitigation measures in response to the pandemic. While the actual decline in FDI will depend on the severity and duration of the COVID-19 crisis in the different regions and countries, the projected fall is likely to accelerate the pre-existing trend of declining ODA to LLDCs in recent years. Policy responses by all Governments to support their economies will also impact the effects on global FDI. The role and preparedness of national investment promotion agencies (IPAs) in LLDCs will also be important in contributing to national COVID-19 business response efforts.

In light of this we call on the following actions

- Development partners should identify adequate means through which to support developing countries, particularly LLDCs, in attracting investment, retaining investment and maintain their firms' linkages with global and regional production networks and supply chains.
- Development partners and relevant international organizations should urgently provide capacity building and technical support to IPAs in LLDCs on how best to provide COVID-19 related content and services for investors.

Remittance flows to LLDCs have stagnated and fluctuated since 2013. In 2019, total remittance flows to LLDCs have been estimated at \$34.1 billion. Remittances are a vital source of income for many LLDCs. However, several countries with high percentage of remittances to GDP, including Kyrgyzstan (29.2%), Lesotho (21.3%), Nepal (27.3%), South Sudan (34.4%), Tajikistan (28.2%) are particularly vulnerable to shocks and reductions in remittance inflows that are expected as a result of the economic impact and shutdowns associated with COVID-19. The World Bank estimated that remittances to low and middle-income countries (LMICs) are projected to fall by 19.7% in 2020, representing a loss of a crucial financing lifeline for many vulnerable households¹⁴. Furthermore, the outlook for remittances remains uncertain. The travel restrictions and border closures imposed to halt the spread of COVID-19 are creating unprecedented impact on labour mobility, migration and remittances, resulting from fall in the wages and employment

¹³ https://unctad.org/en/PublicationsLibrary/diaeiainf2020d3_en.pdf

¹⁴ <http://documents.worldbank.org/curated/en/989721587512418006/pdf/COVID-19-Crisis-Through-a-Migration-Lens.pdf>

of migrant workers in host countries. In addition, the cost of sending remittances globally remain high at 6.8%, well above the SDG target of 3%.

In light of this we call on the following action

- Governments of host countries and the broader international community should promote the use of digital transfers of remittances and reduce remittance transaction fees, and further consider waiving the transaction fee on remittances to LLDCs for the duration of the COVID-19 crisis.

VII. Debt

Thirteen LLDCs are already classified as Highly Indebted Poor Countries. Some LLDCs have external debt stock higher than their gross national income. For many LLDCs their external debt is predominantly private non-guaranteed debt, which increased from 14 per cent in 2000 to 47 per cent in 2018. The debt service on private non-guaranteed debt – owed by private entities in these countries – now accounts for nearly 80 per cent of all external debt service payments. Debt servicing averaged 20 per cent of the export revenue of LLDCs in 2018. According to the IMF, List of Low-Income Countries Debt Sustainability Analyses for Poverty Reduction and Growth Trust-Eligible Countries, of 30 November 2019, 2 LLDCs are already experiencing debt distress.

Given that so much of LLDCs' debt is owed to private creditors, it is critical that substantial relief on the public and publicly guaranteed portion of their debt is granted to avoid a catastrophic debt default. In April 2020, the IMF approved debt service relief to 25 member countries (of which 10 are LLDCs) as part of the Fund's response to help address the impact of the COVID-19 pandemic. The IMF has also approved requests for emergency assistance for some LLDCs and it is considering other countries' requests. The World Bank's dedicated COVID-19 Fast-Track Facility is extending credit to 16 LLDCs, as well as other forms of finance and redeploying of existing projects. While these emergency lines of credit are important for some LLDCs to avoid an immediate crisis, more debt and emergency relief is needed to address the longer-term economic impact of the pandemic.

In light of this we call on the following actions:

- There is a pressing need to support LLDCs with debt relief in order to free up liquidity and invest more in their health systems and economic recovery.
- Official creditors should consider debt swaps to enhance social investments and address the impact of COVID-19.
- Private and commercial creditors should join this debt cancellation and debt moratorium to avoid the public sector bailing out private creditors.
- There is need for a more coordinated effort from development finance partners on how to address the emerging debt crisis.

Conclusion

The impacts of a combined COVID-19 health pandemic and a global recession could be disastrous for the world's most vulnerable countries such as LDCs, LLDCs and SIDS and will likely halt or potentially even reverse their progress towards the Sustainable Development Goals. Thus LLDCs extend their aspirations included in the Vienna Programme of Action for the LLDCs for the Decade

2014-2024. We therefore urge our development partners, transit countries, South-South partners, UN Development System, Multilateral Development Banks, IMF, private sector and foundations to act on our calls as early as possible. We urge the Secretary-General of the United Nations to take the lead in mobilizing support to ensure that the LLDCs are not left behind.

In addition, the LLDCs are open, collectively or nationally, for a dialogue with the development partners, UN agencies, donors, IFIs and the private sector representatives to discuss practical deliverables, which could include the issues indicated in this document as well as any possible practical projects.