Source: UNCTADStat

If LLDCs were falling behind the VPoA goals before 2020, the global pandemic has almost put their achievement out of reach. According to the latest estimates[1], global GDP is estimated to contract by 4.3% in 2020 a steeper fall than experienced during the recession of 2009. National lockdowns, limits to social gatherings, and shop as well as border closures have severely impacted both global supply and demand. Unemployment in some sectors has grown significantly, while in others work has continued remotely. The strongest economic effect of the pandemic (in pure monetary terms) is felt in the developed countries, which are estimated to see a GDP contraction of 5.8%. In developing countries and LDCs, where the health impact of the pandemic appears to have been more muted so far, the contraction is estimated to be more limited, at 2.1% of GDP.

However, given their greater vulnerability to the crisis, the adverse socio-economic impact of the crisis is likely to affect developing countries the most. In developed countries, significant efforts have been made to mitigate the socio-economic effect of national lockdown measures. In addition to the regular operation of social and unemployment insurance, developed countries have implemented large fiscal support measures to support companies and consumers affected by the crisis. According to UNCTAD calculations, the median developed and transition economy has provided 4.5% of GDP in additional spending or foregone revenues to cushion the impact of the pandemic, as well as 5.6% of GDP

In developing countries, lack of financial means and inadequate social support mechanisms have meant that the support was more limited or non-existent. The median developing country spent only 2.1% of GDP in additional spending (translating into US$ 76 per person). In LDCs, the support was even more limited: While the median LDC provided 1.9% of GDP, the smaller size of the GDP meant that this translated to only US$ 17.8 per person.

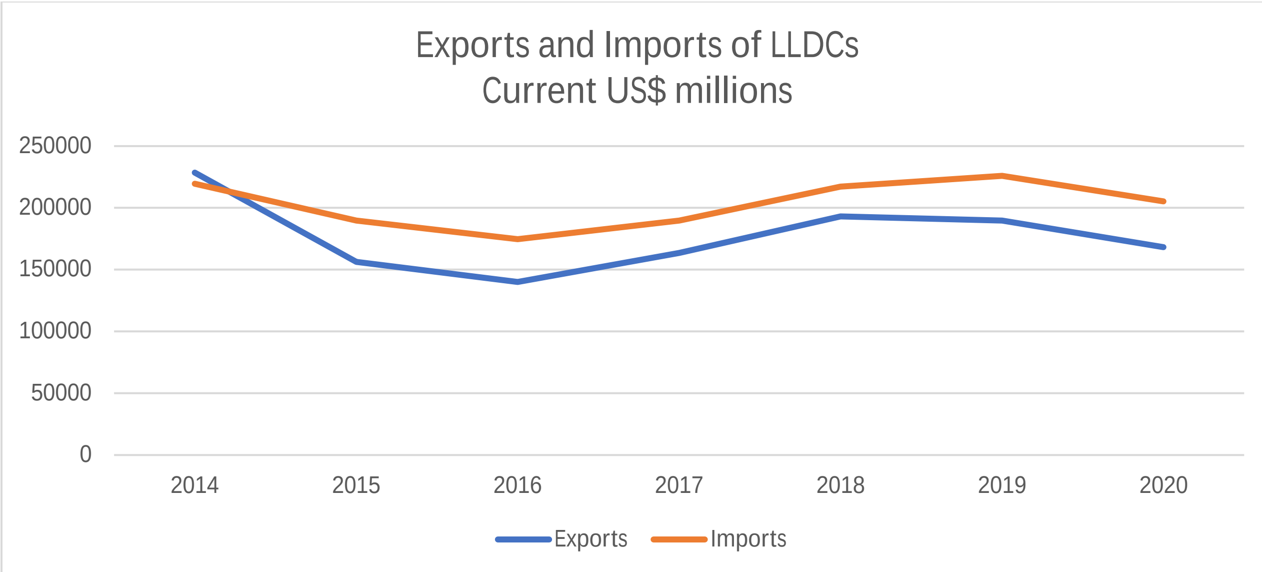
The economic impact of the pandemic on LLDCs exceeds that seen in the 2008/9 financial crisis, which was largely concentrated in developed countries. The pandemic will therefore likely have a significant impact on human development indicators, including poverty and hunger. According to the latest estimates by the World Bank, the number of additional people in extreme poverty in 2020 will be between 119 and 124 million, with 60% of the increase in South Asia.[2] While there is no country-specific data on the poverty impact in LLDCs, it is likely that the impact will be severe. Furthermore, there is growing concern about the rise in food price indices and the likely impact on nutrition. While agricultural food supply remained relatively stable in 2020, there has been an increase in average food prices in early 2021, raising concerns about the potential impact on malnutrition.

## III. Status of implementation of the priorities of the Vienna Programme of Action

### a.) Transit Policy Issues

The health and safety measures taken to combat the coronavirus-pandemic in 2020 have had an adverse impact on transit transport for LLDCs. Slower customs clearance due to additional health measures, entry restrictions, and reduced availability of authorized border points have impeded the flow of cargo. According to a recent study by UNECLAC these obstacles had a greater impact on trade delays for many LLDCs during the pandemic than hindrances at seaports.[3] As a result of these concerns, in June 2020, the Secretary-General of UNCTAD joined the heads of several UN agencies in calling on transit countries to refrain from imposing unjustified restrictions on transit ned the heads

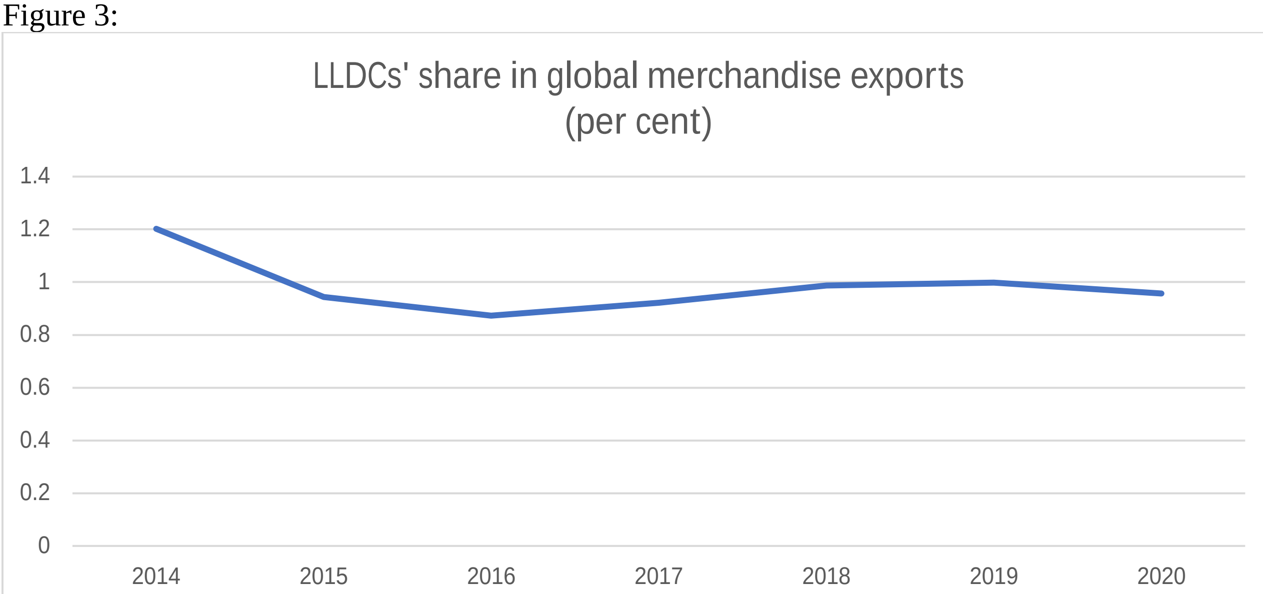
However, several countries have continued their efforts to improve transit transport. For example, a regional transit solution that interconnects Customs IT clearance systems for exchange of transit



Source: UNCTADStat

have declined to 0.96% in 2020, down from 1 % in 2019 (see Figure 3).

Figure 3:



Source: UNCTADStat

The trade balance of LLDCs reached a low of -34 bn (20% of imports) in 2016, before recovering to -22.9 bn (10.7% of imports) in 2018. However, it again deteriorated to -36 bn in 2019 (16% of imports) and -37 bn in 2020 (18% of imports). While the effect of the pandemic on the trade balance appears less strong than feared, LLDCs have now been running trade deficits for 6 years in a row, creating concerns about the longer-term impact on debt (See Figure 4). Lagging exports over imports means that LLDCs are forced to finance their import requirements through ODA, FDI or loans, which may further exacerbate their external debt burden. Persistent trade deficits can also have an impact on domestic employment, particularly, if imports are dominated by consumer items instead of capital goods.

Figure 4:

Source: UNCTADStat

-dependent, their export performance is strongly influenced by commodity- -price index dropped by more than 34% between January and April 2020 but has since recovered and even increased (See Figure 5)

Source: UNCTADStat

The falls in commodities prices could have a significant impact on the trade balance of commodity-dependent economies, as imports tend to adjust to reduced exports only with a delay. However, in the case of a combined supply and demand shock, such as the pandemic, imports are likely to be affected as much as exports.

d.) Regional Integration and cooperation

In the reporting period, LLDCs continued to pursue regional integration and cooperation as a means of overcoming the challenges of being landlocked.

On 1 January 2021, trading under the African Continental Free Trade Area, which includes all 16 African LLDCs, formally began. 36 African countries have so far ratified the AfCFTA, including 13 LLDCs.

In addition, three LLDCs (Georgia, North Macedonia and the Republic of Moldova) have

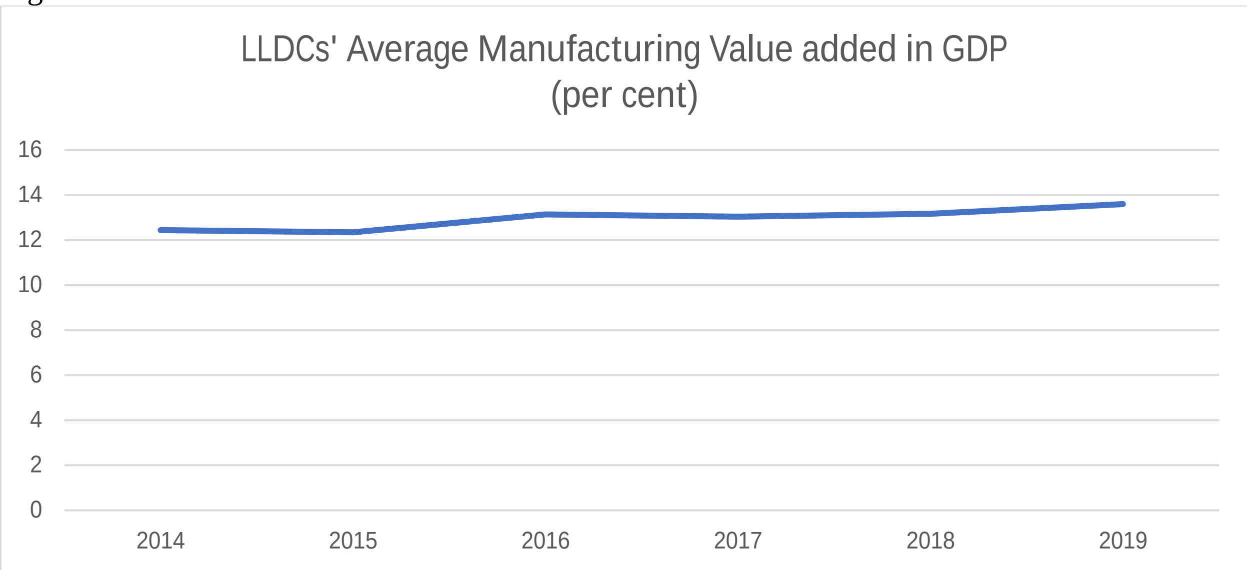
departure from the European Union.

e.) Structural economic transformation

to 0.31 over the same period (For country-specific concentration indices, see the UNCTAD Merchandise Export Concentration Index at https://unctadstat.unctad.org/EN/).

There has been a mild improvement in the average share of manufacturing value added in the GDP of LLDCs, from 12.4% in 2014 to 13.6% in 2019 (see Figure 6).

Figure 6:




Source: UNCTADStat

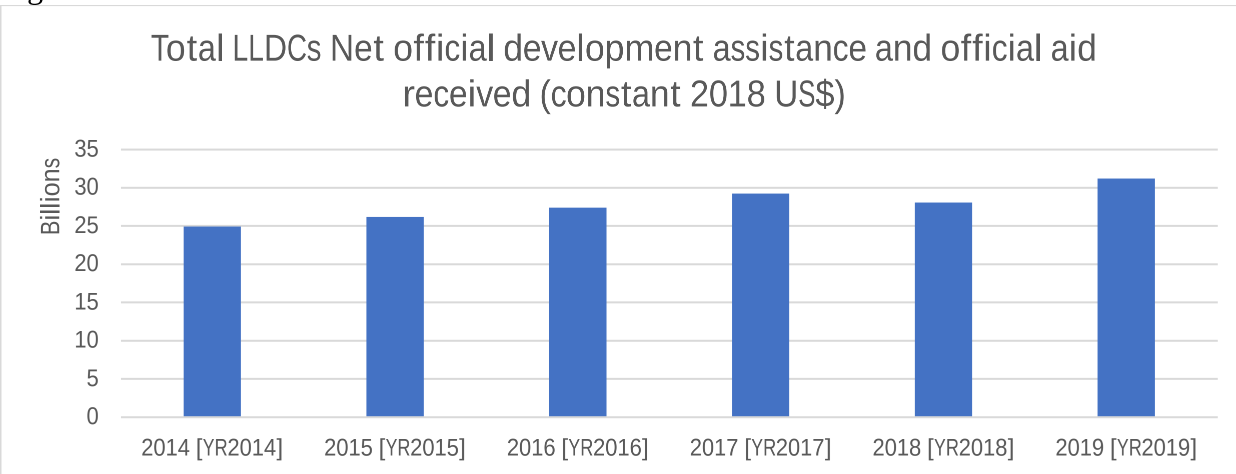
f.) Means of implementation

The pandemic is adversely affecting LLDCs not only through its direct impact on the health of their citizens and the socio-economic impact of domestic lockdowns, but also indirectly through international transmission channels, such as reductions in trade and investment, and ODA and remittance flows. Furthermore, many LLDCs have seen sharp reversals of capital flows. Together, these can lead to debt-crises in some LLDCs, which could exacerbate their socio-economic situation even further.

In terms of FDI, UNCTAD estimates that global FDI inflows will contract by up to 40% in 2020, from their 2019 value of US$ 1.54 trillion, bringing total annual FDI flows below US$1 trillion for the first time since 2005.[5] Most of this decline is due to a reduction in FDI flows in developed countries (75%), while FDI flows to developing countries only decreased by 16% on average in the first half of 2020. Flows were 28% lower in Africa, 25 in Latin America and the Caribbean, and only 12% in Asia. However, developing countries saw a relatively larger fall in greenfield projects (-49%) than developed countries (-17%), due to their greater reliance on extractive industries.

As a result, the 32 LLDCs are likely to struggle with the economic impact of the pandemic on FDI inflows. Their common disadvantage has become acute at a time when borders are closed for health reasons; these closures affect LLDC trade and investment links disproportionately, as they cannot turn to direct sea transport. Border closure measures also hinder regional integration efforts, which

Figure 7:




Source: World Development Indicators

Many LLDCs have seen their debt levels rise in recent years, and the growing demands for fiscal expenditure to contain the pandemic combined with reduced revenues are creating risks of debt crises. In May 2020, the G20 and the World Bank as well as the IMF established the Debt Service Suspension Initiative, which allows 73 eligible countries to temporarily suspend the servicing of their official debt to bilateral creditors until 30 June 2021[9]. The list of eligible countries includes 22 LLDCs, 9 of which are at high risk of external debt distress, while another 7 are at moderate risk. 14 LLDCs have already taken advantage of the initiative.

## IV. Follow-up and review

In the reporting period, UNCTAD continued to implement a series of activities to support the implementation of the priorities of the Vienna Programme of Action and the Roadmap for accelerated implementation.

a.) Fundamental Transit Policy Issues

UNCTAD has supported a large number of LLDCs and their partners transit developing countries during 2020 with implementation of trade facilitation and transit obligations, mainly in the framework of the WTO Trade Facilitation Agreement (TFA), but also in the context of regional and sub-regional trade agreements and Customs arrangements such as the AfCFTA, EAC, ECCAS, ECOWAS, SACU, and the GMS agreement.

Transit is one of the fundamental articles of the WTO TFA, addressing the issue in detail in Article 11, as well as in a number of other of the obligations of the agreement, such as in relation to Transparency, Fees and Charges, Formalities such as Pre-arrival processing, and Border Agency Cooperation. Article 11.16 and 17 contains recommendations regarding the coordination of transit within and between countries and the appointment of so-called Transit Coordinators. The issues

[9] https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative

are not elaborated in detail in the said articles. UNCTAD has therefore developed a specific workshop on Transit Coordination that is particularly interesting for regional organizations and groupings of land-locked and transit countries w5hop on Transit Coordination (on8W* n)-9view* non80000912 of the programme to local port managers of Puerto Jennefer, which is situated in the East of the policy recommendations to enhance their capacity to engage in and benefit from e-commerce. Out of the 25 Least Developed Countries (LDCs) that have been assessed in the past three years, 11 are LLDCs: Afghanistan, Bhutan, Burkina Faso, Lao PDR, Lesotho, Malawi, Mali, Nepal, Niger, Uganda and Zambia. Additional requests from LLDCs have been received from Burundi, Mongolia and Zimbabwe. UNCTAD has also provided support to Rwanda in 2020 for the development of a national e-commerce strategy.

All the assessments have been conducted in collaboration with *eTrade for all* partners, who have provided inputs to the analyses, and in some cases also technical support for the implementation of a number of eT Ready policy recommendations. Table 1 shows a non-exhaustive list of partners with whom UNCTAD has collaborated in the conduct of the eTrade Readiness Assessments:

Table 1: Partners involved in eTrade Readiness Assessments

ESA5-EU EPA deepening negotiations in the aeras of trade and sustainable development and rules of origin.

The WTO accession process represents a daunting challenge for acceding countries as it involves significant trade policy reforms and institution building. This is particularly the case for acceding LLDCs which are often suffering from lack or weak institutional and administrative settings to coordinate the WTO accession preparatory work and to deliver on the substantive technical requisites. In this context, help them deliver a sustainable training package to new industry entrants through a Training-the-Trainer approach.

Additionally, on the capacity building side, UNCTAD implemented a j
Development Account Project on Services Trade in Africa and provided virtual technical assistance to the government of Ethiopia on trade policy, including transport services development.

UNCTAD published the second UNCTAD Creative Economy Outlook and Country Profile report, which contains country profiles of five LLDCs, Afghanistan, Burkina Faso, Burundi, Malawi and Niger, and highlights the potential of harnessing the Creative Economy for development.

In the area of trade facilitation, UNCTAD supports the automation of customs clearance processes through its ASYCUDA programme. As of the end of 2020, the ASYCUDA system is implemented in 21 out of 32 LLDCs (66%), including Afghanistan, Bolivia, Burkina Faso, Burundi, Central

ASYCUDAWorld to the COVID-19 situation, cope with its related measures at the workplace and reduce direct interaction. The recommendations dealt with implementing and promoting further paperless processing, tailoring the ASYCUDAWorld risk management module, reviewing organizational arrangements, implementing tax policy changes, adjusting the ICT infrastructure and performing trade data analysis to monitor the impact of the pandemic.[16]

In order to better tailor its general assistance to user-countries, the Programme designed and shared a survey with its user-countries. The ASYCUDA COVID-19 Customs Administration Survey was launched by UNCTAD to rapidly gather data in assessing the current conditions in the Customs Administration, to facilitate the implementation of UNCTAD guidelines for coping with COVID-

Republic, Lesotho, Nepal, Niger, Rwanda, Turkmenistan, Uganda, Zambia, and Zimbabwe.

LLDCs also benefitted from ad-hoc ASYCUDA assistance to cope with the economic crisis

suppliers of health-enhancing foods or individual ingredients. A second a study will assesses the experience of several developing countries in sustainably harnessing their biodiversity resources

holders of the resources, and examine the policy and institutional frameworks that have assisted the successful countries in the preservation and sustainable use of biodiversity and biogenetic materials, as well as how binding constraints are unlocked and what incentives have been provided by the governments of in support of the development of biogenetic and biodiversity products. UNCTAD furthermore launched a study specifically examining the challenges and opportunities for bioprospecting in the Republic of Paraguay and the Plurinational State of Bolivia.

To further support developing countries in their efforts to diversify their economies, attract higher levels of FDI and promote sustainable development, UNCTAD conducts diagnostic studies of the legal, regulatory, institutional, and operational environment for investment, called Investment Policy Reviews (IPRs). IPRs encourage official development assistance and investment in countries where needs are greatest.

In 2020, UNCTAD began preparing for a regional IPR of the Eurasian Economic Union, whose membership includes a number of LLDCs. Over the reporting period UNCTAD also conducted several IPR follow-up activities to the benefit of LLDCs, including providing strategic advice to

-19 pandemic.

Responding to a recommendation formulated by a previous independent evaluation, UNCTAD also developed an online platform that enable beneficiary countries to report when an IPR recommendation has been implemented and how it has been done, thereby enabling the provision of timely and relevant policy advice and support to countries while travel restrictions and social distancing. So far, Burkina Faso and Uzbekistan have taken steps to use the tool.

UNCTAD continued its support on the reform of the international investment regime through research and policy analysis, consensus building, and technical assistance activities. Over the reporting period, UNCTAD provided a range of these services to several LLDCs. In February 2020, UNCTAD conducted an IIA review for the Kyrgyz Republic.

In June 2020, UNCTAD delivered a webinar for AU member states, including 16 LLDCs, to provide expert consultations on the African Investment Protocol of the African Continental Free Trade Area (AfCFTA). Pursuant to this, UNCTAD contributed to an Expert Meeting organized by the AU on the African Investment Protocol on `COVID-
where discussions were centred on COVID-19 and its relation to the risk of a potential rise in ISDS cases in Africa. This, along with a series of discussions, led to
the Risk of Investor- -19 related measures, which
will help to ensure that African governments -3(ona)4(l )7ol7>4035asur07 9,'

SADC, which brought together over 90 participants from 18 African countries, 5 of which were LLDCs, and allowed for the exchange of IPA experiences in response to the pandemic and the sharing of best practices in order to improve future IPA operations and strategies in the region. UNCTAD also delivered a presentation to the RIAFPI (Réseau des agences francophones de promotion des investissements) on recent investment trends and strategies for FDI attraction.

At the Investment Promotion Agency Awards 2020, the Rwanda Development Board won the award for the effective use of its advanced online business promotion and registration services

statistical bulletins and most reported punctually to international databases managed by the World Bank.

## Conclusions and Recommendations

The Covid-

As can be observed from the report above, LLDCs have benefited from an extensive number of activities undertaken by UNCTAD. However, more resources both from regular and extra-budgetary sources are needed to respond to all the request from LLDCs and sustain interventions in support of these countries.

| | |
|---|---|
| Lesotho | AW |
| Macedonia | A++ |
| Malawi | AW |
| Mali | AW |
| Nepal | AW |
| Niger | AW |
| Republic of Moldova | AW |
| Rwanda | AW SW |
| Turkmenistan | AW |
| Uganda | AW SW |
| Zambia | AW |
| Zimbabwe | AW |

* A++= ASYCUDA++; AW = ASYCUDAWorld; SW= Single Window