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Strengthening of the United Nations system

Note verbale dated 6 May 2020 from the Permanent Mission of Malawi to the United Nations addressed to the Secretary-General

In its capacity as Chair of the Group of Least Developed Countries, the Republic of Malawi, through its Permanent Mission to the United Nations, has the honour to transmit herewith a letter dated 29 April 2020 from the President of the Republic of Malawi (see annex) conveying the statement by the Group on the coronavirus disease (COVID-19). The statement reiterates the unique development context of the least developed countries and highlights the need for those countries to be prioritized in the COVID-19 response.

It would be appreciated if the present note verbale and its annex could be circulated as a document of the General Assembly, under agenda item 123.



Annex to the note verbale dated 6 May 2020 from the Permanent Mission of Malawi to the United Nations addressed to the Secretary-General

I have the honour to share with you a statement by the Group of Least Developed Countries on the coronavirus disease (COVID-19) (see enclosures I and II). The statement reiterates the unique development context of the least developed countries and highlights the need for those countries to be prioritized in the COVID-19 response. We request that the statement be shared with all States Members of the United Nations.

(Signed) Arthur Peter **Mutharika**
President of the Republic of Malawi

Enclosure I

Statement dated 28 April 2020 of the Group of Least Developed Countries on the coronavirus disease (COVID-19): burgeoning challenges and a global stimulus package for the least developed countries

Short version

We are in the midst of a most challenging time brought about by the coronavirus disease (COVID-19) pandemic. It has brought our world to a standstill with unparalleled and unforeseen impacts on our lives, economies, societies and livelihoods. Hundreds of thousands have already lost their lives, and the entire world is struggling to cope with the impacts.

COVID-19 is unfolding in least developed countries at an alarming rate, with many already experiencing community transmission. At present, nearly 300 deaths and 9,000 known positive cases are recorded in these countries (Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, 19 April 2020). This number might be the tip of the iceberg as most of these countries do not have sufficient kits, know-how or laboratory facilities to conduct sufficient testing.

The least developed countries are already suffering severe consequences in the form of commodity price shocks and loss of exports, investment and remittances, along with a rapid plummet in tourism, with long-term ripple effects. The projected global recession will hit these countries hard, and with disproportionate consequences.

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. We also appreciate the countries of the Group of 20, the International Monetary Fund, the World Bank, the World Health Organization and other multilateral and bilateral development partners for their swift actions in the form of emergency health support, debt relief and other economic assistance.

Nevertheless, these already announced support and assistance efforts are not sufficient for least developed countries to meet the challenges that they are facing. We need stronger domestic measures and significantly scaled up international support to address the unparalleled social and economic impact of COVID-19. We are therefore calling for a global stimulus package for the least developed countries to be funded and implemented with immediate effect.

The package includes the following measures.

A. Immediate short-term measures

1. **Emergency public health package for the least developed countries.** To save lives and to protect public health systems, we urgently need an emergency public health package for the least developed countries. This package should comprise: (a) 100 million each of personal protective equipment and testing kits; (b) 100,000 ventilators and supplementary equipment; (c) 10 to 50 medical doctors and nurses to each least developed country, upon request, to treat COVID-19 patients and train doctors and health-care professionals; (d) support for the launch of tele-health and telemedicine vendors, under the auspices of the World Health Organization, supported by doctors in Northern and Southern countries; and (e) the lifting of all tariffs and

non-tariff restrictions on the import of medical equipment by least developed countries.

2. **Support for social protection systems.** Millions living in extreme poverty and the recently unemployed in least developed countries are now struggling to meet their daily calorie needs. With a view to providing direct support in the form of cash or food to at least 350 million poor people in these countries for a period of 12 months, we are urging our development partners to provide an immediate allocation of \$5.2 billion in emergency assistance as fresh funds (additional to official development assistance (ODA)) as direct budgetary support to our Governments.

3. **Education support for students.** Millions of students in least developed countries, including over 111 million girls, are staying at home owing to the pandemic, and most are unable to receive virtual education. We therefore need immediate support in the form of digital equipment, including low-cost laptops or other devices, for students where the Internet is available, as well as educational radio and television programmes and the distribution of equipment such as radios and textbooks to the poorest and marginalized households, especially for girls. Students also need food-for-education programmes and other health and hygiene-related support.

4. **0.15 per cent of gross national income as ODA to least developed countries.** As least developed countries are losing fiscal revenue at a massive scale and the pressure on government exchequers is skyrocketing, these countries need additional financial support from all their partners. At this critical time, we are urging our development partners to provide at least 0.15 per cent of their gross national income as ODA to least developed countries in 2020, which is within the lower boundary of their existing pledges. This will generate an additional \$43 billion in additional ODA. Countries of the South should increase their grants-based and concessional financial assistance to least developed countries.

5. **Full debt cancellation.** While we appreciate the recent debt relief initiative offered to some least developed countries, we underline that all members of this Group are in serious financial constraints. We therefore urge all creditors and development partners to: (a) grant debt relief for all least developed countries with immediate effect and until the decision on debt relief is made; (b) announce immediate debt standstill for all least developed countries; (c) private and commercial creditors to join this debt cancellation and debt moratorium; and (d) provide grants-based ODA or highly concessional ODA with a grace period of at least 10 years to avoid future debt default.

6. **Lifting trade barriers and scaling up aid for trade.** Earnings of least developed countries from external sources are dependent primarily on garments and apparel, commodities, remittances and tourism. All these sectors are seriously affected. We therefore call for: (a) the complete elimination of tariffs and non-tariff barriers by our partners on health-related products for least developed countries; (b) importers of goods from least developed countries not to cancel any existing orders or to penalize least developed country exporters for not being able to meet delivery schedules; and (c) the provision of an increased share of aid for trade to least developed countries to build their export capacity and foster diversification.

7. **Additional allocations, including increased special drawing right allocations for least developed countries.** Owing to the decline in export earnings, remittances and other income flows, many least developed countries are likely to face serious balance of payment and current account deficits. We are calling for: (a) increased resources for least developed countries from the Poverty Reduction and Growth Trust, the Rapid Financing Instrument and the Rapid Credit Facility, as well as other multilateral windows; and (b) the immediate issuance of special drawing

rights for least developed countries, to the tune of at least \$50 billion, as part of new special drawing right allocations, which could be done through reallocating special drawing rights from high-income countries to least developed countries.

8. **Protection of migrants of least developed countries and promotion of their remittances.** Remittances to least developed countries are projected to fall by about 20 per cent, representing a loss of a crucial financing lifeline for many vulnerable households. We call upon the host countries of migrant workers: (a) to protect the jobs of migrant workers; (b) to extend to them the same social protections and safety net measures as those granted to host country nationals; and (c) to waive transaction fees for the remittances of nationals of least developed countries until the pandemic is completely over.

B. Medium- to long-term measures

In the medium to long term, we are calling for the following international support:

- Ensure an adequate, affordable and rapid supply of vaccines/immunization and antiviral drugs related to COVID-19, when they are developed
- Provide technology, technical know-how and free licence to manufacture antiretroviral drugs and vaccines, when they are developed and approved for mass use after necessary controlled clinical trials
- Launch stimulus packages to stabilize the agricultural sector with seed distribution and fertilizer programmes and subsidies for the adoption of necessary technologies to ensure adequate food production in domestic markets
- The debt sustainability framework for least developed countries should systematically take into account structural constraints and longer-term investment requirements for the implementation of the Sustainable Development Goals
- Members of the World Trade Organization should launch a renewed and revitalized global trade framework to promote export earnings of least developed countries and to enable them to achieve the Sustainable Development Goal target to double their export earnings
- Promote the use of digital transfers of remittances and reduce remittance transaction fees
- Enhance the quality, availability and affordability of the Internet and other online-related facilities, especially in rural areas
- Provide countries graduating from the least developed category with continued and scaled up international assistance to support export sectors in order to avoid the reversal of development gains

We urge our development partners, countries of both the North and the South, the United Nations development system, multilateral development banks, the International Monetary Fund, the private sector and foundations to act on our calls as early as possible. We urge the Secretary-General and the Deputy Secretary-General of the United Nations to take the lead in the implementation of the stimulus package for the least developed countries.

Enclosure II

Statement dated 28 April 2020 of the Group of Least Developed Countries on the coronavirus disease (COVID-19): burgeoning challenges and a global stimulus package for the least developed countries

Full version

I. Introduction

The coronavirus disease (COVID-19) outbreak has emerged as an apocalyptic pandemic. This deadly pathogen is spreading at a rapid rate, reaching the farthest corner of the world. Today's crisis is unfolding against a backdrop of already strained global trade, stagnating foreign aid budgets, plummeting commodity prices, protracted conflicts and severely constrained fiscal space in the least developed countries (LDCs). At the same time, LDCs are still severely affected by external shocks, such as extreme weather events, as well as conflict.

The virus is attacking country after country at an unfathomable speed and magnitude. It has brought our world to a standstill with unparalleled and unforeseen impacts on our lives, our economies, our societies and our livelihoods. Any assessment of the impact of this crisis on the economy and our society is quickly surpassed by the fast-changing reality. The global economy is quickly descending into an unprecedented recession and the World Trade Organization (WTO) has warned that the pandemic might cause dramatic supply and demand shocks. The global economy could shrink by almost 1 per cent this year (0.9 per cent) owing to the COVID-19 pandemic, and world output could contract further if restrictions imposed on economic activities extend to the third quarter of the year and if fiscal responses fail to support income and consumer spending (Department of Economic and Social Affairs).

Thousands of lives are already lost, and the world economy is being shattered at a magnitude unforeseen by our generation. Production is severely disrupted, trade is waning, migration and remittances are falling, capital markets are collapsing and investment is going to see a record fall. Large groups of people with informal jobs are projected to fall back into poverty in our countries. Women and girls will be among the hardest hit, and more than 500 million additional people could be pushed into poverty unless urgent action is taken to bail out poor countries affected by the economic fallout from the COVID-19 pandemic (Oxfam, 2020).

COVID-19 has started unfolding in LDCs at an alarming rate, with many of them already experiencing community transmission. At present, nearly 300 deaths and 9,000 known positive cases are recorded in LDCs (Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, 19 April 2020). This number might be grossly undercounted as most LDCs do not have sufficient testing kits and other medical equipment, including personal protective equipment such as respirator masks (N95 masks), technical know-how and necessary laboratory facilities to conduct testing in their countries.

The high prevalence of malaria, HIV/AIDS, tuberculosis and malnutrition may make the disease even harder to cope with in LDCs, especially as the pandemic is likely to coincide with the peak period of the malaria season in 2020.

Experts have warned that the rapidly increasing demand for health services due to COVID-19 may leave health systems in most countries overwhelmed. This is

particularly disastrous in LDCs, where public health systems are weak and up to 75 per cent of people lack access to soap and water (United Nations Development Programme, 2020). Furthermore, most LDCs have virtually non-existent or weak facilities to provide intensive care and have very few ventilators available.

LDCs have adopted various preventive measures, including declaration of a state of emergency, lockdown, quarantine for travellers, shutdown of land borders and passenger air transport, social distancing, nationwide curfew and closure of businesses, offices, schools and universities.

However, social distancing and lockdown measures are more difficult to apply in countries where the vast majority of the population depends on a daily income to survive and most often lives in densely populated slums and urban settlements.

With their already narrow and weak economic structure, LDCs are likely to suffer severe consequences of the projected global economic slowdown in the form of commodity price shocks and loss of exports, investment and remittances, along with a rapid plummet in tourism, with long-term ripple effects. Loss of market predictability and investor confidence will also affect the flow of foreign direct investment, as well as investment from domestic sources.

These will have consequential spillover effects on the money and capital markets in the form of growing non-performing loans, tumbling stock prices, increased capital outflows and widening bond spreads. There are also signs of weakening national currencies.

Furthermore, most LDCs are dramatically increasing spending to combat the pandemic despite their limited fiscal space and the rapid reduction in government revenue. With a median tax-to-gross domestic product (GDP) ratio in LDCs of 15.5 in 2017, LDCs were hardly able to provide adequate services to their populations before the pandemic. Many LDCs are increasing social spending to reduce the devastating impact on their large poor populations. This is putting a heavy pressure on public finance, causing balance of payment deficits and raising the likelihood of sovereign debt defaults, further devastating their resilience.

LDCs need stronger domestic measures and significantly scaled up international support in addressing the unparalleled social and economic impact of COVID-19. They immediately need urgent fiscal and monetary measures that help to protect jobs, sustain the self-employed and support companies' liquidity and operations and accelerate recovery in the future.

II. Serious shortage of medical equipment and limited scope to expand

In LDCs, health-care resources are already strained in the best of times and essential defensive measures against infectious diseases are almost absent. They have very limited hygiene and health facilities, which is allowing the virus to spread at accelerated rates. LDCs have on average 0.6 nurses and midwives, 0.3 physicians and 1.1 hospital beds per 1,000 population, and public expenditure on health care is less than 2 per cent of their GDP on average. Their already stretched health systems are proving incapable of tracing, isolation and quarantine. Experts warn that COVID-19 will devastate countries that lack health-care equipment and infrastructure.

In the absence of vaccination or therapeutic medicine, ventilators have emerged as a defining intervention of critical care medicine for COVID-19 treatment. Many LDCs do not have any testing kits for diagnosis or ventilators for treatment. South Sudan, for example, has just four ventilators and 24 intensive care unit beds for a

population of 12 million people, while Burkina Faso has 11 ventilators, Sierra Leone – 13 and the Central African Republic – 3 (CNN). Even when LDCs have some ventilators, they do not have the technologically advanced intensive care units needed to use ventilators and other supplementary equipment to treat COVID-19 patients. This is linked to often very low rates of access to electricity that would be needed to operate advanced health-care facilities. Furthermore, a shortage of necessary expertise and technical know-how is another perennial challenge that LDCs have been facing.

As a result of border and airport closures, as well as travel bans, international trade and supply chains are seriously disrupted. This is having a severe impact on the seamless supply of the essential medical equipment related to COVID-19 testing kits, personal protective equipment and ventilators. The supply of these essentials is seriously insufficient compared with their skyrocketing needs. Only a limited number of countries have the capacity to manufacture and export those items of equipment at a larger scale.

While developed countries with a prevalence of COVID-19 are managing to procure the essential equipment and kits through special arrangements by quickly retrofitting domestic manufacturing industries and making special arrangements for importing these materials from abroad, LDCs are not able to pursue either of those options owing to their lack of capacity and resources. High demand and export restrictions on certain items are causing significant increases in the price of medical equipment, which is likely to shoot up further.

LDCs are therefore in the midst of an imminent threat to be disproportionately affected by the COVID-19 pandemic in terms of loss of human lives and the destruction of their economies, which will ultimately lead to economic retrogression.

III. A call for an emergency public health package for the least developed countries

As the situation is rapidly unfolding in LDCs with their nearly absent medical infrastructure, equipment and technical know-how, the global community must assist LDCs in expanding their health facilities, including by providing equipment such as personal protective equipment, sanitization and other protective measures for front-line workers, and provide a sufficient number of ventilators and other supplementary equipment. LDCs also need an uninterrupted supply of essential medicines and equitable and affordable access to vaccines and medication. LDCs also require medical professionals from abroad to train their doctors and nurses for treatment and care.

While LDCs are doing their best to address this overwhelming public health emergency, we call upon our development partners, United Nations system organizations and the multilateral development banks to launch an emergency public health package for LDCs with the following specific measures:

- Provide financial support to procure personal protective equipment in terms of masks, gloves, gowns and shoe covers and testing kits to the tune of at least 100 million sets, including through support for increased production in LDCs, where possible, and imports from development partners
- Immediately provide 100,000 ventilators (at 1 ventilator per 10,000 people) and supplementary equipment to furnish an equal number of intensive care units in LDCs (to be distributed based on population size and country's propensity to the spread)

- The immediate lifting by partner countries of all tariffs and non-tariff restrictions on the import of medical equipment and agricultural products by LDCs
- Ensure an adequate, affordable and rapid supply of vaccines/immunization and antiviral drugs related to COVID-19, when they are developed
- Provide technology, technical know-how and free licence to manufacture antiretroviral drugs and vaccines, when they are developed and approved for mass use after necessary controlled clinical trials
- Immediately send, upon request, 10 to 50 medical doctors and nurses with expertise and experience in treating COVID-19 patients to each LDC for a period of at least six months to support the treatment of existing patients and to train the doctors and nurses in LDCs
- Immediately open virtual tele-health and telemedicine vendors, coordinated by the World Health Organization, with virologists working in developed and advanced developing countries to provide 24-hour treatment and care services for patients and doctors treating COVID-19 patients in LDCs
- Provide urgent assistance to LDCs to improve energy access in health-care facilities through decentralized energy solutions needed to operate the centres and refrigerate vaccines and medications

IV. Support for social protection systems

Owing to economic shutdowns in many LDCs, unemployment is rising at a massive scale. Many of the low-income workers in the informal sector in LDCs do not have any savings to meet their daily essential needs for food, nutrition and health services. Before the pandemic, LDCs already had around 350 million people living in extreme poverty and around 240 million malnourished. These numbers have significantly increased owing to large-scale COVID-19-related layoffs and closures of businesses, industries and enterprises. Millions in LDCs are now facing challenges in meeting their daily calorie needs. Serious disruptions in access to food and nutrition are likely to occur, which will result in serious food insecurity, thereby reversing the achievements in Sustainable Development Goals 1 and 2.

With their tighter fiscal space and rapidly falling fiscal revenue, LDCs are seriously constrained in providing necessary social protection. Comprehensive universal social protection systems are needed now more than ever to protect workers and enhance people's capacity to manage and overcome shocks. It is vitally important to continue to meet the basic needs of the most vulnerable, including through the delivery of essential food and nutrition assistance to food insecure and malnourished groups in LDCs. In this regard, we call for the following:

- Governments should establish or strengthen social protection mechanisms to protect the most vulnerable populations. With a view to providing direct support in the form of cash or food to at least 350 million people living in poverty in LDCs for a period of 12 months (at \$1.25 per day), we are urging our development partners to provide an immediate allocation of \$5.2 billion in emergency assistance as fresh funds for our countries as direct budgetary support to our Governments. These funds should be additional to the existing ODA support for LDCs to ensure that the ongoing priorities, sectors and projects funded by ODA are not jeopardized or undermined. This is important for safeguarding ongoing progress in the implementation of the 2030 Agenda for

Sustainable Development in LDCs, which was already lagging behind before the pandemic struck.

V. Food and nutrition security

According to the *Global Report on Food Crises* of 2020, even before the pandemic, almost 135 million people in 55 countries or territories were classified in crisis conditions or worse (phase 3 or above of the Integrated Food Security Phase Classification (IPC) and Cadre harmonisé (CH)). Among them, 91.44 million live in 32 LDCs. Of the 10 worst food crises in 2019 by number of people in crisis conditions or worse (IPC/CH phase 3 or above), 7 were in LDCs. The report suggests that the acutely food insecure in need of urgent humanitarian food and nutrition assistance are the most vulnerable to the consequences of COVID-19 as they have very limited or no capacity to cope with either the health or the socioeconomic aspects of the shock. Furthermore, there are already signs of food price surges, export bans by some food-exporting countries or revenue loss due to economic contraction. Trade in commodities constitutes a major share of trade of LDCs. LDCs devote 22 per cent of their merchandise export revenue to food imports. Collectively these factors will have grave consequences on food security in LDCs.

We urge the following measures to ensure food safety and security in LDCs:

- Trade channels should be kept open so that international markets can play an instrumental role in avoiding food shortages and mitigating the inevitable global economic downturn. In addition, food-exporting countries should ensure that smooth transborder movement of food commodities is not hampered by border closures as a way of controlling the spread of COVID-19
- Major food-exporting countries need to respect their commitments under the rules of WTO to ensure the free flow of food products and refrain from imposing export bans and other export trade distorting measures that can hamper the availability of food imports in vulnerable food-importing countries
- Governments of LDCs, with the support of their development partners, should launch stimulus packages to stabilize the agricultural sector with seed distribution and fertilizer programmes and subsidies for tractors and other machinery to ensure adequate food production in domestic markets

VI. Education

Apart from public health and economic impacts, COVID-19 is creating an education emergency that is having devastating impacts on children in LDCs. Of the total population of students enrolled in education globally, the United Nations Educational, Scientific and Cultural Organization (UNESCO) estimates that over 89 per cent are currently out of school because of COVID-19 closures – a situation that is similar in LDCs. UNESCO estimates that in LDCs, where getting an education is already a struggle, over 111 million girls are staying at home. UNESCO warns that school closures have the potential for increased dropout rates, which will disproportionately affect adolescent girls, further entrench gender gaps in education and lead to increased risk of sexual exploitation, early pregnancy and early and forced marriage. This will have a serious impact on achieving Sustainable Development Goals related to education, health and gender.

Large-scale national efforts to utilize technology in support of remote learning, distance education and online learning during the COVID-19 pandemic are emerging and evolving quickly. Digitalization has allowed remote learning for millions of

students in the advanced economies. In LDCs, only one in five people have access to the Internet. This limits the ability of students to remain connected in the event that schools are closed. Furthermore, the insufficient quality of broadband services is restraining the ability to use teleconferencing tools. The quality, availability and affordability of the Internet and education and other online-related facilities must be enhanced, especially in rural areas, and especially in the long run, to avail of the online education facilities.

We invite our development partners and the United Nations development system to extend immediate support to LDCs to provide education facilities to students staying at home. We call for the following support:

- Provide equipment, including low-cost laptops or other devices, to students where the Internet is available
- Provide low-tech and gender-responsive support where digital infrastructure is not advanced, such as producing educational radio and television programmes and distributing equipment such as radios and textbooks to the poorest and marginalized households
- Provide training and technical support to educators to develop online curricula and teaching methods
- Continue or launch food-for-education programmes and other health and hygiene-related support to students
- Enhance the quality, availability and affordability of the Internet and education and other online-related facilities, especially in rural areas, to avail of the online education facilities

VII. Employment and labour

Full or partial lockdown measures are now affecting almost 2.7 billion workers, representing around 81 per cent of the world's workforce. In the current situation, businesses across a range of economic sectors are facing catastrophic losses, which threaten their operations and solvency, especially among smaller enterprises, while millions of workers are vulnerable to income loss and layoffs.

Traditional services sectors, such as tourism, retail, hospitality and transport, including civil aviation, and some labour-intensive and supply chain-based manufacturing are taking an immediate hit, resulting in increased layoffs and unemployment. Particularly in LDCs, hard-hit sectors have a high proportion of workers in informal employment and workers with limited access to health services and social protection.

Without appropriate policy measures, workers face a high risk of falling into poverty and will experience greater challenges in regaining their livelihoods during the recovery period. 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. We call for the following measures in this regard:

- Specific and targeted measures are needed in LDCs, including cash transfers and unemployment benefits to support those who have lost their income and are most affected by the lockdowns. This needs to be supplemented by efforts to ensure an adequate supply of food and other essentials

- Development finance institutions could use their links with the banking sector in advanced economies and their competencies to channel liquidity to the private sector in LDCs

VIII. Official development assistance

As LDCs are confronting liquidity crises in their own public spending and facing difficulties in borrowing from the international market, aid continues to remain the most important source of finance to act countercyclically. It is encouraging that ODA from members of the Development Assistance Committee of the Organization for Economic Cooperation and Development to LDCs has slightly increased, by 2.6 per cent in 2019, making the total at \$33 billion, but the share is far from the historically agreed target of 0.15–0.2 per cent of gross national income. It is also reassuring that members of the Committee will “strive to protect ODA budgets”. Members of the Committee also recognize that LDCs will be the hardest hit by COVID-19 and are already using ODA to help them to respond to the double hit of health and economic crises.

ODA will be vitally important for LDCs to tackle the challenge of COVID-19 as, for many of them, it makes up over two thirds of external finance. ODA is also important for them to continue investment in health, education and social safety nets as well as humanitarian needs.

As LDCs are losing fiscal revenue at a massive scale and the pressure on government exchequers is skyrocketing, LDCs need additional financial support from all their partners. We call for the following measures in this regard:

- At this critical time, we are urging our development partners to provide at least 0.15 per cent of their gross national income as ODA to LDCs in the year 2020, which is within the lower boundary of their pledges. This will generate an additional \$43 billion, which will immensely assist LDCs in continuing their planned development activities, while meeting the spiralling public health and social protection needs
- LDCs should be provided with grants-based ODA or highly concessional ODA with a grace period of at least 10 years to meet their pandemic-related and other development needs without falling into default
- Countries of the South should increase their grants-based and concessional financial assistance to LDCs

IX. Debt

Even in the pre-crisis situation, external indebtedness had become an increasingly serious concern in LDCs. At the end of 2019, six LDCs were classified as debt distressed, while an additional 12 were rated at a high risk of debt distress. Debt servicing as a percentage of exports of goods, services and primary income stood at 8.7 per cent in 2018. The composition of the debt stock of LDCs has also changed significantly since 2011, with a higher share of private and non-traditional bilateral creditors, which in general have shorter maturities and higher interest rates than concessional financing.

The soaring pressure on government revenue for meeting public health-related and broader development needs, coupled with a rapid fall in revenue income from both internal and external sources resulting from the multifaceted impacts of the global slowdown, is putting LDCs at a high risk of debt default.

Unless sizeable debt relief is provided, private and public creditors may face multiple unilateral defaults. The choice is no longer between default and continued debt service payments, but between a wave of disorderly defaults and orderly payments agreed to between debtor countries and their lenders once the economic situation improves. It is in the interest of all, and especially creditors, to safeguard international capital markets, at risk over a potential wave of defaults (United Nations policy brief).

We welcome the announcement by the International Monetary Fund (IMF) and the Group of 20 of the time-bound suspension of debt service payment obligations of International Development Association (IDA)-eligible countries and LDCs that are current on any debt service to IMF and the World Bank, and request forbearance to help them to channel more of their scarce financial resources towards vital emergency medical and other relief efforts, initially for a period of six months or until the end of 2020, respectively. IMF will provide grants to cover IMF debt obligations to 25 IDA countries. This relief will benefit countries in combating health and severe economic effects of the pandemic.

Although the IMF and Group of 20 initiatives give short-term respite, they do not reduce the debt stock and will require interest payments in the future. Furthermore, they apply only to a limited number of countries. The IMF debt forgiveness plan is also financed through ODA contributions.

While we appreciate the recent debt relief initiative, we underline that all members of LDCs are facing serious financial constraints and need immediate support in the form of complete debt relief. We therefore call for the following measures:

- All creditors and development partners should expand debt standstill to all LDCs, extend the period of suspension of debt service payments to at least two years and include principal and interest payments, as well as associated fees and charges in debt standstill arrangements
- All creditors and development partners should grant debt relief for all LDCs with immediate effect 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
- The debt sustainability framework for LDCs should systematically take into account their structural constraints and longer-term investment requirements for the implementation of the Sustainable Development Goals

We request the Secretary-General of the United Nations to take a lead in this regard, especially to bring the private and other commercial creditors on board, as there is no established mechanism at the international level to guarantee their participation in debt relief or debt moratorium initiatives.

X. Trade

The adverse trade effects of COVID-19 are likely to be more severe than those of the global financial crisis of 2008–2009 as they comprise both demand- and supply-side shocks. World merchandise trade is set to plummet by between 13 and 32 per cent in 2020 owing to the COVID-19 pandemic. Merchandise trade volume had already fallen by 0.1 per cent in 2019, weighed down by trade tensions and slowing

economic growth. Estimates of the expected recovery in 2021 are equally uncertain, with outcomes depending largely on the duration of the outbreak and the effectiveness of the policy responses.

Tariff rates on pharmaceuticals and medical equipment are relatively low, but disinfectants and other personal protective products needed to fight the pandemic still face high tariffs and non-tariff barriers in many countries.

LDCs will be hit hard because of their dependence on trade as a driver of economic growth, their small domestic markets and low levels of diversification, all of which increase their vulnerability to external shocks – as the global financial crisis demonstrated. Trade in goods and services comprise around 40 per cent of GDP for some LDCs.

Trading partners of LDCs, including the top three (i.e. China, the European Union and the United States of America), are the hardest hit by COVID-19. Exporters in LDCs, especially apparel exporters, are facing an onslaught of order cancellations as the COVID-19 pandemic forces store closures in Europe and the United States, risking the livelihoods of millions of garment workers in their supply chains.

Global trade is therefore being disrupted by factors such as decreasing levels of consumption, restrictions placed on the movement of people, business shutdowns and lower productivity in operations. These global supply chain disruptions are having an impact on LDCs, affecting product exports from some LDCs where many factories are already closing owing to a shortage of raw materials and the cancellation of export orders. For textile- and ready-made garment-exporting LDCs, such as Bangladesh and Cambodia, it has been reported that the effects are significant. This is having serious impacts on the affected industries and their employees.

In some LDCs, owing to lockdowns, industries have not been able to meet the shipment deadlines. These are causing the cancellation or non-payment of orders, leaving suppliers unable to pay wages owed to their workers.

Sharp drops in commodity prices are putting pressure on public budgets, notably in commodity-dependent LDCs. An oil export-dependent LDC, for example, has already declared a state of emergency as its 2020 budget was originally based on oil prices in the region of \$55 per barrel, as opposed to \$21 per barrel following the sudden price drop.

LDCs need strong global support at this critical time to mitigate serious impacts in the area of trade, and we call for the following measures:

- Member States, especially Group of 20 countries, should quickly implement trade policies that can protect lives in LDCs by improving access to affordable medical supplies. Eliminating all protectionist measures, including tariffs, to lower the cost of inputs such as active ingredients and other chemical products related to the treatment and care of COVID-19 patients. WTO should facilitate an agreement to completely eliminate tariffs and non-tariff barriers on health-related products for LDCs
- As COVID-19 wreaks havoc across industries worldwide, countries should begin preparing the groundwork for a renewed and revitalized global trade framework to help to rebuild the world economy and protect LDCs
- Trading partners of LDCs should fulfil existing contractual obligations by taking the delivery of goods already produced and goods currently in production and pay under the normal terms
- Importers of goods from LDCs are requested not to cancel any existing orders or to penalize LDC exporters for not being able to meet the delivery schedule

by excusing them from their contractual obligations by invoking a force majeure clause as a result of the COVID-19 pandemic, even if such a clause is not explicitly included in the contract

- Provide an increased share of aid for trade to LDCs to build their export capacity and foster diversification

XI. Tourism

Restrictions on the movement of people, border shutdowns and airline disruptions mean that countries that draw a substantial part of their national income from tourism and its associated services will be severely impacted. This was already the case in 2009 following the financial crisis and the influenza A (H1N1) virus epidemic, when the number of visitors to LDCs and their spending dropped.

Some LDCs, where tourism accounts for around 25 per cent of foreign exchange earnings and approximately 20 per cent of GDP, will be seriously affected. The sudden stop in tourist arrivals will especially hurt the tourism sector in several small island developing States, where it is one of the dominant sectors, employing millions of low-skilled workers.

The World Tourism Organization estimates that international tourist arrivals could decline by 20 to 30 per cent in 2020. This would translate into a loss of \$300 billion to \$450 billion in international tourism receipts (exports) – almost one third of the \$1.5 trillion generated globally – in the worst case scenario. Although countries with tourism sectors will be impacted irrespective of their level of development, this impact is likely to be compounded in LDCs by other forms of economic and social fragility. We therefore call for the following:

- Coordinated and strong mitigation and recovery plans are urgently needed to support the sector, so that it can generate massive returns across the whole economy and jobs

XII. Balance of payment crises

Governments are facing excessive pressure on their budgets due to extrabudgetary expenditure across critical sectors to contain the outbreak, compounded by serious revenue losses. This will widen the budget deficit. Furthermore, owing to the loss of export earnings, remittances and other flows, many LDCs are likely to face serious balance of payment and current account deficits. For many LDCs, maintaining reserves of at least three months of import cover without external resources will be challenging.

The ongoing IMF emergency financing under the Rapid Financing Instrument and the Rapid Credit Facility is providing some support to the authorities' emergency policy response, preserving fiscal space for essential health spending, safety net measures and sustainable economic recovery. The ongoing support will not be enough to cover the growing current account deficit and balance of payment in most LDCs. We are therefore calling on IMF to:

- Increase resources under the facilities to which LDCs and other vulnerable countries have access, including the Poverty Reduction and Growth Trust, the Rapid Financing Instrument and the Rapid Credit Facility
- Ensure that access to resources from facilities be additional to and not constrained by annual access limits

- Arrange the immediate issuance of special drawing rights for LDCs, to the tune of at least \$50 billion, as part of new special drawing right allocations, and commensurate with the size of their populations and their balance of payment needs. If necessary, this increase in the quotas of LDCs could be done through reallocating special drawing rights from high-income countries to LDCs

XIII. Migration and remittances

Remittance flows to LDCs had increased relatively rapidly, from \$28.2 billion in 2011 to \$52.1 billion in 2019, which corresponds to around 5 per cent of GDP. Personal remittances as a percentage of GDP are high for several LDCs, such as Liberia (14.1 per cent), Nepal (28.6 per cent) and Haiti (32.5 per cent), leaving them exposed to shocks from reductions in remittances.

A number of migrants, including many doctors and health-care workers, from LDCs are working on the front lines to protect COVID-19 patients and other essential services in their host countries. Many of them have already lost their lives and many others have tested positive for COVID-19 while serving in their host countries. They must be recognized, duly honoured and treated without any discrimination.

A number of migrant workers have already lost their jobs without any compensation or unemployment benefits. COVID-19-related travel restrictions by hundreds of countries and border shutdowns are creating an unprecedented impact on labour mobility, new migration and remittances. A recent report of the World Bank states that remittances to low- and middle-income countries are projected to fall by 19.7 per cent to \$445 billion, representing a loss of a crucial financing lifeline for many vulnerable households.

Even in cases where migrants have money to send home, it has become more difficult to do so, as around 80 per cent of remittances are sent physically through a remittance service provider, but these money transfer networks have partially or totally shut down. As at March 2020, the global average cost of sending \$200 was 6.79 per cent (or \$13.58) – well above the Sustainable Development Goal target of 3 per cent. Furthermore, the economic volatility caused by the pandemic has made it difficult for remittance service providers to set exchange rates, leading to higher foreign exchange-related fees.

We urge the following measures in this regard:

- The host countries of migrant workers should protect the jobs of migrant workers from LDCs and extend the same access to health care, social protection and safety net measures as those granted to their nationals to migrants who are forced to stay at home owing to COVID-19-related lockdowns
- Host countries of migrant workers, banks and money transfer agencies can declare remittance service providers as essential services and waive transaction fees for the remittances of LDC nationals until the pandemic is completely over
- LDC diasporas are supporting mitigation and preparedness in their countries of origin through finance and technical know-how. These efforts should be encouraged and supported through matching funding schemes
- The use of digital transfers of remittances should be promoted and remittance transaction fees reduced

XIV. Increased economic vulnerability and challenges of graduating countries

Twelve LDCs are in various phases of graduation. All these countries already face high vulnerability to economic and environmental shocks. Given the serious consequences of the COVID-19 pandemic, the economic development trajectories that these countries are enjoying are unlikely to be sustained during 2020 and beyond. The economies of all graduating countries are narrowly based, concentrated predominantly on a handful of sectors, including the ready-made garment sector, tourism and fossil fuels, all of which are worst affected by COVID-19, and countries are experiencing precipitous falls in revenue income. We call for the following measures in this regard:

- These countries need continued and scaled up international support to introduce comprehensive financial stimulus to protect the niche sectors of their economies in order to avoid reversing their development gains and potentially missing the graduation thresholds after fulfilling them one or more times

XV. Conclusion

The world is facing an unprecedented challenge. LDCs are in the hotspot to bear the major brunt of the consequences. The impact will be exponential and spill over into all sectors of their societies and economies. Given their weak economies and fragile fiscal space, LDCs cannot fight this war alone. This is indeed a litmus test for development partners to demonstrate that they are always behind LDCs, even at this most critical time that the world is facing. We echo the sentiment expressed by the Secretary-General of the Organization for Economic Cooperation and Development, Ángel Gurría, as he called for “a modern, global effort akin to the last century’s Marshall Plan and New Deal – combined”. That is why we need an economic stimulus package for LDCs, which we have spelled out in this paper. We urge our development partners, countries of both the North and the South, the United Nations development system, multilateral development banks, IMF, the private sector and foundations to act on our calls as early as possible. We urge the Secretary-General and the Deputy Secretary-General of the United Nations to take the lead in the implementation of the stimulus package for LDCs.
