African landlocked developing countries (LLDCs) have unique challenges in accessing the global marketplace to participate in the world trade, as transportation costs and access to maritime ports hinder the competitiveness of LLDC exports and make imports costlier, reducing the purchasing power of LLDC citizens. Against the backdrop of the coronavirus pandemic with countries moving to close borders to contain the spread of the COVID-19 virus, which has reached every African country, further strains are put on the 16 LLDCs, who rely heavily on transit countries to not only export, but to also receive crucial shipments of food, fuels, and pharmaceutical and medical supplies. This policy brief draws from the interventions and discussions of the webinar “Keeping Supply Chains in Place: The Importance of Cooperation Between LLDCs and Their Transit Partners”, held in 14 September, 2020.
Context

The Land Locked Developing Countries (LLDCs) economies’ are commodity-based, as 60% of exports of the LLDCs are raw-material, an economic feature hindered by the impact of COVID-19 on the policies and programmes for economic diversification. Governments registered an increased social, economic and budgetary burden, mainly due to the considerable reduction of remittances (migrants and immigrants had to return to their home countries due to repatriation programs and disease-containment measures). The tourism sector was also affected - since the beginning of the pandemic, Ethiopian Airlines lost $1 billion, a loss that also affected the tourism sector. The LLDCs goods manufacturing capacity is still low and as such suffered an increase in the poverty levels, mainly in remote areas. The poverty levels raised considerably in LLDCs, taking into account that their economies are not diversified.

In the one hand, the AfCFTA will boost, in this regard, the trade in the continent, allowing the African countries to add value to their products. On the other hand, regarding the collaboration between transit and neighboring countries and despite the WTO Trade Facilitation Agreement, there remains the constraint that the majority of freights is portuary (via shipping), an element that significantly delays the delivery of goods. In aggravation to the aforementioned-elements, bureaucracy delays the administrative procedures regarding imports/exports of goods: for instance, ministries have specific regulations towards health and sanitation standards; high costs in customs; urgent demands from the private sector regarding trade.

The African Union Commission (AUC) purports that a strong dependency on the imports of goods and medical supplies (in the specific case of Mauritius, the country imports their food supplies from South Africa and India), combined with the closing of the borders had a strong impact over the imports of the aforementioned goods.

The most affected areas of trade were the movement, clearance and release of goods, mainly of medical commodities. Trade costs are the focus of the COVID-19 economic impact, as well as the disruption of production-consumption patterns and this unprecedented disruption on the global and regional chains (food and medical supplies) was aggravated by the LLDCs lack of access to ports; the borders administrative and bureaucratic procedures and; the closure of borders – Mali and Niger were amongst the most affected countries (AUDA-NEPAD). The fact that LLDCs are particularly reliant on international and trade partners will affect the economic plans towards the Decade of Action.

Regarding Food and Security, the Eastern sub-region was particularly affected taking into account the restrictions to the movement of people to build resilience against insect plagues (Ethiopia). Food security was highly affected by delays of inland transportation (Rwanda, Burundi and Uganda were amongst the most affected countries) and by border-countries disputes regarding water access, with an increase of costs of this essential good (FAO, 2020).

Problem

“A modern economy is a complex web of interconnected parties” says Pierre-Olivier Gourinchas, Professor of Global Management and Director, Clausen Center for International Business and Policy of UC Berkeley and it helps us to see how tightly global citizens across countries and continents are inter-connected. The Figure 1 illustrates every corner of human society ruptured by the COVID-19 pandemic and its policy interventions in the chain of global economy. African LLDCs are part of this disruption and policy interventions, especially in regards to the international and domestic supply chains.
There are 32 LLDCs, 16 of which in Africa, facing numerous challenges in their quest to improve their economies: food insecurity - 51% face food insecurity and 40% lack access to electricity, according to UNCTAD (2020); high unemployment rates; a decline in commodity prices; loss of export revenue; transit challenges; escalating poverty rates and climate change - all of which a threat to economic growth and development. 1

According to UNCTAD, about 80% of global commercial trade is transported by commercial shipping – which is today the most cost-effective mode of inter-continental transport. Uninterrupted trade flows and routine operation of ports are crucial to maintain the well-being of Africans through food provision, medical supplies, fuel and raw materials to reach their intended destinations in a timely manner. This is well-corroborated by the fact that a majority of African countries, especially African LLDCs, are net importers of food, especially in grains. African LLDCs, however, have unique challenges in accessing the global marketplace to participate in world trade. LLDCs lack direct access to maritime ports, and this results in an extremely high fair of territorial transportation which hinders the competitiveness of import-export trade and affects negatively the purchasing power of their citizens.

The burden from these challenges doubled with the COVID-19 pandemic. The rapid transmission of COVID-19 required countries to close borders, in order to contain the spread of the virus. Due to their nature of a higher mobility frequency, ports presented a higher risk of infection, and this has a considerable implication towards 80 per cent of global trade transported by commercial shipping (UFM Secretariat, 2020). Nonetheless, the borders closed to contain the spread of the virus compel further strains put on the 16 LLDCs who rely heavily on transit countries to ship their major exports and obtain, in return, food, fuels, and pharmaceutical as well as medical supplies.

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Figure 1. Covid-19’s multiple strikes in the circular flow of income diagram

Source: Based on Baldwin (2020b).

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The pandemic worsened the conditions of global shipping and it affected production, consumption and transportation, caused by the rigid isolation and lockdown measures imposed, leading to a freeze in consumption and to a decline in both production and consumption, therefore affecting the supply and demand of goods (Feng, et al., 2020). Most economies imposed the 14-day mandatory self-isolation on international ships, which forced more ships to be inactive by the anchorage and thereby causing major disruption of cargo flows. Although the imposition of self isolation and movement restrictions were sure ways to curtail the spread of the virus, it worsened the woes of the LLDCs, as currently both imports and exports have to pass through at least one transit country to reach the consumers. These vital transport links, air and inland alike have been affected with the former projected to lose $6 billion in revenues and contribution to the GDP4. The pandemic forced us to rethink the way LLDCs trade and it is inevitable for new supply chains to be considered, as well as economic diversification.

Hence, effective collaboration and improved cooperation of multi-stakeholders at borders and ports are key to ensuring a sustainable supply of merchandise and commodities, especially to LLDCs. This will require the co-design and implementation of an innovative framework for border-crossing territorial transportation for individuals and goods and integrated customs systems including infrastructure. For LLDCs, a well-functioning transit system is essential to ensuring that basic necessities are availed to citizens and international collaboration - coordination and solidarity are critical in this regard.

Recent statistics reveal that the true extent of damage caused by the pandemic on LLDCs is more devastating and it is worsening the already existing issues – increased job losses in 2019 unemployment rate was 4.5 percent and disproportionately affected women and youth, a feature expected to increase drastically in the wake of the pandemic; 20 percent decrease in global remittances (OHRLSS, 2020) and more returning migrants. It is clear from the aforesaid it is important to recognize that countries have been affected at different magnitudes and the responses will therefore be a direct reflection of the available resources. For LLDCs, their reliance on export commodities is greatly affected by the movement restrictions and border closures, creating a decline in real per capita GDP and resulting in a budget deficit.

Another challenge is the bureaucracy that surrounds intra-continent trade within the LLDCs, through the inefficient and tedious processes compared to the developed countries. Exporting within LLDCs requires a completion of 45 forms, whereas in non-LLDCs only one form is sufficient for trading to commence. Regionally, in the wake of the pandemic some countries of East and West Africa were already dealing with desert locusts and floods, the locust infestation said to be the largest to hit in the past 70 years and with strength 20 times ever recorded (Cosgrove, 2020). All not having been budgeted nor planned for prior and thereby causing a double whammy situation for the countries affected on how to respond accordingly to the pandemic and also protect crops and manage floods. Both production and consumption are greatly affected as regional and global supply chains collapse and significant long term effects have been realized - increased trade costs, slowed goods delivery due to the testing of truck drivers deepened food security challenges.

Consumer goods and cross border flows have been greatly affected by the restrictions imposed as the focus shifted to essential goods whose demand rose. The trade structure of many LLDCs still remain highly concentrated in fewer minerals and agricultural products2. For the latter, the ICBT, the true impact and its severity will only be fully assessed post-pandemic – women and youth largely affected as they make up a larger portion of this sector. Table 1 below shows the share of commodities in total merchandise exports of some of the LLDCs.
The Joint UN call for Smooth Transit & Transport facilitation to and from LLDCs caution against the triple threat of impacts on lockdown measures, the pandemic as well as the looming global recession which will halt the LLDCs current progress achieving the Sustainable Development Goals (SDGs) and as well espoused on the Vienna Program of Action and the Almaty Program of Action. It further proposes governments to take decisive action and urgently:

- Reorient international freight transport operations while carefully considering the high volume, low value nature of LLDCs
- Strengthen regional cooperation on transport connectivity
- Improved digital trade facilitation standards
- The UN-OHRLLS calls for the much needed international awareness and support for the LLDCs while traversing the current challenges. Promoting institutional enhancement as well as external financial assistance.

Other initial actions and recommendations at an institutional level suggested by (UNCTAD, 2020) include:

- Pledge for the opening of borders in the Northern Corridor
- Pledge for the free movement of ships between ports
- Pledge for customs facilitation
- The development of new supply chains
- New generation of economic policies towards LLDCs economic diversification
- The development of light manufacturing in order to prevent and accommodate future economic shocks and maximize the levels of productivity
There are coordinated policy responses by AUDA- NEPAD in correlation with Programme for Infrastructure Development in Africa (PIDA) with a focus on LLDCs and domestic resource mobilisation:

- Provide support to strengthen human resources for health at national levels and regional levels
- Provide support to member states to ensure food and nutrition security during and after the covid19 outbreak.
- Support AUC and RECs to call for the repurpose of African industrial capacity towards critical medical supplies.
- Ensure Africa education system resilience during the covid19 outbreak – a measure linked to food security and nutrition.
- Fast track implementation of a continental smart safety surveillance
- Tackling the employment challenges during the covid19 outbreak.
- Renewable energy solutions – access to mini-grid systems.
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