

# JID 'Long run effects of Covid-19 on developing countries' Special Issue Editorial Introduction

A study on Mozambique's economy analyses the effects of the pandemic shock on household consumption poverty and find significant increases in poverty. To estimate changes in income and the associated effects on poverty, the authors Barletta, Castigo, Egger, Keller, Salvucci and Tarp employ two main impact channels: direct income/wage and employment losses. Their estimates suggest that consumption decreased by 7.1%14.4% and that poverty increased by 4.3%9.9% in 2020. This points to a reversal of the positive poverty reduction trend observed in previous years and highlights Mozambique finding itself in a deepening struggle against poverty.

A further paper by Escalante and Maisonnave reveals that the impacts on poverty and inequality due to the pandemic have not been gender neutral. The authors use a gender-sensitive computable general equilibrium model linked to a micro model to assess the impacts of the Covid-19 in Bolivia to uncover negative effects for all economic agents. Female-headed households in general and those headed by unskilled women in particular are the most affected, as they experience significant reductions in employment and the largest increases in household burdens. This results in increasing poverty and inequality more for women than men.

Examining the health effects of Covid-19, Asuming, Gaisie, Agula and Bawah have investigated the impact of Covid-19 on facility and skilled delivery and utilisation of antenatal care (ANC) services by comparing the outcomes for women who were pregnant and delivered before and during the Covid-19 period. The authors find that Covid-19 led to 23% and 25% reductions, respectively, in the likelihood of facility delivery and four or more ANC visits during pregnancy.

At the macro-level, Betho, Chelengo, Jones, Keller, Mussagy, van Seventer and Tarp document an assessment of the economic shocks of the pandemic for Mozambique. Their simulation study suggests that the Mozambican economy lost a total of 3.6% growth in 2020 and a reduction in employment by 1.9%. The main part of this loss is found to be foreign instigated with the most heavily affected economic sectors being trade, accommodation and mining. Their results highlight that developing countries should pay particular attention to policies that reduce vulnerability to foreign shocks.

A growing literature has developed for developing countries about how, during the time of the Covid-19 pandemic, remittances to developing countries have impacted household livelihoods on the one hand and at the firm level, on the other. In a study using data from a migration survey conducted in Burkina Faso, Tapsoba finds that households receiving remittances are less likely to report a negative effect of the pandemic on their livelihood. In addition, using a recursive bivariate probit model, the author discovers that if remittances sent by migrants to families back home remained the same or increased during the pandemic, households are less likely to report a negative effect of the pandemic on their livelihoods. In a further study on remittances in Latin American countries, Cardozo Silva, Díaz-Pavez, Martínez-Zarzoso and Nowak-Lehmann apply a gravity model found that Covid-19 containment measures and movement restrictions in receiving countries mainly explain the fall in remittance flows, whereas the effect of economic support measures is not robust.

Firms and small enterprises in developing countries are particularly prone to shocks and the pandemic has posed several new problems for these countries. Two studies in this special issue have examined the effects of the Covid-19 crisis on SMEs and their resilience strategies. Nan and Park discuss the impact of mobile money amid Covid-19 in Zambia, while Fomba and Nda'chi Deffo analyse the resilience strategies for Cameroonian firms.

Some studies in the literature provide evidence of risk spillovers from developed countries to developing countries as a result of the Covid-19 pandemic. A study by Akhtaruzzaman, Benkraiem, Boubaker and Zopounidis in this special issue provides new evidence on how risk spillovers occur from the United States to developing economies in Africa during the Covid-19 pandemic. The results show that downside risk exposures of African markets, financial firms and banks particularly increased during the early phase of the pandemic (January to April 2020).

Foreign Direct Investment (FDI) has been substantially affected due to lockdowns with far reaching effects on local economies. Camino-Mogro and Armijos focus on the impact of the lockdowns and restriction policies on FDI for Ecuadorian firms. Using a regression discontinuity in time design, they find that lockdown policies have a negative impact on FDI inflows and that the negative effects are attributable to north and south American investments.

Finally, Elgin, Oz Yalaman, Williams and Yalaman highlight the importance of the shadow economy in determining fiscal policy responses to the crisis induced by the Covid-19 pandemic. Using a novel cross-country dataset and an instrumental variable approach, the authors find that countries with a relatively larger shadow economy adopted a smaller fiscal policy package. Their findings accord with the wider literature that countries (especially those with larger shadow economies) generally follow a procyclical policy as opposed to the optimal and countercyclical one.

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