Emerging from the Global Crisis: Macroeconomic Challenges Facing Low-Income Countries

A Staff Team Led by Stefania Fabrizio
## Contents

Abbreviations and Acronyms vii

Acknowledgments ix

Executive Summary xi

1 How Have LICs Coped with the Crisis? 1
   Impact of the Crisis 1
   LICs’ Precrisis Position 8
   Domestic Policy Responses to the Crisis 10

2 Emerging from the Crisis—Prospects and Macroeconomic Challenges 21
   Growth Prospects 21
   Macroeconomic Outlook: Realigning Policies and Rebuilding Buffers 25
   How LICs Would Cope With Renewed Stress: An Illustrative Scenario 32
   Realigning Policies and Rebuilding Buffers: Policy Recommendations 39

Appendices

1. List of LICs 48
2. Distribution of Median Real GDP Growth and Change in Real GDP by Year, 1971–2009 50
3. Selected Economic Indicators 53
4. The Impact of the Crisis on Financial Systems and Credit Developments 57
5. Buffer Index 66
6. Estimation of Determinants of Change in Primary Balance to GDP in 2009 68
8. Exchange Market Pressure Index 76
9. Illustrative Classification of LIC Policy Buffers 78
10. Methodology to Analyze the Impact of a Negative Growth Shock on the Fiscal Position, Current Account, and Reserves 81
11. Estimation of Growth Effect of Trade Openness as a Function of Complementary Reforms 91