Enhanced Global Macro/Financial Model for Developing Countries

Approved Amount: USD 135,000
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Tools currently available to the Bank’s low-income partners to understand and explore the implication of different international scenarios for their own economies are mainly restricted to the trade and commodity channels. This project incorporates remittances and financial flow models into the World Bank’s existing macro model. As a result, the enhanced model will allow better analysis of the short and medium-term macroeconomic impacts on low-income and IDA countries from (and on) global economic developments. The enhanced model will be made available to developing-country practitioners through the I-Simulate (iSIM) platform. It will allow them to explore more fully the interactions between the financial system, the balance of payments (including remittances), and real-side economic growth. They will be able to better examine issues such as the impact of tighter financial conditions and the interactions between global financial conditions and international trade, as well as the implications of growth and employment in key migrant-destination countries on workers’ remittances, and in turn the impact of remittances on current account balances, external debt sustainability, consumption, investment demand, and poverty in the remittance-recipient countries.