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Nota di contenuto	Contents; I. Introduction; II. Foreign Reserves in sub-Saharan Africa; Figures; 1. Reserves in Months of Imports; Tables; 1. Comparisons of International Reserves Across Regions, 1995-07; III. Shocks Facing Sub-Saharan Africa; 3. Reserves to Short-Term Debt <2, 2007; 4. Frequency Distributions of Key Parameters; 5. Frequency Distributions of Key Parameters; 6. Response of Key Macro Economic Variables to a Large TOT Shock; 7. Response of Key Macroeconomic Variables to a Large Aid Shock; IV. Small Open Economy with Two Goods; V. Simulation Results 8. Optimal Reserve Behavior - Jeanne-Ranciere v.s. Two-Good 9. Path of Consumption-Ranciere vs. Two-Good Model; 10. Optimal Reserve Behavior-Two Good Model with both TOT and Aid Shock [I]; 11. Optimal Reserve Behavior-Two Good Model with both TOT and Aid Shock [II]; 12. Actual Level of Reserves to GDP ratio for SSA countries; 13. Sensitivity of Optimal Reserves to Key Parameters; 14. Sensitivity of Optimal Reserves to Key Parameters; 15. Reserve Adequacy for African Countries Using Two-Good Model /1; VI. Conclusion; 16. Country Specific Application-Illustrative Examples. A1. Benchmark Parameters A2. Simulation Parameters for Countries; References; References
Sommario/riassunto	This paper looks at the question of adequacy of reserves in sub-Saharan African countries in light of the shocks faced by these countries. Literature on optimal reserves so far has not paid attention to the particular shocks facing low-income countries. We use a two-good endowment economy model facing terms of trade and aid shocks to derive the optimal level of reserves by comparing the cost of holding reserves with their benefits as an insurance against a shock. We find that the optimal level of reserves depends upon the size of these shocks, their probability, and the output cost associated with them,.