Fiscal policy and financing for development in developing countries

JURY

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ABSTRACT

The central question of this thesis is how fiscal policy could be used for development finance purposes. Indeed, we identify and investigate pathways through which developing states can mobilize resources to improve sustainable development. For this purpose, we conduct policy-oriented researches (using suitable statistical and econometrical tools) and provide advices for developing countries. The first part of the dissertation addresses the issue of external resources mobilization in developing countries (Chapter 1 and Chapter 2). In Chapter 1, we investigate the effects of public expenditures on sovereign bond spreads in emerging market countries. We show that developing countries could have a better access to international
financial market by supporting public investment and reducing current spending. Specifically, spending on human capital (education and health) and other public infrastructures significantly reduce bond spreads. They should also improve the quality of governance since financial markets award well-governed countries with better borrowing conditions. We examine, in Chapter 2, the strength of fiscal rules in terms of improving financial markets access for developing countries. We find that the adoption of fiscal rules reduces sovereign bond spreads and consequently improve financial market access. Indeed, this result is explained by the credibility of fiscal policy channel: more credible governments are rewarded in the international financial markets with low sovereign bond spreads and high sovereign debt ratings. Our findings confirm that the adoption and sound implementation of fiscal rules is an instrument for policy makers to improve developing countries' financial market access. The second part of the dissertation focuses on what developing countries could do to improve internal resources mobilization (Chapter 3 and Chapter 4). As a matter of fact, we explore the relationship between fiscal rules and inequality (Chapter 3) and find that fiscal rules adoption contributes to reduce inequality in developing countries. The policy implication is that developing countries could finance their development in a sustainable way (via the reduction of inequalities) by adopting fiscal rules. Moreover, we assess the effects of combating illicit financial flows on domestic tax revenue mobilization in developing countries (Chapter 4). We highlight that countries which cooperate with international standards for anti-money laundering and combating the financing of terrorism (AML/CFT) are more able to mobilize tax revenue than countries which do not cooperate. Consequently, developing countries could mobilize more domestic tax revenue by implementing policies to curtail illicit financial flows. They should establish sound institutions

**KEYWORDS**


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