

PhD seminar

Published on April 28, 2020 – Updated on May 4, 2020

Date

Le 12 May 2020 De 17:00 à 17:45

Informations complémentaires : On Zoom

Moulaye Ibrahim Bamba

Does fiscal consolidation improve public investment efficiency

Discutants: Jean-François Brun et Abdoul-Akim Wandaogo

ABSTRACT

Our paper investigates the effect of fiscal consolidations on public investment efficiency. Drawing upon a "treatment effects" local projection Jordà and Taylor (2016) methodology and stochastic frontier analysis (SFA) à la Kumbhakar et al. (2015), we provide evidence of significant efficiency gains during fiscal consolidations periods on a sample of 53 developed and emerging countries over 1980-2011 period. The positive gain goes up to 5 years after the onset of fiscal programs with a cumulative improvement of about 4% percentage points at the end foresight horizon. Robust to a wide range of alternative specifications, huge public investment efficiency gains arise during economic slack, in emerging countries, with high perceived sovereign default risk as well as with the support of IMF programs. Moreover, the real depreciation policy improves the quality of public investment during fiscal consolidations periods. Our findings support the idea that fiscal consolidations, even reducing the level of public investment, may ensure the long run economy development through better public management.

[Download the article](#)



Moulaye Ibrahim Bamba

Cerdi ; [World Bank Group Africa Fellow](#)