1. Record Nr. UNINA9910779501203321

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Titolo	Public Investment, Growth, and Debt Sustainability : : Putting together the Pieces / / Andrew Berg, Rafael Portillo, Edward Buffie, Catherine Pattillo, Luis-Felipe Zanna
Pubbl/distr/stampa	Washington, D.C. : , : International Monetary Fund, , 2012
ISBN	1-4755-5233-5 1-4755-7725-7
Descrizione fisica	1 online resource (55 p.)
Collana	IMF Working Papers
Altri autori (Persone)	PortilloRafael BuffieEdward PattilloCatherine ZannaLuis-Felipe
Disciplina	332.152
Soggetti	Debts, External - Developing countries Finance, Public - Developing countries Exports and Imports Infrastructure Public Finance Fiscal Policy International Lending and Debt Problems Debt Debt Management Sovereign Debt Institutions and Growth National Government Expenditures and Related Policies: Infrastructures Other Public Investment and Capital Stock Investment Capital Intangible Capital Capacity Public finance & taxation Macroeconomics International economics Public investment and public-private partnerships (PPP) Public investment spending Public debt Debt sustainability Expenditure

National accounts
External debt
Public-private sector cooperation
Public investments
Debts, Public
Saving and investment
Debts, External
Ghana

Lingua di pubblicazione	Inglese
Formato	Materiale a stampa
Livello bibliografico	Monografia
Note generali	Description based upon print version of record.
Nota di bibliografia	Includes bibliographical references.
Nota di contenuto	Cover; Table of Contents; I. Introduction; II. The Model; A. Firms; A.1. Technology; A.2. Factor Demands; B. Consumers; C. The Government; C.1. Infrastructure, Public Investment and Efficiency; C.2. Fiscal Adjustment and the Public Sector Budget Constraint; D. Market-Clearing Conditions and External Debt Accumulation; III. Calibration of the Model; Tables; Table 1. Base Case Calibration; IV. The Long-Run Outcome; Table 2. Public Investment Scaling Up, Concessional Borrowing, and Grants; A. Insights from a Simplified Model; Figures; Figure 1. The Long-run Outcome in the Simplified Model B. Numerical SolutionsTable 3. Long-run Effects of Scaling up Public Investment by 3 Percent of Initial GDP; V. The Medium-Term Fiscal and Macroeconomic Adjustments under Different Financing Schemes; A. Unconstrained Tax Adjustment; A.1. The Base Case; Figure 2. Base Case: Unconstrained Tax Adjustment; A.2. More Optimistic and Troublesome Scenarios; Figure 3. Unconstrained Tax Adjustment: Optimistic and Troublesome Scenarios; A.3. Gradually Increasing Transfers, Efficiency, and the Collection Rate of User Fees; Figure 4. Unconstrained Tax Adjustment: The Size of the Scaling Up Figure 5. Unconstrained Tax Adjustment: Increasing TransfersB. Constrained Tax Adjustment Combined with External Commercial Borrowing; B.1. Tax Smoothing and Private Demand Crowding Out; Figure 6. Unconstrained Tax Adjustment versus Constrained Tax Adjustment with External Commercial Borrowing; B.2. Debt Blowups: Structural and Policy Conditions; Figure 7. Constrained Tax Adjustment with External Commercial Borrowing: Varying the Structural and Policy Conditions; C. Constrained Tax Adjustment Combined with Domestic Borrowing Figure 8. Constrained Tax Adjustment: Domestic Borrowing versus External Commercial BorrowingVI. External Shocks and Risks; Figure 9. External TOT Shocks: Shocks Persistence and Financing Schemes; Figure 10. TFP and Risk Premium Shocks and Risks; VII. Concluding Remarks; Appendix A. On Public Investment Efficiency, Rates of Return, and Growth; References
Sommario/riassunto	We develop a model to study the macroeconomic effects of public investment surges in low-income countries, making explicit: (i) the investment-growth linkages; (ii) public external and domestic debt accumulation; (iii) the fiscal policy reactions necessary to ensure debt-sustainability; and (iv) the macroeconomic adjustment required to ensure internal and external balance. Well-executed high-yielding

public investment programs can substantially raise output and consumption and be self-financing in the long run. However, even if the long run looks good, transition problems can be formidable when concessional financing does not cover the full cost of the investment program. Covering the resulting gap with tax increases or spending cuts requires sharp macroeconomic adjustments, crowding out private investment and consumption and delaying the growth benefits of public investment. Covering the gap with domestic borrowing market is not helpful either: higher domestic rates increase the financing challenge and private investment and consumption are still crowded out. Supplementing with external commercial borrowing, on the other hand, can smooth these difficult adjustments, reconciling the scaling up with feasibility constraints on increases in tax rates. But the strategy may be also risky. With poor execution, sluggish fiscal policy reactions, or persistent negative exogenous shocks, this strategy can easily lead to unsustainable public debt dynamics. Front-loaded investment programs and weak structural conditions (such as low returns to public capital and poor execution of investments) make the fiscal adjustment more challenging and the risks greater.