Comments on:

Debt Policy, Budgetary and Financial Management Systems and Public Debt Accumulation in Africa by Anselm Komla Abotsi

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Summary

- 36 African countries
- Effective public debt policy and high quality of budgetary and financial management systems help to reduce the accumulation of public debt and ensure their long-term debt sustainability.
- More complex effect of debt policy coupled with the institutional framework: interaction of debt policy variables with the rule of law index

Comments & Questions: general

- Cross-country effective public debt policy -> somewhat confusing
- More references on empirical studies (including state-of-the-art papers):

    Aizenman and Marion (2009), Dumitrescu (2014), Bittencourt (2015)

- Other typical public debt determinants: GDP growth, Purchasing Power Parity, Foreign Direct Investments?
- Public debt: domestic + external? Different effects?
- CPIA indexes – standard deviations are significant -> high variation among countries/periods

    Unit increase in the CPIA debt policy rating index reduce the general government gross debt by at least 6% of GDP and a unit increase in the CPIA quality of budgetary and financial management rating index – by at least 11% of GDP -> Too strong effect?

- "… the study is good for policy formulation in all African countries and the world at large"-> Test the same hypothesis for other countries (for example, OECD)

Comments & Questions: regressions

- Try to include lags to the regressions -> no simultaneous effect
- Control for outliers?
- Country and time FE? Crisis periods?
- Improvement of the rule of law leads to an increase in public debt -> Why? (Insignificant effect? Specificity of African countries?)
- Why in the 3rd specification CPIA index has changed its sign?