

## **Abstract**

This work focuses on the relationship between sovereign debt relief on one side and government expenditure on healthcare, education, and armed forces on the other side. Each effect is estimated separately using two dynamic panel data methods: Arellano-Bond Difference GMM and Arellano-Bover/Blundell-Bond System GMM.

I use three subsets of a dataframe that contains 114 recipients of post-1991 debt relief. The health spending analysis was performed on 110 countries observed in the period of 1995 to 2017; the education expenditure equation was estimated using data on 104 countries from the period 1991 to 2018; and the military spending subset contains data on 103 countries also observed between 1991 and 2018.

I found a statistically significant negative effect of debt relief on military expenditure and a significant positive effect of debt relief on education spending. The latter was, however, sensitive to the choice of estimation method. The effect on health expenditure is unclear.