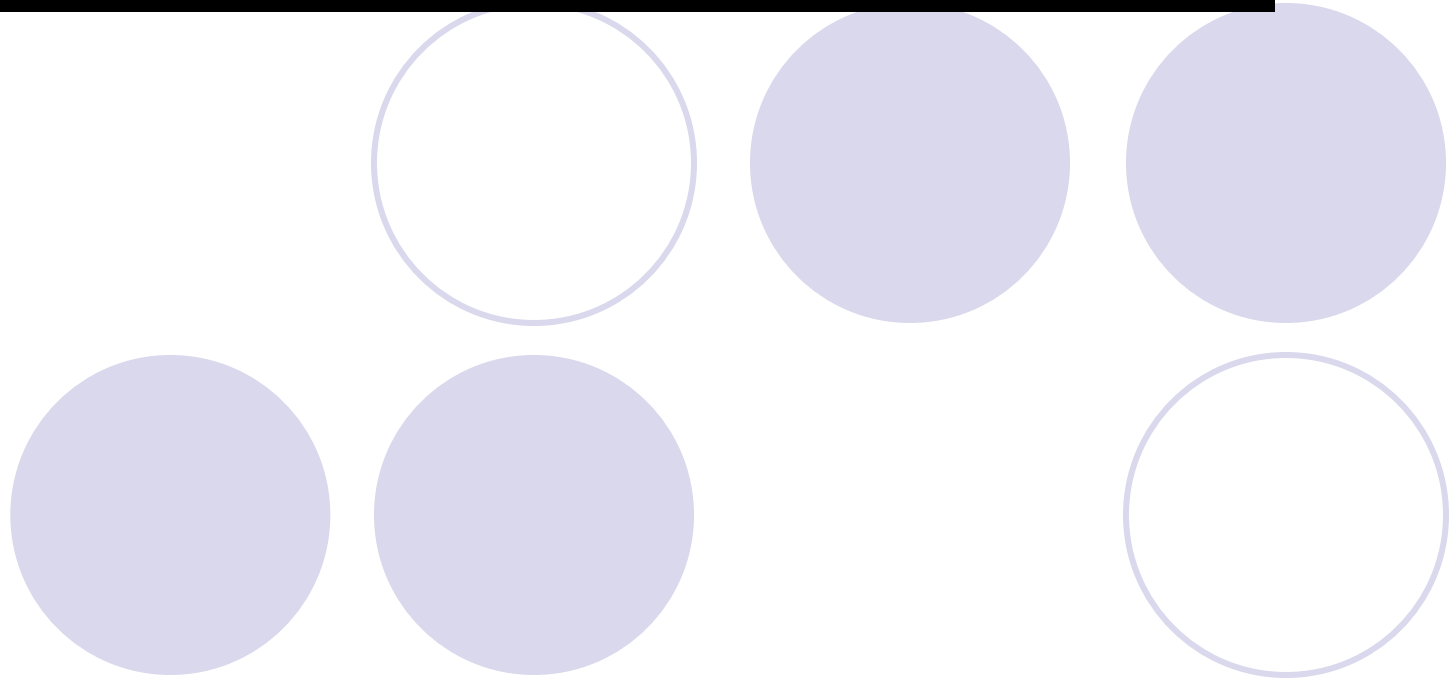
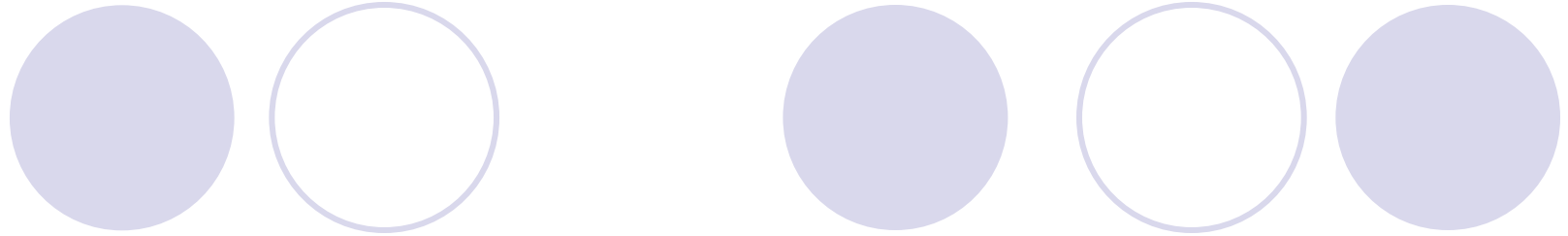



GOOD GOVERNANCE, EQUITY AND EFFICENCY



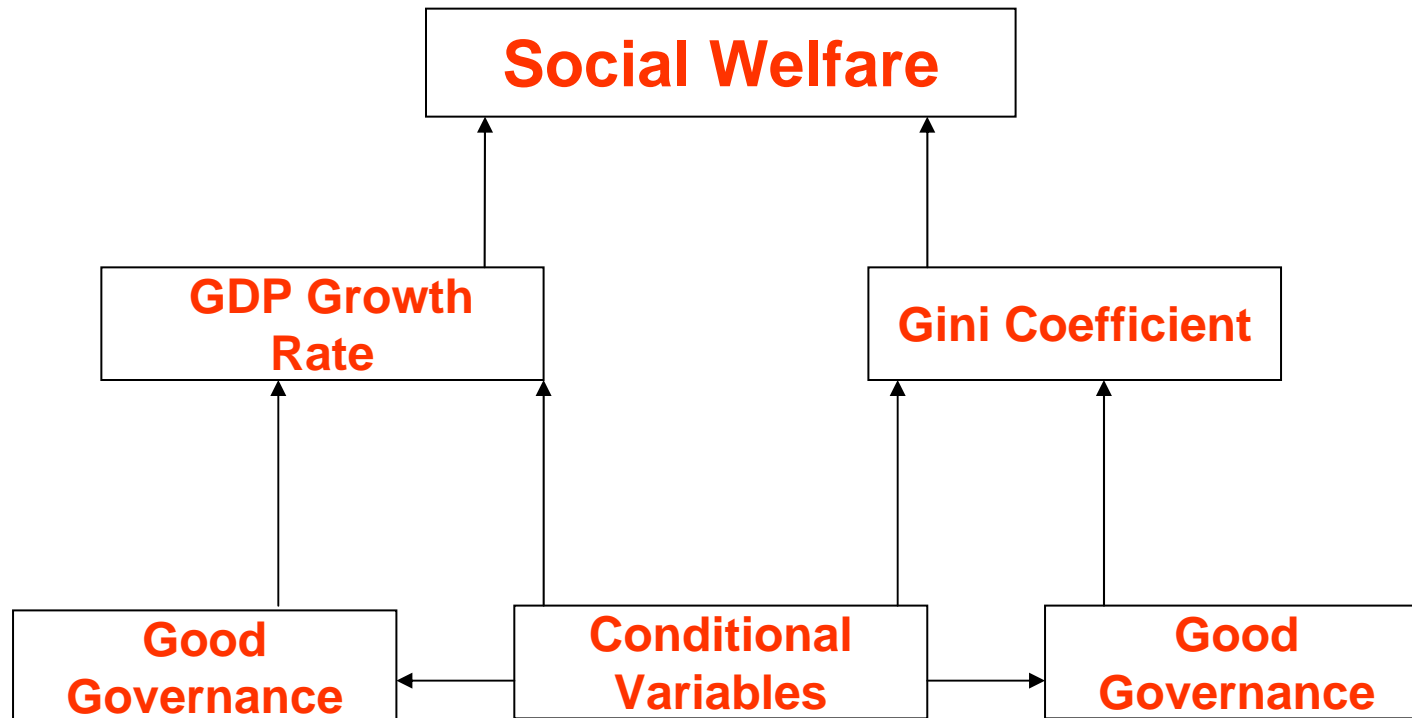
By
SAIMA SHAFIQ &
RASHIDA HAQ



OBJECTIVES OF THE STUDY:

- 
- **To study the impact of different public polices on economic growth and income distribution.**
 - **Secondly, we seek to observe empirical effect of efficiency of public polices on economic growth and income distribution.**
 - **Thirdly, to analyze the empirical effect of efficiency of public polices indicators on social welfare via quantity and quality channel.**

GENERAL FRAME WORK OF ANALYSIS



METHODOLOGY

$$W_t = Y_t + (1 - G_t)^\beta \quad \dots 1.1$$

$$\frac{W^*}{W} = \frac{Y^*}{Y} + (\beta)(1 - G_t)^* / (1 - G) \quad \dots 1.2$$

$$\frac{Y^*}{Y} = a_0 + \sum_{j=1}^k b_j P_j + \sum_{j=1}^l c_j E_j + U \quad \dots 1.3$$

$$\frac{G^*}{G} = \alpha_0 + \sum_{j=1}^k \beta_j P_j + \sum_{j=1}^l \gamma_j E_j + V \quad \dots 1.4$$

DATA SET:

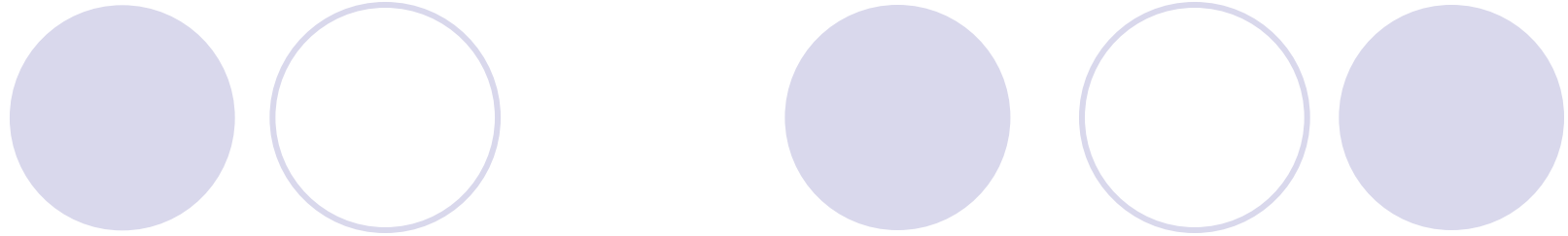
In order to study the impact of good Governance on economic growth and income distribution for SARRC countries, the study chooses data set for four countries and for ten years i.e., 1996-2005.

VARIABLES:



Political Indicators:

- Political stability
- Government effectiveness
- Regulatory quality
- Rule of law
- Control of corruption



Economic Indicators:

- Government expenditure on health
- Government expenditure on education
- Reserves
- Inflation rate



Social welfare measures:

- Welfare growth rate
 - GDP growth rate
 - Gini coefficient

ESTIMATION TECHNIQUE

The equations are estimated by system
using **'GMM method'**

EMPIRICAL RESULTS

Table 1

The effect of GDP growth rate and Gini coefficient on social welfare

Variable	Parameter estimate
Intercept	-1.27 (4.39)*
GDP Growth rate	1.00 (8.32)*
1-Gini coefficient	1.032 (7.58)*
R ²	0.98

Note: the t-values significant at 1%, 5% and 10% levels are indicated by *, **, ***

Table 2:
The effect of Good Governance indicators on GDP growth rate and Gini coefficient

Variable	Parameter estimate of GDP growth rate	Parameter estimate of Gini coefficient
Intercept	-2.29 (-0.76)	-1.07 (-7.53)*
Political stability	-0.22 (-0.76)	0.10 (1.16)***
Regulatory quality	2.01 (1.70)***	-0.35 (-4.13)*
Rule of law	-5.43 (-3.17)*	-0.34 (-2.82)**
Control of Corruption	5.00 (2.71)**	-0.15 (-2.18)**
Government effectiveness	-1.17 (-0.81)	0.47 (3.36)*
Government reserves	0.24 (2.12)**	-0.03 (-6.79)*
Public expenditure on education	0.25 (1.65)***	-0.005 (-0.72)
Public expenditure on health	0.44 (1.99)***	-0.02 (-1.28)***
Inflation rate	-0.22 (-0.76)	-0.007 (-0.64)
R ²	0.13	0.60

Table 3:

The effect of Good Governance indicators on Social Welfare

Variable	Quantity channel	Quality channel	Total effect
Political stability	-0.22	0.90	0.68
Regulatory quality	2.01	1.35	3.36
Rule of law	-5.43	1.34	-4.09
Control of Corruption	5.00	1.15	6.15
Government effectiveness	-1.17	0.53	-0.64
Government reserves	0.24	1.03	1.27
Public expenditure on education	0.25	1.005	1.25
Public expenditure on health	0.44	1.02	1.46
Inflation rate	-0.22	1.007	0.78



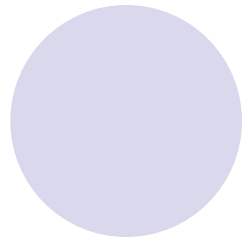
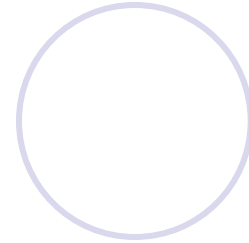
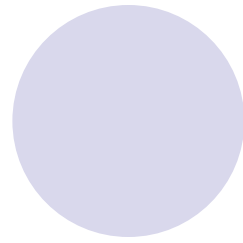
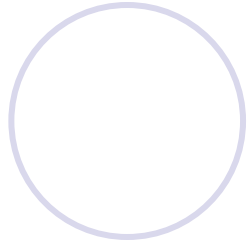
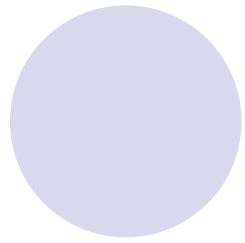
CONCLUSION:

CONCLUSION:

- Government sector play very important role in this specific sample but efficiency of public sector is poor.
- Due to high expenditure and low tax revenue, Public sector face budget deficit and uses scare resources of the economy but still large public sector has no strong impact neither to increase output nor to improve welfare of the economy, as there is large misallocation of resources and corruption in public sector.

CONCLUSION:

- The need of time is to increase efficiency of public sector and it is possible only by increasing efficiency of public institutions, minimizing corruption and crowding out of resources.
- Whenever government increases its expenditure in productive and efficient way, it achieves both objectives side by side and increase welfare of the society.



THANKYOU