

## Towards a Doughnut Economy: The Role of Institutional Failure

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**Abstract :** Social services are often characterized by market failures, which justifies government intervention in the provision of these services. It is widely acknowledged that government intervention breeds corruption since resources are being transferred from one party to another. However, what is still being extensively studied is the magnitude of the negative impact of corruption on publicly provided services and development outcomes. Corruption has the power to hinder development and cripple our march towards the Sustainable Development Goals. Corruption diminishes the efficiency and effectiveness of public health and education spending and directly impacts the outcomes of these sectors. This paper empirically examines the impact of Institutional Failure on public sector services provision, with the sole purpose of studying the impact of corruption on SDG3 and 4; Good health and wellbeing and Quality education, respectively. The paper explores the effect of corruption on these goals from various perspectives and extends the analysis by examining if the impact of corruption on these goals differed when it accounted for the current corruption state. Using Pooled OLS(Ordinary Least Square) and Fixed effects panel estimation on 22 corrupt and 22 clean countries between 2000 and 2017. Results show that corruption in both corrupt and clean countries has a more severe impact on Health than the Education sector. In almost all specifications, corruption has an insignificant effect on School Enrollment rates but a significant effect on Infant Mortality rates. Results further indicate that, on average, a 1 point increase in the CPI(Consumer Price Index) can increase health expenditures by 0.116% in corrupt and clean countries. However, the fixed effects model indicates that the way Health and Education expenditures are determined in clean and corrupt countries are completely country-specific, in which corruption plays a minimal role. Moreover, the findings show that School Enrollment rates and Infant Mortality rates depend, to a large extent, on public spending. The most astounding results-driven is that corrupt countries, on average, have more effective and efficient healthcare expenditures. While some insights are provided as to why these results prevail, they should be further researched. All in all, corruption impedes development outcomes, and any Anti-corrupt policies taken will bring forth immense improvements and speed up the march towards sustainability.

**Keywords :** corruption, education, health, public spending, sustainable development

**Conference Title :** ICACT 2021 : International Conference on Anti-Corruption and Transparency

**Conference Location :** Cape Town, South Africa

**Conference Dates :** November 04-05, 2021