

# The Impact of Good Governance on Sustainable Economic Development in Arab Countries

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## Abstract

The aim of this research is to identify the impact of good governance on economic growth and achieve sustainable economic development. The importance of this is at a time when most Arab countries are undergoing reformist movements aimed at achieving good governance and combating corruption. Societies are becoming aware that economic and developmental decline is the result of bad governance. Thus, the research discussed the characteristics, principles and indicators of good governance and the relationship of all this to economic growth, in the short term, and the ability to sustain it in order to achieve sustainable economic development in the long term. A mathematical economic model was also developed to measure the impact of good governance on sustaining economic growth using a multiple regression with a fixed effect. It has been applied to the indicators of governance and economic growth in the Arab countries during the period 1996-2011, which showed data issued by the State of Qatar to all Arab countries not only in economic growth and population, but also in the indicators of good governance. In order to ascertain the direction of the relationship of governance to economic growth, and not vice versa, the data was collated and used in the multi-random regression model, whose results confirmed the effect of good governance on the rate of economic growth in the Arab countries. The analysis showed that the rate of economic growth is positively related to the level of institutional development and governance in the Arab countries. And that this relationship is not linked to the level of income of the state, since the fact that the state of oil or non-oil did not affect this relationship. The results also showed that not all governance indicators are equally important in influencing economic growth. The indicators of the quality of legislation, the rule of law and the fight against corruption have a significant impact on economic growth, while the indicators of participation, political stability, and government effectiveness have no clear impact due to the weakness of democratic political structures and the inadequacy of these indicators for the culture and environment of Arab societies.

## Keywords

Good Governance, Good Governance Indicators, Economic Growth, Sustainable Economic Development, Standard Model, Arab Countries.

## I. Introduction

This study is subjected to one of the basic arguments related to the application of the concept Good governance and its relationship to economic development, through exploring the extent and impact of the application of this concept in the Arab countries. These are considered The study is of a forward-looking type that seeks to predict the success of the initiative . This study is part of the evaluation attempts that began with Arab Spring as a result of the repercussions and complications of the structural adjustment programs implemented in some Arab countries in the nineties of the twentieth century

and the disappearance of the economy from the hands of the government in favor of the business sector as a result of economic liberalization and privatization programs in the first decade of this twenty-first century, in addition to the repercussions of the global financial crisis in 2008 and its effects on unemployment and poverty, while the Arab peoples saw the transfer of economic assets of their countries Walid group of men who did not work Translated from them previously known national economic contributions. All of which contributed to the issue of reforms in all political, economic and social issues and linked them to the issue of comprehensive and sustainable development.

Therefore, governance has become a pressing issue in our time because it is a comprehensive system capable of easing the conflict and increase the integration and interaction between the various parties and increasing the effectiveness of disclosure, accountability, supervision and motivation (Hitt et al., 2003) and is working to maximize the value of the state and support its competitiveness, including help in creating new job opportunities and obtain the required funding, and help to optimize the use of resources and enhance accountability and good distribution of services and management, so as to create a favorable business climate (Alter, 2003) and to attract investments and improve the efficiency of companies and maximize the benefits of (Al, 2004). Therefore, prudent governance must be a strategic goal for the Arab countries so that they can move safely from this stormy phase to safety.

Hence the importance of this study, in that it attempts to link governance and economic development in the Arab countries, and explore this relationship through a standard economic model. For this purpose, this study consists of four main parts. In addition to this introduction, the second part discusses the theoretical background of the study in terms of defining the concept of good governance and analyzing its characteristics, principles, elements, forms, indicators and mechanisms, sustainable development and its objectives, and the relationship between good governance and sustainable development. The third part presents the study tests and analysis, through the derivation of hypotheses of the study, and review of the data and study models and discusses the results of the analysis. Finally, section IV concludes the study by reviewing the main findings and providing a summary of the main recommendations.

## II. Theoretical Background

This section reviews the theoretical background of the study in terms of defining the concept of good governance, analyzing its characteristics, principles, elements, forms, indicators and mechanisms, sustainable development and its objectives, and the relationship between good governance and sustainable development.

### A. Good Governance (Good Governance)

The “tongue of the Arabs” came to Ibn Masur as to what can be inferred on The meaning of good governance that “the

attributes of God (Almighty) judgment and the ruler. Sense is the judge governs things and mastered. It was said wise with the wisdom of any knowledge of the best things the best science, in the sense capable of it. Ruled in the sense prevented: It was said the ruling among the people, because it prevents unjust for Injustice The origin of the government The man's response to injustice, and the ruling: is the judiciary and the collection of provisions, the ruling: spent, and the governor executor of the ruling.

And recently, Governance is what the state does, good governance is what the state should do. Despite the agreement on the concept of governance, ie the state administration, but the concept of good governance more challenging (Landman and Hausermann, 2003). Since this concept needs to be measured and indigenize and verification and to determine its dimensions and its components to reach the concept of operational him (Avellaneda, 2006). There are many jurisprudence in the definition of good governance, due to the different dimensions of this concept of political, economic and humanitarian.

Kato has been known and others (Kato et al., 2000) Governance as a method of exercise of power in the management of the State's economic and social resources in order to achieve development. Good governance states exercise authority under laws that can be expected by the public through transparent and accountable State institutions and organizations and with the participation of people in the process of development and policy development. According to Human Development Report Arab (Arab Human Development Report, 2002), the subject of good governance and human "is a judgment that promotes and supports and protects human well - being and is based on the expansion of human beings and their choices and opportunities of economic freedoms and capabilities Social and political, and seeks to represent all segments of the population fully Accountable to ensure the interests of all members of the People ". While defining United Nations Program Development (UNDP) is a political and refers to "the exercise of economic, political and administrative authority to manage the affairs of state At all levels, and includes the mechanisms, processes and institutions through which it crosses Citizens and groups for their interests, exercise their legal rights and fulfill their obligations And accept mediation to resolve their differences ". Or World Bank definition (The World Bank, 1992) it is an economic express "tradition And institutions through which power is exercised in States for the common good, including the process of selecting, monitoring, replacing and capacity-holders Governments to effectively manage and implement peaceful policies and respect for all Citizens and state institutions that govern economic and social interactions Among them. "As well as the Economic Cooperation and Development ( OECD ) (OECD, 1995) which defines good governance as "the use of power and control in the community with regard to the management of state resources in order to achieve social and economic development "(Weiss, 2000).

There is no doubt that the disparity in the definitions of good governance leads to the problem of measuring it. On the one hand, these definitions include difficult concepts of measurement, such as human well-being, human capabilities, choices, opportunities and freedoms (as defined in the Human Development Report) Arabic and the mechanisms and processes of expressing the interests of the people to fulfill the obligations (as defined by the United Nations Program (As defined by the World Bank) and the use of authority and control (as defined by the Organization for Economic Cooperation and Development). On the other hand, these

definitions consist of terms that represent results rather than inputs such as human well-being (HDR) Arabic (meeting commitments) as defined in the United Nations Program Development) and capacity Governments to manage resources (as in the World Bank definition) to achieve social and economic development (as defined in the Organization for Economic Cooperation and Development) (Kemp et al. (2005 ) and Avellaneda (2006)).

In any case, what concerns us here is the role of institutions in macroeconomic performance. Shows where North (North, 1990) on the importance of the distinction in the analysis between the rules of the game (institutions) and players (individuals and organizations) and how to play (governance). The roots of the concept of good governance dating back to the theoretical contributions Institutional Economics (Institutional Economics) , which emerged through the work of North and Thomas (North and Thomas, 1973) and North (North, 1990) and Ooslon (Oslo, 1982 and 1997) and others. The analysis of the traditional rational judgment from the point of view of the institutional economy is based mainly on the analysis Neoclassical (Neoclassic) for the role of the state in economic development, which determines, form neoliberalism (Neoliberal), that all the state must do is to protect property rights, reduce corruption , and not to confiscate The property of others, the commitment to democracy and the protection of the interests of the majority. This, of course, is based on the assumption that the market works efficiently and leads to economic development. Therefore, this economic model assumes that economic development can be achieved through reducing corruption and the protection of property rights and commitment to democracy and the protection of the interests of the majority (Khan, 2004). Many of Applied Economic Studies have followed these theories in order to show the positive relationship between the improvement of good governance indicators and economic performance, such as Nak and Kiefer (Knack and Keefer, 1995) and Mauro (Mauro, 1995) and Barrow (Barro, 1996) and Kaufmann and others (Kauffman et al. , 1999, 2004, 2005, 2006 and 2010).

Theoretical trends Explaining the positions of developing countries towards the issue of good governance were two main directions. The first trend, expressed by the school of dependency, which introduces concepts of economic dependence Which leads to the political dependency, which ends with the idea of intellectual dependence that serves the interests Economic development of global capitalism through the provision of an ideological discourse compatible with those Interests. The second trend, and expressed by the Learning Theory (Learning Theory), which does not exclude the possibility of The ability of developing countries to give their privacy to any concepts coming from abroad Thought and Practice ((Tawfiq, 2005) and (Uddin and Choudhury, 2008)) .

The above is clear that governance dimensions (Dimensions) different, including the political dimension which relates to the nature of political power (Adetiba1 and Rahim, 2012) and its legitimacy and its ability to real representation (Karim, 2004) and public policy at the state level (Sharif, 2008) and human ( Parihar, 2012) an area of interest of international organizations, such as the United Nations (UNDP) and the terms of a deal with them (Matheson, 2004). And the economic dimension related to economic development and the elimination of corruption (Al-Abd, 2004). This dimension is linked to some international organizations such as the World Bank and the International Monetary Fund. And the administrative dimension , which is seen to governance (Corporate Governance) as a basis for

corporate governance (Daradkah and Ajlouni (2013); Ajlouni (2007)). The social dimension, which aims to guide the collective goals, achievement and community reform (Riley, 2003).

Due to the difference of the concept of good governance among the different parties, its criteria vary according to its objectives. The Arab Human Development Report focuses on humanitarian standards and the United Nations Program UNDP focuses on political standards, the World Bank focuses on economic standards, and the OECD focuses on administrative standards. Because the term good governance is linked to the applications of Kaufman and others (Kauffmann et al. 2004, 2004 and, particularly, 2010) at the World Bank, which identified ways six measurement standards for good governance at the level of the world (Worldwide Governance Index), which you will use this In its practical aspect, we will mention only these six criteria, which are the principles of good governance, as follows:

### **1. Participation issue (Voice and Accountability)**

Means the participation of all members of the community in decision - making through institutional channels enables the community to express their opinion in decision - making, which guarantees freedom of opinion and expression and basic human rights standards, and that all officials and decision - makers In the State subject to the principle of accountability before public opinion and institutions without exception.

### **2. Political Stability and Absence of Violence (Political Stability and Absence of Violence)**

Means the political system and the acceptance by all parties to state its stability, including opponents of the policies of the government. This standard also includes the extent of violence expressed by political dissatisfaction from certain parties, both pro-government and anti-government.

### **3. Government Effectiveness (Government Effectiveness)**

Any effective management of state institutions, and the extent of efficiency in the recruitment of national resources, sound and clear way that serves society, and the state 's ability to act in the public interest, It includes the management of public funds and the ability Resource management and implementation of policies effectively.

### **4. Quality Legislation (Regulatory Quality)**

Includes legal legislation that determines which country 's relations with the community system, and ensure the safety and rights of individuals whatever their colors and their attitudes and to achieve the principle of equal opportunities, and the application of enacting laws to ensure that establishing rules of justice between the members of the community. This includes the existence of laws, regulations, legislation and regulations that are current, recognized and transparent.

### **5. The rule of law (Rule of Law)**

Means that everyone, rulers and officials and citizens, are subject to the law and nothing above it, and there are legal frameworks and mechanisms of the legal dispute and to ensure the right of litigation, independence And that the provisions and legal texts be applied fairly and without discrimination among members of society in all spheres of economic, social and political life, and that such laws are compatible with and guarantee human rights standards and human rights. All parties must be confident that these rules

are respected and applied .

### **6. Monitoring and Combating Corruption (Control of Corruption)**

The mean no hesitation in exposing cases of corruption in the state and convert them to eliminate and detect corrupt and hold them accountable.

The application of these principles will lead to the achievement of justice, equality, participation and freedom of the issue and the protection of property rights and reduce the abuse of power and to increase confidence in the national economy so as to contribute to raising economic growth rates and sustaining development. Based on this hypothesis, this study will examine the impact of the application of the principles of good governance in the Arab countries on economic growth.

### **B. Sustainable Development (Sustainable Development)**

Economic development and the factors leading to it have always been the focus of economics since its inception. Economic development aims to achieve full employment, stability and equity in the distribution of national income. It occupies growth in gross national product (GNP) in the heart of economic development, because growth means employment and stability. However, it does not guarantee fair distribution. This is an important issue, especially in developing countries, including Arab countries, where the poor distribution of income characterize these countries. Hence the importance of the definition of development appeared to include what is the most comprehensive of the current economic growth includes a decent living for all, and the ability to continue permanent, reliable and fair in the future, namely sustainable development (Sustainable Development). The first definition has appeared in the World Commission on Environment and Development Report (The World Commission on Environment and Development (WCED, 1987)), known as the Brundtland Report (Brundtland Report) as the development that meets current needs without detract from the ability of future generations to meet Requirements. Thus, the essence of sustainable development in accordance with this definition is to meet basic needs and to recognize the effects on the environment and intergenerational equality. The report notes that sustainable development is an ongoing process of change where exploitation of natural resources, investment trends, technical development and institutional change are in line with the ability of present and future generations to meet their needs. Thus sustainable development is linked to the political will (WCED, 1987, p.9). In Arab development, the most prominent attempts to define sustainable development were described in the Arab Human Development Report 2002 as: "Sustainable development is a democratic development aimed at building a just social order, raising human capacities through increasing effective and effective participation of citizens, empowering marginalized groups, Citizens' choices and potentials, which are central to the capacities and opportunities that include freedom in its broadest sense, the acquisition of knowledge and the empowerment of the institutional framework. "The focus of the report is on the political side. Therefore, sustainable development is, as good governance, with different dimensions (Ukaga et al., 2010) .

In total, can be identified four goals for sustainable development are (1) Social development that recognizes the needs of all members of society equally (Parihar, 2012), (2) the effective protection of the environment and the preservation and protection of human health and safety of environmental damage,



(3) wise use and efficient natural resources so as to ensure its continued without damage or demise or destruction, (4) maintain a high economic growth of the entire continuous and stable operation (Bartle and Vass, 2006).

In view of these objectives, the measurement of sustainability must be based on long-term structural interdependence between economy, energy, environment and society. Therefore, indicators of sustainability must include economic, social, environmental, cultural, civilizational, political, health, educational and security aspects. Perhaps the most important indicators of sustainable development, we mention (1) political empowerment for all members of society, (2) social integration, leading to cooperation in meeting the desires of individuals and social interaction is necessary, (3) equity in income and opportunities, education, health and services distribution, (4) To meet current needs without adversely affecting future needs; and (v) the right to life without endangering personal safety from communicable diseases, environmental disasters, repression or displacement.

### 3.2 The relationship between good governance and sustainable development (Governance for Sustainability)

Thus we see a radical shift in the definition of development from economic growth (physical capital) to human development (human capital) and then to sustainable development (social capital) To human development. Hence the relationship between the concept of good governance and sustainable development, because good governance is the means to transform economic growth into sustainable development. Good governance is not only a prerequisite for sustainable development, it is also the result of the stages of achieving sustainability that can not be achieved without it. But even good governance leads to sustainable development, it must be characterized by four basic elements and components are (Kemp et al., 2005) (1) Policy integration and coherence between the various governing legislative, executive and security institutions, and improve interactions between governmental and non - governmental institutions, and the creation of a plan *حكومة طويلة الأمد للاقتصاد والمجتمع ، وتوفر*

*الإرادة السياسية لكل ذلك ، (2) تحديد أهداف عامة طويلة الأجل ومعايير للتخطيط متفق عليها وقواعد محددة للتغيير والتبديل ومؤشرات مقبولة للحاجة لإتخاذ إجراءات معينة والسير قدماً نحو الإستدامة ، (3) توفير المعلومات الضرورية*

*T appropriate and appropriate incentives for the practical implementation, (4) promote the development and innovation programs in public and private institutions, leading to optimal use and the most efficient and effective use of resources and sources.*

Many recent empirical studies that have shown the importance of institutions in economic growth have been published (Sindzingre, 2003). However raises doubts about the methods of applied analysis relied upon by these studies ( Khan, 2004), is still the theory of the economies of the institution ( Institution : Economics Theorie ) falls short of linking policies, institutions and institutional changes to economic growth ( Helpman (2004), in North (2005) And avellaneda (2006)).

For example, he studied Kato and others (of Kato Et al., 2000) how to promote good governance to achieve sustainable development in Cambodia, so a test of good governance in terms of the issue, transparency, predictability and participation, both in the public sector, civil society and the media, in the restructuring of the sectors public finance and restructuring of the armed and decentralization and restructuring of the judicial system and regional integration forces and civil service. This descriptive study has indicated some important issues in governance that affect development in Cambodia, such as the weakness of the issue in the public sector and the limited relationship and interaction

between government Almmntj sectors and non - governmental organizations and decentralized public financial management and poor participation of the regions where. All this will lead to creating a fertile environment for corruption. Where he discussed Khan (Khan, 2004) the issue of corruption and governance in developing countries, and pointed out that tests the economic theory of these two factors have shown in support of programs to restructure the market, leading to reduce the role of the state to provide a small group of services that can not be provided by the private sector. Khan has criticized these trends in terms of failing to identify the causal factors of corruption and the failure of governance in developing countries. As well as others confirmed Kemp (the Kemp Et al . . , 2005) that can not be assumed wisdom Aallqaiah market mechanism or any other blind. You must reach beyond the market forces to establish effective governance in achieving development. Perhaps some Arab countries experience that have adopted restructuring programs demonstrate clearly about the inability of spontaneous market forces to achieve development, but led to what is reversible from the emergence of financial corruption and the decline in the state 's role in stimulating growth and atrophy of the real democracy and the emergence of a brutal relationship between capital and politics, all this in the absence of interest in human beings, leading to the emergence of the Arab spring. Because the pursuit of sustainable development, according to Kemp and others, must include the establishment of structures and governance practices that emphasize and lead and coordinate the good works by creating attractive factors for the network of interactions across all levels and sizes.

It seems that many of the previous studies, such as those mentioned above, have adopted the descriptive method for the lack of standard measures of governance can be used at that time. Accordingly, he had Kaufman and others (Kaufmann Et al., 2004) developed six standards for governance have been applied to 199 countries on four periods are 1996, 1998, 2000 and 2002. These standards have been developed on the basis of hundreds of variables for governance were derived from 25 source of information on 18 international organizations. In the following study, Kaufman made and others (Kaufmann Et al., 2005) studied the relationship between good governance and economic growth standards, expressed at the rate of per capita income, in 209 countries for the period 1996-2004 and found a correlation high between them, where moving the causal relationship of governance standards rate to income rates. As the probability of a causal relationship experienced the reverse, from economic growth to governance standards, and found a weak relationship, ie the rise of good governance standards in rich countries not because they are rich (Halo is Effects) but because they apply the principles of good governance. In recent studies, the Kaufman and others (Kaufmann Et al., 2006) published the revised version of the six good governance standards, the standards mentioned in the previous section above, and they have applied to 213 countries for the period 1996- mid - 2005. Because these standards constituted a radical development in defining standards of governance, and therefore can be used in the sports economy applications, it has been used in this study. Despite recognition of Gray (Gray is, 2007) development and improvement has been on governance standards, but he stressed that there are many practical and theoretical evidence that pose a challenge to these standards. Gray has reviewed the empirical studies of the relationship between governance and growth and found that governance has been the main focus of many restructuring in many countries programs. Thus, this view has dominated the studies and policies that are considered the means to stimulate growth

and reduce poverty.

But Khan (Khan, 2004 and 2006) stressed that good governance programs have failed to identify the key reservoirs in governance to accelerate the pace of growth in developing countries. The institutions mentioned in good governance is concerned to improve market efficiency, by reducing the cost of operations and access to property rights and documentation of contracts, implementation and efficiency of bureaucracy. This is because the bureaucracy efficient positive impact of economic growth ( Lovett, 2011 ). But developing countries, including Arab countries, even with rapid growth, do not have strong institutions to improve markets. In view of this structural difference between the countries must look for different criteria adapted to developing countries structures (Gray is Khan, 2008).

Such results reached by Jang (Chang, 2007), which confirmed the failure of global restructuring programs promoted by the International Monetary Fund and the World Bank and many Western governments since the eighties. This is because these programs have followed the same recipe for all countries deliberately overlooked institutional differences between them. I have admitted many economists, and even militants of them, that the economic policies derived from developed countries may not work in developing countries. The large and devastating financial crises in many developing countries, such as Mexico 's 1995 crisis and the crisis of the Asian tigers 1997 and the crisis of the Russian ruble in 1998 and the crisis in Brazil in 1999 and Argentina in 2002 and the global financial crisis in 2008, has contributed to the increased interest in financial institutions and corporate governance even in developed countries, which means that the institutions in these countries are not role models for those institutions in developing countries, the need for institutions stemming from their local environment (Ahrens, 2009) and compatible with the national culture. Even the recipes of the International Monetary Fund and the World Bank standard for institutions in developing countries Alamadth to borrow we did not find her presence the end of the transitional phase in these countries after, because these institutions structure imposed by international lending institutions is inconsistent with the structure stemming from the social environment of each state and local institutions. Contrary to what I have, these emergency institutions have contributed to the spread of corruption in developing countries, in view of their funds easy and cheap, it has become a coveted influential. This in turn led to a decline in growth. Ugur and Dasgupta (analyzed Ugur And Dasgupta, 2011) evidence on the relationship between corruption and economic growth in the 72 applied study and found that the corruption of a negative impact on the individual in poor countries , income growth, and corruption delay in middle - income countries factor, where its impact is direct in showing greater than the direct impact.

Here comes the importance of financial and economic legislation in achieving good governance. He noticed Bartel and won (Bartle and Vass, 2006) that the British Government for Sustainable Development published strategy in 2005 entitled Securing a Future (Securing the Future) without any role of economic legislation, not only in response strategy requirements but also contribute to the achievement of its objectives. But in order for the achievement of sustainable development, we must promote good governance by emphasizing the ability of economic legislation to achieve the best possible development returns, and fully engage in the discussion of sustainable development issues and to find appropriate alternatives to the procedures disparate and contrasting between the various stakeholders to implement the strategy and

the protection of consumer power to consumers.

### III. Tests and Analysis

This section tests the study and analysis, through the derivation of hypotheses of the study, and review of the data and study models and discusses the results of the analysis.

#### A. Hypotheses of the Study

Based on the above analysis of the theory of economic enterprise, it can be derived hypotheses of this study in terms of the direct relationship of good governance and economic growth, and therefore can be formulated the first hypothesis as follows:

There is a relationship between the Arab states to adopt standards of good governance and economic growth.

Given the differing institutional structures between the Arab countries and those of developed, developed governance standards of governance, according to them, it is expected to be some standards of good governance on the impact of economic growth more than others. And therefore it can formulate hypotheses and even the second seventh as follows:

There is a relationship between the adoption of the Arab countries to the standard issue of participation and economic growth.

There is a relationship between the adoption of the Arab countries to the standard of political stability and economic growth.

There is a relationship between the adoption of the Arab states to standard government effectiveness and economic growth.

There is a relationship between the adoption of the Arab countries to the standard quality of legislation and economic growth.

There is a relationship between the adoption of the Arab states to the standard rule of law and economic growth.

There is a relationship between the Arab countries to adopt standard fight against corruption and economic growth.

#### C. Study Data

To test the hypotheses of the study were data from the studies and reports of institutions and bodies of Arab and international assembly, as contained in the tables below sources. These data included each Arab state during the period 1996-2011, and as follows:

(1) Kaufman standards and his colleagues from the World Bank's six governance (participation issue, political stability and absence of violence, government effectiveness, and the quality of legislation, and the rule of law, control of corruption and fight it) year and the rate, indicators of governance governance: Table (1) The following data shows during the years 1996 and 2011, and the other years data have not been shown here for lack of space. In any case, the table shows an improvement, albeit relatively, in the six governance indicators in some Arab countries between 1996 and 2011, especially if we exclude the politically troubled countries such as Somalia, Sudan, Yemen, Libya, Eritrea, Syria and Iraq. Perhaps the best Arab countries in the general index of governance is Qatar and the United Arab Emirates. Perhaps the reason for the decline in governance indicators in most countries in 2011 due to the Arab Spring, social, economic and political turmoil and where.

Table (1) Governance indicators and the general rate in the Arab countries during 1996 and 2011

(2) The annual growth rate in GDP Kahr for economic growth: Table 2 below shows these rates during the period 1996-2011. Where it shows the fluctuation of the annual economic growth rate of Arab countries on average arithmetic (5.01%) during the period. Rising

from (6.03%) in 1996 to (8.09%) in 2004, after declining in the recent period to (4.37%) in 2011. Perhaps the greatest rate of economic growth during the study period is witnessed by Qatar and at the rate for the period of (12.47%), followed by Iraq, especially during the nineties of the last century at a rate of (7.24%), Sudan and Somalia, at a rate of (6.66%) and Bahrain (5.65%) and Kuwait (5.47%) and Jordan (5.38%). The least developed countries Djibouti was (3.07%) and Yemen (3.49%) and Palestine (3.99%).

Growth achieved by Arab countries since the mid - eighties and until the middle of the first decade of this century has been eroded by inflation, was volatile and unstable, so that the Arab countries have lagged behind many developing countries that were preceded by that, apart from the decline from what it was before the middle eighties ( Elbadawi, 2005 ). But after the second oil boom, rising oil prices to levels record, growth to rise back significantly and grew Arab economies. However, economic development did not materialize, as the increased gap between the rich and the poor in one state, and distributed development to everyone gains. Because of the weak legislation spread corruption, and peoples began to demonstrate and the back of the Arab Spring tsunami.

Table (2) The annual rate of growth in gross domestic product (GDP) in the Arab countries during the period 1996-2011

(3) Population growth rate: Due to the potential impact of population growth in economic growth, and to isolate such a variable so that we can know the impact of good governance and standards on economic growth, it has been the introduction of this variable as a tuning ( Control -the Variable ) in the test. Table (3) The following shows the population growth in the Arab countries during the period 1996-2011. Where high annual population growth rate of the Arab countries , the table appears in the middle of the period (3.38% in 2005) from the beginning (2.28% in 1996), and then decline in the recent period (2.4% in 2011) to levels similar to the beginning of the period. Perhaps the greatest rate of population growth is witnessed in Qatar and at the rate for the period of (9.38%), followed by the United Arab Emirates, at a rate of (8.23%) and Bahrain (6.15%) and Kuwait (3.32%). The least developed countries in the population, it was Tunisia (1.04%), Morocco (1.1%) and Lebanon (1.25%).

Table (3) Population growth rate in the Arab countries during the period 1996-2011

**C. The Study Models and Results**

This study stems from a basic premise that good governance leads economic growth, that economic growth continued to governance, which is an independent factor factor. And therefore can express this hypothesis the following equation:

Economic growth = s (good governance, population growth) (1) Which can be tested through the estimated regression equation (with Ex-Ante) the following:

$$\text{Economic growth} = a + b_1 * \text{Good Governance} + B_2 * \text{population growth} + \text{error coefficient} \quad (2)$$

Where A = fixed coefficient, ie, the economic growth rate when the independent variables equal to zero.

B1 = coefficient of variation in economic growth versus change of one unit in governance.

B2 = coefficient of variation in economic growth versus change of one unit in population growth.

Error = coefficient represents a deviation from the relationship line and take a valuable positive and other negative, and should

be the arithmetic average = zero. There is this parameter due to the lack of any briefing model with all the variables that can lead to or affect the dependent variable, ie economic growth.

I have been using the study data in the test equation, using statistical software (Stata ®) and the application of multiple fixed - effect regression model (Fixed-Effect (Within) regression), the results have appeared, as in the table (4), as follows:

Table 4: Test Results Multiple Fixed-Effect Regression Model for the First Hypothesis

Working Group: Economic growth rate	Coefficient of variation (b)	Value (v) Computerized	Moral level
Fixed coefficient (a)	* 5.230692	8.15	0.000
The overall rate of Governorship	* 4.332423	2.13	0.034
Population growth rate	* 0.268755	2.46	0.015

(\* ) Are statistically significant at the level of 5% or less.

Views = 182, the number of groups = 14, the number of views for each group = 13

The standard error of estimate (p) ( F (2,166) ) = 6.10 and moral level = 0.0028

Coefficient of determination ( R<sup>2</sup> , ): within groups = 6.85%, including = 36.16%, the overall rate = 14.23%.

Test error = zero coefficient: standard value ( F (13.166) ) = 3.15 and moral level = 0.0003.

Seen from the test that the value of (t) calculated for transactions change the general rate of Governorship (b 1) and the rate of population growth (b 2) is greater than the value of (v) Tabulated, meaning that each of (b 1) and (b 2) is not equal to zero. Thus, we can say that there is a fundamental relationship between these independent variables and economic growth. Test the standard error of estimate also indicates that the value of (p) greater than Tabulated value, and thus the substantial regression relationship can be used to predict the rate of economic growth as a result of expected general governance index and the rate of population growth. Also, these two variables together explain more than 14% of the change in the rate of economic growth in the Arab countries.

Accordingly, it can be re - formulation of equation (2) above, estimated to become an applied equation ( with Ex-Post ), as follows:

$$\text{Economic growth} = 5.23 + 4.33 * \text{good governance} + .27 * \text{Population Growth} \quad (3)$$

In order to ensure that the direction of the relationship of governance, economic growth, and not vice versa, has been Ngdh data (Clustering) and used in multiple with a random effect regression model ( Random-Effects ( the GLS ) regression ), The results appeared uncertain of what has been inferred above in terms of the presence of the influence for good governance on the economic growth rate, as shown in the table (5), as follows:

Table 5: Test Results With Multiple Random Effect for the First Hypothesis of the Regression Model

Working Group: Economic growth rate	Coefficient of variation (b)	Value (v) Computerized	Moral level
Fixed coefficient (a)	4.536652	7.36	0.000
The overall rate of Governorship	1.696435	1.93	0.054
Population growth rate	0.3116314	3.18	.005

(\* ) Are statistically significant at the level of 5% or less.



Views = 182, the number of groups = 14, the number of views for each group = 13

Coefficient of determination (R2): within groups = 5.88%, including = 45.19%, the overall rate = 17.33%.

Test standard error: the standard value (Wald, Chi2 (2)) = 20.30 and moral level = 0.0000.

It was found that the value of the test (t) calculated for the coefficients of change (b 1) and (b 2) statistically significant at the abstract level of 5% or less. The test also indicates that the regression line equation represents the relationship between the variables and by less than 1/10000 error. Thus, we emphasize the importance of governance in achieving economic growth and can build on this model in predicting the rate of economic growth as a result of expected general governance index and the rate of population growth. Also, these two variables together explain more than 17% of the change in the rate of economic growth in the Arab countries.

Accordingly, it can be re-formulation of the equation (3) above to read as follows:

$$\text{Economic growth} = 4.54 + 1.70 * \text{Good Governance} + 0.31 * \text{Population Growth} \quad (4)$$

It has been re - statistical analysis of the above by adding a random variable ( Dummy the Variable ) indicates whether or not the state oil (takes 1 value of the oil countries and zero otherwise). But all the above findings have not changed at all. Thus it can be said that the fact that the state oil does not affect the causal relationship

between governance and economic growth. This reinforces the results of the study in terms of the impact of governance on growth is largely linked to the richness of the state, a causal relationship is not a foregone conclusion.

To find out any of the six good governance measures the most influential economic growth in the Arab countries, has been rewritten equation (1) above are as follows:

$$\text{Economic growth} = s (\text{participation issue, population growth}) \quad (5)$$

$$\text{Economic growth} = s (\text{political instability, population growth}) \quad (6)$$

$$\text{Economic growth} = s (\text{the effectiveness of government, population growth}) \quad (7)$$

$$\text{Economic growth} = s (\text{the quality of legislation, population growth}) \quad (8)$$

$$\text{Economic growth} = s (\text{rule of law, population growth}) \quad (9)$$

$$\text{Economic growth} = s (\text{the fight against corruption, population growth}) \quad (10)$$

I have been using the study data in the test these equations, each separately, using statistical software (Stata ®) and the application of multiple with a random effect regression model (Random-Effects (the GLS) regression) data botrytis results have emerged as shown in the table (6), where each column expresses an independent test of one of the six governance indicators and as follows:

Table 6: Test Results Multiple Fixed-Effect Second Hypothesis Regression Model Until the Seventh

Working Group: Economic growth rate	Participation issue	Political stability	Government Effectiveness	Quality of legislation	rule of law	Fighting corruption
Coefficient of variation (b)	0.006	0.007	0.101	* 0.017	** 0.014	* 0.014
The value of computerized T	0.660	1.24	1.20	2.17	1.79	2.01
Moral level	0.509	0.215	0.229	0.030	0.073	0.045
Coefficient of determination R2	16.6%	17.60%	16.31%	14.47%	17.47%	18.06%
Standard value Wald Chi2 (2)	16.40	18.07	17.10	20.16	19.40	20.15
The moral level of standard error	0.000	0.000	0.000	0.000	0.000	0.000

(\* ) Are statistically significant at the level of 5% or less, (\*\*) statistically significant at the level of 10% or less .

Views = 182, the number of groups = 14, the number of views for each group = 13

It can be seen from the previous tests that the value of (t) calculated for transactions change indicators of participation and the issue of political stability and government effectiveness less than the value of (v) Tabulated, that the values of (b) is equal to zero. Thus, it is not for any of these indicators (individual) and a clear impact on economic growth in the Arab countries. On the contrary, Vlmahrat quality legislation and the rule of law and the fight against corruption , the impact on economic growth. In all previous tests, the variable population growth impact on economic growth, and the random variable (Dummy the Variable), which indicates whether or not an oil state, had no effect at all. And therefore it can confirm to say that the fact that the state oil does not affect the causal relationship between any of governance and economic growth indicators.

Also, it has been tested all the indicators in one model on the form given in equation (11) the following:

$$\text{Economic growth} = a + b_1 * \text{Participation issue} + B_2 * \text{Political stability} + B_3 * \text{Government effectiveness} + B_4 * \text{Quality legislation} + B_5 * \text{law authority} + B_6 * \text{Fighting}$$

corruption + error coefficient (11)

By following the same methodology used in the previous tests and applied to the above model, but it did not show any effect with a statistically significant for any of the six governance indicators on economic growth. The reason for this is the problem of self - correlation ( the Auto-correlation ) in the data and perversions standard, as all governance indicators of good in many Arab countries are weak, due to the lack of participation and the centrality of the state and the poor efficiency of institutions and the weakness of the role of the institutions of local governance, corruption legislation and the lack of space for freedoms, social barriers, customs and traditions restrictive and weak social and economic incentives for innovation and risk and adventure.

#### IV. Conclusion

This study attempted to uncover the relationship between good governance and economic growth in the Arab countries. The research has addressed the analysis of the characteristics of good governance and its relation to economic growth, in the short term, and the ability to sustain so as to achieve sustainable economic development, in the long term. It was found that the

application of the principles of good governance with a view to achieving sustainable development process and a great challenge for countries hard, because they require conversion of societies and restructuring of institutions. Of course, this will not be just a decision, but it is an ongoing and continuous process and the need to look with a long-term plan, jointly developed and adopted everyone, in order to ensure its success. In contrast, it will not only with strange structures and institutions of society are not accepted in their culture produces.

This study also sought to develop an economic mathematical model to measure the impact of good governance in sustaining economic growth and the achievement of sustainable economic development by using multiple fixed - effect regression. It has been applied to the World Bank data on good governance and economic growth in the Arab countries during the period 1996-2011. Which showed the State of Qatar issued statements to all Arab countries, not only in the growth of economic and population, but also in good governance, followed by the United Arab Emirates indicators. In order to ensure that the direction of the relationship of governance , economic growth, and not vice versa, it has been Ngdhd data used in multiple with indiscriminate effect, which confirmed the results of what has been deduced in terms of the presence of the influence of governance good on the economic growth rate in Arab countries regression model.

The analysis showed a number of facts about the relationship between governance and economic growth. First, the rate of economic growth is linked to a positive level of development institutions and governance in the Arab countries. This result is in agreement with a trader in the previous studies, see for example Versbagn study (Verspagen, 201 ) and studies of Kaufman and his colleagues ( Kaufmann Et al . . , 2005 And 2006 ) and the study of Kato and his colleagues ( of Kato Et al . . , 2000 ). Perhaps most importantly, however, is that this relationship is not linked to the level of the state 's income, as the results indicate that the fact that the state oil or non - oil did not affect this relationship. Second , not all governance indicators (individual) at the same level of importance in influencing economic growth. It has been shown that the quality of legislation and the rule of law indicators and the fight against corruption with a significant impact on economic growth in the Arab countries. While not indicators of participation and the issue of political stability and effectiveness of the government and a clear impact.

Perhaps the second fact demonstrated by the empirical results Lhz interesting study interesting. Indicators of participation and the issue of political stability and government effectiveness of a political nature and linked to a democratic state level. Perhaps the weakness of the impact of these indicators signaled not only the weakness of the democratic character of the political structures of economic growth in the Arab countries, but may also indicate a lack of appropriate indicators for the culture and environment of Arab societies, which are characterized by mostly weak political awareness. In any case, the standard used in the model of this study, as in other similar studies, measuring the direct impact of governance indicators on economic growth. However, there can be an indirect effect of these indicators have not been measured. This is a cause for further research into the validity of these indicators to judge its relationship with economic growth, especially in a distinct culture of history societies deep-rooted and not easily converted into the future without significant costs.

## Recommendations

Based on analysis and tests, these Bunting recommends the following:

1. Application of the principles and requirements of all institutions of governance in the Arab countries, government and private.
2. The adoption of comprehensive quality systems in all institutions in the Arab countries, government and private.
3. The establishment of specialized oversight bodies, the issue of accounting, with financial and administrative independence, and legal powers.
4. Encourage initiatives, innovations and creativity among the Arab youth.
5. The obligation of disclosure and transparency in all institutions standards in Arab countries, government and private.

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