

Abstract

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Governance Matters and Economic growth in Egypt: Empirical Evidence after the Revolution

Background – Following the Egyptian revolution on 25 January 2011, the need for a new development approach has become essential. That is, development with a human face. The aim of this study is to contribute to the discussion on economic growth in Egypt by examining the interdependence of inclusive governance, economic and social inclusion, through assessing empirically the relationship between governance indicators and economic growth in Egypt.

Methods – The Study used a quantitative method, which combines analytical, and econometrics methods to analyse the indicators of Worldwide Governance (WGI) from World Bank database, and economic indicators from Economic Intelligent Unit (EIU) database during the period 1996-2012. The research model followed similar empirical models applied in using “Vector Error Correction Model (VECM)” to measure the causation relationship between governance and economic growth. Results – The Egyptian economy suffered during the study period from a significant decrease in the level of governance. Regarding the correlation relationship between governance and economic growth in Egypt, all governance indicators associated inversely with indices of economic growth except regulatory quality and Voice and Accountability. Therefore, the casualty relationship tested showed that the most governance indicators were cause economic growth except the corruption control, while the economic growth has a positive effect and contributes to the development of indicators political stability and regulatory quality. Conclusions – The robustness and importance of governance and initiations could play a significant role in influencing economic growth in Egypt, which is consistent with previous studies on the impact of institutions on economic growth and development. However, these results need further investigation to determine what the variables are that cause the growth of GDP in Egypt.

Keywords ? Governance ? Economic Development ? Egyptian Revolution ? Arab Spring