

The impact of political stability on economic development in the Arab countries for the period 1996-2016

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Summary

Good governance and economic development are currently regarded as one of the major problems of economies at the international level, and still remain among the concerns of the actors of the society, and on more than one level.

Arab countries face significant development challenges, largely related to the setting in of good governance systems. In this regard, we want to contribute to this question by examining the importance of political stability, as a dimension of good governance, to promote sustainable economic and social development in these countries.

Despite the situation in many Arab countries, the results of the study suggest the positive impact of political stability and the acceptable situation for many of them, which requires us to examine the reliability and representativeness of data published by the World Bank, although we recognize the efforts made to do so.

Keywords: governance system, economic development, political stability, Arab countries

Jel classification codes: B52, C23, C52, O11.

المخلص

تعتبر مشكلات الحوكمة و التنمية من المشكلات الراهنة للاقتصاديات في العالم، إذ يعتبر هذا من الانشغالات التي لازالت تحظى باهتمام كل القوى الفاعلة في المجتمع، و على أكثر من صعيد. فالإسهام في اقتراح الحلول الكفيلة بتدعيم الأداء التنموي للأقطار العربية، إنما يتطلب تشخيصاً دقيقاً لأنظمة الحوكمة بها في جميع المستويات.

و الأقطار العربية تواجه تحديات كبيرة لتحقيق التنمية، ترتبط إلى حد كبير بإرساء قواعد الحكم الرشيد. ونحن في هذا الصدد نريد الإسهام في هذا الموضوع من خلال اختبار أهمية الاستقرار السياسي كأحد أبعاد الحكم الرشيد في بعث التنمية الاقتصادية والاجتماعية المستدامة بهذه الدول مستخدمين في ذلك أدوات الاقتصاد القياسي بمنهجية تحليلية استقرائية

على الرغم من الأوضاع التي تعيشها عديد الدول العربية إلا أن نتائج الدراسة صبت في اتجاه الأثر الإيجابي للاستقرار السياسي والوضع المقبول للكثير منها، و هو ما يدفعنا إلى ضرورة الوقوف على موثوقية و تمثيلية البيانات التي نشرها البنك العالمي حتى و إن سلمنا بالجهود المبذولة في سبيل ذلك.

الكلمات المفتاحية: نظام الحوكمة، التنمية الاقتصادية، الاستقرار السياسي، البلدان العربية.

رمز التصنيف JEL: B52, C23, C52, O11

Introduction

The observed differences in levels of economic development between countries are due to a combination of factors, it represent, according to researchers and economists, the basis of development in any country. These factors can be divided into natural and geographical factors and other factors associated to the economic policies which reflect, for example, the degree of integration, openness of trade and the affiliation of states to regional and international blocs. Achieving significant levels of development requires many resources and capacities as well as sound strategies adopted by countries.

Many economists have made clear the difficulties that industrialized countries have faced for nearly three decades on boosting economic growth, the importance of institutions in economic activity, which is not previously mentioned by Solow and Harrod for example, and has become the focus of concern. As that, the disparity in the results of development programs among countries in the south led to search for the reasons for these phenomena. In response to these questions, it was considered that good governance was among the main factors that explain the interaction between political structures and economic performance.

Despite the undeniable contribution of the endogenous growth theory, it did not focus on other non-economic factors, like social and political environment in explaining countries economic growth. International financial institutions had a crucial role in clarifying the importance of the political and social factors in economic growth, especially when stabilization and structural adjustment program in developing countries has proved their failure. In other words, it did not care about the social and political environment in which economic agents worked in. International financial institutions have also helped to clarify the importance of the political and social dimensions in economic growth, because of the failure of stabilization programs and structural adjustment programs in developing countries.

The Political Stability Index and the absence of violence are among the many indicators presented by the World Bank to evaluate the dimensions of good governance that could have an impact on the performance of economies, in terms of the likelihood of government instability and the possibility of overthrowing them in unconstitutional or violent ways, including politically motivated violence.

Through this study, we aim to assess the impact of the political stability of a group of Arab countries on their economic development, by knowing political stability determinants for the Arab countries, and knowing impact degree of political stability on their development levels. This can be obtained by answering the following question:

To what extent can political stability contribute to the economic development of Arab countries? The study hypotheses are as follows:

- the degree of political stability of Arab countries is linked to the nature of their governance systems, and that royal regimes are more stable.
- The political stability degree in the Arab countries has no noticeable effect on their development level.

The natural approach considers that natural and geographical conditions are one of the most important determinants of the economic growth of countries, whether positive or negative. While the institutional view considers that institutional factors are also determinant, and that is what previous empirical studies have concluded. Two main factors should be mentioned here:

- There are two types of institutions good institutions and other bad;
- Good institutions support economic and social progress, while the latter inhibit it.

I- Growth, development and institutional economy:

The most important economic theories that consider institutions as crucial to economic growth are¹:

I-1 Economic Growth Theory:

In terms of endogenous growth theories, Barro, Lucas, and Romer consider that accumulation of knowledge, human capital, learning by practicing, technological innovations, and infrastructure are sources of long-term growth. They are elements that play an important role in the economy, by generating what we call positive externalities.

¹ - Ameziane Ferguene: Croissance économique et développement: Nouvelles Approche, éditions CAMPUS OUVERT, France. 2011, P71.

In this case, according to the principles of the market, it is not possible to pay wages to producers of such externalities (especially those related to knowledge). The creators do not receive monetary equivalent for their creativity, but they must be protected by the registration of their patents. So we moved from talking about the principles of the market to compensate the creators to talk about the institutional logic to protect intellectual property. In this context, the state should adopt incentive mechanisms through developing legal structures supporting research and development, in order to motivate local creators.

In contrast, emitters of negative externalities, such as pollution, cannot be penalized. because companies do not pay in return for their pollutant emissions, that requires state intervention by Setting standards against pollution and imposing fees on the institutions that cause it; that cannot be subject to market rules, But the state intervenes to control the phenomenon².

we can say, according to the theory of endogenous growth, the state's intervention is necessary to reduce the negative externalities and support the production of positive externalities, in which market mechanisms are unable to achieve the social benefit of the state, so the intervention of the state is necessary in order to change the institutional environment in line with the support of economic growth and social welfare.

I-2 The theory of institutional economy:

According to institutional economy theory, economic growth does not stop at looking for the main factors that allow long-term capital accumulation only, it also depends on the institutions that regulate the relations between the various agents of society (conventions, standards, procedures, ...). They play a crucial role in terms of production and exchange cost levels, such as the cost of negotiating contracts, prices, and so on.

More specifically, by respecting the economic playing rules, institutions may have a significant impact on the motivation of economic agents (individuals, small companies, big companies...) to fully engage in activities that are at the heart of economic growth: production, investment, training, research, innovation ... and so on.

In this regard, D.North³ considers that the problem underlies in the social incentive system of a country. If motivation is based on competence and merit - or vice versa - on the basis of favoritism or belonging to a group, individuals will likely continue to be stimulated by training, investment, and so on. On the other hand, if institutions allow the accumulation of wealth by illegal means, such as theft or piracy, there will be a large number of theft associations and pirates in society.

Further, what is remarkable in this respect is the need to pay attention to the legislative and legal dimension of economic context, which is sometimes characterized by a shortage of resources and sometimes by interest conflicts between agents, which may lead to the total destruction of its resources.

Furthermore, any institutional system derives its importance from laws and legal rules that ensure the re-establishment of a minimum of regulation and uncertainty. It is impossible without it to practice productive activity, investment, and so on.

Their development depends on the minds of decision-makers, who often are afraid of change, and it will weaken the pace of growth. This requires institutional reform aimed at finding the path of optimal growth by introducing new rules based on the concepts of transparency, trust, and so on.

we conclude that the issue of the role of institutions in the economic performance of the state is related to political structures, in terms of legitimacy, the principle of transparency, and citizen participation; or in general, the relationship between those in charge of the political structures and the citizens, which raises the question of the quality of the system of governance.

²- AmezianeFerguene:op-cit; P72.

³ . D.North (1990): Institutions, Institutional change and Economic performance, Cambridge University Press. ISBN 0-521-39416-3 hardback.p , ISBN 0-521-39734-0 paperback:11-16.

II- Governance system quality and economic development

To address criticism toward the endogenous growth theory, other theories have emerged taking into account non-economic factors in explaining economic growth, especially political and social dimensions.

Accordingly many studies that were concerned with the subject of economic growth and development were addressed in the early 1990s⁴. Not only that, but International financial institutions have also helped to clarify the importance of the political and social dimensions in economic growth, because of the failure of stabilization programs and structural adjustment programs in developing countries.

II-1 The conditional convergence hypothesis and the socio-political dimension of development:

Solow R. (1956) introduces in his famous model the question of the catching up of the industrialized countries of the North by the developing countries of the South, or what was known as the long-term convergence of the international economies. However, some of his supporters have pointed out that this rapprochement is not inevitable, but it depends on the social and political conditions that can be summarized as follows⁵:

- Practices related to bribery, bullying and favoritism.
- Absence of rules on social, religious and ethnic conflicts.
- Lack of respect for human rights, including property rights.
- Lack of special mechanisms to fight poverty and inequality ...and so on

In this sense, the path of convergence is possible, provided that a system of governance similar to that of developed countries is established. The conditional convergence hypothesis of governance systems in developing countries has been extensively studied by many economists, who have done their best to clarify the importance and impact of social and political variables in sustainability of growth and development⁶.

What can be deduced from these studies is that the issue of convergence and the catching-up of industrialized countries by developing countries depends on the adoption of a governance system similar to that of developed countries, based on transparency, respect for property rights and individual and collective freedoms, the clear will to combat bribery through special legal and judicial texts, which gives it an accelerated pattern of development that allows it to catch up with developed countries.

II- 2. Governance, Renewal of Development Approaches and Practices

The International Financial Institutions (IFIs) have encountered considerable difficulties in implementing their programs, stabilization plans for the IMF and structural adjustment programs for the World Bank, which has made it vulnerable to criticism, not only from experts and governments, but also from within these institutions⁷.

These criticisms had a clear impact on the policies followed by the heads of these institutions, where attention was paid on the social and political implications of these programs, to the detriment of the economic approach. Particular attention has also been paid to the enrichment of texts and appropriate mechanisms for their implementation.

⁴ - the main studies: (A. Varoudakis, 1996) ; (A. Alesina et R. Perroti, 1994) ; (R.J.Barro, 1996)

⁵ Ameziane F.: Op-cit, P: 77-78.

⁶ -R.J.Barro, Determents of economic growth : A cross-country empirical study, National BUREAU OF ECONOMIC RESEARCH, Cambridge, 1996 ,p 3.

⁷ -voir - J. Stéglitz : la grande désillusion, échecs de la mondialisation ; édition Fayard Paris ; 2002.W. Easterly: The exclusive quest for growth. Economists Adventures and Misadventures in the topics, MIT press; 2001.

The term "good governance" has been used by institutions to express the fight against poverty and has thus become the most widely understood concept for the interpretation of development in an integrated global economy, which reflects a set of management principles. Including: respect for human rights, transparency and the fight against corruption. This is taken into account when you use these instances to request help.

Many researchers have been interested in thoroughly analyzing the concept of good governance, emphasizing that it depends on three elements which concern the design and implementation of development policies, as well as the mode of public affairs management at different stages of development⁸.

1. The first issue concerns the nature of public policies: What are the adopted public policies, which have a positive impact on the course of economic growth?
2. The second issue is related to decision-making and implementation of instructions: How are economic policies prepared? What is the procedure adopted at different levels to implement?
3. The third issue concerns the effectiveness of policy choices and orientations: to what extent have the objectives been achieved?

The answer to these questions has allowed the World Bank, the International Monetary Fund and even other international organizations to examine the quality of governance system in the states, if it is good or bad, where credit is granted for countries with good governance. This means that new approaches of development are based on the quality of the governance system, and take into account the socio-political dimension in economic progress.

III- The impact of political stability on economic growth:

The study of Alesina and Perotti is one of the most important reference studies in this regard, which dealt with economic growth as a priority for the activation of economic development, in which they discussed the impact of democracy and political stability on economic growth, after defining and measuring each of the study variables, democracy and political stability⁹.

In this regard, the researchers pointed out that civil liberties and political pluralism can have a negative impact on economic growth, as the existence of a measure of political freedom allows political lobbies to be heard further, which means that their demands for the redistribution of wealth would freeze laws, or that responding to them requires more state intervention in economic activity through non-productive spending policies, as well as the possible slow pace of democratic institutions in responding to external shocks, and favoritism of policies aimed to achieve short-term results by politicians that allows them to be re-elected. However, even if we concede that freedoms may have a negative impact, they have pointed to the issue of promoting entrepreneurship and market activity by economic freedoms, which will promote growth and accumulation of capital¹⁰.

The second part of this study focused on the relationship between political instability and economic growth, political stability reflecting social unrest, such as demonstrations, riots, violence, assassinations, ...etc, or the radical change of government; expressed in terms of appointment, election or collapse of governments. The researchers estimated the variable of political stability through the degree of change of government taking into account political variables (such as demonstrations, riots, violence, assassinations), economic variables (last year's economic growth rate, rate of inflation), institutional variables (democratic, undemocratic state and nature of the electoral system). The high estimates of the change of government were considered to reflect the instability of the executive power¹¹.

⁸ -AmezianeFerguene: op-cit, p80.

⁹ - Alesina A. et Perotti: the political Economy of growth : a critical Survey of the recent literature the world bank review; vol.8. N° 3; PP 351-371.

¹⁰ - op-cit ; p : 354.

¹¹ - Alesina A. et Perotti: op-cit ; p : 355- 356.

After that, the two authors the rate of economic growth by world region in the following cases:

- years without change of government.
- Years with the change of government.
- Years with the big change of government.
- Years with shots.

The two researchers found the same results for almost all areas; they found that growth rates were higher for years without change, and less for years with changing governments and even less when deep changes were made to the government, with lower growth rates in the case of military coups. They also achieved positive results, namely that growth is in all cases the highest in Asia compared to other regions of the world ; and that transition from a dictatorial system to a democratic system is linked to unstable political and social change, coinciding with naturally weak growth rates¹².

In conclusion, we can say that the influence of the quality of the system of governance (democratic, dictatorial) is not great, which applies exactly to the index of political stability, where the issue of disparity in the economic performance of authoritarian states, just as the performance disparity of democratic states can be well remarkable. In other words, there are dictatorships characterized by good economic performance and others characterized by poor economic performance, which applies to democratic economies.

Analyzing the relationship between indicators of corruption, investment and growth, Mauro (1995) found a positive correlation between corruption index, bureaucratic indicators and political stability, which means that corruption and instability are very correlated, and this can be explained by coordination problems among the members of the ruling elite¹³. In this empirical study, he concluded that the poor countries tend to spread corruption, bureaucracy and political instability more than other countries.

IV- Estimation of the impact of political stability on the economic development of Arab countries

IV.1 Model and data:

To present a model assessing the relationship between political stability and economic development, expressed by GDP per capita, we will adopt Frankel-Romar (1999) model. This model has been adopted to estimate the impact of trade openness and the geographical and economic characteristics of a group of countries on their economic development. Taking into account political stability as a variable that express the political dimension of development, we use that model to evaluate the impact of these factors on the economic development of Arab countries.

Frankel-Romar (1999) added to the original form of gravity model other variables, relating to the size of the country measured by population, area and location of sea and ocean entrances. These variables can measure the impact of geographic features on the country's multilateral trade with its trading partners. The variables in the model can be summarized as follows:

- LGDP refers to the logarithmic gross domestic product as an endogenous variable to express economic development.
- LPOP refers to the log population, the effect of this factor on economic development is positive in terms of economic theory.
- LSUR: This variable refers to the area of the country, which is also logarithmic. It affects the economic development negatively.
- LTI: represents the degree of trade openness of the country, which reflects the share of foreign trade in the country's gross domestic product, and it supposed to have a positive effects on development.

¹² - Op-cit: P 358.

¹³ -Paolo Mauro: Corruption and growth; the quarterly Journal of economics; 1995. 681-712. (p 681).

-DIM: The distance factor between international market centers reflects the cost of transport, which is inversely related to countries trade openness and thus to economic development.

PLA: This variable refers to the isolation of the country from the seas and oceans outflows. This variable is indicative taking the value 1 if the country is open on the sea and the value 0 in case of isolation. It has a positive effect on the country's trade openness.

SP: The index of political stability is one of the indicators of the political dimension of good governance quality. We have included it in order to estimate its impact on the economic development of the Arab countries for the period between 1998 and 2016. The mathematical formula of this model can be presented by the following equation:

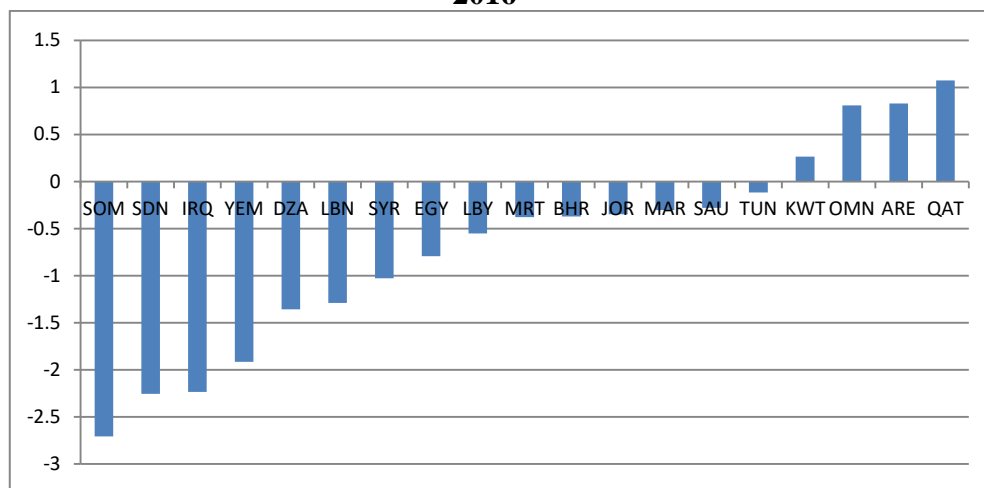
$$LGDP_{it} = \alpha_0 + \alpha_1 Lti_{it} + \alpha_2 LSUR_{it} + \alpha_3 LPOP_{it} + \alpha_4 dim_{it} + \alpha_5 PLA_{it} + \alpha_6 ps_{it} + \xi_{it} \dots (1)$$

Where (i) and (t) indicate the value of the variable for country (i) in the year (t). The World Bank data for 2018 has been adopted for all these variables that concerns 15 Arab countries between 1998 and 2016. The countries that have been excluded are those whose data are not available. Data for the political stability variable are retained from the Kauffman 2018 database on good governance of the World Bank.

IV.2 Analysis of the political situation of the Arab countries according to the Kaufman Index:

The political stability index reflects the possibility of political or sectarian conflicts to overthrow governments unconstitutionally or on the basis of violence and terrorism in order to seize power by force. The following graph summarizes the average situation of Arab countries between 1996 and 2016 according the World Bank data.

Figure 1: Average political stability index for selected Arab countries for the period 1996-2016



Source: Based on World Bank data 2018

Extrapolating the World Bank data in Figure 1, we note that the average political stability index for Arab countries has uneven values from one country to another, which can be classified into three different groups. In this respect, there are countries in a bad, weak, and acceptable political stability throughout the period.

For countries in bad situation, it's about countries whose indicator value is between -1 and -2.5, (i.e. less than 30%). The trends of this indicator for these countries between 1996 and 2016 can be presented as follows:

Table(1): Evolution of the Political Stability Index for Arab States very Bad situation 1996-2016

Country	1998	2005	2010	2016	Average for the period 1996 to 2016
SOM	-2,143	-2,709	-3,133	-2,338	-2,70
SDN	-2,28	-1,98	-2,69	-2,38	-2,25
IRQ	-1,53	-2,69	-2,23	-2,27	-2,23
YEM	-1,18	-1,43	-2,42	-2,79	-1,91
DZA	-1,96	-0,92	-1,28	-1,14	-1,35
LBN	-0,75	-1,00	-1,62	-1,55	-1,29
SYR	-0,13	-0,48	-0,79	-2,91	-1,02

Source: Based on World Bank data 2018

The table above shows that, the index of political stability for this group has stabilized in the very bad situation throughout the period under study, which can be attributed to the political and security upheavals experienced by these countries.

For Algeria, it known a black decade at the end of the last century, which undermined the political process at one point, the effects of which have always resulted in political perceptions and terrorist acts from time to time despite the promulgation of the law of national reconciliation. As the siege of Iraq ended during the US invasion in 2003, and plunged into a cycle of political and security conflict, the existence of the state was threatened. Also, Somalia known a civil war at the end of the last century, which clearly affected the political process and its security situation. Sudan has also experienced political conflicts that ended with the secession of southern Sudan in 2011, while Lebanon is still witnessing sectarian conflicts and successive political assassinations. With regard to Syria and Yemen, their political status has shifted from the weak to the bad, due to recent violence and political unrest in what is known as the Arab Spring.

For countries in bad situation, it's about countries whose indicator value is between 0 and -1 (more than 30% and less than 50%). The trends of this indicator for these countries between 1996 and 2016 can be presented as follows:

Table (2): Evolution of the Political Stabilization Index for the Arab States in bad situation 1996-2016

Country	1998	2005	2010	2016	Average for the period 1996 to 2016
EGY	-0,06	-0,64	-0,90	-1,42	-0,79
LBY	-0,80	0,44	0,02	-2,20	-0,55
MRT	0,24	-0,25	-1,22	-0,74	-0,37
BHR	-0,26	-0,02	-0,40	-0,86	-0,37
JOR	-0,06	-0,13	-0,26	-0,53	-0,34
MAR	0,20	-0,54	-0,50	-0,29	-0,30
SAU	0,01	-0,25	-0,17	-0,5	-0,28
TUN	0,19	0,03	0,10	-0,99	-0,11

Source: Based on World Bank data 2018

These countries experienced relative constancy during the study period in the weak situation, with the exception of Egypt and Libya, where their situation went from weakness to bad. As for Tunisia, it has also experienced a transition from its political stability, from the acceptable situation to the weak one. In early 2010, political unrest in the same country led to the fall of the ruling party, which enter the country into a period of transition to a bad situation.

On the other hand, for countries in acceptable situation, it's about countries whose indicator value is between more than 0 (more than 50%). The trends of this indicator for these countries between 1996 and 2016 can be presented as follows:

Table(3): Evolution of the Political Stabilization Index for Arab States Acceptable Situation 1996-2016

Country	1998	2005	2010	2016	Average for the period 1996 to 2016
KWT	0,32	0,19	0,43	-0,15	0,26
OMN	0,75	0,91	0,67	0,8	0,80
ARE	0,78	0,85	0,81	0,44	0,82
QAT	1,06	1,03	1,15	0,87	1,072

Source: Based on World Bank data 2018

The table (3) shows that these countries are monarchical states that have not experienced political or security disruptions, but have not reached significant levels in many aspects of political activity, as this is due to limitation of the political process in the ruling family.

Overall, we can add to the previous analysis unexpected developments in some countries: Mauritania, for example, experienced political stability more than two decades, stability followed then by successive coups. As for the Republic of Tunisia, it experienced political stability until 2010, when the index of political stability took positive values between 1996 and 2009. However, the so-called Arab Spring confirmed that this stability was not serious. As for Algeria, after the promulgation of the Charter of Peace and National Reconciliation, security and political stability have been remarkable, but World Bank publications show the state of political instability and security, possibly attributable to terrorist acts from time to time.

Although most Arab regimes have adopted democratic systems of governance, allowing citizens to choose their representatives, this has not allowed the effective rotation of power, which has often avoided conflicts between the sons of a country. And still exists in many of them to this day. Lebanon and Sudan have experienced civil wars and instability for decades. Algeria also had a black decade that almost led to the collapse of the state in the early 1990s, as is the case of Yemen, which experienced an internal war in 1994.

Other countries have witnessed political violence to varying degrees, such as Bahrain, Saudi Arabia, Morocco, Syria, Libya and Jordan. And ended in other countries with the collapse of the state, as was the case in Somalia and Iraq.

IV.3. The impact of political stability on the economic development of the Arab countries :

In order to estimate the previous relationship, the stationarity of the time series of study variables should be studied in order to determine the possibility of a long-term co-integration relationship. To do this, we relied on SUMMARY TEST for the unit root of these variables. The results of this test are shown in the following table:

Table(4): Results of the stationarity test of the study variables.

Variables	SP	LSUR	LPOP	LPiB	LTI
Differentiation Degree	I(1)	I (1)	I (0)	I (0)	I (0)

Source: Based on World Bank data using Eviews (Annex)

These results show that the variables used in this study have different degrees of differentiation and thus there is no long-run correlation between these variables. We will adopt the linear regression of the panel data.

The results of the Hausman test showed that the model of fixed effect is appropriate in this case, and that the results of the Wald test for the coefficients through Fischer's statistics confirm that the same model is the most appropriate suited to the estimation of the previous relationship. The results of the assessment were as follows (annex):

$$Lpib_{it} = 19.6 + 0.76LTI_{it} - 2.96LSUR_{it} + 1.14LPOP_{it} - 0.08SP + e_{it} \dots \dots \dots (2)$$

(125.85) (5.24) (-4.22) (21.27) (-4.07)

$R^2 = 98.97\%$ $n.k = 264$

The previous model was estimated using the ordinary least squares method, of which statistical tests by Fisher and Ramsey allow it to be accepted at an explanatory power of 98.97%.

The positive sign of the coefficient of the trade opening variable indicates the significant positive effects of foreign trade on economic development for the countries under the study. This means that increasing the openness trade rate by one unit leads to increase output of 0.76%, that which is confirmed by the economic theory.

With regard to the effect of different geographical and economic factors on economic development, we note that the coefficient of the area variable has taken an expected negative signal and has an acceptable statistical significance. This is in line with economic theory, because the expansion of the country's geographical area negatively affects economic growth and therefore development.

With respect to the population variable, we recorded a positive sign with acceptable statistical significance, which is consistent with economic theory; where increasing the rate of natural growth leads to the qualification of the specialized labor force in the economy, which positively affects economic growth and therefore development.

Regarding the political stability variable, its sign is negative with an acceptable statistical significance, expressing the negative effects of the political situation on the economic development of the different countries forming the sample. This means that increasing political stability index by 1% leads to a slowdown of the economic development of these countries at a rate by 0.008%. The result obtained does not correspond to the results of previous studies. We can indicate here that the political situation of these countries does not consistent with the index trend. Therefore, despite the efforts made in terms of political and security reforms by many countries, it remains considered weak democracies.

Conclusion:

The contribution of the institutional approach about the impact of institutional quality on the economic performance of countries is clear. Where the economic factors can contribute in achieving acceptable levels of growth and development, but the issue also concerns other non-economic factors related to the legal and political dimensions, such as the fight against corruption, the democratic, the quality of legislation, etc.

The question of economic relaunching according to institutional theory depends, not only on the factors allowing the accumulation of capital in the long term, but also on the institutions that govern the relations between the different agents of society (conventions, norms, procedures, etc.). They have a crucial role in terms of production and exchange costs, such as contract negotiation costs, prices, and so on. On the other hand, institutions have an important role to stimulate economic agents (individuals, small and large companies ...) to engage fully in activities that are at the heart of economic growth: production, investment, training, research, innovation... etc.

The extrapolation of the World Bank's political stability index for the Arab countries confirms that the situation is not reassuring for many of them, especially for countries that have deteriorated in recent years after suffering social changes and political unrest. We can say here that the situation of the Arab countries through this indicator varied from three levels, an acceptable situation for some of them such as Qatar, the United Arab Emirates, etc. The other countries are in a situation ranging from bad to worse, such as Algeria, Morocco and Sudan; or as countries that have known political and social unrest in Tunisia, Libya, Egypt and Syria.

Despite the political and security reforms undertaken by the Arab countries, many of them are still living in a political situation that has not really helped to promote development. Demonstrations and disruptions, which sometimes occur in some of them, reflect the deterioration of the overall situation, which is observed in the decline in the performance of this indicator. Political crises often hinder economic activity by adopting economic plans that respond to the political situation without taking into account the real imperatives of development. They also

encourage foreign businessmen and investors to suspend their investment activities, which prevents the development process.

The revision of World Bank publications on the political stability index for Arab countries raises several questions about the reliability of these data. This is due to the fact that many countries have known an obvious political stability confirmed by the same data, but this has been followed by unexpected political and social manifestations, which ask question of bias of this data, as was the case in Tunisia, Syria and Libya. This suggests the need to review the method of action and to take into account the specificities of the Arab region in terms of culture, religion, customs and traditions, the nature of the system of government ... and others

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Annexe: The detailed annex is prepared in a separate file that cannot be included with the text of the article. It will be sent when needed.

Dependent Variable: LPIB
 Method: Panel EGLS (Cross-section weights)
 Date: 03/02/19 Time: 11:31
 Sample: 1998 2016
 Periods included: 19
 Cross-sections included: 14
 Total panel (unbalanced) observations: 264
 Linear estimation after one-step weighting matrix
 White cross-section standard errors & covariance (no d.f. correction)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19.63244	7.222315	2.718303	0.0070
LTI	0.763472	0.140395	5.438048	0.0000
LSUR	-2.699270	0.617086	-4.374224	0.0000
LPOP	1.149451	0.052159	22.03737	0.0000
PS	-0.083578	0.019774	-4.226620	0.0000
Effects Specification				
Cross-section fixed (dummy variables)				
Weighted Statistics				
R-squared	0.979182	Mean dependent var	11.29882	
Adjusted R-squared	0.977744	S.D. dependent var	5.561267	
S.E. of regression	0.285134	Sum squared resid	20.00011	
F-statistic	680.6423	Durbin-Watson stat	0.378415	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.962120	Mean dependent var	8.537503	
Sum squared resid	21.12427	Durbin-Watson stat	0.250428	