



Good governance and well-being in Algeria during the period 2000-2024

Dr Amarou Yamina ¹

University of mascara, Algeria

Email: amina.amarou@univ-mascara.dz

Dr Douffa Besma ²

University of Algiers 3, Algeria

Email: douffa.besma@univ-alger3.dz

Dr Djallel Aimar ³

Karadeniz Technical University, Social Sciences Institute,

Doctorate Program in Economics, Trabzon, Türkiye

E-mail: djallelaimar@ktu.edu.tr; ORCID ID: 0000-0001-5870-2687

Received:17/11/2025

Accepted:05/02/2026

Published:29/07/2026

Abstract:

This study uses the latest econometric techniques, in particular the ARDL model, to investigate the relationship between good governance and economic growth in Algeria for the period 2000-2024. The methodology adopted is a three-step approach. The first step consists of verifying the statistical properties of the time series using the Dickey-Fuller and Phillips-Perron unit root tests. The second step uses tests that reveal the short- and long-term relationship between governance and economic growth. The results show that the series are all integrated of order one (I (1)). They indicate the existence of:

-A strong short- and long-term correlation between good governance indicators (government effectiveness) and the level of economic growth, highlighting the dependence on public management.

-A strong short-term correlation between good governance indicators (the rule of law) and the level of economic growth.

Keywords: Governance; economic growth; the ARDL model.

Introduction:

Governance is not a new concept. Admittedly, for at least two decades, emphasis has been placed on the notion of 'good governance' as a determining factor in economic and social development. In this context, governance refers to the key elements of all institutions for development and poverty reduction. Economically speaking, neo-institutional analyses consider that the proper functioning of markets is correlated with the proper functioning of institutions through good governance practices. Therefore, underdevelopment and poor



economic growth performance in countries can be explained by state failure (corruption, insecurity of property rights, lack of political stability).

Economic growth effectively determines the level of social welfare; if growth is weak, unemployment rises, incomes tend to stagnate, constraints on consumption become stronger and, overall, the level of welfare is on average lower than in periods of strong economic and income growth. In the long term, therefore, the level of welfare depends on the level of economic growth.

Algeria, like other developing countries, has been grappling with the issue of state reform since the early 1990s to improve good governance and ensure an institutional framework conducive to growth. However, the economic performance achieved during this period remains below its potential and inferior to that of countries at the same level of development in the early 1990s.

Therefore, this study seeks to address the following question: What is the impact of good governance indicators on economic growth in Algeria during the period 2000-2024?

To answer this question, we propose the following hypothesis:

-Good governance indicators in Algeria have a positive effect on economic growth during the period 2000-2024.

When economic growth is strong, each individual benefits from an increase in well-being over the course of their life, which tends to offset the initial impact of inequality. If inequality is significant, the poorest certainly face unfavorable starting conditions, but they have the hope of a rapid improvement in their situation. When growth is weak, they suffer from a low initial level of well-being combined with a lack of prospects for improvement. Therefore, in a context of slow growth, it is important to limit as much as possible the excesses of inequality that widen the gaps between citizens without hope of correction. Paradoxically, there is a strong temptation to seek, conversely, to improve growth by eliminating inequality, which is supposed to boost the economy. In the absence of a significant impact on growth, this strategy could prove destructive to social cohesion and, conversely, lead to a decline in the rate of productivity growth. Governance thus emerges as a determining factor in growth and, consequently, in well-being. Neo-institutional analyses consider that the proper functioning of markets is correlated with the proper functioning of institutions through the practice of good governance.

The main objective of this work is, firstly, to contribute to a more precise understanding of the concept of governance and to shed light on the reality of governance in Algeria through a descriptive analysis of its most important indicators. Secondly, we will attempt to study the existing links between governance and economic growth, both theoretically and empirically, during the period 2000-2024.

1. Definitions of Governance:

To attempt to define the concept of governance, we rely, in particular, on the definitions used by certain international institutions in their operationalization of governance.



The World Bank offers a broad definition of this concept: “We define governance as the set of traditions and institutions through which power is exercised in a country with the objective of the common good.” This definition is interesting in that it links the exercise of power to the pursuit of the common good.

The United Nations Development Programme (UNDP) also offers a definition of governance in its 1997 policy document that is likely to resonate with current international realities. For the UN:

“governance as the exercise of political, economic and administrative authority in the management of a country’s affairs at all levels. Governance comprises the complex mechanisms, processes and institutions through which citizens and groups articulate their interests, mediate their differences and exercise their legal rights and obligations. Good governance has many attributes. It is participatory, transparent and accountable. It is effective in making the best use of resources and is equitable. And it promotes the rule of law »

The European Union is primarily concerned with the political, economic, and social aspects of governance. Particular attention is paid to human rights and fundamental freedoms, the recognition and application of democratic principles, and the consolidation of the rule of law and good governance.

Based on these definitions, governance encompasses the state, but it also transcends it by including the private sector and civil society organizations, which are crucial for sustainable human development. Governance institutions in all three sectors (the state, civil society, and the private sector) must be designed to contribute to sustainable human development by creating the political, legal, economic, and social conditions conducive to poverty alleviation, job creation, environmental protection, and the empowerment of women. It also encompasses the mechanisms, processes, and institutions through which citizens and groups express their interests, exercise their legal rights, fulfill their obligations, and address their disputes.

Finally, these definitions are in accordance with our Algerian governance code (2009), "good governance" often includes the following criteria: presence of a rule of law, and aims to improve respect for the principles: fairness, responsibility, accountability, efficiency, transparency, participation.

2. Good Governance and Economic Growth:

When economic growth is strong, each individual benefits from an increase in well-being over the course of their lifetime, which tends to offset the initial impact of inequality. If inequality is significant, the poorest certainly face unfavorable initial conditions, but they have the hope of a rapid improvement in their situation. When growth is weak, they suffer from a low initial level of well-being and a lack of prospects for improvement. Therefore, in a context of slow growth, it is important to limit as much as possible the excesses of inequality that widen the gaps between citizens without hope of correction. Paradoxically, there is a strong temptation to seek, conversely, to improve growth by eliminating inequality, which is supposed to boost the



economy. In the absence of a significant impact on growth, this strategy could prove destructive to social cohesion and, conversely, lead to a decline in the rate of productivity growth. Governance thus emerges as a determining factor in growth and, consequently, in well-being. According to neo-institutional analyses, the proper functioning of markets is correlated with the proper functioning of institutions through the practice of good governance. When economic growth is strong, each individual benefits from an increase in well-being over the course of their life, which tends to compensate for the initial impact of inequalities. If these inequalities are significant, the poorest certainly have unfavorable initial conditions, but they have the hope of a rapid improvement in their situation. When growth is weak, they suffer from a low initial level of well-being and a lack of prospects for improvement. Therefore, in a context of slow growth, it is important to limit as much as possible the inequalities that widen the gaps between citizens without hope of correction. Paradoxically, there is a strong temptation to seek, conversely, to improve growth by eliminating inequalities, supposedly to boost the economy. In the absence of a significant impact on growth, this strategy could prove destructive to social cohesion and, conversely, lead to a decline in the rate of productivity growth. Governance thus emerges as a determining factor in growth and therefore in well-being, according to neo-institutional analyses which consider that the proper functioning of markets is correlated with the proper functioning of institutions through the practice of good governance.

Corruption, unemployment, poverty, inefficient public services, crime, lack of security, human rights violations, and insufficient citizen participation in public affairs are the main obstacles to good governance. It is therefore necessary to establish a set of rules and measures that are effectively implemented and respected to uphold the rule of law and achieve good governance. A substantial body of empirical literature underscores the importance of governance as a key driver of growth. This literature takes the form of cross-sectional studies of growth across countries that seek to establish a positive correlation between the quality of governance and growth. Per capita income and growth rates are regressed on several governance indicators: narrow indicators such as civil liberties, the rule of law, property rights, and political stability, as well as broader governance indicators. These studies show that there is a close relationship between governance and growth. Governance plays a significant role in poverty reduction, helps to reduce inequality, and improves the effectiveness of public policies. Good governance promotes the rational use of public funds and a high growth rate. North (1990) showed that high economic growth depends on a decrease in transaction costs, and that this decrease is primarily linked to the property rights systems implemented by the government; in other words, the institutions in place strongly determine a country's growth level. This research has shown contradictory results regarding the relationship between governance indicators and economic growth, beginning with the "Governance Matters" study by Kaufmann, Kraay, and Zoido-Lobaton (1999b), which examined the correlation between six global governance indicators—voice and accountability, political stability and violence, government effectiveness, regulatory burden, rule of law, and anti-corruption—and economic outcomes measured in terms of per



capita income, infant mortality, and literacy rates. They found that each indicator was positively correlated with the logarithm of GDP per capita and the literacy rate, and negatively correlated with the infant mortality rate. Subsequently, these authors (Kaufmann, Kraay, and Mastruzzi, 2004) conducted another study, using an indicator of rules and laws, which concluded that good governance is a greater incentive for economic performance. A similar score is noted by (Acemoglu, Johnson, & Robinson, 2004), these economists proved that the growth gap between developed and underdeveloped countries is the logical result of differences in the guarantee of property rights in these same countries. The results of Adzima K. and Baita K. (2019) showed that improving the effectiveness of governance and the rule of law positively and significantly promotes economic growth in sub-Saharan countries. Similarly, the results reveal that the quality of regulations has a positive influence on economic growth, but its estimated coefficient is not significant, and that voice and accountability, on the one hand, and corruption control, on the other, are not necessary or decisive factors for increasing real GDP per capita in these countries. Similar results were obtained by Belkhir et al. (2021), who showed that in hydrocarbon-dependent countries, governance acts as a moderator. Good governance makes it possible to transform oil revenues into human capital and productive infrastructure, thus preventing GDP declines during oil price drops (as observed in Algeria between 2015 and 2020).

In contrast, Ziadi (2016) used a panel data model composed of eight countries to explain the relationship between economic growth and several governance indicators for the period from 1985 to 2009. Political rights, civil liberties, the rule of law, political stability, and corruption were included. The estimation results show that the corruption variable has a negative effect on economic growth because it hinders the optimal allocation of resources. Similarly, political instability and violence negatively influence economic growth. Another study by Smaoui et al. (2023) concludes that for countries in the MENA region, the rule of law is the factor with the greatest impact on post-pandemic economic resilience.

The authors (Ahou, Odoun-Ifa, et al., 2014) used a panel data model for 129 countries to demonstrate that good governance improves economic growth over the period 1996–2011. To do this, they regressed the economic growth variable on a set of explanatory variables that measure governance, namely voice and accountability, political stability, government effectiveness, regulatory quality, rule of law, control of corruption, final consumption expenditure of public administration, openness rate, credit to the economy, gross enrollment rate, inflation rate, and GDP per capita. The results show that, of Kaufmann's six governance indicators, only three significantly influence economic growth. They demonstrate that the results vary according to the per capita income level of the countries. However, the variables "voice and accountability" and "government effectiveness" positively influence economic growth, while the variable "rule of law" negatively influences economic growth, while all other variables are not significant.



3. Governance Index and Economic Growth: A Case Study of Algeria:

According to Kaufmann et al. (2010), the global governance index is calculated as the average of the following six measures:

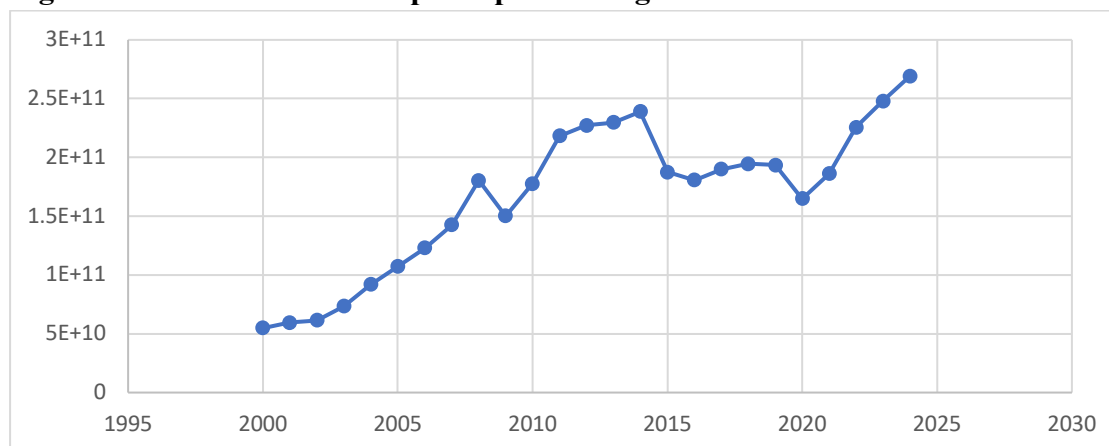
(1) Voting and vote counting (VA), (2) Political stability and absence of violence (PV), (3) Government effectiveness (GE), (4) Regulatory quality (RQ), (5) Rule of law (RL), and (6) Control of corruption (CC).

For our study, we attempted to use variables that best reflect the content of governance in Algeria, and for this purpose, we selected four indicators from these six global governance indices. The data source is the World Bank's World Wide Governance Indicators (WGI) database, which covers the period from 2000 to 2024.

3.1. GDP per capita (GDP per capita in current US dollars):

Economic growth and economic well-being are generally linked. In the long term, economic growth effectively determines the level of social well-being; therefore, GDP per capita is an indicator for measuring the evolution of well-being over the long term. This indicator represents the gross domestic product divided by the mid-year population. The evolution of this variable is shown in the following graph:

Figure 1: "Evolution of GDP per capita for Algeria"



Source: The World Bank, 2025, www.worldbank.org

Regarding the GDP curve, it is noticeable that Algeria recorded an increase in GDP starting in 2002. This can be explained by the significant fiscal stimulus resulting from the implementation of government spending programs financed by increased hydrocarbon revenues on the international market. This allowed the Algerian state to strengthen its economic and social policies, thus leading to an increase in GDP per capita. The drop in oil prices in 2009 led to a decrease in GDP growth before a sustained increase during the period 2010-2012, following changes in export volumes and rising oil prices. Between 2000 and 2014, Algeria's GDP experienced explosive growth, rising from approximately \$54 billion in 2000 to a record high of \$213 billion in 2014. The state used oil revenues to finance major infrastructure projects (East-West Highway, housing). However, retrospective studies highlight that this growth was



extensive, dependent on the volume of public spending rather than real productivity. Average annual growth was around 4%, but with a high vulnerability to external shocks.

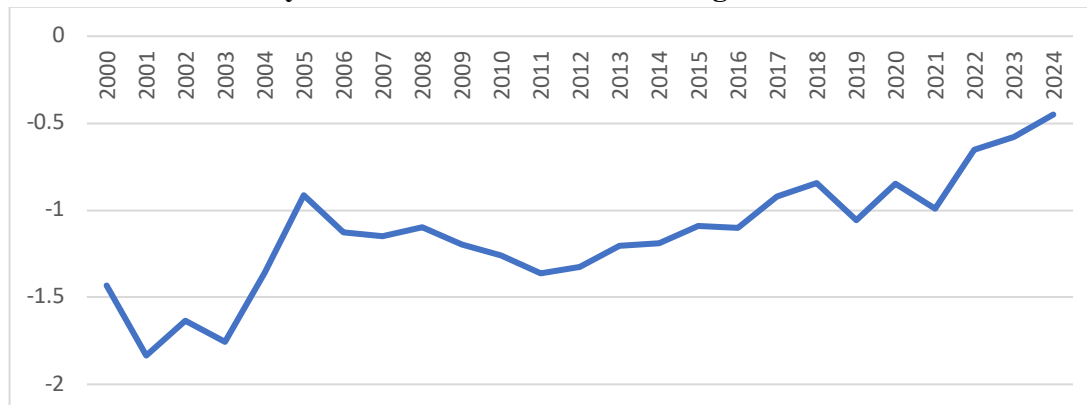
The period from 2015 to 2020, marked by the fall in oil prices, combined with the political instability of 2019 and the 2020 pandemic, triggered a recession. GDP fell by 5.1% in 2020. This period highlighted the ineffectiveness of previous institutions in anticipating the transition. Foreign exchange reserves began to dwindle as the economy struggled to maintain living standards, illustrating the direct link between weak institutional governance and economic fragility. Since 2021, a significant recovery has been observed, driven by a new approach to economic governance. GDP rebounded, growing by 3.4% in 2021 and 3.2% in 2022, fueled by rising gas prices and industrial recovery. In 2023, GDP growth reached 4.1%. For 2024, estimates confirm positive growth (around 3.8% to 4%), driven by the non-hydrocarbon sector (agriculture, mining, construction). The introduction of the new investment law (2022) and the digitization of public finances aim to stabilize GDP by partially decoupling it from oil price volatility.

3.2 Political Stability and Absence of Violence Index (PS):

This index measures the probability that the government will be destabilized or overthrown by potentially unconstitutional and/or violent means, including politically motivated internal violence, social tensions between different segments of society, terrorism, and violations of property rights (Kaufmann et al., 2010, p. 6).

Graph (02) shows the evolution of the PS index in Algeria between 2000 and 2024. At the end of the "Black Decade," the index was at its lowest levels (close to -1.88 at the end of the 1990s). But then, despite the upheavals of the "Arab Spring" in 2011, Algeria maintained a relatively stable position on the graph, reaching a relative peak of around -0.64 in 2018. The stability during this phase was largely financed by public spending (social peace), but the score remained negative due to persistent security risks at its borders (Sahel, Libya).

During the 2019-2020 period, the political transition was peaceful, which was positively noted in governance reports, limiting the decline in the index despite apparent institutional instability. The most recent data (2023-2024) show an improvement, with the score rising to between -0.58 and -0.69. This recovery is driven by the return of strong state authority, a controlled internal security situation, and an increased role as a diplomatic mediator.

**Figure 2: "Political Stability and Absence of Violence in Algeria"**

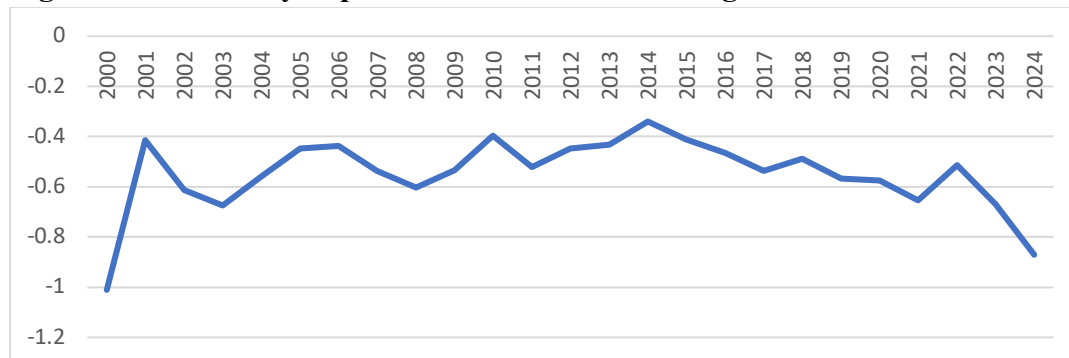
Source: The World Bank, 2025, www.worldbank.org

3.3. The Government Effectiveness Index (GE):

The analysis of this graph concerning Government Effectiveness in Algeria reveals a fascinating correlation with the economic cycles described earlier. This index measures the quality of public services, the competence of the administration, and the independence of the civil service from political pressures. Based on a sample of 99 countries covering the period from 1994 to 2002, Mtiraoui A. (2020) studied the impact of institutional quality on economic growth and demonstrated that the quality of governance plays a crucial role in development. He found that countries with good governance are developed countries, thus establishing a positive and significant effect between institutional variables (governance indicators) and a country's development.

The analysis of this graph concerning Government Effectiveness in Algeria reveals a fascinating correlation with the economic cycles we described earlier. During the period of rapid GDP growth (2000-2014), government efficiency steadily improved, although it remained in negative territory. The index rose from approximately -1.0 to its historical peak of -0.33 in 2014. This improvement reflected the state's ability to deploy large infrastructure projects (East-West Highway, housing) thanks to abundant financial resources. The administration was efficient in spending and distributing revenue, which created a perception of institutional performance. However, during the period from 2015 to 2021, the institutions' inefficiency in anticipating the transition became apparent. Without the financial resources to mask bureaucratic inefficiencies, the quality of governance declined. The period of instability in 2019 exacerbated this administrative paralysis.

Between 2022 and 2024, the graph shows a sharp drop in perceived efficiency in 2023-2024, falling to around -0.87. This shift is often attributed to the shock of digitalization and the profound restructuring of public finances. The transition to a new investment law and the fight against bureaucracy are creating a period of transition where the administration must relearn how to operate without the old reflexes based on oil revenues.

**Figure 3: "Efficiency of public administrations in Algeria"**

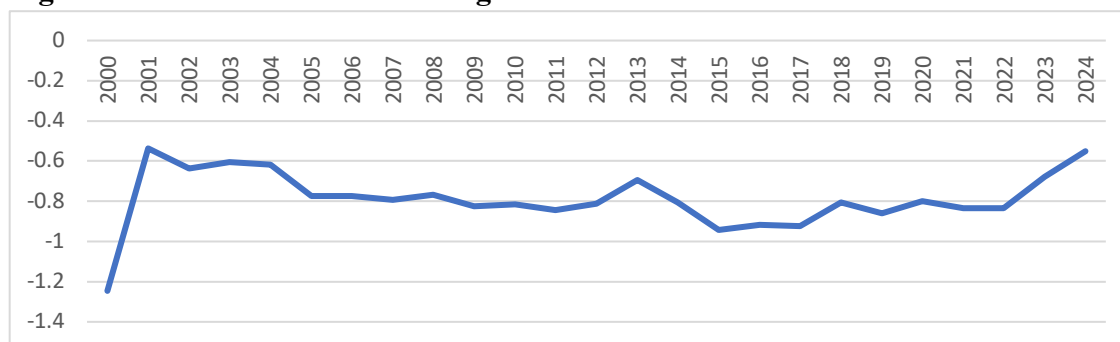
Source: The World Bank, 2025, www.worldbank.org

3.4. Rule of Law Index (RL):

Analysis of the Rule of Law graph for Algeria for the period 2000-2024 completes our diagnosis of governance. This indicator measures the confidence of citizens and economic actors in the rules of society (enforcement of contracts, property rights, functioning of the justice system and the police). During the period 2001-2021, unlike GDP, which experienced rapid growth, the rule of law remained trapped in a corridor of stagnation for two decades. After an initial rise in 2001, the index fluctuated between -0.6 and -0.9 without ever managing to move to a significant level. During the period of strong growth (2000-2014), the financial abundance was not used to fundamentally reform the judicial system or strengthen property rights. This indicates that growth was indeed extensive and not institutional.

The graph also shows a clear break and a very marked upward trend over the last three years (2021-2024). This surge is a direct result of the legislative reforms we have mentioned, in particular:

- The Investment Law (2022): This law established stronger legal guarantees for investors and legislative stability (prohibiting any changes to the incentives during the project's duration).
- Digitalization: By reducing human intervention in administrative and tax processes, digitalization limits the risks of corruption and strengthens fairness before the law.

Figure 4: "The Rule of Law for Algeria"

Source: The World Bank, 2025, www.worldbank.org



4. The ARDL Cointegration Model:

This study examines the impact of good governance indicators on economic well-being, as measured by economic growth, using an ARDL cointegration model. This ARDL model distinguishes the short-term and long-term effects of the independent variables (PS, GE, RL) on economic growth in Algeria.

To capture the short- and long-term dynamics, we can write the linear ARDL model associated with equation (1) as explained in Pesaran et al. (2001):

$$\Delta \text{PIB}_t = \beta_1 \text{PIB}_{t-1} + \beta_2 \text{PS}_{t-1} + \beta_3 \text{GE}_{t-1} + \beta_4 \text{RL}_{t-1} + \lambda_1 \Delta \text{PIB}_{t-1} + \lambda_2 \Delta \text{PS}_{t-1} + \lambda_3 \Delta \text{GE}_{t-1} + \lambda_4 \Delta \text{RL}_{t-1} + \varepsilon_t \quad (1)$$

With Δ being the first difference operator, ε_t is an error term.

$\beta_1, \beta_2, \beta_3, \beta_4$ are long-run relationships, and $\lambda_1, \lambda_2, \lambda_3, \lambda_4$ are short-run relationships.

The first step in this work is to test the integration order of the time series. Specifically, it is necessary to ensure that none of the variables are integrated of order I(2). The second step is to verify the existence of a long-run relationship and then test the short-run relationship between the variables in the model.

4.1. Unit Root Tests:

In the first step of this empirical analysis, to examine the stationarity of the series, we will apply the Augmented Dickey-Fuller (ADF) (1979) and Phillips-Perron (PP) (1988) tests. The results are presented in Table 1 below:

Table 1: Unit Root Results

variables	ADF		PP	
	Level (I)	First Difference (II)	Level (I)	First Difference (II)
GPD	-1.1999 0.8866	-4.2946 0.0135**	-1.1999 0.8866	-4.2797 0.0139**
GE	-2.1429 0.4966	-6.1900 0.0003***	-1.8522 0.6459	-13.8464 0.0000***
PS	-2.5699 0.2955	-4.8563 0.0042***	-2.6173 0.2765	-5.2834 0.0017***
RL	-1.9739 0.5841	-4.8374 0.0044***	-1.9764 0.5828	-4.9083 0.0038***

Note: *, ** et *** indicate significance at 10%, 5% et 1% levels, respectively.

I, II, present the equation: with constant and trend, respectively.

The results show that all variables are non-stationary at the I(0) level and stationary in first difference I(1), and therefore none of them are second-order integrated. This supports our choice to use linear ARDL.



4.2. The impact of governance indicators on long-term economic growth:

For a variable to be considered as having a real and reliable impact on GDP, its probability (Prob) must be less than 0.05 (5% threshold).

- The government efficiency variable is the only significant variable and has a positive effect on economic growth; we say that there is a strong positive relationship between government efficiency and GDP. A one-unit increase in the government efficiency index leads to an increase in GDP of approximately \$10.8 billion in the long term. This confirms that the extensive growth of 2000–2014 depended entirely on the government's capacity to spend and manage projects. If the administration is efficient, GDP will mechanically increase through public investment. This increase in the quality of services provided by the Algerian government, from 39.22% in 2005 to 38.76% in 2010, can be explained by the fact that the Algerian government adopted a series of programs since 2005 to implement the complementary growth support program (2005-2009) and the social development program (2010-2014).

Political instability and violence can negatively influence economic growth. Political instability manifests itself in coups d'état and civil wars. The impact of these disturbances on economic growth is multifaceted, including the destruction of human capital, the reduction of savings, and the flight of foreign direct investment. However, econometrically, this political stability variable does not have a significant impact on growth during the study period in Algeria, which leads us to understand that the instability of the political system during 1996 until 2018 has no influence on the decrease in long-term economic growth and has not been sufficient to generate real wealth.

It should be noted that there has been relative political stability, with the highest level (20.39%) in 2005, while it reached its lowest level (4.79%) in 1998. The latter dates back to the "dark decade" that Algeria experienced in the 1990s, which led to political and security instability during that period.

Regarding the rule of law variable, this variable had become negatively correlated with economic growth. This means that despite this index having risen between 2002 and 2004 (over 30%), it fell back to below 20% in subsequent years until 2013, when the ratio reached 30.99%. Its historical weakness explains why it has not yet been able to play its role as a positive long-term economic lever. However, the Algerian government applies the rules equally to all individuals and organizations, which contributes to creating a positive environment among them. Its impact on economic growth is therefore negative; we observe that it is not significant and fails to positively influence the Algerian economy.

Table 2: Long Run Results

Variables	Coefficient	Std. Error	t-Statistic	Prob
C	-5.99E+10	5.02E+10	-1.195275	0.2533
GE	1.08E+10	3.13E+09	3.434706	0.0044
PS	-2.19E+09	3.40E+09	-0.645361	0.5299
RL	-4.41E+09	2.99E+09	-1.474583	0.1641



The equation for the influence of good governance variables on growth is as follows:

$$EC = GPD - (10750164364.7240 * GE - 2194639851.9895 * PS - 4414077936.5613 * RL - 59948555255.6928)$$

4.3. The Impact of Governance Indicators on Short-Term Economic Growth:

Having examined the relationship between governance and long-term economic growth in Algeria, it is now necessary to analyze the short-term dynamics.

According to Table 3 above, the imbalances between GDP per capita and the various explanatory variables offset each other, resulting in inverse trends. Government efficiency (GE), as shown in the table, has an immediate positive effect, but the delayed effect, $D(GE(-1))$, is negative and much stronger. This suggests a "boost." An improvement in government efficiency boosts GDP instantly, but if this efficiency is not supported by other reforms, its effect reverses the following year.

-The rule of law (RL) immediately became negative $D(RL)$. This is often explained by the fact that strengthening the rule of law (controls, regulation) can slow down economic transactions in the very short term (adaptation shock)

$D(RL(-1))$: The lagged effect is positive and substantial. This means that once the adaptation phase has passed (one year), strengthening the rule of law becomes a powerful driver of growth. This validates the current Algerian strategy: the benefits of the 2022 investment law are beginning to materialize with a positive time lag on GDP.

-When the error correction deceleration factor reveals the speed or slow return of variables to equilibrium, $CointEq(-1) = -0.4007$, which is negative and significant at a 1% threshold, there is therefore an error correction mechanism, and thus the correction model is validated. This coefficient, which expresses the degree to which the variable y (economic growth) will move towards the long-term target, is estimated at 0.4007 years to reach its equilibrium values and thus translate its change into a long-term target relatively quickly. This figure indicates the speed at which the economy returns to equilibrium after a shock. Approximately 40% of the imbalances from the previous year are corrected the following year, suggesting that short-term shocks are quickly put back on the long-term equilibrium path after the previous year's shock. Therefore, shocks to economic growth in terms of GDP correct themselves by a proportion of 40%. In other words, the system is stable. If an external shock (such as the oil price collapse in 2014 or 2020) hits GDP, it takes a little over two and a half years to return to the equilibrium path.

- The estimated model has a fairly high predictive capacity because the coefficient of determination is 50.18%.

The various econometric tests performed show that our model is well-specified and that the model is structurally and cyclically stable, therefore the econometric robustness of the model is satisfactory.

**Table 3: Short Run Results**

Variables	Coefficient	Std. Error	t-Statistic	Prob
D(GE)	1.92E+08	9.53E+08	0.000000	0.0000
D(GE(-1))	-3.29E+09	1.23E+09	0.000000	0.0000
D(RL)	-75101101	8.63E+08	0.000000	0.0000
D(RL(-1))	2.07E+09	9.01E+08	0.000000	0.0000
CointEq(-1)*	-0.400793	0.096975	-4.132954	0.0012
R-squared	0.501811	Mean dependent var	5.59E+09	
Adjusted R-squared	0.384590	S.D. dependent var	1.92E+10	
S.E. of regression	1.50E+10	Akaike info criterion	49.90076	
Sum squared resid	3.84E+21	Schwarz criterion	50.14872	
Log likelihood	-543.9083	Hannan-Quinn criter.	49.95917	
F-statistic	28.63337			
Prob(F-statistic)	0.000000	Durbin-Watson stat	2.085677	

5. CONCLUSION:

The study on the relationship between governance and well-being, as measured by economic growth, revealed that Algeria's low growth rate can be explained by political instability, which becomes insignificant in both the short and long term. This means that Algeria suffered from this problem during the study period. It can also be explained by other indicators not mentioned in our study, such as corruption and the quality of regulation. Consequently, the high level of poverty in this country is correlated with poor governance.

The main findings are as follows:

- A strong short-term correlation between indicators of good governance (rule of law, government effectiveness) and the level of economic growth.
- A strong long-term correlation between indicators of good governance (government effectiveness) and the level of economic growth, highlighting the dependence on public management.
- In the short term, stability is ensured by an effective corrective mechanism (40% per year).
- Hope lies in the Rule of Law (RL): Although it appears ineffective in the long term based on past data, short-term results show that, with a one-year lag, it generates a major positive impact.
- Good governance is not the sole factor explaining economic growth: some developing countries achieve very high growth rates but only partially meet the criteria for good governance, and vice versa. This allows us to conclude that Algeria's economic problem is not at all related to the quality of good governance, but is rather structural and primarily a production crisis.
- The recovery observed since 2021 is statistically consistent. To stabilize GDP at 4% in 2024, Algeria must transform the impetus of the Rule of Law (2022 law) into a long-term trend, so as not to depend solely on the efficiency of public spending.



References:

- Acemoglu, D., Johnson, S., & Robinson, J. (2004). Institutions as the fundamental cause of long-run growth. NBR Working paper Series, n. 10481.
- Ahou, B.-K., Odoun-Ifa, A.-A., & G, C.-Z. (2014). Gouvernance et croissance économique: Une analyse des effets de seuil. *Revue d'économie théorique et appliquée*, Vol.5, No.2, 167-194.
- Belkhir, M., Maghyereh, A., & Awartani, B. (2021). Institutions and economic growth in resource-rich countries: The role of governance. *Journal of Economic Studies*, Vol. 48 No. 8, pp. 1541-1563.
- Benazza, H, (2019), "Good governance in Algeria.....what's the reality?", *Economic Researcher Review(CHEEC)*, Volume:7 /Issue 11 (2019), p58-71
- Chatti, O. (2010), « Gouvernance et Croissance Economique ». Thèse de doctorat en sciences économiques, Université de Nice Sophia-Antipolis. Mars 2010.
- Haoudi, A. & Dada, I. (2019) « Étude empirique de la relation entre Gouvernance et Croissance Économique : Cas du Maroc », *Revue du contrôle, de la comptabilité et de l'audit* « Numéro11: Décembre 2019 / Volume 4 : numéro 3 » p : 727 - 761
- Philips P. C. B. and Perron P. (1988), « Testing for unit root in time series regression », *Biometrika*, 75, 2, pp 335-346
- Smaoui, H., et al. (2023). Rule of Law and Economic Resilience: Evidence from the MENA Region Post-Pandemic.
- Kaufmann, D., kraay, A., & Mastruzzi, M. (2004). Governance Matters III, Governance Indicators for 1996-2002. World Bank, Washington, D.C. Processed.
- kaufmann, D., kraay, A., & Zoido-Lobaton. (1999b). Governance Matters. policy research working paper, pp. 21-96.
- Ziadi, A. (2016). Governance and Economic Growth: Application of the Case of WAEMU countries. *Journal of Academic Finance*, Vol.7,No.2, 70-82.