



An Economic Governance to Accommodate A suitable Environment for Investment Polarization

الحكامة الاقتصادية وتهيئة البيئة الملائمة للاستقطاب الاستثماري

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Abstract:

An economic governance attention was not emerged by chance, but it was an urgent consequence due to decreasing generally in the projects of development, especially in an investment which is considered the main motive for economic growth. For that, this study descriptively and analytically attempts to investigate impact of the economic governance upon ability of environment for investment polarization, depending on clarifying the most important factors which may affect on ability of the environment to polarize the investment projects, especially all countries are striving to achieve their economic needs, relying on various types of investments.

Keys words: An economic governance; An investment polarization; A suitable environment for investment.

JEL classification codes: E00; E22.

ملخص:

لم يكن الاهتمام بالحكامة في تواجدها الاقتصادي وليد الصدفة، بل كان استجابة لحاجة فرضت ذاتها كنتيجة حتمية لضعف مشروعات التنمية عامة، والاستثمار منها خاصة، كونه المحرك الرئيس لعجلة الاقتصاد؛ لذلك تحاول هذه المقالة التحقيق الوصفي والتحليلي في تأثير الحوكمة الاقتصادية على قدرة البيئة الاستثمارية في استقطاب المشروعات، خصوصاً وأنّ الدول قاطبة تسعى جاهدة لتحقيق حاجياتها الاقتصادية معتمدة بذلك على الاستثمارات بمختلف أنماطها.

الكلمات المفتاحية: الحكامة الاقتصادية؛ الاستقطاب الاستثماري؛ البيئة الملائمة للاستثمار.

تصنيف JEL: E00؛ E22.

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1. Literature review

1.1 Introduction :

The slowdown of the investment growth is being an obsession that is annoying the development project for many developing economic systems including the Yemeni one. For that, those systems are hastened to treat imbalances, in order to create an environment that helps in attracting investment projects (Siham, 2012). Pushing the investment wheel requires an economic governance that should prioritize the elements of a suitable environment for investment polarization. Hence, analyzing the structural elements of that environment helps in identifying the deficiencies that limit its ability to attract investments. Hence, this study attempts to analyze those elements through a practical approach for Yemeni environment of investment, considering that it suffers from some shortcomings which affect on investments. For that reason, this article will try to investigate the topic of the economic governance to accommodate of a suitable environment for investment polarization, throughout depending on deductive methodology to clarify the different dimensions of this topic. Moreover, the study also, depends on an inductive method by using a short questionnaire which is distributed for a random sample contains one hundred participants whom all of them work at the general investment authority in Sana'a city and its branches Aden and Taiz that all affect on Yemeni investments.

The participants' answers will be analyzed comparing with each other, also with the theoretical information in all sections of article in order to grasp its fundamental objectives which are mainly focused on **how the economic governance can influence the invested environment ability to polarize different of the developing projects?** Thus, the study is get out for a number of final findings which are concerned on obstacles that make the economic governance is an unable to meet a suitable investment polarization requirements. Then, the study will end by a set of recommendations that are suggested for tackling such that problem.

1.2 Statement the problem of the study

The problem of the study stems from the reality of the obstacles that are facing an environment of the investment regarding its ability to polarize the projects of investment. Therefore, the problem of study is determined by the following questions:

- Is there a relationship between an efficient economic governance and a good investment polarization?
- Is the lack of coordination between the elements of the investment environment a stumbling block to investment projects?
- How can activate a participatory approach mechanism among the elements of the investment environment within the economic governance?
- Through previous questions, this article aims to come up with a clear vision on how to make the economic governance is a suitable for investment polarization?

1.3 An importance of the study

This study may help Yemeni officials and decision makers to identify the needed solutions, in order to overcome and tackle problems of low investment polarization in the country. Moreover, this study can also enrich libraries with studies related to this field and can open a deep topic for discussion about investment imbalances that affect on the project of the development.

1.4 Objectives of the study

- Active contribution to crystallizing a clear vision that reflects a real situation of how economic governance affects the ability of the investment environment?
- Confirming the dialectical relationship between the efficiency of economic governance and the existence of an appropriate environment for investment polarization.
- Preparing for put a scientific framework that opens prospecting for discussions on the economic governance to accommodate a suitable environment for investment polarization.

1.5 Limitations of the study

Scientific aims of this study are focused on the relationship between an efficient economic governance and a good investment polarization. The study also included a random sample that was taken from Yemeni general authority of investment in Sana'a, Taiz and Aden cities.

1.6 Hypothesis of the study

- There is a relationship between an efficient economic governance and a good investment polarization.
- There are unpredictable investment imbalances that can affect on investment polarization.

1.7 An effective economic governance

An essence of economic governance is basically a set of economic interventions that come in response to an economic need (Jeffrey, 2010, P80). On this basis, governance, in its economic dimension may pose a fundamental problem that is summarized in the reality, role and limits of the state's economic intervention, especially since the latter one has accompanied the classical trends between the communist and liberal capitalist theories in both (Fitoussi & Stiglitz, 2009, P156).

The role of the state in the modern era has changed its patterns according to the global economic reality that imposed by economic globalization for all global economic systems and thus changes affected the governance model and make it more complicated (Madura, 2000, P12). Hence, the economic governance has come to represent a kind of state intervention that is necessary to redress the imbalances in the economic system, in order to keep pace with global economies at a level that ensures the greatest possible satisfaction for the needs of society. For that reasons, the economic governance has acquired a strategic concept that manifests itself through a set of powerful structural transformations that emerged as a result of globalization and free economic politics in the whole world (Al-dyashi, 2018, P27).

1.8 Impact of the economic governance upon investments polarization

An effective economic governance requires searching for model mechanisms for joint cooperation between the state, the private sector and civil society organizations, by reviewing the state's functions and activating its development roles at all levels, especially investment ones (Oliver,2000, P276). **An economic governance** cannot constitute an effective system in the process of economic development unless it has integrated dimensions that meet the aspirations of the economic system. Therefore, the effective judiciary constitutes an essential dimension for the economic governance. It considered the third authority within the constitutional authorities of the modern civil state and its efficiency requires independence, responsibility, transparency, effectiveness and efficiency of the elements of the organization (Shneider & Frey,1995, P234).

On the other hand, the efficiency of management constitutes a pivotal dimension of economic governance, so it is necessary to link the economic sectors within an organized and administrative base that is capable of opening up to its surroundings and free of administrative corruption. In addition, fiscal policy cannot be overlooked as one of the pivotal dimension that integrated with

economic governance. This policy is a very important tool of the economic system for managing public revenues, expenditures and ensuring the optimal use of resources (Ben Sania, 2013, P27).

The social situation constitutes also a pivotal dimension that integrates with economic governance. For that, social issues as health, education have become a development necessity imposed by contemporary global transformations, and they are the most prominent means of attracting investment (Harakat, 2006,P178).

Based on the foregoing dimensions of the economic governance, the investment requires an interconnected chain that affects the structure of its environment. The investment decision has become confined to a set of economic indicators that reflect the efficiency of the economic system and its ability to provide a suitable environment for investment projects within that chain. That chain is controlling micro and macro elements for the whole economic system (Amira, 2004, P254).

Micro and macro elements in the economic systems affect directly on investments. For that, creating a suitable environment for investment polarization requires defining its dimensions and working to find a participatory approach among its constituent elements within an effective framework of economic governance that is open to the world. Opening up to the world guarantees the liberalization of trade channels, enhances production capacity, and encourages investment. Moreover, it ensures correcting structural imbalances in the economic construction and reduces the role of state in economic activity for favor of the private sector(Hashmawy, 2006,P126).

On the second side, giving attention to the information infrastructure in the era of digital economics has become one of the requirements of economic governance in its orientation towards investment. As well as the governance of the economic sectors like banking investment funds according to modern standards is very important. In addition, the coordination between public revenues and spending increases the volume of local savings and encourages the rates of growth. Moreover, achieving an effective control system contributes to reducing the risks resulting from fraud and manipulation. In addition, an easy access to forward exchange markets through a flexible banking system and adoption of a balanced monetary policy enhance investments. So, giving independence to central banks in implementing active monetary policies, reducing oligopoly, encouraging competition among commercial banks, and adopting a higher ceiling and credit facilities for loans will encourage the investment (Hamza, 2009, P27).

On the third side, regulating trade and granting advantages to the local product through controlling quantitative and price instruments, in addition to adhering to balanced trade agreements, encouraging technical and industrial orientation and granting it advantages and investment incentives will enhance the investment polarization. Moreover, Adopting a flexible tax system that distinguishes between incomes is very important means of regulating market mechanisms and one of investment incentives. In addition, government spending should also be rationalized and minimum wages should be activated as an option to avoid deflationary wage cycles (Solmaa, 2005, P134).

A suitable environment accommodation for investment polarization through the economic governance is an integrated system. For that, we focused on the most important elements that should be done. For that, following the open-door policy, as well as tackling economic imbalances and shifting towards a market mechanism. In addition, adopting flexible administrative system, clarity and simplification of legal legislation, as well as attention to the human and consolidation of stability are the most essential elements for investment polarization.

2. Methodological procedures of the study

2.1 Instrument of the study

An instrument of study was achieved by designing a double questionnaire consists of two parts. The first one is related to the relationship between the economic governance and investment while the second part is concerning by imbalances of the investment. An initial questionnaire was presented to a number of relevant referees to test its validation regarding: (Paragraphs correctness, its cohesion with main parts, its elastic and linguistic formulation). Referees' observations and adjustments were made. Each part in the questionnaire included 10 phrases. 9 phrases in each parts are demand to answer according to Cronbach's (alpha) test but 1 phrase in each part are left to be open answer. Variables that are taken according to Cronbach's (alpha) test were "agree", "sometimes not agree", "not agree" and "sometimes agree".

2.2 The sample of the study

The sample of the study consists of (100) respondents whom are randomly chosen and all of them are worked at Yemeni general authority of investment in Sana'a, Taiz and Aden cities. The questionnaire was distributed to them hand in hand and through website at the internet. The sample was formed (35.5%) from the population of the study that is includes 328 employees.

To find out the degree of stability for variables, Cronbach's (alpha) test was performed through the sample data of survey. The result of this process was as in the following table underneath:

Table N°1: shows the results of the Cronbach's (alpha) test at the level of two part of the questioner.

Stability coefficient	Phrase	Part No.
0.91	9	1
0.88	9	2

It is clear from the table above that the stability coefficients for the two parts of the questionnaire ranged between (0.91, 0.88). For that, the reliability coefficient in all parts were high coefficients and this means, the whole questionnaire is generally characterized by high stability. Moreover, There is a relationship that has a statistical significance at (0.01) for impact of the economic governance upon investment polarization and this indicates the validity of the instrument.

2.3 Presentation and discussion of the results

23.1 The first part of the questionnaire

The 9 phrases in the first part (relationship between an efficient economic governance and a good investment polarization) of the questionnaire will try to answer on the first question that is: is there a relationship between an efficient economic governance and a good investment polarization? Arithmetic means, standard deviations, and the relative weight are used to clear that as follows:

Table N°2: shows the results of the first part (relationship between an efficient economic governance and the good investment polarization) of the questionnaire.

R	Rel. We	Sta. De	Arth. M	Phr	C
V. High	86.00	0.67	4.47	The economic governance can't affect on the investment polarization unless there is no participation, transparency, decentralization, responsibility and strategic vision.	1
High	81.06	0.697	4.03	There is a relationship between Yemeni economic governance and the volume of investment projects in this country.	2
High	78.02	0.84.05	3.30	Global changes in economic system have affected on Yemeni economic governance.	3
High	81.46	0.65	4.09	World organizations like world bank and fund do not motivate government investment system in country.	4
High	80.03	0.77	4.08	Yemen has adopted an open investment policy when international organizations have entered.	5
V. High	85.02	0.66	4.38	Yemeni legal system includes many investment incentives.	6
High	77.02	0.83.05	3.20	Yemeni private sector contributes a small part to the investments.	7
High	77.00	0.82.05	3.00	Weak relationship between the Yemeni private sector and the state led to low contributions of this sector in investment.	8
High	78.89	0.84.08	3.34	There is ambiguity in the Yemeni investment policy that has contributed in limiting of investments.	9
V. High	85.02	0.59	4.089	An overall average	

Keys:

C: Chain

Phs: Phrases

Arth. M: Arithmetic means

Sta. De: Standard deviation

Rel. We: Relative weight

R: Results

As it is shown in the table above, all phrases are came in ranks average between high and very high during statistical calculating. This means that, there is a strong relationship between the efficient economic governance and a good environment for investment polarization. This result clearly achieved the first hypothesis at this study that supposed existence a relationship between an efficient economic governance and a good investment polarization.

2.3.2 The second part of the questionnaire

The 9 phrases in the second part (imbalances of the investment) of the questionnaire will try to answer on the second question in this study that is: Is the lack of coordination between the elements

of the investment environment a stumbling block to investment projects?. Arithmetic means, standard deviations, and the relative weight are used to clear that as follows:

Table N°3: shows the results of the second part (imbalances of the investment) of the questionnaire.

R	Rel. We	Sta. De	Arth. M	Phr	C
High	81.01	0.60	4.02	Weak effectiveness of civil society organizations in serving investment.	11
High	81.06	0.61	4.03	Ownership of the most productive sectors by influential persons in the country.	12
High	79.62	0.59	3.30	Weak mechanisms to enable the private sector to make investments.	13
V. High	85.46	0.75	4.09	There are judicial problems in many investment projects.	14
High	77.03	0.58	3.08	The lack of low-cost production means in the Yemeni market.	15
V. High	85.67	0.68	4.21	Delayed procedures for obtaining investment privileges.	16
High	75.02	0.52	3.20	A clear conflict between government institutions in the implementation of procedures related to investments.	17
High	77.03	0.56	3.80	Inadequate government oversight mechanisms in regulating investments.	18
High	78.92	0.67	3.94	Geographical and political conditions have led to a decline of investment rates.	19
High	81.8	0.52	4.34	An overall average	

Table No. (3) **shows** that all phrases are came in ranks average between high and very high during statistical calculating. This means that, there are a hug imbalances in the rate of Yemeni investment projects. This result clearly achieved the second hypothesis at this study that supposed existence of unpredictable investment imbalances that can affect on investment polarization.

2.3.3 Analysis of the two open questions in the questionnaire

Table N°4: shows the two open questions in the questionnaire.

Question form	Question. No	Part No.
What are the most important steps in your opinion to make economic governance serves the investment?	10	1
Based on the job you work at, is it possible to mention other investment imbalances?	20	2

According to the first open question in the table No 4, the majority of the participants suggested economic steps relative of activating the government controlling system and creating spaces of harmony between elements that are constituted the environment of the investment. These suggestions achieved the first hypothesis at this study that supposed existence a relationship between an efficient economic governance and a good investment polarization.

The second open question in the table No 4 is concerned by investment imbalances. Therefore, participants' answers are varied, but the majority of their answers focused on administrative obstacles, unstable situation of the country, weak organization and weak controlling. The participants' answers clearly achieved the second hypothesis at this study that supposed existence of unpredictable investment imbalances that can affect on investment polarization.

Table N°5: summarizes participants' answers in the whole questionnaire

Choices						Chain
Likely direction	General direction	Sometimes agree	Not agree	Sometimes not agree	Agree	
Agree	Agree	5 %5	0	10 %10	85 %85	1
Agree	Agree	0	0	30 %30	70 %70	2
Agree	Agree	0	0	40 %40	60 %60	3
Agree	Agree	30 %30	10 %10	0	60 %60	4
Agree	Agree	0	10 %10	30 %30	60 %60	5
Agree	Agree	0	3 %3	5 %5	92 %92	6
Agree	Agree	0	10 %10	20 %20	70 %70	7
Agree	Agree	0	4 %4	23 %23	73 %73	8
Agree	Agree	0	12 %12	23 %23	65 %65	9
The result of the first part after calculating the arithmetic means and standard deviations and excluding dispersion value 85.2%						
Open answers						10
Agree	Agree	0	10 %10	30 %30	60 %60	11
Agree	Agree	0	6 %6	7 %7	87 %87	12
Agree	Agree	10 %10	30 %30	0	60 %60	13
Agree	Agree	5 %5	9 %9	18 %18	68 %68	14
Agree	Agree	0	4 %4	9 %9	87 %87	15
Agree	Agree	0	20 %20	15 %15	65 %65	16
Agree	Agree	0	3 %3	5 %5	92 %92	17
Agree	Agree	0	10 %10	20 %20	70 %70	18
Agree	Agree	0	10 %10	20 %20	70 %70	19

The result of the first part after calculating the arithmetic means and standard deviations and excluding dispersion value 81.8%	
Open answers	20

The above table reveals how the participants' answers were distributed?. The likely direction showed that all answers of the phrases that include options to answer them in the two parts of the questionnaire are taken the positive option "I agree", while the percentage of dispersion is almost non-existent as a result of weak relative weights for the answers that deviate from the positive option. Moreover, the participants gave great importance to the role of economic governance in attracting investment projects. They also showed the same importance with a bit low degree to the impact of imbalances in the elements of the investment environment. This is a clear indication for the existence of other imbalances which cannot be measured economically and they indirectly affect on the elements of the investment environment.

3. Final findings

- There is a strong relationship between an efficient economic governance and the investments flow.
- Economic governance should be based on participation, law, transparency, decentralization, responsibility, effectiveness, evaluation, and strategic vision.
- There is a hug ambiguity in the Yemeni investment policy that has affected on investments.
- There are many Yemeni investment imbalances like inadequate government oversight mechanisms, geographical and political circumstances, the lack of low-cost production means, delayed procedures for obtaining investment privileges, judicial problems in many investment projects, Weak effectiveness of civil society organizations and private sector..etc.

4. Suggested recommendations

- Activating the role of economic governance and making it an effective tool for advancing the investment system through adopting of participation, applying law, transparency, decentralization, responsibility, effectiveness, evaluation, and strategic planning.
- Establishing the structural controlling of the different economic sectors, in order to eliminate administrative and financial corruption and encourage all types of investment projects.
- Developing environment of investment thorough adopting an open economic policy and working to develop the legal system to serve the requirements of the investment market, providing adequate material and economic foundations for the operation of the private sector, developing the productive sector, giving civil society organizations more attention and responsibility, developing important vital sectors: such as education, health, security, judicial corps, infrastructure and communication services etc...

5. Conclusion

This article aims to reveal that the efficient economic governance can help to create a good environment for investment polarization through controlling imbalances that affect on that environment. So, being aware of all factors that are affecting the elements of the investment environment cannot be controlled by an economic perspective only because it is a series responds to a set of circumstances and factors that are effected by many factors like the society, its culture and its various resources, and its external surrounding cultural. Moreover, political factors may also affect on investment, as well as topographical characteristics that related to the environment of the investment. For that, societies should benefit from the advantages in their environment of investment and use it to serve the investment.

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