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GOVERNANCE AND ITS IMPACT ON POVERTY REDUCTION: IS THERE A ROLE FOR KNOWLEDGE MANAGEMENT?

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Abstract: *Purpose:* The aim of this study is to provide evidence of the importance of institutional quality as a determinant of poverty reduction. Effective governance needs a framework of knowledge management to be able to be successful.

Design/methodology/approach: There are two opposing arguments in the literature on governance regarding its impact on economic development. The first view considers governance to be very crucial to all manner of favourable development outcomes .The other point of view argues that all aspects of governance are not equally critical for economic development at different stages of development. The analysis uses panel data estimation techniques to investigate the impact of governance on poverty reduction using 71 developing countries in different geographical regions. Principal component analysis is used first to obtain an overall governance indicator.

Findings: Governance is of crucial importance for poverty reduction. Ensuring that good governance is implemented and in particular maintained we require a framework that monitors and facilitates examination, supervision and revision of processes of Knowledge management governance so that the process of Knowledge Management is itself subject to good governance.

Research limitations/implications: The sample consists of 71 developing countries and the choice of time period is restricted due to governance data availability. Future research possibilities may lie in looking in depth at the interrelationship

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between knowledge management and governance over infrastructure, public delivery service and investments. The poverty–governance model was developed without including knowledge management. Future research possibilities may lie in testing empirically the influence of Knowledge Management on governance and other developmental outcomes.
Social implications: Setting up a transparent system between decision makers, officials and the public through implementing structures that actually use and value the four dimensions of KM appears to be an absolute requirement for good governance in education, health or any sector of the social fabric. KM promotes a long-term focus on developing skills and competences and helps organisations to adapt accumulated knowledge in their economic development efforts in a way that more effectively will meet the needs of marginalized people.
Originality/value: The paper focuses on the role of institutional quality in reducing poverty levels in developing countries using pooled data. The paper develops a conceptual model to explain the linkage between knowledge management dimensions and governance.

Keywords: *Governance; Poverty Reduction; Panel Data; Principal Component Analysis (PCA); Knowledge Management (KM); Governance Knowledge Management (GKM) Developing Countries; Transparency.*

INTRODUCTION

In recent years, new thoughts have emerged on the notion of poverty. Poverty was considered strictly economic concept and it placed no emphasis on political issues in relation to poverty in development economics (Abdejumobi, 2006).Then, New Institutional Economics (NIE) appeared and it is considered the only branch of economics that talks about the role of institutions in generating economic growth and alleviating poverty (Alhasan, 2003). Effective institutions with a clear view of knowledge management (KM) generate values that improve and refine institutions' competences and knowledge assets (Davenport, 2000). There are four dimensions for implementing knowledge management: Organizational - which incorporates effective process, environment, culture and systems;

Managerial, which includes leadership capable for getting the right decisions at the right time; Technological – which supports systems, tools and appropriate technology; and the Political dimension which gives support to implement and sustain initiatives that involve all organizational functions that may be costly to implement and do not have a direct visible return on investment (KM Source Site). KM not only focuses on the existing knowledge but supports the creation of new knowledge through managing and reviewing both tacit and explicit knowledge in a way that creates value and ensures public service delivery to marginalized people and consequently reduces poverty levels (Davenport, 2000). Governance is defined as the implementation of authority through a framework that ensures the distribution of public services in a regulated manner (Weill, 2002). The fullfillment of this function is reflected in a framework that monitors and facilitates examination, supervision and revision of processes – this framework has been referred to as Knoweledge Management Governance (Wiig, 1997). Hence, ensuring that good governance is implemented and in particular maintained we require that the process of KM is itself subject to good governance. This becomes crucial to address poverty reduction.

At the same time, poverty in development economics focuses basically on the interface between economic growth and poverty. There are two opposing approaches discussing this interface. It is argued that unless an economy is able to generate stable economic growth, poverty reduction is impossible. Economic growth always has spill-over effects on poverty through competitive market structures. South Asian countries for example exhibited high economic growth and were able to significantly reduce poverty (Paragariya, 2002 ;Ames, 2000; Dollar, 2002). Contrarily, some argue that economic growth is necessary but insufficient to reduce poverty due to economic inequality. This lessens the effect of economic growth and may deepen poverty, increase social anger and negatively affect the economic growth process itself. (Ravallion, 2001; Bruno, 1998). This is where governance and KM become very important in the delivery and support of public services and public policy. However none of the literature in the economic development field explicitly addresses the issue of KM and its central importance to delivering good governance.

When poverty and inequality exist in a society, they weaken the political process and promote bad governance. Governance provides the institutional, legal and political framework. Not only for the design of poverty reduction policies, but also for enhancing the capacity of the poor to deal positively with their bad circumstances and improve their material conditions. Governance ensures participation of the poor in decisions that affect them and empowers them to voice their views to policy makers (Adejumobi, 2006). This participation would include information, opinions and evaluations of anti-poverty initiatives that could be built into a KM system to improve future policy, but there is very little evidence that this is ever done.

This paper examines the role of governance in poverty alleviation in developing countries and how different geographical regions [Middle East and North Africa (MENA), Sub-Saharan African countries (SSAC), Central America, Latin America and Highly Indebted Poor Countries (HIPC)] should move towards promoting good governance. The role of KM (or lack of it) in governance is considered to be a critical element in poverty alleviation programmes as highlighted above. However it not yet possible to integrate the four dimensions of KM into the data analysis applied in this paper. This is because of the real paucity of data on KM in many countries` administrative systems and also because the dimensions themselves are extremely difficult to measure in a consistent cross-country basis.

THEORETICAL ARGUMENTS

Over the last decade, governance has proved to be crucial to poverty alleviation and has been raised to the top of the development agenda after the failure of the strategy declared by the Washington consensus (Martin, 2006). The notion of poverty alleviation included in its essence governance parameters such as the issue of giving voice and power to the poor to present their social demands before decision-making. These policies failed to stimulate steady growth or reduce poverty in the way they aimed to and weakened the strength of institutions that act as a safety net during adjustment programs (Martin, 2006). In order for markets to operate well, there must be clear tax policies, transparency rules and a legal framework that protects property rights of individuals in addition to controlling inflation (Stiglitz, 2002). All these issues are beyond the scope of markets but are needed to maintain sustainable economic growth especially in developing countries.

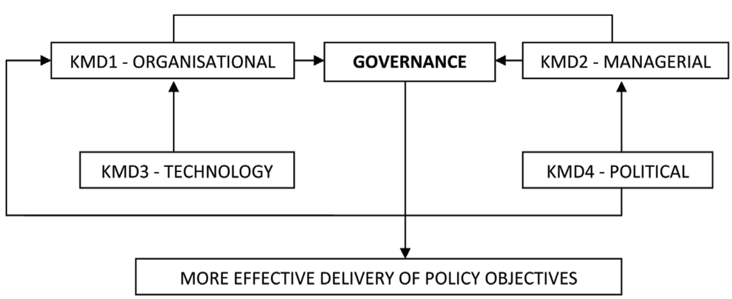
There are two opposing arguments in the literature regarding the impact of governance on poverty reduction, First, (Sen, 1999) helped to raise the issue of governance in the development agenda and stated that the presence of state institutions not only helps markets to operate well but also gives the chance for citizens especially the vulnerable to determine their basic needs and share in decision making. Therefore, the importance of good governance for human poverty reduction mainly depends on ensuring that the benefits of economic growth reach the poor. Developing countries are a clear example of the presence of weak institutions and corrupted officials that helps in wasting countries resources. These factors weaken the participation of the civil society in decision-making to determine social needs of the poor and their priorities (Grindle, 2004). Therefore, good governance leads to the presence of democratic institutions that are responsive and accountable to the needs of their citizens. These governments allow citizens to participate in decision making. Consequently, vulnerable people in society can engage in a debate with policymakers regarding their right to have access to better education, higher quality of health services and a better standard of living.

Sen also argued that there is a positive relation between income and freedom as good institutions with transparent rules and accountability can divert the progress in their income in favor of the poor. (Jenkins, 2005) pointed to the disadvantages of having bad governance especially for the poor as they suffer from denial of access to education, health and shelter in addition to not being able to benefit from markets because of their low income. (Lazarova, 2006) points out that poor governance is estimated to have a negative impact on infant mortality in a sample consisted of 112 countries representing developed and developing regions.

The second strand of views argues that governance is not the main determinant of economic performance. That appears to be in the conclusion of Lazarova et al (2006) on a sample containing both developed and developing countries for years 1996, 1998 and 2000. They tried to examine the relationship between aggregate health capital and governance. Their analysis showed two types of conclusions. Concerning poor countries, absolute income proved to be a significant determinant of health quality, while for rich countries, governance proved to have a better impact. Quibria (2006) begins by dividing the Asian economies into countries that suffer from a governance deficit and countries that suffer from governance surplus. The result of the Quibria analysis shows a very interesting conclusion: countries that suffer from a low level of governance outperformed countries that exhibit governance surplus. This runs counter to much of the literature and may well reflect weaknesses in the theory and / or the dataset itself used in the latter study.

However, as stated above, this literature does not even deal with KM or its informational requirements in relation to governance and hence the theories themselves remain incomplete. How can KM be integrated with the debates surrounding the problem of governance? As above, it is not yet possible to directly or even indirectly measure the effect of KM on governance but we can at least conceptualise how this might be done as given in the diagram below:

In this conceptual model the technology dimension of KM is merely an input to more effective organizational strategy which in turn increases managerial effectiveness. The political dimension is also an input to the organizational effectiveness and managerial implementation of policy and programmes. This means the technology and political inputs are better viewed as tools of KM that enable both organizational and managerial effectiveness – they are not ends in themselves. The issue with the above conceptualization, as mentioned above, is one of measurement. These dimensions are not easily measured or perhaps even consistently defined but future research in this area will need to address this problem. It is not possible to so in this present paper. However the



model above at least enables us to identify the potential directions of influence that KM could (or may) have on the problem of governance. We return to this issue at the end of the paper.

DETERMINANTS OF HUMAN POVERTY WORLDWIDE

Poverty has become a deeply rooted disease that attacks the majority of developing countries. This disease has been compounded by several factors that a majority of these countries suffer from such as conflicts, political instability, high external debt and the rapid spread of HIV/aids (Arimah, 2004). By searching for the root of these factors, the poor performance of governments has been ignored and the consequences are wasting resources, undelivered services and denial of social, legal and economic rights of citizens, especially the poor (Grindle, 2004). Poverty is defined by the unavailability of income and deprivation of other social aspects of life such as long and healthy life, knowledge. This is reflected in Human Poverty Index (HPI) that is evolved by UNDP (UNDP, 2007). Hence, being poor means becoming powerless and unable to participate effectively in decision- making regarding expressing their needs.

Accordingly, the paper is shedding light on which variables are significantly affecting poverty reduction. The HPI is used to represent poverty as the dependent variable. While variables that represent different facets of human development (HD) are used as independent variables. These include education subsidies, male primary school enrolment, female primary enrolment, expenditure on health and governance. In addition other variables are economic growth, the spread of HIV/AIDS and foreign aid. The Appendix to the paper describes variables used in the paper together with cross-country descriptive statistics for each dimension. All the data are collected from World

Development Indicators. Time coverage is from 1996 to 2008 for 71 developing countries in different geographical regions. In addition to classifying according to different regions, the World Bank classification for highly indebted countries was adopted. The HPI ranks countries on a scale from 0 to 100 where a score of 0 indicates the lowest level of human poverty while score of 100 represent highest level of human poverty (UNDP, 2007/2008). The Cross-country average of HPI is approximately 29 percent with standard deviation equal to16 percent. By calculating the average HPI using the whole time period for each country, results show that Burkina Faso, Burundi, Chad, Ethiopia, Guinea, Mali and Niger are suffering from more than a 50 percent level of human poverty. An investigation on the performance of countries according to average annual growth rate of HPI was also done. Table 1 gives a picture of the performance of the best and worst countries. It can be seen that Malaysia has reduced poverty coverage by 7.74 percent during the period between 1996 and 2008. At the same time, Tanzania has suffered from extreme poverty according to its average annual growth rate of HPI.

If we look at the different facets of the human development variables, it can be seen that education and acquisition of knowledge is considered a major aspect of human development. In this paper the impact of education on poverty is

Table 1: Best and Worst Performer According to Average Annual Growth Rate of HPI

Best ten countries	Average Annual growth rate of HPI	Worst ten Countries	Average Annual growth rate of HPI
Malaysia	-7.74%	Zimbabwe	2.33%
Vietnam	-6.61%	South Africa	3.44%
Bolivia	-5.55%	Ghana	3.68%
Brazil	-5.47%	Swaziland	5.82%
Comoros	-5.37%	Lesotho	5.97%
Dominican Republic	-5.31%	Belize	6.21%
Mexico	-5.19%	India	9.11%
Nepal	-4.56%	Trinidad and Tobago	10.49%
Indonesia	-4.44%	Fiji	14.52%
Peru	-4.41%	Tanzania	47.56%

Source: Authors' calculation.

measured by public expenditure on education, primary male school enrollment and primary female enrollment. Another major aspect for human development is health care. Health expenditure as a % of GDP is used to analyze the impact of health care on poverty reduction. The commitment to human development goals can be seen in the extent to which countries can achieve the goals of human development and measured by the difference between country Gross Domestic Product (GDP) per capita rank and its Human Development Index (HDI) rank. This measure is considered a distant proxy for government commitment to Human Development Goals. Human development highlights the importance of good governance and its role to improve welfare and development outcomes (Thomas, 2000).

The next section focuses in depth on governance and its empirical measures. Apart from human development variables, there are other variables that explain variation in poverty levels among countries. Among these variables is economic growth measured by GDP per capita at constant 2000 prices. Foreign aid pertains to be important for poverty reduction and is measured by official development assistance and official aid per capita. Another factor that has an adverse impact on poverty levels is the incidence of HIV/Aids. It is measured by the percentage of adults (15-49 years old) living with HIV/Aids.

OVERALL GOVERNANCE INDICATOR: PRINCIPLE COMPONENT ANALYSIS

Governance is defined as "The manner in which the power is exercised in the management of a country's economic and social resources for development" (Bank, 1992). This definition can be classified into three parts. First, it includes the process by which governments are selected, monitored, and replaced. This can be measured by two clusters (indicators) which are voice accountability (i.e. the extent to which citizens of a country are able to participate in the selection of governments) and political stability (i.e. the likelihood that the government in power will be destabilized or overthrown by possibly unconstitutional or violent means, including terrorism). The Second classification is the capacity of the government to effectively formulate and implement sound policies.

This can be measured by two clusters which are government effectiveness (i.e. the inputs required for the government to be able to produce and implement good policies and deliver public goods) and regulatory quality (i.e. perceptions of the burdens imposed by excessive regulation in areas such as foreign trade and business development). The first of these is directly relevant to the conceptual model above linking the dimensions of KM to governance. Third, governance is the respect of citizens and the state for the institutions that govern economic and social interactions among them. The last definition of governance is measured by rule of law (i.e. the extent to which agents have confidence in and abide by the rules of society) and control of corruption i.e. the exercise of public power for private gain (Kaufmann, 2002). This directly relates to the importance of the political input in the conceptual model for organisational and managerial effectiveness – where this input is distorted by rent seeking behaviour under the guise of political necessity then neither of the first two dimensions of KM will have any effect on governance.

In order to investigate the impact of governance on human poverty, the six measures of governance provided by the World Bank are adopted. These measures are government effectiveness, regulatory quality, rule of law, political stability, voice and accountability and control of corruption. Each indicator of governance is constructed in units of a standard normal distribution, with mean zero and standard deviation of one. It ranges from approximately -2.5 to 2.5. A higher value corresponds to better governance (Kaufmann, 2002). Refer to the Appendix, it can be seen that on average all the six indicators are having a negative value which correspond to bad governance and consequently inability to control corruption ,apply rule of law as well as voice & accountability, providing political stability and having an efficient government with good regulatory quality. Before using these indicators in the empirical model, pair wise correlation analysis was applied. The result shows strong significant correlations which in turn can cause a multicolinearity problem. In order to overcome this strong correlation between these measures, principle component analysis (PCA) was implemented.

This method is applied to overcome the multicolinearity when all the governance indicators are used in the adopted model. As illustrated in Table 2, the overall governance indicator is calculated using one retained principle component explaining 73.97 percent of the total variance. This factor measures governance as a weighted function of six measures. In table 3, the factor loadings are approximately equal which supports that factor obtained represents the overall governance indicator. This overall governance indicator has an average value of zero (SD= 2.106732).This is used to address the link between poverty reduction and degree of governance prevails.

POVERTY REDUCTION AND ITS DETERMINANTS: EMPIRICAL MODEL

The main contribution of the paper is using different panel data techniques to estimate equation (*), starting with

Component	Total Variance
Overall governance indicator	0.7397

Source: authors' calculation using PCA method.

Table 2: Developed Overall Governance Indicator

Variable	Rotated estimated factor loadings
Control of corruption	0.4155
Rule of law	0.4193
Voice & Accountability	0.3963
Political stability	0.3618
Government effectiveness	0.4372
Regulatory quality	0.4154

Source: authors' calculation using varimax rotation.

Table 3:
Rotated Loadings for Governance Data

random- effects and fixed-effects regression. Furthermore, the Hausman test was used to investigate which method of estimation provides consistent and efficient estimators. Results of this test leads to accepting the null hypothesis with respect to whole sample of developing countries. Therefore, random effects regression is an enhancement over fixed effects on using the whole sample since it does not consume degrees of freedom. In addition to using the whole sample in estimating random effects regression, a subset of data is used to estimate a model addressing specific countries as highly indebted countries. The null hypothesis is rejected when analyzing the model using this subset of countries asserting that the differences in coefficients are not systematic at a one percent level of significance. Therefore, fixed effects regression is an enhancement over random effects regression on using subset of highly indebted countries. Discussion on the obtained results of estimating equation * is provided below.

$HPI_{it} = \beta_1$ Commitment to $HD_{it} + \beta_2$ Public spending on education$_{it} + \beta_3$ Primary male school enrolment$_{it} + \beta_4$ Primary female school enrolment$_{it} + \beta_5$ Health expenditure$_{it} + \beta_6$ Mortality rate$_{it} + \beta_7$ Economic growth$_{it} + \beta_8$ HIV/ AIDS$_{it} + \beta_9$ Foreign aid$_{it} + \beta_{10}$ Overall governance indicator$_{it}$ (Equation *)

In view of the fact that the (HPI) is used as the dependent variable and it measures country's deprivation in three aspects: a short life, lack of basic education and lack of access to public and private resources. The estimated model is previously used to assess the relation between human development and poverty reduction in Africa using cross country regression (Arimah, 2004). The result of the model supports a significant negative relationship between education dimension, degree of commitment to human development strategies and overall governance indicator.

EDUCATION

Education is essential to combat poverty and is often financed with public funds in order to achieve that purpose. The first variable is public expenditure on education and is insignificant. This finding is consistent with Castro-Leal (1999) who stated that public spending on education has been ineffective in reaching the poor but tended to favor those who are better off. Also, Hanmer (1999) states that

Dependent Variable	Human poverty Index			
Sample selected	**Overall Sample Model (1)**		**Highly indebted countries Model (2)**	
Independent variables	**Coefficient**	**T-statistics**	**Coefficient**	**T-statistics**
Highly indebted dummy	15.96353	3.1**	-	-
Commitment to HD	-0.1098	-3.2***	-0.21107	-2.42**
Public spending on education	-0.28107	-1.46	-0.63013	-0.73
Primary male school enrolment	-0.33142	-6.2***	-0.30072	-1.78*
Primary female school enrolment	-0.08734	-0.38	-1.04206	-1.78*
Health expenditure	0.859647	2.12**	9.276078	2.08**
Economic growth	-0.06856	-1.8*	-0.06183	-1.06
HIV/ AIDS	0.344051	0.66	0.20597	0.2
Foreign aid	-2.41E-10	-0.3	-1.31E-10	-0.11
Overall governance indicator	-1.75158	-4.52***	-1.78305	-2.14**
Observation	108		50	
Chi-square statistics	97.76***		-	
F statistics	-		4.26***	
Hausman test	1.92		101.72***	

Source: Authors' estimation. * indicates significance at 10 percent level, ** indicates significance at 5 percent level, and *** indicates significance at 1 percent level.

Table 4: Estimated Model Using Panel Data Regression

increasing spending on education does not always translate into poverty reduction as a high proportion of government spending is swallowed up by wages which reaches to 95 percent in Senegal for example.

Primary male school enrolment is significant and indicates that increasing primary male enrolment by 1 percent leads to decreased poverty levels of 0.3 percent in the whole model. Although subsidizing primary education is particularly strong in developing countries given the benefits it brings, primary female enrollment is insignificant. That shows the presence of gender imbalances in education in developing countries as parents decisions on education depends often on an expected return which tends to favour the education of males. The decision to enrol girls is more sensitive to access costs than the decision to enrol boys. As a result fewer girls than boys from low income groups attend primary school (Castro-Leal, 1999). For the model of highly indebted countries, female primary school enrolment has a significant impact and reveals that a 1 percent increase in female education brings reduction of 1 percent in human poverty. This finding is consistent with Bank (1997) where it is clearly shown that female education will increase productivity, reduce fertility and increase a country's economic growth.

HEALTH

The impact of public spending on health is quite small around 3 percent of GDP on average with a coefficient that is significant at the 5 percent level. The coefficient shows that a 1 percent increase in government spending on health is associated with an improvement of 0.8 percent in human poverty. This result is consistent with Anand (1993) who finds that public spending on health is positively correlated with income poverty. Of course that does not mean that public spending on health is unimportant in reducing poverty rather it says that the importance of spending lies in the way that its benefits are distributed between people and the extent to which government spending supports public health services (Dreze, 1989). In the model for highly indebted countries increasing public spending on health by 1 percent leads to increased human poverty by 9.2 percent! This would tend to suggest a complete failure of good governance and is very likely to be associated with a strong absence of all dimensions of KM, whether deliberately or by default.

ECONOMIC GROWTH

The impact of economic growth on poverty is significant at the 1 percent significance level and suggests that a 1 percent increase in GDP per capita associated with a reduction of about 0.06 percent in human poverty for the whole sample (Arimah, 2004). The model of highly indebted countries reveals that economic growth is insignificant and that argue that even if economic growth rates required to reduce human poverty attained, most of highly indebted countries suffer from high level of inequality that has been shown to increase with increasing economic growth which consequently minimize its effect or has no effect on poverty reduction over time (Hanmer L.C., 1999).

COMMITMENT TO HUMAN DEVELOPMENT GOALS

The degree of a country's commitment to human development goals is measured by the difference between country's GDP per capita ranks minus HDI rank. The coefficient is significant at the 5 percent level and reveals that countries perform 1 percent better on HDI than GDP per capita and this reduces poverty levels by 0.1 percent for the whole model and 0.2 percent for the highly indebted model.

GOVERNANCE

Governance has tended to have a positive role in poverty reduction. The coefficients show the negative and significant impact: an increase of 1 percent in the constructed overall governance indicator leads to a decrease in the HPI by 1.75 percent in the overall model and 1.8 percent in the highly indebted countries. The results from this research directly contradict those of Quibria (2006) discussed in an earlier section of this paper.

DEVELOPMENT AID

Development aid has a negative and insignificant impact on poverty in developing countries. The result is consistent with the work of Martin 2006 who indicated that the effect of aid on growth depends heavily on governance as it is considered a condition for receiving aid. As in the presence of bad governance, the marginal effect of aid on economic growth is minimized or even reaches to zero and does not help in alleviating poverty in developing countries. Another problem created by aid dependence is that it encourages corruption in the fight for the control of aid resources (Martin, 2006). Of course a longstanding issue with aid has always been the common question – where does it go? This may well be related to the lack of information and good managerial practices in the disbursement of aid packages. Hence there is also a strong need for KM applications to be implemented not just be aid receiving governments but also by the aid agencies themselves.

CONCLUSION AND POLICY RECOMMENDATIONS

In this study, the governance – poverty relation has been analyzed. The main conclusion is that there exists a positive relation between poverty reduction and governance. Empirical evidence in the study suggests that countries with low levels of governance suffer from high levels of poverty. However, the study also extends the negative consequences of poor governance and argues that it may distort government spending on health and education away from favoring the poor to those who are better off. It is argued in this paper that these outcomes could be avoided (or minimized) by applying the standard concepts and tools of KM as proposed by Davenport and others. The analysis here suggests a framework that urges countries to pursue the following policies:

- Countries have to focus more on having better rule of law and control of corruption in order to improve institutional quality.

- Countries should stop the misallocation of resources away from the main HD targets, especially in the health sector.

- Education subsidies have indirect impacts on poverty reduction and high investment in education positively affects poverty reduction and stimulates economic growth.

- An alarm has to be raised to the presence of gender imbalances in primary education in developing countries as the analysis reveals that the decision to enrol girls is more sensitive to access costs than the decision to enrol boys.

- Investment in female education has a direct impact on productivity and economic growth in addition to reducing fertility and this is a strong finding in the case of the highly indebted countries.

- Countries should use development aid in a way that leads to poverty reduction and that requires the presence of good governance to fight corruption and control resources.

These policies lead us to focus more on understanding more deeply what resources are available to government institutions and how they best transfer these to the relevant people so as to be able to maximize beneficial impacts. Hence setting up a transparent system between decision makers, officials and the public through implementing structures that actually use and value the four dimensions of KM appears to be an absolute requirement for good governance in education, health or any sector of the social fabric. Knowledge Management (KM) is still a relatively new concept and in this paper we have argued that it can and should be a central part of governance at all levels of society. In particular because it enables government institutions to better disseminate and exploit what they learn from past mistakes. KM promotes a long-term focus on developing skills and competences and helps organisations to adapt accumulated knowledge in their economic development efforts in a way that more effectively will meet the needs of marginalized people. However this paper has not been able to empirically establish any quantitative impact of the KM dimensions on governance because these are yet to be measured consistently. Only when we have a set of reliable KM dimensional indicators will we be able to pursue that particular line of research. Nevertheless it would appear that such a research endeavor is likely to be provide a rich source of information that could enhance the growing area of governance research.

BIOGRAPHY

Reham Rizk is a PhD student and Assistant Lecturer in the Department of Economics at the British University in Egypt. She is a member of the Middle East Economic Association (MEEA) and regularly contributes to debates and workshops in the MENA region on Governance and inequality. She currently teaches Macroeconomics and Research Methods and manages the e-learning platform for students in the

Department. A version of the current paper was presented at the Middle East Economic Association annual conference in Barcelona and Ms. Rizk is currently working on a number of research avenues which have been identified from the current paper.

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APPENDIX

Variable	Definition	Mean*	Std. Dev.*	Source of Data
Human Poverty Index	Deprivation in three dimension : long and healthy life , knowledge, and standard of living	28.56881	16.26882	UNDP (2010)
Commitment to human development	GDP per capita (PPP $) rank minus HDI rank	-4.739697	20.0917	UNDP (2010)
Public spending on education, total (% of GDP)	Percentage of GNP accounted for by public spending on public education plus subsidies to private education at all levels	4.432457	3.086275	WDI (2010)
Primary male school enrolment	Percentage of the male primary school-aged population	91.33849	10.83162	WDI (2010)
Primary female school enrolment	Percentage of the female primary school-aged population	.5964585	1.267838	WDI (2010)
Health expenditure, public (% of GDP)	Public health expenditure consists of recurrent and capital spending from government (central and local) budgets, external borrowings and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds.	2.866777	1.443487	WDI (2010)
Mortality rate, under-5 (per 1,000)	Under-five mortality rate is the probability per 1,000 that a newborn baby will die before reaching age five, if subject to current age-specific mortality rates.	89.0065	61.17151	WDI (2010)
Economic growth	Percentage growth rate of GDP per capita based on constant local currency.	2.611497	5.182078	WDI (2010)
Foreign aid	Net official development assistance and official aid received (constant 2007 US$)	5.00E+08	5.58E+08	WDI (2010)
HIV/ AIDS	percentage of adults (15-49 year old) living with HIV/AIDS	3.569935	6.184603	WDI (2010)
Control of corruption	Measures the extent to which government officials are likely to demand special payments and illegal payment in form of bribes.	-0.4430011	0.589747	Kaufmann et al. (2002)
Rule of law	Measuring the extent to which agents have confidence in and abide by the rules of society	-0.462611	0.608461	Kaufmann et al. (2002)
Voice & Accountability	Measures the extent to which citizens of a country are able to participate in the selection of government	-0.3877573	0.775091	Kaufmann et al. (2002)
Political stability	Measures the probability that the government in power will be destabilized or overthrown by unconstitutional or any violent means	-0.4307259	0.814069	Kaufmann et al. (2002)
Government effectiveness	The ability of government to implement socially sound policies	-0.4438028	0.599941	Kaufmann et al. (2002)
Regulatory quality	Evaluates the policies themselves: whether they are facilitating or burdening social transactions	-0.3591983	0.678007	Kaufmann et al. (2002)
Overall governance indicator	Overall governance indicator constructed using principle component analysis	0	2.106732	Authors' calculation

**Source:* Authors' calculation.

Descriptive Statistics for Determinant of Human Poverty Worldwide