

# *Institutions and Financial Market Development in the MENA Region*

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**Abstract** *There is reasonable agreement that effective and well developed institutions have a significant role to play in economic development. Accordingly a number of studies have attempted to relate institutions to the rate of economic growth and the level of efficiency of markets. This paper assesses the relationship between a number of economic development and institutional variables and the level of financial market development in the middle east and north Africa (MENA) region. Correlation matrices support the view that the institutional environment in which financial markets function is important, as this reinforces the efficient allocation of economic rights which are essential for markets to function optimally. The correlation analysis also establishes a link between the development of financial markets and governance in the MENA region. However regression estimates indicate that infrastructure development and the degree of openness of an economy are the most robust indicators for the development and effective functioning of financial markets in the MENA region.*

**Key words:** Middle-east, north Africa, institutions, infrastructure development

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