Governance, Development and Conflict in the Arab States

By Khalid Abu-Ismail and Manuella Nehme

I. Research Question:

What are the determinants of political instability? Which of these factors pose the strongest effect on instability and conflict?

II. Literature review :Drivers of political instability and conflict

The three development pillars:
1. Health: low life expectancy may indicate the failure of the state to meet its people's needs and enhance welfare (Navarro et al. , 2006)
2. Education: Stabilizer of political unrest (Collier, 2000; Brett and Specht, 2004; Azeng et al., 2015 ; ESCWA,0215).
3. Access to resources : Low income levels (per capita) increase instability risks (Londegran and Poole, 1990; Collier and Hoeffler, 2004; Fearon and Laitin, 2003; Urdal 2006).

Governance:
Good governance is associated with reduced inequalities, enhanced social justice and more-inclusive growth and subsequently lower political unrest (ESCWA, 2015).

Other potential drivers:
Youth unemployment, regime type, ethnic fractionalization, etc.

III. Conceptualizing Political instability and Conflict:

Two conventional approaches:

1. **Executive instability (i.e. propensity of an executive collapse)**
   ➢ Binary choice models in which the probability of government change is a function of economic, political and institutional actors (Cukierman et al, 1992; Ozeller and Tabellini, 1991; Alesina et al, 1996; Svensson, 1998).

2. **Sociopolitical unrest indictors (i.e. typically a single indictor as a proxy for political instability)**
   ➢ Londregan and Poole (1990) : Frequency of coups d'état
   ➢ Barro (1991) : The number of coups d'état, political assassinations and violent revolutions.
   ➢ Alesina and Perotti (1996): a sociopolitical instability index => 5 indicators : number of assassinations, deaths , successful and unsuccessful coups and a dummy for autocratic regimes.

Main caveat:
   ➢ Defining a multifaceted phenomenon too narrowly, only in terms of one of its dimensions/intensity.

III. Conceptualizing Political instability and Conflict:

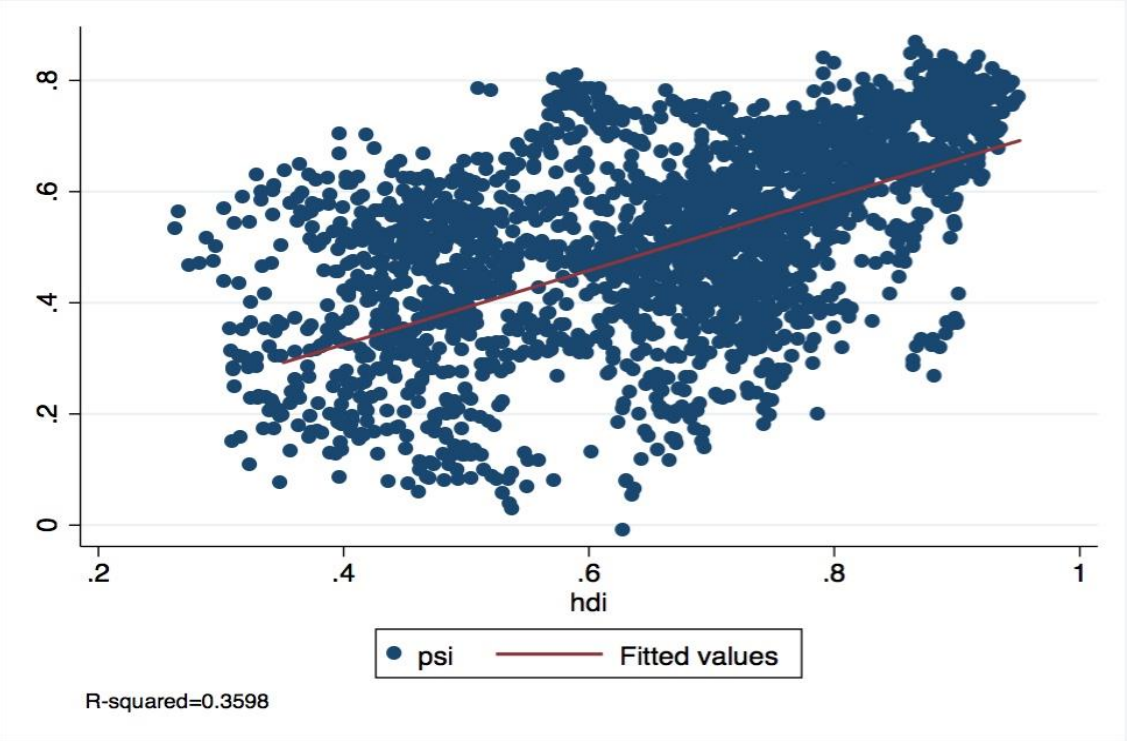We adopt the WGI political stability and absence of violence index (Kaufmann et al. ,2010).

Three main premises:

1. It treats political stability as a continuous rather than discrete variable

2. Such meta-indices that incorporate a wide range of indicators from various sources probably provide more precise measures than any individual indicator would (Globerman and Shapiro, 2002)

3. The methodological approach adopted allows cross-country and over-time comparisons.

- **We normalize the scale using the minimum-maximum criteria.**
  ➢ Range [0-1]: values closer to 1 reflect higher political stability and absence of violence.
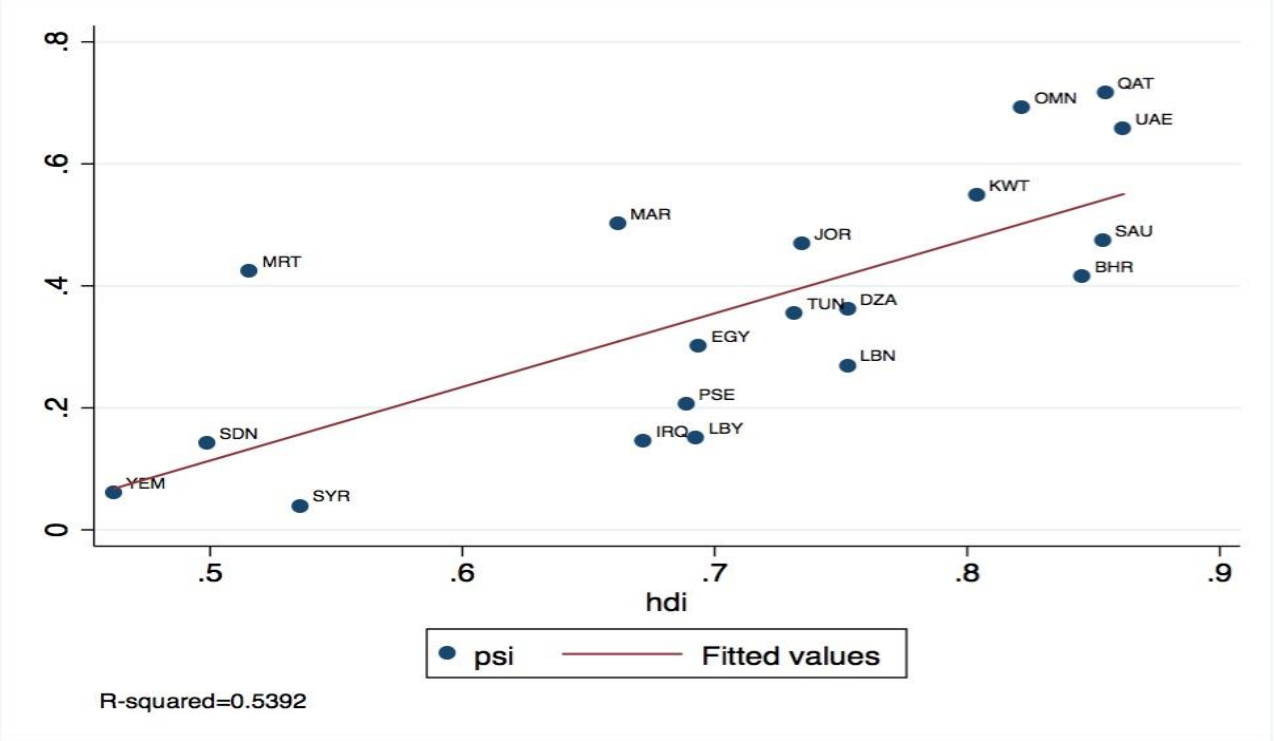
IV. Stylized facts: Drivers of political instability and conflict

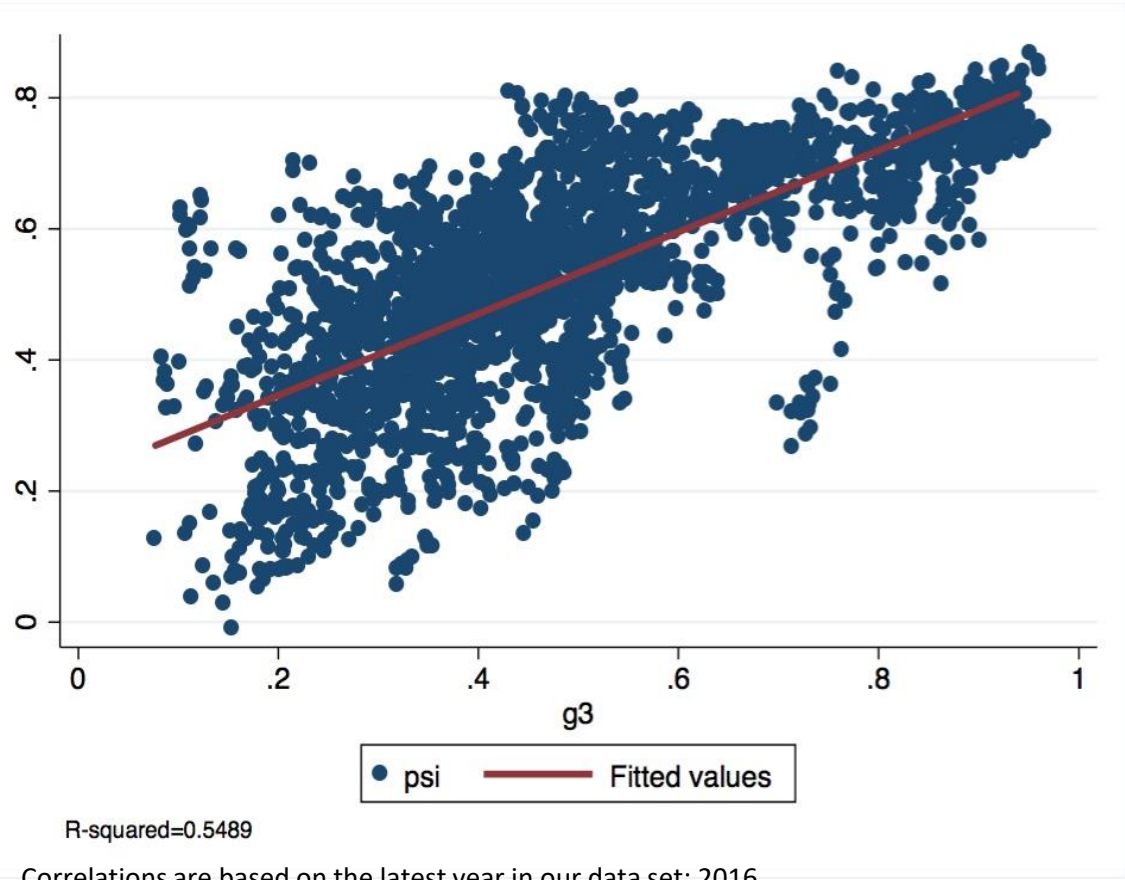**Human Development Index (HDI)**

- i. World

  ii.   Arab world

Correlations are based on the latest year in our data set: 2016

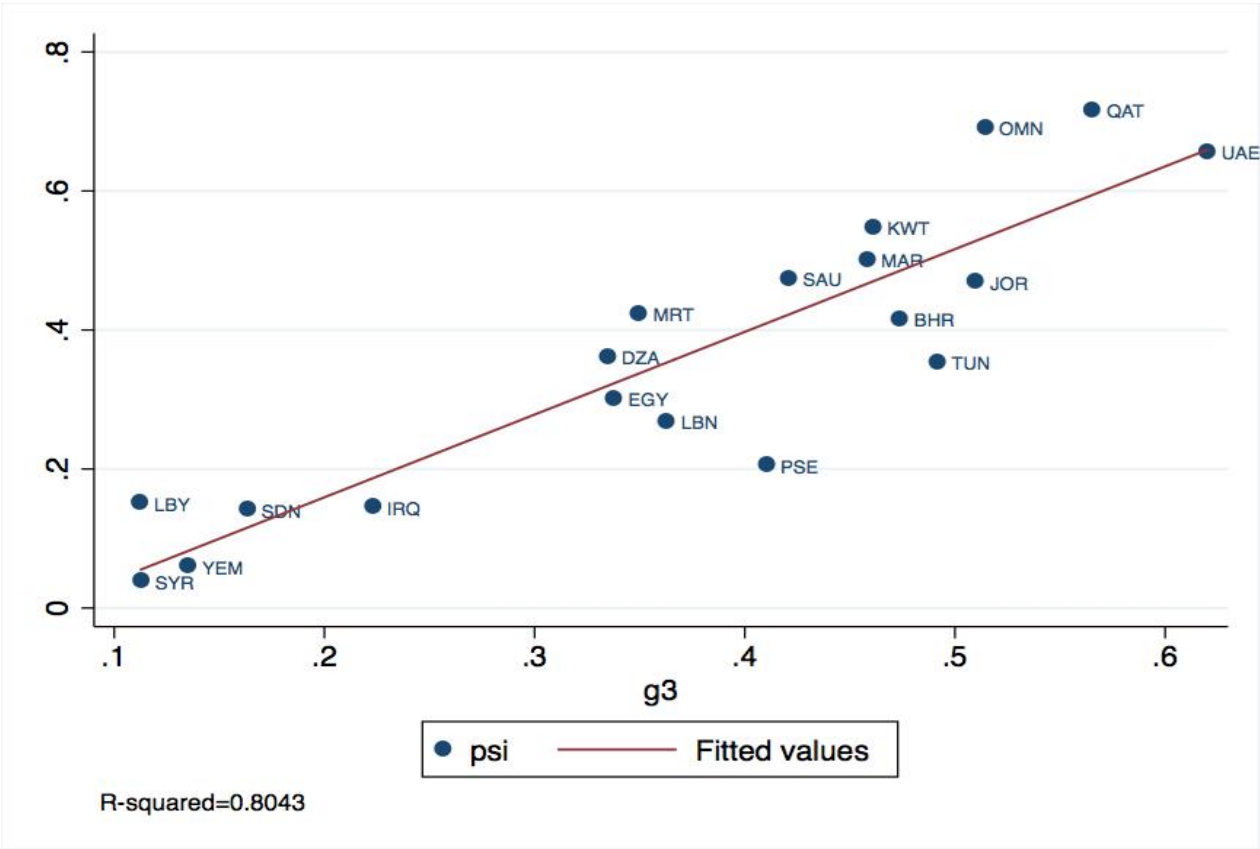# IV. Stylized facts: Drivers of political instability and conflict

Governance (G3)

- i. World

ii. Arab world

Correlations are based on the latest year in our data set: 2016

V. Methodology: The General Model

$$PSI_{i,t} = f(G3_{i,t}, HDI_{i,t}, IC_i, X_{i,t})$$

where :
$PSI_{i,t}$ is the political instability index , $G3_{i,t}$ is the governance index , $HDI_{i,t,}$ is human development index, IC_i is a set of initial (structural) conditions and X_{it} is a set of control and structural variables.

The set of initial conditions includes:
- Ethnic Fractionalization
- Regime type
- Arab region dummy

The set of control variable includes
- Natural Resource Endowments
- Water stress levels
- Youth Unemployment

Two key notes :
- We endeavor also to look at individual HDI components.
- To account for inequality, we will rerun the model using inequality-adjusted HDI (IHDI).

V. Methodology: The General Model

- Time range : 2002-2016

- Endogeneity of explanatory variables and reverse causality

- Some scholars addressed issue using a two-equation system for instability and growth. Londegran and Polole, 1991; BlockBlomberg , 1992 and Alesina and Perotti , 1996).

- Suggested approaches:
    - ➢ System dynamic GMM
    - ➢Panel VAR
    - ➢Seemingly unrelated regressions

Thank you !