Governance, Development and Conflict in the Arab States

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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, 2015).
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

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 \[ X_{i,t} \] 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

• Suggested approaches:
  ➢ System dynamic GMM
  ➢ Panel VAR
  ➢ Seemingly unrelated regressions
Thank you!