Oil is what you make of it? Rents and public goods provision in the Middle East and sub-Saharan Africa

CPE MENA concept paper
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- Preliminary draft -

Setting out the puzzle

This concept paper is intended to serve as a backgrounder to the MENA-Africa comparison project at the MENA CPE program at the LSE's Middle East Centre. It sets out the core puzzle of the project – disparities in the levels of public goods provision across rentier states in the two regions – in more detail, develops a number of hypotheses for explaining it, proposes some strategies for testing these, and outlines potential topics for papers that could be written in the course of the project.

The main purpose of the paper is to solicit feedback from and discussion among the project participants. We intend to send regular (if often shorter) updates to project participants as our data gathering and analysis progress, relying not least on input from the project group.

Descriptive findings: the puzzle

The first, short project outline shared with participants earlier this year showed some cross-sectional data that indicated that resource-rich (or "rentier") states in MENA generally scored better than resource-rich states in sub-Saharan Africa on government effectiveness and human development, both in direct comparison and in terms of the respective differences to non-rentiers in both regions. The cross-sectional graphs are reproduced in the appendix.

We have since collected a large amount of longitudinal data on cases in both regions that we have recently started to analyze, broadly confirming our hunches that MENA rentiers have been better at converting their rents into the provision of public goods than their African peers. In the following, we will present some detail on two core indicators – child mortality of under-5s and enrolment rates in secondary schooling – as well as aggregate data on some further indicators.

In line with more recent literature in the resource curse debate, our working definition of "rentier" status is based on rent abundance rather than rent dependence, i.e. on an absolute measure of rent income rather than its size relative to GDP or state income.[1] We define a country as rent abundant if it generates annual per capita natural resource rents of more than 500 USD for extended time periods.[2] In future work, we will check to which extent rent dependence-based measures would alter our findings. We will similarly investigate whether there is a systematic difference between rents derived from hydrocarbons and those stemming from other types of natural resources (on this issue see e.g. Isham et al. 2005).

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[1] The rationale is that rent dependence tends to be a proxy for poverty, as very poor countries become "rent dependent" even on the basis of small amounts of rent income. Poverty is not what we are trying to measure.

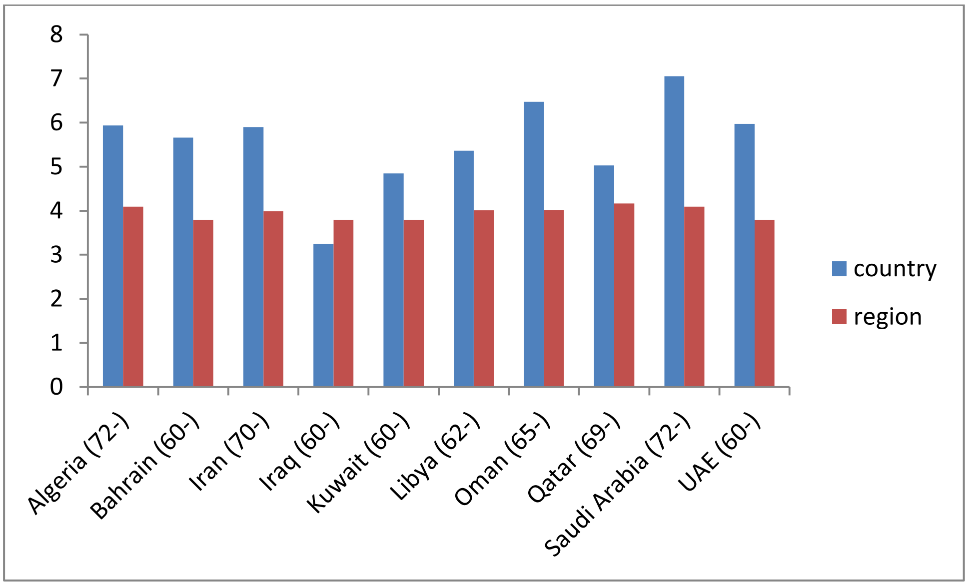
[2] Rent data are taken from Michael Ross' (2013) dataset and complemented by Haber & Menaldo's (2011) dataset and the Global State Revenues and Expenditures (GSRE) dataset (Lucas and Richter 2012) for missing years. Note that due to its importance in the literature, we include Nigeria in our rentier sample although it is a borderline case, with per capita rents below the "abundant" threshold for the years from 1983 to 2005.

Longitudinal data on public goods provision

The below two figures show data on long-term trends in under-5 child mortality in MENA and sub-Saharan Africa (SSA). We believe this to be a useful, concrete proxy for governments' impact on basic health outcomes, given that much basic healthcare in both regions is state-provided and that looking at long-term trends allows us to control for time-invariant constraints that specific countries or regions might face.

We compare the compound annual reduction rate during "rent abundant" periods with the general regional average reduction rate in the same periods. Note that individual country time series graphs with outcome indicators set against regional average as well as rent levels over time are available on the project's dropbox folder.[3] All MENA rentier cases are rent-abundant throughout the periods of available data, while some of the SSA cases became rentiers or ceased being rentiers within the data period (we are still working on graphs showing their relative outcomes for the pre- and post-rent periods).

Figure 1: Under 5 mortality reduction rates in MENA (compound annual reduction in %) until 2012[4]



Source: World Bank (2014).

We see that MENA rentiers have performed consistently better than the regional average (which includes the rentier themselves – a comparison with non-rentiers would be even more drastic). Also note that we have excluded three countries from the regional average that are technically part of the MENA region as per the World Bank definition but which many regional experts do not consider substantially part of it: Djibouti, Mauritania and the Comoros. All three have had very low mortality reduction rates, meaning that if they were included, the regional average would look even worse and the rentier cases would stand out even more.

The one exception to rentier over-performance is Iraq. This seems to be mostly due to the continuous state of large-scale wars since 1980 and the post-1991 sanctions regime – it did outperform the region substantially until 1980.

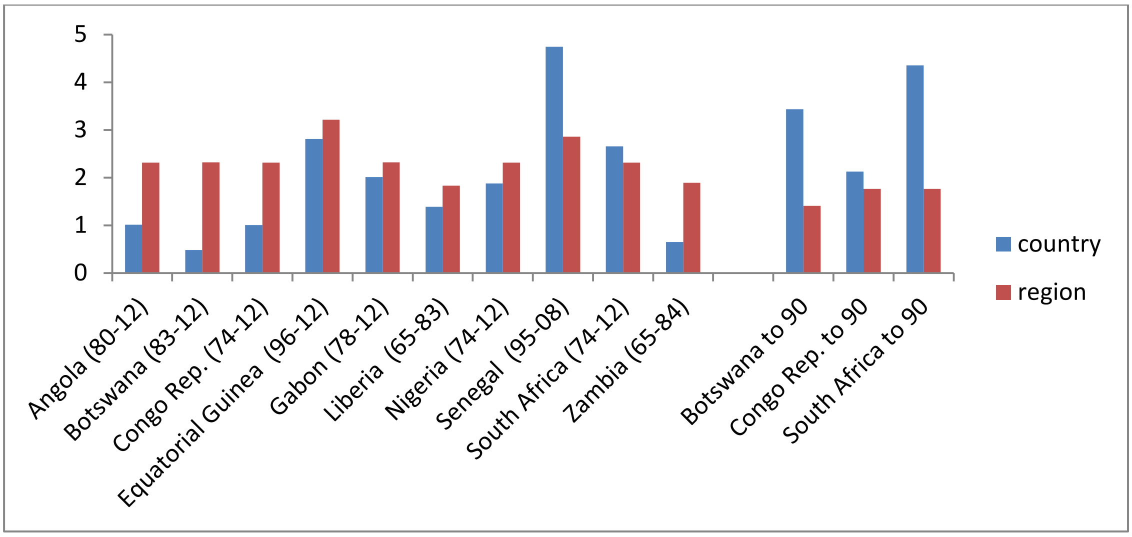
The picture in SSA is quite different and less consistent: Many of the rentiers perform below the

[3] \Dropbox\CPE MENA\SSA-MENA comparison\Data\DATASET\Graphs\Graphs

[4] Compound annual reduction rates are simply compound annual growth rates (CAGR) with the sign turned from – to +.

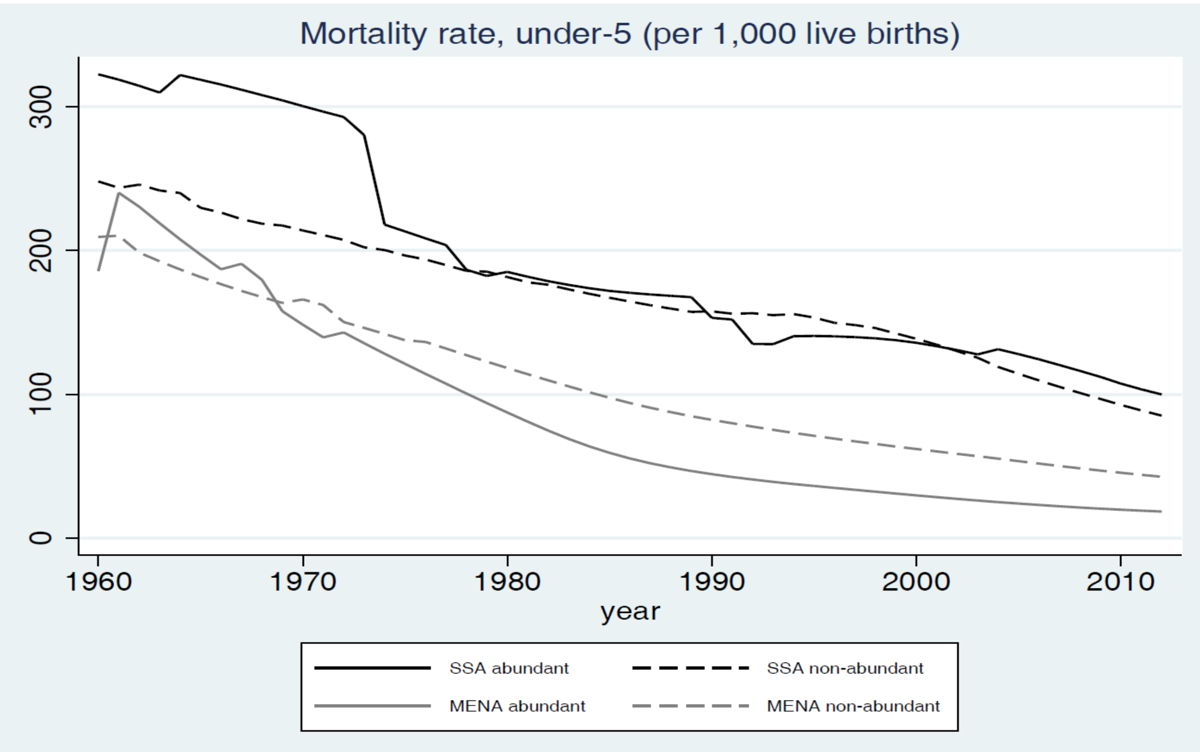
regional average during periods of rent-abundance, but in many cases the difference is small. Only Senegal, a country with relatively low rents, performs clearly above it. There are three cases that suffered from an AIDS epidemic from the late 1980s on, which we look at separately only until 1990 (right side of the figure). Among them, Botswana and South Africa clearly outperform the regional average. Figure 3 compares rentier and non-rentier regional averages over time, showing that MENA rentiers indeed do better on average than their regional peers, while SSA rentiers do slightly worse.[5]

Figure 2: Under 5 mortality reduction rates in MENA (compound annual reduction in %) until 2012



Source: World Bank (2014).

Figure 3: Development of child mortality by region and resource abundance



Source: World Bank (2014).

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[5] The kinks in the lines are due to missing country-years; we will address this in future versions of the graph.

In some cases we have pre- and post-rent data, which is worth quickly investigating. In the Republic of Congo, the pre-rent annual reduction rate from 1960-1974 was 1.5%, close to the regional average and hence relatively better than the reduction rate in the rent era (which was probably affected by political unrest and short civil conflict between 1992 and 1997). In Liberia, the reduction rate improved from 1.4% in the rentier period to 3.8% in the post-rentier era, despite two civil wars between the late 80s and the early 2000s. In Nigeria, the pre-rent reduction rate from 1962-1974 was 1.6%, similar to the regional average and comparable to the rent-era performance.

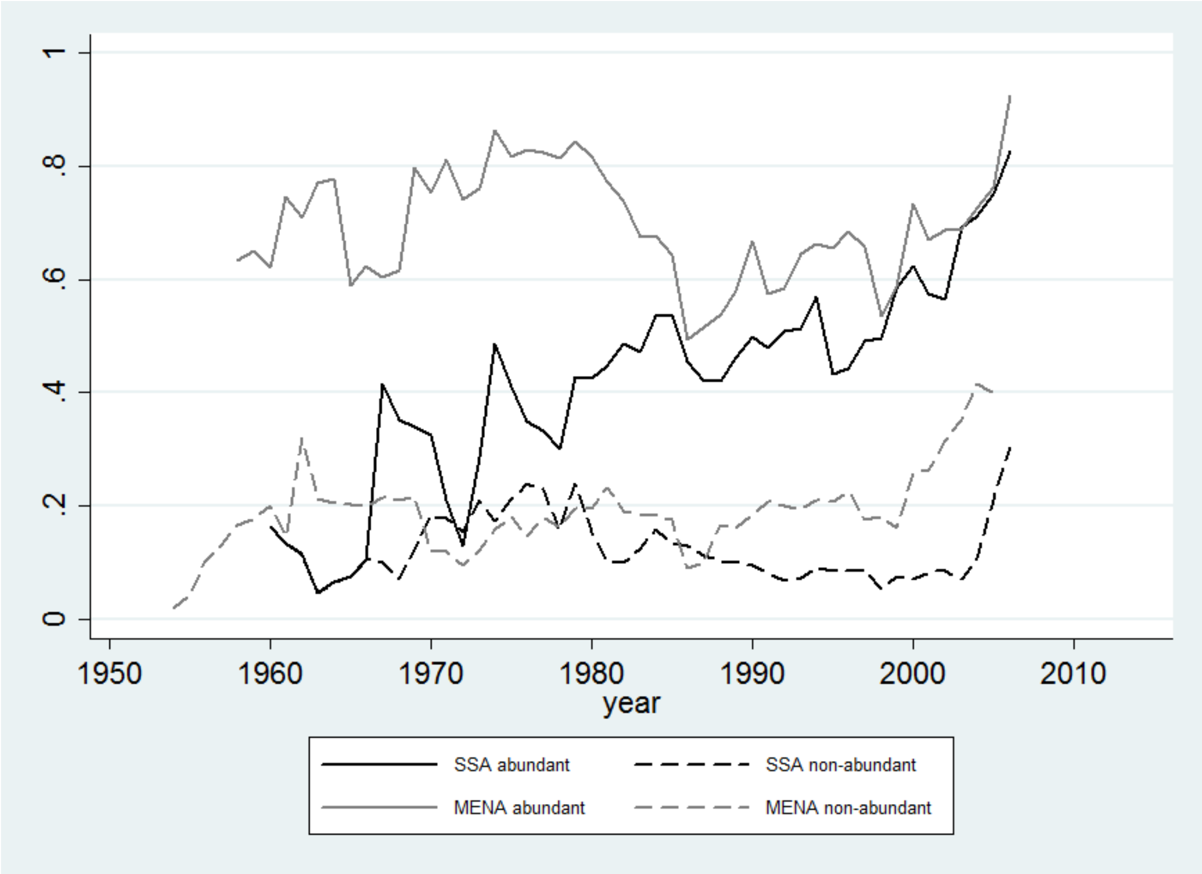
Of particular interest are pre- and post-rent results in cases where rent-era outcomes deviate from the regional trend. Senegal's annual reduction rate in the 1960 to 1995 pre-rent period was only 2.1%, much below its high rent period reduction rate of 4.6%. That said, it further boosted its reduction rate to 6.5% p.a. in the 2008-2013 period – so at first glance, it is not clear whether rents had much to do with the long-term improvement in trends. Botswana's mortality reduction rate in the 1960-83 pre-rentier period was very high (4.3%) and did not accelerate in the short part of the rentier period before AIDS set in. In underperformer Zambia, by contrast, the rate of mortality reduction improved from 0.7% in the economically turbulent rentier period to 2.3% p.a in the 1985-2012 post-rent period.

In Equatorial-Guinea, a country with particularly high rents and a particularly repressive regime, the improvement rate in the 1982-95 pre-rent period was 2.3% p.a., close to the regional average just like in the rentier period from 1995 on. Angola was war-wrecked from 1975-2002, so its low rent-era performance might not come as a great surprise. Yet, even during its peacetime oil boom from 2002 to 2012, its mortality reduction rate remained at 2.9%, a bit below the (improving) regional average.

Some stylized facts emerge from the mortality data: First, the MENA region has on average been much better than SSA at reducing mortality. The MENA region reduction rate from 1960-2012 is 4.1% if the above-mentioned borderline case are excluded and 3.8% if they are included. These rates lie somewhat above the world average of 3.6%. In SSA, the long-term reduction rate is only 2.1%. The starting points in the two regions are broadly similar among both rentiers and non-rentiers, lying between 150 to 300 deaths for 1000 live births in the early 1960s, so the large divergence cannot be explained with differences in initial levels. The cumulative effects of different rates are dramatic in the long run: While SSA reduced average mortality from 251 deaths to 84 between 1960 and 2012, the core MENA region reduced average deaths from 199 to 22. In SSA, the 2012 value is one third of the 1960 value; in MENA it is one ninth. There is much waste, corruption and inefficiency in MENA health sectors, but their basic performance appears much superior to that in SSA.

The second descriptive finding is that rentiers in MENA have been particularly good at converting some of these rents – the dominant source of government revenue in all cases (see Figure 4) – into improvements in basic health provision. They appear to be "setting new standards" on the back of rents. Four of the GCC countries are among the world's top ten long-term reducers of child mortality and have reached mortality rates of 10 or less in 1000 children, but even mid-rent countries like Algeria and Libya have performed impressively.

Figure 4: Income from primary commodities as % of government revenues



Source: Richter and Lucas (2012).

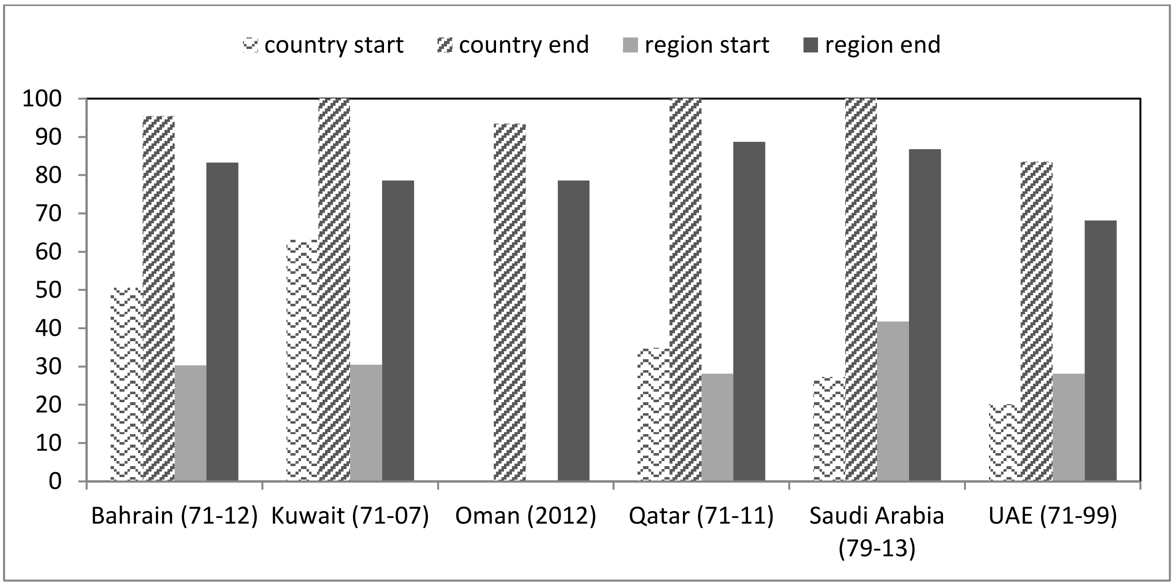
It is hard to draw a clear conclusion from the SSA rentiers, but the picture for many of them seems to be one of "wasted opportunities" – the additional income generated by rents does not seem to have yielded improvements. In some cases, rents might have made things worse: a "rent trap".

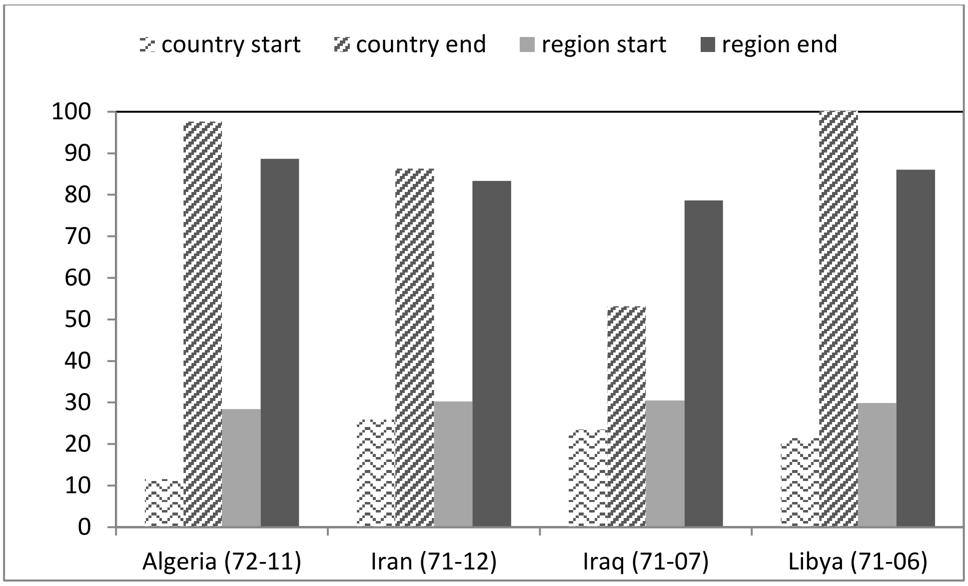
There might be regionally specific reasons of climate, topography etc. that make reductions in child mortality easier in one region than another. These, however, do not explain the divergence in within-region performance if we compare rentiers and non-rentiers in MENA and SSA.

We have looked at a second measure of public goods provision that should be more robust to climatic and geographical differences between regions: shifts over time in enrolment rates in secondary schools.[6] Relatively high urbanization rates in most countries in the sample (in particular rentiers) mean that topography should not be a major constraint to increasing enrolment.

[6] We will look at primary enrolment in the next phase of the project, but chose secondary enrolment first as a more demanding indicator that allows us to distinguish better between higher performers. Complete enrolment in primary education is practically universal in MENA for example.

Figure 5: Improvements in secondary enrolment in MENA: rentiers vs. average





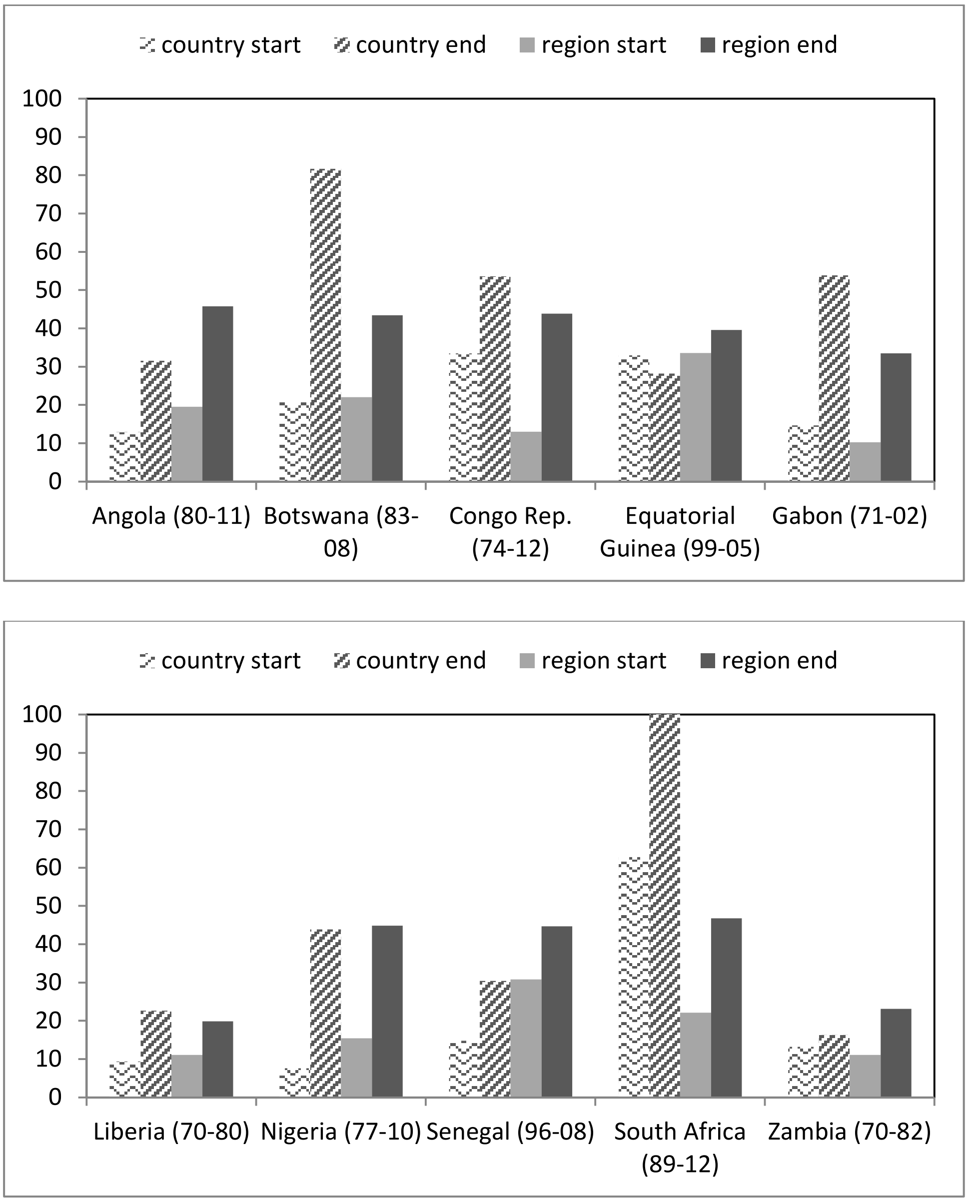
Source: World Bank (2014).

Although the MENA rentier cases start from different levels, secondary enrolment has become universal (i.e. close to 100%) in most cases, Iraq again being the major exception. This is rare in the developing world and not achieved in the MENA region at large, albeit the latter has itself witnessed a strong improvement over time.[7] While there are large problems with the quality of schooling among most MENA rentiers, governments clearly have made a huge infrastructural effort to get children into classrooms.

The picture for SSA again looks mixed. Many rentiers show relative improvements similar to those of the region at large. Some do worse (Congo, Equatorial-Guinea and Zambia), some better (Botswana by all accounts and South Africa, Nigeria and Gabon by some measures of either relative or absolute improvement). As with child mortality, the long-term improvement trend of the SSA region in general lies much below that of MENA.

[7] We again leave out Comoros, Djibouti, and Mauritania to make for a more demanding test.

Figure 6: Improvements in secondary enrolment in SSA: rentiers vs. average

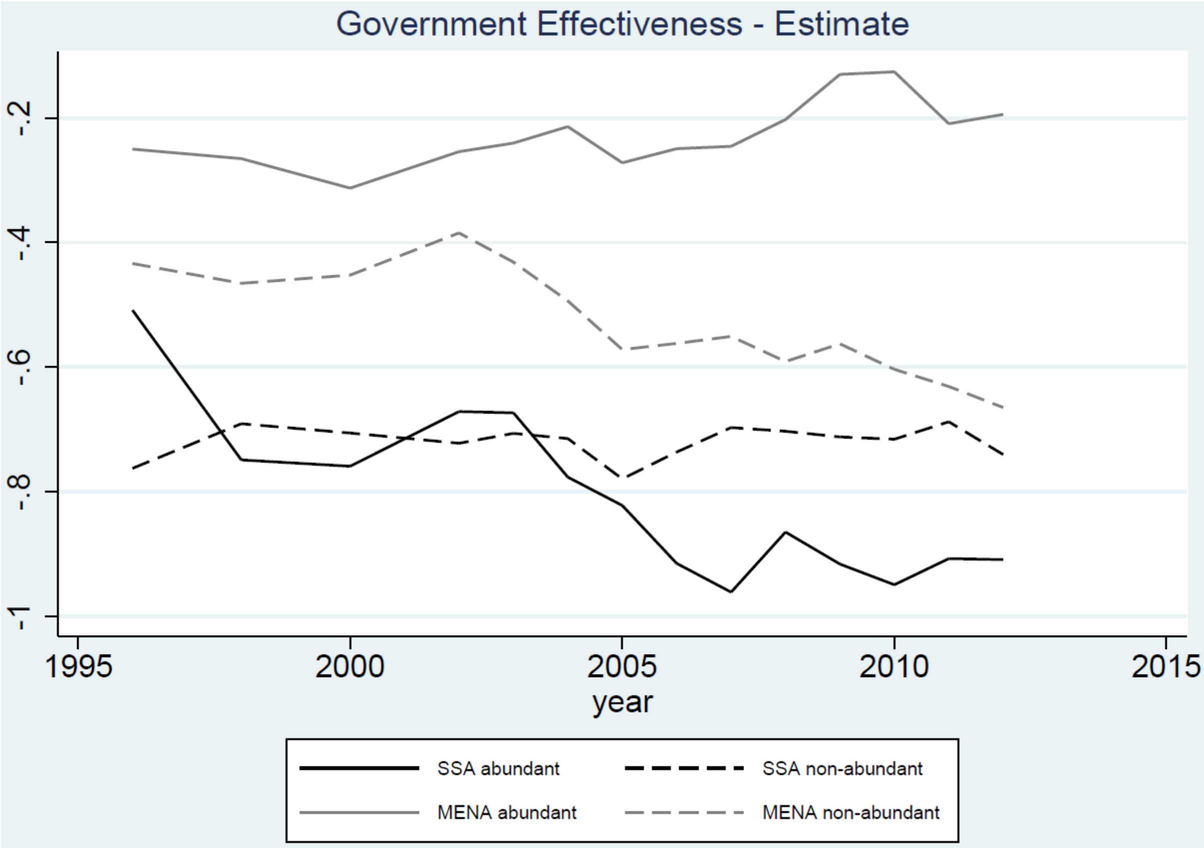


Source: World Bank (2014).

We have investigated some other outcome variables in less detail. Results on literacy rates and years of schooling are less clear-cut than those on secondary enrolment, which might be due to cohort effects, as older generations have enjoyed less schooling even in rapid improvers, and due to the potential inclusion of migrant populations in GCC statistics – we will investigate this soon. Results on immunization ratios by contrast are quite similar to those on child mortality and secondary enrolment: Starting from low levels, they nowadays are very high in MENA in general and practically universal among the rentiers. The record is much more mixed in SSA, with rentiers standing out less. Finally, the below aggregate graph for the "government effectiveness" measure in the World Bank Governance Indicators also shows a general improvement among MENA rentiers and a decline among SSA rentiers since the onset of the 2000s global oil boom. We will do more country-specific work on this.[8]

[8] A graph showing regional averages in the human development indicator is in the appendix (20). Much of this is superseded by our more specific research on health and education outcomes, however.

Figure 7: Average government effectiveness scores in MENA and sub-Saharan Africa



Source: World Bank (2014).

We are also about to undertake more work on rentier states in the rest of the developing world. At first glance, performance on child mortality in Central Asian, Southeast Asian and Latin America rentier states looks closer to the respective regional averages (which are better than the SSA regional averages, however). The one exception appears to be Brunei, which has achieved very low mortality rates early on – a potentially critical case given that it combines a political system broadly similar to that in GCC monarchies with different geographic and cultural context.

We have also run country-specific error correction models correlating rents to a variety of health and education outcomes and using a number of control variables. The findings for both short- and long-term coefficients for the rents variable have been mixed for both MENA and SSA. In SSA, this arguably reflects the real mixed performance of rentiers. In the MENA cases, variation in rents might not be a good predictor of performance because all of our cases have been receiving fairly high levels of rent throughout the observation period.[9]

Moreover, the fact that fluctuation in rents has not always been reflected in outcomes does not mean that MENA cases do not convert rents into public goods – it is clear from the above that in the long run they do. It might rather indicate that this conversion process might be robust to rent volatility, at least above a certain level of rents and in the short- to mid-run. From what we know

[9] It is true that pre-1973 rents in most MENA cases were a fraction of post-1973 income. That said, in the pre-1973 period, most of the region's rentier governments were severely underdeveloped (especially in the GCC) and hence had more rent inflows than they could reasonably absorb in the short run. It is plausible that higher rents in this early phase of state-building could not have been put to productive use.

about fiscal data in rentier cases in the Gulf, the commitment to health and educational spending is quite robust to fiscal crises, which are usually dealt with by running down overseas assets, borrowing and cutting into capital spending. This hypothesis that MENA rentiers are robust "long-term investors" in specific public goods awaits further empirical investigation, however (see the list of papers in the last section).

We are also currently undertaking a survey of qualitative case literature on rentier countries in both regions, with particular focus on Africa, which we are much less familiar with. While it is difficult to systematically distinguish rentier and non-rentier countries in both regions on this basis, the findings so far are in line with the quantitative data above: Rentier states in the Gulf of Guinea, where most of sub-Saharan Africa's oil is located, are described as "successful failed states" (Oliveira 2007, 11), predominantly run for the benefit of a small elite. According to case literature, most African rentiers are characterized by a dereliction of large parts of society and territory. While state building initially was also very asymmetrical and urban-centred in MENA – especially in the GCC – it has expanded much more systematically into remote areas (Crystal 1995; Gause 1994; Hertog 2010; Zahlan 1989).

A large share of societies in high-rent countries like Gabon and Equatorial-Guinea live in poverty and states implicitly rely on international oil companies for the delivery of basic services to populations in oil producing regions (Oliveira 2007, 103) – similar to what happened in a much earlier age in the GCC (Lippman 2004; Vitalis 2007). By contrast, GCC citizens in particular nowadays are pampered by government through public sector job guarantees, wide-ranging subsidy systems, and generous if often inefficient assistance with housing (Crystal 1995; El-Katiri, Fattouh, and Segal 2011; Gause 1994). Due to lower per capita rent levels, Algeria, Iran and Libya are relatively less generous but also provide widespread subsidies and much stronger infrastructure.

Apart from national oil companies and security services, most SSA rentier governments function badly, while MENA rentier states, if bloated and inefficient, have built up basic technocratic capacity. While corruption is widespread in MENA, in SSA rentiers the rent extraction from the resource sector through bribes and offshore accounts appears to be much more blatant and direct (Heilbrunn 2014, 21).

The rulers of the higher-rent countries in both regions are deeply authoritarian, and repression can be severe in both. Yet even brutal MENA rulers such as Gaddafi and Saddam Hussain have made more systematic attempts to provide for their populations (Vandewalle 1998; Tripp 2002). In Africa, high-rent autocrat Teodoro Obiang Nguema has turned Equatorial-Guinea into a "criminal state" (Heilbrunn 2014, 167) almost exclusively run for the benefit of his family.[10]

Summary/interpretation

The above section has outlined a double puzzle: First, the MENA and SSA regions in general have diverged strongly over time in the delivery of basic public goods, despite broadly similar starting points in the post-independence period. Secondly, rentier states systematically evince a better performance in within the MENA region, while in SSA despite some variation they tend to cluster around the low regional average. MENA states seem to have made better use of their oil rents in terms of delivering public services.

The robustness of the above pattern needs to be further probed with more descriptive data. More work also needs to be done on longitudinal statistical tests to establish the causal impact of rents in at least the SSA cases, where there is sufficient pre- and post-rent data. This will not least allow us to

[10] Heilbrunn describes Equatorial-Guinea as an extreme case of a more general pattern of corrupt and patrimonial rule in African rentier countries (Heilbrunn 2014, 171).

test whether the impressive achievements of Botswana are more than a continuation of the country's positive pre-rent trends.

The MENA cases that have been rentiers throughout the period for which we have data pose an inferential problem as we do not have sufficient variation on our independent variable and a non-rent counterfactual is difficult to construct. It appears fairly obvious, however, that in the GCC at least current development outcomes would have been very difficult to achieve without oil. Given their otherwise weak endowment in terms of institutions, human capital, technology and other economic resources in the 1960s, it is hard to imagine how they would have joined, say, the ranks of the world's top reducers of child mortality without rents. Their non-oil neighbors did worse than they did despite historical starting points that in most cases appear substantially more advantageous.

To corroborate this point, including for non-GCC rentiers, we plan to build a statistical model predicting long-term improvement rates in core outcomes among the world's non-rentier countries with variables such as GDP per capita, education, capital stock etc., using both 1960 starting values and long-term changes. This model will allow us to guesstimate counterfactually how much MENA (and SSA) rentiers would have needed to improve on the latter variables to achieve their actual improvement if they had had no rents. If the improvement rates appear improbable – e.g. witnessed by few or no actual countries – we can be more confident that rents had a positive effect. Parallel to that, we are also planning to run counterfactual scenarios based on our ECM regressions using fast improvements of GDP per capita in non-rentier MENA countries as a potential approximation of oil revenues. This would assume that most of the positive rent effect is, in fact, passed through to outcomes via a general wealth effect.

Next descriptive steps

In the coming weeks we are planning the following additional work:

- Systematically compare outcome growth rates in non-rent and rentier periods for all cases;

- Assemble descriptive trend data on further indicators including:
    - literacy rates and years of schooling;
    - tertiary enrolment;
    - public employment;
    - utility provision;
    - subsidies;
    - infrastructure provision;
    - social, education and health budget provisions;

- Comparisons of MENA rentiers with the best-performing non-rentiers in MENA (Egypt, Lebanon, Syria, Tunisia);

- Assembling most of the above data also for rentiers in the rest of the developing world;

We will also do further work with time series statistical tests to probe the causal impact of rents, using error correction models and synthetic control groups in the cases where there is sufficient pre- and post-rent data, and build the above-mentioned models to investigate long-term non-rent counterfactuals for MENA rentier countries.

We will rely strongly on input from project participants in prioritizing among the above tasks, and we

hope that participants will propose further, complementary avenues of investigation, including ones that they can undertake themselves. Such collaboration will not least help us to better understand what exactly the puzzle consists of.

For the time being, we will take as working assumption a strong long-term divergence in health and education provision between MENA and SSA in general, and MENA and SSA rentier states in particular. Potential hypotheses to explain the divergence between rentiers across and within the two regions are discussed in the next section of this paper.

Conceptual framework and hypotheses

The many commonalities between most of the states in the two regions make the puzzle more intriguing. Historical starting points and, in many cases, continuing features of the cases are very similar. At independence as well as the point of "first oil", they were characterized by weak states and embryonic public services, a dearth of educated elites, and underdeveloped economies. To this day, most of them have remained societies with strong primordial identities that are subject to family-based, dynastic forms of authoritarian rule, marked by a spread of the ruling elite's kinship networks into the top echelons of the state apparatus over time.

In investigating the impact of rents on service delivery, we need to distinguish two types of mechanisms: First, a simple *fiscal ability* mechanism through which elites command more financial resources and hence, *ceteris paribus*, are able to directly finance more services. This mechanism leads us to expect improvements.

All other types of mechanisms are hidden in the "*ceteris*" clause – they are all ways in which rents could in practice influence capabilities and willingness to provide services. These mechanisms are the core focus of the project and can potentially counteract the positive impact of the fiscal ability mechanism. Importantly, these can be at work even if the performance of a rentier state is no worse, or even better than in non-oil control group – the fact that larger resources do not lead to more output still requires explanation. An overview of the mechanisms is shown in Figure 8 below.

Service provision in the short run will be influenced by an interaction of *administrative ability* and the *resources allocated* for public goods by elites, which in turn are a result of elite *preferences and incentives*. Both administrative ability and elite incentives are themselves influenced by *long-term social and institutional legacies* that, given our cases' short histories of independent statehood, can potentially be traced back all the way to the colonial and pre-colonial eras. One important aspect of this legacy is the inherited strength and shape of *societal constraints* on rulers' decisions. These can be formal or informal and are sometimes conceptualized as the "winning coalition" or social basis that rulers need to satisfy to in order to maintain their power (Bueno de Mesquita et al. 2003).

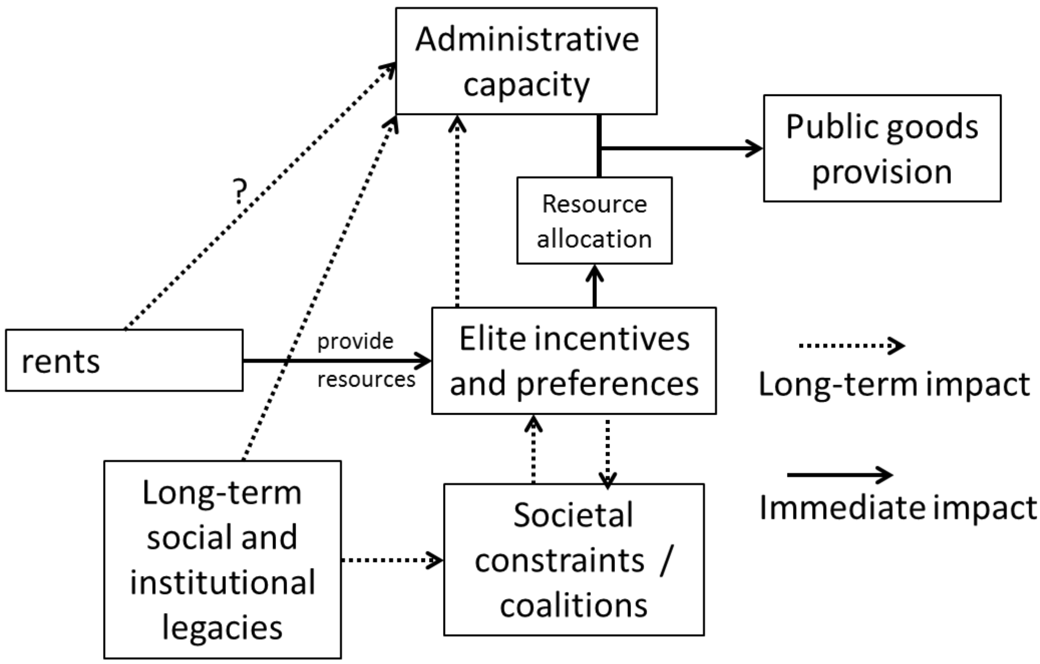
Influenced by their social basis, rulers can also decide to embark on the long-term task of building administrative capacity – improving the state's long-term ability for turning rents into services for important constituencies. Finally, rulers' agency itself potentially impacts the shape of the winning coalition over time through targeted use of patronage and repression, be it gradually or at critical historical junctures.[11]

[11] Rent inflows might also impact administrative capacity directly, bypassing elites' deliberate institution-building decisions – a process marked with a question mark in Figure 8. A rent-induced boom could e.g. increase general levels of rent-seeking in the bureaucracy, cause economic volatility, distort prices, or create bottlenecks in critical goods and service markets needed for public service delivery. We do not focus on this type of mechanism as we have no strong reason to believe that its impact would vary strongly across cases, most of which have seen sudden booms impacting a deeply underdeveloped economy.

Although complex, the short-term processes in this model capture direct state action and hence appear more tractable and observable than those leading to further-flung outcomes in the "resource curse" literature – think of the potentially more involved causal chains linking rents to conflict, growth, regime change etc. The intervening variable of resource allocation, in particular, can be attributed directly to elite decisions, and studying it will allow us to discriminate between *administrative ability* and *elite interest* explanations, albeit in an asymmetric way:

- If leaders do not allocate more money to public goods provision when rents accrue, then bad outcomes in service provision are likely to be due to elites' disinterest in public goods rather than lack of administrative capacity to deliver.[12]
- If, conversely, more resources are dedicated to public goods provision in the wake of rent inflows, but this does not result in improved outcomes, administrative capacity could be to blame, be it due to lack of infrastructure, skills and organization, or lower-level corruption. This is not the only possible explanation, however, as increased elite-level corruption in sectors like education and health could also undermine delivery, notably when it comes to building infrastructure like schools and hospitals. Further case work then is needed to distinguish between interest and ability explanations, not least focusing on elites' attempts, or lack thereof, to build administrative capacity in the long run.

Figure 8: Rents, abilities, incentives and public goods provision



There are at least two strong reasons to believe that elites' incentives, interests and resulting decisions are central in explaining our puzzle: First, case literature on the sub-Saharan African cases underlines that ruling elites there enjoy high levels of autonomy from wider social interests. One potential explanation is that oil rents provide an external source of sustenance and self-enrichment that is available even if local economies and societies crumble (Heilbrunn 2014, 119; Oliveira 2007,

[12] On the paltry share of new rents going to education and health in Chad, see (Oliveira 2007, 283). While it is true that administrations delivering public goods might not be able to absorb large short-term increases in resource allocation, this is true about most other parts of the state, too. A relative shift away from public goods in allocation decisions would be read as sign of disinterest.

36). Policy choices of elites in sub-Saharan Africa's bad performers are consistent with a small "winning coalition" that gives them large autonomy to seek rents. Case literature points to large ungoverned spaces, the complete neglect of "useless" populations and spaces particularly in rural areas and a regime focused on a small urban constituency, with no credible threats emerging from wider society, which remains politically disorganized.

In the short run, neglect of wider social strata might be due to structural capacity constraints. The great dispersion in public service improvement rates across our cases indicates, however, that some ruling elites have been investing much more in capacity building than others – and it was the most successful cases, the GCC, which arguably started with the lowest capacity within MENA. In MENA rentiers, elites seem to have prioritized systematic investment in delivery mechanisms;[13] a trend arguably also visible in recent developments in "government effectiveness" indicators in the two regions.

Thus, at least some of the divergence between cases seems to be explained with divergent elite interests and incentives that operate both through short- and long-run mechanisms. Specifically, in the worse performing states, elites appear to enjoy stronger autonomy from larger social forces – and this autonomy is potentially buttressed by rents. It is ironic that this autonomy mechanism seems to operate much more clearly in the African cases than in the Middle Eastern ones, given that the hypothesis that rents increase regime autonomy argument was first developed in the Middle East context (Davis 1987; Luciani 1987; Mahdavy 1970; Shambayati 1994).

Is there a way to measure influence of a regime's social basis other than through observing what the state provides for them? Through which channels could they influence ruling elites? The proposal will first briefly discuss some hypotheses related to this shorter-range process, followed by a discussion of longer-range hypotheses about factors that could impact social coalitions as well as state capacities in the long run.

Mid-range hypotheses on social constraints

One factor that could influence popular pressure on elites to provide public goods could be popular expectations vis-à-vis the state regarding the extent of services it should provide. Such expectations could potentially be investigated with poll data that covers at least some of the cases in our sample, notably World Value Survey, Afrobarometer, and Arab Barometer. There is, however, a danger that the available questions are not concrete enough to meaningfully compare responses across countries.

A way of focusing more directly on popular threats to elites would be to investigate instances of popular mobilization protesting insufficient public services. Soares de Oliveira (2007, 132) points out that there have been no regime changes among the Gulf of Guinea oil states as a result of popular politics, while in the MENA region, the Arab uprisings as well as, arguably, the Algerian civil conflict in the 1990s reflected mass discontent with what was perceived as insufficient state performance.

That being said, although regime change in African petro-states has usually been elite-driven, African oil states have witnessed mass riots over issues like subsidy removals, and the occurrence of destabilizing mass uprisings in the MENA region is of rather recent provenance. The popular

[13] How easily administrative capacity can be built can depend on social structures, levels of trust in formal institutions and among citizens etc. (Migdal 2001). These conditions might be less favorable in SSA – but SSA rulers have managed to build considerable capacity in critical areas like the security apparatus and, in some cases, the hydrocarbons sector (Oliveira 2007). More case evidence that institution-building efforts have been desultory in the first place and not supported by elites would be useful however.

mobilization hypothesis would need to be checked more systematically with political events databases such as GDELT or SPEED, looking for (and if necessary classifying) popular protest events.

Even then, results might be hard to interpret, especially if there is no systematic difference between cases. If we assume that rulers are broadly rational, they might just provide as little public services as they can get away with, and potentially some elites can get away with much less service provision than others – i.e. popular threats kick in at different levels of service provision because the expectations and mobilization capacity of populations vary. The GCC cases also call the mobilization hypothesis into question: there has been little popular mobilization in most of the GCC countries during most of their independent histories, yet GCC regimes seem particularly concerned to paternally provide for their populations.

An alternative, less episodic channel of pressure on elites might be <u>lobbying by organized interests in favor of mass distribution.</u> Some authors argue that Ghana, for instance, seems to be achieving better governance of its rents because of its well-organized civil society (Heilbrunn 2014). Testing this hypothesis would require statistical, archival and potentially field research to assess the strength of interests like unions, parties and NGOs, and their particular role in influencing decision-making on social service delivery. Once again, however, the GCC cases seem to impugn this hypothesis. Patronage in the GCC is very top-down, and while popular expectations towards the state are very high, discontent tends to be disorganized and individualized. GCC rulers are acutely sensitive to – and to a surprising extent tolerant of – complaints about insufficient state provision, but these complaints typically percolate through their systems in a diffuse, atomized way.

So while different social coalitions likely matter for perceptions and decisions of citizens and ruling elites, it is not clear how easily they can be observed or quantified independent of an analysis of the services provided to them. The project might limit itself to a qualitative, case-specific analysis of how broader social interests and demands are articulated and how elites perceive them and react to them in critical moments, without assuming a uniform set of articulation and transmission mechanisms across cases.

Using differences in social basis and regime autonomy as working hypotheses, the more fundamental question is: Why is the "winning coalition" of African rentier regimes smaller? Finding an answer is likely to require historical research. The next section will discuss a number of long-run hypotheses that could influence social constraints on rulers as well as the administrative capacity of the states they control. We will first present hypotheses that appear less plausible after an initial (very cursory) investigation and then zero in on two hypotheses that we have prioritized for more detailed study.

Long-term hypotheses that don't seem to work

Michael Herb has argued that the political economy of countries with very high levels of rent is different from that of other rentier states, as they can provide for their citizen populations in a way that lower-rent countries cannot (Herb 2014). Might <u>higher rents per capita allow more institution-building and mass patronage?</u>

Table 1: Average annual rent per capita during "abundant" periods[14]

Qatar	25047
UAE	22826
Kuwait	21785
Equatorial Guinea	9813
Saudi Arabia	7470
Libya	6487
Oman	5678
Gabon	3938
Bahrain	3309
Botswana	1744
Iraq	1477
Algeria	1457
Iran	1415
Congo, Rep.	1101
Angola	1053
Zambia	925
South Africa	747
Liberia	590
Nigeria	426

Source: Ross (2013); Haber and Menaldo (2011); Lucas and Richter (2012).

Very high rent inflows might allow rulers to enrich themselves while retaining enough spare cash to co-opt their population with public services, which can be built up more easily through the purchase of expensive foreign expertise and manpower. The story appears plausible for the GCC countries (as well as Brunei), but it does not explain why a) the higher-rent countries in Africa, that is, Equatorial-Guinea and Gabon, seem to have made so little use of their large rents;[15] and why b) mid-rent MENA countries like Algeria and Libya (or Botswana in Africa) seem to perform above regional average. It is plausible that high rents afford elites a wider menu of policy choices, but which choices are made in practice seems to depend on other contextual factors.

Perhaps rulers with shorter time horizons are more voracious (Heilbrunn 2014, 30)? Low levels of political stability could incentivize elites to maximize rent-seeking in the short run, and to neglect the building of institutions that might benefit populations only after they have been ousted from office.

Figure 9 below shows the number and duration of political regimes in most of our cases from 1950 to 2010, drawing on the autocratic regimes database by Geddes et al. (2011). At first glance, MENA regimes appear somewhat more stable, while the better performing SSA cases like South Africa and Botswana also have longer regime durations. Nigeria is an SSA contrast case where it is indeed plausible that frequent regime changes have led to short-term rent seeking and disrupted longer-term institution-building. The case literature indicates a more competitive pattern of machine

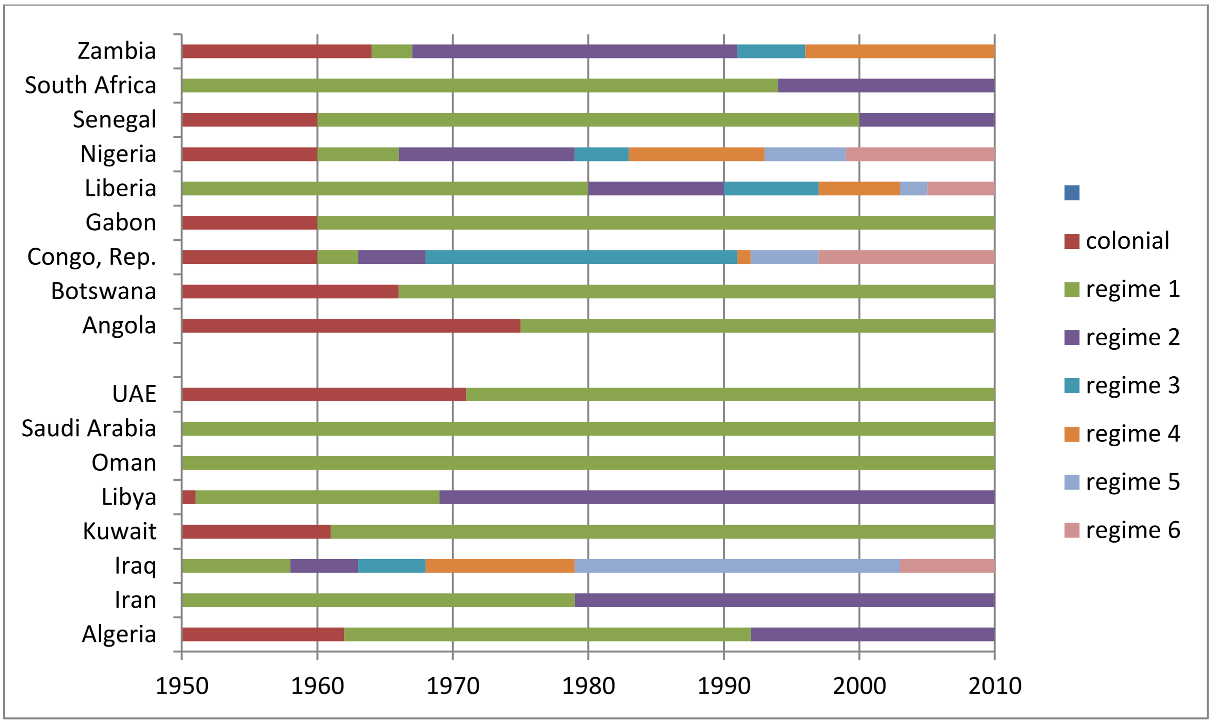
[14] The Bahraini figure does not seem to take into account transfers from a large oil field shared with Saudi Arabia and operated by Saudi Aramco. If this is included, Bahraini per capita rents are at least twice as high as in the table (as was the case in older versions of the World Development Indicators database).

[15] Equatorial-Guinea by many standards is a particularly vicious regime, but its general pattern of family-led rule and elite corruption does not appear exceptional in sub-Saharan Africa. It saw the most abusive and arbitrary rule under Francisco Macías Nguema (1968-79), who was ousted 16 years before the onset of oil production.

politics and elite circulation in which short-term looting and targeted clientelist payoffs rather than broad service provision might make political sense (Heilbrunn 2014).

A closer inspection of other cases, however, suggests that stability might be necessary but is clearly not a sufficient condition for broader public goods provision. The Bongo dynasty in Gabon has been in power since 1967 and has drawn on high rents, yet provides only modest public services. The Angolan MPLA regime has been in power since 1975, and president dos Santos since 1979, yet as we have seen, results even after the end of the civil war in 2002 are unimpressive. In Equatorial-Guinea– which is missing from the Geddes et al. dataset – the first oil was produced in 1995, 16 years after current president Teodoro Obiang Nguema took over, which should have given him some confidence in the security of his position. It is also not clear how well the data pick up the real continuity of ruling elites as opposed to formal constitutional changes. In Congo-Brazzaville, for example, Denis Sassou Nguesso has been president since 1979, albeit with a turbulent five-year hiatus from 1992 to 1997.[16]

Figure 9: Distinct regimes by country, 1950 to 2010



Source : Geddes et al. (2011).

The Geddes et al. data also do not seem to pick up elite turnover very well, which was high in the early post-colonial phase in MENA in at least some cases: Algeria's first post-independence ruler, for example, was removed by a coup after three years in 1965 and several GCC rulers were deposed by relatives in the late 1960s and early 1970s. The Gaddafi regime was itself the product of a coup and witnessed further coup attempts in the 1970s. The data reflect only some of the successful coups and do not record any of the failed ones, although these are also an indicator of threats to regime stability. Across the MENA region, several non-GCC monarchies fell to nationalist coups in the 1950s and 60s, a fate that many expected would also befall the GCC states (Halliday 1974), subject to active Egyptian and Iraqi destabilization attempts and several military coup attempts.

[16] Similarly, there has arguably been more stability in Iraq from 1968 to 2003 than the data indicate, as Saddam was de facto the leading political figure since the Baathist takeover, albeit he became president only after a 1979 purge.

The palace coups in the GCC are worth investigating in more detail as the motivation behind them at least in part seems to have been to *accelerate* state-building and development: Shakhbout in Abu Dhabi in 1966, Said in 1970 in Oman and Ahmad bin Ali in 1972 in Qatar were all seen as anti-modern holdouts and criticized for not using oil rents for the benefit of their population.[17] The sons and brothers toppling them committed to ambitious development programs and rolled out comprehensive public services. Higher levels of political stability in the GCC in this era could in fact have led to *less* development.

The above is only a suggestive overview. To test the hypothesis systematically, the project should not only integrate data on regime duration and challenges to regimes into broader statistical models, but also analyze what motivated these challenges and how they were resolved: Was distribution a major issue, and did specific distributional decisions result from them, as it was arguably the case with regime changes in the GCC?

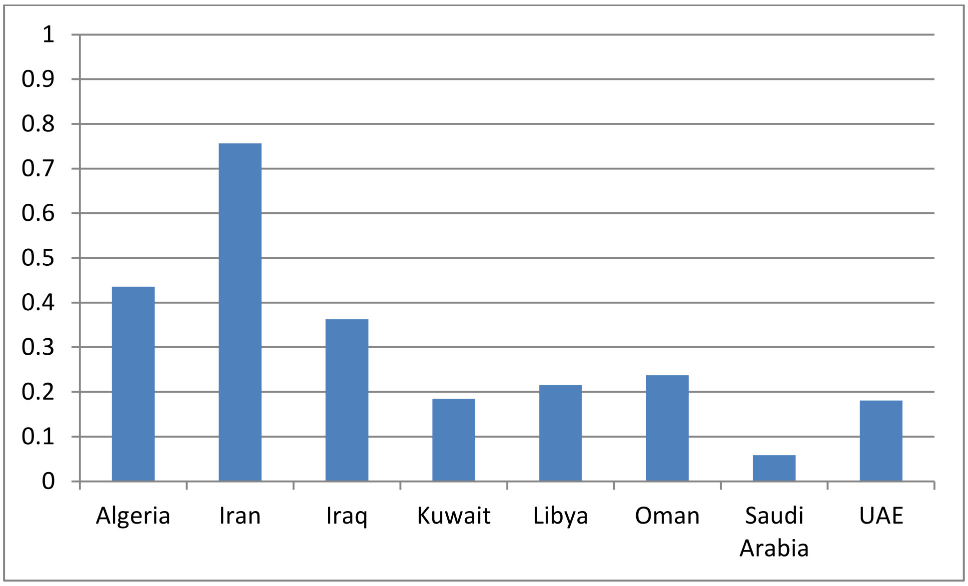
Some authors argue that ethnic polarization of societies leads to less supply of public goods (Easterly and Levine 1997), be it as a result of generally lower trust and unwillingness to share non-excludable goods with other communities or through targeted exclusion of particular groups outside of the core constituency of the regime.

Unfortunately there appears to be no good measure of ethnic polarization that is independent of the distributional outcomes we observe. "Ethno-linguistic fractionalization" as such does not tell us whether specific cleavages are politicized (Posner 2004). Cederman et al.'s (2010) measure of the size of excluded populations appears to be too closely related to our dependent variable of public goods provision. We would need detailed sub-national data on public goods provision to tell whether lower average delivery is driven mostly by non-delivery to politically excluded groups.

Figure 10 and Figure 11 show ethnolinguistic fractionalization scores in MENA and SSA, with a value of 1 indicating maximum fractionalization. Values are generally higher in sub-Saharan Africa than in MENA, and good performer Botswana has a relatively lower score. That said, values are also fairly high in Algeria and Iran, two good performers in MENA. Moreover, Iraq was a good performer until 1980 despite its deep ethnic cleavages. Bahrain, for which there is no data, is a high performer that is deeply divided between Sunnis and Shiites of different ethnic extraction.

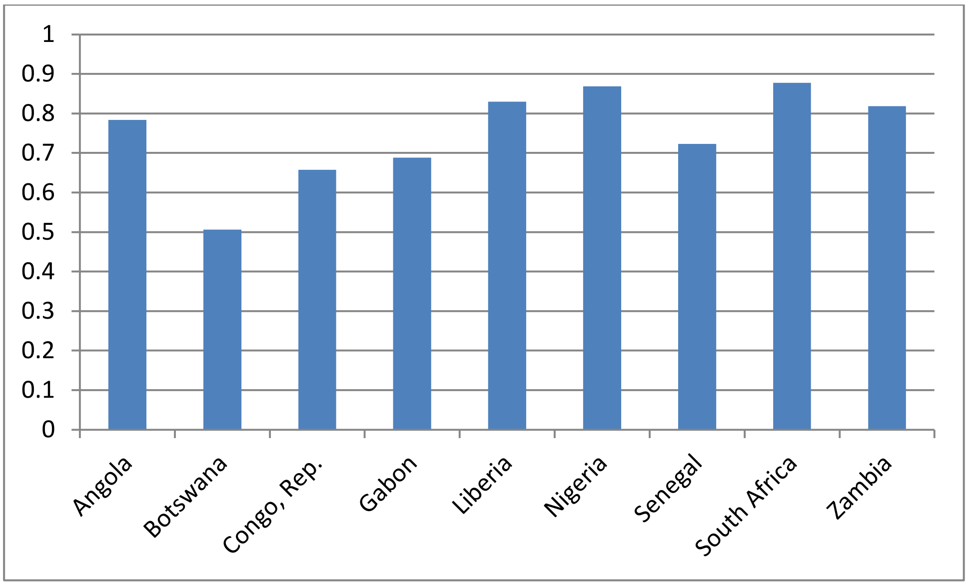
[17] The role and motivation of the UK in facilitating these coups will require closer investigation.

Figure 10: Ethnolinguistic fractionalization in MENA rentiers (Soviet Atlas)



Source: Cederman et al. (2010).

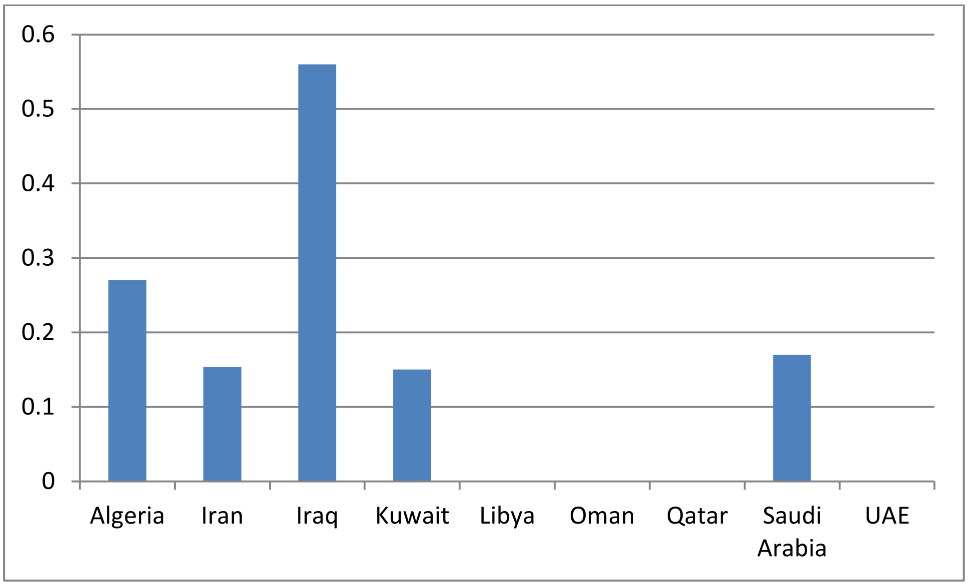
Figure 11: Ethnolinguistic fractionalization in SSA rentiers (Soviet Atlas)



Source: Cederman et al. (2010).

Figure 12 and Figure 13 show the relative size of the “excluded population” as measured in the Vogt and Cedermann dataset. Again, exclusion on average is higher in SSA, but the within-region variation dominates the differences between regions.

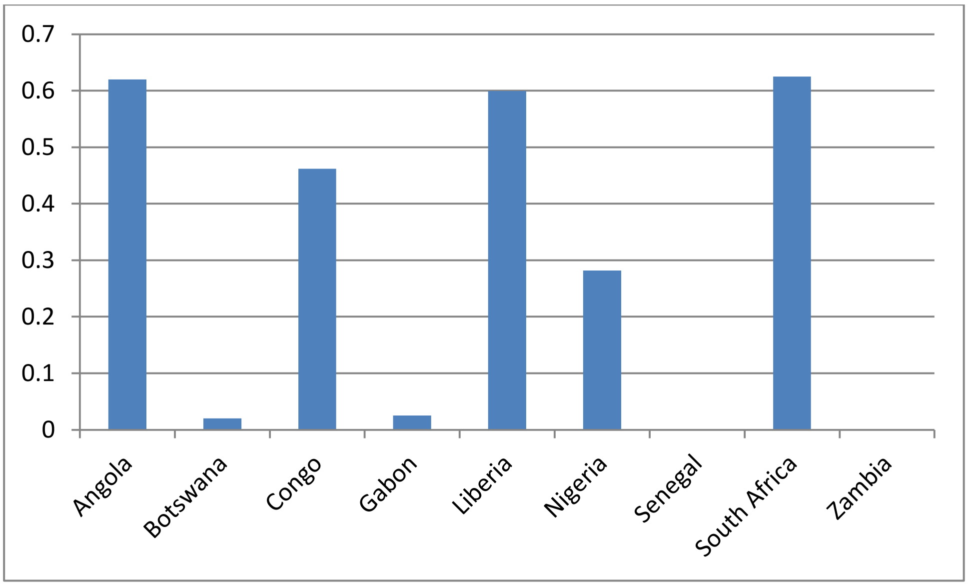
Figure 12: Size of excluded population as share of total population in MENA, long-term average



Source: Cederman et al. (2010).

The intra-regional differences do not map well on public goods outcomes. Iraq performed well until 1980 although it is given a very high .8 exclusion score from 1963 on until the end of Saddam's reign. Algeria, which supposedly excludes more than a quarter of its population, still provides quasi-universal secondary schooling. The Saudi regime discriminates badly against its Shiite population in terms of public employment and social mobility, yet they are included in basic service provision.

Figure 13: Size of excluded population as share of total population in SSA, long-term average



Source: Cederman et al. (2010).

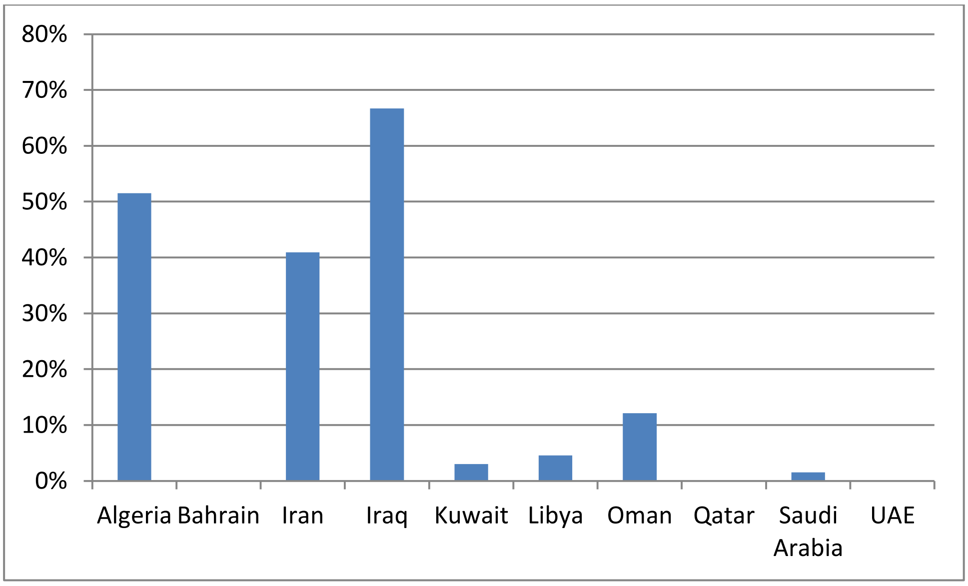
In SSA, the "excluded population" variable might explain why Botswana is performing well (and might explain bad performance in Equatorial-Guinea's ethnically narrow regime if we had data). But good performer South Africa has a high exclusion score, while underperformer Zambia has a low one and Gabon, a resource-rich country that barely performs better than non-rent neighbors, barely excludes any population segment systematically. Given that exclusion should lead to worse coverage and hence lower average results in public goods provision – i.e. it is to some extent "baked" into our

dependent variables – the bad fit speaks against the ethnic polarization hypothesis.

Qualitative case knowledge also suggests that the ethnic fragmentation argument does not work well in MENA. Ethnic, regional and sectarian polarization is considerable in Libya, Iraq, Bahrain and to a lesser extent the GCC monarchies, where societies are divided by tribal and regional origin, which often determine who can join the wider ruling elite. As a result, some communities are indeed worse off – yet the general level of service provision has much improved and basic services are provided near universally. Excluded communities in MENA rentiers might in fact be better off than non-elite members of dominant ethnic groups in many African petro-states.

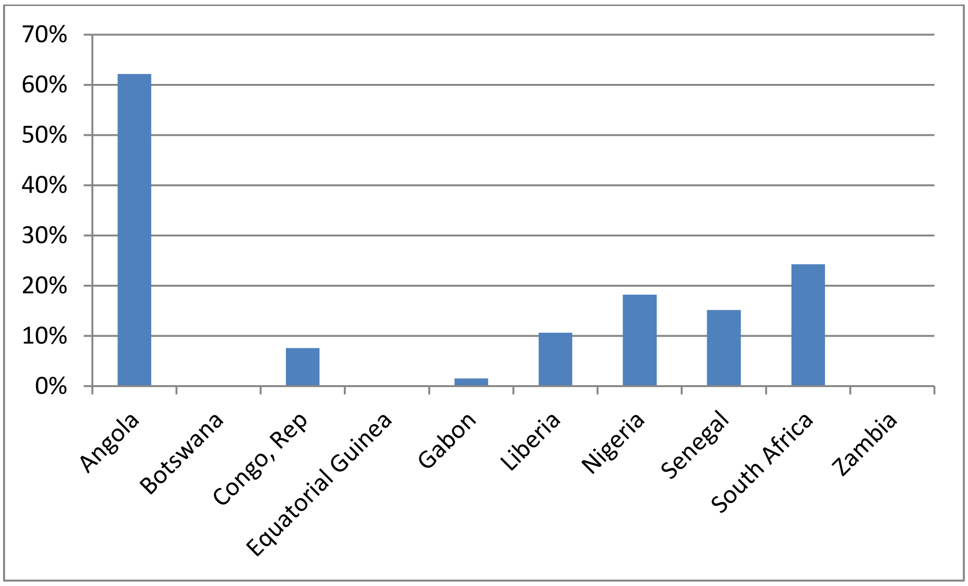
A simple reason for depressed provision of public goods could be episodes of international or domestic conflict. They can disrupt state-building and divert resources necessary for maintaining larger social coalitions. Figure 14 and Figure 15 show the percentage of years individual countries spent in conflict in the 1950-2015 period. With the exception of Angola, the most war-wrecked rentier states are in MENA, not in SSA, and two of them (Algeria and Iran) have produced good outcomes. Conversely, some of the worst SSA performers have seen little or no war. A simple "war undermines public goods" story does not seem to work.

Figure 14: Percentage of years spent in domestic or external conflict, MENA (1950-2015)



Source: PRIO taken from QoG (2015).

Figure 15: Percentage of years spent in domestic or external conflict, SSA (1950-2015)



Source: PRIO taken from QoG (2015).

It is unlikely that war has had no impact at all on state-building and public services. Available longitudinal public service statistics do indeed often show a particularly slow expansion or even withdrawal of state services in war time: Mortality trends badly deteriorated in Congo and Angola during their civil wars. Outcomes also deteriorated in Iraq from 1980 on, when the country was subjected to particularly severe wars and a harsh post-1991 sanctions regime.

Further case evidence suggests, however, that the impact of war is not the same across all cases. During its civil war in the 1990s, Algeria maintained much of its basic provision. Regional star pupil Oman fought a bitter war against leftist secessionists in Dhofar from 1962-76, and it appears that if anything, this war triggered a frenzy of state-building, reminiscent of traditional accounts of war and state-making in early modern Europe (Tilly 1985).[18] While the impact of conflict awaits further econometric investigation that also controls for the nature and severity of conflict, its impact is likely to be conditioned by other case-specific factors.

Michael Herb has argued that dynastic rule by extended families contributes to regime stability in MENA monarchies. It creates a long-term interest in family survival and hence might provide incentives for long-term institution- and coalition-building. The five Gulf monarchies other than Oman are closest to Herb's ideal type – but sub-Saharan African oil dynasties seem to be converging on the model, too. Rulers have positioned numerous relatives in sensitive positions and there has already been one successful case of father-to-son transition in Gabon, while Obiang in Equatorial-Guinea has been grooming his oldest son for succession; Sassou on Congo-Brazzaville might be planning a similar move.

Conversely, successful developer Oman is not a true dynastic regime as Sultan Qaboos has kept his family largely out of the highest offices of state and has no children. There is no dynastic rule in Algeria and Iran and an attempt at father-to-son succession in Libya failed. The presence of the ruling family in the state apparatus is important to understand the politics of most of our cases, but it does not seem to have a uniform effect on regimes' strategy of public service provision.

[18] Non-rentier Lebanon, which underwent a brutal civil war from 1975 to 1989, also managed to consistently produce good outcomes.

Institutional legacies might also differ by colonial power (Acemoglu, Johnson, and Robinson 2005). The colonial administrators of some nations might have built stronger local administrations and created traditions of more inclusive rule. The UK colonial legacy is sometimes credited for preserving or creating the more politically inclusive and differentiated institutions of Botswana and Ghana, for example. Although the smaller Gulf shaikhdoms never formally were colonies, British diplomats were deeply involved in the domestic politics of all of them in the 19th and first half of the 20th century, buttressing local rulers and in some cases helping with the administration of oil funds (Onley and Khalaf 2006). Spanish colonialism in Equatorial-Guinea, by contrast, was more repressive and exploitative, and Angola was subjected to particularly brutal Portuguese exploitation (Heilbrunn 2014).

While we cannot discard the impact of such legacies out of hand, it does not appear that their impact is neatly clustered according to colonizing nation. The UK legacy did not prevent post-colonial Nigeria from oscillating between corrupt military dictatorships and electoral interludes characterized by exclusive and violent machine politics. Algeria and Libya are two MENA countries with colonial legacies of brutal conquest, repression and extraction attempts by France and Italy respectively, yet they have both achieved respectable human development outcomes. Saudi Arabia produces similarly expansive public goods as its GCC neighbors, yet was never part of any Western empire. On the whole, there is much variation among countries that have emerged from the same colonial sphere.[19]

Closely related, the way in which power was handed over to post-colonial regimes differs strongly within regions and does not correlate with the outcomes of interest. The British Empire had reared local elites in Nigeria to take over upon independence (Heilbrunn 2014, 71), and the French similarly seemed to support M'Ba as leader of post-colonial Gabon (Heilbrunn 2014, 146) – yet in both cases outcomes are similarly disappointing as in Angola, where the post-colonial transition was traumatic.[20] In the Middle East, the handover was smooth in the Gulf – to the extent that local rulers asked the British to not grant them independence – but difficult in Algeria and Libya.[21]

In any investigation of long-term factors, colonial legacies cannot be ignored – their influence on individual cases is likely to be strong. They are unlikely to provide explanations that neatly correlate with the nationality of the colonial power, however. To the extent that they matter, they likely interacted with other local factors.

A final historical hypothesis is that the timing of oil finds could influence opportunities for kleptocracy. It could be, for example, that rulers who get access to rents after independence are able to steal resources and avoid institution-building with more impunity, while the presence of colonial overlords would have guaranteed at least a modicum of proper administration due to their interest in stability and in having the colonies "pay for themselves".

Sub-Saharan African oil was indeed mostly developed later than in MENA and was either a secondary source of revenue or not discovered at all before independence. In MENA, the timing of oil discoveries is spread across the whole 20th century, with countries like Bahrain, Kuwait and Iraq becoming significant producers long before formal independence. Several of our MENA cases, however, produced oil only briefly before or after independence, including Algeria, Libya and Oman.

[19] It is worth noting that former Portuguese colonies other than Angola, such as Cape Verde or the new oil producer Sao Tomé, have produced quite good human development outcomes by African standards.

[20] Oliveira (2007, 41) reports that the colonial state in the Gulf of Guinea generally tolerated or even fostered "native" elites.

[21] Similarly, intrusive forms of settler colonialism in both Algeria and Angola did not prevent divergent long-term trajectories.

Saudi Arabia discovered and produced its first oil while being a formally sovereign state. Results do not seem to correlate at all with timing of rents.

At this stage, none of the above hypotheses should be discarded. Further descriptive and inferential work will be needed to prioritize (and generate) hypotheses. We have, however, two further sets of long-term hypotheses that appear more promising at the current stage and that we will devote more attention to in the near future.

Long-term hypotheses that merit detailed investigation

It is plausible that different legacies of pre-colonial statehood affect state-society relations to the present day. In particular, deeper historical efforts of state-building might have given relatively stronger legitimacy to the concept of statehood and might have laid the ground for a more formal connection between rulers and ruled, pushing states into the institutionalized provision of services for its constituents when resources became available.

Although further research is required, at first glance pre-colonial traditions of statehood appear stronger across much of MENA than in sub-Saharan Africa, in important parts due to the Ottoman legacy. Moreover, differences within regions also seem to broadly correlate with later performance: Sub-Saharan African cases with more pre-colonial statehood like Botswana and possibly Ghana have done relatively better. In the Arab world, countries that were part of the core Ottoman sphere in Mashreq and Maghreb have done relatively better (including non-oil cases like Egypt, Lebanon and Tunisia). Peripheral countries like Djibouti and Mauritania, and even Morocco, have produced less impressive outcomes.

The story is not entirely neat, however. In Libya, there was limited Ottoman state-building and much of what the Ottomans constructed was dismantled by Italian colonialism. It is also not clear how much of the Ottoman legacy was left after the French colonial period in Algeria. Saudi Arabia was affected by the Ottoman Empire primarily in the shape of temporary invasions. It engaged in mostly indigenous state-building with some technical help from the US. The inchoate states in the other Gulf shaikhdoms were built more under British than Ottoman tutelage.

Possibly the Ottoman legacy operated through diffusion processes that were not embodied in territorially specific institutions – for example, through the circulation of intellectual and administrative elites in the region and, more broadly, a shared cultural and educational space. This, however, remains speculative.

It is also possible that stronger kernels of early statehood emerged for quite different reasons in different countries – we cannot rule out potential equifinality. In any case, more historical background research and potentially archival work on long-term trajectories of state-building and destruction is in order, focusing on both the pre-colonial and colonial periods. In this context, the question of ethnic fragmentation also should be revisited, as it is plausible that such fragmentation might work to undermine basic public goods and lead to full-scale exclusion only in cases of weak statehood.

A final hypothesis that might explain MENA rentiers' positive outlier status is regional rivalries and diffusion of distributive ideologies in the post-colonial state-building period. The age of post-colonial state-building in the Arab world was also the age of Arab nationalism. Perhaps no other region in the developing world was exposed to such strong cross-border ideological rivalries and transnational challenges as the Arab world (Kerr 1965; Mufti 1996). Populist republics engaged in a bidding war of distributional and developmental promises under the banner of Arab nationalism. The ideology emerged in Egypt and Syria but also seriously influenced politics in Algeria, Iraq and Libya; the latter

two were particularly inspired by it and its promises to rapidly improve the lot of the lower classes and remove old, privileged elites.

Populist social promises were accompanied by mutual interventions in neighboring regimes' domestic politics, destabilizing the region and further accentuating ideological rivalries (Kerr 1965; Kienle 1990). Arab nationalism was also the primary threat to the region's monarchies, several of which fell in nationalist coups. Even in the monarchies of the Arabian Peninsula, whose politics nowadays are mostly placid, workers' movements and transnational Arab nationalist and socialist organizations like PFLOAG openly challenged ruling elites (Halliday 1974). The rivalry between Prince Faisal and King Saud in Saudi Arabia in many ways was a conflict about who would react more convincingly to the Egyptian-led Arab nationalist challenge. Even politically conservative monarchies were under strong pressure to prove that they could provide for the masses.

In this ideological climate, it is plausible that elites would strive to turn rents into public services to build popular support and fend off ideological challenges from populist rivals. The 1950s and 1960s are generally seen as a critical juncture of early state- and coalition-building in MENA. This means that even if the populist ideological threats have subsided since the 1970s (partially replaced by Islamist challenges that can also have populist elements), regimes might have forged a legacy of distributional expectations and institutions that shape their behavior to the present day.

Africanist literature, by contrast, describes political ideologies in most of the oil states as surface-level phenomena (Oliveira 2007; Heilbrunn 2014, 174, 192), even in supposedly Marxist regimes. Soares de Oliveira reports that challenges to elite dominance are "profoundly non-ideological" (2007, 157).[22] Perhaps more important, ruling elites of different states have tended to support each other rather than interfere in each other's domestic politics, resulting in a low degree if inter-state friction (Heilbrunn 2014, 28; Oliveira 2007, 319) – and in some cases even cross-border dynastic marriages between ruling dynasties.[23]

While the above is very tentative, it could explain not only the specifically better performance of most MENA rentiers, but also the generally better performance of MENA countries in the core space affected by Arab nationalism. It is noteworthy that the peripheral countries that were less affected by this ideology – including Mauritania, Sudan, Djibouti and also Morocco – evince a less impressive track record.

Not all facts fill the story entirely. Algeria also was somewhat peripheral to the Arab nationalist rivalry. Its regime followed an ideology that was similar in socio-economic terms to populist Arab nationalism, but was somewhat separate and grander in its "Third Worldist" ambitions to reshape global North-South relations (Malley 1996). The case raises the question to which extent there was diffusion of ideologies throughout the region, and to which extent populist ideology and coalitions across MENA countries emerged in parallel, due to analogous historical conditions. Similarly, Iran as a Persian country was not directly impacted by Arab nationalism, although it was affected by broader ideological rivalries in the region.

If we can indeed trace public goods provision in MENA rentiers to the transnational ideological challenges of the nationalist era, it raises the question of why ideologies had more resonance in the first place there – was it due to a more integrated cultural and intellectual space across the Arab world, bolstered by shared perceptions of regional struggles and challenges, including Palestine? Did

[22] Oliveira (2007, 332) mentions "no unifying ideas for the state and no vision of national political communities" in the Gulf of Guinea oil states.

[23] For some details on mutual elite socialization and help of SSA authoritarian rentier elites, see Heilbrunn (2014, 28).

ideology reach further into the wider population than in sub-Saharan Africa? If instead of diffusion we find a parallel emergence of analogous ideologies and coalition-building strategies across cases, it raises the somewhat different question of what the shared conditions were that led to this.[24] In either case, more historical work on the challenges MENA elites faced in the 1950s and 1960s is in order. What drove decisions on public service spending? Were they made when Arab nationalist pressures and threats were particularly high?

Summary

The above is very tentative. Rather than representing a clearly formulated research project, it is meant to trigger discussion. We hope that project participants will critique and refine the above ideas, contribute questions and hypotheses of their own and – in particular – propose ideas on how various hypotheses could be tested. The process should in the end lead to a rich set of complementary research papers that emerge from an active exchange of ideas and data.

It is worth noting that the project is not strictly wedded to region-wide explanations. We have to take the possibility of equifinality seriously: Similar outcomes might have been brought about by different processes in different sub-regions or individual cases. As indicated above, at least some forces that have potentially contributed to the ambitious state-building efforts in the GCC (and potentially Brunei) could be unique to these cases. Similarly, the positive outcomes in places like Botswana or Ghana could result from formal mechanisms of administrative and political accountability that play little role in the MENA cases.

In framing hypotheses and choosing questions for research papers, we face a larger theoretical issue that this paper has skirted so far: Is the disparity in performance between different rentier states explained with mechanisms that are specific to the process of rent accumulation and use – are there specific, differential incentives created by rent? Or do rents reinforce differences in constraints and incentives that shape resource use in different cases in general? In other words, is the "puzzle within the puzzle" just a sharper version of the larger phenomenon of MENA-SSA divergence, or is it a separate story? At this point, the former seems more plausible. The factors introduced in the framework around Figure 8, and most of the above hypotheses, should also affect regime action in non-rentier states – shifts in rents might just boost or dampen some of the mechanisms. This means that the project needs to pay close attention also to non-rentier neighbors and to broader differences between regions and sub-regions.

Ideas for papers

This final section will outline some ideas for research papers that a) the two authors of this concept paper are planning to write and b) that could be written in collaboration with other project participants. The second list, in particular, is merely suggestive and meant to trigger discussion; we assume that most papers written for the project will be entirely devised by participants.

Instead of testing one hypothesis at a time, hypotheses and papers are more often than not likely to intersect, with many papers testing several hypotheses at once. The idea is to have different papers take different methodological and empirical angles on similar questions and hypotheses.

<u>Papers Ferdinand and Steffen plan to produce</u>

In addition to the further data-gathering and tests mentioned above, which will be documented in

[24] A regional diffusion effect could potentially also explain the good performance of Brunei, which is an enclave state on the coast of Malaysia, a semi-rentier country with a very good record of public service provision. The pressure to perform well in such a neighborhood could have incentivized rulers to build institutions.

further, shorter research notes, we plan the following papers:

To further pin down the impact of rents on the production of public goods, we intend to write a paper with the preliminary title *Are rents good for the poor?* This will be a quantitative paper looking at a wider range of allocation decisions and development outcomes, drawing on a global set of cases. It will use conventional time series methods as well as the technique of synthetic control groups for cases where the onset of rents happens at a discrete date and late enough to be captured in our data. Where possible, the paper will interact the rents variable with various proxies for explanatory hypotheses outlined above (regime stability, ethnic exclusion, conflict etc.). Even if such hypothesis tests do not yield clear results, at a minimum the paper will give us a more solid overview over the puzzle we face.

To investigate the shape and durability of social coalitions in different rentier regimes, we will write a paper on *short-term vs. long-term investors,* analyzing how robust broader commitments to mass distribution and spending on social services are to revenue volatility. Preliminary tests with error correction models indicate, for example, that while Gabon generally is not very successful at converting its rents into provision public goods, it does significantly better when rents are higher. This is not the case in most MENA cases, whose more impressive long-term trends are less affected by short- to medium-term rent fluctuations. Anecdotally, when oil income drops in SSA, subsidy reforms with an impact on the wider population happen earlier and social spending is cut more quickly, while subsidies and social spending are "grandfathered" as long as possible in MENA cases. Such differences in the prioritization of mass patronage and public good provision could help better explain how long-term outcomes are produced and how the social coalitions underlying different regimes are structured.

We also plan one paper specifically testing the hypothesis that regime competition and ideological diffusion in the age of Arab nationalism pushed MENA rentiers onto a path of better service provision, provisionally entitled *Were they pushed or did they jump?.* This will look at statistical data on budget allocations in various cases and how they correlate to critical regional events, as well as archival information about the motivation of decision-makers for investing in public goods.

<u>Other paper ideas</u>
There are many other papers that could be written for the project. The following is less meant as a list of papers to choose from than as a list of ideas to toy with as we go forward and participants decide on their own contributions to the project.

- A quantitative paper on *short-range causal mechanisms influencing the impact of rents on outcomes*. Is the (non-)improvement of outcomes due to resource allocation or rather due the quality of institutions/corruption influencing how additional resources are used? Isham et al. (2005) report that the negative impact of rents on institutions is the transmission channel that explains negative economic growth outcomes. A similar test could be conducted for social service outcomes. Options to test the impact of intervening variables like resource allocation and quality of institutions through instrumental variables should also be investigated (Imai et al. 2011).

- An investigation of *poll data on perceptions of and expectations towards the state* across relevant cases, and its potential correlation with service provision.

- *Case studies and small-n comparisons* on

- a) immediate causal factors linking rents to outcomes in different countries (shape of social coalition, elite decisions on resource allocation and institution-building, administrative capacity etc.) and/or
- b) long-term roots of social coalitions, institutions affecting the delivery of public services, and the potential long-term impact of rents on these, in specific countries.

Potential axes of comparison could be GCC countries vs. high-rent SSA countries or mid-rent MENA vs. mid-rent SSA countries. Cases of particular interest are SSA countries with relatively better outcomes.

- A broader *historical comparison of pre-colonial state structures and state-society relations* in the two regions, or in relevant sub-regions.

- A broader *historical comparison of colonial institution-building and the post-colonial handover* in the two regions, or in sub-regions (including a comparison of "developmental colonialism" in the late colonial period).

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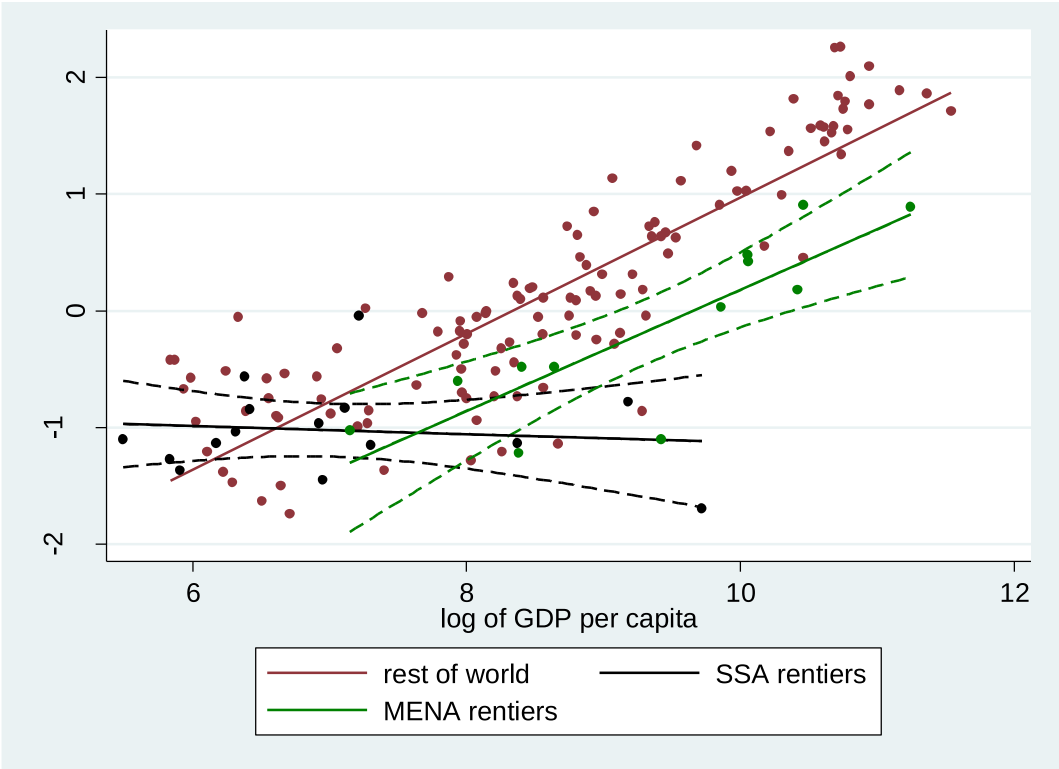
Appendix: additional figures

Figure 16: Government effectiveness vs. (logged) GDP per capita (2010)

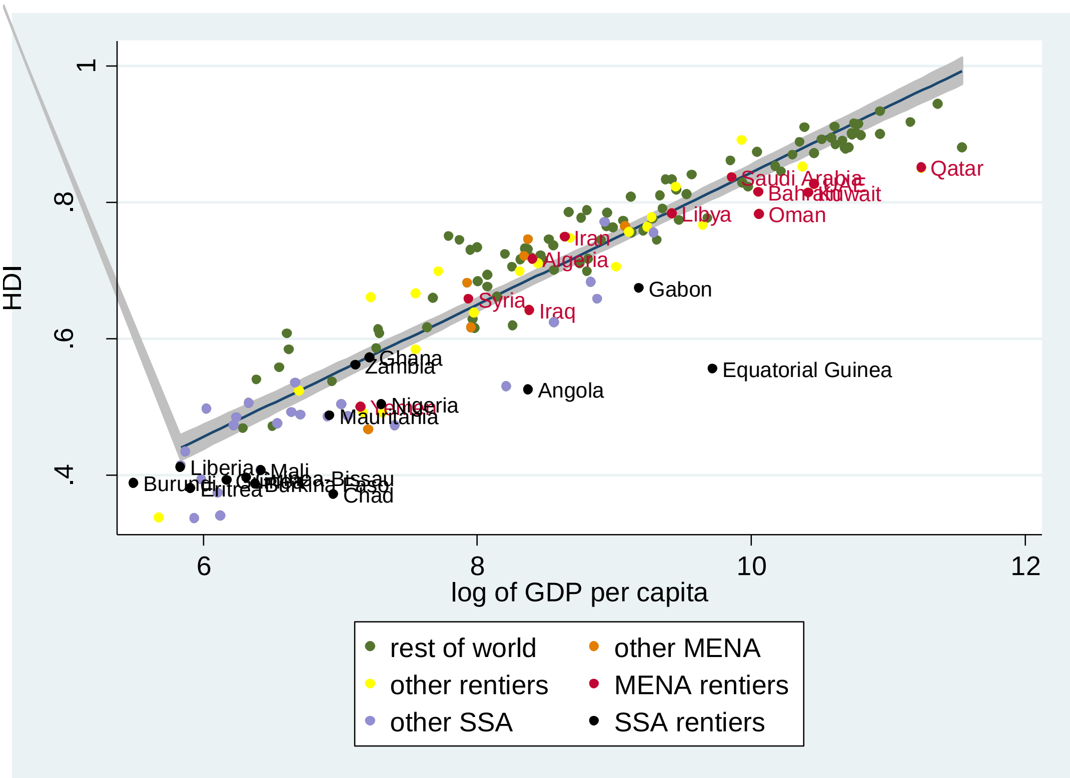
Source: World Bank (2014).

Figure 17: Government effectiveness vs. GDP per capita, regional comparison (2010)



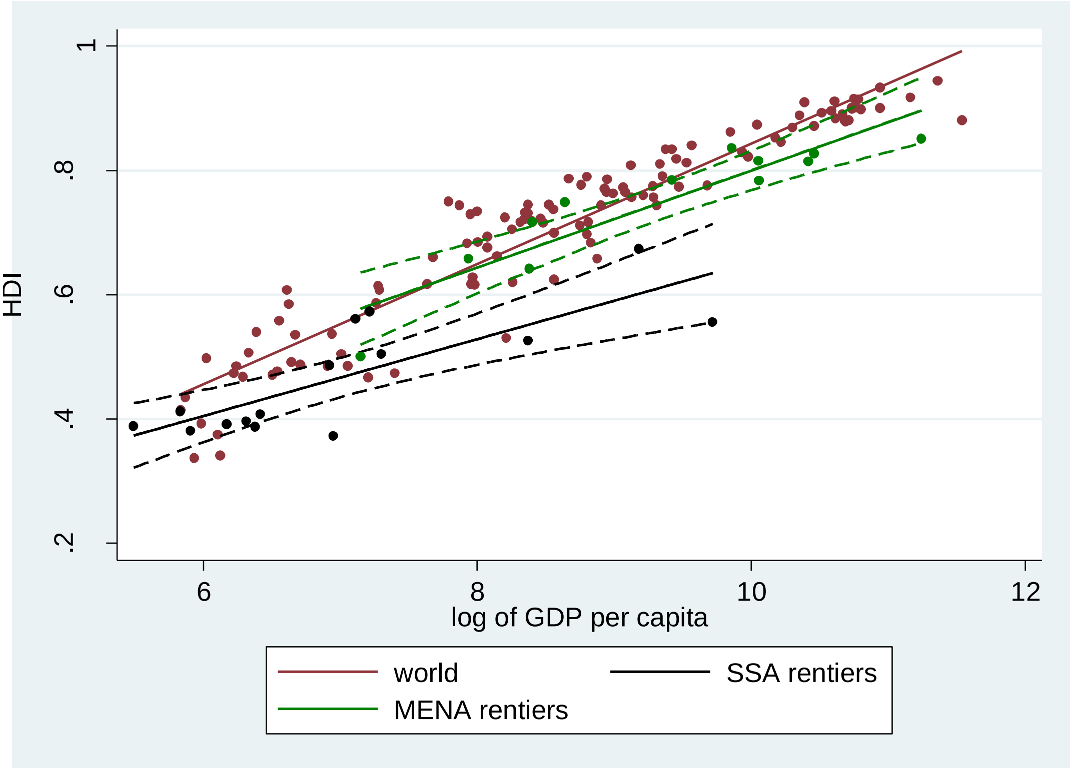
Source: World Bank (2014).

Figure 18: Human Development Index vs. GDP per capita



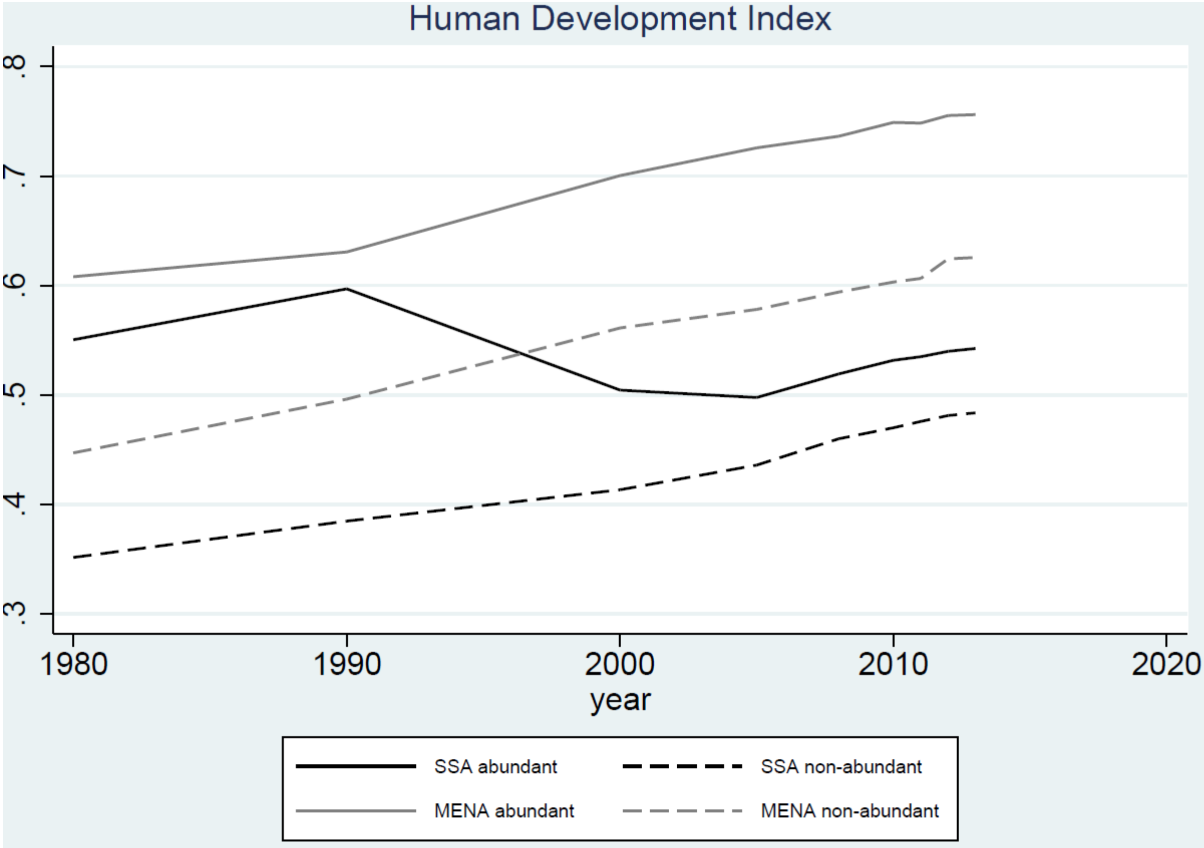
Source: World Bank (2014).

Figure 19: Human Development Index vs. GDP per capita, regional comparison



Source: World Bank (2014).

Figure 20: Human Development Index in MENA and sub-Saharan Africa



Source: World Bank (2014).