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Youth Unemployment and Political Instability: Evidence from IGAD

Member Countries

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This is to certify that the thesis prepared by Yemareshet Hailu, entitled with: **Youth Unemployment and Political Instability: Evidence from IGAD Member Countries**, and submitted in partial fulfillment of the requirements for the Degree of Master of Science in Economics (Economic Policy Analysis) complies with the regulations of the University and meets the accepted standards concerning originality and quality. Signed by the Examining Committee:

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List of Acronyms

ADF	Augmented Dickey- Fuller
CD	Cross- Sectional Dependency
FE	Fixed Effect
GDP	Gross Domestic Product
GMM	System Generalized Methods of Moments
HT	Harris- Tsavalis
ICRG	International Country Risk Guide
IGAD	Inter Governmental Authority for Development
ILO	International Labor Organization
IMF	International Monetary Fund
IPS	Im, pesaran, and shin's
LM	Lagrange Multiplier
RE	Random Effect
UN	United Nation
VIF	Variance Inflated Factor
WB	World Bank
WDI	World Development Indicators

Table of contents

Content	Page
Acknowledgement	III
List of Acronyms	IV
Table of contents.....	V
List of Tables.....	VIII
List of Figures	IX
Abstract.....	X
CHAPTER ONE: BACKGROUND OF THE STUDY.....	1
1.1 Introduction.....	1
1.2 Statement of the Problem.....	4
1.3 Research Question.....	6
1.4 Objectives	6
1.4.1 General Objective	6
1.4.2 Specific Objective	6
1.5 Hypothesis.....	6
1.6 Significance of the study.....	7
1.7 Scope and Limitation of the Study.....	7
1.8 Organization of the Study.....	7
CHAPTER TWO: REVIEW OF RELATED LITERATURE.....	9
2.1 Theoretical Literature Review.....	9
2.1.1 The Concept of Unemployment.....	9
2.1.2 Types of Unemployment.....	12
2.1.3 The Concept of Youth Unemployment	17
2.1.4 The Concept of Political Instability.....	19
2.1.5 Measuring political instability	20
2.1.6 Causes of political instability	23
2.1.7 Political instability in IGAD countries	25
2.1.8 The Link between Youth Unemployment and Political Instability.....	28
2.2 Empirical literature review.....	31

2.3 Conceptual Framework	36
CHAPTER THREE: METHODOLOGY	37
3.1 Study Area.....	37
3.2 Data type and source.....	38
3.3 Measuring political instability.....	39
3.4 Model specification.....	40
3.5 Variable Description.....	45
3.6 Specification Test.....	47
CHAPTER FOUR: UNEMPLOYMENT AND POLITICAL INSTABILITY OVERVIEW IN IGAD COUNTRIES.....	48
4.1 Youth Unemployment in IGAD Countries	48
4.2 The extent of political instability in IGAD Countries	51
4.3 The relation between Youth unemployment and Political instability.....	58
CHAPTER FIVE: EMPIRICAL RESULTS AND DISCUSSION.....	60
5.1 Summary statistics and description	60
5.2 Regression Diagnostics Test Results	62
5.2.1 Model specification.....	63
5.2.2 Unit root test	63
5.2.3 Panel co-integration test.....	65
5.2.4 Test for Normality.....	65
5.2.5 Test for Heteroskedasticity.....	66
5.2.6 Test for Multicollinearity.....	67
5.2.7 Test for Autocorrelation	67
5.2.8 Test for endogeneity.....	68
5.3 Regression Results and Discussions.....	66
5.3.1 Fixed effect regression model	69
5.4 Dynamic specifications	73
5.4.1 Choosing between difference and system GMM models	73
5.4.2 One step System GMM.....	74

CHAPTER SIX: CONCLUSION AND RECOMMENDATION	75
6.1 Conclusion	75
6.2 Recommendation	76
References.....	77
Appendix.....	87

List of Tables

Table 2.1 Risk categories of ICRG	23
Table 3.1 Summary of Variables, Expected Signs of their Coefficients and Data Sources.....	46
Table 5.1 descriptive statistics.....	61
Table 5.2 Hausman test.....	63
Table 5.3 Panel unit root test.....	64
Table 5.4 Normality test.....	66
Table 5.5 Autocorrelation test.....	68
Table 5.5 Table Youth unemployment and political instability, OLS Fixed Effects.....	70
Table 5.6 Youth Unemployment and Political Instability, IV Fixed Effects.....	71
Table 5.7 Result for One step system GMM regression.....	75

List of Figures

Figure 4.1 Trend on Youth Unemployment in IGAD.....	48
Figure 4.2 Political Instability in Ethiopia.....	52
Figure 4.3 Political instability in Kenya.....	54
Figure 4.4 Political instability in Uganda.....	55
Figure 4.5 Political instability in Sudan.....	56
Figure 4.6 Political instability in Somalia.....	57
Figure 4.7 Trend on youth unemployment rate and Political instability.....	58

Abstract

Evidences show that IGAD member countries are the most political unstable countries in the world. On the other hand literatures on the subject reveal that youth unemployment contributes the most towards the political instability across the world. Nonetheless, investigation on the effect of youth unemployment on political instability particularly in IGAD member countries is very scanty. Thus, the objective of the current study is to investigate the effect of youth unemployment on political instability in IGAD member countries. For this purpose the necessary secondary data is collected from ICRG, WDI and ILO on five selected IGAD member countries. To find out the effect of youth unemployment on political instability; fixed effect model, instrumental variable fixed effect model and one step system GMM estimation on dynamic panel data have been employed. The analysis result revealed that there is a significant effect of youth unemployment on political instability and we support the hypothesis that youth unemployment causes political instability in IGAD member countries. This paper also examined how other social and economic factors can affect political instability. Our results suggest that political instability occurs particularly in countries where youth unemployment, as well as inflation, ethnic tensions and government instability, are high. This region specifically needs a sound youth employment policy not only for the sake of youths, but also for the relief of government reducing the burden of controlling continuous internal instabilities. Moreover, in region-wise the IGAD countries better to have common youth employment creation policies so that they can manage the internal conflicts arising here and then.

Key Words: Youth Unemployment, Political instability, IGAD countries

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Unemployment is a worldwide phenomenon and it is not a new issue to discuss but it is still a serious problem that affects the economic, political, and social performances of nations throughout the world (Azeng, 2015). According to Riechi (2019), a global economic growth weakness that occurred in 2015 caused a further increase in unemployment. From the total population of the world, an estimated 172 million people were unemployed in 2018, which corresponds to an unemployment rate of 5.0 percent. On balance, the global unemployment rate should remain at roughly the same level during 2019 and 2020. The number of people unemployed is projected to increase by 1 million per year to reach 174 million by 2020 as a result of the expanding labor force (ILO, 2019). However, reports show that the number of unemployed people extends far beyond the 188 million unemployed across the world in 2019. We should give attention to the problem since this increase in unemployment is highly occurred in developing countries (ILO, 2020).

In Africa, what makes the problem more complex and challenging is the higher rate of youth population which is considerably higher than other regions, on the opposite the region is characterized by weak national labor markets and persistent level of poverty. Most of the populations in the continent are under the poverty line and the condition becomes more severe when unemployed people are on the rise. 70% of the continent population is under the age of 30, and relatively more than 20% of the population are young people between the ages of 15 to 24 (ILO, 2016). From another group of population, youth are more vulnerable to unemployment, in the world 43.7% of the total unemployed people are youth and in sub-Saharan Africa, 60% of the unemployed are youth (ILO, 2020).

In IGAD countries, despite the recent economic growth rates and positive activities recorded in education and health; a higher rate of youth unemployment and the slow pace with which new jobs are created remain critical challenges of the region. There is a higher cost of government on funding public schools to educate the population but after completing school, graduate students become unemployed which is another high cost and a real challenge for the nations (HESPI, 2017). Among other things, a higher level of unemployment is an important measure of weak

leadership and the general lack of good governance. The main problem with this worsening unemployment trend is related to the economic and political stability of nations; growing levels of unemployment are a symptom of an explosive red alert situation and explain the involvement of unemployed youth in the many conflicts and political instabilities on the continent (Andrews, 2017).

IGAD countries have the fastest growth rate of population and the largest share of their population is children and young adults, two-third of the population are under the age of 25 (United Nations, 2018). Unemployment becomes a serious issue in these countries since there are very young people who want to work but unable to get jobs. Under these countries, various public and private universities produce productive and educated graduates but at the same time, there are no enough job opportunities in the labor market. Most of the region's economy is based on the agriculture sector; some of the graduates pass their time by working on the family farmlands without any payment and others are employed at the informal sectors as such, there is no direct relationship between their level of education and the nature of employment. This process reduces the capacity and interest of the youth, besides the economic and social burdens that make them unhappy. In the end, they give up and their expectation about life becomes very low, at this time youth becomes more vulnerable for unstable activities (Prince et al., 2018).

As growth slows in low economies, unemployment, poverty, and income inequality have been on the rise resulting in social unrest and instability. In most developing countries a widespread unemployment among young is often a key reason for political and social movements; these economies are mostly characterized by continuing regional conflicts and difficult political transitions (ILO, 2016). IGAD countries are highly characterized by political, social, and economic instabilities, and unstable activities, civil wars, and coup d'état are their manifestation. The problem is a fifty years of protracted, chronic, and complex conflicts, these are society-state, state- state and society- society conflicts reflecting interracial, inter-religious, inter occupational tensions (Abu and Alshyab, 2019).

Nowadays political instability has been a cause of concern for many countries around the world and a headache for government irrespective of the state of development or their political regime. Previous experiences tell us that political conflicts can have a disastrous impact on the economy. On the other hand, domestic conflicts under certain conditions can turn a country into a fragile state status. Fragile and conflict-ridden countries usually lose the ability to develop constructive relationships within their societies and often suffer from a weak ability to undertake governance functions. These countries are more vulnerable to internal and external shocks, and in turn face instability (Shonchoy and Tsubota, 2014).

A surging youth population combined with unemployment and other factors can lead to violence (Riechi, 2016; Daniel, 2016; Adebayo, 2013). Thus, inequalities, by creating tensions among the youth, can lead to an outbreak of conflict (Azeng, 2015). Especially, urban youth unemployment is further exacerbated by rural-urban migration; rural migrants believe that more jobs and social opportunities are in urban areas, but in the cities, they find themselves without a job and with limited social networks. Unemployment has social as well as economic consequences for young people. Unemployed young people are forced to find alternatives to generate income, including activities in the survival- type informal sector and criminal activities (Mpofu and Chimhenga, 2016).

This paper focuses on the effect of youth unemployment on political instability in IGAD countries. The region has eight countries that are highly characterized by civil wars, economic, social, and political instabilities, almost all nations of the region are included in the list of the world top unstable nations. At the same time, as discussed earlier two-third of the total population is below the age of 25 and unemployment is the main macroeconomic problem in the region. More specifically, it aims at estimating the effect of youth unemployment on political instability using panel data from ICRG for IGAD countries.

1.2 Statement of the problems

Unemployment, inequality, and poverty are the most worldwide problems that mirror the impediments to development in any human society. From the three, unemployment serves as the center on which other challenges rest. This problem becomes more sophisticated when an energetic youth population remains idle (kemiso and Kolawole, 2017). Unemployment is a global trend, but it is mostly occurring in the developing countries like our continent Africa with attendant social, economic, political, and psychological consequences. Therefore, massive youth unemployment in any country is an indication of far more complex malaise (Galadima and Ogbonnaya, 2018).

For the last five years, Africa has seen the highest rate of population growth which is about 2.5% annually and by 2050 a quarter of the world's population will be on the continent (UN, 2017). The major problem facing youth in Africa is Unemployment. This problem is characterized by a lack of job opportunities in urban areas, estimates show that 10 to 12 million young people are entering the job market annually (ILO, 2016). Mass unemployment and severe poverty can easily lead to political instability in any country. Relatively, as compared to other parts of the world, Africa remains a young continent where the median age is about 19 years and is only expected to reach about 25 years in 2046 (United Nations, 2018). Within the next three to five decades, young people will continue to control half of the population of most countries on the continent (Andrews, 2017).

By 2050, the population of IGAD will be 400 million; a substantial increase from today's 226 million. More than 55 percent of this population will then be at a relatively young age (below 20 years) (Maru, 2017). The average rate of urbanization in the region is estimated at 4.1 percent: the capital cities: Addis Ababa, Nairobi, and Khartoum have populations of over three million each (Tadele and Alemayehu, 2019). In the IGAD region, the overall unemployment rate for youth is very high (Bruce, 2016). These challenges have made it very difficult for the youths to engage in any meaningful contribution to the society. Therefore, this makes youth unemployment a major issue of concern and in particular given the high number of youths involved in crime almost in all countries (Azeng, 2017). Unemployment is the source of a series of social and political problems that any country can face (Thierry, 2013). High rates of unemployment in most parts of Africa have been so far the norm with relatively high rates of criminal activity and

an increase in the risks to National Security (Kayoda et al., 2014). This forms a good basis for this study to examine the effect of youth unemployment on political instability in IGAD countries.

Political, social, and economic instabilities are the main characteristics of countries in the IGAD region. All member countries of the region have struggled with political instability and challenges to the regimes. Like many African states, most peace and security problems in the region emanate from internal problems such as the nature of states and political parties, religious and ethnic tensions, and income inequalities as well as external interferences (Bruce, 2016). Currently, these eight nations of the region are the first ones in the list of the most unstable countries in the world, which shows how much the problem is severe in the region than other parts of the world. Indeed, many African states in conflict are strong in the wrong functions of state, effective only in the maintenance of regime security and safeguarding the interests of political parties and colluding individuals or groups (Haider et al., 2011).

The study by Henrik (2012) that has been done to conduct the causes of political instability and it is a study on youth unemployment and political violence found that the presence of youth unemployment increases the risk of conflict. Researchers show that large youth populations with youth-unemployment are sometimes linked to outbreaks of violence (Amirali, 2019; Azeng, 2017; Christophe, 2010; Prince et al., 2018).

On top of these, Youth unemployment is a big macroeconomic problem in IGAD countries. Also, the region has eight countries that are highly characterized by civil wars, economic, social, and political instabilities, almost all nations of the region are included in the list of the world top unstable nations. Despite the effort to address the subject youth unemployment and political instability separately efforts made to examine the effect of youth unemployment and political instability in IGAD countries is very scanty. This study analyzes the effect of youth unemployment on the political instability of five IGAD countries, for which there is no much research is done jointly, using the recent 27 years (1992-2018) data by employing a system GMM¹ model. This study adds to the existing empirical literature and lead to a conclusive decision on the impact of youth unemployment on political instability.

¹In a Generalized Method of Moments (GMM) context, we may construct more efficient estimates of the dynamic panel data model. The original estimator is often entitled difference GMM, while the expanded estimator is commonly termed System GMM (Baum, 2013).

1.3 Research question

Various studies show IGAD countries are one of the fastest-growing countries in the world (HESPI, 2017). However, there are still regional conflicts and political instabilities in the region that deteriorate the growth of the economy. In the current study effort is made to address the following questions:

- What is the recent youth unemployment and political instability trend looks like in IGAD countries?
- What is the extent of political instabilities in the region?
- What is the effect of youth unemployment on political instability?

1.4 Objective of the study

General objective

The main objective of this study is to investigate the effect of youth unemployment on political instability in IGAD countries.

Specific objectives

- Examine the trends of youth unemployment and Political Instability in the IGAD countries.
- Assess the extent of political instability in IGAD countries.
- The effect of youth unemployment on political instability.
-

1.5 Hypothesis

After reviewing the separate literature on the youth unemployment and political instability, in the current study, it is hypothesized that the high unemployment rate makes countries more susceptible to political instability.

1.6 Significance of the study

Unemployment among youths has been a serious socio-economic problem in Africa, especially in IGAD countries. Similarly, political instability also becomes a serious problem across the region. Social unrest, instabilities, assassinations; civil wars are rising in the nations. There should be serious resolution responses for these macroeconomic problems before the region is splaying. Various studies have been done on determinants of youth unemployment, but empirical literature has not focused on the consequences of youth unemployment on the country political situation. Therefore, the significance of this study is to determine the effect of youth unemployment on the stability of the country and to specify the significant factors that lead to political instability in the region. Therefore, such a study may help policymakers and other respective on their offer to achieve better resource allocation in general and reducing unemployment and political instability in particular.

1.7 Scope and Limitation of the study

To capture the effect of youth unemployment on political instability in IGAD countries, data availability and weaknesses remain a major drawback in carrying out empirical research in the region. The number of countries covered in this study and the number of periods used in this study is the basic limitations of the study. Even if, there are 8 countries in the IGAD region this study took 5 of them and the study is used 27-year data for each country. This is mainly due to lack of data on important variables and lack of adequate long time data series. The study utilizes panel data collected by the International Country Risk Guide (ICRG); it was collected from the time 1984 to 2018. But this study used the data from 1992 to 2018.

1.8 Organization of the study

The rest of the paper is organized as follows. Chapter **II** presents a review of literature which includes theoretical literature, empirical literature, and conceptual frameworks. Chapter **III** includes the description of the study area, data source, methodology of the study, and model specification. Chapter **IV** presents the final results and it provides empirical analysis and discusses the findings. Finally, the last chapter concludes the study with the main findings and recommendations.

CHAPTER TWO

REVIEW OF THEORETICAL AND EMPIRICAL EVIDENCE

In this chapter, theories, concepts, definitions, and related works done by different scholars about youth unemployment and political instabilities are assessed and discussed. This chapter presents the relevant theoretical and empirical literature on youth unemployment and political instability. The first section explores the theoretical framework of the study; the second section examines empirical literature of interest to the topic. In the theoretical literature, the links between the variables to be studied with basic theories have been addressed from the perspective of different schools of thought in economics. Then, the third section presents a conceptual framework that shows the link between youth unemployment and political instability.

2.1 Theoretical Literature Review

2.1.1 The Concept of Unemployment

According to Keynes (1936) book “The General Theory of Employment, Interest and Money” which brought about the "Keynesian Revolution”, He pointed out that insufficient demand in the commodity market ultimately leads to involuntary unemployment; however Keynes concurs that once an economy moves into a state of high unemployment, the price method will not adjust the economy back to a high level of employment rather, the government’s qualitative policy will have to increase the demand for output by raising public expenditure as soon as demand is increased.

Unemployment has been pointed as one of the serious impediments for economic progress. It leads to the development of a street of youths and unemployed graduates moving from one office to another. These youths are denied legitimate means of livelihood and grow up in a culture that encourages criminal behaviors (Tvrdon, 2011). Finally, unemployment represents waste of a country’s manpower resources and generates welfare loss due to lower output thereby leading to lower-income and poor well-being (Collier, 2000).

There are various consequences of youth unemployment such as psychological problems of frustration, depression, hostility and criminal behaviors, prostitution, debt, poverty, income inequality, and so on (Nicholas, 2013). There is a need to define who an unemployed person is.

When we refer to someone as unemployed, most of us use a state consistent with the International Labor Organization's (ILO) definition for Labor force, employment, and unemployment. The labor force, or currently active population, comprises all persons who fulfill the requirements for inclusion among the employed (civilian employment plus the armed forces) or the unemployed. The current supply of labor for the production of goods and services in exchange for pay or profit, computed as the sum of persons in employment and unemployment. Persons in employment are defined as all those of working age who, during a short reference period, were engaged in any activity to produce goods or provide services for pay or profit. Whereas, Persons in unemployment are defined as all those of working age who were not in employment, carried out activities to seek employment during a specified recent period, and were currently available to take up employment given a job opportunity. (ILO, 2019)

To understand the word unemployment we have to explain it in many dimensions. According to Freed (2017), a person is said to be unemployed if he or she is actively seeking work and willing to take work here and now. Here not working is not enough to explain the word unemployment therefore, the Bureau of Labor Statistics (2003) necessarily define unemployment rate as follow:

Counts only those who have been unemployed for at least 15 weeks, counts those who are unemployed because they have lost a job or completed a temporary job, People who can work, ready to work, and have looked for work in the past four weeks, People who can work, ready to work and have looked for work in the past four weeks plus those who would like to work but have stopped looking—the so-called discouraged workers—because they believe there are no jobs for them, People who are willing and able to work and have looked for work in the past four weeks plus those who would like to work but have stopped looking plus those who are marginally attached to the labor market who, for any reason, are no longer searching for work but may still work, plus those who are working part-time but would prefer to work full-time.

Therefore, according to the Bureau of labor statistics (2003), a person is said to be unemployed if he/she does not have a job, have actively looked for work in the prior 4 weeks, and are currently available for work. Actively looking the work may consist of contacting an employer directly or having a job interview, contacting a public or private employment agency, contacting a school or university employment center, contacting submitting resumes or filling out application, contacting Placing or answering job advertisements, checking union or professional registers or

contacting any other means of active job search.

Unequal levels of labor demand and labor supply can simply lead to unemployment. When the supply of labor is more than the demand for labor, it ultimately leads to joblessness and creates unemployment (Ohan and Bakare, 2011). Due to the lack of sufficient employment opportunities readily available in the formal sector, young people are left with no better option than to engage in casual work, thus leading to underemployment.

The unemployment rate is calculated by expressing the number of unemployed persons as a percentage of the total number of persons in the labor force. The labor force (formerly known as the economically active population) is the sum of the number of persons employed and the number of persons unemployed.

Generally, the unemployment rate is expressed as a percentage, and is calculated as follows (ILO, 2019):

$$\text{Unemployment Rate} = \frac{\text{Number of Unemployed}}{\text{Total Labor force}} \times 100\%$$

Most of the people believe that being in employment does always guarantee a decent work. A majority of the 3.3 billion people employed globally in 2018 experienced a lack of material well-being, economic security, equal opportunities, or scope for human development (ILO, 2019). Here, being in employment does not always mean a decent living. Many workers in the world find themselves in a place where that is unattractive and difficult to work, and these places are characterized by low pay and little or no access to social protection (Zimmermann, 2013). 360 million people in 2018 were contributing family workers and 1.1 billion worked on their account, often in subsistence activities that are pursued because of an absence of job opportunities in the formal sector (ILO, 2019).

In 2016, the ILO report shows 2 billion workers were in the informal employment overall the world, which is around 61 percent of the world's workforce. In 2018, more than one-quarter of workers in low and middle-income countries were living in extreme or moderate poverty. The good news here is that the incidence of working poverty has decreased over the past three decades, especially in middle-income countries. However, in the low-income countries employment growth does not reduce poverty, so that the actual number of working poor in these

countries is projected to rise (Hull, 2009).

Overall, an estimated 172 million people worldwide were unemployed in 2018, which gives a 5.0 percent total unemployment rate. When we go back to the global financial crisis in 2008, the global unemployment rate jumped from 5.0 percent in 2008 to 5.6 percent in 2009. Therefore, the global unemployment rate takes a full nine years to recover to the levels that prevailed before the global financial crisis. On balance, the global unemployment rate should remain at the same level during 2019 and 2020. The number of people unemployed is projected to increase by 1 million per year to reach 174 million by 2020 as a result of the expanding labor force (ILO, 2019).

2.1.2 Types of Unemployment

Unemployment is one of the major macroeconomic problem issues dealt in macroeconomics. Unemployment refers to a group of people who are in a specified age (labor force), who are without a job but are actively searching for a job (ILO, 2016):

Labor force = Employment+ Unemployment

Various researchers have categorized unemployment into different forms; often the forms depend on the socio-economic climate of the research in focus. Congress of the United States (2012) categorized unemployment into two forms: those that have lost their jobs as a result of workers being laid off and those newly entering the labor force after completing school with no job. And Unemployment again categories into two groups, those are the older unemployed who lost their jobs through redundancy or bankruptcy and the younger unemployed, most of who have never been unemployed. To term “*underemployed*”², simply refers to all the people who are not fully involved and in any productive activity.

Generally, there are three major types of unemployment; Frictional unemployment, structural unemployment, and cyclical unemployment. From which Frictional and structural unemployment are more or less unavoidable; hence, they are known as the natural level of unemployment.

²Underemployment has been broadly interpreted and has come to be used to imply any sort of employment that is “unsatisfactory” (as perceived by the worker) in terms of insufficient hours, insufficient compensation or insufficient use of one’s skills (Cymbranowicz, 2017).

$$\text{Total Unemployment} = \text{FU} + \text{SU} + \text{CU}$$

2.1.2.1 Frictional unemployment

There seems to be divergence on the meaning and causes of frictional unemployment. Thomas (2015) defined frictional unemployment as unemployment that occurs because of people relocating or changing occupations. Frictionally unemployed people are in between jobs or are students who just completed school and are looking for a job. This form of unemployment is usually short-lived in nature. Frictional unemployment occurs when workers leave their old jobs but haven't yet found new ones. Most of the time workers leave their jobs voluntarily, either because they need to move, or they've saved up enough money to allow them to look for a better job.

Frictional unemployment also occurs when graduate students are looking for their first job or when mothers are returning to the workforce after they give birth. It also happens when workers are fired from the workplace or, in some cases, laid off due to business-specific reasons, such as a plant closure. And frictional unemployment is the period between jobs, when a worker is searching for, or transitioning from one job to another. It occurs because workers seeking jobs do not find them immediately. It is sometimes called search unemployment and can be voluntary based on the circumstances of the unemployed individual (Irmen, 2009).

Frictional unemployment involves people being temporarily between jobs. The duration of such spells of unemployment depends on the institutional framework of the labor market. Examples of such institutions abound. Agencies providing information to job-seekers and employers tend to reduce the length of unemployment spells (Layard et al., 2005). Frictional unemployment is taken as a good macroeconomic issue for the economy because frictional unemployment allows workers to move to jobs where they can be more productive. In general, it is a short-term and a natural part of the job search process.

2.1.2.2 Structural unemployment

Structural unemployment is related to the technological or structural change of the economy. The structurally unemployed are people who are laid off and looking for work because technology advances or other structural changes in production (for example, companies moving abroad) took away their jobs. This is known as occupational and geographical immobility of labor. The term ‘technological unemployment’ is linked to structural unemployment (Levernier and Yang, 2011)

This form of unemployment (especially those due to technology advances) is usually permanent; therefore structural unemployment is also another type of natural rate of unemployment. Even though these specific jobs may be gone forever, people unemployed for structural reasons can frequently find work in other industries after receiving training and acquiring other skills (Diamond, 2013).

Structural unemployment exists when shifts occur in the economy that creates a mismatch between the skills workers have and the skills needed by employers. A good example of this type of unemployment is an industry’s replacement of machinery workers with robots. Workers now need to learn how to manage the robots that replaced them. Those that don’t learn need retraining for other jobs or face long-term structural unemployment (Herz et al., 2011). A long recession often creates structural unemployment. If workers stay unemployed for too long, their skills have likely become outdated. Unless they are willing and able to take a lower-level, unskilled job, they may stay unemployed even when the economy recovers. If this happens, structural unemployment leads to a higher rate of natural unemployment (Crump et al., 2019).

2.1.2.3 Cyclical unemployment

The third type of Unemployment is cyclical unemployment. Cyclically unemployed people are laid off due to a decline in the demand for their product; they are also looking for a job. During recessions, the demand for cars and houses and other durable products decreases. Workers in these industries lose their jobs until demand increases again. This form of unemployment is usually temporary (Thomas, 2015).

Cyclical unemployment is not part of the natural rate of unemployment. It's caused by the contraction phase of the business cycle. That's when demand for goods and services falls dramatically, forcing businesses to lay off large numbers of workers to cut costs. Cyclical unemployment tends to create more unemployment. This is because the laid-off workers have less money to buy the goods and services they need, further lowering demand. Government intervention, in the form of expansive monetary policy and even fiscal policy, is required to stop the downward spiral (Kamil and Daniel, 2005).

This cyclical unemployment is also called Keynesian unemployment. John Maynard Keynes was a British economist (1883-1946) who introduced the idea that the government should intervene and control the economy. This thought of Keynes is a departure from classical economic theory, which suggests there is no role for government because the economy might correct itself in the long run. Therefore, according to the classical theory, a natural correction might take an extremely long time but the great depression motivated Keynes to say “in the long we all are dead” (Rodriguez, 2015).

There are also other types of unemployment:-

2.1.2.4 Seasonal Unemployment

This kind of unemployment occurs during the change of the season, when the job depends upon whether the time is winter or summer. Seasonally unemployed people are out of work and looking for a job during the off-season. Examples include ice cream vendors during the winter, school teachers during the summer (they are considered unemployed only if they are looking for a job during this time), and ski-lift operators during the summer (Irmen, 2009).

Some sources include seasonal unemployment as another type of unemployment. It is part of natural unemployment. Like its name suggests, seasonal unemployment results from regular changes in the season. Workers affected by seasonal unemployment include resort workers, ski instructors, and ice cream vendors. It could also include people who harvest crops. Construction workers are laid off in the winter, in most parts of the country. School employees can also be considered seasonal workers. Asaju (2014) described seasonal unemployment as the type of employment that occurs as a result of the activities in some particular seasons. Industries engage

temporary labor during peak periods of their economic activities. For example, construction companies relieve some of their workers from their job during the rainy season, increasing unemployment; and they employ more hands during the dry season.

2.1.2.5 Classical Unemployment

According to Holte (1988) Classical unemployment is also known as “real wage unemployment” or “induced unemployment.” It’s when wages are higher than the laws of supply and demand would normally dictate. It occurs in one of these three situations:

1. Unions negotiate higher salaries and benefits.
2. Long-term contracts set a wage that has become too high due to a recession.
3. The government sets a minimum wage that's too high.

The result is that companies must pay more per employee, so they can afford fewer employees. Those that are laid off are victims of classical unemployment.

2.1.2.6 Real Unemployment

Real unemployment is not one of the types of unemployment, but it's a term you need to understand. Many people argue that instead of the “official” unemployment rate, we should use an alternate rate calculated by the Bureau of Labor Statistics. This rate is called the “real” unemployment rate, and it uses a broader definition of unemployment. For the real unemployment rate, the BLS includes these three categories (ILO, 2003):

1. Marginally attached are people who haven't looked for work in the past four weeks, but have looked within the past year. This category also includes:
2. Discouraged workers are those who have given up looking for work.
3. Part-time workers who would like a full-time job.

Some people argue that the real unemployment rate during the 2008 recession was as high as the 25% rate during the Great Depression, but this is not true. The "real" U-6 rate reached 17.5% in October 2009, the height of unemployment in the Great Recession.

2.1.2.7 Long- Term Unemployment

Long term unemployment occurs for those actively looking for a job for over 27 weeks. The effects are devastating. Many employers overlook someone who's been looking for that long. The emotional and financial costs can be very damaging (Machin and Manning, 1999).

2.1.3 The Concept of Youth Unemployment

Unemployment is a big macroeconomic problem that depressed economists and governments in the world. What makes the problem more severe and complex is that most of the unemployed peoples in the world are youth. Young people are potentially additionally disadvantaged by having to face more complex and uncertain educational choices than ever before, and by the simple fact of being at a crucial stage in their lives where the right timing and decisions concerning employment have the greatest consequences (Henrik, 2012).

According to the UN (2006) definition, Unemployed people are those who are able and willing to work but unable to get a job. The unemployed comprise all persons above a specified age who, during the reference period, were: (a) without work; (b) currently available for work; and (c) actively seeking work. The labor force is the sum of the number of persons employed and the number of persons unemployed. The youth unemployment rate is the proportion of the youth labor force that is unemployed and young people are defined as persons aged between 15 and 24. According to the definition of ILO (2016), the number of unemployed 15-24 years olds expressed as a percentage of the youth labor force. Therefore, youth unemployed are those people aged between 15- 24 who have not worked but who are available and actively seeking work.

Because of the complex nature of developing country labor markets, and the diversity of income-generating activities that people undertake, the youth employment challenge requires policy action beyond basic education and labor markets, in areas such as credit markets, infrastructure, business regulation, and rural development (Soekarni, 2009). In addition to basic education, high productivity skills that can accelerate youth employment include those relating to processing, marketing, machinery operation and repair, commercial transportation, logistics, and quality control. Responsibility therefore lies with governments to ensure coherence and coordination (ILO, 2012).

Young people on Africa are the most adversely affected by unemployment. According to the International Labor Organization (ILO) global employment trends report of 2014, for instance, the average youth unemployment is currently about 11.8% against a regional total of 7.7% and an average of 6.0% for adults. Despite projections of marginal improvements for young people, of up to 11.7% by 2018, youth unemployment on the continent is still expected to be much higher than the projected total regional average of 7.5% and 6.0% for adults (Andrews, 2017).

As discussed earlier, young people in Africa are relatively disadvantaged in seeking work. They are more likely vulnerable to unemployment and more likely to be engaged in informal forms of work. According to one set of estimates, in the SSA region, 18 million jobs need to be created annually to absorb new entrants to the labor market, yet only 3 million formal jobs are created every year (Dekker and Hollander, 2017). even if African young people now enjoy more formal education, often completing secondary school or even having a university degree, problems in quality and unequal access persist. Therefore, having completed education by no means guarantees securing decent employment (Bajaj, 2009).

Even if better education increases the likelihood of an individual young person get in a job, collectively this can merely make the competition for a limited number of positions. This strongly implies that the causes of Africa's youth employment challenge cannot be explained or addressed solely via a focus on education. Insufficient achievement in education (failing to gain skills or formal qualifications) can be a crucial barrier to employment, but this is only youth-specific to the extent that formal education may today play an even greater role than in the past. Older people in Africa are even less likely to be formally educated or qualified (Azeng and Yogo, 2015).

2.1.4 The Concept of Political Instability

Political instability is the likelihood of having demonstrations, forms of violence, workers going on strike, or the possibility of a coup d'état. It is also measured in terms of whether the government may collapse or not. Political instability can be defined in at least three ways; the first one is to define it as the propensity for regime or government change. A second is to focus on the incidence of political instability or violence in a society, such as assassinations, demonstrations, and so on. A third approach focuses on instability in policies rather than instability in regimes (the degree to which fundamental policies are subject to frequent changes) (Murad and Alshyab, 2019).

Several studies in political science take the assumption that political instability has only one dimension. However, one dimension indicators are generally poor reflection of the underlying variable (Jong, 2006). Therefore political instability is a multidimensional concept and it identifies various dimensions of political instability. The paper Henrik (2012) find out that political instability has four dimensions: mass civil protest (demonstrations, riots, strikes), politically motivated aggression (civil war, internal conflicts, revolutions, ethnic tensions...), instability within the political regime (executive changes, fractionalization, government crises, polarization...), and instability of the political regime (coups d'état, regime changes, government stability, religious tensions, minor civil conflicts..).

Security threats involve causes conventional foes and also other nation-states such as violent non-state actors, narcotic cartels, multinational corporations, and non-governmental organizations (NGOs) (Andruseac, 2015). The United Nations Development Programme 1994 Human Development Report in its definition of political instability expands the concept to cover threats in seven areas. These are economic, food, health, environmental, personal, community, and political security.

According to the Oxford Dictionary of Sociology (2009), “a crime is held to be an offense, which goes beyond the personal and into the public sphere, breaking prohibitory rules or laws, to which legitimate punishments or sanctions are attached, and which requires the intervention of a public authority...for crime to be known as such, it must come to the notice of, and be processed through, an administrative system or enforcement agency.

2.1.5 Measuring political instability

There are several indices designed to measure the level of political instability in countries. Some of these indices have been developed for academic uses, for instance, the polity indices and the World Bank governance indices. Other indices used to inform the political situation of the country for the investors: such as International Country Risk Guide (ICRG), Business Environment Risk Intelligence (BERI), and the Economist Intelligence Unit and so on. In reverse, there are also measurements for political stability, like the Worldwide Governance Indicators (WGI) (Johnson, 2010).

Business Environment Risk Intelligence (BERI) is a Swiss-based private source for risk rating on over 130 countries. Created in the late 1960s, the oldest risk assessment service, Delphi method with a panel of 105 international experts rating 15 criteria for current and medium-term business horizon. There is three components o country risk in the Business Environment Risk Intelligence (BERI): business climate, political stability, currency, and repayment risk. Economic, financial, monetary, operating, and political conditions are integral components of the 0 (worst case) to 100 (best case) system for assessing countries. It is built on the opinion and scores provided by a hundred experts with a diplomatic or political science background. Governance quality is included in political risk analysis along with government effectiveness and social indicators (Carmignani, 2003)

The Worldwide Governance Indicators (WGI) is a measurement for political stability. In the WGI project, we combine data from a large number of underlying sources to construct six aggregate governance indicators: Voice and Accountability (VA), Political Stability and Absence of Violence (PV), Government Effectiveness (GE), Regulatory Quality (RQ), Rule of Law (RL), and Control of Corruption (CC). The indicators cover over 200 countries over the period 1996-2008, and as KL note, the WGI are widely used in scholarly research (Kaufmann et al., 2010). There are various criticisms raised in these political stability measurements. From which Governance cannot be compared over time using the WGI since they are scaled to have the same global averages in every period. The other one is Governance cannot be compared across countries or over time with the WGI since the estimates for governance for different countries or periods may be based on different underlying data sources. The third one is Changes over time in some of the individual indicators underlying the WGI aggregate indicators reflect corrections of

past errors rather than actual changes (WB, 2007).

Aisen and Veiga (2011) evaluated political instability as *Cabinet Changes*, that is, the number of times in a year in which a new prime minister is appointed and/or 50 percent or more of the cabinet posts are occupied by new ministers. According to Fosu (2001), other potential forms of political instability-such as abortive coups and officially reported coup plots-may also exert destabilizing influences on the economy.

However, political instability is a multidimensional concept and thus should be measured with variables that capture its different forms (Azeng and Yogo, 2013). These include executive changes (such as changes in government, changes in policies, coups...) and military instabilities (such as armed conflicts, civilian deaths from conflicts...). So in this paper, we use the Risk of *Internal Conflict* as a measure of political instability.

According to the ICRG methodology by Howell (2013), the International Country Risk Guide (ICRG): is a measurement that uses 22 variables in three subcategories of risk: political, financial, and economic. A separate index is created for each of the subcategories. The ICRG model for forecasting financial, economic, and political risk was created in 1980 by the editors of International Reports, a widely respected weekly newsletter on international finance and economics. As indicated above the system is based on a set of 22 components grouped into three major categories of risk: political, financial, and economic, with political risk comprising 12 components (and 15 subcomponents), and financial and economic risk each comprising five components. Each component is assigned a maximum numerical value (risk points), with the highest number of points indicating the lowest potential risk for that component and the lowest number (0) indicating the highest potential risk. The maximum points able to be awarded to any particular risk component is pre-set within the system and depends on the importance (weighting) of that component to the overall risk of a country.

After a risk assessment (rating) has been awarded to each of the 22 risk components, the components within each category of risk are added together to provide a risk rating for each risk category, (Political, Financial, or Economic). The risk ratings for these categories are then combined based on a formula to provide the country's overall, or composite, risk rating. As with the risk component ratings, the higher the rating computed for the political, financial, economic, or composite rating, the lower the risk, and vice versa. Consequently, the ICRG

system presents a comprehensive risk structure for the country with ratings for its overall, or composite, risk, for its political, financial, and economic risk and for the risk components that make up these broad risk categories (Howell, 2013).

- One advantage of the ICRG model is that it allows us to make our risk assessments based on the ICRG model or to modify the model to meet specific requirements. If particular risk factors have a greater bearing on business or investments, composite risk ratings can be recalculated by giving greater weight to those factors.
- It can be used by institutional investors, banks, multinational corporations, importers, exporters, foreign exchange traders, shipping concerns, and a multitude of others, the ICRG model can determine how financial, economic, and political risk might affect their business and investments now and in the future.
- This approach enables us to track the effect of a single risk component, or group of components, on the overall risk of a country.
- Also, ICRG produces the information and data on which the ratings for the individual risk components are determined, together with its interpretation of that information or data. This enables us to balance our own interpretation of the information and data against that of the ICRG staff.

Table 2.1 risk categories of ICRG

12 Components of political risk	5 Components of Financial risk	5 Components of Economic Risk
Government stability	Total foreign debt of GDP as %	GDP per capita
Socioeconomic Conditions	Debt service as % of Exports	Real Annual GDP Growth
Investment Profile	Current account as % of Exports	Annual Inflation Rate
External Conflict	International liquidity as months of Import cover	Budget Balance as % of GDP
Corruption	Exchange rate stability as % change	Current Account as % of GDP
Military in politics		
Religion in Politics		
Internal Conflict		
Law and Order		
Ethnic Tensions		
Democratic Accountability		
Bureaucracy Quality		

Source: Howell 2013 ICRG methodology

2.1.6 Causes of political instability

Political instability is a serious and risky issue in the world; it becomes the cause for the death of many innocent peoples. We can see the situations in countries like Syria, Yemen, Sudan..., we have seen how political instability splay countries. Here are some factors of political instability:- the main reason for political instability is mass unemployment and poverty can easily trigger political instability in any country. When the majority of the people especially youth unemployment, in a country are impoverished and cannot find jobs to do, then they vent their anger on the government and that leads to instability in the country. In the world, many countries have suffered from instability as a result of this (Cramer, 2005).

Another factor for political instability is corruption and mismanagement of the wealth of a country by the leaders. For a long period, Corruption is one of the biggest factors responsible for political instability in many countries all over the world. The more corrupt a country is the higher possibility for instability in that country (Kaplan, 2017). Now a day, instability and social unrest become usual for developing countries when there is an election in the country. Political instability also occurs when elections are not free and fair. Many countries have suffered from political instability as a result of unfair elections characterized by rigging of votes and intimidations during elections. Therefore, an election that is not free and fair is another major cause of political instability in many countries across the globe (Tutu,2004).

Suppression of opposition parties by the ruling government also another reason for political instability. Especially, when members of the opposition parties are detention by the governor and deliberately targeted and prosecuted for no apparent reason, then this can easily give rise to instability in the country. For instance, situation in Ethiopia for the last many years, the government has chased, incarcerates, and even killed the members of different parties, this in turn leads to unstable situations and civil wars (Collier, 2007). Another treating cause of political instability is ethnic and religious tensions that lead to civil wars and hideous carnage. A high level of prejudice in a country also leads to instability. Prejudice is the unreasonable hatred of people who are different from you. In many countries in Africa, ethnic prejudices have over the years led to some of the worst forms of instabilities in a country (Irobi, 2005). We can mention Ruanda as a good example of the disaster impact of ethnic tensions.

Holding on to power for too long by heads of states is another major cause of political instability.

A country can easily be plunged into political instability when the head of state decides not to step down from power when his or her time is up. So many countries in Africa and Asia have experienced political instabilities as a result of this (Sylor, 2016). Syria and Sudan are a good example of a country presently experiencing political instability as a result of these factors.

2.1.7 Political instability in IGAD countries

Various papers showed that there is no region like the IGAD region that is unstable in political and economic situations. After Syria and Afghanistan, South Sudan has the third-largest refugee crisis and From 10 refugees 6 are children. South Sudan gained independence from Sudan in July 2011, but the hard-won celebration was short-lived. The Sudan People's Liberation Movement, the ruling political party that originally led the way for independence, is now divided and fighting for power. Tens of thousands of civilians rushed to seek refuge in U.N. bases that were subsequently turned into makeshift displacement camps. The fighting has continued, becoming an increasingly brutal civil war and affecting the entire country.

Importance of conflicts in the Horn of Africa “10 years ago”, one third of the African continent was in active conflict. Today these are concentrated in Somalia, Sudan and the Great Lakes areas”¹. A significant number of conflicts are active or on the brink of emergence in the region and generate major humanitarian crisis undermining the development of specific areas within the region (Plaut, 2013). Terrorists and rebel groups as well as armed pastoralists operate in areas with little control from the central government. Those seeking a voice have often turned to violence rather than raising their voice within defined structures. In several border areas, armed groups make their conflicts regional, which increases their impact and adds to their complexity (Mengisteab, 2011).

Since the conflict began, 1 in 3 people in South Sudan have been displaced. More than 4 million citizens have been forced to flee their homes. Around 2.3 million people have escaped to neighboring countries in search of safety, and 1.8 million are trapped inside the warring nation. South Sudan is one of the most fled countries in the world, alongside Syria, Afghanistan, and Venezuela (Hersi, 2018). Without peace and support, the crisis in South Sudan will continue to deteriorate. Families will remain in hiding away from their homes and their land, unable to plant, and the economy will decline further. Therefore the world should give attention to the country before the situation becomes out of control (Nyadera, 2018).

The other unstable country in the region is Somalia; The Somalia conflict is rooted in issues of identity, war culture, external influences, struggle over power and resources, and a lack of social, economic, and political infrastructure. When approaching the Somali conflict, it is important to take a holistic approach when addressing the root causes of the many issues that Somalia faces. There should be a strong focus on partnership, collaboration, and women empowerment to ensure effectiveness and sustainability (Ahmed and Mukhongo, 2016).

The conflicts affecting Somalia are deeply rooted in its history and continue to shape the country's destiny. The civil war in Somalia is one of Africa's oldest wars. After 20 years of crisis, the entire country is unstable and dangerous. Somalia has been plagued by ongoing conflict for decades. Precipitated by instability and insecurity, and combined with persistent natural disasters, the crisis has left over 2.6 million Somalis internally displaced and 870,000 registered as refugees. Somalia will likely remain unstable, conflict-affected, and food-insecure throughout 2019. While a major Al-Shabab resurgence is unlikely, people will continue to be uprooted from their homes due to ongoing conflict (Magan, 2016).

The Republic of Somaliland (north-west) was self-declared due to its desire to secede from the rest of Somalia after the state collapse in 1991, electing SNM leaders as their president and vice president. This administration established the Beal System, which includes the clan-based House of Elders and House of Representatives. A multiparty system is intended to replace the inefficient and ineffective Beal System to democratize Somaliland and move away from its current authoritarian-like rule (Hersi, 2018). Weak institutions, corruption, and poor governance threaten the stability and peace in Somaliland, which may lead to violent disputes between the administration and opposition groups. This would provide religious fundamentalists with more power and influence in this region (World Bank, 2005). To ensure stability and sustainability, Somaliland needs to focus on solidifying and strengthening its democratic institutions, promoting inclusiveness in the decision-making process, fostering economic growth for generating revenues, and conducting fair elections that produce a transparent and accountable administration (World Bank, 2005).

In the region conflicts between Ethiopia and Eritrea is one of the conflicts in the horn of Africa that took place from May 1998 to June 2000, with the final piece only agreed to in 2018, twenty years after the initial confrontation. Eritrea and Ethiopia, two of the world's poorest countries,

spent hundreds of millions of dollars on the war and suffered tens of thousands of casualties as a direct consequence of the conflict. In 1991, the EPLF-backed transitional government of Eritrea and the TPLF-backed transitional government of Ethiopia agreed to set up a commission to look into any problems that arose between the two former wartime allies over the foreseen independence of Eritrea (Addis, 2020).

Ethiopia is experiencing increased internal conflict, which saw 1.4 million people displaced internally in the first half of 2018 — more than in any other country. This has been intensified by tensions between regional political and ethnic groups since new Prime Minister Abiy Ahmed took office and started to introduce reform (Fraoli, 2020).

Uganda's history is a long and complicated one, fraught with despotic leadership and conflict for power. The country lurched from the oppressive control of Idi Amin, during whose reign an estimated 300,000-500,000 people were murdered and a further 80,000 Asian Ugandans were expelled from the country, to the repressive regime of Obote, during which time another estimated 100,000 people were killed and Uganda became known for having one of the world's worst human rights records. Life for our children in Uganda is still unstable at times, and very much overshadowed by the terror into which they were born and forced to live (Barkan, 2011).

After 20 years of conflict along the country's northern border, abduction of more than 20,000 children and displacement of some two million people, a ceasefire between the Uganda Government and the Lord's Resistance Army (LRA) – a rebel group led by Joseph Kony – came into force on 29 August 2006 (Bello and Moyer, 2018). The truce opened the way for peace talks in Juba, mediated by the Government of Southern Sudan. With only intermittent minor skirmishes the ceasefire was maintained until June 2007, when the Uganda Government reached an agreement with the LRA on a roadmap for long-term peace, reconciliation, and accountability (Tomberg, 2013).

From the above historical situation of countries in the region, anybody can simply understand how countries in the IGAD region are in severe unstable situation. Due to lack of peace, political, economic, and social stability, Economic growth becomes impossible for the government, and people in the region are still in severe poverty.

2.1.8 The Link between Youth Unemployment and Political Instability

Without a doubt, unemployment is a threat to political stability in Africa. Most of the time unemployment gives birth to political instability in a country; unemployed person can easily participate in antisocial activities. They consider that government is worthless which fails to provide them work. In Africa where the dependence ratio on government is very high, people tend to resort to any means to retaliate to get their issues addressed (Riechi, 2019).

Tard Dahrendof was one of the earliest writers to establish a relationship between crime and the environment. He believes that people learn crime through imitation or contact with criminals in their environment. Gabriel Tard writes on this:" the behavior of an urban city can be studied in the form of a social environment and hence, social crimes and deviancies in the urban environment could be analyzed by the expanse of the city, population density and diversity of various cultures in new urban environments. Dahrendof (1976) However, people's actions, particularly criminal actions are influenced by an environment where the action takes place, expands, and is transferred to other new environments as an imitable behavior (Dahrendof, 1980).

The relevant theory for this study is the anomie theory as propounded by Emile Durkheim. Durkheim's anomie theory ³describes the effects of the social division of labor developing in early industrialism and the rising suicide rate. French philosopher Emile Durkheim's book *The Division of Labor in Society* (*De la Division du Travail Social*) debuted in 1893. It was his first major published work and the one in which he introduced the concept of anomie or the breakdown of the influence of social norms on individuals within a society.

³Durkheim sees anomie as a state of social disintegration. Due to a far-reaching social change (here: industrialization, introduction of the structural principle of division of labor), social differentiations are increasingly emerging (e.g. poor – rich, urban – rural, religious – secularized, etc.). The disappearance of old principles of structure and order weakens social cohesion. As a result, general social rules are no longer observed; the collective order dissolves and a state of anomie emerges. The consequences of this are increased suicide and crime rates (Christian, 2019).

At the time, *The Division of Labor in Society* was influential in advancing sociological theories and thought. Today, it is highly revered for its forward-thinking perspective by some and deeply scrutinized by others. He believed that the specialized division of labor and the rapid expansion of industrialized society contained threats to social solidarity. Thus, anomie refers to the breakdown of social norms and a condition where those norms no longer control the activities of the members of the society. Without clear rules to guide them, individuals cannot find their place in society and have difficulty adjusting to the changing conditions of life. This in turn leads to dissatisfaction, frustration, conflict, and deviant behaviors (Anthony, 2013).

One of the most popular phenomena that explain why youth involve in violence is Grievance-based explanation. Grievances and horizontal inequalities may be better at explaining why conflicts begin, but not necessarily why they persist. It argues that relative deprivation and the grievance it produces fuels conflict. Central to grievance are concepts of inter-ethnic or horizontal inequality. Identity formation is also crucial to intra-state conflict, as it overcomes the collective action problem (Dorn, 2013)

Another theoretical framework used in the world is the deprivation ⁴theory of Ted Gurr which provides a classical theory explaining reasons why youth could engage in various forms of violence. After writing a whole book, Gurr (1970) argues that the primary sources of violence are emotive, psychological, non-rational causes of violence, Gurr tacks on this passage about the rational utilities of violence

The theory of deprivation also explains the relationship between insecurity and unemployment. This does not mean that all unemployed young people are potential terrorists but rather suggests considering youth unemployment as an additional push factor in violence. Following Ted Robert Gurr's theory on relative deprivation (Gurr, 1970), violence does not take root in absolute deprivation but rather in relative deprivation. In this regard, specific attention should be paid to the particular patterns of youth unemployment in the MENA region where highly qualified, educated young people suffer more from unemployment than any other group. This widens the gap between individuals' expectations (job, salary, and lifestyle) and reality within broader segments of the population than merely unemployed lower-class people. Added to the mismatch

⁴Deprivation occurs when your value expectations exceed your value capabilities. Values include welfare, security, self-actualization, and so forth.

between education skills and the labor market, the lack of economic opportunities for educated people contributes to exacerbating the gap between expectations and reality and thereby feeds the feeling of relative deprivation.

In a broader perspective, recent research on Arab youth confirmed Gurr's theory: the drivers of political violence are rooted in the sense of injustice, discrimination, corruption, and abuse by security forces (Mercy Corps, 2015). In this respect, one of the most counterproductive risks of the security approach is to make room for practices that could further push vulnerable individuals into violent extremism (Doorn, 2013).

2.2 Empirical literature review

Various researches have been done on unemployment and political instability separately. And the researches also extend to the related issues like unemployment and political instability, Economic growth and unemployment, economic growth and political instability, and so on. Some papers done to show the impact of unemployment on the political instability and the reverse are also true, the others done to show whether political instability leads to unemployment. These researches are made at a continent level, as a country level, and specifically at a regional level.

From these studies, some of the studies discussed that youth unemployment doesn't affect political instability. A vast majority of the studies were discussed about the negative effect of youth unemployment on political instability. And will discuss all of these types of studies in the next section.

I. Studies which found youth unemployment doesn't affect political instability

These scholars argue that violent conflict cannot be reduced to the single factor of un/underemployment or access to economic opportunities. Instead, high unemployment only tips over into unrest and violence when combined with other social and political factors.

Rezyk (2016) studies the political-economic factors that contributed to the uprisings in Egypt in 2011 and 2013. She argues that it was not the extremely high and increasing rates of unemployment amongst Egyptian youth or increasing poverty on its own but rather people's perceptions of the political handling of the situation that drove them to revolt. In 2011, a sense of intolerable levels of corruption and the prospect of their continuation under Mubarak's son, Gamal, made people responsive to revolution. And again in 2013, it was the people disappointment at the unmet promises of economic betterment. The finding of the study revealed that youth unemployment doesn't lead to political instability.

Similarly, Enria (2018) investigated the politics of work in a post-conflict state; youth, labor, and violence in Sierra Leone. Drawing on empirical data about young people in Sierra Leone's capital, Freetown, in the wake of its civil war (1991 to 2002), this paper moves beyond reductive portrayals of unemployed youth as "ticking bombs" to show how labor market experiences influence them towards political mobilization. He argues that violence is not inherent to

unemployment and ‘the impact of joblessness on political activism is mediated by social factors and the specific nature of the post-war political economy. For Freetown's youth, labor market exclusion is seen to have implications for social status, identities, and social relations. This in turn shapes their political subjectivities and claims on the state and structures the opportunities and constraints to their collective action.

II. Studies which found a positive effect of youth unemployment on political instability

According to the paper by Azeng and Yogo (2013) large rate of youth unemployment makes countries more unstable at all. The research tried to show the effect of youth unemployment on political instability using a sample covering 24 developing countries over the period 1980-2010, a 30 years panel data. The paper finds that youth unemployment is significantly associated with an increase in the risk of political instability. Finally, the research recommended that large youth unemployment rate associated with socioeconomic inequalities and corruption makes countries more vulnerable to political instability and national insecurity.

Apolte and Gerlin (2015) investigated the link between armed insurrection and large youth cohorts using cross-country panel data from 169 countries. They develop a model of insurrection markets and integrate the youth bulge as measured by the relative youth cohort size. They find that it is not the demographic structure or the relative size of the youth cohort as such but rather the reality of large youth populations facing significant unemployment that coincides with insurrection. By testing their implications in an empirical model based on cross country panel data and find that the effect of the relative youth cohort size on insurrection outbreaks is moderated by changes in the underlying institutional setting, and more precise changes in the labor-market conditions as approximated by unemployment rates. While statistical analysis may be useful in establishing broad trends, a great deal of criticism has been leveled against how these studies have causally linked violence with unemployment (Oosterom, 2018).

The study by Collier (2000) shows that large youth cohorts may be a factor that reduces recruitment costs through the abundant supply of labor with low opportunity cost and it increases the risk of armed conflict. If young people are left with unemployment and poverty, they are more likely to join a rebellion as an alternative way of generating an income. The author also recommended that the expansion of higher education as a strategy to reduce the risk of political

violence. Since educated men have better income earning opportunities than the uneducated, they would have more to lose and hence be less likely to join a rebellion. Paul Collier, former Director of the Research Development Department of the World Bank, has suggested that relatively large youth cohorts may be a factor that reduces recruitment costs through the abundant supply of rebel labor with low opportunity cost, increasing the risk of armed conflict (Collier, 2000). According to the opportunity perspective, rebellion is feasible only when the potential gain from joining a rebel or terrorist organization is so high and the expected costs so low that certain individuals will favor joining over alternative income-earning opportunities.

Urdal (2004) examined the effect of Youth bulges⁵ on domestic armed conflict. The research hypotheses are tested in an event history statistical model covering a high number of countries and politically dependent areas over the period 1950-2000. The study finds robust support for the hypothesis that youth bulges increase the risk of domestic armed conflict, and especially so under conditions of economic stagnation. He notes that while youth bulges are strongly associated with increased levels of domestic armed conflict, the reasons for this are not easily generalized, cannot be assumed, and must be empirically investigated. However, the combination of youth bulges and widespread unemployment increases the likelihood of violence, particularly when young people cannot easily migrate away from their societies in search of a better life as they did in 19th century Europe.

Amirali (2019) investigates the relationship between the ‘youth bulge’ and political unrest to understand when and why young Iraqis resort to violence or disruption. In Iraq, widespread youth unemployment combines with high levels of political exclusion, sectarian politics, militarization, perceptions of injustice, frustrated aspirations, war-related trauma, and the rapid breakdown and transformation of traditional institutions such as family and tribe. Together, these factors (and others not covered in this review) produce violence in specific moments. A systematic study of how Iraq’s youth ‘bulge’ affects the country’s political dynamics is warranted. Similarly, (Sambanis, 2002) the empirical analysis does indeed suggest that large

⁵The youth bulge is a common phenomenon in many developing countries, and in particular, in the least developed countries. It is often due to a stage of development where a country achieves success in reducing infant mortality but mothers still have a high fertility rate. The result is that a large share of the population is comprised of children and young adults, and today’s children are tomorrow’s young adults (Yifu Lin, 2012).

young male bulges are more likely to increase the risk of conflict in societies where male secondary education is low. This suggests that the availability of large cohorts of poorly educated youth can support armed conflict.

Sylor (2016) undertook a study on the unemployment and implications for social and political conflict in Zimbabwe. The study showed that for the last 3 decades, Zimbabwean youth have been involved as main factors behind the social unrest and violent activities in the country. This paper argues dissatisfaction and frustration of youth especially graduate urban youth are regarded as one of the major threats to social and political instability. The paper also presents various challenges Zimbabwean youth face and their implications to social and political conflict. The paper discussed the major causes of youth unemployment such as: Sluggish investment and growth, weak export performance, population growth rate, geography, poor macroeconomic policy, and the growth path (depend on commodity products). The paper suggests that there should be land reform, but land reform without the creation of youth employment is only leading to the alienation of youth groups that will fight against the establishment.

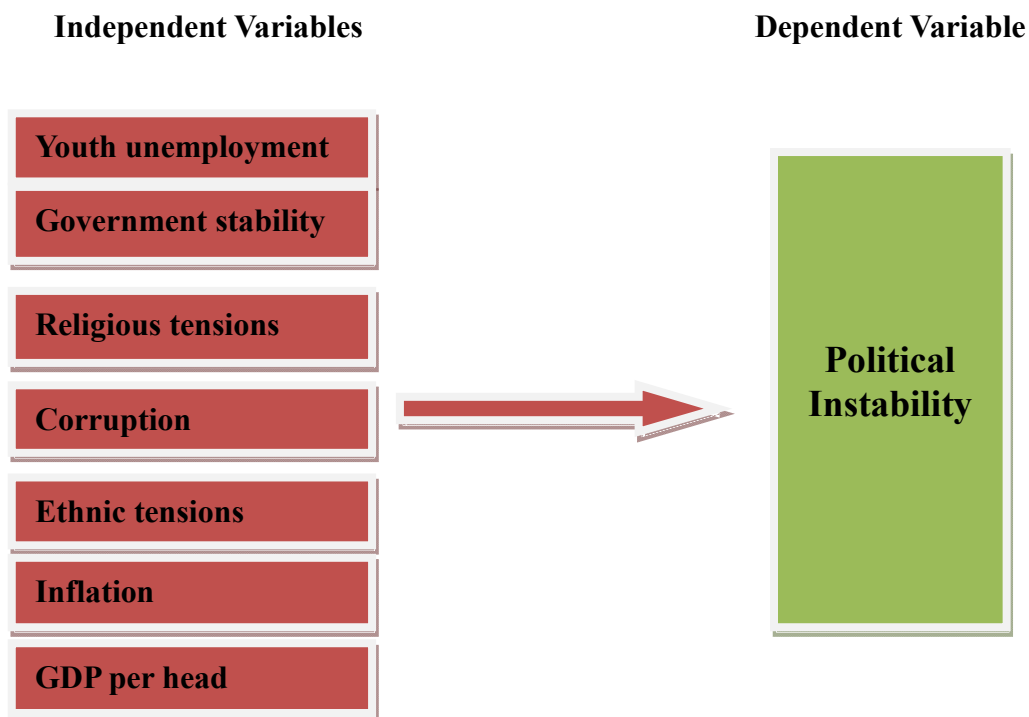
Thomas (2018) focuses on addressing youth unemployment in Morocco examines the challenges related to youth unemployment and how Morocco, as a country with high rates of youth unemployment, can benefit from international experiences. High youth unemployment has potentially severe implications on overall economic stability and social cohesion. The issue of youth unemployment must be addressed promptly when youth unemployment rates are high. Research points to a strong correlation between youth unemployment and socio-economic and political instability. If prolonged, youth unemployment can lead to negative consequences at both the individual and societal level. This paper suggests that to tackle its youth unemployment problem Morocco can use policies resulting from lessons learned internationally such as active labor market policies, more adequate minimum wage settings, more flexible contracts, initiatives to acquire new skills related to current technological changes; and finally, more public-private partnerships (PPP). The issue of youth unemployment must be addressed promptly when youth unemployment rates are high because of the strong correlation between youth unemployment and socio-economic and political instability. If prolonged, youth unemployment can lead to negative consequences at both individual and social level.

Another study by (Riechi, 2019) addresses the effect of youth unemployment on security in Kenya for the case of Kwale County. The study used both qualitative and quantitative research approaches and the investigation utilized a descriptive research design. Qualitative research design was used and the target population was leaders drawn from the youth, police, Kwale County government officials, national government administration officers in Kwale County, and the religious sector. The study utilized both primary and secondary data. The researcher used questionnaires for the majority of leaders, interviews for key informants, and focused group discussion for the youth leaders. The study has argued that youth unemployment in Kwale County has been securitized with a majority of leaders terming unemployed youth as a threat to security. Therefore, the paper concludes that unemployed youth end up engaging in crime and another effect of unemployment is hopelessness leading to drug and alcohol abuse, similar findings with Payne (2015) and Dike (2014).

The reviews conducted above indicate that previous studies have made an effort to examine the effect of youth unemployment on political instability. Despite the effort made to address the subject in other regions of the world, to the best of our knowledge no effort is made to address the issue in IAGD member countries. The region has eight countries that are highly characterized by civil wars, economic, social, and political instabilities, almost all nations of the region are included in the list of the world top unstable nations. At the same time two-third of the total population is below the age of 25 and unemployment is the main macroeconomic problem in the region. As such investigating the effect of youth unemployment on political instability is crucial to guide the effort to address political instability in the region. Previous studies on the subject have found inconsistent result which necessitates further investigation on the subject. Besides, this particular concern is not researched in IGAD member countries. Therefore, this paper investigated the effect of youth unemployment on political instability in selected IGAD countries using recent panel data (1992 to 2018).

2.3 Conceptual Framework

Based on the literature review, economic and political variables especially youth unemployment, annual inflation rate, GDP per capita, ethnic tensions, corruption and religious tensions has a great effect on political instability. To this end, the researcher constructed the following conceptual framework.



Source: Author's computations

Figure 2: Conceptual Framework

CHAPTER THREE

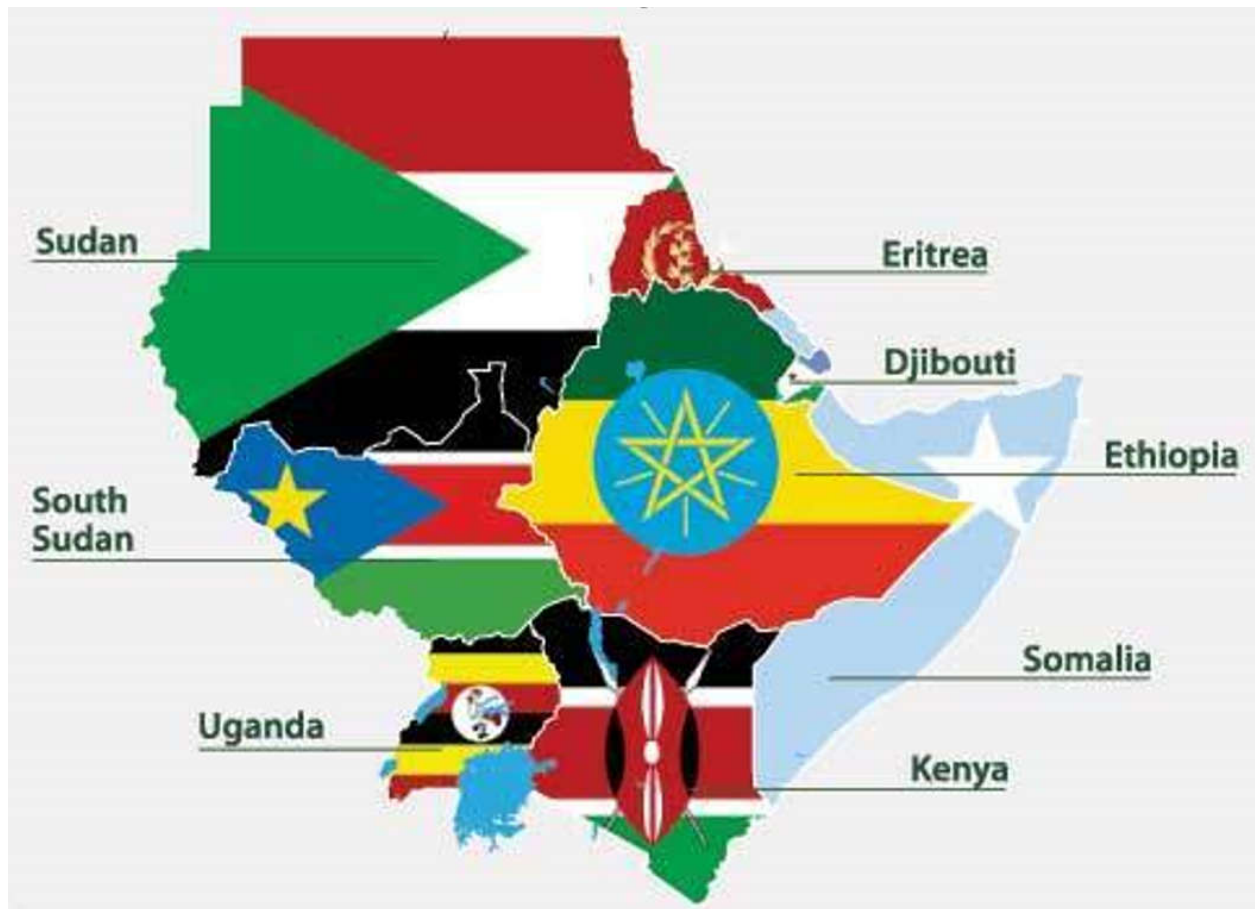
METHODOLOGY

This chapter presents the empirical model employed in this study to investigate the effect of Youth Unemployment on Political instability in IGAD countries. It also discusses the statistical tools and necessary diagnostic tests within panel regression that are employed in this study.

3.1 Study Area

In Africa the IGAD (Intergovernmental Authority on Development) countries are eight, those are Ethiopia, Kenya, Uganda, Sudan, South Sudan, Eritrea, Somalia, and Djibouti. The IGAD region has a population of over 230 million people and the region is characterized by a high natural growth rate of population. Among these countries, the average population density is about 30 persons per KM^2 . In the region most of the populations are living in the rural areas, in these rural areas, more than 600 persons are living on one km^2 . However, urban densities are quite high, for instance in Nairobi (the capital city of Kenya) where there are 4,509 persons/ km^2 and higher in the capital city of Ethiopia (Addis Ababa) at 5,165 persons/ km^2 . The IGAD region demographic age structure shows that some 50 percent of the population is youth, which is a good opportunity for the region if the youth are supported by the appropriate education and training (IGAD, 2019).

The Intergovernmental Authority on Drought and Development (IGADD) was founded in 1986 to prevent droughts and other natural disasters that resulted in famine, ecological degradation, and economic hardship in the Eastern African region. Then in 1996, the Intergovernmental Authority on Development (IGAD) in eastern Africa was created. Six countries took action through the United Nations to establish the intergovernmental body for development and drought control in their region; those are Djibouti, Ethiopia, Kenya, Somalia, Sudan, and Uganda. A new organizational structure was launched by the IGAD Assembly of Heads of State and Government on 25 November 1996 in Djibouti, the Republic of Djibouti. The vision and mission of IGAD is to be the premier Regional Economic Community (REC) for achieving peace and sustainable development in the region through Promoting regional cooperation and integration to add value to Member States' efforts in achieving peace, security and prosperity.



3.2 Data Type and Source

Annual data on economic and political variables over 27 years, from 1992 to 2018 is employed for this study. The choice of the period is due to data availability, before the time 1992; it is difficult to get data on most of the variables used in the paper.

The data on youth unemployment is collected from the ILO key indicators of the Labor Market (KILM). Most of the international organizations and countries use the age range from 15 – 24 for youth. Therefore, since the source of the data is from the international labor market ILO, the sample used in this study consists of all household members between the ages of 15-24.

Countries stability should be measured by different economic, political, and social variables to show the different forms. Thus, we used the data from the International country risk guide

measures (ICRG) database on political and economic risk and we use the Risk of *Internal Conflict* as a measure of political instability (Azeng, 2013).

The data for Economic variables such as GDP per capita and annual inflation rate is captured from world development indicators (WDI) from World Bank national accounts data and OECD national accounts data files. For all the rest variables, the data captured from the International country risk (ICRG) annual data. Those are government stability, religious tensions, corruption, and ethnic tensions.

In this research paper, a linear panel regression analysis model has been used since the data is expected for 27 years for five countries, it is a panel data; to complete the task I used the statistical software STATA, version14.

3.3 Measuring political Instability

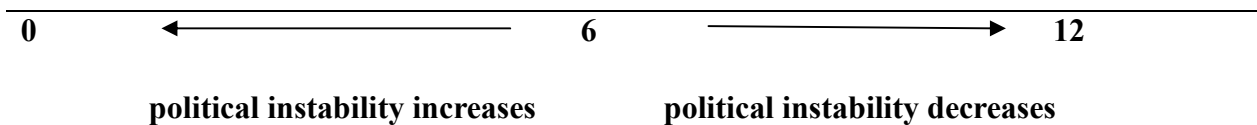
According to the International Country Risk Guide (ICRG) Howell (2013), political risk rating is aims to provide a means of assessing the political stability of countries. This is done by assigning risk points to a preset group of factors, termed political risk components. Those are Government Stability, Socioeconomic Conditions, Investment Profile, Internal Conflict, External Conflict, Corruption, and Military in Politics, Religious Tensions, Law and Order, Ethnic Tensions, Democratic Accountability and Bureaucracy Quality.

From the above 12 political risk components, we used the risk of internal conflict as a measure of political instability. Internal conflict is an assessment of political violence in the country and its actual or potential impact on governance. The highest rating is given to those countries where there is no armed or civil opposition to the government and the government does not treat in arbitrary violence, direct or indirect, against its people. The lowest rating is given to a country involved in an on-going civil war. The risk rating assigned is the sum of three subcomponents, each with a maximum score of four points and a minimum score of 0 points. A score of 4 points equates to Very Low Risk and a score of 0 points to Very High Risk.

The subcomponents are:

- Civil War/Coup Threat
- Terrorism/Political Violence
- Civil Disorder

Therefore the total point of the risk of internal conflict is 12. A score of 12 points equates to very low risk and a score of 0 points to very high risk.



3.4 Model specification

The current study is inspired by the paper of Edward Miguel (2004) and Therese F. Azeng and Thierry U. Yogo (2013). They used a panel data approach to study the impact of various economic, social and political conditions on conflict. They performed both IV-2SLS estimation and a nonlinear two-stage procedure to correct standard errors in the presence of a dichotomous dependent variable in the second stage.

This paper examined the relationship between youth unemployment and political instability using the simplest specification of this model:

$$\text{Polins}_{it} = \beta_0 + \beta_1 \text{yun}_{it} + \mathbf{X}_{it}\lambda' + U_{it} \dots \dots \dots (1)$$

Polins_{it} = the measure of political instability for the country i at time t.

Yun_{it} = the youth unemployment rate for the country i at time t.

U_{it} = random disturbance term

β_1^6 = the coefficient of youth unemployment

λ = the coefficient of all other independent variables

X_{it} = the vector of independent variables including:-

- Government Stability
- Corruption
- Religious Tensions
- Ethnic Tensions
- GDP per Capita
- Annual Inflation Rate

To determine the relationship between dependent and independent in this study the fixed effects model and the random-effects⁷ model which are the most common linear panel data analysis models were used.

Political instability fits a function of seven explanatory variables, Fixed effects model:-

$$Polins_{it} = \beta_0 + \beta_1 Yun_{it} + \beta_2 govstait + \beta_3 religten_{it} + \beta_4 corr_{it} + \beta_5 ethten_{it} + \beta_6 GDPperit + \beta_7 Anninf_{it} + \varepsilon_{it} \dots \dots \dots (2)$$

ε_{it} is the error term Empirical representation the model for random effects is as follows:

$$Polins_{it} = \beta_0 + \beta_1 Yun_{it} + \beta_2 govstait + \beta_3 religten_{it} + \beta_4 corr_{it} + \beta_5 ethten_{it} + \beta_6 GDPperit + \beta_7 Anninf_{it} + \varepsilon_{it} + \mu_{it} \dots \dots \dots (3)$$

Where μ_{it} is the random effects of the country i, and for $\varepsilon_{it} + \mu_{it} = \gamma_{it}$ the model is given as:

⁶In the case of time-series cross-sectional data the interpretation of the beta coefficients would be, for a given country, as X varies across time by one unit, Y increases or decreases by β units.

⁷The crucial distinction between fixed and random effects is whether the unobserved individual effect embodies elements that are correlated with the repressors in the model, not whether these effects are stochastic or not [Green, 2008, p.183].

ε_{it} is between country error and μ_{it} is with- in country error.

$$Polins_{it} = \beta_0 + \beta_1 Yun_{it} + \beta_2 govstait + \beta_3 religten_{it} + \beta_4 corr_{it} + \beta_5 ethten_{it} + \beta_6 GDPper_{it} + \beta_7 Anninf_{it} + \gamma_{it} \dots \dots \dots (4)$$

Where, $Polins_{it}$ is the measure of political instability for the country i at time t.

Yun is the youth unemployment rate

$Govsta$ is government stability

$Religten$ is religious tensions

$Corr$ is corruption

$Ehten$ is ethnic tensions

$GDPper$ is GDP per capita

$Annin$ is the Annual inflation rate

The empirical analysis is done using different panel data estimation techniques which are the fixed-effect estimation and Random effect estimation. Fixed effects (group dummies) estimation is used to control the average differences across countries in any observable or unobservable predictors. The fixed effect coefficients soak up all the across-group action and it avoid biased estimates of coefficients that could occur because of omitted time-invariant variables. The fixed effect estimation model has a drawback of not explaining the time-invariant causes of the dependent variable. The rationale behind the random-effects model is that, unlike the fixed effects model, the variation across entities is assumed to be random and uncorrelated with the predictor or independent variables included in the model. It is used to include the effect of time-invariant explanatory variables. The drawback of this model is that it could lead to omitted variable bias because some variables may not be available.

As a linear model, the equation (1) can be estimated using simply ordinary least square (OLS). The main drawback behind OLS is that OLS results are biased if youth unemployment is correlated with the unobserved component of political instability. For instance, political instability could lead to a higher unemployment rate, rather than vice versa. Political instability originates in high uncertainty which may decrease labor demand and therefore increase unemployment (Thierry, 2013). In this case, the effect of youth unemployment could be misleading. OLS results could be therefore biased toward zero and they can underestimate the 'true' impact. This leads to the endogeneity bias, the problem of endogeneity occurs when a predictor variable (x) in a regression model is correlated with the error term (e) in the model.

To deal with Endogeneity bias we resort to IV/GMM estimator. First, we used IV fixed effect estimation and then we make use of one-step moments (GMM) estimator. The efficiency gains of this estimator relative to the traditional IV estimator derive from the use of the optimal weighting matrix, the over identifying restrictions of the model, and the relaxation of the i.i.d. assumption. The coefficient that will draw our attention is β_1 which should be significantly positive.

GMM allows for most flexible identification and its estimates can be identified by any set of moments from the data as long as you have at least as many moments as you have parameters to estimate and that those moments are independent enough to identify the parameters. (And the parameters are independent enough of each other to be separately identified.) GMM estimator has Good large sample properties. The GMM estimator is strongly consistent and asymptotically normal and it will likely be the best estimator if you have a lot of data.

There are two estimators for GMM dynamic panel data called the differenced GMM model and System GMM model. To decide between difference and system GMM model, the rule stated by Bond (2001) used. First, pooled OLS, for the within effect, and fixed effect models are estimated, and the coefficients for the lagged dependent variable from the pooled OLS estimation is taken as an upper bound estimate and the coefficient in the fixed effect estimation is taken as a lower-bound estimate. Second, one step and two-step difference GMM model is estimated. The coefficient of the lagged dependent variable, which is Political instability in this case, from the two-step difference GMM estimation, is compared with the coefficients of the previous two estimations. If it is close to or below the fixed effect estimate, it's suggested that the difference GMM is downward biased and system GMM estimator is preferred.

The GMM model is empirically presented as follows:

$$Polins_{it} = \beta_1 Polins_{it-1} + \beta_2 Yun_{it} + \beta_3 govstait + \beta_4 religten_{it} + \beta_5 corr_{it} + \beta_6 ethten_{it} + \beta_7 GDPperit + \beta_8 Anninf_{it} + t_i + \gamma_{it} \dots \dots \dots (5)$$

$$\varepsilon_{it} + \mu_{it} = \gamma_{it} \dots \dots \dots (6)$$

Where, $Polins_{it}$ is the measure of political instability for the country i at time t.

$Polins_{it-1}$ is the lag value of political instability

Yun_{it} is the youth unemployment rate for the country i at time t.

t — Represents time effects

While γ_{it} represents both country effects (μ_{it}) and the remainder disturbance which varies over both country and time (ε_{it}).

Original model:

$$Polins_{it} = \beta_1 Polins_{it-1} + \beta_2 Yun_{it} + \beta_3 govstait + \beta_4 religten_{it} + \beta_5 corr_{it} + \beta_6 ethten_{it} + \beta_7 GDPperit + \beta_8 Anninf_{it} + t_i + \gamma_{it}$$

The transformed equation:

$$\Delta Polins_{it} = \Delta Polins_{it-1} + \Delta Yun_{it} + \Delta govstait + \Delta religten_{it} + \Delta corr_{it} + \Delta ethten_{it} + \Delta GDPperit + \Delta Anninf_{it} + \Delta t_i + \Delta \gamma_{it} \dots \dots \dots (7)$$

For the difference GMM we don't need to transform the model.

3.5 Variable Description

Dependent variable (Internal Conflict)

This is an assessment of political violence in the country and its actual or potential impact on governance. The highest rating is given to those countries where there is no armed or civil opposition to the government and the government does not indulge in arbitrary violence, direct and indirect, against its people. The lowest rating is given to a country embroiled in an on-going civil war. The risk rating assigned is the sum of three subcomponents, each with a maximum score of four points and a minimum score of 0 points. A score of 4 points equates to Very Low Risk and a score of 0 points to Very High Risk. The subcomponents are: Civil War/Coup Threat, Terrorism/Political Violence, and Civil Disorder (ICRG methodology) Howell (2013).

Independent Variables

Religious tensions

As we know IGAD countries are countries with various cultures, languages, and religions. Religious tensions may arise when one religion is superior to the others and it may also be caused by a domination of governance by a single religion. Across the world, religious conflicts to control the power of the state or to create “a state” religion/belief system as its official religion had led to conflicts and social unrest. Studies argue that Religious practice appears to have enormous potential for addressing today’s social problems (Fagan, 2006). Thus, it is hypothesized that religious tensions will positively affect the risk of political instability.

Ethnic tensions

African countries today face greater challenges to peace and stability than before. The conflicts in these countries are mostly in ethnic groups not between states. The demand for ethnic and cultural autonomy and competing demands for land, money, and power leads to civil wars and social unrest in Africa (Irobi, 2005). Therefore, it is expected that ethnic conflicts has positive effect on the political instability.

Corruption

increasing level of corruption leads to a reduction in tax revenues, it decrease the ability of government to provide sufficient level of public services, it may also divert resources from human capital formation to less productive activities, finally it lowers the growth potential of countries (Kaplan, 2017). Various studies that have been done earlier conclude that corruption is the main cause of political instability (Kaplan, 2015) and (Azeng and Yogo, 2015). As a result, it is hypothesized that corruption leads to a high level of political instability.

GDP per capita and Annual Inflation Rate

According to the research that has been done earlier, the economic conditions of a country are the most critical determinants triggering political instability in developing countries (Miguel, 2007) (Thierry, 2013). Therefore it is hypothesized that there will be a positive and significant relation between the economic condition of the country and the risk of political instability.

Table 3.1: Summary of Variables, Expected Signs of their Coefficients and Data Sources

Variables	Indicator	Expected sign	Data source
Political Instability	Internal Conflict	—	ICRG
Youth Unemployment	Youth unemployment	Negative	ILO
Government stability	Government stability	Positive	ICRG
Corruption	Corruption	Negative	ICRG
Religious tensions	Religious tensions	Negative	ICRG
Ethnic tensions	Ethnic tensions	Negative	ICRG
Annual Inflation Rate,	Growth rate of CPI	Negative	WGI
GDP per Capita	GDP per capita	Positive	WGI

Source: Source: Author's formulation

3.5 Specification Test

Before proceeding to the regression analysis, some tests were conducted to check whether the data and the model fit with the classical linear regression model (CLRM) assumptions. Therefore, to ensure that the data used in the model estimation is appropriate, unit root, co-integration, normality, Multicollinearity, Heteroskedasticity, autocorrelation and endogeneity tests are conducted. To check the normality of the disturbance term; this study applied the extended version of the famous Jarque - Bera testes for the panel data model for testing the normal distribution of the error term. To check the presence of Multicollinearity or not this study used Pearson pair wise correlation and variance inflation factor for identifying the relationship between independent variables.

Heteroskedasticity test for varying nature of the error variance and autocorrelation test for correlation between the error variance was also conducted using wooldbridge test for both heteroskedasticity and autocorrelation. The unit root test was tested using the Levin–Lin–Chu test. Also, a Specification test was used to choose which econometric model is suitable. This specific test is used to determine which of the two models (Fixed effect or random effect model) is the best fit with our model. Hence, in this paper, Hausman test was used.

3.5.1 Hausman Specification Test

The Hausman test (1978) can be used in many econometric problems requiring specification. In the case of this paper, the tested hypothesis provides guidance accepted ways of choosing between fixed and random effects.

In this test, H_0 = random effects model is consistent

H_1 = fixed effects model is consistent, are hypothesized.

The result from this test led to either reject the null hypothesis and accept the alternative hypothesis about existing of fixed effects or accept the null hypothesis and reject the alternative hypothesis.

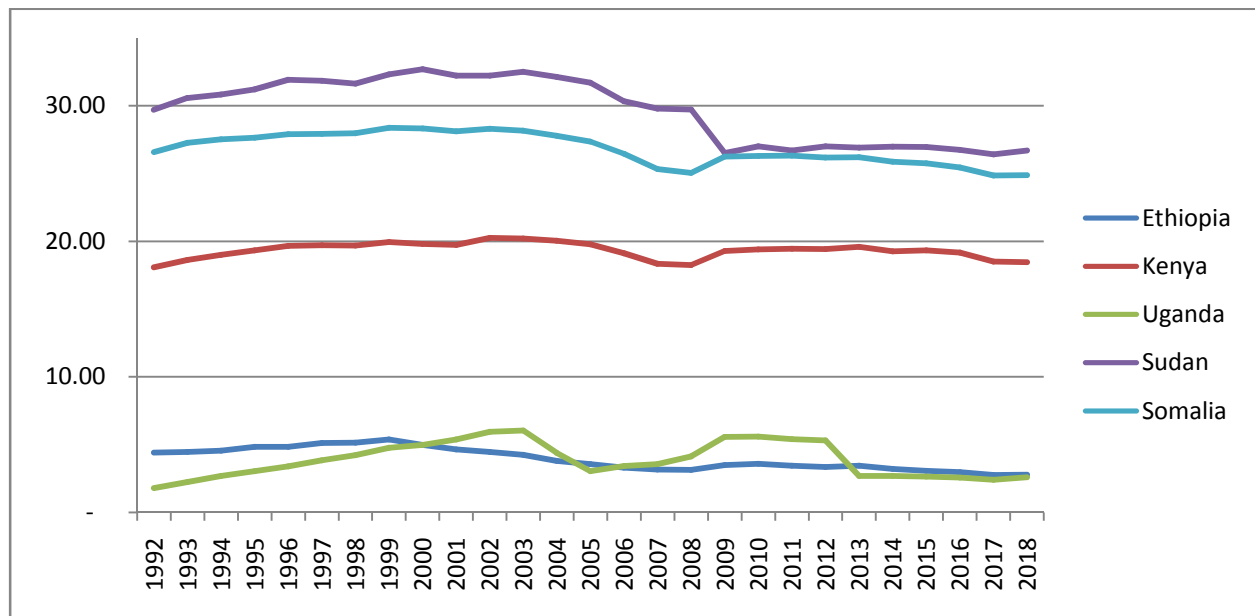
CHAPTER FOUR

OVERVIEW OF YOUTH UNEMPLOYMENT AND POLITICAL INSTABILITY

The research attempts to present an overview of the selected IGAD countries' youth unemployment and political instability and trends of the youth unemployment and political instability. IGAD countries are still characterized by high youth unemployment rates and unstable political conditions, therefore this chapter presented trend of youth unemployment and political instability.

4.1 Youth Unemployment in IGAD Countries

Due to a shortage of data, the thesis analyzed selected youth unemployment rates for selected IGAD countries (Ethiopia, Kenya, Uganda, Sudan, and Somalia). Therefore, we have seen the trend of youth unemployment in selected IGAD African countries. According to (WB, 2019), the world Youth unemployment (% of total labor force ages 15-24) rate from the year 1992 to 2018 is presented as follows:



Source: author's computation

Figure 4.1: Trend on Youth Unemployment in IGAD Countries

From the above figure, we can simply determine that the youth unemployment rate for Ethiopia and Uganda is lower than the selected IGAD countries in the period from 1992 to 2018. From the period 1992 to 2000 youth unemployment rate in Uganda is relatively lower than that of Ethiopia and from the period 2000 to 2013 the reverse is true.

As we observed from the above figure (Figure 4.1), we have concluded that the youth unemployment rate of Ethiopia is varying from year to year with different increasing and decreasing rate. For example, during the year 1992 to the year 1995, it increased from 4.4% to 4.8%. Also, the change from year 1999 to 2010 has a great variation; the youth unemployment rate continuously declines (i.e. 5.4% to 3.6%). The change in the year 1995 to 1999 and the year 2010 to 2015 is not significantly varied and the graph looks like a smooth curve. From the year 2011 to 2016, the youth unemployment rate starts to decline from 3.0% to 2.8%.

The above data shows that the Ethiopian youth unemployment rate was declining in the year 2011 to 2016; it starts to decline from 3.0 to 2.8. It may be because of the great emphasis given by the government to ensure effective and efficient public sector employment creation through labor-intensive urban infrastructure and housing development (MUDC 2011). Hence, these sectors have generated much employment for both semi-skilled and unskilled labor forces. The construction industry is expected to generate employment for about 1,264,598 persons between 2010/11–2014/15 (MUDC 2011). Some attention is given to the development of Micro and Small Enterprises (MSEs), which created 542,000 jobs in 2010/11 (MOFED 2012).

The above figure shows that the youth unemployment rate in Uganda increases from year to year starting from the year 1992 until the year 2003 from 1.8% to 6.0%, the figure is continuously upward sloping. In these periods, the highest unemployment rate was also recorded in Uganda in 2003 which is 6.0%. Then the unemployment rate starts to decline from 2004 to 2005 but it lasts only for two years and again it grew from 3.4% to 5.6% from 2006 to 2010. There is an unbelievable reduction of youth unemployment rate from the year 2012 to 2013 (5.3% to 2.7%). Then from this period to 2018 unemployment rate is more or less constant.

Although youth unemployment in Uganda is low in absolute terms, it is systematically higher than the national average rate for all adults. Even if the youth unemployment rate in Uganda is lower than other IGAD countries, it is more than doubled from 1.78% in 1992 and reached its peak at 6.0% in 2003, shown in Figure 4.1. However, these trends are not unique to Uganda relative to other countries.

From 1992 to 2013 the unemployment rate was continuously increasing except the year 2004, it is due to employment grew by an average 2.96% per annum between 1992 and 2013, this is marginally below population growth of 3% over the same period, and below labor force growth of 3.1% over the period 1991-2012. The total labor force in Uganda increased from approximately 7.5 million in 1990 to around 10.1 million in 2000, and almost doubled to 14.5 million by 2012 (Mihyo and Mukuna, 2015).

The youth unemployment rate in Kenya is higher than Ethiopia and Uganda but it is relatively lower than Somalia and Sudan. The rate fluctuates from year to year. For example, from 2004 to 2008 youth unemployment rate of Kenya reduced from 20.0% to 18.2%, which is the higher difference (steep slope of the graph).

A significant proportion of the population in Sub-Saharan Africa (SSA) and, in particular, in Kenya is below the age of 25. In 2011, there were more than 8.5 million people between the ages of 15 and 24 in Kenya, comprising 37.4 percent of the working-age population and rising to over two-thirds when the population under the age of 34 is considered. (ILO, 2014)

The youth unemployment rate for Somalia is higher than the selected IGAD Countries next to Sudan in the period from 1992 to 2018. The youth unemployment rate for the country was steady from 1992 up to 2005 and started fluctuating thereafter until 2008 (from 27.0% to 25.0%).

Since 1991 the break out of the Somali civil war, the youth in Somalia met with numerous problems for their potential development for the last two decades, such as limited employment opportunities, shortage of recognized higher education attainment, and internal security concerns (Yusuf et al, 2019).

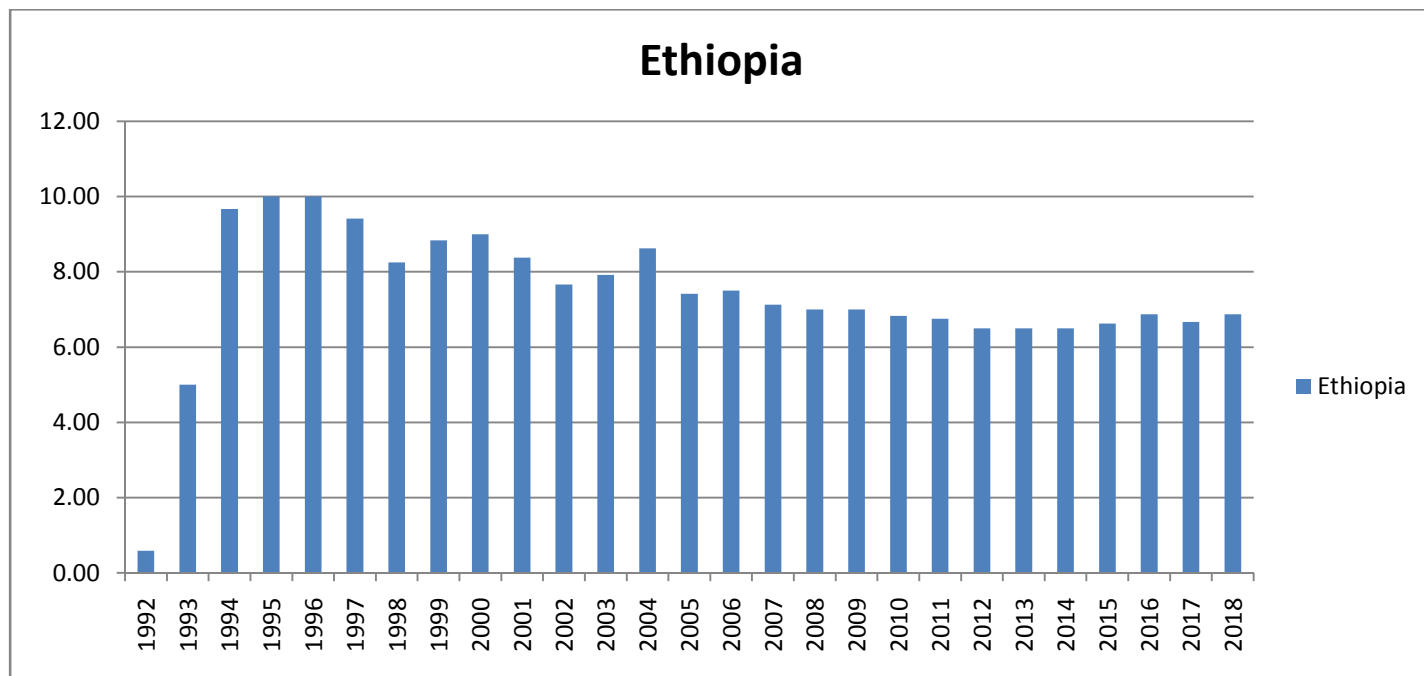
The youth unemployment rate for Sudan is higher than all selected IGAD Countries from the period 1992 to 2018. The youth unemployment rate in Sudan was steady from 1992 up to 2003 and started fluctuating thereafter. Then from the period 2003 to 2008, it declines from 28.2% to 25.0% and again it becomes steady until 2018.

4.2 The extent of political instability in the IGAD Region

IGAD presentation on 11 November 2010 and reactions of participants indicate the following major security concerns in the IGAD region. The first one is Persistent conflict in Somalia, stalemate between Ethiopia and Eritrea, and conflicts in Dafur and now South Sudan are among the major problems that create political instability in the region (Medani, 2012). In Somalia, 19 various peace negotiations have been ended without success, often torpedoed by warlords, insurgents, terrorists, and foreign fighters supported by Al-Qaeda (Sjah, 2014). Another insecure region in Sudan, outstanding post-referendum issues in Sudan and South-Sudan negotiations, including border delimitation and the status of Abyei pose a security challenge for both countries and the region. Cross-border ethnic groups engaging in cattle rustling together with the availability of small arms fuel persistent tensions. Furthermore, unresolved boundary disputes also create tension and instability in some of the border areas, for instance, between Eritrea and Djibouti. Also, Bombings in northern Uganda, Kenya's bomb attacks, and acts of piracy off the coast of Somalia further create the perception that the region is not a safe place for business (Samson and Halidu, 2014).

The highest rating of political instability is given to those countries where there is no armed or civil opposition to the government and the government does not treat in arbitrary violence, direct or indirect, against its people. The lowest rating is given to a country embroiled in an on-going civil war. The risk rating assigned is the sum of three subcomponents⁸, each with a maximum score of four points and a minimum score of 0 points. A score of 12 points equates to Very Low Risk and a score of 0 points to Very High Risk.

⁸To recall: *the subcomponents of internal conflicts are Civil War/Coup, Threat Terrorism/Political Violence, and Civil Disorder*



Source: author's computation

Figure 4.2: political instability in Ethiopia

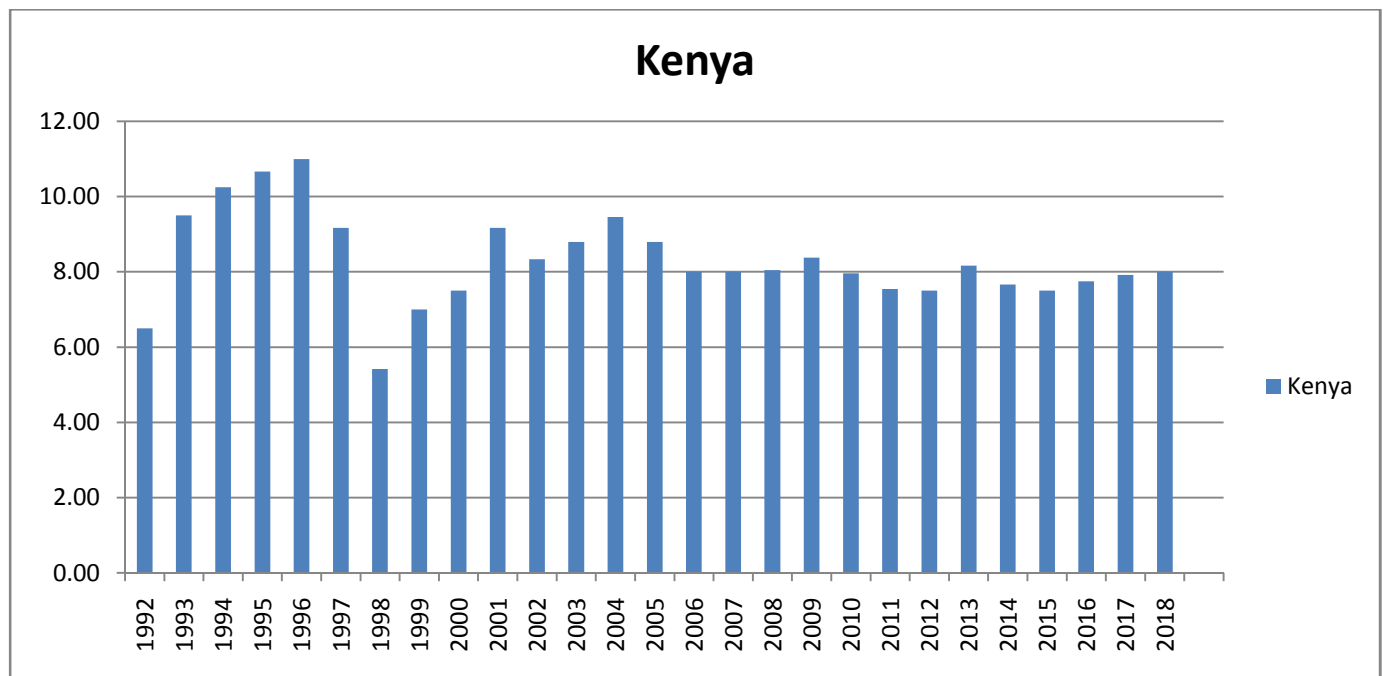
As it can be seen from figure 4.2, political instability is fluctuating from year to year in each country and there is a very high risk of instability in each country at different times. From the figure above, we have seen that political instability for Ethiopia is higher in the period 1992 and 1993 which is 0.58 and 5.00, respectively so it is below 5 and considered as a very high risk.

Political instability in the year 1992 was very high and it may be because of a critical change made in the country during 1991. At the end of the year the Eritrean People's Liberation Front (EPLF) took control of Eritrea and a government headed by the Ethiopian People's Revolutionary Democratic Front (EPRDF) seized power in the remainder of the country. The year opened with the end of a prolonged break in the civil war and until ten months neither side had made much progress. At rest, abuses had continued, especially the bombing of civilian targets by the Ethiopian air force and violations associated with forcible mobilization into the Ethiopian armed forces. Violations associated with forced mobilization were to get an opportunity for conscripts to communicate with their families; the maltreatment of conscripts and summary execution of those attempting to escape; and the conscription of children under age fifteen (Taye, 2017).

Relatively the country political instability declines from 1994 to 2009; especially in the period 1995, 1996, and 1997 the risk of instability was moderate. Then after 2010, Ethiopians political instability increases from year to year until 2014. Finally, in recent years the country also faces a higher risk. On April 2, 2018, Dr. Abiy Ahmed took over the premiership of a country on the brink of a major catastrophe. Since he came to power, Abiy has been working hard to change the political narrative across the volatile Horn of Africa region. After successfully forging peace with Eritrea, he started making moves to encourage political and economic integration in the wider region. He attempted to broker diplomatic negotiations between the President of Somalia and the de facto state of Somaliland in Addis Ababa. He also attempted to resolve the offshore rights dispute between Kenya and Somalia. But this freedom has had dangerous consequences. Ethiopia is a complicated multi-ethnic federation with more than 80 ethno-linguistic groups. In many parts of the country, the new political atmosphere has allowed long-running tensions between communities to erupt into conflict as hate speech has flourished (Yohannes, 2019).

Based on figure 4.2, the political instability of Kenya is lower than the other selected IGAD countries in the period from 1992 to 2018. Also, Kenya political stability increases from year to year until 1996, and especially in 1996, the country political instability was very low. 1996 lower level of political instability in Kenya may be because of economic reforms for 1996-1998: The Policy Framework Paper Prepared by the Government of Kenya in collaboration with the IMF and the World Bank in order to reduce unemployment and poverty (IMF and WB, 1996).

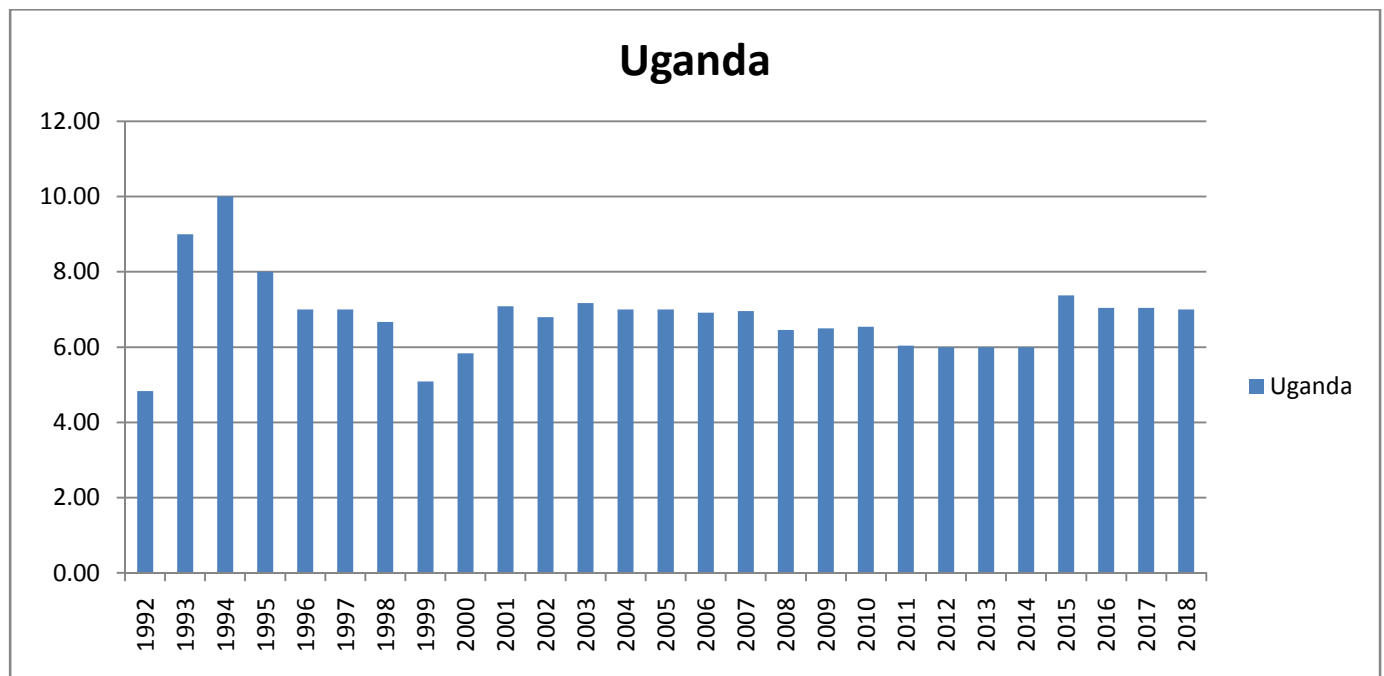
After the year 1996 Kenyans political instability increases until 1998 from 11 to 5.42 and the country has been at a high risk of instability. Then in the period from 1998 to 2001, the political instability of the country decreases from 5.42 and 9.17. Kenyan political instability increases continuously from the year 2002 to the year 2004 but for other years, political instability is fluctuating from year to year. During these periods the country was at a high risk of instabilities.



Source: author's computation

Figure 4.3: Political instability in Kenya

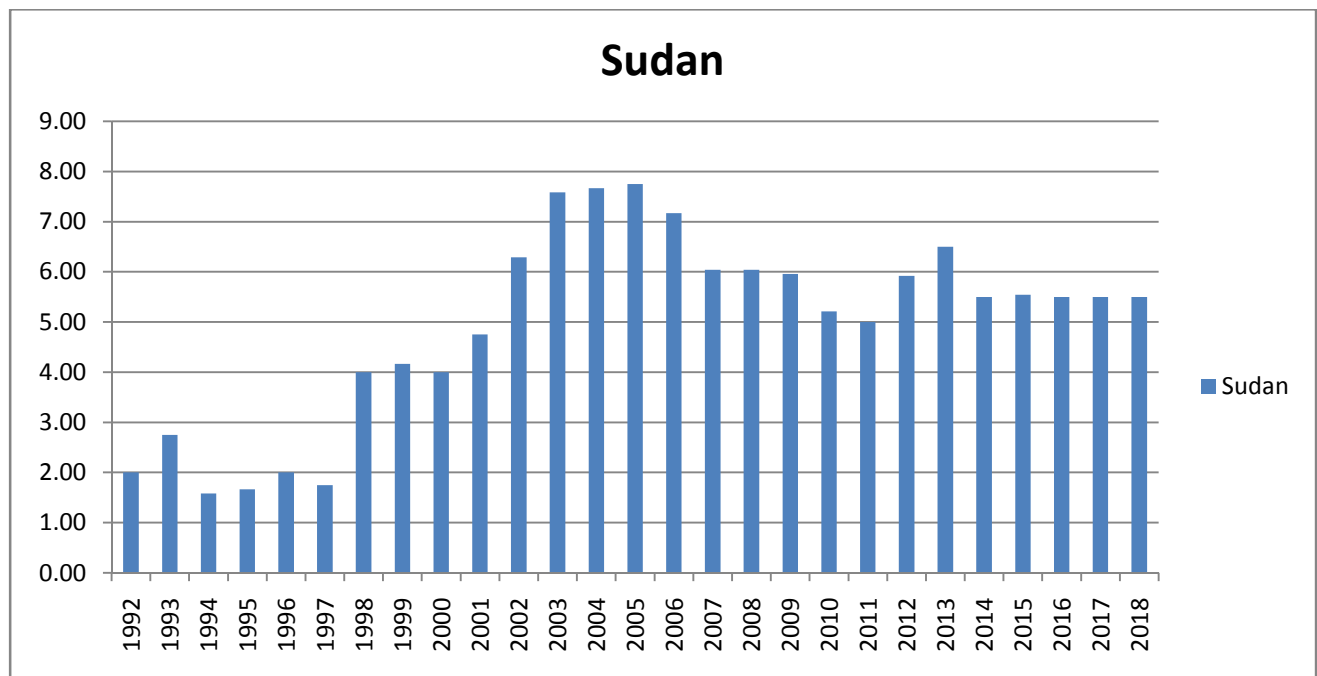
As per figure 4.4, political stability in Uganda generally exhibits an upward trend between 1992 and 1994, political instability decreases from 4.83 to 10.00. The highest recorded political instability was occurred in 1992 in the country from 1992 to 2018. After that Political instability continuously rose from 8.00 in 1995 to 5.08 in 1999. Between 1999 and 2001, political instability for the region declined from 5.08 in 1999 to 7.08 in 2001. Political instability is fluctuating with some level between 2002 and 2014. By the end of 2015, the political instability stock jump to 7.38. Political instability again increased from 7.38 to 7.00 in the period 2015 - 2018.



Source: author's computation

Figure 4.4: Political instability in Uganda

From the figure, we have understood that Sudan and Somalia are the most unstable countries from the selected IGAD countries in the period from 1992 to 2018. Both countries have been at a very high risk of political instability for continuous 27 years. Sudan political instability is very high from the period 1992 to 1997 with value which is below 3. In the late-1990s, there was modest international interest in Sudan, and such concern as existed was primarily humanitarian. Most western governments had despaired of finding a political settlement and were merely spending aid funds to ameliorate the human consequences of a seemingly-endless war (De waal, 2007). After that instability of the country decreases in the year from 1998 to 2005 from 4.00 to 7.75. Again, from the period 2005 to 2011, political instability continuously increases from 7.75 to 6.04. But, in recent years Sudan political instability is constant and it is around 5.50 for the past four years (2015, 2016, 2017, and 2018).

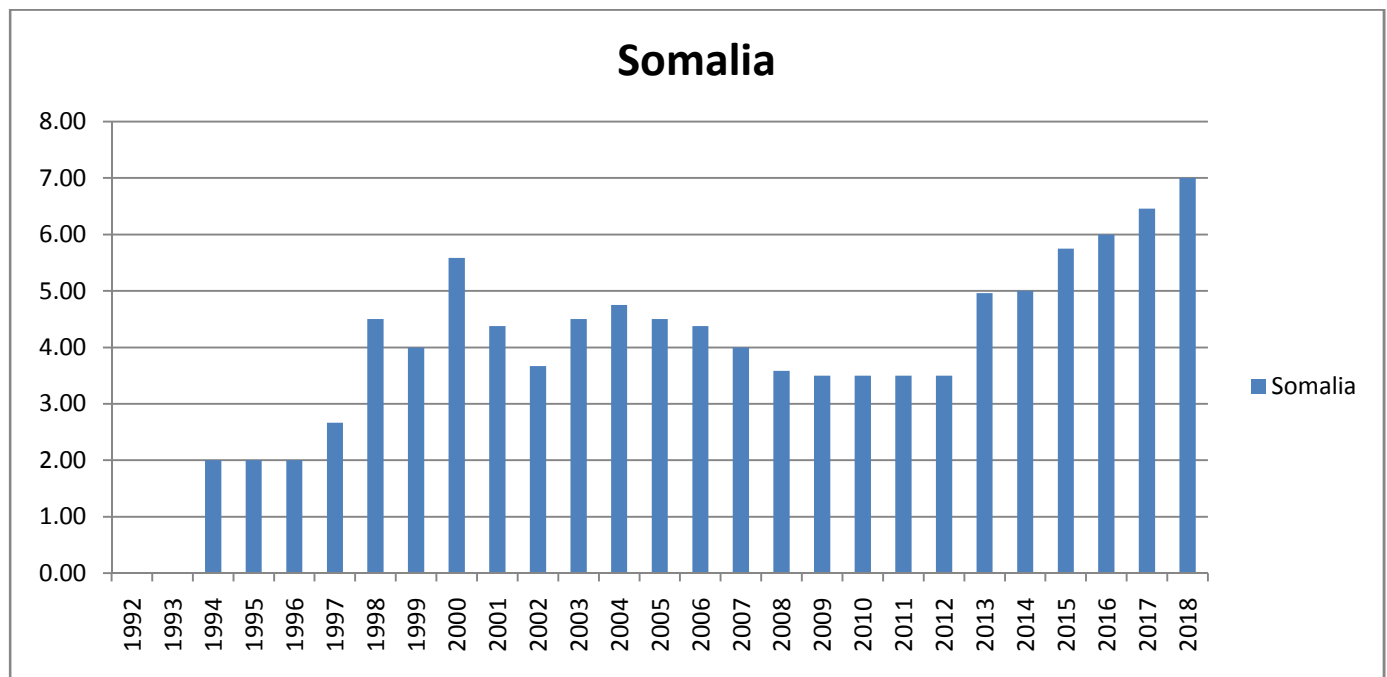


Source: author's computation

Figure 4.5: Political instability in Sudan

Figure 4.6 shows that political instability for Somalia is higher than all selected IGAD countries in the period from 1992 to 2018; even Somalia is more unstable than Sudan. “Somalia has almost no state to speak of while South Sudan has little experience of political parties or of state formation” (Woodward, 2013). Somalia was totally unstable in 1992 and 1993 in all subcomponents of political instability with the value 0. The highest instability value is also recorded in these years; this value is the lowest one from all selected IGAD countries. According to human rights watch world report (1996), Somalia experienced the most tragic year in its modern history in 1992 the country faced conflict, devastated by famine, and ignored by most of the international community. The year began with intense fighting on the streets of Mogadishu between the forces of self-appointed Interim President Ali Mahdi and his rival, General Mohamed Farah Aidid. According to calculations made by Africa Watch and Physicians for Human Rights, 14,000 people were killed and 27,000 injured in Mogadishu between November 1991 and the end of February 1992.

Again, Somalia Political instability is very high from the period 1994 to 1996. Somalia political instability is fluctuating from year to year, the movement of the trend shows up's and down's from the period 1997 to 2008. From the period 2009 to 2012, political instability is constant with a value of around 3.5. After 2013, the political stability of Somalia continuously increases from 5 to 7 until 2018.



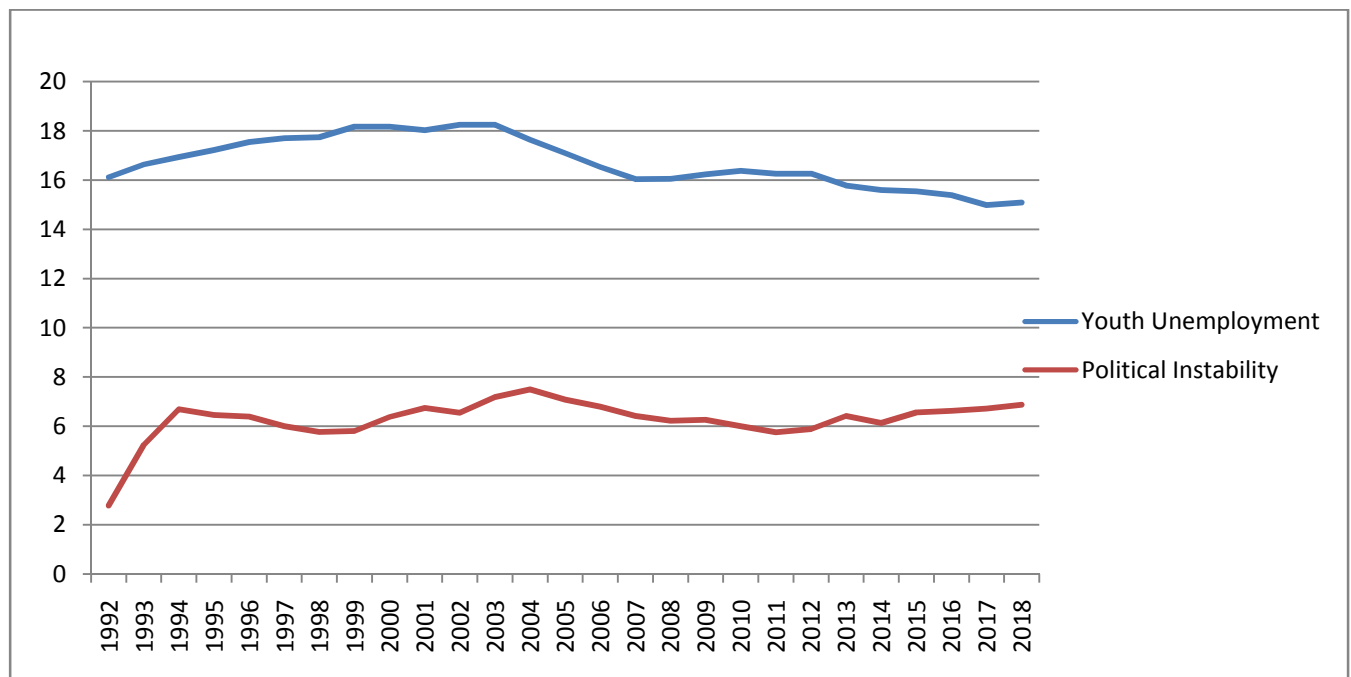
Source: author's computation

Figure 4.6: Political instability in Somalia

To conclude, the IGAD region is highly characterized by sever level of political instabilities. From the above discussion one can easily understand that Sudan and Somalia are in a higher level of risk. One Political Risk Map AON, (2015) classifies Somalia, Eritrea, Sudan and South Sudan as 'very high risk', Ethiopia as 'high-risk' and the remaining Kenya, Uganda and Djibouti as 'medium-high-risk'. This high political risk is a major challenge for IGAD structures to address the potential for insuring peace and security and promoting formal economic activity and regional integration and cooperation more broadly (Bruce, 2016).

4.3 The relation between youth unemployment and political instability

From the figure below, youth unemployment and political instability generally exhibit some level of fluctuations between 1992 and 2018. Between 1992 and 1994, the youth unemployment rate increases from 16.11% to 16.93%. While political instability decreases from 2.78 to 6.70. But, from the period 1994 to 1999 youth unemployment rate continuously increases from 16.93 to 18.16 and political instability also increases from 6.70 to 5.82.



Source: author's computation

Figure 4.7: Trend on youth unemployment rate and political instability

The youth unemployment rate declined from 18.16 to 18.02 from the period 2000 to 2001, political instability also declined from 6.38 to 6.75 for the same period. Youth unemployment rate and political instability is fluctuating with some level between 2002 and 2003. The youth unemployment rate declined from 17.63 to 16.05 while political instability significantly increased from 7.50 to 6.22 from the period 2004 to 2008. From 2009 to 2010, the youth unemployment rate increased from 16.23 to 16.38 and political instability also increased from 6.27 to 6.01. Since 2011, the youth unemployment rate has begun to decline consistently from

16.26 in 2011 to 14.99 in 2017, similarly political instability also declined from 5.77 to 6.72. Recently, the youth unemployment rate rose to 15.09 in 2018; however political instability point increased to 6.88 showing that political instability has declined.

CHAPTER FIVE

EMPIRICAL RESULTS AND DISCUSSIONS

In this chapter results from the estimation of youth unemployment and political instability in IGAD countries are presented. The empirical analysis uses annual data on 5 IGAD countries for 27 years (1992-2018). In this chapter three sections are presented. The first section presents descriptive statistics of variables used in the model then the second section reports the outcome of diagnostic tests conducted. The third discuss findings from the estimated model.

5.1 Summary statistics and description

Table 5.1 below summarizes descriptive statistics which are the mean, standard deviation, minimum and maximum values for the dependent variable, political instability (Polins) and the independent variables; youth unemployment (Youn), government stability (Govsta), religious tensions (Religten), Corruption (Corr), ethnic tensions (Ethten), GDP per capita (GDPper), Annual inflation rate (Annin).

Political instability for the five countries used in the empirical analysis averaged 6.2 between the years 1992 to 2018 ranging from 0 point for Somalia to 11 point for Kenya with the standard deviation of 2.2. This instability variation in the region is because of internal factors such as corruption, religious tensions, ethnic tensions, democratic accountability, and other political risk index variables.

The level of youth unemployment in the region is averaged at 16.8 percent for the period 1992 to 2018. The minimum level of youth unemployment stood at 1.78 percent for Uganda in 1992 and the maximum value recorded at 32.69 percent for Sudan in 2000.

Table 5.1 descriptive statistics

Variable	Observations	Mean	Std. Dev.	Min	Max
Internal conflict	135	6.27	2.24	0	11
Youth unemployment rate	135	16.85	11.17	1.78	32.69
Government Stability	135	7.22	2.10	0.66	11.58
Religious Tensions	135	3.21	1.32	0	5
Corruption	135	1.59	.67	.5	3.45
Ethnic Tensions	135	2.34	1.04	0	4.58
GDP Per Head	135	2.68	4.85	-11.89	22.32
Annual Inflation Rate	135	13.83	22.23	-27.78	132.82

The mean value for the variable Government stability is 7.2 for the period 1992 to 2018. The minimum value of this variable is 0.67 point and the maximum value is 11.58 point. The minimum value of government stability is recorded in Somalia in 1992 and the maximum value of this variable stood at Ethiopia in 2000. The variation from the mean is 2.1 point. And, the summary statistics for religious tensions showed that for the period 1992 to 2018 stood at an average of 3.2 point with a standard deviation of 1.3. Also, the minimum and the maximum value for religious tension are ranges from 0 to 5 point.

As per table 5.1, the average value of corruption is 1.6 point from the period 1992 to 2018. The ratio ranges from a minimum value of 0.5 point to the maximum value of 3.45 point for Kenya in 2003. The standard deviation of the variable is 0.67 point. The value of ethnic tensions in the region averaged at 2.34 point for the period 1992 to 2018. The minimum value for the variable stood at 0 point for Sudan and the maximum value recorded at 4.58 point for Ethiopia in 1994 and 1995.

As per table 5.1, the average GDP per head is 2.68 percent from the period 1992 to 2018. The variable ranges from a minimum value at -11.89 percent for Ethiopia in 1992 to the maximum value at 22.32 percent for Somalia in 1994. The standard deviation of the variable is 4.85 percent.

According to the summary statistics table 5.1, the mean value of the inflation rate in the region is 13.83 percent for the period 1992 to 2018. The minimum and the maximum value of this variable is -27.78 percent for Ethiopia in 2010 and 132.82 percent for Sudan in 1996 respectively. The variation from the mean for the inflation rate is 22.51 percent. This highest variation from the mean is an indication of macro-economic instability in the region through overall price skyrocketing.

5.2 Regression Diagnostics Test Results

To ensure that the data used in the model estimation is appropriate, unit root, co-integration, normality, Multicollinearity, heteroscedasticity, autocorrelation, and endogeneity tests are conducted.

5.2.1 Model specification

Using Hausman's (1978) specification test:

H_0 : Random-effects model is consistent

H_A : Fixed effects model is consistent

And the Hausman test was applied and the result is given as follow;

Table 5.2 Hausman test

	Coefficients		(b-B) Difference	sqrt(diag(V_b-V_B)) S.E.
	(b) fe	(B) re		
YouthUn	-.1683298	.0552683	-.2235981	.0913453
govsta	.2709814	.4658459	-.1948645	.0485856
reliten	-.1855232	.456626	-.6421491	.1688125
corrupt	.3622155	.4279002	-.0656846	.1324624
ethstens	1.617433	1.140327	.4771053	.1609032
GDPper	-.0079609	-.0018238	-.0061371	.0053746
Inflation	-.0118407	.0040982	-.0159389	.0035716

b = consistent under H_0 and H_a ; obtained from xtreg

B = inconsistent under H_a , efficient under H_0 ; obtained from xtreg

Test: H_0 : difference in coefficients not systematic

```

chi2(4) = (b-B)'[(V_b-V_B)^(-1)](b-B)
        =      58.60
Prob>chi2 =      0.0000
(V_b-V_B is not positive definite)

```

Since the p-value of the test 0.0000 is less than 0.05, we reject the null hypothesis H_0 and the Fixed effect (FE) model is preferred or consistent.

5.2.2 Unit Root Test

There are different types of panel unit root tests in the recent strand of literature like the Levin–Lin–Chu (2002), Harris–Tzavalis (1999), Breitung (2000; Breitung and Das 2005), Im–Pesaran–Shin (2003), and Fisher-type (Choi 2001) tests have as the null hypothesis that all the panels contain a unit root. The Hadri (2000) Lagrange multiplier (LM) test has as the null hypothesis that all the panels are (trend) stationary. Options allow us to include fixed effects and time trends in the model of the data-generating process.

However, this study used the Levin–Lin–Chu test. Because the Levin–Lin–Chu test requires that the ratio of the number of panels to periods tend to zero asymptotically, it is not well suited to datasets with a large number of panels and relatively few periods. The null hypothesis is that the series contains a unit root, and the alternative is that the series is stationary. As the output indicates, the Levin–Lin–Chu test assumes a common autoregressive parameter for all panels.

Table 5.3 Panel unit root test

Variables	Levin-Lin-Chu	
	Adjusted t-Statistic	Stationary
Internal Conflict	-2.3622	I(0)***
Youth unemployment rate	-3.8535	I(1)***
Government stability	-2.3406	I(0)***
Religious Tensions	-3.8901	I(0)***
Corruption	-3.1851	I(1)***
Ethnic Tensions	-2.5392	I(0)***
Annual Inflation Rate	-5.2113	I(0)***
GDP Per Head	-2.8908	I(0)***

Source: Author's calculations from the WDI (2018). The null hypothesis of non-stationarity and the alternative hypothesis are stationary. *, ** and *** indicate statistical significance at 10%, 5% and 1% levels, respectively. FD refers to first difference stationarity.

As per table 5.3, the result of Levin–Lin–Chu panel test statistics showed that the six variables; internal conflict, government stability, religious tensions, ethnic tensions, Annual inflation rate, and GDP per head were stationary at level. Whilst two variables; youth unemployment and corruption were not stationary at level but, were stationary after the first difference. Therefore, we reject the null hypothesis and conclude that the series is stationary at a 1 % level of significance.

5.2.3 Panel co-integration test

After conducted panel unit root tests, the next step was to establish whether the non-stationary variables are co-integrated or not. Usually, when variables are differenced to attain stationarity, the long-run properties are lost. Co-integration means that there is a long-run relationship between two or more non-stationary variables. Since the dependent variable (Political Instability) was stationary at level (I (0)), it is not necessary to check for co-integration in this particular model.

5.2.4 Test for Normality

The normality assumption plays a crucial role in the validity of inference procedures, specification tests, and forecasting. Non-normal error components in the panel data affect the performance of several tests, like the performance of panel heteroskedasticity tests severely affected Blanchard and Matyas (1996). The normality tests are supplementary to the graphical assessment of normality. The main tests for the assessment of normality are Kolmogorov-Smirnov (K-S) test, Lilliefors corrected K-S test, Shapiro-Wilk test, Anderson-Darling test, Cramer-von Mises test, D'Agostino skewness test, Anscombe-Glynn kurtosis test, D'Agostino-Pearson omnibus test, and the Jarque-Bera test.

Checking for skewness and kurtosis in the error components plays an important role in testing and estimation in linear panel-data models. Deviations from symmetry and kurtosis of three invalidate methods that are not robust to normality (Baltagi, 2008). To check the normality of the disturbance term; this study applied the extended version of the famous Jarque - Bera testes for the panel data model. The test was developed by Galvao et al. (2013). As per table 5.4, the joint and individual tests for normality in both components of error terms indicated not reject the null hypothesis of normality because the P-value is greater than 5%.

Table 5.4 Normality Test

Tests for skewness and kurtosis	Number of obs	=	135
	Replications	=	500

(Replications based on 5 clusters in c1)

	Observed Coef.	Bootstrap Std. Err.	z	P> z	Normal-based [95% Conf. Interval]	
Skewness_e	-.7968381	.5505544	-1.45	0.148	-1.875905	.2822286
Kurtosis_e	2.458761	2.2098	1.11	0.266	-1.872368	6.789889
Skewness_u	-.0217165	8.420609	-0.00	0.998	-16.52581	16.48237
Kurtosis_u	-1.596945	14.13215	-0.11	0.910	-29.29544	26.10155
Joint test for Normality on e:			chi2(2) =	3.33	Prob > chi2 = 0.1889	
Joint test for Normality on u:			chi2(2) =	0.01	Prob > chi2 = 0.9936	

Note: standardized coefficients

Source: Author's computation in STATA 14.2

5.2.5 Test for Heteroskedasticity

The concept of **heteroskedasticity** - the opposite being **homoscedasticity**, describe the case where the variance of errors or the model is not the same for all observations, while often one of the basic assumptions in modeling is that the variances are homogeneous and that the errors of the model are identically distributed (Wooldridge, 2004). As shown in Appendix A, the chi-square value was statistically insignificant even at a 10 percent level of significance and hence the null hypothesis of constant variance was strictly accepted or did not have the problem of heteroskedasticity.

5.2.6 Test for Multicollinearity

Multicollinearity generally occurs when there are high correlations between two or more predictor variables. In other words, one predictor variable can be used to predict the other. If there is multicollinearity in the model, the estimated coefficients possess large standard errors (in relation to the coefficient themselves), which means the coefficients cannot be estimated with great precision or accuracy (Gujarati, 2004). To alleviate this problem one or more of the correlated variables must be dropped from the model (Veerbek, 2000). Accordingly, all variables of this study were with a correlation coefficient below 0.8 which is acceptable; the test was shown in Appendix B. Moreover, according to appendix B, the mean-variance inflation factor (VIF) for the model is 9.76 which is less than 10, and $1/VIF$ which is the tolerance level is more than 0.10 for all explanatory variables of the study.

5.2.7 Test for Autocorrelation

Autocorrelation refers to the degree of correlation between the values of the same variables across different observations in the data. The concept of autocorrelation is most often discussed in the context of time series data in which observations occur at different points in time. The covariance between two consecutive error terms i.e. (U_{it}, U_{jt}) we can say that the error term uncorrelated to each other or simply the error terms subject to autocorrelation Verbeek (2000). The most common test for autocorrelation includes Durbin-Watson test, Breusch Godfrey test, Wooldridge-Drukker and Baltagi and Li (1995) LM statistic.

In this study used Wooldridge test for autocorrelation in panel data for autocorrelation test in panel data. The null and alternative hypotheses of Wooldridge test for autocorrelation in panel data are no first-order autocorrelation and the null hypothesis is not true respectively. The resulting test statistics (Table 5.5) show that the p-value is 0.9641, which is greater than 0.05, so we accept the null hypothesis implying that the data are no first-order autocorrelation.

Table 5.5 Autocorrelation test

H0: no first-order autocorrelation

F(1, 5)= 33.671

Prob> F= 0.9641

5.2.8 Endogeniety Test

Most leadership and management researchers ignore one key design and estimation problem rendering parameter estimates uninterpretable: Endogeneity. The main threat to consistency is endogeneity; A coefficient may appear to adequately reflect the hypothesized relationship—for example, it is the right direction and the effect is highly significant—but in presence of endogeneity it will be inconsistent and will not reflect the true population parameter. In our case, political instability could lead to a higher unemployment rate, rather than vice versa. Political instability originates in high uncertainty which may decrease labor demand and therefore increase unemployment (Thierry, 2013). In this case, the effect of youth unemployment could be misleading. OLS results could be therefore biased toward zero and they can underestimate the ‘true’ impact. This leads to the endogeneity bias, the problem of endogeneity occurs when a predictor variable (x) in a regression model is correlated with the error term (e) in the model.

This study used Endogeniety test of Mark E Schaffer, for checking Endogeniety problem in panel data. The null hypotheses of Endogeniety test for endogenous regressors in panel data is variables are exogenous and the alternative hypothesis is variables are endogenous. The resulting test statistics (Appendix D) show that the p-value is 0.000, which is less than 0.05, so we reject the null hypothesis and there is endogeniety bias.

5.3 Regression Results and Discussions

After conducting various diagnosis tests presented in the preceding section estimation technique that produce consistent and unbiased results are selected. Accordingly, current study employed the fixed effect model; the instrumental variable fixed effect model and the one step system GMM model are estimated.

5.3.1 Fixed effect regression model

The fixed effect regression shows the within effect which explains only 64.37% of variation on political instability across time and within countries with an overall explanation of 46.41% of variation. The interclass correlation result shows that 88.96% of the variances are due to differences across panels.

Table 5.6 shows the result of the OLS Fixed effect estimation between Political instability, Youth unemployment, government stability, religious tensions, corruption, ethnic tensions, GDP per capita, and Inflation. The result shows that all variables except corruption, religious tensions and GDP per capita are statistically significant. Government stability and ethnic tensions are statistically significant at 1% level of significance while youth unemployment and inflation are statistically significant at 5 % level of significance.

Youth unemployment and Inflation and ethnic tensions have a positive relationship with the political instability. And government stability is positively related to political instability. The result in the table below reveals that when the youth unemployment rate increases by one percent; it leads to political instability point to decrease⁹ by 16 %. This means an increase in youth unemployment leads to political instability. If all the explanatory variables are set to be zero, Political instability would be 3.5 for a given country. The fixed-effect model could be written as:

⁹ Recall that a score of 12 points equates to very low risk and a score of 0 points to very high risk.

Table 5.6 Youth unemployment and political instability, OLS Fixed Effects

internalconflict	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
YouthUn	-.168	.069	-2.43	.016	-.305	-.031	**
govsta	.271	.059	4.62	0	.155	.387	***
reliten	-.186	.168	-1.11	.271	-.517	.146	
corrupt	.362	.194	1.87	.064	-.022	.746	*
ethdens	-1.617	.196	8.25	0	1.229	2.006	***
GDPper	-.008	.018	-0.44	.664	-.044	.028	
Inflation	-.012	.005	-2.27	.025	-.022	-.002	**
Constant	3.548	1.272	2.79	.006	1.031	6.065	***
Mean dependent var		6.273	SD dependent var		2.244		
R-squared		0.644	Number of obs		135.000		
F-test		31.741	Prob > F		0.000		
Akaike crit. (AIC)		378.030	Bayesian crit. (BIC)		401.272		

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: author's computation in stata

In the above estimation, we firstly estimated using a simple OLS fixed effect estimator. It could happen that country with a high level of political instability also experiences a high level of unemployment. In this vein, OLS estimates are biased since the unemployment rate may be correlated with some unobservable. To deal with the endogenous bias, we resort to the instrumental variable approach.

Then two main instruments are used: the lagged unemployment variable and the first difference of unemployment variable (Azeng, 2013). The main justification for this choice is based on the idea of hysteresis in unemployment (Blanchard & Summers, 1986). This concept embodies the idea that the equilibrium unemployment rate depends on the history of the actual unemployment rate. In other words, the unemployment rate at the period t may be highly dependent on the unemployment rate at $t-1$. One of the main explanations is the destruction of human capital which in some cases is associated with the discouragement of job seekers.

Table 5.7: Youth Unemployment and Political Instability, IV Fixed Effects

internalconflict	Coef.	St.Err.	t-value	p-value	[95% Conf	Interval]	Sig
YouthUn	-.143	.07	-2.05	.041	-.28	-.006	**
govsta	.195	.064	3.03	.002	.069	.321	***
reliten	-.071	.176	-0.40	.686	-.416	.273	
corrupt	.385	.201	1.91	.056	-.009	.779	*
ethuens	-1.355	.232	5.84	0	.9	1.81	***
GDPper	-.028	.022	-1.28	.202	-.07	.015	
Inflation	-.017	.006	-2.82	.005	-.028	-.005	***
Constant	4.045	1.287	3.14	.002	1.524	6.567	***
Mean dependent var		6.407	SD dependent var		2.121		
Overall r-squared		0.467	Number of obs		135.000		
Chi-square		6007.009	Prob > chi2		0.000		
R-squared within		0.559	R-squared between		0.532		

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: author's computation in stata

As it can be seen from table 5.7, a one percent increase in Youth unemployment increases political instability on average by 1.42 percent across time for a given country, other things remaining constant, showing a positive impact of youth unemployment. The coefficient of youth unemployment is statistically significant at 5% level of significance. While a one percent increase in government stability decreases political instability by an average of 0.19 percent across time for a given country *ceteris paribus* with a statistical significance level at 1% level of significance.

Other things remaining constant, a one percent increase in ethnic tensions increases political instability by 1.35 percent at 1% level of significance. Annual inflation rate on the other hand reduces political instability on average by 0.1 percent when it increases by one percent across time for a given country, other things remaining constant. The coefficient of inflation is statistically significant at 1% level of significance. The rest variables which are corruption, religious tensions and GDP per capita are found to be statistically insignificant at 5% level of significance.

5.4 Dynamic specification

Table 5.8 shows that the effect of youth unemployment remains similar to what was obtained from the fixed effect model and the instrumental fixed effect model. Dynamic panel data estimators the DPD approach (Dynamic Panel Data) approach is usually considered the work of Arellano and Bond (AB) (Rev. Ec. Stud., 1991), but they popularized the work of Holtz-Eakin, Newey, and Rosen (Econometrica, 1988). It is based on the notion that the instrumental variables approach noted above does not exploit all of the information available in the sample. By doing so in a Generalized Method of Moments (GMM) context, we may construct more efficient estimates of the dynamic panel data model.

The Arellano–Bond estimator sets up a generalized method of moments (GMM) problem in which the model is specified as a system of equations, one per period, where the instruments applicable to each equation differ (for instance, in later periods, additionally aged values of the instruments are available). This estimator is available in STATA as `xtbond`. The original estimator is often entitled to difference GMM, while the expanded estimator is commonly termed System GMM. The cost of the System GMM estimator involves a set of additional restrictions on the initial conditions of the process generating.

5.4.1 Choosing between difference and system GMM models

The coefficient of the lagged dependent variable from the two-step difference GMM estimation is compared with the coefficients from the pooled OLS and fixed effect model to decide between difference and system GMM. First Estimate the fixed effect model with lagged dependent variable. The coefficient of a lagged dependent variable is considered to be a lower bound. And then Estimate the Pooled OLS, and include the lag of the dependent variable, the coefficient of a

lagged dependent variable is considered as an upper bound estimate. Finally, Estimate the difference GMM. If the two-step difference GMM estimate coefficient of a lagged dependent variable is close to or below the fixed effect model, this suggests that the former estimate is downward biased because of weak instrumentation, and system GMM should be used. Therefore by calculating coefficients for the lag of political instability for Pooled OLS, Fixed Effect, One step Diff. GMM and Two step Diff. GMM we choose whether differenced GMM or System GMM is better. Estimation from the difference GMM suggests that using system GMM is beneficial in this case.

5.4.2 One step System GMM

The one step system GMM estimation result presented in the Table below shows the value of the Hansen test is equal 1 in which case the hypothesis cannot reject the validity of instruments. The Arellano-Bond test for AR (2) is 0.268 also stating there is no serial correlation. The empirical regression result shows that religious tensions, corruption, GDP per capita and inflation are statistically insignificant. The rest of the variables which are the lag of internal conflict, youth unemployment and ethnic tensions are found to be statistically significant at 5% level of significance.

The lag of internal conflict increases the internal conflict of IGAD countries by 0.5% on average. In the one step GMM specification the coefficient of youth unemployment is negative and statistically significant at 5% level of significance. As it can be seen from the Table 5.8 a percentage increase in youth unemployment is associated with a 0.04 % increase in internal conflict in the short run, at 1% level of significance, on average *ceteris paribus*. Therefore, the results are consistent for all FE model, IV fixed effect model and one step system GMM model. In all estimation techniques youth unemployment has a positive effect on political instability. Hence, the region should give attention for youths who are unemployed in order to make politically stable region.

For government stability, a 1% increase leads to a 0.25% decrease in internal conflict on average and *ceteris paribus*. This increment is statistically significant at 1% level of significance. An increase in change in ethnic tensions by 1% increases internal conflict by an average of 0.82% with a statistical significance level at 5%, other things remaining constant.

Table 5.8: Result for One step system GMM regression

Internalconflict	Coef.	St.Err.	p-value	[95% Conf	Interval]	Sig
L.internalconflict	0.51	3.11	0.002	.191	.843	***
YouthUn	-0.04	3.74	0.000	-.069	-.021	***
govsta	0.25	4.28	0.000	.138	.371	***
reliten	-0.23	1.06	0.290	-.659	.197	
corrupt	-0.22	1.07	0.285	-.629	.184	
ethtens	-0.82	2.06	0.039	.040	1.60	**
GDPper	-0.01	0.69	0.493	-.057	.027	
Inflation	-0.00	0.88	0.378	-.016	.006	
Arellano-Bond test for AR(1) in first differences			0.101			
Arellano-Bond test for AR(2) in first differences			0.268			
Hansen OID test			1.000			
Sargan test			0.105			
Number of obs			108			
*** $p<.01$, ** $p<.05$, * $p<.1$						

Source: author's computation in stata

We assert that our empirical findings conform to the predictions of the hypothetical theory laid out above. Countries with higher level of youth unemployment rate are more vulnerable for political instabilities. The result of this finding is consistent with the findings of Azeng and Yogo (2013), Apolte and Gerlin (2015), Collier (2000), Urdal (2004), Amirali (2019), Sylor (2016), Thomas (2018), (Riechi, 2019), those papers finds that youth unemployment is significantly associated with an increase in the risk of political instability. However, our study is contrary to the findings of Rezyk (2016) and Enria (2018), the result of these studies revealed that youth unemployment doesn't lead to political instability.

Therefore, our result also conform the finding that Youth unemployment is significantly and positively associated with political instabilities of nations and we support the hypothesis that youth unemployment causes political instability. From the result of this study, it is recommended that controlling youth unemployment helps to reduce political instability. Consequently, Countries should give attention for youth's not only for the sake of youths, but also for the relief of government reducing the burden of controlling continuous internal instabilities.

CHAPTER SIX

CONCLUSIONS AND POLICY IMPLICATIONS

This paper analyzes the effects of youth unemployment on political instability using the data from 1992 to 2018 from five IGAD countries which are Ethiopia, Kenya, Uganda, Sudan, and Somalia. The potential endogeneity of the unemployment is addressed using an instrumental variable approach and the one step system GMM model. The central question investigated in this paper is whether youth unemployment significantly determines the political instability of the IGAD countries or not. To address this question the study uses the panel data, and due to limitation of data availability, only 5 IGAD countries and 27 years from 1992-2018 of data were considered. The study uses secondary data collected mainly from ICRG (2019), ILO (2019) and WGI (2019).

In this study, political instability (Internal conflict) which is taken as a dependent variable and youth unemployment and other selected social and economic variables like government stability, religious tensions, corruption, ethnic tensions, Annual inflation rate and GDP per capita were considered as Independent/ explanatory variables. Having discussed the various econometric issues that ought to be taken into consideration, the one step system GMM model estimation results are preferred as the estimation technique yield consistent and efficient results.

The empirical result obtained in this study indicates that there is a significant effect of youth unemployment on political instability and we support the hypothesis that youth unemployment causes political instability in IGAD countries. This paper also examined how other social and economic factors can affect political instability. Our results suggest that political instability occurs particularly in countries where youth unemployment, as well as inflation and government instability, are high.

The one step system GMM was used for regression to handle endogeneity by introducing more instruments to improve efficiency and transform the instruments to make them uncorrelated with the fixed effect. The regression result from the one step system GMM model shows that the lag of internal conflict increases the internal conflict of IGAD countries. Also, our results suggest that political instability occurs particularly in countries where youth unemployment is high. This study results are conclusive and add to the literature that asserts that government instability is the

most critical determinant triggering political instability in IGAD countries.

From the result of this study, it is recommended that controlling youth unemployment helps to reduce political instability. Policies intended to smoothen the political instability in our specific context of internal conflict should work on creating job opportunities for the youths. Also, the population growth should be controlled in line with offering jobs. The overall trend of youth unemployment and political instability shows that political instability is primarily caused by the youths who are unemployed. This region specifically needs a sound youth employment policy not only for the sake of youths, but also for the relief of government reducing the burden of controlling continuous internal instabilities. Moreover, in region-wise the IGAD countries better to have common youth employment creation policies so that they can manage the internal conflicts that arises here and then.

This paper has its limitations; insufficient data to include all member countries. And this study only explores one component of the political instability index. Further studies in this area may include other countries; and uses better measurements for political instability.

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Appendixes

Appendix A: Test for Heteroskedasticity

```
. estimate store homosk
```

```
. estimate store hetro
```

```
. local df= e(N_g) - 1
```

```
. lrtest hetro homosk, df(40)
```

Likelihood-ratio test

LR chi2(40) = 0.00

(Assumption: homosk nested in hetro)

Prob > chi2 = 1.0000

Appendix B: Test for Multicollinearity

```
. vif, uncentered
```

Variable	VIF	1/VIF
ethstens	21.74	0.045990
reliten	17.81	0.056151
govsta	11.36	0.087997
corrupt	11.13	0.089849
YouthUn	3.11	0.321157
Inflation	1.86	0.538240
GDPper	1.31	0.760705
Mean VIF	9.76	

```
. corr internalconflict YouthUn govsta reliten corrupt ethstens GDPper Inflation
(obs=135)
```

	intern~t	YouthUn	govsta	reliten	corrupt	ethstens	GDPper	Inflation
internalco~t	1.0000							
YouthUn	-0.4725	1.0000						
govsta	0.5316	-0.3150	1.0000					
reliten	0.5625	-0.6237	0.0201	1.0000				
corrupt	0.4439	-0.5946	0.2008	0.4760	1.0000			
ethstens	0.7197	-0.7071	0.2959	0.7695	0.4902	1.0000		
GDPper	-0.0591	-0.1317	-0.0101	0.0173	0.0361	-0.0411	1.0000	
Inflation	-0.2793	0.2508	-0.1902	-0.3496	0.0552	-0.4122	-0.0538	1.0000

Appendix C: Endogeneity Test

FIXED EFFECTS ESTIMATION

Number of groups =	5	Obs per group: min =	27
		avg =	27.0
		max =	27

IV (2SLS) estimation

Estimates efficient for homoskedasticity only
 Statistics consistent for homoskedasticity only

		Number of obs =	135
		F(7, 123) =	2.26
		Prob > F =	0.0335
Total (centered) SS	=	324.0830761	Centered R2 = -6.7649
Total (uncentered) SS	=	324.0830761	Uncentered R2 = -6.7649
Residual SS	=	2516.476478	Root MSE = 4.4

internalco~t	Coef.	Std. Err.	z	P> z	[95% Conf. Interval]	
YouthUn	-3.668135	1.466949	-2.50	0.012	-6.543302	-.7929676
govsta	1.011132	.4033652	2.51	0.012	.2205508	1.801713
reliten	-2.51075	1.218974	-2.06	0.039	-4.899895	-.1216045
corrupt	3.004277	1.395282	2.15	0.031	.2695744	5.73898
eth tens	1.878939	.8969116	2.09	0.036	.1210249	3.636854
GDPper	.04357	.0855543	0.51	0.611	-.1241133	.2112532
Inflation	-.0110124	.023666	-0.47	0.642	-.0573969	.0353722

Underidentification test (Anderson canon. corr. LM statistic): 5.966
 Chi-sq(1) P-val = 0.0146

Weak identification test (Cragg-Donald Wald F statistic): 5.916
 Stock-Yogo weak ID test critical values: 10% maximal IV size 16.38
 15% maximal IV size 8.96
 20% maximal IV size 6.66
 25% maximal IV size 5.53

Source: Stock-Yogo (2005). Reproduced by permission.

Sargan statistic (overidentification test of all instruments): 0.000
 (equation exactly identified)

-endog- option:

Endogeneity test of endogenous regressors: 130.000
 Chi-sq(1) P-val = 0.0000

Regressors tested: YouthUn
