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Quantifying the Effects of Human Capital on Governance: Regression and Comparative Analysis of Four Fragile States

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ABSTRACT

Fragile states face persistent governance challenges. This is often assessed quantitatively through CPIA (Country Policy and Institutional Assessment) scores. This study examines the impact of human capital investment—measured through education, healthcare, and social protection spending—on governance strength using multivariate regression analysis. Focusing on Rwanda, Ethiopia, South Sudan, and the Central African Republic from 2000–2022, an OLS model identifies education spending as the strongest predictor of CPIA scores, followed by healthcare and social protection. To complement the regression analysis, this paper presents comparative case studies which link higher investment to higher CPIA scores, and lower investment to worse governance scores. Rwanda and Ethiopia exhibited stronger governance outcomes than South Sudan and CAR. To understand how different investment pathways might influence future outcomes, the results from the regression analysis are used for three projected scenarios: a best-case scenario, modeled after Rwanda's Vision 2050, estimated CPIA growth with 6% of GDP allocated to education, 5% to healthcare, and 40% to social protection coverage, while moderate and worst-case projections, based on Ethiopia and South Sudan investment data, predicted incremental or declining governance stability. To make this actionable, this study presents a step-by-step policy roadmap: in the short term, governments should expand teacher training and subsidize healthcare; in the medium term, healthcare workforce development and employment programs should be prioritized; in the long term, countries should increase in investment in healthcare and embed human capital investment expansively into national budgets. These steps will help build resilient, self-sustaining economies in the long run.

Keywords: case studies; development policy; education; government investment; healthcare