

POVERTY AND ECONOMIC DEVELOPMENT IN UGANDA
FROM 1990 TO 2010

A Thesis
Presented to the School of
Postgraduate Studies and Research
Kampala International University
Kampala, Uganda

In Partial Fulfilment of the Requirements for the Degree
Masters of Arts in Economics

By:
Nakimuli Olivia
MAE/43010/DU



September, 2011

DECLARATION

I, Nakimuli Olivia, do hereby declare that this work is entirely my own composition and where works of other persons have been used or referred to, such sources have been duly acknowledged.

Olivia
NAKIMULI OLIVIA

Name and Signature of Candidate

ST.
1- NOV- 2011.

Date

DECLARATION B

"I confirm that the work reported in this thesis was carried out by the candidate under my supervision."


DR DL KIBIKYO

Name and signature of supervisor

1 - Nov 2011

Date

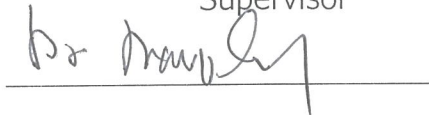
APPROVAL SHEET

This thesis entitled "**Poverty and economic development in Uganda from 1990 to 2010**" being prepared and submitted by **Nakimuli Olivia MAE/43010/92/DU** in partial fulfillment of the requirements for the degree of Masters of Arts Economics has been examined and approved by the panel with a grade of PASSED

Dr. Abuya Makeno Isaac - 
Name and signature of chairman


Dr. DL KIBIKYO

Name and signature of Supervisor
Supervisor



Name and sign of panelist

Dr. Kabir Hamud 

Name and signature of
supervisor

Name and sign of panelist

Date of comprehensive examination: _____

Grade: _____

Name and signature of Director, SPGSR

Name and sign DVC, SPGSR

DEDICATION

To God, to whom I return all the Glory and Honour; and to my beloved Mother, Mrs. Babirye Sophia and my Aunt Mrs. Nakato Fatumah.

ACKNOWLEDGEMENTS

In the course of this work, I got people's help, advice and encouragement, which all assisted me in getting it through. Usually, the number is large and I cannot possibly name all here. However, I must, as much as possible, acknowledge the contributions of those so material. Without God, my Creator, Enabler, Succour and Lifter, I could have done nothing (John 15:5). I thank Him for keeping, sustaining and giving the wisdom, life and all opportunities to carry out this work successfully. He made me overcome spinal cord injury to continue this work. To Him, I say, 'Thank You, Father!' I must express my most sincere appreciation to my Academic Adviser, Professor David Lameck, whose direction, efforts and encouragement aided the outcome of this study and can never be forgotten. He was there for me just like a father would for her daughter. Likewise, I wish to thank my Project Supervisor and now my good friend, Dr. Kabir Haruna for his painstaking and constructive critique. I deeply appreciate the new insights that our interaction brought into the work.

I am highly indebted to my Friends, who stood by me through thick and thin, giving me the much needed support; deserve my most hearty gratitude for their support and assistance in the research work. My Office provided a huge block of support for me in gathering materials, computer production, editing etc. Hence, I thank my colleagues especially Fred Wakiku Mulindwa, Ndugwa James, SSentongo Simeon, , Charles Ajaegbu Muhereze Franklin and Nakibuule Sauda. My personal staff was most wonderful in their selfless disposition to me during the course of the Research Work. First and foremost, I am eternally grateful to Miss Nansubuga Sophia Nancy, Miss Nantongo Faridah, Miss Nakku Gorrete, who were there with me day and night, weekdays and weekends, rain and shine. They ably assisted their onerous task of seeing me through the work. My 'nieces' Babirye Sophia, Nakato Fatuma, Nakiganda Salma, Nakiwala Samiha, Naggawa Shantah, my 'elder brother' Mr Kyambadde Hamis. I must recognise the fact that without a good home front, no one can truly succeed.

ABSTRACT

This study set out to investigate the relationship between poverty and economic development. The objectives of this study were; to examine the relationship between poverty and economic development from 1990 to 2010, to determine the level of poverty in Uganda from 1990 to 2010, and to determine the level of economic development in Uganda from 1990 to 2010.

The study employed a cross-sectional survey design since it examined data for a short time; it was also a descriptive-correlation and ex post facto. The Population of this study was the published and non published reports on the variables of the study from 1990 to 2010. The study targeted annual reports by the semi autonomous bodies.

The study found out that the level of poverty has been decreasing since 1990 to 2010. It also revealed that economic development has been increasing since 1990 to 2010. The study established that there is a negative significant relationship at 0.05 level of significant between poverty and economic development.

Based on the above findings and conclusions, recommendations, including the following were made towards effective poverty reduction efforts in Uganda; government, its agencies and other stakeholders should develop a multidimensional approaches towards poverty reduction strategies and implement along that line, efforts should be made to effectively target the poor in all considerations and at all levels of articulation, implementation, monitoring and review; the government anti-corruption efforts should be stepped up and seriously up-held in dealing with matters concerning poverty reduction efforts.

TABLE OF CONTENTS

Chapter		Page
One	THE PROBLEM AND ITS SCOPE	1
	Introduction/Background Information	1
	Statement of the Problem	5
	Purpose of the Study	7
	Research Objectives	7
	Research Questions	8
	Hypotheses	8
	Scope	8
	Significance of the Study	10
	Operational Definitions of Key Terms	11
Two	LITERATURE REVIEW	12
	Introduction	12
	Review of Related Literature	24
	Theoretical Perspectives	25
Three	METHODOLOGY	28
	Research Design	28
	Research Population	28
	Sample Size	28
	Sampling Procedure	29
	Research Instrument	29
	Data Gathering Procedures	29
	Data Analysis	29
	Ethical Considerations	30
	Limitations of the Study	30

Four	PRESENTATION, ANALYSIS AND INTERPRETATION OF RESULTS	31
Five	FINDINGS, CONCLUSIONS AND RECOMMENDATIONS	45
	Findings	45
	Conclusions	46
	Recommendations	48
References		50
Appendices		56
	Appendix I - Transmittal Letter	56
	Appendix II - Clearance from Ethics Committee	57
	Appendix III - Informed Consent	59
	Appendix IV - Research Instrument	60
	Researcher's Curriculum Vitae	61
	Data analysis results	67

LIST OF TABLES

Table 2.1 - Proportion of people Below the Poverty line (in %)	15
Table 2.2 Hicks and Streeten consider six social indicators for basic needs	19
Table 1 - A table showing the percentage of people below the poverty line from 1990 to 2010	31
Table 2- Poverty over time in Uganda from 1990 to 2010	35
Table 3- A table showing the level of economic development in Uganda over time from 1990 to 2010	36
Table 4- Economic development (HDI) over time in Uganda from 1990 – 2010	38
Table 5- A table showing the percentage of people below poverty line and level of economic development	39
Table 6- Pearson's Linear Correlation Coefficient Test results for Poverty and human development index (HDI)	42
Table 7- Regression analysis between poverty and HDI levels in Uganda from 1990 to 2010	43

LIST OF FIGURES

Figure 1 - A line graph showing percentage of people below the poverty line from 1990 to 2010	32
Figure 2- A line graph showing the level of economic development over time in Uganda from 1990 to 2010	37
Figure 3 - Scatter diagram showing the relationship between poverty and HDI	41

ACRONYMS

S/N	ACCRONYM	MEANING
1	UNDP	United Nations Development Programme
2	HDI	Human Development Index
3	PEAP	Poverty Eradication Action Plan
4	MFPED	Ministry of Finance Planning and Economic Development
5	UBOS	Uganda Bureau of Statistics
6	GNP	Gross Nation Product
7	GDP	Gross Domestic Product
8	PRSP	Poverty Reduction Strategy Paper
9	PSR	Poverty Status Report
10	PAF	Poverty Action Fund
11	IMF	International Monetary Fund
12	WB	World Bank

CHAPTER ONE

THE PROBLEM AND ITS SCOPE

Background

There is no nation that is completely free from poverty. Poverty is a global phenomenon, which affects continents, nations and peoples differently. It impacts people in various depths and levels, at different times and phases of existence. The main difference is the magnitude and prevalence of this malaise. Nations in sub-Saharan Africa, South Asia and Latin America are currently with the highest level of poverty and consequently with the lowest level of socio-economic development. They also have the highest level of social insecurity, violence, unrest and generally low standard of living. (World Bank 1993)

It is the inability to attain a minimum level of standard of living. This definition considers income and expenditure per capita to be adequate yard stick for measuring welfare. The definition is used to determine who falls below or above the minimum standard of living. (World Bank 1993)

Uganda is one of the well endowed countries on African continent having a rich nature resource base including high rainfall and fertile land in most parts of the country. Research carried in the 1990, indicated that the country is among the fastest growing economies in the sub-Saharan region with a high rate of economic growth.

Uganda, remains one of the World's poorest country ranked 159th out of 175 poorest countries in the world as per the Human Development Index (1998), started its independence in 1962, poverty

level of barely 69% of its population in 1998 less than US \$ 1 dollar a day and is today struggling to bring it down. It is current teeming population of about 33.1 million. Of the number of the poverty stricken people, the majority being _ in the rural areas where illiteracy prevalence is high, potable water and health facilities are rarely available, road and electricity infrastructures are either unavailable or ill-managed.

The World Bank and United Nations Development Programme (UNDP)'s 2002 Human Development Index (HDI) of 0.449 aptly indicate the deplorable state of Uganda's level of poverty and low human development. This is in spite of the fact that the country is richly endowed with all kinds of nature resources. Unfortunately Uganda's proportion of the poor has doubled over the last two decades, amid increasing tax revenue. For instance in 2001/02 it collected over sh1266.1b. Uganda's endowment is in opposite direction with her poverty level. Furthermore, according to World Bank and UNDP 2001 statistics, Uganda which impressively exports raw coffee and other food stuff Production respectively, its GNP per capita of US\$280 and is unenviable classified as the poorest nation in the world.

Poverty is currently one of the most serious problems in the World. Recent estimates indicate that about 1.5 billion people live below the poverty line of Less than one dollar per day in the whole world. Out of the 1.5 billion people, Africa contributes about 250 million, which is about 17% of the world's total Poor population. According to the United Nations Reports (1999), Uganda's Human Poverty Index (HPI) was only 41.3%, which places the country among the 25 poorest Nations in the world. The HPI for some other African countries like Zimbabwe, Botswana, Kenya, Burkina Faso and Niger were 17%,

22.9%, 26.1%, 58.3% and 66.0% respectively. Additional data from the UHPI (2003) further indicate that life expectancy for Uganda was 45 years, literacy rate was 65% and 42.1% of the rural population do not have access to potable water, healthcare facilities and electricity.

The Human Development Index as a measure of economic development, or HDI, embodies Amartya Sen's "capabilities" approach to understanding human well-being, which emphasizes the importance of ends (like a decent standard of living) over means (like income per capita) (Sen. 1985). Key capabilities are instrumentalized in HDI by the inclusion of proxies for three important ends of development: access to health, education, and goods. Empowered by these, and other, capabilities, individuals can achieve their desired state of being.

HDI has been the centrepiece of the *HDRs* for over 17 years, and the latest edition includes HDI rankings for 177 countries. In HDI, component indices for life expectancy, literacy, school enrolment, and income are combined together into a single index that can be used to compare the level of human well-being among countries or to monitor one country's progress over time. HDI provides an alternative to the still common practice of evaluating a country's progress in development based on per capita national income.

What follows is the story of the development of the HDI, beginning with the early intellectual history of welfare economics and following this field through three successive revolutions in thought culminating in the theory of human development. This history is traced from the origins of economic "utility" theory to Sen's human capabilities approach. Since HDI's first introduction in 1990, many scholars have offered critiques of its underlying data and its method of

calculation. In many cases, the UNDP has responded by improving HDI as a measure of Economic development based on these critiques.

By looking at some of the most fundamental aspects of people's lives and opportunities the HDI provides a much more complete picture of a country's development than other indicators, such as GDP per capita. The HDI measures the average progress of a country in human development. The Human Poverty Index (HPI-1) focuses on the proportion of people below certain threshold levels in each of the dimensions of the human development index - living a long and healthy life, having access to education, and a decent standard of living.

Each year, the Human Development Report 1990 published the human development index (HDI) as a measure of economic development which looks beyond GDP to a broader definition of well-being. The HDI provides a composite measure of three dimensions of human development: living a long and healthy life (measured by life expectancy), being educated (measured by adult literacy and gross enrolment in education) and having a decent standard of living (measured by purchasing power parity, PPP, income).

Of the components of the HDI, only income and gross enrolment are somewhat responsive to short term policy changes. For that reason, it is important to examine changes in the human development index over time - which is the sole reason for this particular study. The human development index trends tell an important story in that respect. Between 1990 and 2007 Uganda's HDI rose by 1.59% annually from 0.392 to 0.514 today. In this case, the HDI uses health, education and income levels as a measure of national

development. What is important to note however is the fact that the index is not in any sense a comprehensive measure of human development. It does not, for example, include important indicators such as gender or income inequality nor more difficult to measure concepts like respect for human rights and political freedoms. What it does provide is a broadened prism for viewing human progress and the complex relationship between income and well-being. In addition, much as HDI scores in all regions have increased progressively over the years such have experienced periods of slower growth or even reversals and it is against such a background the researcher is inspired to conduct a study on poverty and economic development using HDI as its measure in Uganda from the period 1990 to date.

Statement of the Problem

It has been known in Uganda that every government embarks on one form of poverty reduction strategy or the other. However, what has remained unanswered is the extent to which these programmes have impacted on the poor: the target population. Recent studies done in Uganda on poverty and Economic development programmes indicated that considerable gap exists between the target objectives: -alleviating or eradicating poverty and achievement. It seems that the efforts of various governments are ineffective and therefore not much has been done to actualize the benefits. For poverty reduction agencies, their results do not seem to justify the huge financial allocations to them. Poor people's perceptions of formal poverty reduction institutions are largely that of ineffectiveness and irrelevance in their lives as government poverty reduction activities contribute little in their struggles to survive and rarely help them to escape poverty.

More disturbing is the fact that despite the colossal amount of resources committed to those programmes, the poverty situation aggravates, and more and more people fall into the poverty region instead of escaping. There is a need therefore to establish the relationship between poverty and economic development.

Over the years, the experience of Uganda is terrifying; few societies in history have come as close to complete social breakdown; access to land in Uganda is almost universal. Hence the option of returning to the rural areas and /or farming upon the urban fringes was possible as urban wages effectively reduced to zero. In the late 1970s and early 1980s, purchasing power was permanently being eroded as inflation verged towards Weimar Republic proportions (Appleton, 1999). Uganda recognizes the fact that poverty is multidimensional and complex; however money-metric approach to poverty analysis is still a predominant feature. Other dimensions considered include health, education, gender, access to services, and infrastructure. Geographically, there are distinct regional variations in how people perceive different characteristics to influence their poverty status. Social exclusion, gender, governance, community status or affluence and ignorance and lack of knowledge and awareness are identified during as new dimensions of poverty. Also, a couple of factors have been identified as causes of movement into and out of poverty. The major factors for moving into poverty include; alcoholism, polygamy, and insecurity in the North and large families/dependants. Other influential factors included lack of access to markets and limited access to land, unfair taxation/high market dues, ill-health. Although movement into poverty is cited more than moving out of it, working hard in all types of jobs, gainful employment, multiple income sources, and access to property and acquiring skills and accessing education

and for women, access to start-up capital and petty trade are being identified as important avenues for drifting out of poverty. Contrary to poverty analysis based on survey data of 1999 to date, the Participatory Poverty Assessments provides a negative assessment of poverty trends. The results of PPA however, show no obvious pattern of poverty trends. In many communities, there are improvements identified in social services- education, health and water and worsening livelihoods (Appleton, 2003). Hence some communities report declining poverty trends while others report increasing poverty. Against such variances, the researcher is driven to establish the relationship between poverty and HDI as a measure of economic development within which the aforementioned variances are being manifested.

Purpose of the Study

The purpose of this study was to establish the relationship between Poverty and economic development in Uganda between from 1990 to 2010.

Research Objectives

General objective

The general objective of this study was to establish the relationship between poverty and economic development in Uganda from 1990 to 2010.

Specific objective

This study was guided by the following specific objectives.

- 1) To compile the poverty level in Uganda from 1990 to 2010.

- 2) To compile the economic development level from 1990 to 2010.
- 3) To establish the relationship between poverty and economic development from 1990 to 2010.

Research Questions

The study is meant to seek for satisfactory answers to the following questions:

- 1) What is the level of poverty in Uganda from 1990 – 2010?
- 2) What is the level of economic development in Uganda from 1990 - 2010?
- 3) What is the relationship between poverty and economic development

Hypothesis

H_{01} There is no significant relationship between poverty and economic development in Uganda from 1990 -2010.

Scope

Geographical scope

This study was carried out in Uganda. Uganda is one of the well endowed countries on African continent having a rich natural resource base including high rainfall and fertile land in most parts of the country. Uganda, remains one of the World's poorest country ranked

159th out of 175 poorest countries in the world as per the Human Development Index (1998), started its independence in 1962, poverty level of barely 69% of its population in 1998 less than US\$ 1dollar a day and is today struggling to bring it down. It is current teeming population of about 33.1 million. Of the number of the poverty stricken people, the majority being in the rural areas where illiteracy prevalence is high, potable water and health facilities are rarely available, road and electricity infrastructures are either unavailable or ill-managed.

Theoretical scope

The study was underpinned by the Kuznets's Curve theory to Simon Kuznets propounded in 1955. The Kuznets's theory attempts to explain that: when a country begins developing economically, its income inequality worsens. But after a few decades when the rich begin investing more in the economy and wealth begins to "trickle down," income equalizes and people are more wealthy than they would have otherwise been.

Content scope

This study was limited in determining the percentage of people below the poverty line and human development index as a measure of economic development in Uganda from 1990 to 2010.

Time scope

This study covered the period between 1990 - 2010. In January, the researcher will concentrate on proposal writing, February viva defence, March proposal corrections, April piloting, May and June the researcher will go for data collection, July data editing and entry,

August data analysis, September report writing, thesis defence, corrections and submission of the final thesis.

Significance of the Study

The study findings will contribute information to the Ugandan government, non government organizations, the civil sector and all the people involved in the anti poverty campaign, thereby helping in policy formulation from an informed point of view particularly as they make revision in the country's policy frame work.

The study will also contribute to the poverty monitoring process; - the activity of investigating levels, changes, the success and failure of public action intended to reduce poverty such as action in PEAP. The government of Uganda has to call upon stakeholders including academicians to join the struggle against poverty. Therefore the study will also intend to answer this government call.

This study will be useful to the academician especially researchers who may be interested in carrying out empirical studies on poverty and human development index as a measure of economic development in Uganda.

Operational Definitions of Key Terms

Poverty: is a state in which a family's income is too low to be able to buy the quantities of food, shelter, and clothing that are deemed necessary.

Poverty line: An absolute level of income set by the government for each family size below which a family is deemed to be in poverty.

Economic development: is a discontinuous and a spontaneous change in the stationary state which forever alter and displaces the equilibrium state previously existing.

Development: is thus about expanding the choices people have to lead lives that they value.

HDI: An index measuring national socioeconomic development based on measures of life expectancy at birth, educational attainment and adjusted real per capita income.

GDP: means Gross Domestic Product. The total market value of all goods and services produced annually within the boundaries of the country or foreign-supplied resources.

GNP: means Gross National Product. It is the market value of all the goods and services produced in Uganda over a specific period of time usually a year at factor cost.

CHAPTER TWO
REVIEW OF RELATED LITERATURE
Concepts, Opinions, Ideas from Authors/ Experts

Poverty

Poverty is a situation of owning nothing at all or having enough for all the necessity of life (World book encyclopaedia). It is humiliation, the sense of being dependent, and of being forced to accept rudeness, insults, and indifference when we seek help." Another of such views of the poor is that expressed by a poor man in Kenya in 1997 as reported by Narayan *et al* (2000:30) thus: "Don't ask me what poverty is because you have met it outside my house. Look at the house and count the number of holes. Look at my utensils and the clothes that I am wearing. Look at everything and write what you see. What you see is poverty."

The World Bank (2000) utilized inductive approach to uncover dimension of poverty and therefore defined poverty using many indices. One of such definitions is that poverty is "the lack of what is necessary for material well-being especially food, but also housing, land, and other assets. In other words, poverty is the lack of multiple resources that leads to hunger and physical deprivation."

According to the World Bank(1993), poverty is hunger , lack of shelter , being sick and not being able to see a doctor ,inability to go to school ,not knowing how to read, not being able to speak properly . It is not having a job, and is fear for the future, and living one day at a time .It is losing a child to illness brought about by unclean water, and powerlessness, lack of representation and freedom. All such can help to give an introspect to the apparition – poverty.

(2000:39) succinctly captures it thus: "when I leave for school in A Ghanaian in 1995 as stated in Narayan et al (2000:39) explained poverty in the dimension of lack of power and voice thus, "you know 'good' but you cannot do 'good'. That is, such a person knows what should be done but has not got the means." In the same vein, an elderly poor man in Uganda explained in his own words; "the forces of poverty and impoverishment are so powerful today. Governments or the big churches can only manage them. So we now feel somewhat helpless. It is the feeling of Helplessness that is so painful, more painful than poverty itself".

Furthermore, examining the definition of poverty from the dimension of material well being reveals yet other varying opinions. The case of a 10-yearold child in Gabon in 1997 as stated in Narayan et al the mornings I don't have any breakfast. At noon there is no lunch, in the evening I get a little supper, and that is not enough. So, when I see another child eating, I watch him, and if he doesn't give me something I think I'm going to die of hunger." The perception of this Gabonese child is akin to the song one old woman claimed her siblings used to sing as a result of lack of food to eat. It is translated thus:

Material well being is always relative. While some perceive it in terms of ability to meet basic needs such as the provision of three daily meals, few perceive it from ability to educate one's children, provide clothing for the family and relatively comfortable shelter, yet some perceive it from ability to respond to emergencies by falling back on ones' savings. The lack of these things is ordinarily perceived as ill-being or poverty.

Local people perceive poverty as lack of means to satisfy basic material and social needs as well as a feeling of powerlessness. It is non cyclic and seasonal (MFPED; 1990).

The government of Uganda defines poverty as having low income, limited human development and powerlessness (PEAP 2004/2004-2007/2008).

Poverty in Uganda

Poverty trend at national level shows that in 1992, close to 56% of the population was below the poverty line compared to 51% in 1993/94, in 1994/95, and nearly 49% in 1995/96. This shows a relative decline in poverty levels in the four years (1992-1996). This consistent decline was also observed for rural Ugandans in 1992 where 59.7% was below the poverty line as compared to 56% in 1993/94, 54.3% in 1994/95, 54% in 1996, 49% in 1997/98, 37% in 1999/2000 and 41% in 2002/3.

However the proportion of people below the poverty line rose from 33.8% in 1999/2000 to 37.7 in 2002/3 which indicated an increase in poverty levels.

Table 2.1 Proportion of people Below the Poverty line (in %)

	1992	1993/4	1994	1996	1997/8	1999/2000	2002/3
NATIONAL	56	51	50.2	49	44	34	38
RURAL	60	56	54	54	49	37	41
URBAN	28	21	22	20	17	10	12
CENTRAL	46				28	20	22
WESTERN	53				43	26	31
EASTERN	59				54	35	47
NORTHERN	72				60	64	64

(Source PEAP 2004/5 -2006/7).

INDICATORS OF POVERTY

Economic performance as well as the standard of living of the population is usually the general factors used as indicators of poverty. These factors combine measures of purchasing power or income or consumption with other social indices which show availability and access to education, healthcare delivery, basic infrastructure and other welfare facilities in order to define the incidence, intensity or severity and the distribution of poverty within a population.

Measurement of poverty

Measurement of Poverty is necessary to gauge the magnitude of the country's Poverty problem to provide a statistical basis for analyzing the nature of and characteristics of Poverty, for systematically monitoring trends in the incidence of Poverty and to influence the design of policies to address poverty problem (Glewwe, 1990).

The World Bank's most commonly used method of measuring poverty is based on incomes or consumption levels. A person is considered poor if his or her consumption or income level falls below some minimum level necessary to meet basic needs. This minimum level is usually called the "poverty line." This "...line" however varies across time and societies. Each country uses lines that are appropriate to its level of development, societal norms and values.

The origin in the measurement is the utility function. The underlying assumption is that, an individual or house hold objective is to maximize utility given certain constraints, Welfare can be approximated using expenditure data. The expenditure variable consist of the sum of explicit expenditure on food produced and consumed by the house hold and the imputed use value of durable goods owned by the house hold (World bank 1993).

The other measures of poverty are total household income, total house hold expenditure, per capita house hold expenditure, total income per adult equivalent, per capita food consumption and proportion of house hold budget spent on food.

Measurement of the incident of poverty is by the number of the total population living below the poverty line while the intensity of the poverty is reflected in the extent to which the income of the poor is below the poverty line (Damery, 1990).

The poverty line is the measure that separates the poor from the non poor. Those whose incomes fall below the line are the poor and those whose income is above the line are the non poor. The poverty line portrays the extent of poverty and the distinguishing characteristics of the poor.

Economic development

Economic development has been defined differently by different scholars. Schumpeter as cited by Jhingan (1998, 4), economic development is a discontinuous and a spontaneous change in the stationary state which forever alters and displaces the equilibrium state previously existing. Economic development is measured using the following four methods;

Gross national product; it is measured in terms of an increase in the countries real national income over a long period of time. GDP per capita income; the second measure relates to the increases in the per capita income of the economy over a long period of time. Economists are one in defining economic development in terms of an increase per capita income or output. Meir defines economic development as "a process whereby real per capita income of a country increases over a long time period subject to stipulations that the number of people below an absolute poverty line does increase and the distribution of income does become more equal.

Welfare; there is also a tendency to measure economic development from the welfare point of view. Economic development is regarded as a process whereby there is an increase in the consumption of goods and services of individuals. According to Okun and Richardson, economic development is "a sustained, secular improvement in material well – being, which we may consider to be reflected in an increasing flow of goods and services" (Okun and Richardson, 1987: 230)

Social indicators; dissatisfied with the GNP per capita as the measure of economic development, economists have measured it in

terms of social indicators. They include a wide variety of items in social indicators. Some are "inputs", such as nutritional standards or number of hospital beds or doctors per head of population, while others may be "outputs", corresponding to these inputs such as improvements in health in terms of infant mortality rates, sickness rates among others. Social indicators are often referred to as the basic needs for development. Basic needs focus on alleviation of poverty by providing basic human needs to the poor. The direct provision of such basic needs as health, education, food, water, sanitation and housing affects poverty in a shorter period and with fewer monetary resources than GNP / GNP per capita strategy, which aims at increasing productivity and incomes of the poor automatically over a long period of time. Basic needs lead to a higher level of productivity and income through human development in form of educated and healthy persons.

The merit of social indicators is that they are concerned with ends, the ends being human development. Economic development is a means to these ends. Social indicators tell us how different countries prefer to allocate their GNP among alternative uses. Some may prefer to spend more on education and less on hospitals. They moreover give an idea about the presence, absence or deficiency of certain basic needs.

Table 2.2

Hicks and Streeten consider six social indicators for basic needs:

Basic Need	Indicator
1. Health	Life expectancy at birth
2. Education	Literacy signifying primary school enrolment as per cent population
3. Food	Calorie supply per head
4. Water supply	Infant mortality and percentage of the population with access to potable water.
5. Sanitation	Infant mortality and percentage of population with access to sanitation
6. Housing	None

Jhingan (1997) (Hicks and Streeten 1979): Page 5-10.

In 1990, the United Nations Development Program (UNDP) transformed the landscape of development theory, measurement, and policy with the publication of its first annual *Human Development Report (HDR)* and the introduction of the Human Development Index. *HDR 1990* presented the concept of “human development” as progress towards greater human well-being, and provided country-level data for a wide range of well-being indicators.

The UNDP’s establishment of the *HDR* expanded both the availability of measurement and comparison tools used by governments, NGOs, and researchers, and our common understanding of development itself. The World Bank and United Nations Development

Program me (UNDP)'s 2002 Human Development Index (HDI) of 0.449 aptly indicate the deplorable state of Uganda's level of poverty and low human development.

Unfortunately Uganda's proportion of the poor has doubled over the last two decades. Uganda's endowment is in opposite direction with her poverty level. According to World Bank and UNDP 2001 statistics, its GNP per capita of US\$280 is unenviable classified as the poorest nation in the world. Poverty is currently one of the most serious problems in the World. Recent estimates indicate that about 1.5 billion people live below the poverty line. Out of the 1.5 billion people, Africa contributes about 250 million, which is about 17% of the world's total Poor population which places the country among the 25 poorest Nations in the whole world.

Motivation behind the structure of the HDI was powerfully expressed in the 1990 HDR in the following terms: "Human development is a process of enlarging people's choices. In principle, these choices can be infinite and change over time. But at all levels of development, the three essential ones are for people to lead a long and healthy life, to acquire knowledge and to have access to resources needed for a decent standard of living. If these essential choices are not available, many other opportunities remain inaccessible." (UNDP 1990;10) The HDI's simplicity, coupled with the transparency assured by the utilization of data published by international organizations, has been one of the main drivers behind the success of the HDI in the past twenty years. The HDI till 2010 had been defined as a simple arithmetic average of normalized indices in the dimensions of health, education and income.

Since its launch in 1990 the Human Development Index as the process of enlarging people's choice .The most critical ones are to lead along

and health life , to be educated and to enjoy a decent standard of living. The relationship between poverty and Human development index as a measure of economic development can be presented in the Human Poverty Index (HPI).The HPI presented in this concentrates on the deprivation in three essential elements of human life already reflected in the HDI-longevity, knowledge and a decent standard of living.. Human Poverty Index (HPI) is a measure of deprivation in three basic dimensions captured in the HDI. The first deprivation relates to survival –the vulnerability to death at a relatively early age and is represented in the HPI by the percentage of people expected to die before age of 40.

The second dimension relates to knowledge being excluded from the world of reading and communication and is measured by the percentage of adult who are illiterate.

The third aspect relates to a decent standard of living ,in particular ,overall economic provisioning .This is represented by a composite of three variables-the percentage of people with access to health service and to safe water and the percentage of malnourished children under five.

Human development is first and foremost about allowing people to lead the kind of life they choose and providing them with the tools and opportunities to make those choices. Human development is about much more than the rise or fall of national incomes. It is about creating an environment in which people can develop their full potential and lead productive, creative lives in accord with their needs and interests. People are the real wealth of nations. Development is thus about expanding the choices people have to lead lives that they value. It is thus about much more than economic growth, which is only a means -

if a very important one of enlarging people's choices. Fundamental to enlarging these choices is building human capabilities - the range of things that people can do or be in life. The most basic capabilities for human development are to lead long and healthy lives, to be knowledgeable, to have access to the resources needed for a decent standard of living and to be able to participate in the life of the community. Without these, many choices are simply not available, and many opportunities in life remain inaccessible (UN Human Development Report 2004). The Index, published annually by the UN, is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development:

1. A long and healthy life as measured by life expectancy at birth.
2. Knowledge as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one-third weight).
3. A decent standard of living as measured by GDP per capita Knowledge (PPPUS\$).

Poverty and economic development

It is apparent that poverty is an outcome of economic, social and political processes that interact with and reinforce each other in ways that can worsen or ease the deprivation poor people face every day. While national economic development process is pivotal to effective poverty reduction, poverty is an outcome of more than economic process. Buttressing the role of economic development on poverty reduction, the World Bank in its World Development Report

2000/2001: Attacking Poverty P. 46-47 proffers that: "the stark differences in poverty outcomes between rich and poor countries point to the central role of economic development in poverty reduction."

Nations in sub-Saharan Africa, South Asia and Latin America are currently with the highest level of poverty and consequently with the lowest level of socio-economic development. They also have the highest level of social insecurity, violence, unrest and generally unacceptable low standard of living.

The economic development of the nation and poverty could be viewed as two different sides of the same coin. An improvement in the economy, no doubt, will reduce the rate of poverty. On the other hand, the high incidence of poverty translates to denial of the much-required contributions to move the economy forward. Collapsing and uncompetitive industrial activities, rapid growth in unemployment, underemployment, unstable interest rate, high inflation rate, are just the features of the Ugandan environment that ought to be solved before the poverty alleviation strategies can effectively work.

According to the Brundtland Commission, sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own needs". Since 1987, there have been many interpretations of and prescriptions for sustainable development. However, the nine operational objectives of sustainable development adopted are:

- ❖ Reviving growth
- ❖ Changing the quality of growth
- ❖ Meeting essential needs for jobs, food, energy, water, and sanitation
- ❖ Ensuring a sustainable level of population

- ❖ Conserving and enhancing the resource base
- ❖ Reorienting technology and managing risk
- ❖ Merging environmental and economics in decision making
- ❖ Reorienting international economic relation

Human development involves the process of widening people's choices and the platform for making such choices, especially through expanded human capabilities (UNDP 2002).

That way people can develop their full potential in order to lead productive and creative lives in accordance with their needs and interests (UNDP 2001).

Human development is measured by the human development index (HDI), which is a composite index embracing longevity (measured by life expectancy), knowledge (measured by education attainment) as a composite indicator combining adult literacy and gross enrolment in the ratio of two thirds and one third, respectively, as well as income per capita (measured in terms of purchasing power parity). Life expectancy index, education index and GDP index are all weighted by 1/3 to derive HDI.

Theoretical perspective

The study is underpinned by kuznet curve theory to Simon Kuznet. The Kuznets's curve theory attempt to explain that: when a country begins to develop economically, its income inequality worsens. But after a few decades when the rich begin investing more in the economy and wealth begins to "trickle down," income equalizes and people are wealthier than they would have otherwise been.

The Kuznets's curve was propounded in 1955 as a graphical representation of Simon Kuznets' hypothesis that economic inequality increases over time while a country is developing and then after a certain average income is attained, inequality begins to decrease. Among Simon Kuznets' discoveries which sparked important theoretical research programs was his discovery of the inverted U-shaped relation between income inequality and economic growth (1955, 1963). In poor countries economic growth increased the disparity between rich and poor people. Then the Kuznets's curve can be seen as what Marshall Berman defines to be "pseudo-Faustian development."

Related Studies

Mehanna (2004), carried out a study on the relationships among various subsets of economic development, poverty, crime, and/or income inequality have been separately investigated in several theoretical and empirical studies. However, there has been very little empirical analysis on the interdependence among all these variables in one framework. This paper examines the relationship and causality between economic development and poverty. It employs a co-integration test, a 4-variable vector autoregressive (VAR) model, and a Granger test in the US over the period 1959–2001. Findings reveal a feedback loop mechanism between economic development, poverty, and crime. Interestingly, as measured by the Gini coefficient has no important impact on any of the variables.

Mulira *et al* (2009) carried out a study on the panacea of precipitate "the entrepreneurship and poverty paradox ". The study sought to understand the entrepreneurial behaviour of categories of people that are described as poor by current World Bank standards. The study derived data from poverty and entrepreneurial surveys involving multi-

stage random sampling from the central region of Uganda and from the Global Entrepreneurship Monitor (GEM) survey. Findings revealed that Men are more entrepreneurial than woman in most developing countries thus, this study was focused at the relationship between Entrepreneurship and poverty in central region of Uganda .This creates a knowledge gap and justifies the need for this study.

Mulira *et al* (2009) carried out a study on the panacea of precipitate “the entrepreneurship categories of people that are described as poor by current World Bank standards. The study-derived data from poverty and entrepreneurial surveys involving multi-stage random sampling from the central region of Uganda and from the Global Entrepreneurship Monitor (GEM) survey. Findings revealed that Men are more entrepreneurial than woman in most developing countries thus; this study was focused at the relationship between Entrepreneurship and poverty in central region of Uganda.

Francis *et al* (2002) carried out a study on determinants of regional poverty in Uganda. The study sought in-depth knowledge of the key factors that account for regional poverty differentials in Uganda so as to contribute to more focus targeting of programmes for the poor. Northern Uganda was found to be the poorest region; it has the largest depth of poverty and worst inequality. It is characterized by the poor having large mean household sizes, least education, least mean household income, least expenditure on health, lowest chance of child survival and highest concentration in the rural areas. This creates a knowledge gap and justifies the need for this study.

Marion *et al* (2003) carried out a study on Livelihood Assets and Chronic Poverty in Uganda. This study also sought to understand the

poverty environment relationship in an urbanized setting. Generally, poor sanitation is a key characteristic of this community although this varies with well being. The rich own houses with inbuilt proper sanitation facilities, can afford medical expenses, don't sell property to meet education costs of their children, contribute to funeral events and have job security while the poor are asset-less, have no sanitation facilities, mostly idlers and commit petty crimes, and sleep in bars. On the whole, poor waste management sanitation as threats to health. The study concludes that poverty is a major cause and consequence of environment degradation, poor health and low productivity.

CHAPTER THREE

METHODOLOGY

Research Design

This study employed a cross-sectional survey design since it examined data for a short time; it was also a descriptive-correlation since it was interested in examining the relationship between the independent variable and the dependent variable. The study also employed an expost facto design since it analyzed data on the existing facts on poverty and HDI as a measure of economic development in Uganda. Given the fact that quite a number of attributes constitute poverty and all such attributes have influence on Human progress, it is remarkable evidence that the study will adopt correlation and longitudinal survey methods. It will be correlation since it is involving relating each of the attributes of poverty on the progress of Ugandans. Data will be collected for a period ranging from 1990 to 2010.

Research Population

The target population of this study was the published and non published reports on the poverty, and HDI in Uganda from 1990 to 2010. The study targeted annual reports by the Uganda Bureau of Statistics (UBOS) and Ministry of Finance Planning and Economic Development.

Sample Size

This study analyzed data attributing to the variables for the past 20 years that is from 1990 to 2010. This is because of scanting

information prior to wars .In 1990 Uganda's involvement in wars and the population had not started escalating.

Sampling Procedure

The researcher used purposive random sampling to arrive on the sample size of the population.

Research Instrument

Record sheets were used in the collection of data from Uganda Bureau of Statistics, and Ministry of Finance Planning and Economic Development.

Data Gathering Procedures

After Proposal hearing, the researcher obtained an introductory / transmittal letter from the School of Post Graduate Studies addressed to the respective stakeholders where the researcher collected data from. The record sheet was used during the data gathering process.

Data Analysis

The collected data was edited, categorized and entered into excel and exported to STATA. Line graphs to determine the level of poverty and HDI in Uganda from 1990 and 2010 were also used. The Pearson correlation co-efficient (r) was used to determine the strength of the relationship between the independent variables and dependent variable. Regression analysis was also used to determine the relationships between the dependent and independent variable.

The relationship between poverty and economic development was analysed using the following equation:

$$Y = a + bx + cx^2 + \varepsilon$$

Where y is dependent variable.

And x is the independent variable.

a, b, c are parameters to be estimated While ε is the error term. The formula was designed to suit the data after a scatter diagram since it portrayed a non linear trend.

Ethical Considerations

Ethical standards in this study was assured by voluntary participation of the respondents, guaranteeing confidentiality on information given by the respondents, and reporting study findings basing on the data collected and analyzed using appropriate techniques.

Limitations of the Study

To conduct an effective research in Uganda is always a herculean task, owing to people's attitudinal disposition towards the release of information. A number of challenges were faced in the pursue of this study

As it is always known resources are scarce. Therefore, the success of study was impeded by inadequate funds since the researcher was a self sponsored student.

Generally, large households are poor and have limited access to health care services. There is need to increase provision of health care services, including family planning services, to the poor.



CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter looked at the levels of poverty in Uganda, level of economic development conceptualized under the Human Development Index (HDI) and the correlation between poverty and economic development.

Poverty levels in Uganda

Table 1

A table showing the percentage of people below the poverty line from 1990 to 2010

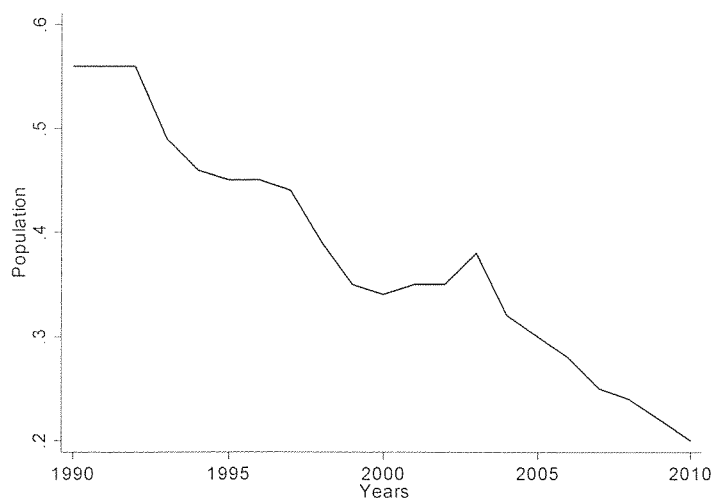
Years	People below poverty line(%)
1990	0.56
1991	0.56
1992	0.56
1993	0.49
1994	0.46
1995	0.45
1996	0.45
1997	0.44
1998	0.39
1999	0.35
2000	0.34
2001	0.35
2002	0.35
2003	0.38
2004	0.32
2005	0.3
2006	0.28

2007	0.25
2008	0.24
2009	0.22
2010	0.2

Source; UBOS

Figure 1

A line graph showing percentage of people below the poverty line from 1990 to 2010



Source; Compiled by the researcher

Poverty trend at national level shows that in 1992, close to 56% of the population was below the poverty line compared to 51% in 1993/94, in 1994/95, and nearly 49% in 1995/96. This shows a relative decline in poverty levels in the four years (1992-1996). This consistent decline was also observed for rural Ugandans in 1992 where 59.7% were below the poverty line as compared to 56% in 1993/94, 54.3%

in 1994/95, 54% in 1996 49% in 1997/98, 37% in 1999/2000 and 41% in 2002/3.

However the proportion of people below the poverty line rose from 33.8% in 1999/2000 to 37.7% in 2002/3 which indicated an increase in poverty levels. The proportion of poor people below the poverty line declined rapidly from 56% of the population in 1992/93 to 44% in 1997. Implementation of the Government Poverty Eradication Action Plan since 1997 resulted in a further decline in national poverty to 35% in 2000. However, despite the remarkable achievements, it is only Northern Uganda that has experienced increasing poverty from 60% in 1997 to 66% in 2000 which raises a number of policy questions that need to be addressed.

It is observed that from the early 90s the proportion of people below the poverty line was high and this has kept on falling in the subsequent years.

This is explained by the numerous efforts that have been extended in the fight against poverty in Uganda in the last two decades. Other policies include Poverty alleviation fund (PAF) that was launched in 1994 to set a precedent for special funds aimed at poverty reduction located outside the red tape constraint of normal government programmes. The main objective of the fund was to reduce poverty among the vulnerable grounds that were identified as the orphans, youth and disabled, demobilized soldiers, elderly, and retrenched civil servants.

Another objective of establishing PAF was to direct funds from the Highly Indebted Poor countries (HIPC), debt relief initiative and other resources mobilized from donors to the financing of projects

which have a strong impact on poverty reduction .A total of shs 83 billion was raised by 2000 under PAF. This was an important move towards poverty reduction since high debts also contribute to the persistence of poverty in the country. The major deficiency of this program was that it failed to address the poorest of the poor.

The Entandikwa credit scheme (ECS) was established in 1995 to provide a truck route for special poverty alleviation and reduction. The general aim of the scheme was to extend credit facilities to Uganda's rural population with an aim of improving their investment capacity .However, the scheme also failed because in order to benefit from the Entandikwa fund one had to be with an investment project running proficiently, which meant that majority of the people particularly the very poor were left out.

A national policy, poverty eradication action plan (PEAP) was launched in 1997 to provide a frame work to guide public action to eradicate poverty by 2017.The policy frame work consists of measure to improve the quality of life of the poor and to increase their income. Under the plan Uganda's rural areas were to be opened up to the rest of country through an adequate and reliable road net work. The plan also entails the modernization of agriculture a sector that employs most Ugandans poor.

In 2006 the government launched a new strategy in which its effort is geared via micro finance institution. This new strategy under the slogan "Bonna Bagaggaware" places higher priority on reducing income poverty by availing the rural poor starting capital at a very low interest rate. In this strategy, the government aims at ensuring that every household in the country is capable of raising enough income to

meet the basic necessities of life. In the 2006/2007 national budget a total of nine billion Uganda shillings were allocated to the ministry of microfinance to commence this plan.

LINEAR REGRESSION MODEL SHOWING POVERTY LEVELS OVER TIME

A linear regression estimation model was carried out to establish the linear relationship between poverty over time. In the analysis the data was first put under a number of diagnostic tests, using STATA and excel.

Table 2

Poverty over time in Uganda from 1990 to 2010

Variables Regressed	Adjusted R ²	F-value	Sig.	Interpretation
Poverty and time	0.9538	413.77	0.000	Significantly positive effect
Coefficients	Beta	T	Sig.	
(Constant)	.5710952	52.73	.000	Significant
Time (X)	-.0175455	-20.34	.000	Significant

Source; computed by the researcher

The Linear regression results in Table above indicate that time has a negative significant effect on poverty levels ($F=413.77$, $\text{sig.}=0.000$). The results indicate that time explains 95.38% of variations in poverty levels (Adjusted $R^2 = 0.9538$). The coefficients section of this table indicates the extent to which the explanatory variable explains the explained variable and this is indicated by Beta values. For

example, if the explanatory variable which is time increased by one unit it implies that the explained variable which is poverty would decrease by -0.0175455 hence poverty levels have been significantly decreasing over time. The percentage of the population that would be below the poverty line irrespective of the variation in time is 0.5711.

The level economic development level in Uganda

Table 3

A table showing the level of economic development in Uganda over time from 1990 to 2010

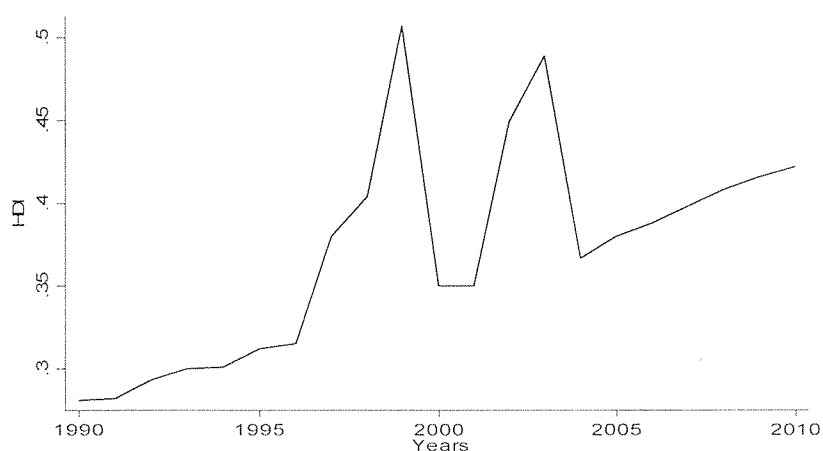
years	Economic development(HDI)
1990	0.281
1991	0.282
1992	0.293
1993	0.3
1994	0.301
1995	0.312
1996	0.315
1997	0.38
1998	0.404
1999	0.507
2000	0.35
2001	0.35
2002	0.449
2003	0.4888
2004	0.367

2005	0.38
2006	0.388
2007	0.398
2008	0.408
2009	0.416
2010	0.422

Source: UBOS

Figure 2

A line graph showing the level of economic development over time in Uganda from 1990 to 2010



Source; Compiled by the researcher

LINEAR REGRESSION MODEL SHOWING HDI LEVELS OVER TIME

Since the line graph portrays linear trend, a linear regression estimation model was carried out to establish the linear relationship between HDI over time. In the analysis the data was put under a number of diagnostic tests, using STATA and excel.

Table 4

Economic development (HDI) over time in Uganda from 1990 - 2010

Variables Regressed	Adjusted R ²	F-value	Sig.	Interpretation
HDI and time	0.4639	16.44	0.001	Significantly positive effect
Coefficients	Beta	T	Sig.	
(Constant)	.2917324	13.07	.001	Significant
Time (X)	.0072096	4.05	.001	Significant

Source; computed by the researcher

The Linear regression results in Table above indicate that time has a positive significant effect on economic development (HDI), (F=16.44, sig. =0.001). The results indicate that time explains 46.39% of variations in economic development (Adjusted R² =0.4639). The coefficients section of this table indicates the extent to which the explanatory variable explains the explained variable and this is indicated by Beta values. For example, if the explanatory variable

which is time increased by one unit it implies that the explained variable which is HDI would increase by 0.0072096, hence economic development has been significantly increasing over time. The percentage of economic development in Uganda irrespective of the variation in time is 0.0072096.

Relationship between poverty and economic development

Table 5

A table showing the percentage of people below poverty line and level of economic development

years	% of people below poverty line	HDI
1990	0.56	0.281
1991	0.56	0.282
1992	0.56	0.293
1993	0.49	0.3
1994	0.46	0.301
1995	0.45	0.312
1996	0.45	0.315
1997	0.44	0.38
1998	0.39	0.404
1999	0.35	0.507
2000	0.34	0.35
2001	0.35	0.35
2002	0.35	0.449
2003	0.38	0.4888
2004	0.32	0.367

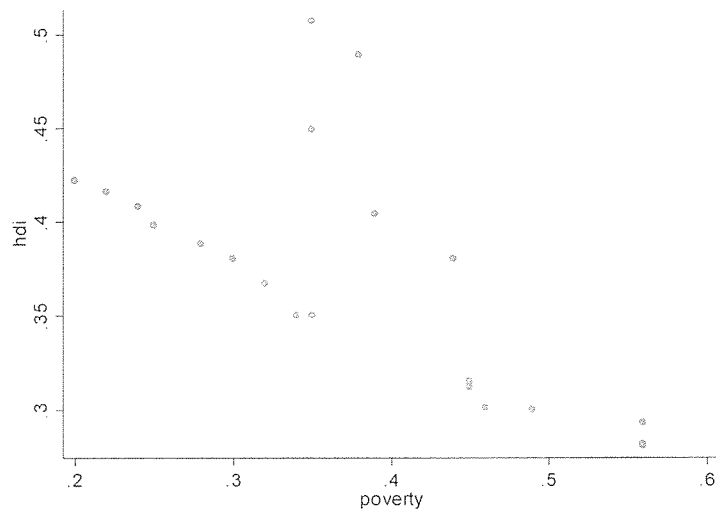
2005	0.3	0.38
2006	0.28	0.388
2007	0.25	0.398
2008	0.24	0.408
2009	0.22	0.416
2010	0.2	0.422

Source: UBOS,

The level of economic development was measured using the Human Development Index in Uganda from the year 1990 to 2010. Since the magnitude of human development is greatly anchored on the level of poverty in an entity, the trend in human development has been protruding as poverty levels have been downsizing within the country. In 2003, Uganda's HDI was 0.4888; an improvement from 0.449 in 2002.

There has been improvement in people's education. More than two thirds (68%) of the population aged 10 years and above in 2002 were literate, that is, could write or read with understanding in any language. This was an increase from the 54% observed in 1991. However, wide sex disparities still exist in the literacy rates with 76% of the males being literate compared to 61% of the females. Despite the high levels of literacy in absolute terms, more than 5 million Ugandans aged 10 years and above were illiterate. Northern Uganda's literacy levels are lower than the rest of the country.

Figure 3
Scatter diagram showing the relationship between poverty
and HDI



Source; Computed by the researcher

Correlation analysis between poverty and economic development

Poverty and economic development were correlated, a table of results below was obtained and under this objective a null hypothesis that there is no significant relationship between poverty and economic development in Uganda was tested.

Table 6
Pearson's Linear Correlation Coefficient Test results for
Poverty and human development index (HDI)

Variables Correlated	r-value	Sig-Value	Interpretation	Decision on Ho
Human development index and poverty	-0.6772	0.001	Negative and Significant	Reject

Source; Computed by the researcher 2011

The results in Table above indicate that human development index does not have a significant correlation with poverty in Uganda from 1990 to 2010 (sig. < 0.05). Results also indicate that human development index is positively correlated with poverty levels in Uganda from 1990 to 2010 (r-value<0). This implies that an increase in human development index leads to decrease in poverty as per this study. From these results the null hypotheses is rejected and conclude at 0.05 level of significance that there is a negative significant relationship between poverty and economic development.

Human development index was regressed against poverty to find the effect of HDI on poverty. From table 8, the (sig) value is 0.0007 < 4.38 and the t value is 13.33 > 1.725 the critical value.

TABLE 7

**Regression analysis between poverty and HDI levels in
Uganda from 1990 to 2010**

Since the scatter diagram portrays a non linear trend, a three parameter asymptotic model was regressed and results obtained are indicated in the table below.

Variables regressed	Adjusted R²	F-value	Sig.	Interpretation	Decision on H₀
Poverty and economic development	0.1794	5.37	0.0318	Negative Significant effect	Reject
Coefficients	Beta	T			
Constant (B ₀)	.5609933	6.64	0.001	Significant effect	Reject
B ₁	-1.16	-4.01	0.001	Significant effect	Reject
B ₂	.9729574				

Source; Computed by the researcher 2011

The non linear regression results in Table above indicates that human development index has a significant effect on poverty. (F=5.37, sig. =0.0318<0.05). The results indicate that human development account for 17.94% of the variation in poverty (Adjusted R² =0.1794). The coefficients section of this table indicates the extent to which the explanatory variable (human development index explains

the explained variable poverty) and this is indicated by Beta values. From table above, if the human development index increased by one unit it implies that the poverty reduces by 1.12868.

CHAPTER FIVE

FINDINGS, CONCLUSION AND RECOMMENDATIONS

FINDINGS

The data was analyzed using STATA and revealed the following findings;

Poverty in Uganda was generally declining from 1990 to 2010. Results from STATA shown that irrespective of variations in time, poverty in Uganda would be 0.571 and a unit change in time affects poverty by -0.0175455. This means the country's poverty levels have been decreasing over time. It's also clear that time explains 95.38% of the variations in poverty, ($\text{adj } R^2 = 0.9538$). However results show that there are some seasonal variations in this model. This was attributed to increased government and non government organization's intervention in the eradication of poverty.

The study also revealed that Uganda's HDI has been increasing. This was attributed to factors such as; increased education services, improved healthy services, and access to electricity among others. Also the study found out that there is a negative significant relationship between poverty and economic development (HDI)

CONCLUSION

Poverty alleviation is a key policy debate in recent development literature. Many researchers of development economics have argued that the fight against poverty is a necessary condition for growth. The elaboration of policies for poverty alleviation requires a thorough knowledge of the poverty phenomenon as well as an understanding of the efficiency of implemented programmes. According to the World Bank (1990), the burden of poverty is spread evenly among regions of the developing world, among countries within those regions and among localities within those countries. Nearly half of the world's poor live in south Asia, a region that accounts for about 30% of the world's population. People in sub-Saharan Africa, along with those in south Asia, are among the poorest in the world, both in real incomes and in access to social services.

Poverty in Uganda is attributed to the imbalance between population and resources. Population pressure, decreasing acreage of farmland holdings, deteriorating soil fertility, declining stocks of animals, and cultural attitudes and practices have all combined to create a new situation of poverty as well as entrenching a process of impoverishment. Uganda is one of the poorest countries in the world. The trends in aggregate per capita growth rates indicate not only that Ugandans are poor but that poverty has increased over the last 20 years, leaving the population increasingly vulnerable and deprived. Average per capita income levels conceal the extent and depth of this poverty since Uganda suffers from a skewed distribution of income.

At the macro level, however, Uganda has registered a positive macroeconomic performance ever since the adoption of the structural

adjustment programmes (SAPs). GDP has been growing at about 5% per annum and inflation has been under control and relatively stable at an average monthly rate of approximately 5% for the period March 1990–June 1994. The parallel market foreign exchange rate premium fell from over 100% in 1986 to less than 0.5% by December 1994, while the private sector investment– GDP ratio rose from about 1.02% in 1984 to 5.62% in 1994. Because of this glowing macroeconomic performance, Uganda has become a model touted by the World Bank and IMF as one of the success stories of the SAPs. Yet despite the glowing macro performance, the poverty situation at the micro level needs to be examined critically.

World Bank (1993) estimated two relative poverty lines for Uganda, US\$110 and US\$55. The US\$110 represents the minimum per capita income at which the poor can meet basic food needs and other non-food expenditures and the US\$55 represents the minimum per capita income at which only basic food needs can be met. Furthermore, the report also stated that the north was the poorest region of Uganda and it greatly attributed this to civil war. But given that other regions, like the Luwero Triangle and Eastern Uganda, also experienced similar civil war; it became necessary to investigate other determinants of regional poverty. Authenticity of such remains at a stake since the world economy has been getting into swings which swings have had great impact on the African continents and the ramifications of such are on. All that is important to note is the fact that poverty remains a challenge to the Ugandan economy just like it is to many other parts of the developing world.

RECOMMENDATIONS

The following recommendations are hereby proffered based on the study findings;

Generally, large households are poor and have limited access to health care services. There is need to increase provision of health care services, including family planning services, to the poor. The study has found that the majority of poor households had low education and that the households with more education were less likely to be poor. This calls for improving access to education by the poor households. But the government white paper on education stipulates that all households will bear the full cost of education at higher levels; for poor households that cannot meet the education cost, a loan scheme, payable on completion and attainment of gainful employment, is proposed (However, this has a lot of implications for the poor. For instance, the definition of gainful employment is vague. Currently, government is the main employer in Uganda and the fixed minimum wages are low. This implies that a graduate from a poor household will take several years servicing the debt, and during that time will not be able to help other members of the household. Given that this is a loan scheme, if interest is put on it, then the amounts may be compounded to unbearable levels. Such a scenario may perpetuate poverty. In view of these considerations, it is recommended that the resources allocated to the districts under decentralization arrangements should be used to give bursaries to poor children as opposed to a loan scheme. In addition, universal primary education should be extended to all children in a family instead of the current four.

There is need for government to allocate more resources from the savings made from higher education to cater for secondary education. According to the review of the social sector recurrent

expenditure transfer figures for 1997/98, Northern region, which is the poorest, was allocated 20.8%. This allocation is insufficient if the region is to come out of poverty. It is therefore recommended that budgetary allocations be increased for poor regions to cater for social services. For effective poverty alleviation in Uganda, the planning process and the budgetary allocations should take into account the region-specific poverty lines.

Generally, poor households are more predominant in rural areas and engage mainly in agriculture with poor infrastructure. It is recommended that rural infrastructure be improved as this has potential benefits to enable poor households to come out of poverty. Improved rural infrastructure would link rural areas to the rest of the market, reduce transport costs and probably increase producer prices due to increased competition. Most poor households did not have access to credit, which has great potential to assist them out of poverty. It is recommended that a credit delivery mechanism targeting poor households be developed by government and non-government organizations.

Recommendations for Future Research

The researcher recommends a study on the causality between poverty and HDI as a measure of economic development.

The impact of poverty reduction strategies towards development of Uganda's economy.

REFERENCES

- Alkire, S and Deneulin, S. (2009). The Human Development and Capability Approach. *Introduction to the Human Development and Capability Approach* (accessed Oct. 28, 2010). Sterling, VA: Earthscan.
- Alkire, S. 2005. Capability and Functionings: Definition & Justification. *Human Development and Capability Association*. 1 Sept. 2005. (accessed Oct. 28, 2010).
- Anand P, Hunter G, Carter I, Dowding K, van Hees M, (2009). The Development of Capability Indicators, *Journal of Human Development and Capabilities*, 10, 125-52
- Anand P, Santos C and Smith R, (2009). *The Measurement of Capabilities* in Arguments for a Better World: Essays in Honor of Amartya Sen, Basu K and Kanbur R (eds) (Oxford, Oxford University Press).
- Appleton, S. (2001), 'Poverty reduction during growth: The case of Uganda, 1992-2000'
- Appleton, S. (2001), "Poverty in Uganda, 1999/2000: Preliminary estimates from the Uganda National Household Survey," University of Nottingham.
- Appleton. S, et al, (1999), *Change in Poverty in Uganda, 1992-1997*; UK Oxford Centre For The Study Of African Economies.

Benjamin, H. (1999) Economic Development; Problems Principles And Policies, India Universal Book Stall.

Campbell, R. Connell Mc, William. H,(1998),Macro Economics, Toronto, Mc Graw-Hill Ryerson Ltd.

Chronic Poverty Research Centre (2005), *Chronic Poverty in Uganda: The Policy Challenges*, CPRC publication.

Crocker, D A. 1995. Functioning and Capability: *The Foundations of Sen's and Nussbaum's Development Ethic, Part 2*, in Martha Nussbaum and Jonathan Glover, Eds. Women, Culture and Development: A Study of Human Capabilities, pp. 153-199. New York: Oxford Clarendon Press

Gerald, E., (1996) Principles of Micro Economics, 3rd Ed),New York, W. Newton Publishers.

Glewwe, P. And Gaag J. (1999), Identifying The poor in Developing Countries; Do Definitions Matter, Washington, D.C, World Development.

Connell Mc , Brue, (2002) , Micro Economics, Toronto, Mc Graw-Hill Irwin Ltd.

MFPED, (1999),Uganda Participatory Poverty Assessment Project; key Findings",

MFPEP, (2002), Uganda Participatory Poverty Assessment Project; key Findings",

Todaro M P. (1998), Economics Development. 7th Edition

Spencer, M H. (1996) Contemporary Economics, USA Library of Congress Cataloging.

Ministry of Finance Planning and Economic Development, (2000) Poverty Eradication Action Plan 2000/2003-2005/2006 Kampala Uganda.

Ministry of Finance Planning and Economic Development, (2004) Poverty Eradication Action Plan 2004/2005-2007/2008 Kampala Uganda.

Jhingan, M.L. (1997). The Economics of Development and Planning, 31st Revised and Enlarged Edition. Vrinda Publications (P) Ltd. New Delhi

Jhingan, M.L. (2007) . Micro Economic Theory, 6th Revised & Enlarged Edition. Vrinda Publications (P) Ltd.

Narayan, D. and Petesch P. (2002), Voices of the Poor: From Man Lands World Bank, New York

Narayan, D. et al (2000), Voices of the Poor: Crying Out for Change.

Narayan, D. et al, (2000) Voices of the Poor: Can Anyone Hear Us? World Bank, New York.

Nussbaum, M. C. 2003. *Capabilities as Fundamental Entitlements: Sen and Social Justice.*" Feminist Economics 9(2/3): 33–59.

Paul O. O, (1999).Poverty in Uganda ;A Multivariate Analysis, Makerere University Campus, Makerere University Institute of Economic, Economic Policy Research Center.

Poverty Alleviation Measuring Poverty & HDI? *The Human Development Index*. The United Nations Human Development Index is a comparative measure of poverty,

Richard G. Lipsey, K. A Chriysal , (1999), Principles of Economics, NewYork, Library of Congress Cataloging.

Sen, A.(1985). *Commodities and Capabilities*, North Holland, Amsterdam.

Sen, A. K. (1985). *Commodities and Capabilities*. Oxford: Oxford University Press.

Sen, A. (1999). *Development As Freedom*. New York: Knopf.

Sen, A. (2005). "Human Rights and Capabilities." Journal of Human Development 6, no. 2: 151-166. (accessed Oct. 14, 2010)

Sen. A, (1992). *Inequality Reexamined*. Cambridge, MA: Harvard University Press.*Study of African Economies*.

Townsend, P., (1993), *The international Analysis of Poverty*, Poverty, New York, Harvester Wheat Sheaf.

Uganda 1989-1992 *Institute of Development Studies*, 27(1), pp.43-55.

Uganda Human Development Report 2005.

UNDP (2000), *Poverty Report: Overcoming Human Poverty*, New York.

United Nations Development Programme Human Development Reports

United Nations Development Programme. (November 4, 2010). *Human development report*. University of Nottingham. Mimeo.

UPPAP Report (2011) Ministry of Finance Planning and Economic Development.

World Bank (2000), *Poverty Reduction Hand Book* Washington DC. World Bank Publication.

World Bank . (2001), *World Development Report 2000/2001 Attacking Poverty*. Oxford University Press Inc. New York.

World Bank (2002), *Poverty Reduction and the World Bank Progress in* World Bank, New York.

World Bank,(1993), *Poverty Reduction Hand Book*, Washington DC. World Bank Publication.

World Bank. (1993). *Uganda: Growing Out of Poverty*. Washington, D.C.: The World

APPENDIX 1

TRANSMITTAL LETTER



Ggaba Road - Kansanga
P.O. Box 20000, Kampala, Uganda
Tel: +256- 41- 266813 / +256- 41-267634
Fax: +256- 41- 501974
E- mail: admin@kiu.ac.ug,
Website: www.kiu.ac.ug

**OFFICE OF THE COORDINATOR, ECONOMICS
SCHOOL OF POSTGRADUATE STUDIES AND RESEARCH (SPGSR)**

June 23, 2011

**RE: REQUEST FOR NAKIMULI OLIVIA MAF/43010/92/DU
TO CONDUCT RESEARCH IN YOUR ORGANIZATION**

The above mentioned is a bonafide student of Kampala International University pursuing a Masters of Arts in Economics.

She is currently conducting a field research of which the title is **"Poverty and Economic Development."**

Your organization has been identified as a valuable source of information pertaining to her research project. The purpose of this letter is to request you to avail her with the pertinent information she may need.

Any information shared with her from your organization shall be treated with utmost confidentiality.

Any assistance rendered to her will be highly appreciated.

Yours truly,

Mr. Kibuuka Muhammad
Coordinator Economics, (SPGSR)

APPENDIX II

CLEARANCE FROM ETHICS COMMITTEE

Date_____

Candidate's Data

Name_____

Reg.# _____

Course _____

Title of Study _____

Ethical Review Checklist

The study reviewed considered the following:

- ___ Physical Safety of Human Subjects
- ___ Psychological Safety
- ___ Emotional Security
- ___ Privacy
- ___ Written Request for Author of Standardized Instrument
- ___ Coding of Questionnaires/Anonymity/Confidentiality
- ___ Permission to Conduct the Study
- ___ Informed Consent
- ___ Citations/Authors Recognized

Results of Ethical Review

___ Approved

___ Conditional (to provide the Ethics Committee with corrections)

___ Disapproved/ Resubmit Proposal

Ethics Committee (Name and Signature)

Chairperson _____

Members' _____

APPENDIX III

INFORMED CONSENT

I am giving my consent to be part of the research study of Mrs. Nakimuli Olivia that will focus on Poverty and economic development in Uganda from 1990 to 2010

I shall be assured of privacy, anonymity and confidentiality and that I will be given the option to refuse participation and right to withdraw my participation anytime.

I have been informed that the research is voluntary and that the results will be given to me if I ask for it.

Initials: _____

Date: _____

APPENDIX IV
RESEARCH INSTRUMENT RECORD SHEET

years	% of people below poverty line	HDI as a measure of econ devt
1990	0.56	0.281
1991	0.56	0.282
1992	0.56	0.293
1993	0.49	0.3
1994	0.46	0.301
1995	0.45	0.312
1996	0.45	0.315
1997	0.44	0.38
1998	0.39	0.404
1999	0.35	0.507
2000	0.34	0.35
2001	0.35	0.35
2002	0.35	0.449
2003	0.38	0.4888
2004	0.32	0.367
2005	0.3	0.38
2006	0.28	0.388
2007	0.25	0.398
2008	0.24	0.408
2009	0.22	0.416
2010	0.2	0.422

Source: UBOS,

Researcher's Curriculum Vitae

PERSONAL DATA

Name (Surname) : Nakimuli

Other names : Olivia

Affiliation : Catholic

Date of Birth : 22nd, July, 1981

Marital status : Single

Sex : Female

Nationality : Ugandan

Address : P.O Box 12058, Kampala Uganda

E-mail : olivanakimuli@yahoo.com
;nolivia33@gmail.com

Telephone. : 0712835842/ 0782096435

Date : 22nd sept, 2011

AREAS OF COMPETENCE

From academic qualifications, work experience and personal efforts.

Education Issues, Teaching skills, Typing, Data analysis using STATA, EXCELL Packages, Equinox, and Tally, Economic Issues, Social and Interpersonal skills, Highly self motivated, analytical thinking, solution oriented, team work and good communication skills.

ACADEMIC QUALIFICATIONS AND TRAINING EXPOSURES

Master of Arts in Economics Degree at Kampala International University – Uganda (2010 -2011)	This involved courses: Ethics for Economics, Management Information Systems, Project Planning and Management, Quantitative Methods in Economics, Research and Consultancy, International Economics, Labour Economics, Micro-Economics, Macro-Economic, Development and Transitional Economics, Econometrics II, Economic Analysis and Policy, Industrial Economics, Public Finance. A research/ Thesis on Poverty rates and Human Development Index in Uganda
Bachelor of Arts With Education (BAE) at Kampala International University – Uganda (2005 -2008)	This involved Studies in Economics, History and Education. Economics Studies included Introduction to Economics, Introduction to Economics, Mathematical Economics, Microeconomics, Macroeconomic, Principles of Development Economics, Economics Industrial Economics, Nature, Concern and Methodology of Economics Education, Labour Economics, Monetary Economics, Economic Planning and Policy, Public Sector Economics. Studies in History included Themes in African History From The Earliest Times To 1871, Themes in East African History to 1900, Themes in African History Since 1871, Themes in East African History Since 1900, African Nationalism, 1900-1963, European History Since Industrial and French Revolution, History of Southern Africa, 1652-1902, History of West Africa Since 19 th /20 th Centuries,

	Imperialism In The Third World Since The Mercantile Era To 1939, North Africa History From The Earliest Times, History of The United States of America 1861-19456, History Of Uganda, Nature, Concern and Methodology of History Education .Education Studies involved Curriculum Theory and Practice, Education Administration, Educational History, Educational Sociology, Introduction to Computer Systems, Contemporary World Education Systems, Educational Philosophy, Curriculum and Teaching, Educational Psychology, Educational Technology in Curriculum and Practical work during School Practice.
Makerere University (2004 -2007)	Vast experience with common applications. Several uncertified on job/ task training and personal efforts: well fast with the common Computer applications: MS office word, Linux, excel, PowerPoint and SPSS, STATA Packages.
Uganda Advanced Certificate of Education (Second Grade) at Kibuli Secondary School.	This involved Studies in History, Economics, Geography and General Paper.
Uganda Advanced Certificate of Education at Mende Kalema Memorial Secondary School.	This involved Studies in English Language, History, Geography, Physics, Mathematics, Biology, Commerce and Chemistry.

WORKING EXPERIENCE AND RESPONSIBILITIES

Institution	Position, Major assignments and work Experience
Kampala International University, 2010-To date	Teaching Assistant, School of Economics and Applied Statistics, Education and College of Open and Distance Learning. This involves; ❖ Preparing notes and Organizing materials for lectures and liaising with the head of department and lecturers/ colleagues to draw time table and course outline ❖ Conduct lectures ❖ Setting of examinations, preparing coursework questions marking and awarding marks accordingly. ❖ Supervise students' research and reports. ❖ Attending meetings and discussing matters relating to the department. ❖ Supervise the students on school practice. ❖ Performing any other duties assigned to me from time to time
Kampala International University 2009	2009 Administrative Assistance Quality Assurance Department. This involved; ❖ Preparing reports. ❖ Taking minutes.

	❖ Attending meetings and discussing matters relating to the department. ❖ Supervise the Internees in the field and guide them accordingly.
Musa court Apartment 2008	Switchboard Operator /Receptionist. This involved; ❖ Receiving incoming and outgoing calls. ❖ Taking reservations. ❖ Making conference calls.

LANGUAGES:

Mother tongue: Luganda,

Other languages: English, Excellent in both written and spoken.

Kiswahili, Fair in Speaking.

HOBBIES:

- ❖ Debating on typical issues

- ❖ Sports :Basketball ,Netball, Volleyball

CAREER OBJECTIVES.

- ❖ Utilize the available opportunity to acquire skills and become productive member, who can make sound decisions that can help society achieve economic development.

Acquire more education to add on my academic qualifications and contribute to your company's mission and vision through working hard

REFEREES:

1. Associate Professor David Lameck Kibikyo PhD, Dean, School of Economics and Applied Statistics, Kamapala University. P.O. Box 20000, Kampala, Uganda, Phone 0751979223.
2. Dr. Alex Ijjo. P.O Box 20000, Kampala – Uganda.
Phone, 0700201945.

I NAKIMULI OLIVIA CERTIFY THAT ALL INFORMATION STATED IN THIS RESUME IS TRUE AND COMPLETE TO THE BEST OF MY KNOWLEDGE. I AUTHORIZE ANY ONE/BODY TO VERIFY THE INFORMATION PROVIDED IN THIS RESUME AS PER 2011.

APPENDIX VII

. correlate var2 var3

(obs=21)

	var2	var3
var2	1.0000	
var3	-0.6772	1.0000

. regress var3 var2

Source	SS	df	MS	Number of obs =	21
Model	.039571031	1	.039571031	Prob > F	= 0.0007
Residual	.046710782	19	.002458462	R-squared	=0.4586
Total	.086281813	20	.004314091	Adj R-squared	= 0.4301
				Root MSE	= .04958

var3	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
------	-------	-----------	---	------	----------------------

```

var2 | -.3995118 .0995801 -4.01 0.001 -.6079353 -.1910882

_cons | .5220916 .0391746 13.33 0.000 .4400982
.604085

```

```

-----
-----

```

Regression analysis between poverty over time

```

Source |    SS    df    MS        Number of obs =    21
-----+-----
Model | .237039093    1 .237039093    Prob > F    = 0.0000
Residual | .010884719   19 .00057288    R-squared    = 0.9561
-----+-----
Total | .247923812   20 .012396191    Root MSE    = .02393

                               Adj R-squared = 0.9538

```

```

-----

```

```

var2 |    Coef.  Std. Err.    t    P>|t|    [95% Conf. Interval]
-----+-----
var5 | -.0175455   .0008626   -20.34  0.000   -.0193508   -
.0157401
_cons | .5710952   .0108307    52.73  0.000   .5484263
.5937641

```

Regress HDI over time

regress var3 var5

```
Source |      SS      df      MS      Number of obs =      21
-----+-----
16.44
Model | .040023429      1 .040023429  Prob > F      = 0.0007
Residual | .046258384     19 .002434652  R-squared     = 0.4639
-----+-----  Adj R-squared = 0.4357
Total | .086281813     20 .004314091  Root MSE     = .04934

-----
var3 |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-----+-----
-
var5 | .0072096   .0017782     4.05  0.001   .0034879   .0109314
_cons | .2917324   .0223276    13.07  0.000   .2450001   .3384647
-----
```

```
twoway (scatter var3 var2)
```

```
. nl exp3 var3 var1
```

```
(obs = 21)
```

```
Iteration 0: residual SS = .0703658
```

```
Iteration 1: residual SS = .0672755
```

```
Iteration 2: residual SS = .0672657
```

Source	SS	df	MS	Number of obs =	21
-----+-----				F(1, 19) =	5.37
Model	.019016086	1	.019016086	Prob > F =	0.0318
Residual	.067265727	19	.003540301	R-squared =	0.2204
-----+-----				Adj R-squared =	0.1794
Total	.086281813	20	.004314091	Root MSE =	.0595004
				Res. dev. =	-61.02075

3-parameter asymptotic regression, $\text{var3} = b_0 + b_1 * b_2^{\text{var1}}$

var3	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]

b0	.5609933	.0844677	6.64	0.000	.3842003	.7377863
b1	-1.16e+23	.	.	.	.	.
b2	.9729574	.000214	4547.32	0.000	.9725096	.9734053

* Parameter b1 taken as constant term in model & ANOVA table

(SEs, P values, CIs, and correlations are asymptotic approximations)

