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Country Differences In The Attainment of Goal One of The United Nations Millenium Development Goals Across Developing Countries: The Case of Uganda and Indonesia

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Abstract

Millennium development goals are in line with the development theory (Greg, Hulme & Turner, 2007). The pace at which nations are on track to achieve the millennium development goals seems to be different across nations. The pace at which different countries have attained the MDGs is quite different. This article shows that at a 5% significance level, the population growth rates, the levels of corruption and government expenditure on agriculture have varying effects on the attainment of MDG one in Uganda and Indonesia.
Keywords: Millennium Development Goals, Poverty and Hunger, agricultural expenditure, corruption, corruption perception index and population growth

1. Introduction

Usually, poverty is defined as living below the set minimum (for example 2.5 US$ a day). However, this definition does not take into account the subsistence sector that is heavily prevalent in the developing world. In this case, I would define poverty as an interlocking condition of assetlessness, low wages and income, illiteracy, political powerlessness as well as gender and social vulnerability. This definition was advanced by Glewwe and Gaag (1990).

There is no globally accepted definition of corruption. In philosophical, theological, or moral discussions, corruption is the abuse of bestowed power or position to acquire a personal benefit. Corruption may include many activities including bribery and embezzlement (Znoj, 2009).

In biology, population growth is the increase in the number of individuals in a population. The population growth rate is the rate at which the number of individuals in a population increases in a given time period as a fraction of the initial population (Gerland et al., 2014).

Statistically the level of poverty in Indonesia has declined from 15.10 % in 1990 to 11.66 % in 2012 even when the Poverty Depth Index went down from 2.70 to 2.08 during the same time period. This is due to the increased GDP growth rate from 3.4% to 5.05% over the same period, the proportion of people suffering hunger between 1989 and 2010 declined steadily.Uganda has made enormous progress in reducing poverty, slashing the countrywide incidence from 56 per cent of the population in 1992 to 24.5 per cent in 2009. The poverty gap index for Uganda was 12.2% in 2009 while that of Indonesia was 3.3% in 2010 (World Bank, 2012; OECD, 2010). This shows that even though poverty prevalence is declining in both countries, there are differences in the decline.

2. Literature Review

There is a general consensus that government spending can have direct and indirect effects on poverty. The direct effects are the benefits the poor receive from expenditures on employment programs. This, according to this study was not be applicable because of the fact that there is no proper records system to monitor such funds in Uganda for comparative reasons (Fan, 2007).

In a different way, Majwega (2004) stated that in line with MDG one, the indirect effects of government expenditure arise when government investments in agricultural research,rural infrastructure, and the health and education of rural people stimulate agricultural and nonagricultural growth, often leading to greater employment and income-earning opportunities for the poor and to cheaper food. The scholar, like Benneth (2007), accepted that investments in agricultural R&D was the most critical aspect with respect to reducing hunger and poverty

though the investment was still lacking to make significant impacts on MDG one.

To a lay man, the relationship between population growth and poverty is neither obvious nor well established. However, economic arguments would suggest that rapid population growth aggravates poverty (Kamulegeya, 2012). This would be because population growth holds down returns to labor relative to capital and other factors of production, depressing wages and worsening the income distribution.

A lot of evidence is emerging that population and reproductive health matter considerably to the achievement of the Millennium Development Goals (MDGs). This statement is a major departure from academic thinking over the past two decades, and a brief review of the successive viewpoints of economists and demographers regarding the relationship between population and economic well-being offers a good starting point for understanding the continued relevance of the Program of Action adopted by the International Conference on Population and Development held in Cairo, Egypt in 1994. The relationship between goal one attainment and population growth is clearly established by Malthus' 1798 work (Leighton, 2011).

Popular belief suggests that corruption and poverty are closely related in developing countries. Corruption in the public sector is often viewed as exacerbating conditions of poverty in countries already struggling with the strains of economic growth and democratic transition (Mauro, 2002). Alternatively, countries experiencing chronic poverty are seen as natural breeding grounds for systemic corruption due to social and income inequalities and perverse economic incentives.

The economic model postulates that corruption affects poverty by first impacting economic growth factors, which, in turn, impact poverty levels. In other words, increased corruption reduces economic investment, distorts markets, hinders competition, creates inefficiencies by increasing the costs of doing business, and increases income inequalities (N'Zue&N'Guessan, 2006).

The governance model asserts that corruption affects poverty by first influencing governance factors, which, in turn, impact poverty levels (Dincer&Gunalp, 2008). So, for example, corruption erodes the institutional capacity of government to deliver quality public services, diverts public investment away from major public needs into capital projects (where bribes can be sought), lowers compliance with safety and health regulations, and increases budgetary pressures on government.

3. Methodology

The researcher used both qualitative and quantitative approaches where Quantitative approaches involved a mathematical indication of whether there are differences in the stated variables and whether the differences were statistically significant at a stated level of significance. This was done using statistical software such as SPSS and Intercooled Stata.Qualitative approaches were used to obtain reasons for the differences in the stated variables from well informed individuals such as policy makers and high profile academicians in the respective geographical scopes.

The materials used included Interview guides, Document search (observation on variables in both countries for a specified time period) were used as the main tools of data collection for both case studies. To this end, 9 annual data observations for the variables were obtained from the two countries from 2001 up to 2009. Eviews 3.1 software was used to carry out different statistical tests like histogram and normality tests at a 5% significance level (to establish the suitability of the method of analysis) as well as independent samples t tests (5% significance level) to investigate whether indeed, there were differences in the attainment of MDG one of the United Nations across the two countries and whether there are differences in the values of the predictors of poverty across the two nations.

The inequality used was: $X_1-X_2 -S_p*t_{\alpha/2(n1+n2-2)} \leq \mu_1- \mu_2 \leq X_1-X_2+ S_p*t_{\alpha/2(n1+n2-2)}$

Where $\mu_1- \mu_2$ stands for the differences in actual means of poverty in the two countries

X_1-X_2 stands for the estimated poverty means for the two countries

$t_{\alpha/2(n1+n2-2)}$ the t value at α, the level of significance and (n_1+n_2-2) degrees of freedom

(t = 2.262 as read from the t tables)

S_p is the pooled standard error/standard deviation

S_p=

S_1 and S_2 are estimated standard errors

4. Result and Discussion

There are varying definitions of poverty. Living less than a United States Dollar a day was an old fashioned measure of poverty which failed to take into account the inequality and the non-monetized living of the people especially in the rural and remote world. Issues in the measurement of poverty while using the national income in measuring poverty have been noted to ignore the inequality component of poverty measurement.

In lieu of the above, I would use the definition that caters for the wages, inequality, illiteracy, powerlessness and gender inequality. This definition takes into account all the variables that had been left out by the previous studies. Along similar lines, Okoboi (2015) believed that the definition of poverty has to take into account issues related with inequality and the wage gap. The same argument is supported by an earlier study by Glewe and Gaag (1990).

$$-14.967299344 \leq \mu_1 - \mu_2 \leq -8.09936$$

From the study results, there is evidence to support the claim that with the use of country specific and World Bank Specific measures, there is a difference in the poverty prevalence between the two countries. The results indicated that at a 5% significance level, the poverty situation in Uganda is worse by a minimum of 8.1% as compared to the poverty situation in Indonesia. There several reasons that explain such differences are discussed as below.

The first of the millennium development goals entails reducing extreme hunger and poverty. This implies that the expenditure on agricultural projects ceteris paribus is mandatory. The results have showed that for the two countries, there is a negative and significant effect of agricultural expenditure on poverty rates. However, there are differences in the magnitude of the effect across these countries.

In Uganda, the key informants cited that agricultural expenditure increments have been fundamental in improving food security for reducing hunger but the remaining problem stems from the insignificance of the increments in agricultural expenditure and several other issues such as failure to move on with the economy and sanction principles of government expenditure. Never the less, the key informants agreed with the fact that there is a positive relationship between the two variables in Uganda ceteris paribus. Still in line with effect of agriculture expenditure on poverty levels , key informants from Indonesia noted that many times government expenditure proves to be effective instrument to encourage investment on particular industry for example Indonesian government expenditure on agriculture have been fundamental in improving food security hence a reduction in hunger because if people their hungry they cannot overcome poverty because all their savings are used to buy food leave other factors constant.

$$17407.38 \leq \mu_1 - \mu_2 \leq 38320.62$$

The results indicated that the poverty situation in Uganda is worse than that of Indonesia by an average minimum of 8.1% while the agricultural spending of Indonesia is better by an average minimum of 17407.38 billion rupiahs. This shows that Uganda's poverty is worse as compared to Indonesia's poverty due to the fact that Uganda's agricultural expenditure is lower than Indonesia's agricultural expenditure.

There are several ways in which poverty and population growth are linked up. The previous scholars have noted a positive relationship between the two variables. According to the Uganda Population Secretariat (2015), population growth creates pressure on the existing minimal resources for the country. Lack of access to education and health care is at the root of the problem. In many countries, the costs of books and other fees prevents many families from sending their children. In addition, girls may be discouraged from attending schools due to cultural or religious beliefs.

All the key informants in Uganda sided with the fact that without access to education, those in poverty poor have few job prospects outside manual labor and subsistence farming. Accordingly, the scholars believed that the vicious cycle of poverty exacerbated the state of poverty in Uganda. Wages are low and often inadequate to meet basic needs. Low wages mean that families cannot afford enough nutritious food. This can result in malnourished mothers who are more likely to give birth to premature or low-weight babies. Lack of nutritious food also means that other children in the family may lag in their physical and mental development.

The result of poor nutrition is higher rates of mortality for mothers and children alike. Surviving children are weaker and lack energy. This leads to a reduced ability to work and learn, even if the children are fortunate enough to go to school. Without a good education, children have few job choices aside from manual labor or subsistence farming. People who are dependent on subsistence farming are likely to have more children to provide much-needed labor and income. On the other hand key informants from Indonesia noted that Indonesian population growth has effects on poverty for example due to high population it resulted into cheap labor which has boosted industrial sector in the country, however, they also said high population increases the dependency

level which limits investment because no savings to invest making some families to be in state of poverty.

$$0.4844 \leq \mu_1 - \mu_2 \leq 0.5516$$

In respect to the previous scholars, the previous results and the study's results point to a similar direction. There is a positive relationship between population growth rates and poverty levels. The study results showed that the poverty levels in Uganda are higher than the poverty levels in Indonesia. Similarly, the population growth rates for Uganda are higher by a minimum average of 0.48% implying that the higher the population growth rate, the higher the level of poverty, other factors held constant.

Corruption has been hailed as a significant factor explaining differentials in the country's poverty situation. In this respect, it is believed that the higher the corruption levels, the higher the level of poverty and vice verser. The results however show that the higher the CPI, the lower the corruption state in the country (Transparency International, 2015). This negative relationship between corruption and the corruption perceptions index has been fundamental in explaining the negative relationship between the CPI and poverty levels/rates.

According to Forbes (2015), the links between corruption and poverty affect both individuals and businesses, and they run in both directions: poverty invites corruption, while corruption deepens poverty. Corruption both causes and thrives upon weaknesses in key economic, political and social institutions. It is a form of self-serving influence akin to a heavily regressive tax, benefiting the haves at the expense of the have-nots.
Along similar lines, the key informants noted that in corrupt markets and public bidding processes, inefficient firms and dishonest bidders have major advantages over honest competitors. They also side with Forbes (2015) and believed that where connections and cash, rather than innovation and excellence are emphasized, contracts are not signed in the best interest of the needs of the population. Developing human capital and technical capacity for the next generation are far less attractive than graft in the here and now. This deepens the poverty status of the people therein.

$$-0.56787 \leq \mu_1 - \mu_2 \leq 0.14557$$

The study results however found out that at a 5% significance level, there were no significant differences in the CPI in the two countries. This is explained by the fact that 53% and 62% of the changes in the poverty rates for Indonesia and Uganda respectively showing a weak though significant relationship between the two variables. In addition key informants from Indonesia noted that corruption has Avery negative effect on poverty for example bribery in different government institutions results into a lower quality of public infrastructure thus limiting development, they also sighted that as a result of corruption it results into increase in transaction costs in many government projects like road construction and such a situation doesn't further development.

5. Conclusions

First and foremost, the study results indicated that there were differences in the poverty levels between Indonesia and Uganda with the latter being worse off. This was a justification for this study. There are several reasons to explain the existence of these differences. Some could be geographical, others are economic and others are political in nature. However, the study uses three of these variables.

Second, the study was out to investigate whether corruption indeed affected the poverty levels. To this end, using means tests, the results showed that at a 5% significance level, the differences in the corruption states affected the poverty levels between these countries. The study however found no significant differences in the corruption levels across the two countries.

Secondly, the study results entailed establishing the relationship between poverty and population growth rates. In Uganda, where fertility rates are very high, the population growth rates are also very high and this is accompanied by the extreme pressure on the available resources. The extreme pressure on the available resources exacerbates the vicious cycle of poverty and this worsens the poverty situation in Uganda. For the two countries, there is a positive relationship between poverty and population growth rates.

Lastly but not least, the study results indicated a positive relationship between agricultural spending on poverty rates across the two countries. This implies that the differences in poverty levels are explained by differences in the agricultural expenditure across the two countries.

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