UNIVERSITY OF HARGIESA

The role of infrastructure on economic development in hargeisa Somaliland

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A proposal Presented

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july, 2017
DECLARATION

I declare that “The Impact of household heads Educational on Poverty reduction in Somaliland A Case Study of Somaliland rural and urban zones” is my own work and has not been submitted For any degree or examination in any university. All the sources I used or quoted have been indicated and acknowledged by complete references.

Hussien Abdulahi salieban

Signature: ---------------------------------------------

Date: ---------------------------------------------
APPROVAL.

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

Mr. Abdishakur Mohamed Huissen

__________________________

Name and Signature of Supervisor

__________________________

Date: July, 2017
DEDICATION

I dedicate this book to our lovely mother and father to this academic achievement, and all our friends and relatives who have helped us admiringly and cooperatively in our academic struggle.
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Firstly, our thanks go to Allah for giving us the grace and strength to go through this successfully. We are grateful to our wonderful parents and families for all the love, encouragement and sacrifices they have made for us and towards our education. We are also thankful to our siblings for their support throughout the difficult moments of our research.

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ABSTRACT

The relationship between household heads education and poverty reduction is an important political topic concerning with our country's economy. This study tests the commonly held theory that poverty and household heads education are negatively correlated. This analysis uses all Somaliland households urban and rural.

The Income and Expenditure Survey (IES) data conducted by Somaliland ministry of national planning and development and World Bank for the period 2013, 2015 were used to carry out this investigation. The official absolute income poverty lines of (lower bound) and (upper bound) per capital per month in $190 prices were used. In order to establish the relationship between education and the poverty status of an individual or a household, a probity hypothesis has been used. The results obtained revealed that, there is a strong tendency for lower educational household heads to be associated with a higher household poverty. That is, households headed by someone with primary or no education are more likely to be poorer than those headed by someone with tertiary education. Rural and IDP households are the most vulnerable in Somaliland. Although there is large allocation of resources towards education, educational outcomes have not improved. This raises questions regarding the lack of association between educational outcomes and resource allocation.
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1. Chapter one: introduction

1.1 Background study

Poverty is a complex, multi-layered phenomenon which can be difficult to define. The definition of poverty determines its measurement; Poverty can also be measured in both monetary and non-monetary terms and has many dimensions. For example, poverty can be manifested in things like malnourishment, lack of shelter, poor health and the inability to seek medical care from a health professional, lack of educational facilities, Unemployment uncertainty about tomorrow, and surviving only one day at a time. Poverty also includes experiencing a child death as a result of drinking contaminated water, or powerlessness, Lack of representation and freedom.

Absolute poverty is the absence of enough resources (such as money) to secure basic life necessities. For the measure to be absolute, the line must be the same in different countries. Measuring poverty by an absolute threshold has the advantage of applying the same standard across different locations and time periods, making comparisons easier. On the other hand, it suffers from the disadvantage that any absolute poverty threshold is to some extent arbitrary; the amount of wealth required for survival is not the same in all places and time periods.

Relative Poverty means having less than others in the society.

- Poverty tends to be a relative concept, at least in the minds of the poor.
- People consider themselves to be poor if they are worse off than those around them.

Relative poverty measures the extent to which a household's financial resources falls below an average income threshold for the economy ($1.90 per day).

The main poverty line used in the OECD and the European Union is a relative poverty measure based on "economic distance", a level of income usually set at 60% of the median household income.

The United States, in contrast, uses an absolute poverty measure. The US poverty line was created in 1963–64 and was based on the dollar costs of the U.S. Department of Agriculture's "economy food plan" multiplied by a factor of three. The multiplier was based on research
showing that food costs then accounted for about one-third of money income. This one-time calculation has since been annually updated for inflation.

The US line has been critiqued as being either too high or too low. For example, the Heritage Foundation, a conservative U.S. think tank, objects to the fact that, according to the U.S. Census Bureau, 46% of those defined as being in poverty in the U.S. own their own home (with the average poor person's home having three bedrooms, with one and a half baths, and a garage). Others, such as economist Ellen Frank, argue that the poverty measure is too low as families spend much less of their total budget on food than they did when the measure was established in the 1950s. Further, federal poverty statistics do not account for the widely varying regional differences in non-food costs such as housing, transport, and utilities.

Both absolute and relative poverty measures are usually based on a person's yearly income and frequently take no account of total wealth. Some people argue that this ignores a key component of economic well-being. Major developments and research in this area suggest that standard one dimensional measures of poverty, based mainly on wealth or calorie consumption, are seriously deficient. This is because poverty often involves being deprived on several fronts, which do not necessarily correlate well with wealth. Access to basic needs is an example of a measurement that does not include wealth. Accesses to basic needs that may be used in the measurement of poverty are clean water, food, shelter and clothing. It has been established that people may have enough income to satisfy basic needs, but not use it wisely. Similarly, extremely poor people may not be deprived if sufficiently strong social networks or social service systems exist.

Educational reforms are important tools to increase labor productivity and promote economic growth and development, through expanding and improving education which increases economic competitiveness. Furthermore, for there to be sustainable livelihoods and economic competitiveness in a society, there is a need for better education to meet the developmental challenges that are due in part, to the rapid changes in technological innovation and increased globalization.

The globalization period observed after the 1980s has caused the countries to attach more importance to the link between poverty and education. When the literature is examined, it is seen that education has a dramatic impact on poverty. According to a World Bank (1995) report, primary and lower secondary education especially enhances productivity of the poor, decreases
fertility, and improves health conditions. As such, the provision of education on the basis of equality and quality to all Africans was seen as a priority by the democratic government. For this reason, Adult Basic Education and Training (ABET) was introduced in 1995. Due to lack of skills and resources most people particularly Blacks could not succeed (Waghid & Schreuder, 2000: 85).

Several studies in Africa and world have reported a negative relationship between household heads education and poverty according (Woolard & Leibbrandt, 2001; Van der Berg, 2002 & 2008; Weber, 2007; Botha, 2010; Njong, 2010; Van der Berg et al, 2011).

However, by explicitly exploring the influence of education on poverty as educational attainment was mainly of secondary importance in these studies.

The World Bank forecasts that 702.1 million people, down from 1.75 billion in 1990. Of these, about 347.1 million people lived in Sub-Saharan Africa especially in east Africa (35.2% of the population) and 231.3 million lived in South Asia (13.5% of the population). According to the World Bank, between 1990 and 2015, the percentage of the world's population living in extreme poverty fell from 37.1% to 9.6%, falling below 10% for the first time. Nevertheless, given the current economic model, built on GDP, it would take 100 years to bring the world's poorest up to the previous poverty line of $1.25 a day.

OCHA report (2013), was showing Somalia’s per capital gross domestic product (GDP) of $284 is the fourth lowest in the world. Using a poverty line of $2 per day (purchasing power parity), the incidence of poverty is 61 per cent in urban areas, 94 per cent for rural people and 82 per cent overall. In southern and central Somalia, 89 per cent of people live below the poverty level, compared to 75 per cent in Punt land and 72 per cent in Somaliland. Cording the proportion of peoples in Ethiopia who are absolutely poor (those whose total consumption expenditure was less than US$124.28 per year) during the year 1999/00 was 44% (MOFED, SDPRP, 2002).

1.2 Problem Statement

Somaliland is a low income economy with growth domestic product per capital of USD444 Adjusted of purchasing power parity) In 2013, if one were to compare the GDP of Somaliland to the GDP of other countries in the region it would rank fourth lowest ahead of Burundi, DR
Congo, and Malawi. More than 1 to 4 people in urban Somaliland and more than 1 to 3 people in rural Somaliland is living in poverty.

In Somaliland does not improve the quality of education, this why the Somaliland becoming lowest ranking in poverty, and no more researches has been done on this problem in the perspective of Somaliland.

The education of household head is highly correlated with incidence of poverty. Households where the head has no education have the highest poverty rate. Poverty rates among these households are 4-5 percentage points higher than the average (the table 6 and figure 10)

In urban Somaliland 68% of the poor are living in households where the head has no schooling the comparable number of rural of Somaliland 73% although the proportion for poor people living in house hold headed with uneducated heads in rural and urban is similar fewer poor people in household head by those who completed higher levels of education in rural areas poverty rates in rural areas are higher for all levels in education except secondary perhaps reflect lower returns to education in rural areas (The World Bank, 2016)

Finally the problems faced most of Somaliland communities are relative to misunderstanding of politics and aggravation of rules and regulation, which led to under-investment in human capital development and high poverty rate that is still persistent today. These poor groups urgently need developmental supports which include the provision of; literacy programmers, small business skills, subsistence agricultural development for food security, job creation, infrastructure and general health awareness. Education can be of great importance in addressing these problems and challenges poor communities and how to differ literature and household poverty.

1.3 Research objectives

The main objective of this research is to look at the impact of household education on poverty reduction in Somaliland. Applying the household frequency survey data conducted in 2016 by Ministry of National Planning and Development with help of World Bank.

These specific objectives are

1. To examine if there is relationship between household head education’s and household poverty
2. By comparing and contrasting, show much one unit increasing in household heads education reduces household poverty.

1.4 Significance of the study

This work was done, in order to contribute to the exploration of the multiple facets of the problem of poverty in Somaliland. Once again as long as no previous research conducted headed for this problem in the background of Somaliland, the findings and results of the research will show how much one unit increase in education (one level) would have reduced poverty. Once more the study would suggest correct strategies geared toward solving. Furthermore this study would be important of because it was done to show importance of education development of heads of household in lieu to combat poverty it also benefit to the government and local community and policy makers to create the strategies protect with this problem.

1.5 Hypotheses

H_a. There is significant relationship between poverty in households and house heads education.

1.6 Scope of the research

This is a case study of Somaliland urban rural households to make ensure where there is significant relationship between heads education and household poverty. This case study applied a secondary data collected ministry of national planning and development with help of World Bank in 2016
2. CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter aims at examining Household Heads’ Education on Poverty, its measurement and how education impacts on household poverty, as well as consider a literature review of previous attempts to establish the link between both concepts, with reference to both east Africa and worldwide. Likewise the study was concentrated the previous theoretical and empirical literature that was done for the purpose of correlation between the two variables (education and poverty reduction).

This chapter is structured as follows: section 2.1 general introduction of poverty, section 2.2 looks at the definition and measurement of poverty; section 2.3 explains the impact of household’s education on poverty; section 2.4 reviews literature on the relationship between educational attainment and poverty status.

Poverty is a diverse and multidimensional phenomenon which is dominant in most regions of the world and one of the greatest challenges people in the 21st century face. Its definition varies from one person to the other. Also, the concept varies across time (Govender et al, 2007: 119; Mbuli, 2008: 17). Poverty can be measured using two approaches; monetary and non monetary terms. Both measures of poverty bring valued understanding to the measurement and analysis of poverty. They tackle and capture the issue of poverty from different perspectives and aspects, but none of these approaches is definitely wrong or right. However, the measurement of poverty over the years was dominated by the monetary approach (absolute and relative approaches). This approach, determines the minimum consumption bundle for food/non-food items essential for survival (Kaplan & Makoka, 2005: 8).

Recently, international organizations have taken serious interest in the non monetary terms measure (it involves self-evaluation by individuals to decide if they feel poor or not) of poverty (Kaplan & Makoka, 2005: 9). This is mainly due to the increasing acknowledgment of the short falls of the objective indicators and the significance of understanding the perception of poor individuals in determining programs and policies. An important censure of both the absolute and relative poverty concepts is that, they are generally concerned with income and/or consumption levels which are objectively resolute by a researcher. Also, they assume fixed poverty lines.
which might classify someone as poor meanwhile they do not actually feel poor and non-poor though they actually feel poor. As such, the participatory poverty evaluation methods have been gaining ground (Ferrer-I-Carbonell & Van Praag, 2005: 4).

In this case, people’s poverty status is derived from monetary terms this because the research classified the respondents enrolled to the study poor and non poor according to predetermined line which is $1.90 per day. Education is understood to be an important tool to fight poverty in a country or society. This is because, it enables broader opportunities for employment and higher income earnings possibilities, improved healthcare for families, children and societies, and lowers fertility rates (Bonal, 2007: 6; Schiller 2008 as cited in Botha, 2010).

Several studies in east Africa and other parts of the world have reported an inverse relationship between education and poverty (Woolard & Leibbrandt, 2001; Van der Berg, 2002 & 2008; Weber, 2007; Botha, 2010; Njong, 2010; Van der Berg et al, 2011).

Furthermore, over the years there have been many definitions of poverty. However, based on the Human Development Report (1997: 16), the general agreement is that, poverty has mainly been defined in terms of income, capability and basic needs perspectives. As such, these three perspectives can be used to define poverty:

i. **Income/consumption**: It is the most commonly used approach to identify the poor particularly in applied welfare economics. Based on this approach, someone is considered poor if and only if, he/she has limited access to economic resources, to purchase commodities sufficient to meet their basic needs (Lipton, 1997: 1004). In addition, Ravallion (1994: 3) stated that, given a specific standard in a country, if a household lives below this expectation, then poverty is prevalent in that household.

ii. **Basic needs**: According to this approach, poverty is defined as the lack of necessary materials acceptable to satisfy basic human needs. These needs can be education, food, shelter, water, clothing and sanitation that are important to avert illiteracy, malnutrition and ill health to name but a few (Mbuli, 2008: 23). Thus, the vulnerability of adverse events beyond the control of people is greatest for those stricken by poverty and are usually poorly treated and excluded from power by the state (World Bank, 2001: 15). iii. **Human capability**: With respect to this, the lack of some basic capabilities needed to function, is seen as poverty. Basic capabilities, refer to the
aptitude to satiate certain crucially essential functioning’s, up to a certain minimally adequate level (Sen3, 1993: 41). The relevant functioning refers to the different relevant things one can do or be which includes; well-nourished, living a long life, adequately clothed and sheltered, being healthy, and so on. However, though Sen’s ideas are intellectually and instinctively attractive, to empirically define and measure capabilities is very difficult. This is one reason why this approach has not been credibly applied (FerrerI-Carbonell and Van Praag, 2005: 4).

Nonetheless, although an obvious alternative to define poverty might be to use the broader way (based on the perspectives outlined above), most studies conducted in East limited their definitions in ways that are objectively and easily measurable. The main reason is, if poverty is defined in a broader way, the method of measurement becomes demanding and complicated. As such, policy makers find it difficult to evaluate poverty reduction strategies. This study follows the approach of the World Bank (as cited in Woolard & Leibbrandt, 2001: 42) which defines poverty as the inability to meet a certain standard of living.

Based on this definition of poverty, there exist two approaches to measure the “standard of living.” These are; the welfarist and non-welfarist approaches. In terms of the welfarist approach, expenditures on all goods and services are considered, including the consumption of goods/services produced at home. The non-welfarist focuses on the various forms of deprivation from specific commodities, particularly insufficient food consumption (Ravallion, 1992: 7). No matter the approach, the well-being of an individual is usually taken to depend solely on the consumption of market goods. Given that there are enormous problems in valuing access to public goods, current income or consumption is used as a determinant of well-being (Deaton & Muellbauer, 1980: 223). With respect to the definition adopted above, the measurement of poverty can then be done. This is well-elaborated below.

### 2.2.2 Measurement of poverty

The aim of poverty measures is to determine the extent of poverty in a country or society. This helps in measuring the; welfare of people in a country who are most vulnerable to economic situations, nature of deprivation between people and well-being as well as the standards of living of a society (Pauw et al, 2003: 10; Bhorat et al (2004: 1). Generally, poverty can be measured using objective and/or subjective approaches. The objective approach is based on determining
the minimum consumption bundle for the food/non-food items essential for survival, by fixing a measurable value upon which distinctions can be made between the poor and non-poor individuals. This approach is attached on the cardinal pattern (that is, can be counted for instance, income is cardinal) of poverty assessment. The subjective approach involves self-evaluation by individuals to decide whether they feel poor or not. This approach is grounded on the qualitative analyses of poverty and adopts the ordinal pattern (the opposite of cardinal, ordered water is ordinal) of poverty valuation (Ravallion, 1992: 34; Ferrer-I-Carbonell & Van Praag, 2001: 148). Pauw et al (2003: 10) stated the following steps in identifying the poor:

- Firstly, individuals or households are to be classified according to a given welfare parameter such as income/expenditure.
- Next, select a poverty line which distinguishes the poor from the rich.
- Finally, using the available survey data, construct a poverty profile of the poor individuals or households.

The most vital step in identifying poor groups is to derive poverty lines. These lines are predetermined levels of the standard of living, which must be reached if a person is not to be considered poor (Coudouel et al, 2004: 33; Pauw et al, 2003:11). In addition, the World Bank (2001: 18) affirmed that, since different regions have different characteristics, poverty lines should be constructed within the context of a given society so that it reflects the socioeconomic circumstances of that society. According to Stats SA (2007):

when computing poverty lines for statistical measures, the commonly used method is assessing the cost of a minimum bundle of commodities that satisfies the essential daily energy an individual needs per month. The two main types of poverty lines commonly used are; absolute and relative poverty lines (Govender et al, 2007: 124; Lanjouw, 2001: 2). These will be discussed further in the next two subsections.

The income/consumption approach at individual or household levels is most widely used when measuring poverty (Woolard & Leibbrandt, 1999: 38; Govender et al, 2007: 122). Data on consumption is preferred because it is believed that these data are more reliable and capture long-run welfare levels much better than income data. That is, in comparison, consumption may better measure and reflect a household’s ability to meet its basic needs than income (Ravallion,
1992: 13). Furthermore, income varies more over time, while expenditure is often smoothed, and depicts a more reliable and actual consumption level, particularly among poor groups (Coudouel et al 2004: 30; Govender et al, 2007: 123). In this research, the consumption method has been used.

According to Woolard and Leibbrandt (2001: 49), majority of questions in the household surveys are asked at household level, while questions regarding for example gender and age, are asked at individual levels. Since income and expenditure data are derived from household surveys, they are difficult to split to individual level. The measurement of poverty is therefore done at the household level. Also, household members share electricity and food expenditure making it difficult to break down household level variables to individual level. Due to differences in household composition and size, it could be misleading to do a simple comparison of total household consumption (Lanjouw & Ravallion, 1994: 1; Woolard & Leibbrandt 2001: 50).

Moreover, in order to take into consideration the dissimilarities in household composition and size, total expenditure by a household is divided by the number of the same adults (known as per capita measure), and attuned to take into account economies of scale, denoted as θ (Deaton & Muellbauer 1980: 313 – 315; Stats SA 2008: 13). The per capita measure is used in this research.

The limitations of the household surveys are listed below;

- They provide limited information about inequalities within households.
- It is difficult to interpret the comparisons between households since households vary in size and composition.
- The availability of information needed to measure individual welfare is rare. (Woolard & Leibbrandt, 2001: 71; Govender et al. 2007: 131 - 132).

It is significant to know that, like defining poverty, there are many ways of measuring the extent of poverty in a country or society. For instance, it can be measured using the Human Development Index (HDI), Foster-Greer-Thorbecke (FGT) measure, Human Poverty Index (HPI - non-income poverty measure) just to name but a few. None of which can be said to be very right or wrong. Reason being that, value or ethical judgments play crucial role. Consequently, most poverty studies conducted on South Africa, yield similar results in terms of the poverty characteristics in the country, but differed in terms of the magnitude. However, the measurement
of poverty in this research is revised in accord with the definition adopted in section 2.2.1 above. The different measurements of poverty; absolute and relative (objective approach) and subjective approach, are briefly explained in subsequent sections.

2.2.2.1 Absolute approach of poverty measurement

Most previous studies on the measurement of poverty focused on absolute poverty, which takes two forms; money metric and non-money metric poverty analyses. Some South African studies that have used these include: Hoogeveen & Özler (2004); Armstrong et al (2008); Lekezwa (2011).

I. Money metric absolute poverty

This is based on the objective measurement of an individual’s minimal needs for basic survival. It only captures the amount of income households have access to, in order to obtain these basic goods and services. This type of absolute poverty line refers to a specific income/expenditure level, below which someone is deemed poor and above it, non-poor (Coudouel et al, 2004: 33). The objective approach is commonly used to determine this poverty line and consists of two main approaches; Cost of Basic Needs (CBN) and Food Energy Intake (FEI) approaches (Ravallion, 1992: 34).

II. Non-money metric absolute poverty approach

Restricting the analysis of poverty to income/expenditure is insufficient considering the fact that poverty also includes a non-income dimension. Those who are poor do not only lack income or material wealth, they also require political representation and social amenities. One of the earliest works bringing this perspective to the study of poverty is credited to Sen (1993: 41). From this perspective, the poor are separated from the non-poor by objectively specifying, the level at which non-money metric items or capabilities are attained. Those that fall below the defined level are considered to be poor, while those that are able to meet or above it are considered to be non-poor.
2.2.2.2 Relative approach of poverty measurement

This approach resulted because the absolute poverty measure failed to account for the fact that poverty can be caused by inequality. In this case, poor people are those suffering from relative deprivation in a society. With the relative poverty line, the second quintile or median is used as a cut-off point. Income. Those that are considered poor fall under this line and the non-poor are those who are above this line. In addition, Woolard and Leibbrandt (1999: 48); Lekezwa (2011: 44) objected this measure stating that “the poor will always be among us.” This implies, even if there is great improvement in standard of living, poverty share of those in poverty remain unchanged.

2.2.2.3 Subjective approach of poverty measurement

Nowadays, poverty is not only centered on economic issues, but involves cultural (the right to uphold one's heritage and be involved in a community's cultural life), political (freedom of speech, association and thought) and social (access to education and health care) issues. These issues, alongside the emergence of problems connected with social segregation, significantly raised the need for a multidimensional approach to poverty analysis. This multifaceted poverty analysis is not fully captured under absolute and relative poverty approaches, but it is captured in the subjective approach (Ferrer-I-Carbonell & Van Praag, 2005: 4). De Vos and Garner (1991: 268) argued that, subjective poverty depends on people’s opinions regarding their own conditions, and this should eventually be the vital element to be considered when defining poverty. This implies, the subjective method of poverty measurement can disclose that, the composition of households is the dominant characteristic of poverty (Kaplan & Makoka, 2005: 9). Subjective poverty lines are naturally subjective judgements based on what might represent a minimum living standard, socially acceptable in a given society (Ravallion, 1992: 33). This method often depends on the survey responses to the minimum income questions (MIQ). According to Ravallion (1998: 21), the minimum income level, is an increasing function of actual income as depicted by Figure 2.2 below. The subjective poverty line is represented by the point z*; individuals whose income is above z*, are more likely to be satisfied with their income, while those with income below z* may feel their income is insufficient.
2.3 The impact of education on poverty status

The opportunity to reduce poverty, narrow extreme inequalities and improve public health is largely dependent on the level of education within the population. Equalization of prospects in education is one of the most important conditions to overcome social injustice and to reduce social inequalities in a country (UNESCO, 2009: 24). An important relationship between education and poverty can be established via the labor market. Education is essentially linked to labor force participation. It has a positive relationship with the probability of employment. This implies, more educated people are more likely to partake in the labour market and get lucrative jobs available (Bhorat & McCord, 2003: 135)

Van der Berg et al (2011: 8) argued that, education plays a significant role in determining labor market outcomes. The probability of those who drop out of school or whose educational quality is low and most children from poor homes usually have less chances of obtaining lucrative and stable jobs. Poverty can extend itself through low quantity and quality of educational attainment, resulting in terrible labor market prospects, thus creating a vicious cycle which obstructs social mobility. Education, particularly if it is of good quality, helps alleviate poverty by increasing a poorer individual’s productivity, improves health, reduces fertility rates, and equips this individual with the right skills needed to fully participate in the economy and society, particularly the labour market (World Bank, 1995: 1; Abdulahi, 2008: 25).

Given the importance of education on the poverty status of a household, it is also vital to know how it is measured. The method used to quantify education is necessary because it tells us the link between education and the poverty status of an individual in a given society. The following section explains these methods.

I. Human capital theory

According to Appleton (2001: 16); Mbuli (2008: 90); Borjas (2009: 252); Leibbrandt et al (2012: 4), the human capital theory draws links between education and poverty with respect to education as a means to reduce poverty. Investing in education, leads to the creation of skills which improves productivity and increases the chances of obtaining employment and earning higher future incomes. These studies show an empirically strong relationship between workers’ wage and educational levels. Furthermore, Macerinskiene and Vaiksnoraite (2006) in Naeem
(2013: 396) affirmed that, in terms of micro-economics, human capital theory depends on the fact that, an individual acquires competences and skills through education, which are transferable and negotiable in the labour market, have a transactional value and a direct impact on an individual’s average income. Based on theory and empirical evidence there is, a positive relationship between education and employment. That is, as an individual’s level of education increases/decreases, the probability of gaining employment increases/decreases (Levinsohn, 2008; Borjas, 2009).

**Figure 2.7: Conceptual framework of education on poverty**

2.5 Poverty in an Africa and some of east Africa

The World Bank forecasts that 702.1 million people, down from 1.75 billion in 1990. Of these, about 347.1 million people lived in Sub-Saharan Africa (35.2% of the population) and 231.3
million lived in South Asia (13.5% of the population). According to the World Bank, between 1990 and 2015, the percentage of the world's population living in extreme poverty fell from 37.1% to 9.6%, falling below 10% for the first time. Nevertheless, given the current economic model, built on GDP, it would take 100 years to bring the world's poorest up to the previous poverty line of $1.25 a day.

Extreme poverty is a global challenge; it is observed in all parts of the world, including developed economies—UNICEF estimates half the world's children (or 1.1 billion) live in poverty. It has been argued by some academics that the neoliberal policies promoted by global financial institutions such as the IMF and the World Bank are actually exacerbating both inequality and poverty.

Another estimate places the true scale of poverty much higher than the World Bank, with an estimated 4.3 billion people (59 percent of the world's population) living with less than $5 a day and unable to meet basic needs adequately. In 2012 it is estimated that, given a poverty line of $1.25 a day, 1.2 billion people lived in poverty.

In Sub-Saharan Africa extreme poverty went up from 41 percent in 1981 to 46 percent in 2001, which combined with growing population increased the number of people living in extreme poverty from 231 million to 318 million.

World Bank data shows that the percentage of the population living in households with consumption or income per person below the poverty line has decreased in each region of the world since 1990:

<table>
<thead>
<tr>
<th>Region</th>
<th>$1 per day</th>
<th></th>
<th></th>
<th></th>
<th>$1.25 per day</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia and Pacific</td>
<td>15.40%</td>
<td>12.33%</td>
<td>9.07%</td>
<td>77.2%</td>
<td>14.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Europe and Central Asia</td>
<td>3.60%</td>
<td>1.28%</td>
<td>0.95%</td>
<td>1.9%</td>
<td>0.5%</td>
<td></td>
<td></td>
</tr>
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<td></td>
</tr>
<tr>
<td>Latin America and the Caribbean</td>
<td>9.62%</td>
<td>9.08%</td>
<td>8.64%</td>
<td>11.9%</td>
<td>6.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Middle East and North Africa</td>
<td>2.08%</td>
<td>1.69%</td>
<td>1.47%</td>
<td>9.6%</td>
<td>2.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>35.04%</td>
<td>33.44%</td>
<td>30.84%</td>
<td>61.1%</td>
<td>36%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>46.07%</td>
<td>42.63%</td>
<td>41.09%</td>
<td>51.5%</td>
<td>47.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>World</td>
<td></td>
<td></td>
<td></td>
<td>52.2%</td>
<td>22.4%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2.6 Somalia poverty

Consumption remains the key driver of GDP with investment accounting for 8% of GDP in 2015. The economy is highly dependent on imports, with the share of exports to GDP being 14%. Imports account for more than two thirds of GDP, creating a large trade deficit, mainly financed by remittances and international aid. Remittances, estimated at $1.3 billion, not only provide a buffer to the economy but also are a lifeline to large segments of the population cushioning household economies and creating a buffer against shocks. Poverty is abundant with a half of the population living below the poverty line (51.6%). Remittances help reducing poverty. One in three people receiving remittances is poor (35.4%). Inequality is high driven by the difference in poverty incidence in urban settings (close to 60% in Mogadishu and more than 40% in other urban settings) and rural settings (52.3%) with IDP settlements (71.0%).

Public expenditures have increased significantly since 2012, from $35.1 million to $135.4 million in 2015, driven by year-on-year increases in revenue. The government has shown improvement in domestic revenue collection. Domestic revenue has grown by 36% in from $84.3 million in 2014 to $114.3 million in 2015, mainly driven by an increase in trade taxes. However, total revenue to GDP accounts for 2.8% of GDP.
In 2015, 32% of the donor commitments were realized as a result of many factors, including lower oil prices and other bureaucratic hurdles. Domestic revenue is still insufficient to allow the government to deliver services to citizens. The administrative and security sectors account for more than 85% of total spending while economic and social services sectors account for about 10% of total expenditure. Poor collection capacity, narrow tax base, absence of the necessary legal and regulatory frameworks, and lack of territorial control hinder full revenue mobilization (World Bank 2016).

2.7 The poverty of Somaliland

The Somaliland Poverty Assessment aims to address these important data and knowledge gaps. First, the assessment uses the Somaliland Household Survey (SHS), conducted in 2013, to construct the first poverty estimates for Somaliland. International best practices were used in estimating household consumption and establishing a poverty line against which to measure deprivation. The method used is transparent and replicable allowing it to be repeated in future years to monitor progress. The SHS collected data on consumption, income and household characteristics for a sample of households that is representative of urban Somaliland and parts of rural Somaliland. Although the sample does not include nomadic households (which recent estimates suggest comprises 36% of the population), and omits households in areas affected by ongoing conflict, the sample provides a comprehensive and representative look at the rest of Somaliland. These estimates document the level and nature of poverty and inequality in urban Somaliland and settled parts of conflict-free rural Somaliland. Estimates are separately presented for urban Somaliland and the settled parts of rural Somaliland, hitherto referred to as rural Somaliland. More than 1 in 3 people in rural Somaliland and more than 1 in 4 people in urban Somaliland are living in poverty. The amount of money required for a household to meet their basic needs is estimated at 207,300 Shillings per adult per month in urban Somaliland and 180,900 Shillings per adult per month in rural Somaliland. Households living on less than this are counted as poor, which results in a poverty headcount of 37.0% in rural Somaliland and 29.7% in urban Somaliland.
CHAPTER THREE: RESEARCH METHODOLOGY

3.0. Introduction

Research methodology describes the estimating monetary poverty rates requires a sound, reproducible methodology. This chapter encompasses sample design, research design, description of data analysis methods or techniques as well as ethical considerations and limitations. The questionnaire design utilized the Rapid Consumption methodology that can be easily and quickly implemented. The choice of deflators and the poverty line were driven by data quality.

3.1 Research design

This research follows descriptive Correlation design which is the substantial association between the independent variable and dependent variable. The study applied qualitative method in order to obtain a complete vision into the objectives of the research the exploratory nature of the study made necessary a qualitative method in order to obtain in-depth understanding of the phenomena of the relation of poverty and education of heads of households.

3.2 Research population

The Population Estimation Survey of Somaliland (PESS) was used as sample frame alongside a list of settlements from three different sources (UNDP 1997, UNDP 2006 and FSAU 2003) to complement missing rural and semi-urban settlements. The combined sample frame was cleaned and preprocessed before the number of enumeration areas per strata was calculated and enumeration areas selected proportional to size. Depending on the strata, different multi-stage clustering approaches were used to select the household. The geographical areas with about 50 to 200 households, settlements often are larger areas with a larger population.

Since PESS is also partially based on the same data sources (especially UNDP 1997 and UNDP 2006) and since some PESS enumeration areas had the same GPS location, several GPS positions were very close of each other and, thus, considered duplicates (Figure 1).
3.3. Sample size and procedure

The sample is designed based on predicted statistical precision of consumption as well as cost considerations. Without political implications, the survey stratifies the sample into four regions Hargeisa, Sanaag, Sool and Togdheer. The sample was being taken for Somaliland regions was 2161 in urban and rural which equivalent to 11,669 individual.

3.4. Methods of data Collection

The survey was implemented using tablets as survey devices (CAPI). The data collection system consisted of Samsung Smartphones equipped with SIM cards, mobile data plans, micros cards (16 GB capacity), and external battery packs. The phones were secured with Android’s native encryption and protected by a password. GPS tracker helped to track all devices using a web interface (www.gps-server.net), Barcode Scanner allowed to use barcodes for the identification of enumerators and a parental control application provided a safe contained working environment for enumerators. Interviews were conducted using Survey CTO Collect on the tablet with data transmitted to a secure Survey CTO server in a cloud computing environment. EAs were replaced if security rendered field work unfeasible (Table 12). Replacements were approved by the project manager. Replacements of households were approved by the supervisor after a total of three unsuccessful visits of the household. Incoming data is processed to create a raw consistent data set. Interviews with wrongly entered EAs were manually corrected. Interviews conducted outside sampled EAs were discarded. For duplicate submissions, only one record is kept.

2 Sampling weights are added to the final dataset and subsequently anonymized at the strata level.

3.5 Data analysis

The researcher used to apply descriptive data analysis method as since the study design that was adopted was qualitative and descriptive correlational design. The data the study adopted to use was Secondary data which had collected Ministry of National Planning and Development with help of World Bank. Than this secondary data collection the researcher employed statistically package for social science (SPSS) software and Microsoft Excel and strata program etc. Data will be analyzed using frequency analysis and presented using frequency-histogram, tables, bar
chart and pie chart and inferential. This method is chosen due to the nature of the data and to make it easy for interpretation and understandability.

3.6 Ethical consideration

Ethically the study gives an important consideration for the participants during data collection, the study was carried out with permission of the respondents it was protected any respondent’s name during the study and keep any information as confidentially. Ethically the study consider the participants dignity,

The information was used as academic purposes, finally the researcher make sure suitability of data collection in acceptable research standard which is match setting of objectives of research.

3.7. Limitation of the study

Limitations are challenges and influences that faced the researcher and cannot control. They are the shortcomings, conditions or influences that cannot be controlled by the researcher that place restrictions on your methodology and conclusions. Any limitations that might influence the results should be mentioned.

So most limitations which faced student during preparing thesis book includes:

Limited source of information, scarcity of time, and the researcher was limited by finance.

3.7.1. Limited source of information

The research in this area was few therefore was limitations of information on the study/research topic, however the researcher used internet to get information.

3.7.2. Scarcity of time

The limitation of time factor to complete the research, however the researcher tried to budget time properly to see that the report was finished in time.

3.7.3. Limited finance or lack of finance

To facilitate conduct of research in terms of printing, copy and looking for information, however the researcher do not have a sufficient fund to enable a successful of the research report or work.
CHAPTER FOUR: DATA ANALYSIS AND INTERPRETATION

Introduction

As discussed earlier, the main aim of this research is on educational household heads and its impact on household poverty in Somaliland urban and rural area as a case study. The purpose of this chapter is to analyze and interpret the results obtained from the data sets used; Global Poverty and Equity Practice The World Bank August 30, 2016 for Somaliland. This chapter will displayed the descriptive statistics and hypothesis and interpret the finding result on the analysis.

Table 4.1 Poverty Profile of Somaliland

<table>
<thead>
<tr>
<th>Poverty Profile</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor</td>
<td>6,105</td>
<td>47.5%</td>
</tr>
<tr>
<td>Total</td>
<td>11,629</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 4.1, shows the poverty profile of Somaliland, and in general 47.5% of the Somaliland population lays below the poverty line whereby the rest 52.5% are above the poverty line which is 1.90 dollar per day. This finding is supporting the real situation on ground as since there are low employment opportunities, low wages and high turnover of employees. Thus this analysis is showing how Somaliland economy is weak; this is because almost poor and non poor population is the same in number which is very painful. Nevertheless this indicator of poverty headcount doesn’t show how poor are poor and how non poor households are rich however it’s just illustration of how many poor households and non-poor exist in Somaliland.

**Table 4.2: Head of households and level of education**

<table>
<thead>
<tr>
<th>Level Of Education</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Education</td>
<td>4,383</td>
<td>48.2</td>
</tr>
<tr>
<td>Incomplete Primary</td>
<td>2,276</td>
<td>25.03</td>
</tr>
<tr>
<td>Complete Primary/Incomplete</td>
<td>1,259</td>
<td>13.84</td>
</tr>
<tr>
<td>Secondary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete Secondary</td>
<td>515</td>
<td>5.66</td>
</tr>
<tr>
<td>University</td>
<td>572</td>
<td>6.29</td>
</tr>
</tbody>
</table>
The above Table 4.2, exemplify heads of households and their educational status, 48.2% of the total households in Somaliland is headed by heads who have no education at all, hence we conclude that these households are very vulnerable to be poor for some circumstances. For some reason or another households headed by heads who have at least primary education have more income than households headed by heads who have no education keeping all other cofounding variables constant.

Table 4.3: The Level of Education of Heads and Poverty Status

<table>
<thead>
<tr>
<th>Level Of Education Vs Poverty Headcount</th>
<th>Proportion</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Education</td>
<td>0.57357974</td>
<td>4383</td>
</tr>
<tr>
<td>Incomplete Primary</td>
<td>0.52855888</td>
<td>2276</td>
</tr>
<tr>
<td>Complete Primary</td>
<td>0.46147736</td>
<td>1259</td>
</tr>
<tr>
<td>Complete Secondary</td>
<td>0.4</td>
<td>515</td>
</tr>
<tr>
<td>University</td>
<td>0.314685</td>
<td>572</td>
</tr>
<tr>
<td>Other</td>
<td>0.5505618</td>
<td>89</td>
</tr>
</tbody>
</table>

This table compares heads education level and poverty status of households headed by these groups of people who different level of educational status. for this reason, column two of Table 4.3 points out one level increase in education will reduce poverty status of the household by certain percentage e.g 57% of households headed by heads with no education are below the poverty line while households headed by heads with incomplete primary education 53% of them are below poverty line and so on and so forth. Thus we could conclude that one level of increase could reduce poverty head count of households by certain percentage. By comparing and contrasting a household head with university education and a household head with complete secondary education and their status of poverty in their respective households, we could see from Table 4.3, that households with University education have lower poverty head account than those households with complete secondary education.
Female headed households are more vulnerable than male headed households as Table 4.4 showed in terms of poverty status while male headed households are less vulnerable to poverty than female headed households. In non-poor category male headed households is 41.01% which are above the poverty line while female headed households are 35.65%; on the other hand in poor category male headed households are less than female headed household which are 58.89% and 64.35% respectively.
4.5: Heads Gender and Education Status

<table>
<thead>
<tr>
<th>House Hold Heads</th>
<th>No Education</th>
<th>Incomplete Primary</th>
<th>Complete Primary</th>
<th>Complete Secondary</th>
<th>University</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Female</td>
<td>2,383</td>
<td>1,268</td>
<td>664</td>
<td>250</td>
<td>291</td>
<td>54</td>
<td>4,912</td>
</tr>
<tr>
<td>Male</td>
<td>1,998</td>
<td>1,008</td>
<td>595</td>
<td>265</td>
<td>281</td>
<td>35</td>
<td>4,182</td>
</tr>
<tr>
<td>Total</td>
<td>4,383</td>
<td>2,276</td>
<td>1,259</td>
<td>515</td>
<td>572</td>
<td>89</td>
<td>9,094</td>
</tr>
</tbody>
</table>

As Table 4.5 show up, whenever level of education improves, the female participation rate decrease so as to their male counter parts, however participation rate of both sexes decrease yet females are less than male participation rate in the grades because of many circumstance. For this fact, we could conclude that there is gender disparity between females and male in education wise which needs to minimize.
Table 4.6: The PPP line

The World Bank uses the poverty line $1.90 (PPP) a day (at 2012 prices) to measure extreme poverty at the international level. Based on HFS data collected 2016, the proportion of population living in extreme poverty in Somaliland is estimated to be 52.7%. Although every country in the world has its own national poverty yet Somaliland has no specific poverty line or national poverty for this reason the researcher considered to account for international poverty line which World Bank adopted in 2012. Below $1.90 is considered poor while above this line is considered non poor.

Table 4.6: Poverty Status by Residence

<table>
<thead>
<tr>
<th>Rular, Urban And IDP</th>
<th>Non-Poor</th>
<th>Poor</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>40.39</td>
<td>59.61</td>
<td>100</td>
</tr>
<tr>
<td>Rural</td>
<td>29.97</td>
<td>70.03</td>
<td>100</td>
</tr>
<tr>
<td>IDPs</td>
<td>36.78</td>
<td>63.22</td>
<td>100</td>
</tr>
</tbody>
</table>

Poverty is multidimensional. It has no single definition and standard way of measurement. It is usually measured in either monetary or non-monetary terms. The above Table 4.6 assesses the
poverty situation relative to residence status of Somaliland population in 2016 using the monetary approach. The analysis is based mainly on Household Frequency Survey data. Thus having looked the data in the above Table it shows that Somaliland Urban households are less poor comparing to the other two residence area.

**Test in chi-square**

H₀: there is no significance association between poverty reduction and level of education of household head

H₁: there is significance association between poverty reduction and level of education of household head

Pearson chi² (5) = 195.0093 Pr = 0.001, Since P-value (0.001) is less than the significance level (0.05) P-value < 0.05, Henceforth there is significant association in poverty reduction and level of education of heads of households.

The finally we wrap up that there is a negative relationship between probability of a household being poor and education levels of household heads in Somaliland. In other words, the risk of a household being poor in Somaliland decreases when the education level of a household head increases.
CHAPTER FIVE: Conclusion, finding and Recommendation

5.1 Introduction

This research explored the impact of educational household heads on poverty in Somaliland. The Income Expenditure Survey (IES) data 2011 and 2013, conducted by Somaliland national planning and development and world bank analyses the trend in the poverty rate of households, poverty status of households given their heads level of education and the educational level of household heads was consulted. This chapter first reviews the findings of the research before the conclusion follows.

5.2 Conclusion

This dissertation has limitations; first, since poverty was measured at household level, specific poverty dynamics within households cannot be observed. Secondly, there is the possibility of endogeneity in the regression model. Endogeneity is an issue because though lack of education may lead to poverty, inadequate financial resources might also elucidate the incapability of obtaining satisfactory educational level in the first case. This issue was not controlled due to the absence of a suitable instrumental variable. The direction of causality between education and poverty is therefore not clear, and the estimated parameter(s) cannot be accepted as entirely conclusive. However, the results are strongly indicative of the evidence that higher education is associated with lower levels of poverty and this is in accordance with past research, for instance, Botha (2010); Ijaiya and Nuhu (2011); Njong (2011) and theory. The immense shortage of skills in south africa may be a manifestation of the generally low educational attainment level in the province. By shifting the focus to better educational quality and the development of more skills, this will greatly improve an individual’s skills thus giving him/her higher chances in the labor market. This gives room for future research on the relationship between the allocation of resources towards education and the quality of education. may lead to poverty.

5.3 Finding review
1. The overall poverty of Somaliland had found to be 52.7% of Somaliland population are below the poverty line $1.90 the data showed.

2. The literacy rate of Somaliland is very low; this is because comparing household heads to their educational status it was found majority of heads of households have no education or illiterate.

3. The households headed by females are more vulnerable to be poor comparing to male headed households in regard to the findings being obtained.

4. Because of the very high unemployment rate exist in urban areas of Somaliland, proportion of households below poverty line is very plenty in urban areas as well as IDPs.

5. In regard to the findings been found during the analysis, one level increase in education of head of households would decrease or reduce poverty by certain percentage. This is because as the data showed whenever the level of educational of head of households increase the poverty status of the households reduces as Table 4.4 addressed.

**Test in chi-square**

Hₐ: there is significant between poverty and level of education

H₀: there is no significance between poverty and level of education

P-value < 0.05, so there is significant between the education household and poverty.

The finally we say there is negative relationship between education and poverty whenever increase the level of education the poverty also decrease.

**5.4 Recommendation**

From the above finding the researcher extracted some important recommendations which are helpful to community, government and international agencies to decrease the poverty rates and improve in education both rural and urban areas.

- Upgrading the education level of heads of households could lead poverty reduction, for this fact government would set up adult education programs tackle poverty profile of Somaliland.
• As far as the researcher cited there are no enough strategies in regard to poverty reduction which the government been set up to gear poverty, thus the researcher recommends to the government to take into account significant and efficiency strategies to reduced poverty and create employment opportunity of youth and vulnerable group among the community.

• Government Somaliland should allocate budget for poverty reduction
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