

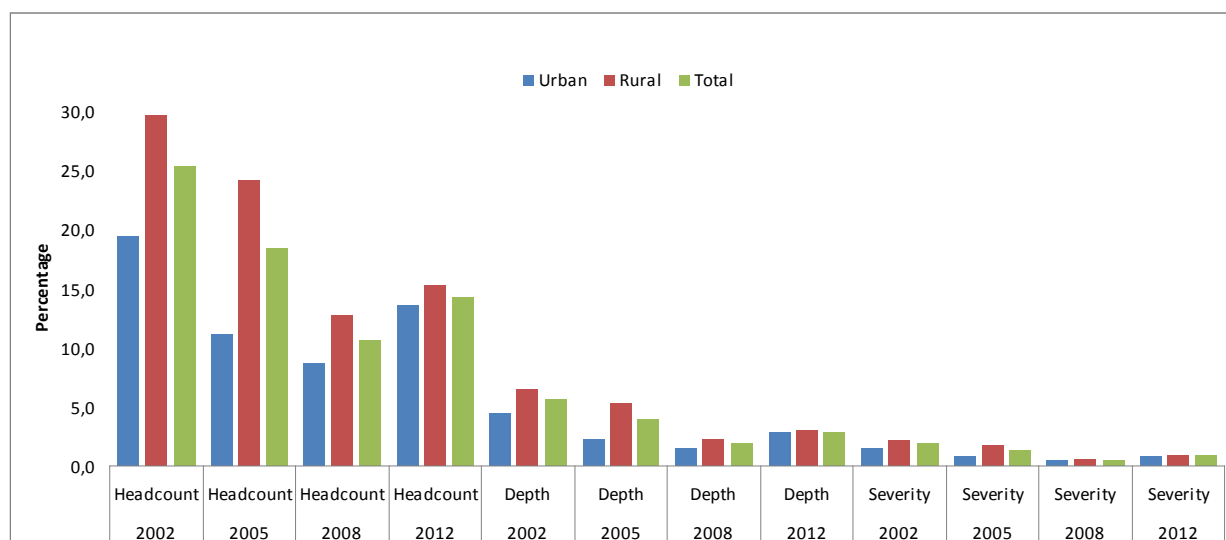
**ALBANIA: TRENDS IN POVERTY
2002-2005-2008-2012**

September 2013

A. GROWTH AND POVERTY

1.1 **In the aftermath of the global financial crisis and the overall macroeconomic situation associated with low growth rates since 2008, poverty in Albania has increased.** The fraction of the population whose real per capita monthly consumption is below Lek 4891 (in 2002 prices) increased from 12.4% in 2008 to 14.3% in 2012. In the previous years, poverty fell from 25.4% in 2002 to 18.5% in 2005 and 12.4% in 2008 (Figure 1 and Table 1). This means that roughly 28,896 people in addition to 373,137 poor people in 2008 fell into poverty. Extremely poor population, defined as those with difficulty meeting basic nutritional needs, increased from 1.2% in 2008 to 2.2% in 2012. Extreme poverty decreased from 4.7% in 2002 to 3.5% in 2005 to 1.2% in 2008 (Table A1). In 2012, extreme poverty has increased for both urban (2.2%) and rural areas (2.3%).

Figure 1: Trends in absolute poverty



1.2 **Other measures of poverty have also increased from 2008.** Two alternative measures to headcount ratio are the poverty gap and severity of poverty. The poverty gap (sometimes referred to as depth of poverty) provides information regarding how far off households are from the poverty line. It is obtained by dividing the sum of the consumption gaps of the poor (that is, poverty line less consumption) for all the poor by the overall population, and expressing it as a percent of the poverty line. So a poverty gap of 2 percent means that the total amount the poor are below the poverty line is equal to the population multiplied by 2 percent of the poverty line. The main advantage of the poverty gap is that the contribution of a poor individual to overall poverty is larger the poorer that individual is. The second alternative measure to headcount is the severity of poverty, whose main advantage is that it is sensitive to inequality among the poor. The severity of poverty takes into account not only the distance separating the poor from the poverty line, but also the inequality among the poor. In this respect, a higher weight is placed on those households that are further away from the poverty line. Figure 1 and Table 1 show that the poverty gap increased from 2.3% in 2008 to 2.9% in 2012. However, the number continues to be much lower than the starting point of 5.7% in 2002. Poverty gap has fallen from 4.0% in 2005 to 2.3% in 2008. Severity of poverty slightly increased from 0.7% in 2008 to 1% in 2012. This number has previously fallen from 1.9% in 2002 to 1.3% in 2005.

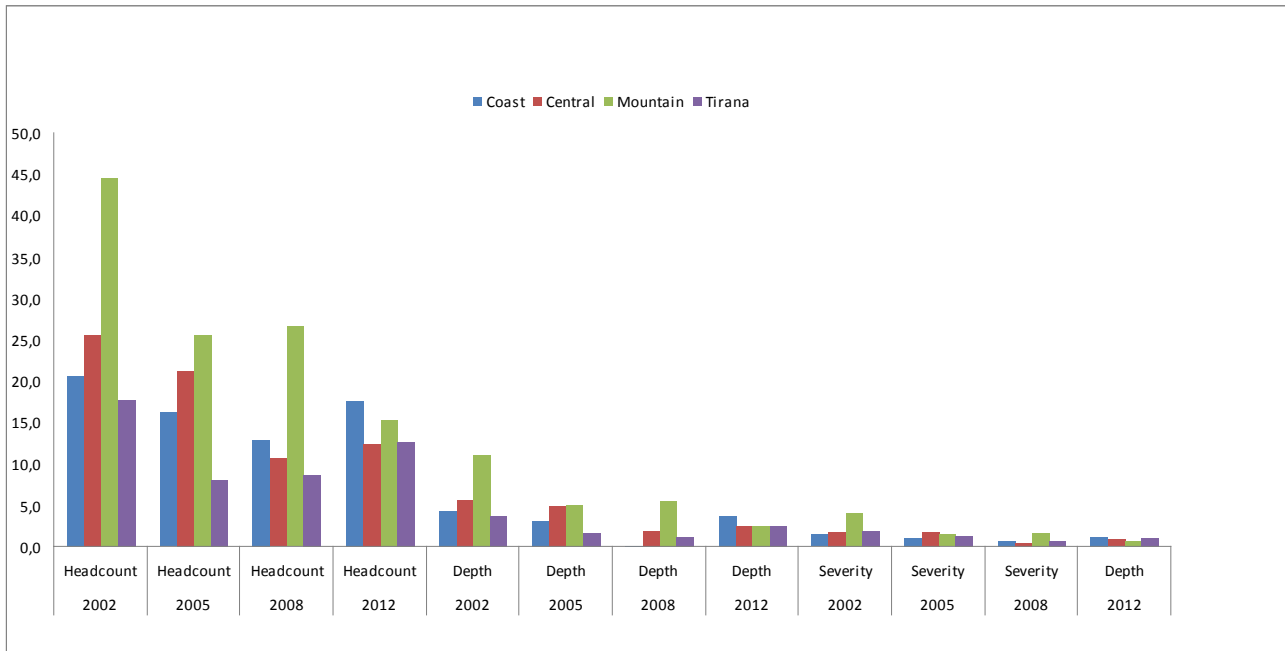
Table 1: Trends in Absolute poverty by stratum: 2002, 2005, 2008,2012

Stratum	Poverty measure	2002			2005			2008			2012		
		Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Coastal	Headcount	20,2	20,9	20,6	11,6	19,7	16,2	10,7	15	13	17,3	17,9	17,6
	Depth	5,4	3,6	4,4	2	4,1	3,2	2,7	2,5	0,2	3,8	3,5	3,7
	Severity	2,1	1	1,5	0,6	1,3	1	1	0,6	0,7	1,2	1,1	1,2
Central	Headcount	19,3	28,5	25,6	12,5	25,9	21,2	10,3	10,9	10,7	10,3	13,8	12,5
	Depth	3,8	6,5	5,7	3	6	5	1,9	1,9	1,9	2,2	2,9	2,6
	Severity	1,2	2,1	1,8	1,2	2,1	1,8	0,6	0,4	0,5	0,7	1,1	0,9
Mountain	Headcount	24,7	49,5	44,5	17,1	27,7	25,6	14,7	29,8	26,6	13,7	15,9	15,3
	Depth	6,5	12,3	11,1	3,6	5,5	5,1	3,2	6,2	5,6	2,5	2,5	2,5
	Severity	2,6	4,4	4,1	1,1	1,7	1,5	1,2	1,8	1,7	0,9	0,6	0,7
Tirana	Headcount	17,8		17,8	8,1		8,1	8,7		8,7	12,6	-	12,6
	Depth	3,8		3,8	1,6		1,6	1,2		1,2	2,6	-	2,6
	Severity	1,3		1,3	0,5		0,5	0,2		0,2	0,8	-	0,8
Total	Headcount	19,5	29,6	25,4	11,2	24,2	18,5	10,1	14,6	12,4	13,6	15,3	14,3
	Depth	4,5	6,6	5,7	2,3	5,3	4	1,9	2,6	2,3	2,9	3,0	2,9
	Severity	1,6	2,1	1,9	0,8	1,8	1,3	0,6	0,7	0,7	0,9	1,0	1,0

1.3 Increased poverty has been accompanied by increases of regional poverty. Differences in poverty rates across broadly defined regions¹ have increased compared to what they were in 2008, with the exception of the Mountain areas (Figure 2). Unlike 2008 in which the Mountain areas were the only ones with a slight increase in poverty, in 2012 the Mountain areas are those who have had poverty reduction. In these areas poverty has been reduced from 26.6% in 2008 to 15.3% in 2012. Nonetheless, this reduction may be as a result of population shifts and continuation of movements from Mountain areas to the rest of the regions. Consequently, the other regions may share the burden of these movements among other things and therefore experience an overall increase in poverty. For instance, in the Coastal areas, which have the largest increase in poverty, 17.6% of the population is poor compared to 13% in 2008. Tirana has also experienced a sizeable increase in poverty. Compared to 2008, the percentage of the population considered as poor has gone from 8.7% in 2008 to 12.6% in 2012. The Central areas have broadly remained in a similar situation. Poverty has slightly increased from 10.7% in 2008 to 12.5% in 2012.

¹ It is important to bear in mind that these broadly defined regions are not the same as administrative regions (See table A2), commonly referred to as prefectures. Rather, these are areas that have been grouped together because they share similar geographic contiguity and endowments. There are four such areas defined for survey purposes, while there are 12 prefectures.

Figure 2: Regional poverty trends



1.4 **Poverty increases across the board were accompanied by a higher increase of urban poverty rates.** Poverty does not appear to be solely a rural phenomenon anymore. Instead, poverty has mainly shifted to the urban areas. Table 2 shows that while rural population in poverty declined by about 12%, urban population in poverty increased by about 37%. Therefore, headcount measure of rural poverty increased from 14.6% in 2008 to 15.3% in 2012, while urban headcount increased from 10.1% to 13.6%. Moreover, even within rural areas, the rate of poverty has been significantly reduced in the Mountain areas. Poverty appears to have a wider spread than 2008 and is no longer concentrated in the rural Mountain areas (Table 1). Other measures of poverty maintain similar rates of change as those depicted above in the urban and rural areas. Poverty gap (depth of poverty) measure is similar for rural and urban areas. However, urban areas have had a substantial increase in poverty gap. In the rural areas this measure is 3.0%, compared to 2.9% in urban areas; for rural areas, this is an increase of about 15% from the 2008 level, while for urban areas it was an increase of about 53%.

Table 2. Rates of poverty changes in urban and rural areas

	Number of poor by urban/Rural area				Change in poverty		
	2002	2005	2008	2012	% change 2002- 2005	% change 2005- 2008	% change 2008- 2012
Population in poverty	813,196	575,659	373,137	402,033	-29.2	-35.2	7.7
Urban area	257,690	151,811	150,052	205,273	-41.1	-1.2	36.8
Rural area	555,506	423,848	223,085	196,760	-23.7	-47.4	-11.8

- 1.5 **Increases in poverty have been associated with increased shares of food and utility consumption, and decreased shares of non-food, education, and durables.** Per capita real consumption in 2012 (with 2002 prices) has decreased from 9,731 Lek in 2008 to 8,939 Lek in 2012. As a share of total per capita consumption, food shares have increased by 1.04 % between 2008 and 2012 (Table 3). The decrease in the education expenditures, shares of real per capita consumption in 2012, and increase in food shares of real per capita consumption are quite common occurrences when poverty increases. Once consumption falls, food shares of per capita consumption are expected to increase since individuals will substitute towards food and away from other activities.

Table 3. Shares of real per capita consumption (%)

Consumption patterns	2002	2005	2008	2012
Food	64,5	59,2	57,9	58,5
Nonfood	19,4	24,8	22,8	19,9
Utilities	12,6	12,6	15,1	17,6
Education	2,3	2,4	3,7	3,4
Durables	1,2	0,9	0,50	0,6

- 1.6 **Poverty by prefectures, which is a new addition to LSMS 2012, shows that Elbasan and Gjirokaštër have the lowest poverty rates, while Kukës has the highest poverty rate among the Prefectures.** Poverty rates are 10.7% in Elbasan and Gjirokaštër, while they reach 21.8% in Kukës. In addition, other prefectures such as Berat, Dibër, Korçë, and Vlorë have lower poverty rates compared to the national average. Other prefectures such as Lezhë and Shkodër have higher poverty rates respectively 17.5% and 15.7%. Tirana prefecture, has a poverty rate close to that of the national average, 14.2%. Other prefectures like Durrës and Fier show higher rates of poverty; 16.2% in Durrës, and 17.5% in Fier in comparison with the national average.

Table 4 Poverty measures by prefectures

Prefecture	Headcount	Depth	Severity
Berat	12,7	2,4	0,7
Dibër	13,0	2,3	0,7
Durrës	16,2	3,3	1,1
Elbasan	10,7	2,3	0,8
Fier	17,5	3,5	1,1
Gjirokaštër	10,7	2,2	0,9
Korçë	12,2	2,5	0,7
Kukës	21,8	3,7	0,9
Lezhë	17,5	4,3	1,6
Shkodër	15,7	3,7	1,6
Tiranë	14,2	2,8	0,8
Vlorë	11,7	2,4	0,8
Total	14,3	2,9	1,0

B. CONCLUSION

1.7 This note looks at poverty trends in Albania. It reaches two main conclusions. First, due to the global financial crisis and the slow-down of economic growth, there has been an overall poverty increase. Second, poverty is no longer solely a rural issue. There has been a shift of poverty from rural to urban areas, where the latter have had a larger increase in poverty. This may have come as a result of more concentrated efforts towards rural development, while population shifts may have continued from rural to urban areas and the crisis aftermath has mainly impacted the urban areas.

1.8 Increased and further efforts are needed to bring poverty back to lower levels. More detailed data shed light on prefectures and areas where poverty is mainly located and should be tackled first. The urban phenomenon should be examined more in depth and further analysis to understand the causes and shifts of poverty need to take place in the near future.

C. APPENDIX

Table A1. Trends in Extreme poverty by Stratum:2002-2005-2008-2012

Stratum	Poverty measure	2002			2005			2008			2012		
		Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
Coastal	Headcount	5,9	1,8	3,6	1,8	2,5	2,2	1,9	1,0	1,4	2,9	2,6	2,8
	Depth	1,2	0,3	0,7	0,2	0,4	0,3	0,4	0,1	0,2	0,5	0,4	0,5
	Severity	0,3	0,1	0,2	0	0,1	0,1	0,1	0,0	0,1	0,1	0,1	0,1
Central	Headcount	3,4	5,1	4,6	3,5	6	5,2	1,2	0,8	0,9	1,9	2,5	2,3
	Depth	0,5	0,5	0,5	0,8	0,9	0,9	0,3	0,1	0,2	0,3	0,6	0,5
	Severity	0,2	0,1	0,1	0,3	0,2	0,2	0,1	0,0	0,0	0,1	0,2	0,2
Mountain	Headcount	7,8	11,6	10,8	2,6	3,4	3,2	2,9	3,9	3,7	1,6	1,1	1,3
	Depth	1,6	2,1	2	0,3	0,4	0,4	0,6	0,5	0,5	0,4	0,1	0,2
	Severity	0,5	0,5	0,5	0	0,1	0,1	0,2	0,1	0,1	0,2	0,0	0,1
Tirana	Headcount	2,3		2,3	1		1	0,2		0,2	1,7		1,7
	Depth	0,6		0,6	0,1		0,1	0,0		0,0	0,2		0,2
	Severity	0,2		0,2	0		0	0,0		0,0	0,0		0,0
Total	Headcount	4,1	5,2	4,7	2,2	4,5	3,5	1,1	1,2	1,2	2,2	2,3	2,2
	Depth	0,8	0,7	0,8	0,4	0,7	0,5	0,2	0,2	0,2	0,3	0,5	0,4
	Severity	0,2	0,2	0,2	0,1	0,1	0,1	0,1	0,0	0,0	0,1	0,2	0,1

Table A2: Distribution of districts by regions

Districts by regions			
Coastal	Central	Mountain	Tirana
Lezhë	Devoll	Kukes	Tirana urbane
Kurbin	Kolonjë	Has	Tirana te tjera urbane
Kavajë	Pogradec	Tropoje	
Mallakaster	Mirdite	Bulqize	
Lushnje	Puke	Diber	
Delvine	Malesi e Madhe	Gramsh	
Sarande	Mat	Librazhd	
Durres	Kuçove		
Fier	Skrapar		
Vlore	Krujë		
	Peqin		
	Gjirokastrë		
	Permet		
	Tepelenë		
	Shkoder		
	Elbasan		
	Berat		
	Korçë		
	Tirana (rural)		