

<p><b>The Poverty Indicators. Albania in M.P.I. “Optic”</b></p>		<p><b>Economy</b></p> <p><b>Keywords:</b> poverty measurement, multidimensional poverty index (MPI), deprivation, incidence of poverty.</p>
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<p><b>Abstract</b></p> <p>The focus of this study is on discussing how and how many MPI dimensions and indicators exceed the limits of classical measurements of poverty, creates the possibilities of measuring and comparing multidimensional poverty. Second, this paper call at attention, Multidimensional Poverty Index MPI as an added value in efforts of poverty measurement. Multidimensional Poverty Index helps to analyze the spectrum of poverty, understanding of sustainable development emergency, as well as it is a great help for reading poverty phenomenon on a three dimensional aspect and under the sub-meaning of 10 different indicators. Third this study offers a further comparative analyses of MPI Albania and Eastern Balkan countries. Fourth it contrasts, comprehensive indexes are generated and applied, but doesn't mean their conclusions are translated (converted) into comprehensive policies as well. The indicators and the techniques for poverty measurement in Albania are the same as those in other countries, but policies and results vary. Finally, we argue the measures chosen to use in poverty measurement of course can lead or mislead towards the process of policy making due to the great practical relevance of measurement methodologies.</p>
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**Introduction**

The Poverty measurement till 2010 was focused on absolute or relative poverty indicators. Multidimensional Poverty Index (MPI) is the index which measures the acute poverty. Mostly the poor people experience a multiple deprivation or economic and social exclusion. It is obviously clear, that the method of MPI poverty measurement, even though it is a recent approach, it will be the base of the development of the theory and implementation in the future. This is a natural assumption when we notice that the organizations focused on the poverty issue are using this approach (UNDP uses it in its reports since 2010). Based on the published report for Albania we have the following consideration for 2009.

**Table 3: Summary of MPI report.**  
*Source: Alkire, S.,A.Conconi & J.M.Roche.*

Issue	Value
<b>MPI</b> (Multi Dimensional Index of Poverty)	0.005
<b>H</b> (Distribution of Poverty)	1.4%
<b>A</b> (The average concentration among the poor )	37.7%
The percentage of population affected by poverty	7.4%
The percentage of population in rough poverty	0.1%

Oxford Poverty & Human Development Initiative based on consideration and results of Alkire, Roche, Santos, & Seth report the main indexes of MPI for Albania. Thus, the percentage of population in rough poverty is considered to be 0.1%, the percentage of population affected by poverty is 7.4%, while the two components of MPI which are (H) and the average concentration between the poor (A) result in the level of 1.4% and 37.7% respectively. And, knowing that:

$$MPI = H \times A$$

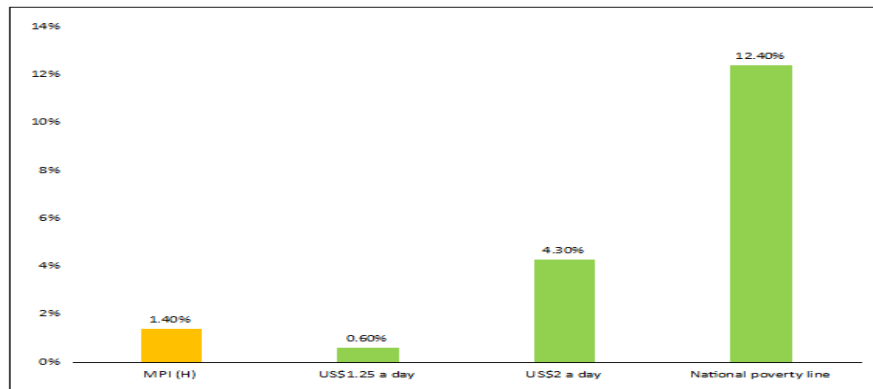
$$MPI = 1.4\% \times 37.7\%$$

It is estimated even the value of multi- dimensional poverty index which is 0.005.

These figures can be interpreted:

- For the poverty distribution (H=1.4%): 1.4% of the population is poor according to MPI ( they are deprived from at least 33.33% of the weigh index, according to the definition):
- For the average concentration among the poor (A=37.7%): those who are poor according to MPI suffer from deprivation in the level of 37.7% of indexes, as an average;
- The MPI Value is a figure which helps us to give a position to our country compared to others. The lower this figure the multi – dimensional poverty is.

The results brought by MPI are better understood if they are compared with other applicative methods. So, if we showed in a chart the poverty distribution (H) and the poverty lines we would have the following figures. This gives us the view which helps us to understand the difference between the methods used for poverty measurements. If we base on the poverty line method with 1.25 dollar per day, the poverty in Albania is 0.6%. Expressed differently, this means that 0.6% of the population lives with less than 1.26 American dollar per day. The poverty according to poverty line in the level of 2 dollar per day is naturally higher than that of 1.25 dollar per day, 4.3% or 4.3% of the population lives with less than 2 dollar per day. The national line of poverty is reported 12.4%, which is much higher than two previous lines. The report of poverty per person according to MPI (H) results to be 1.4% and this is higher than the value of poverty line in 1.25 dollar per day and lower than that of 2 dollar per day ( $US\$1.25 \text{ a day} < H < US\$2 \text{ a day}$ ). The last one is one of the finding of MPI method, where the value of multi-dimensional poverty shows that in Albania there are fewer poor than those expressed by National Lines of Poverty and the poverty line in 2 dollar per day. The difference between them is quite obvious.

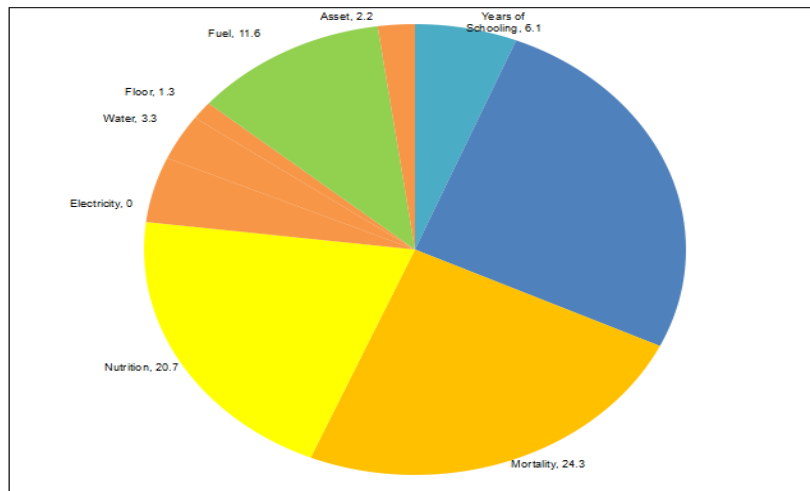


**Figure 7: The comparison of poverty values according to different measurements**

*Source of information: Alkire, Conconi & Roche*

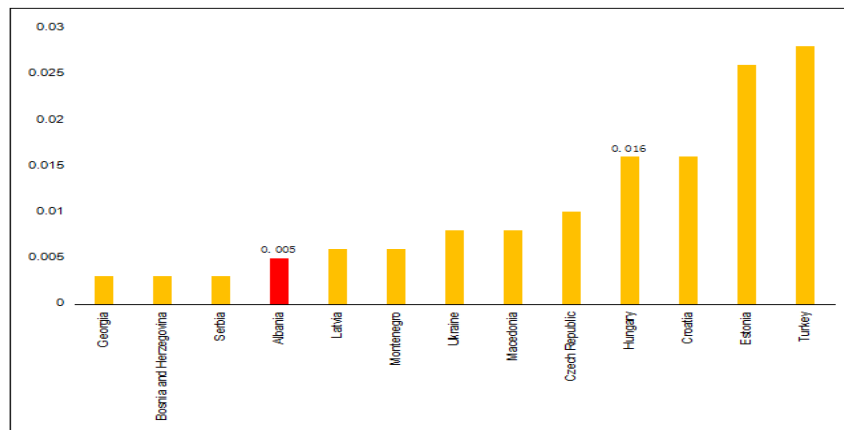
The pie chart gives us information of how is poverty in Albania composed according to MPI index. This means that we can understand which the major factors of poverty are or which the poverty origin is. For example, the value 26 of school attendance by children shows that 26% of poor population and deprived in each index suffers from not school attendance as the biggest cause of poverty. If we join the value of school years (6.1%) with that of school attendance by scholar age children (26%) than we have the value which corresponds the measure of education (32%) and implies that 32% of poor population has a problem with education as a cause of poverty. Furthermore, the measure of health reaches the value of 44.9% (24,3%+20.7%). The standard of living makes up the rest value of 23%. From this we noticed that health makes the biggest part or we can say that health is the biggest factor as a cause multi-dimensional poverty in Albania. To sum up, the index of school attendance by children is the biggest cause of poverty, while health is the measure which forms and causes the biggest part of

the poverty. Electricity index is the only one which has the value of 0%. So, there is no poverty caused by electricity.



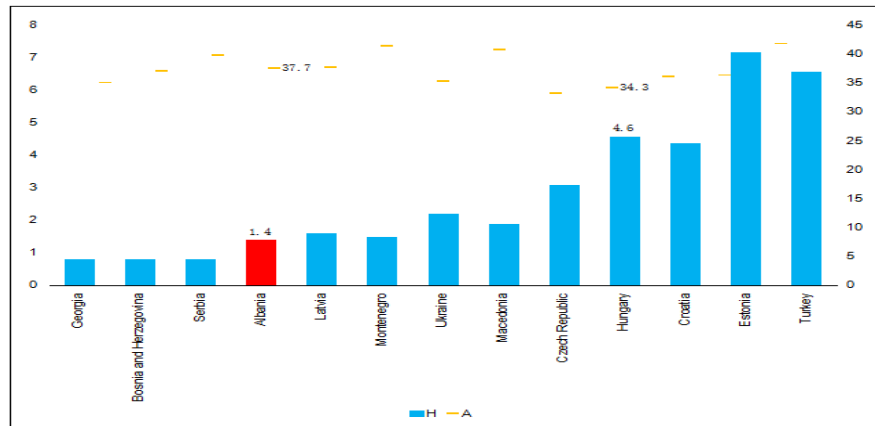
**Figure 8: Distribution in percentage of poverty according to indexes.**  
*Sources of information: Alkire, Conconi & Roche*

One the advantage of MPI method is that is creates the orientation of politics exactly where the poverty arises. If we stop and analyze the MPI composition in indexes we will understand that despite the fact which is the origin of poverty, it may be necessary to concentrate only on one factor and not spend energy and efforts on factors which may not have urgent need to be improved. Thus, in Albanian case according to MPI the efforts of policy makers facing the poverty should be focused on the measure of health making the biggest part in MPI. On the other hand, if we are further interested , the school attendance index by scholar age children has the highest value of depriving cases, a value which helps us to put it first in the “struggle” against the phenomena of the school abundance. This helps even the government agency clarifying where the problem is. This index is followed by that of nutrition, having a high level of deprivation in population. Still clearer, the economic politics related to struggle against poverty there is no necessary to focus on electricity index because it is reported to be a non-deprived index in Albania. Now let us focus on the analyses of MPI in region. Firstly the ranking. Based on the found data by the Oxford University, we can rank countries under development with low level income, where Albania is positioned better than countries like Check Republic, Hungary and Croatia.



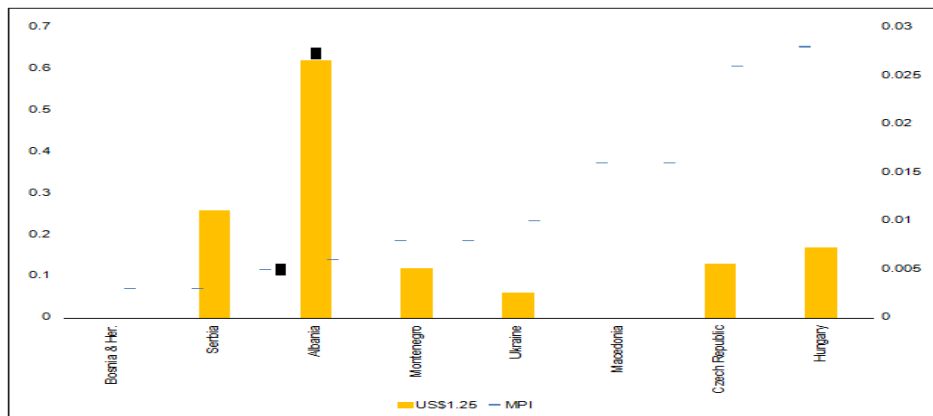
**Figure 9: Ranking of several regional countries according to MPI**  
*Source of information: Alkire, Concon & Roche.*

What happens with ranking based on poverty distribution and its intensity? As far as poverty distribution is concerned (H), there isn't much difference compared with ranking based on MPI. Albania has got a low level of this measure when we compare it with chosen countries. Concerning the poverty concentration, the rank has got some differences where Albania passes to countries with higher poverty.



**Figure 10: Ranking of some regional countries according poverty shown by H (Distribution) and A(intensity)**  
 Source of information: Alkire, Concon & Roche.

The illustration of ranking according to MPI and poverty line in 1.25 dollar per day helps us understand how assessments of these two poverty measurements differ. If we refer to poverty line measurement, Albania is the poorest country among others with a value in a level 0.6. But, MPI poverty assessment classifies it much better, 0.005. At this point, many governments are skeptic with figure of MPI. But on the other hand, the assessment of poverty only by income has got its own drawbacks. Anyway, the clash between these two measures is because of MPI considers ten indexes and measures them as quality variable thus widening the poverty body.



**Figure 11: Ranking of some regional countries according to MPI (right side) and poverty line in 1.25 dollar per day (left side).**  
 Source of information: Alkire, Concon & Roche.

Let's come back again to the composition of MPI, but this time according to the countries analyzed. Let us try to understand that the poverty origin varies from one economy to another. Exactly this is one of the undisputable advantages of multi-dimensional method, where the governments are presented with the profile of the poverty origin of their own country and from here on they achieve to orientate their policies in accordance to the urgency rank. So, if for Albania the most problematic index is school attendance by scholar age children, in other

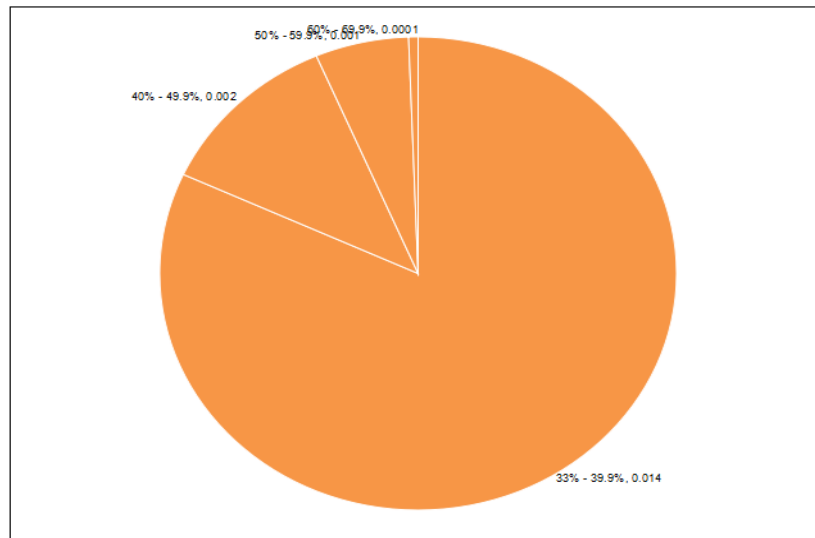
countries this index may be not. Concretely, Bosnia and Herzegovina suffers from bad nutrition and then is followed by years of education. Serbia and Macedonia suffer more from nutrition and it's followed by school attendance. And so on and so forth.

Albanian situation focused on MPI shows the level 0.005, which one is a lower level among countries under development and with poor income. The index of health is reported more problematic than two other indexes, while that of school attendance is the most deprived index. These findings are not uniform among poor countries. And now we come to the conclusion that many authors have previously emphasized: poverty is caused and has a different nature for different countries, even inside the country.

**Table 4: The contribution of MPI elements on poverty**  
*Source of information: Alkire, Concon & Roche.*

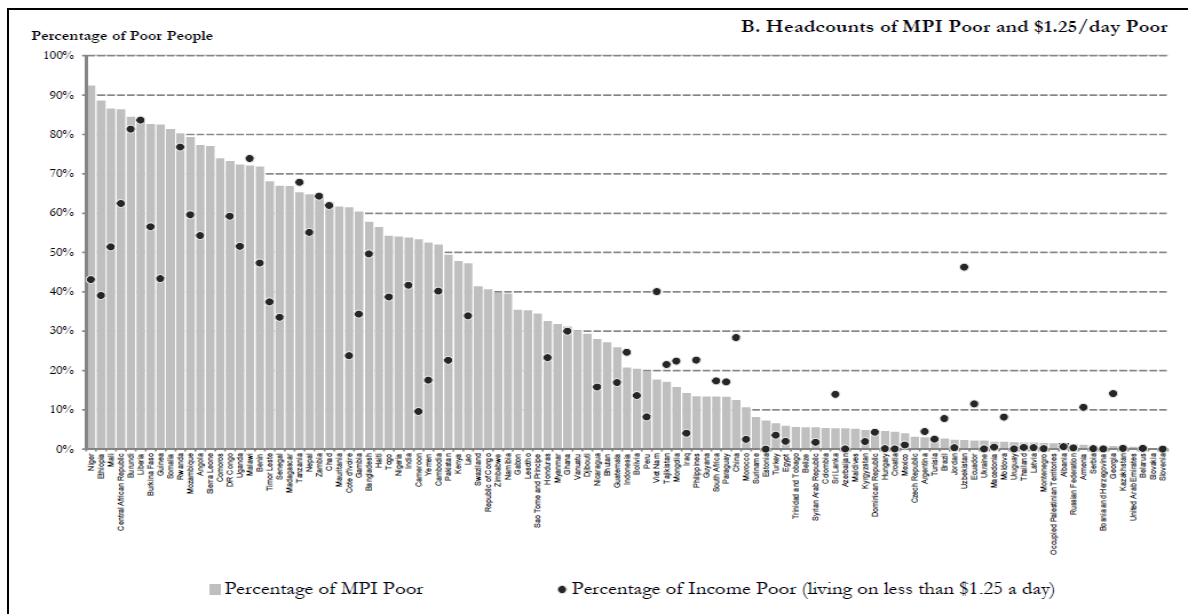
Country	MPI	Contribution of each measure in poverty			(10 indicators)									
		Education	Health	Living Standards	Education		Health		Living Standard					
		Education	Health	Living Standards	Years of /Education	School Attendance	Mortality (each age)	Nutrition	Electric Power	Hygiene	Water	Floor	Energy for cooking	Property
Bosnia and Herzegovina	0.003	29.2	<u>51.8</u>	19.0	19.8	9.4		<u>51.8</u>	1.2	2.7	1.4	0.8	8.6	4.3
Serbia	0.003	30.5	<u>40.1</u>	29.4	21.3	9.2		<u>40.1</u>	1.1	3.9	1.8	5.8	11.0	5.7
Albania	0.005	32.0	<u>44.9</u>	23.0	6.1	<u>26.0</u>	24.3	20.7	0.0	4.7	3.3	1.3	11.6	2.2
Montenegro	0.006	37.5	<u>47.6</u>	14.9	17.5	20.0		<u>47.6</u>	0.4	3.2	1.9	0.4	8.0	1.0
Ukraine	0.008	4.7	<u>91.1</u>	4.2	1.2	3.5	<u>91.1</u>		0.1	1.0	0.4	0.2	1.8	0.7
Macedonia	0.008	59.9*	12.8	27.3	28.9	<u>30.9</u>	10.5	2.4	1.1	5.5	2.6	4.6	10.3	3.3
Czech Republic	0.010	0.0	<u>99.9</u>	0.1	0.0			<u>99.9</u>	0.0	0.0	0.1	0.0	0.0	0.1
Hungary	0.016	1.8	<u>95.6</u>	2.7	1.8			<u>95.6</u>	0.0	0.0	0.0	2.0	0.0	0.7
Croatia	0.016	45.0	<u>46.7</u>	8.3	45.0			<u>46.7</u>	0.0	1.0	0.3	0.2	4.3	2.4
Estonia	0.026	<u>91.2</u>	1.2	7.6	<u>91.2</u>		0.0	1.2	0.0	1.2	0.6	0.0	5.1	0.8
Turkey	0.028	<u>42.3</u>	38.4	19.2	9.1	<u>33.2</u>	30.0	8.4	0.0	7.8	4.9	3.3		3.2

Concerning the poverty intensity among multi-dimensional poor, we have to mention that its interpretation is closely related to the fact that a family, a 100% deprived at poverty indexes faces a bigger poverty intensity than a family 40% deprived. Based on this logic, the poverty intensity analysis is built. Let us concentrate in the following chart which is a part of report for Albania. The identified part 33%-39.9% forms that part of population which suffers 39.9% of the poverty indexes. This is the biggest part of multi-dimensional poverty in Albania. According to MPI 1.4% is the percentage of poor population with this intensity, or 0.2% which represents the percentage of people who are deprived in 40% of poverty indexes.



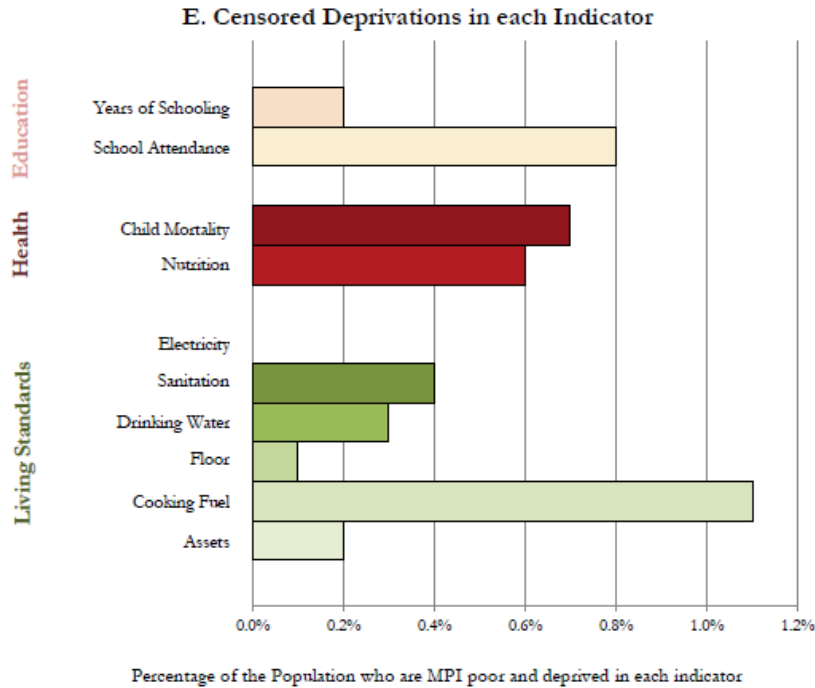
**Figure 12: Illustration of poverty intensity analyses**  
 Source of information: Alkire, Conconi & Roche

Trying to go further in our analyze about MPI we notice that, if we refer both MPI and poverty line at 104 countries (list of UNDP, MPI calculation) mostly countries show off more deprivation type poverty, than monetary poverty (Figure 13). According the same comparison 1,4 % of Albanian are multidimensional deprived when poverty line signs 12,4% of all population (Figures 7 & 13).

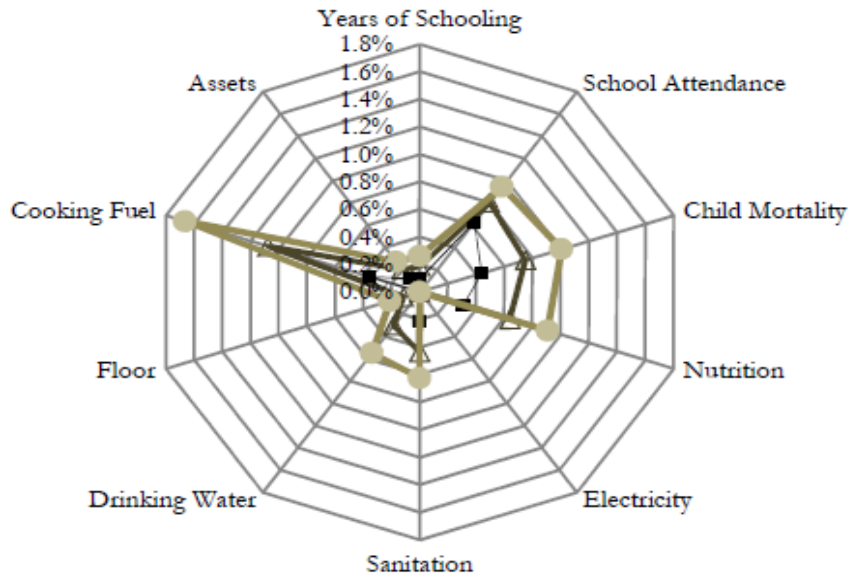


**Figure 13: MPI calculation on 109 Developing Countries**

Using MPI indicators the policy makers can easily decided which will be the future priorities Dimensions of MPI 2012 highlights: Education and health are easily noticeable in deprivation and policies need to focus right there.



The third dimension divided in 6 equal sections called indicators highlights the highest level of deprivation is in a cooking fuel follow by Nutrition, Child Mortality and School Attendance.



MPI vs. LSMS results make visible the differences between two methods.

**Table 5:** MPI result  
 Source of information: [www.ophi.org.uk](http://www.ophi.org.uk)

J. Multidimensional Poverty across Sub-national Regions

Region	MPI (H x A)	H (Incidence) k ≥ 33.3%	A (Intensity)	Percentage of Population:			Inequality Among the MPI Poor	Population Share
				Vulnerable to Poverty k = 20%-33.3%	In Severe Poverty k ≥ 50%	Destitute		
Albania	0.005	1.4%	37.7%	7.4%	0.1%	0.3%	0.021	100%
Urban	0.003	0.8%	37.7%	3.0%	0.0%	-	-	45.1%
Rural	0.007	1.9%	37.7%	11.0%	0.1%	-	-	54.9%

**Table 6** LSMS Result. The rate of poverty reduction in urban and rural area.  
 Source of information: INSTAT 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

According to living standard measurement survey 2012 poverty in Albania has not only rural profile, but urban too. (Table 6). The poverty reduction show off more than in urban area has had reduction poverty in rural area. But, if we take in consideration MPI result the figures are in opposite each other. Finally, Albania Government has taken in consideration the UNDP methods and it is focused in tow of three deprivation indicators (education, health). The Government priority in past three years has been VET Education and Check-Up free Program (Health).

**Conclusions**

Among the range of poverty indexes used nowadays, MPI looks to be more suitable measure. It integrates a multi-dimensional analysis, identifies which of the included factors as an index influences on the poverty, by presenting with the poverty profile correspondently and this orientates the policies against it. Of course, as a relatively new method, this needs a further consolidation especially the chosen of suitable indexes for representing the respectively concepts. The founders of this method are of the opinion that the discussion about the right operation of some concepts in variables can be open meaning thus the further perfection of MPI method. Also, considerations are being given to include even other aspects of social character. A problematic issue is the problem of finding and collecting the data. For example, due to the lack of data in Albanian case, the infancy mortality is measured with mortality for every age, bringing a different information from the theoretic one. For the Albanian case, MPI shows the level 0.005 which is a lower level among countries under development and with poor income. The index of health is reported more problematic than two other indexes, while that of school attendance is the most deprived index. These findings are not uniform among poor countries. And now we come to the conclusion that many authors have previously emphasized: poverty is caused and has a different nature for different countries, even inside the country. If we can show a consideration, after reading the meaning of MPI figures, the policies with school attendance focus would be an urgent need in response to poverty, as well as health focus.



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