AN ANALYSIS OF MONETARY AND MULTIDIMENSIONAL POVERTY MEASUREMENTS IN ALBANIA (MULTIDIMENSIONAL POVERTY INDEX)

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ABSTRACT

Poverty is a multi-dimensional and complex phenomenon and relates not only to income or consumption, considered as monetary dimensions of poverty, but also to non-monetary dimensions such as education, health, gender equality, water supply, etc. There are different definitions of the nature and measurement of poverty. The methods used differ from country to country. The poverty can be measured in monetary terms, non-monetary terms or subjective terms. So, monetary measurement and definition of the poverty line according to a significant level of income or consumption has some limitations, which leads to further applications and measuring multidimensional nature of poverty. Non-monetary poverty and subjective poverty is more related with a long term period and judgment. Measures of multidimensional poverty have become increasingly popular amongst researchers and policymakers, complementing traditional money-metric poverty estimates. The most wellknown of these, the Multidimensional Poverty Index (Alkire and Santos 2010), was featured prominently in the 2010 Human Development Report (UNDP 2010). Most of poverty studies in Albania rely on income and consumption data and thus use the poverty line based on the Living Standards Measurement Report in Albania using the cost-based method. Thus, real poverty measures and its management is the core of current and future development objectives in our country. The measurement and analysis of poverty, deprivation, and sustainable development are crucial to know what the figures show (being decomposable), to makes evident all the factors determining this situation, to give the policymakers the right paths to right goals. In this paper, first, I analyze and compare the results of monetary and non-monetary measures, focusing also on Multidimensional Poverty Index (MFI) as an added value in poverty measurement efforts as a complementary metric measure of poverty. Second, this paper by analyzing the results of the Multidimensional Poverty Index in Albania helps to read the phenomenon of poverty in a three dimensional aspect and with 10 different indicators. Thirdly, I argue that the results should orient the policy making to focus on the priority in health and education dimensions.

Keywords: Monetary measurement, multidimensional poverty index (MPI), deprivation.

INTRODUCTION

There are different definitions of the nature and measurement of poverty. The methods used vary from country to country. The poverty can be measured in monetary terms, non-monetary terms or subjective terms. So, monetary measurement and definition of the poverty line according to the aspect of deprivation of having a significant level of income or consumption has some limitations which leads to further applications and measuring multidimensional nature of poverty. Non monetary poverty and subjective poverty is more related with a long term period and judgment.

The monetary methodology of measuring poverty is significantly developed. In monetary poverty measurement, the poverty line makes division of the poor from the non-poor in such a way that each family income or whose consumption is below the poverty line is considered poor. Poverty line is usually defined as the amount of money that an individual needs to afford a basket of goods and services considered as the sufficient minimum. But, measuring the poverty in monetary terms does not tell us the standard of living or materially deprivation from number of assets (Headey, B. 2006).

Poverty is increasingly being seen as a multidimensional phenomenon in which income are only one aspect of it. Multidimensional nature of poverty refers to a situation where an individual or a family experiences a certain number of deprivations. These multiple deprivations represent different dimensions of human life (economic welfare, education, health, social exclusion, etc.)

The Multidimensional Poverty Index (MPI) developed by Alkire and Santos (2010) and published by UNDP (2010) as a measure of acute poverty is among the most well-known in this group of composite poverty indices as it is the first attempt to provide an internationally comparable multidimensional poverty index for a large number of developing countries.

Governments of several nations, including also Albania, as well as numerous nongovernmental agencies are in the process of adopting multidimensional measures of poverty to complement their traditional income (or consumption) analysis. The adoption of a multidimensional approach is largely in response to arguments that income alone does not completely identify the poor, and that there are other dimensions which are relevant to the well-being of individuals. The goal of a multidimensional approach to poverty analysis, therefore, is to move beyond the traditional univariate approach to incorporate additional relevant indicators of well-being.

The scientific research on poverty in Albania has started mainly after 2002, proceed by the World Bank Reports. In 2007, a report on migration and poverty was published in Albania (World Bank 2007). It provided a deep analysis of the factors affecting poverty. On the other hand, data on Albania left much to be desired. LSMS surveys were conducted in 2002, 2005, 2008 and 2012 by the Institute of Statistics (INSTAT). Their small number makes it almost impossible to use an empirical model to go deeper into the relationship between poverty and micro and microeconomic indices in chronological timeframes.

In Albania it is calculated the absolute poverty line based on the consumption as a better measure till now. The percentage of the poor people based on the absolute poverty line is 14.3 %. This percentage measured by relative poverty as people that live under 60% of median per capita consumption is 12.2 %. The percentage of the people based on the monetary concept is different from the poverty measure from the non-monetary terms (subjective or unmet basic needs). So based on the method used also it change the results (Table 1).

In Albania it is calculated the absolute poverty line based on the consumption as a better measure till now. Based on the absolute poverty line, the percentage of poor people is 14.3%. This percentage is measured by relative poverty as people who live under 60% of the median per capita consumption are 12.2%. The percentage of the people based on the monetary base is different from the subjective dimension of the non-monetary terms (Table 1).

Absolute poverty	Relative poverty	Subjective poverty	Unmet basic needs		
14.3	12.1	12.2	8.9		
C		1 1 1 (2012		

Fable	1: Poverty	level by	different	poverty	measures	(%)	•

Source: INSTAT - Living Standard Measurement Survey 2012

LITERATURE REVIEW

Poverty is one of the most challenging fields for the researches. There are many well-known authors who have given contributions of this field and it's worth mentioning A.Smith, known as the father of discipline in economy, A.Sen, with a Nobel Prize in a Economy and being known as the welfare economist, and many others like S.Alkire and J.Foster, our recent researches who are made big steps in the poverty conception and measurements. Nunes (2008), has made a literature overview concerning the instruments of poverty measurements. Orshansky (1965) was the first to bring the concept of the line of absolute poverty. The absolute poverty can be defined even as an impossibility to reach a minimum standard of living. Contrary to the approach to the absolute poverty, Townsend (1979) created the relatively approach for poverty measurements. Generally, relative poverty is measured as the percentage of population with less income compared to a fix income decided. This method is mostly used by European Countries. Both methods are one dimensional and there has been a wide critic towards them, pointing out the necessity of including more dimensions in the analyses (Nunes 2008).

There is also a long literature that has criticized the focus on income-based poverty measurement from a conceptual as well as an empirical approach (Sen 1998 on conceptual issues and Klasen 2000 for an early empirical contribution). Conceptually it was argued by Sen and others that income is a poor proxy for broader conceptions of well-being due to poorly functioning markets and the presence of public goods, which ensure that some important aspects of well-being (or poverty) are underprovided by markets and not closely related to individual incomes, as well as due to individual heterogeneity in translating incomes into well-being.

While there have been many proposals to measure multidimensional well-being and multidimensional poverty (Dotter and Klasen 2013 and Klasen, Lange, and LoBue 2012), the particular contribution of the Multidimensional Poverty Index has been to generate a measure of acute multidimensional poverty which was calculated for over 100 developing countries based on comparable data and concepts.

Although the literature on poverty measurement is now relatively developed and abundant, there are very few studies that deal with finding determining factors or causes of poverty. In the World Bank report (2003) on poverty in Albania, the results of multivariable analyzes confirm a high correlation between education, segregation of members of secondary and higher education, large families, the number of children, the share of unemployed family members and poverty. Audet et al. (2006) has identified that the educational level of head of household, family size and residency are important factors that explain poverty in Albania. In the World Bank report (2007), poverty is considered to be related to the size of the family, age and education. Mastromarco et al. (2010) has found strong links between gender, low educational level, family size and poverty. Myftaraj (2011) has concluded that the main factors of poverty are: the size of the family, the place of residence, the level of education and the age of the household.

Measurement of poverty based on income or expenses contains many limitations and deficiencies. These restrictions have been pointed out by some authors, such as Alkire and Santon, who have made a summary of them. Contrary to the US\$/day measure method, the multidimensional poverty index (MPI) is an indirect method of measuring poverty. Both methods complement each other.

Multidimensional Poverty Index

The MPI is an index of acute multidimensional poverty. The MPI reveals the combination of deprivations that batter a household at the same time. A household is identified as multidimensional poor only if, he is deprived in some combination of indicators whose weighted sum exceeds 30 percent of deprivations. The MPI has three dimensions: health, education, and standard of living. These are measured using ten indicators. Poor households are identified and an aggregate measure constructed using the methodology proposed by Alkire and Foster (2007, 2009). Each dimension is equally weighted; each indicator within a dimension is also equally weighted.

MDP combines two aspects of poverty:

- a) The expansion of poverty, shown as a percentage of poor people (H) and
- b) The intensity of poor people, the average percentage of dimensions poor people are deprived of (A).

The table below shows the structure of the multidimensional poverty index (MPI). There are three main dimensions considered in measuring of this index: health, education and standard of living. Each of these is weighed equally, by one-third. On the other hand, these dimensions are represented by identified data.

	Tuble 2. Compos	stion of the mutualmensional poverty maex (19111)	
Dimension	Indexes	Deprived if	Weights
	Years of attending	None of family members has completed five years of	16.70%
Education	school	education.	
(1/3)	School attendance	Any of scholar age children does' t attend school from 1 to	16.70%
		8 years	
Health (1/3)	Nutrition	A grown up/a child badly fed.	16.70%
	Infant/child	A child dead in a family.	16.70%
	mortality		
	Electricity	The family doesn't have electricity.	5.60%
	Hygiene	The family does not have access to adequate sanitation	5.60%
	Water	The family does not have access to drinking water.	5.60%
Standard of	Floor	The family has got a dirty sandy floor.	5.60%
living (1/3)	Cooking energy	The family uses a polluting fuel (dung, wood or coal) for cooking.	5.60%
	Assets	The family doesn't own more than one of the assets like radio, television, telephone, bicycle, motorcycle or fridge.	5.60%

Table 2: Composition of the multidimensional poverty index (MPI)

Source: Alkire and Santos

Health, as a dimension of MPI, is represented by the nutrition and child mortality index. If it is noticed that a family or individual is malnourished, then the family is considered as deprived of the nutrition index. If it was observed that a baby had died in a family, it is said that she is deprived of the infant mortality index.

Education is represented by the number of those attending school. If someone in a family has not done at least 5 years of education and if there are children up to 8 years of age who

do not attend school then the family is deprived of the relevant index. It is agreed that standard of living should be measured by: cooking energy, drinking water, electricity, floor and assets.

Following the steps created by Alkire and Foster, it has been achieved to assess the multidimensional poverty. Particular attention has been given to the definition of exclusive boundaries for a particular index. If a family is deprived in one of the dimensions, this means that the family is facing acute poverty. But how much should the limit be which identifies deprivation and poverty? This depends on the place where the study is conducted, as well as on the culture, social development and many other factors related to poverty.

The reference to this method of poverty measurement is the Human Development Index (HDI), which was created in 1990 by Amartya Sen and was used by UNDP in its reports by 2010. HDI takes into account 3 dimensions and 4 indexes: health, education and standard of living. One of the differences between HDI and MPI is that the last tends to be measured not based in general indexes of the income. MPI is wider inclusive, gives wider information and is more flexible for economic politics, because it shows which of the indexes is deprived. It looks like HDI has been ahead the MPI formulation.

EVIDENCE FROM ALBANIA

Scientific Research on Poverty in Albania has started mainly after 2002, according to World Bank Reports. In 2007, a report on migration and poverty was published in Albania (World Bank 2007). It provided a thorough analysis of the factors affecting poverty. On the other hand, data on Albania left much to be desired. LSMS surveys were conducted in 2002, 2005, 2008 and 2012 by the Institute of Statistics (INSTAT).

DATA AND METHODOLOGY

In 2002 in Albania was organized the first Living Standard Measurement Survey. The basis for LSMS of 2002 was the Census 2001. There is continuity in conducting this survey, every three years, respectively in 2005, 2008 and the last in 2012, with an equal number of households to have comparable data in years. The basis of selection is the households. For this study was selected a sample of 3,600 households each year in the first three years and almost double by 2012 to have a representation and availability of the results not only at the level of four regions but also in rural and urban level.

In the other side, the Oxford Poverty and Human Development Initiative (OPHI) have presented under the Country Briefing 2013 the results of MPI Albania.

The basic data used in this paper are two: The Living Standard Measurement Survey of 2012, which has worked out and produced it results in 2013 mainly related to the income measurement of the poverty line and the Multidimensional Poverty Index (MFI) 2013, presented by OPHI from which results of multi-dimensional poverty are derived. Conditional on the available data, the family is considered as the basic unit of study.

Monetary poverty measurement

Monetary approach is expressed in most cases with the poverty line and it is measured on the basis of income or consumption. Under this approach, poverty lines are designed with the

threshold levels of income needed to buy a certain set of goods and services required. Families/individuals with income less than the required amount fall under the line and are considered to be living in poverty.

In the table below, metric dimensional poverty is estimated in relation to the trend in years, according to four regions and two categories: poor and extremely poor.

		Ti	rana	Coastal		Central		Mountain		Total	
Years	Poverty Measure	Poor	Ex Poor	Poor	Ex Poor	Poor	Ex Poor	Poor	Ex Poor	Poor	Ex Poor
	Headcount	17.8	2.3	20.6	3.6	25.6	4.6	44.5	10.8	25.4	4.7
2002	Depth	3.8	0.6	4.4	0.7	5.7	0.5	11.1	2.0	5.7	0.8
	Severity	1.3	0.2	1.5	0.2	1.8	0.1	4.1	0.5	1.9	0.2
	Headcount	8.1	1.0	16.8	2.3	20.8	4.9	25.2	3.1	17.9	3.3
2005	Depth	1.6	0.1	3.3	0.3	4.8	0.8	5.0	0.4	3.9	0.5
	Severity	0.5	0.0	1.0	0.1	1.7	0.2	1.5	0.1	1.3	0.1
	Headcount	8.8	0.2	12.7	1.5	10.7	0.9	25.9	3.7	12.5	1.2
2008	Depth	1.2	0.0	2.6	0.3	1.9	0.2	5.5	0.5	2.4	0.2
	Severity	0.2	0.0	0.8	0.1	0.5	0.0	1.7	0.1	0.7	0.1
	Headcount	12.1	1.6	17.7	3.0	12.6	2.3	15.1	1.2	14.3	2.3
2012	Depth	2.4	0.2	3.8	0.5	2.7	0.5	2.4	0.1	3.0	0.4
	Severity	0.7	0.0	1.3	0.1	0.9	0.2	0.6	0.0	1.0	0.1

Table 3: Poverty indexes according to regions, categories and years.

From a quick view it is clear that in 2012 the percentage of the poor has been increased to 14.3%, compared to 12.5% in 2008. The extremely poor population has increased by 1.2% that was in 2008 to 2.3% in 2012. Tirana has experienced a significant increase in poverty. The poor population from 8.8% in 2008 reached 12.1% in 2012.

Almost the same trend has been shown by the extreme poverty index, but at a more moderate value. It is worrying that the last year (2012) reflects a worse situation in both indexes. The extreme poverty index has risen from 1.2% in 2008 to 2.3% in 2012. The growth of this index is a signal for policy makers who have to pre-consider a further deterioration of the situation. Perhaps one of the ways is focusing on policy advancement or stimulating economic growth, which is in line with World Bank recommendations (2007).

Assessing poverty by region, the table shows that in 2012, the poverty index in mountain areas had a negative correlation with other regions. It is the only area where a further decrease of this index has been shown, reaching 15.1% from 25.9% in 2008. In the other three areas this indicator has been increased in 2012. This may have been due to many reasons. Moving the population to urban areas may have had the decisive impact on this index. Another reason may be the impact of the recent financial crisis in Albania or our neighbors, as well as the fragility of the economy in Albania and the deep budget constraints (financial assistance) for implementing policies to mitigate and combat poverty.

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 4 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. 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%.

	Poverty		2002			2005			2008			2012	
Stratum	Measure	Urban	Rural	Total									
	Headcount	20.2	20.9	20.6	11,6	19,7	16,2	10,7	15.0	13.0	17,3	17,9	17,6
Coastal	Depth	5.4	3.6	4.4	2.0	4,1	3,2	2,7	2,5	0,2	3,8	3,5	3,7
	Severity	2.1	1.0	1.5	0.6	1.3	1.0	1.0	0.6	0.7	1.2	1.1	1.2
	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
Central	Depth	3.8	6.5	5.7	3.0	6.0	5.0	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
	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
Mountain	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
	Headcount	17.8	0.0	17.8	8.1	0.0	8.1	8.7	0.0	8.7	12.6	0.0	12.6
Tirana	Depth	3.8	0.0	3.8	1.6	0.0	1.6	1.2	0.0	1.2	2.6	0.0	2.6
	Severity	1.3	0.0	1.3	0.5	0.0	0.5	0.2	0.0	0.2	0.8	0.0	0.8
	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
Total	Depth	4.5	6.6	5.7	2.3	5.3	4.0	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

Table 4: Trends in absolute poverty by rural and urban

But what has happened with the gap and hardness of poverty? The poverty gap index is also illustrated with a graph for regions and years for two categories, poor and extremely poor. It is noted that the poverty gap has increased from 2.4% in 2008 to 3.0% in 2012.



Graph 1: The poverty gap according regions and years.

Source of information: INSTAT

The roughness of poverty in Albania according to regions and years is illustrated in the following charts. Even this index corresponds with poverty as a whole and poverty gap as well, especially for the index poor. If we analyze the central zone, the poor index results in the value of 0.9 in 2012. It is interesting the fact that for the seaside and mountain zones the category extremely poor for 2008 and 2012 remain the same level of 0.1 and for Tirana is 0. While the roughness of poverty has increased slightly from 0.7% in 2008 to 1.0% in 2012.





Multi Dimensional Poverty Index of Albania (MPI)

Multi Dimensional Poverty Index aims to encourage the development of better national measures of multidimensional poverty. 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). Oxford Poverty and Human Development Initiative (OPHI), based on the results of Alkire, Roche, Santos, and Seth reports the major MPI indices for Albania. Based on this report we have the following indicators:

Table 5: Summary of MIPI results.							
No	Description	Value					
1	Multidimensional Index of Poverty (MPI)	0.005					
2	Distribution of Poverty (H)	1.40%					
3	The average concentration among the poor (A)	37.70%					
4	The percentage of population affected by poverty	7.40%					
5	The percentage of population in rough poverty	0.10%					

Source: Alkire, S., A.Conconi & J.M.Roche.

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. Knowing that:

$MPI = H \times A$ or $MPI = 1.4\% \times 37.7\%$ MPI = 0.005

These figures can be interpreted:

- With regard to the distribution of poverty (H=1.4%): It means that 1.4% of the population is poor according to MPI (they are deprived from at least 33.3% of the weigh index);
- With regard to the average concentration among the poor (A=37.7%): people considered poor according to MPI suffer from deprivation in the level of 37.7% of indexes, as an average;

The chart below provides an overview of the composition of poverty in Albania according to the MPI index. This gives us the opportunity to understand what are the main factors of poverty or the origin of poverty. For example, school attendance 26 shows that 26% of the poor and deprived of each index suffers from not attending school as the biggest cause of poverty. If we join the value of school years (6%) and school attendance (26%) will be the value corresponding to education (32%), it means that 32% of the population as poor people have a problem with education as a cause of poverty.

Moreover, the health measure reaches 45% (24% + 21%). The standard of living is the rest value of 23%. From this we can say that health is the biggest factor as a cause of multidimensional poverty in Albania. To sum up, the school attendance index is the biggest cause of poverty, while health is the measure that forms and causes the bulk of poverty. The electricity index is the only one that has a value of 0%. So there is no poverty caused by electricity.



Sources of information: Alkire, Conconi & Roche

MPI as measurement method has many advantages. One of the advantages is that it creates the policy orientation exactly where poverty originates. If we analyze the composition of the MFI by 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 effort on factors that may not need it urgent to improve. In Albania case, (as per MPI results), the efforts of policy makers need to be focused on the health dimension as the major impact of the MFI. On the other hand, if we are further interested, the school attendance index of school-age children has the highest value of deprived cases, a value that helps us put it first in the struggle against the phenomena of school abundance. This also helps government agencies clarify where the problem is. This index is followed by that of nutrition, which has a high level of population deprivation. It is clear that economic policy related to the struggle against poverty does not need to focus on the electricity index because it is reported to be a non-deprived index in Albania.

Decomposition of MPI by region

MPI can also be broken down by sub-national regions to show disparities in poverty within countries. This analysis can be easily performed when the survey used for the MPI is representative at the sub-national level. The following table shows the MPI value and its two components at the sub-national level: the incidence of poverty (H) and the average intensity of deprivation across the poor (A). The sixth and seventh columns present the percentage of the population Vulnerable to Poverty and living in Severe Poverty.

	Table 6: Multidimensional Poverty across Sub-national Regions												
No	Region	MPI (H x A)	H (Incidence) k ≥ 33.3%	A (Intensity)	Vulnerable to Poverty k = 20% -33.3%	In Severe Poverty k≥50%	Population Share						
1	Total	0.005	1.40%	37.70%	7.40%	0.10%	100%						
2	Urban	0.003	0.80%	37.70%	3.00%	0.00%	45.10%						
3	Rural	0.007	1.90%	37.70%	11.00%	0.10%	54.90%						

While the contribution of each MPI indicator by regions is presented in the table below.

	Table 7. Contribution (m 70) of indicators of wird by rural and urban areas.									
	Years.	Sch.					Drink		Cook	
Region	of Sch	Atend	Mort	Nutrit	Elect	Sanit	Wat	Floor	fu.	Assets
Rural	6.2	22.4	23.8	21.5	0	4.9	4.3	1.7	13.1	2.1
Urban	5.7	36.8	25.8	18.2	0	4.1	0.1	0	7	2.3
Total	6.1	26	24.3	20.7	0	4.7	3.3	1.3	11.4	2.2

Table 7: Contribution (in %) of indicators of MPI by rural and urban areas.

Regarding the intensity of poverty among the multidimensional poor, it should be noted that its interpretation is closely related to the fact that a family, deprived 100% of poverty indicators, faces greater poverty intensity than a family of deprived 40%. Based on this logic, poverty intensity analysis has been developed. Let's concentrate on the chart below, which is part of the report for Albania. The share identified by 33% -39.9% forms that portion of the population suffering 39.9% of poverty indices. This is the largest part of multi-dimensional poverty in Albania. According to the MPI, 1.4% is the percentage of the poor population with this intensity, or 0.2% which represents the percentage of people who are deprived of 40% of poverty indices.



Source of information: Alkire, Conconi & Roche

MPI and the comparison with Monetary Poverty

MPI results are better understood if they are compared with other methods. Figure 5 gives the level of poverty according to different poverty measures. The first column shows the poverty level according to the MPI, the second and third column respectively shows the poverty rate based on the US \$ 1.25/day and US \$ 2/day, while the last column presents the national poverty line.

If we rely on the US\$ 1.25/day poverty line, poverty in Albania is 0.6%. Specifically, this means that 0.6% of the population lives with less than US\$ 1.25/day. Poverty by setting at US\$ 2/day is naturally higher than US\$ 1.25/day, 4.3% or 4.3% of the population lives less than US\$ 2/day. The national poverty line is reported 12.4%, which is much higher than the previous two lines. The poverty rate per person, according to the MPI (H), is 1.4% and this is higher than the poverty line value at US\$ 1.25/day and lower than US\$ 2/day (US\$ 1.25/day <H<US\$ 2/day). The latter is one of the findings of the MPI method, where the multidimensional poverty value shows that in Albania there are fewer poorer than those expressed by the National Poverty Line and the poverty line below US\$ 2/day. The difference between them is quite clear.

Graph 5: Comparative Poverty Measures



Source of information: Alkire, Conconi & Roche

As it is easily found, poverty based on the measurement focused on poverty line (metric) as per LSMS data is very different from the outcome of the Multi-Dimensional Poverty Index (MPI).

CONCLUSION

Analysis the multidimensional poverty and the variety of factors that influence the probability of being poor are very important. The poverty is related not only with having a necessary level of consumption or income but also with having good living condition, possessing assets and living in a good environment. These are important factors that together with the monetary poverty give a real situation of the persons or the households.

The national multidimensional poverty rate in 2012 of 1.4 percent of the population is quite different with the income poverty rate of 12, 4 percent. The poverty rate per person, according to the MPI (H), is 1.4% and this is higher than the poverty line value at US\$ 1.25/day and lower than US\$ 2/day. The poverty rate is higher in rural areas.

The largest contribution to national poverty is deprivations in school attendance (26%) followed by child mortality (24%) and nutrition (21%). If aggregated by dimensions, the largest contribution is due to health dimension (45%). The education dimensions and living standard contribute respectively 32% and 25%.

Poverty and the struggle against it is one of the most policies delicate issues related to the country's social welfare. Undoubtedly, this is an important part of debates by policymakers, decision-makers, economists and academics. The definition of poverty is closely related to the method used to measure it. As we have seen above, poverty by INSTAT measurements, based on the poverty line (metric) is very different from the result given by the Multi-Dimensional Poverty Index (MPI). This change is also confusing with policy makers. Which is more accurate? MPI is the most appropriate measure. It integrates a multi-dimensional analysis, identifies which of the factors involved as an index affects poverty, presenting with the profile of poverty and this orienting the policies against it. Of course, as a relatively new method, there is a need for further consolidation, especially in the selection of appropriate indexes for the representation of relevant concepts.

The health index is reported to be more problematic than the other two indices, while the one for school attendance is the most deprived index. This means that based on the MPI

figures, the policies focused to school attendance should be an urgent need to respond to poverty as well as focus on health.

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