

# Poverty & Equity Brief

Europe & Central Asia

## Albania

October 2020

The latest official poverty figures for Albania date to 2012, when the poverty headcount was 34.5 percent (measured as \$5.5 per person per day, revised 2011 PPP). As the Living Standards Measurement Survey was discontinued thereafter, no comparable poverty measures have been officially published. Poverty projections based on GDP, consumption growth and other data sources suggest there has been a slow decline in poverty, down to about 32 percent in 2020. However, the 6.3 Richter-scale-magnitude earthquake that hit the country at the end of 2019 and the COVID-19 pandemic have interrupted this downward trend. Monetary poverty and material deprivation increased in the 7 most affected municipalities in end-2019, and overall poverty is projected to increase in 2020. Unemployment had already increased by around 0.5 pp and labor force participation had fallen by Q2 of 2020. The World Bank estimates that tourism and other services will reduce employment and incomes in 2020, and GDP growth is projected to fall by around 8 percent. Labor force participation of women under 25 continues to be lower than that of men by around 15 pp.

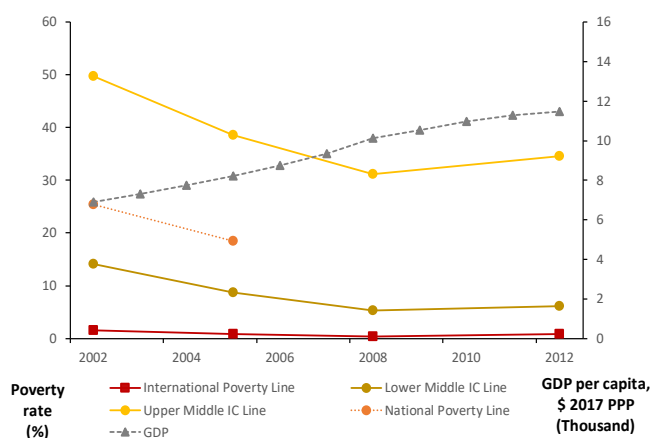
The latest Gini index available (from 2012) was 28.96, below the 30 measured in 2008. This decline was in part the result of the global financial crisis, which caused the average household's consumption to drop by more than the consumption of the bottom 40 percent. Tirana had the highest inequality, with a Gini index of 30.55. Recent analysis of the fiscal system suggests that taxation in Albania has a small equalizing effect, although the reliance on indirect taxes has a modest poverty-increasing effect.

In 2020, the 2011 PPP was revised to take into account the effects of (i) national accounts rebasing, (ii) improvement of the underlying price data, (iii) regression of non-participating countries, and (iv) national accounts expenditure shares and relative prices between all of the countries in each comparison region. The revised 2011 PPP for Albania is 6 percent lower than one based on the original PPP.

POVERTY	Number of Poor (thousand)	Rate (%)	Period
National Poverty Line	557.1	18.5	2005
International Poverty Line 112.8 in Albanian lek (2012) or US\$1.90 (2011 PPP) per day per capita	24.6	0.8	2012
Lower Middle Income Class Poverty Line 189.9 in Albanian lek (2012) or US\$3.20 (2011 PPP) per day per capita	179.3	6.2	2012
Upper Middle Income Class Poverty Line 326.4 in Albanian lek (2012) or US\$5.50 (2011 PPP) per day per capita	1,001.5	34.5	2012
Multidimensional Poverty Measure		1.5	2017
SHARED PROSPERITY			
Annualized Consumption Growth per capita of the bottom 40 percent		2.46	2014-2017
INEQUALITY			
Gini Index		29.0	2012
Shared Prosperity Premium = Growth of the bottom 40 - Average Growth		1.65	2014-2017
GROWTH			
Annualized GDP per capita growth		3.30	2014-2017
Annualized Consumption Growth per capita from Household Survey		0.81	2014-2017
MEDIAN INCOME			
Growth of the annual median income/consumption per capita		0.93	2014-2017

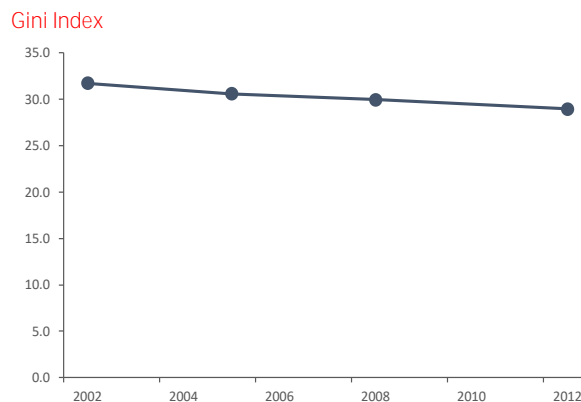
Sources: WDI for GDP, National Statistical Offices for national poverty rates, POVCALNET as of September 2020, and Global Monitoring Database for the rest.

## POVERTY HEADCOUNT RATE, 2002-2012



Source: World Bank using LSMS/ECAPOV/GMD

## INEQUALITY TRENDS, 2002-2012



Source: World Bank using LSMS/ECAPOV/GMD

## KEY INDICATORS

Distribution among groups: 2012	Lower Middle Income line(%)		Relative group (%)		Multidimensional Poverty Measures: 2017 (% of population)
	Non-Poor	Poor	Bottom 40	Top 60	
Urban population				N/A	<b>Monetary poverty (Consumption)</b>
Rural population				N/A	Daily consumption less than US\$1.90 per person
Males	95	5	40	60	
Females	94	6	40	60	<b>Education</b>
0 to 14 years old	92	8	54	46	At least one school-aged child is not enrolled in school
15 to 64 years old	95	5	38	62	No adult has completed primary education
65 and older	97	3	30	70	
Without education (16+)	96	N/A*	N/A*	62	<b>Access to basic infrastructure</b>
Primary education (16+)	94	6	41	59	No access to limited-standard drinking water
Secondary education (16+)	96	4	37	63	No access to limited-standard sanitation
Tertiary/post-secondary education (16+)	98	2	21	79	No access to electricity

Source: World Bank using LSMS/ECAPOV/GMD

Source: World Bank using HBS/ECAPOV/GMD

Notes: N/A missing value, N/A\* value removed due to less than 30 observations

## POVERTY DATA AND METHODOLOGY

The World Bank's international poverty rates are based on the "dollar a day" methodology and are comparable across countries and years. The guiding principle of international poverty lines is to count the number of poor people in the world in terms of some absolute standard and to measure progress on global goals set by the World Bank, the United Nations, and other development partners. The levels and trends of the national and international poverty rates can differ because (1) the income or consumption aggregate is estimated using different methodologies (for example, per capita versus adult equivalence scales); or (2) the poverty lines are different: either the poverty threshold is set at different amounts (absolute poverty lines) or the national line is a function of the income distribution in any given year and therefore changes over time (relative poverty lines).

The most recent national poverty data available for Albania are for 2012, when the last Living Standards Measurement Study survey was conducted by the Institute of Statistics. National poverty figures are consumption based using per capita consumption, and the absolute poverty line was estimated using the cost of basic needs methodology. The country has recently implemented the income-based EU SILC to align its welfare monitoring to those of EU countries.

## HARMONIZATION

The numbers presented in this brief are based on the ECAPOV database. The ECAPOV micro database was established in 1998 to support a regional poverty report. The database is managed and harmonized by the Europe and Central Asia Team for Statistical Development (ECATSD). ECAPOV includes 29 countries, with an average of 8 surveys per country. Recently, EU-SILC data for EU countries, received from Eurostat, have been added to the collection. Each survey in ECAPOV is organized into 6 modules following the Global Monitoring Database (GMD) harmonization guidelines, including the construction of the welfare aggregate which is used for Global Poverty Monitoring. Terms of use of the data adhere to agreements with the original data producers.