Public Expenditure Allocation and Non-Monetary Dimensions of Poverty: The case of Albania

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Abstract: *Poverty is a complex phenomenon that involves various dimensions and not simply insufficiency of income or consumption. The non-monetary dimension of poverty has to do with having very limited or no access in basic services such as infrastructure, health and education. Analysis of the main characteristics of building and dwelling and their infrastructures constitutes a fundamental aspect of measuring the standard of living and the quality of life in non-monetary terms. Demographic, economic and social changes in years, particularly during the years of transition, have also influenced the inequalities and poverty dimensions in different geographical areas. In this paper, by analyzing the trend on education, health and dwelling infrastructure over time and across geographical areas, we aim to show how various factors related with better management of public services influence the poverty level. Cross-sectional data from Living Standards Measurement Survey 2012, 2008, 2005, and 2002 are used in the paper for analyzing non-monetary dimensions of poverty in Albania.*

Keywords: determinants, poverty, UBN, logistic regression

1. Introduction

Poverty is a complex phenomenon, which does not focus simply in the inadequacy of goods and services. Poverty is hunger. Being poor means not having shelter, being sick and not having the opportunity to visit a doctor; poverty means you are unemployed and have no secure future; Poverty means illiteracy, not having the opportunity to attend school or abandon it; poverty means lacking many services and tools of daily living [1]. According to the Human Development Report of UNDP 1997 [2], "poverty means the denial to opportunities and choices most basic to human development to lead a long, healthy, creative life and to enjoy a decent standard of living, freedom, dignity, self-esteem and the respect of others."

Office of the Commissioner for Human Rights, sees poverty as "a human condition characterized by sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and fundamental civil rights, cultural, economic, political and social".

It is difficult to give a final definition of poverty as it changes from one period to another and from one country to another. Consequently, measurement and estimation is different. In addition, poverty can be measured and assessed in different ways. In monetary terms, it prevents or not having individual income and consumption. On the other hand, in social terms it causes an increasing number of uneducated persons not being healthy, to use basic services and infrastructure. The objective poverty in Albania is measured based on consumption. The consumption model gives more accurate information, it has not so much seasonality changes through the year, and it is not affected from different possible factors that influence incomes or savings. On the other hand, household have the tendency to declare the expenditures but not incomes. Based on consumption information, are calculated indicators of

monetary poverty such as absolute and relative poverty rates. On the other hand, non-monetary poverty is analyzed based on Unmet Basic Needs (UBN) and subjective poverty. Defining the way of how to calculate the poverty, and also the possible indicators that influence the probability of being poor, it is necessary for policy makers to reallocate and define the right budget to intervene.

Being poor is affected and also affects many aspect of the life and being excluded from different social and community services like education, health, information, development, etc. However, poverty and exclusion should be seen as complementary, intertwined concepts that despite common elements attest to different life situations. It is possible to be poor but socially involved. That's why measuring another aspect of poverty is necessary to see the feeling of people and to measure the condition of the life of the people as in monetary terms are considered as non-poor. Taking in consideration the non-monetary indicators of poverty will help to understand how the public services are allocated e efficiently. It is interesting to understand how patterns of these indicators have changed over time and what factors have affected these changes. It is important not just to have public spending or anti-poverty programs but also to have efficiency and effectiveness on this spending.

It is widely accepted that the government can play a key role in redistributing income through public expenditure policies. Public expenditure intervention in income distribution is justified because sustained economic although may reduce poverty, may fail to reduce income inequality [3].

Public resources are limited, so prioritization is clearly critical. Policy makers want to know what public spending programs have the largest impact on the poor and how the resources should be allocated among different sectors, such as infrastructure, health, and education [4].

2. Methodology

Living Standard Measurement Survey (LSMS), firstly was conducted in 2002. There is continuity in conducting this survey every three years, respectively, in 2005, in 2008 and the last one in conduct in 2012. The questionnaire was almost the same, and the sample selection and sample design was the same in the first three surveys with an equal number of households to have the comparable data in years. In 2002, 2005, and 2008 was selected a sample of 3600 households provided by the Population and Housing Census 2001. In 2012, the sample was larger to have representative data not only in the four main regions but also in prefecture level. The basis of selection is the household. The survey covers the whole country and provides data on regional level and split urban / rural. For statistical purposes, Albania was divided into four regions: Coastal, Central, Mountain, and Urban Tirana.

This survey was conducted in the context of continuous monitoring of poverty and the creation of a policy evaluation system in the context of the National Strategy for Development and Integration. It collects information on education, household characteristic, health, dwelling, access in basic services, migration, employment, etc.

Using the data of LSMS, it is estimated absolute poverty line based on the household consumption. The cost of basic needs methodology [5] was used to calculate the poverty line. Firstly the food poverty line was defined, or the cost of having a certain minimal calories and then non-food needs are added. Taking into consideration the FAO [Food and Agriculture Organization (FAO)] recomandation for minimum consumption calories that an individual should take having in consideration age and gender it was estimated that the per capita required calorie intake was 2288 calories per day. The food poverty line is calculated 3071 lek and the total poverty line, estimated as having food and other basic needs, reaches 4891 lek per capita per month [6]. The main monetary indicators, Foster-Greer-Thorbecke (FGT) are headcount, depth and severity [7].

Poverty also consists of non-monetary poverty indicators that are not related to income, and together constitute the unmet basic needs (UBN), as follows:
- Water and sanitation;
- Housing conditions (as perceived by the family);
- Power supply;
- Overcrowding of housing;
- Education of the head of the household

An household is considered as poor, if there are two or more unmeet basic needs (two or more UBN) and extremely poor when there are three or more unmeet basic needs (three or more UBN). Another measurement of poverty is a subjective indicator of poverty, which is measured by self-assessment of individuals' socio-economic situation. LSMS survey included a module on subjective poverty, to see the trend of changes over the years. Households were asked about the degree of satisfaction with the family's financial situation, as well as overall satisfaction with present life, if that has improved over time, and if they think it will get better or worse in the future. Similar questions have been pleased with the level of food consumption, health conditions, the quality of education and self-assessment of the socio-economic status.

The monetary measures are known as factors that influence in the short-terms but what can we say about long-terms? In the long-term plays an essential role in the development of institutions, offering relevant health clinics, a flexible and efficient of the education system by responding to market demands and possessing assets with long-term use.

Such analyzes are important for the country's development and policy initiatives for poverty reduction. To measure the long-term effects is difficult and there is no single universal method for all countries since they have different characteristics. For example in the developed countries, analysis is more focused on inequality rather than on poverty, in relative poverty rather than on absolute poverty, in income measures and not consumption.

However the fact that we have long-term impact indicators such as education, possession of equipment or improvement of living conditions and increased access to basic resources can be seen as negative factors influencing long-term poverty status. Analysing this indicator by household characteristics and also geographic division is an important aspect to define factor causes and affects.

3. Non-Monetary Dimensions of the Poverty

To examine the determinants of non-monetary poverty we carry out a multivariate analysis. There are estimated two separate models. Model 1 focuses on the determinants non-monetary poverty based on the main indicators related with Unmet Basic Needs (UBN), while model 2 use the same determinants but the self-perception on poverty is used as dependent variable. Our dependent variables in each model are used as dummy variable where "0" are non poor and "1" are poor individuals.

As independent variable are considered:
Area: 1-urban, 0-rural; Region: 1-costal, 2-central, 3-mountain and 4-tirana urban; Suffer from any chronic disease: 1-yes, 0-no; Health condition: 1-very good, 0-bad; Health condition compared with previous year:1- Much better, 0- The same or worst; Civil status: 1- married, 2-divorced/separated, 3-living together, 4-widow, 5-single; Gender of head: 1-female, 0-male; Number of elderly people; Household size; Number of children; Education: 1-Without completed education, 2-Basic education, 3-Secondary, 4-Higher.

The Yij is explained by Xi, the set of variables that influence the non-monetary poverty in terms of non having access and perception for their consideration for the household level. The subscript "j" take values from 1 to 2 and 'i' are total individuals take in the study (25,355). To show the influence of indipendent variables and to compare the categories, the multinominal logistic regression is used. As a reference category on the dependent variable is used the category of non-poor people ($Y_{ij}=0$).

$$Y^- = e^{(\beta_0 + \beta_i X_i)} / (1 + e^{(\beta_0 + \beta_i X_i)})$$

$$Y_i = \beta_0 + \beta_{ig} X_{ig} + u_i$$

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The Xig are all independent variable supposed that influence the probability of being poor. Socio-economic situation has been improving in recent years. This explains the trend in poverty reduction during the recent 5 years. The percentage of the poor has fallen from 25.4% in 2002, 18.5% in 2005, to 12.4% in 2008 and 14.3% in 2012. The poverty is still a rural phenomenon, associated with a non-monetary deprivation as less access to public services in rural areas. However, rural poverty has declined from 29.4% in 2002 to 15.3 % in 2012, while the proportion of the urban poor has fallen from 19.5% in 2002 to 13.6% in 2012 [8]. The non-monetary poverty based on the methodology explained before related with non having good dwelling condition, keeping home adequately warm, overcrowded, no good sanitation and water system and also brake out of the electricity, by years have been decreased. While objective poverty has been decreasing for a period but in 2012 was higher compared with 2008, the non-monetary poverty continued decreasing and in 2012 was lower compared with the previous years. This means that individuals live better, even though they are deprived from having a necessary level of income to spend for basic needs and food products.

Table 1: Non-monetary poverty

	2002	2005	2008	2012
Poor (two or more UBN)	33.8	30.8	23.5	11.5
Extreme Poor (three or more UBN)	11.9	8.7	6.3	3.0

The main share of consumption goes still for food products and this share is higher for poor people compared with non poor ones [8]. The shares of other categories like education or utilities are increased, but still remaining at the lowest figures. Decreasing trend also show the non-monetary poverty indicator. The same trend as monetary poverty is visible for non-monetary poverty by geographic divisions. The rural area has the highest difference compared with the urban area, regarding the poor and extreme poor measured with non-monetary indicators. Rural area has less access in basic services but they feel less poor compared with urban area [8].

The situation of the water supply and sanitation for the region of Tirana is better, compared with other regions (only 0.1% have not adequate water supply and sanitation). For the region of Tirana, also a better situation is for dwelling space and Tirana has the lowest percentage of households that live in overcrowding dwelling.

Table 2: Unmet Basic Needs by area and region

	2012						
	Area		Region				
	Urban	Rural	Central	Coastal	Mountains	Tirana	Total
Inadequate water and sanitation	0.5	9.4	5.6	5.0	7.7	0.1	4.6
Inadequate housing	4.3	9.6	8.4	5.9	10.2	2.5	6.7
Inadequate energy supply	2.0	1.1	1.3	0.5	0.3	4.9	1.6
Overcrowding	6.2	5.9	6.8	6.8	5.8	3.4	6.1
Education (head with primary or	42.5	70.2	60.7	58.9	61.2	33.8	55.2

less)							
NONPOOR	92.7	83.6	86.4	88.9	85.9	94.1	88.5
EPOOR	1.5	4.8	3.7	2.8	4.1	1.5	3.0
POOR	7.3	16.4	13.6	11.1	14.1	5.9	11.5

Source: Author's calculation based on Living Standard Measurement Survey 2012

*it is considered as poor (POOR) when two or more basic needs are unmet, and extreme poor (EPOOR) where three or more basic needs are unmet.

This may be related with household composition but also with higher the number of dwellings and higher surface. The Mountain region has the highest percentage of people that live in inadequate housing. This region also has the highest percentage of individuals that have the head with primary education or less. It is positive to underline that for this region the situation of energy supply is good compared with other regions. This figure may be related with having local sources and not so overloaded energy system and the urban areas are more populated.

The non-monetary poverty is higher for the prefecture of Kukes and the lowest one is in the prefectures of Tirana and Vlora. The non-monetary poverty has almost the same trend as monetary poverty [8]. The situation is different for subjective poverty. The prefecture of Gjirokastra, Elbasan, Korce are the prefecture that feel less poor. Interesting is to show that the prefecture of Diber are non-monetary and subjectively not so much poor.
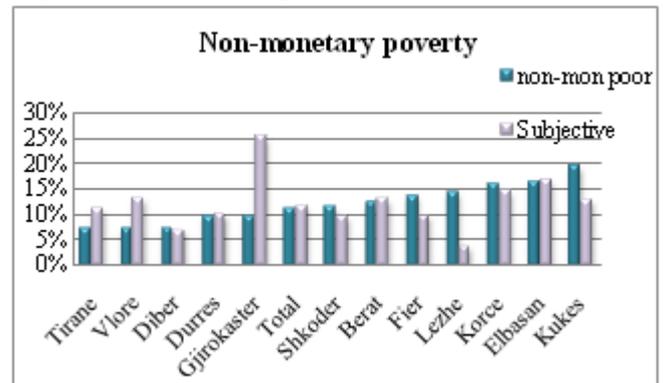
Figure 1: Subjective poverty and non-monetary poverty by prefecture

Source: Author's calculation based on LSMS 2012

3.1 Health

Health and the perception of health status is an important indicator of well-being and poverty. Having the health care in an effective and in efficient way, is related with possibility to have and to take access, information, quality, to decrease informality and out-pocked payment, and also with having the possibility to substitute target groups of the population and improve the health status of people.

Poverty creates illness because it forces people to live in environments that make them sick, without decent shelter, clean water or adequate sanitation. Poverty creates hunger,

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which in turn leaves people vulnerable to disease. Poverty denies people access to reliable health services and affordable medicines, and causes children to miss out on routine vaccinations. Poverty creates illiteracy, leaving people poorly informed about health risks and forced into dangerous jobs that harm their health [9], [10].

A better health means more productivity, less unexpected expenses, more people that work and more income and savings. Being poor or not, affects the health aspects. People that are not poor have more acces to take the basic health service, have the possibility to be more informed and also having the financial possibility to cure that illness or not being poor. The poor, in turn, are exposed to greater personal and environmental risks, have less information, and are less able to access health care. Illness can reduce household savings, lower learning ability, reduce productivity and lead to a diminished quality of life, thereby creating poverty. The health perception is better for the youngest population group and with the increase of the age the health perception is getting worse.

Table 4: Health perception by age groups

Health condition	Age group				
	0-15	16-29	30-44	45-64	65+
Very good	30.4%	30.4%	19.5%	17.3%	2.3%
Good	16.1%	17.8%	19.9%	32.8%	13.3%
Average	4.9%	5.3%	10.0%	36.5%	43.3%
Poor	3.5%	7.0%	13.6%	35.7%	40.2%
Very poor	5.9%	15.8%	8.9%	28.5%	40.9%
Total	22.1%	22.8%	18.4%	25.1%	11.6%

Source: Author's calculation using Living Standard Measurement Survey 2012

An important effect in the efficiency of the health sector has the informality or out-pockets payment [11], [12]. The difference between a formal charge and an informal payment for health service is not a clear cut. Individuals are often confused when it comes for informal payments, due to circumstances that accompany this payment, as the case when it is made before the medical treatment as an inducement. But informal payments for health services to gain access to these services have become critical in Eastern European countries [1]. Based on Maureen Lewis (2010), the informal payment is higher for rural part and is not so much dependent from income. The problem of growth the informal payments to doctors, hospital administrators, nurses and other persons associated with healthcare (where such payments are unaudited and unreported), has an implication on governance, equity and access.

Research has identified a number of potential negative impacts that informal payments have in the health care, including reducing access to health services for women and the poor. The relationship between informal payments and access to health care is very complex. In fact it does not pose much of a difference to the poor if payments are formal or informal, as obstacles to achieve a service is the same in both cases. Evidence on the effects of payments has shown that price has a powerful effect on the decision to start a medical treatment than the amount of care they take when treatment started [13].

Health insurance system also has a negative impact on access as a result of high informal sector. So the individuals could not benefit from pensions funds and health care benefits as some of them work in the informal sector or have not a formal contracts. In this case, people in fact may don't know that they are paying the service during not being insured.

Based on LSMS, there are several reasons that individuals could not get the health care. About 40% in 2012 have not requested health care as they have thought that will be become or recover from illness soon. It is important to see what the respondents say for the accesing health care: in 2002, 14.2% of the individuals say that the reason of dalaying help is that the health care is too far, but however this percentage is decreased in 2012 down to 2.1%.

Table 5: The reasons why health care is not request

Reason for delaying help	2002	2012
Thought they would get better without seeking help	33.6	37.8
Thought they would get better using traditional herbs	5.8	8.1
Thought they would get better using pharmaceuticals they already had at home(take from pharmacy or doctor)	9.2	10.2
Did not ask for getting help as could not afford to pay	36.3	40.1
It was too far	14.2	2.1
Other	0.8	1.7
Total	100	100

Source:Author's calculation based on LSMS 2002, 2012

3.2 Education

Education is and important social factor that also affects the economic situation of the household. Having a higher education level means a good and well paid job, good and positive perception for the current and future life, and also it helps in having good life conditions, being informed, not isolated, having a good health care, etc.

The right to be educated is a basic principle determined by the Constitution of the Republic of Albania, which guarantees the right to be educated determined on law and protection from the discrimination basis on race, gender, ethnicity and language. In the field of education, it is intended to increase children's access to all levels of education and facilitation of procedures for inclusive education. The Social Inclusion Strategy aims creating access to preschool and compulsory education for all children by 2015 and to fulfill in this way a priority in the Millennium Development Goals of the UN and the European Partnership [14].

Allocation the public expenditures on education in developing countries is important not just to share the budget by education level but also to increase the access (such as ensuring access to basic infrastructure and instructional resources, including teachers or instructors who show up and are motivated to teach). The expenditures are target to group of people or in that region where the highest enrollment rate have and is more reflected as building more

schools and facilities. So this expand the inequality between poor and non poor. It is the question where to invest to improve the performance of enrollment students, to increase attendance or to increase the access of excluded group.

Shenggen Fan (2008) shows that targeted education subsidies can be a very cost-effective way of making education more accessible to children from the poorest households [4]. Once a basic level of quality is attained, intensive expansion is more likely to have an effect on improving student performance than on increasing enrollment and is thus likely to be only slightly progressive even if confined to primary education.

An important indicator that influences the attendance of the school is the household education history. This means that if parents have had the chance to be educated than also they will send the children at school. This is related with possibilities but also with mentality. Also development of the society is related with education of the mother or the females in the household, infrastructure and quality of the education; etc.

The education level or having the possibility of taking neccessary education is influenced by income level. The percentage of expenditures for education is increased by years but still remains low compared with other those categories. The average cost of education in Albania was 177 lek/person in 2002, 275 lek/person in 2005, 432 leke/person in 2008, and 338 lek/person in 2012. The highest quintile (the fourth and fifth) have more expenditures for education and non-food products compare with lowest quintiles where the highest share of per capita consumption goes for food. Also, the lowest quintiles tend to have more expenditure to have basic utilities compared with the individuals that are on the top (Table A1).

As the health sector, the informality in the education sector influence the poor and the most vulnerable part of the society. The main source of informal payment are in cash, in kind or services or also indirect way through courses. As not all individuals could pay for informal payment so the poor are more affected and could be socialy excluded [15]. Being education has an important role for poverty reduction and to pass the poverty line. Being without education have more chances to feel as poor but also to have less access in the basic needs and to fall in poverty and bad living condition. During the increase of education level the chances to be non-monetary poor decreases. Being without completed education has 8.5 chances to be non-monetary poor and 6.7 chances to be subjectively poor (significant in 0.1%, Table A2).

3.3 Access in Basic Needs

Albania has made a good progress as regards to housing and improvement of dwelling condition. The internal migration and also emigration have influenced social indicators and also the geographic differences related with dwelling conditions. Figures show an increase of surface or decrease the percentage of people that live in overcrouded household, this both for poor and non poor.

The analyse of data shows that as monetary poverty measured by consumption have been decreasing until 2008 but it is turned up in 2012, the non-monetary poverty is still high but lower than the objective poverty. The infrastructure related with basic services like having adequate water supply and sanitation, keeping home in the good condition and adequatle warm are still in the risk to worry about. So some individuals do not have the possibility to have a minimum consumption not being poor but they also do not have neccessary basic needs and this affect a deply inequality and possibility that poors being in a "trap".
Still in some areas it is not possible to have running water inside the dwelling. This is related with a not efficient allocation of the resources and the investments.

The poverty and non having access in basic needs is influenced by household and individual characteristics like gender, age, perception for health, employment, and household composition. Being male have more chances to be non-monetary poor but also subjectively poor (significant at p=0.1%). Also the gender of the head have an important influence in the probability of being non-income measure of poverty. Being a female head have 1.5 chances to be poor compared with the other category of the people. Civil status have an important role in the concept of the poverty and also in the non-monetary poverty. Being married or live together with the partner have less chances to be poor but it happen the oposite if the individuals are divorced. Being divorcet have more chances to me non-monetary and subjectively poor compared with single persons. Having elder people at home means less chances to be poor (Table A2).

4. Conclusion

Another important measure of poverty is non-monetary aspect of the poverty and factors that influence on it. Measuring this indicator and possible indicators that influence in the non-monetary dimensions of poverty is an important tool for long-term living condition. To increase the opportunities for the poor, focusing attention should be paid to increasing access of the poor to education and health services, infrastructure services in urban, rural and regional etc mainly in mountainous areas. The poverty is influenced by household and individual characteristics like gender, age, perception for health, employment, and household composition. The study of these factors and identification of the groups that are at risk of poverty and with very poor living conditions will make possible the efficiency of public spending on the target group. The lower is education level, being divorced, being male, not in Tirana region, being sick or having bad health conditions means more chances to be poor.

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ANNEX

Table A1: Ndarja e buxhetit të familjes sipas percentileve

Per capita consumption	Quintile of per capita consumption 2012				
	Lowest	2	3	4	Highest
Food	63.8	60.8	58.4	56.5	53.0
Non-food	13.1	17.2	20.1	22.3	27.3
Education	2.6	3.0	3.4	3.8	4.4
Durables	0.5	0.5	0.6	0.7	0.8
Utilities	20.1	18.5	17.6	16.8	14.6

Source: Author's calculation based on Living Standard Measurement Survey, LSMS 2012

Table A2: Logistic regression on determinants of non-monetary poverty and subjective poverty

\		Y1= Non-monetary poverty			Y2=Subjective poverty		
		B	Std. E	Odds ratio	B	Std. E	Odds ratio
	Intercept	-2,520	,017		-3,103	,016	
Area	Rural	,566	,005	1,761***	-,031	,005	,969***
	Urban	0(b)	.	.	0(b)	.	.
Region	Central	,206	,008	1,228***	,046	,007	1,047***
	Coastal	,100	,008	1,105***	,116	,007	1,123***
	Mountain	,136	,010	1,145***	,013	,009	1,013
	Tirana	0(b)	.	.	0(b)	.	.
Suffer from any chronic disease	Yes	,023	,007	1,023***	-,091	,007	,913***
	No	0(b)	.	.	0(b)	.	.
Health condition	Very good	-,586	,007	,557***	-,311	,007	,732***
	Bad	0(b)	.	.	0(b)	.	.
Health condition compared with previous year	Much better	-,097	,005	,907***	-,328	,004	,720***
	The same or worst	0(b)	.	.	0(b)	.	.
Civil status	Married	-,066	,005	,936***	,037	,005	1,038***
	Divorced/separated	,801	,019	2,228***	,823	,017	2,277***
	Living together	-,944	,059	,389***	-,668	,056	,513***
	Widow	-,902	,012	,406***	-,343	,011	,710***
	Single	0(b)	.	.	0(b)	.	.
Gender of head	Female	,440	,008	1,553***	,354	,008	1,425***
	Male	0(b)	.	.	0(b)	.	.
Elderly people	0	,141	,006	1,151***	,457	,006	1,580***
	1	,211	,007	1,235***	,139	,007	1,150***
	2+	0(b)	.	.	0(b)	.	.
Household size	1	,485	,031	1,624***	,587	,026	1,799***
	2	-,544	,010	,580***	,295	,008	1,343***
	3	-,313	,008	,731***	,173	,007	1,188***
	4+	0(b)	.	.	0(b)	.	.
Number of children	0	-,728	,007	,483***	-,308	,008	,735***
	1	-,724	,007	,485***	-,172	,008	,842***
	2	-,600	,007	,549***	,129	,008	1,137***
	3+	0(b)	.	.	0(b)	.	.

Education	Without completed education	2,147	,015	8,555***	1,910	,014	6,752***
	Basic education	1,520	,013	4,572***	1,493	,011	4,449***
	Secondary	,279	,014	1,322***	,993	,011	2,700***
	Higher	0(b)	.	.	0(b)	.	.
∧Logjistic regression: Y=1 →poor and Y=0 → non poor, as a reference category is used Y=0 ∧∧ The significance level: *** p<0.001, **p < 0.01,* p< 0.05, +p < 0							

Author Profile

Ruzhdie Bici received an university degree in Economics in 2007 at the University of Tirana, Albania. She takes a Msc in European Economic Studies and now is attending the Phd for Economics in the same university. After graduation have worked in Institute of Statistics of Albania and as a assistant professor at the University of Tirana.