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THE ECONOMICAL DEVELOPMENT AS A MEAN FACTOR FOR REDUCTION OF POVERTY
DEZVOLTAREA ECONOMICĂ – UN MIJLOC DE REDUCERE A SĂRĂCIEI

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Albania growth since transition has been impressive. Unlike some Former Soviet Union and CEE countries that started the liberalization of the economy in the 1980s, Albania did not undertake any pre-transition reform before 1991. During 1991-1992 the economy experienced a sharp decline in output and high levels of unemployment and inflation. The adverse economic situation led to mass migration of the work force abroad, especially to Italy and Greece. From the beginning of the stabilization program in 1992 output grew rapidly until 1997, when it was abruptly interrupted by the collapse of the pyramid scheme. 'Between' 1998-2006 real GDP has average almost 7% annually. Inflation record has also been impressive, diverging not far from 3% target of the central bank in more 8 years now.

High GDP growth rates have been accompanied by a massive reduction in poverty. The fraction of the population whose real per capita monthly consumption is below Lek 4891 (in 2002 prices), fell from 25,4% in 2002 to 18,5% in 2005. This means that roughly 235.000 out of about 800.000 poor people in 2002 were lifted out of poverty.

Key-words: *migration, reduction of poverty, growth rate, rural poverty*

INTRODUCTION

The poverty is a big economic and social problem for each government, because It's very interesting to know its level in every time, which is the based to project the economic policies, to protect the poor families and poor people also.

The poverty is a relative concept. So the different people have the different ideas. Since the political system has been change, the economic situation has been change too. Albania has been the poorest country in Europe. But the economic levels from 1991 are growing up.

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OBJECTIVES

The main purpose of this paper is to present some problems of poverty level in the rural areas and to determine some ways to reduce it.

METODOLOGY

In based on the statistical data, collected by Ministry of Agricultural, Food and Consumer Protection and on the rural families" survey to evidence the real situation of poverty.

Agricultural is the main branch of our national economy. More than 50% of the population lives in the rural areas. Some of them are poor people, because they have small opportunity to increase their income.

The poverty has the different sizes between the urban and the rural areas.

As a result the gap in poverty rates between urban and rural areas widened in absolute and relative terms. The evidence shows that low productivity of small family farms partially explain the slowdown in poverty reduction in rural areas and without the large inflows of remittances, the living conditions would almost certainly be worse.

The poverty has different dimensions like:

- Income per person
- Education level
- Infrastructure development

Income per person is very important dimension, because it links with real consumption per person per month. Extremely poor population, defined as those unable to raise more than US$31 (Or 3047 Lek) per person per month.

The fraction of the population whose real consumption per person per month is below US$501 (Or Lek 4891 in 2002 prices) fell from 25.4 percent in 2002 to 18.5 percent in 2005. This means that roughly 235,000 out of about 800,000 poor people in 2002 were lifted out of poverty.

Other measures of poverty also fell sharply. The poverty gap (sometimes referred to as depth of poverty), which takes into consideration the contribution of a poor individual to overall poverty and the severity of poverty, which in addition is sensitive to inequality among the poor, fell from 5.7 and 2 percent in 2002 to 4.0 and 1.3 percent, respectively, in 2005.

Income per person is significant parameters. There are different poverty rates between the different rural areas. So Poverty rates in the

Mountain areas were 76 percent higher than the national poverty rate in 2002, but are now only 36 percent higher. Similarly, rural poverty rates in Coast, Central and Mountain are converging. In fact, rural poverty rates for each region in 2005 are only within 4 percentage points higher or lower than the national rural poverty rate compared to 2002 when there was a wider spread (e.g. they ranged from 20 percentage point higher to 8 percentage point lower.

Our study evidence the new families are poorer than others.

Table Nr.1. Poverty Rates by Areas.

Growth rates in/at	National	Urban	Rural
Mean	16.8	23.9	9.1
Median	18.7	22.1	10.6
Mean percentile	14.9	22.2	8.7
Percentile poor in 2002	25.0	19.0	29.0
Corresponding pro-poor percentile growth.	10.7	19.4	6.3
Poverty line	4891	4891	4891

Some of incomes provide from migration, it's a important factor, Many of young people immigration to other countries, especially to Italy and Greece. So migration explains, in part, the observed changes in poverty rates in Albania, because

- First, there is clear evidence that Tirana and the Mountain rural regions are the areas where we see the largest increases in the share of households receiving remittances.
- Second, not only did the fraction of households receiving remittances increase, but the amount of remittances also increased substantially. Specifically, the flows to Tirana more than doubled while those to the Mountain region increased in the order of 50 percent.
- Third, the Mountain area has witnessed the strongest pace of poverty reduction in no small part because it is the only region whose outflow of new permanent international migrants continues to grow.

There have been significant improvements in access to essential services, but quality problems persist. Net enrollment in primary education was already high and has remained high.

Substantial improvements are observed in net enrollment in secondary and tertiary education, and the gains are observed in urban and

rural areas and for male and female children. Access to tap water inside the dwelling has also improved. On health and energy, the status quo remains. Self-reported days lost to chronic illnesses have dropped, but the fraction of the population using a number of health facilities (public outpatient, private outpatient, and nurse) and the number of visits to these facilities has changed little between 2002 and 2005. Same conclusion holds for energy.

Within these positive developments, there are three problems that continue to plague all these essential services.

- First, quality problems, especially in water and supply of electricity remain persistent.
- Second, there are large inequalities of access in all these services between the poor and the better off households. Finally, rural areas lag urban areas in access and quality in all areas.

In addition, there was a modest growth in inequality. There are several ways in which the observed changes in consumption could lead to observed changes in inequality. First, gains in real

Real consumption per capita in urban areas were substantially higher than in rural areas. Second, overall and especially in Tirana and Central areas, the population at the top half of the distribution gained more than those at the bottom half. Third, and offsetting these developments, was the large increase in consumption per capita for the population in the lower tail of the distribution relative to those at the upper tail in Mountain areas. Given the concentration of the population in Tirana and Central areas, relative to the Mountain areas, we would expect to see a slight increase in inequality. Inequality in Albania is considered low, and by the standard of the most commonly used measure, Gini, it remains low. The Gini coefficient increased from 28 percent to about 30 percent overall during the period. Rural inequality remained unchanged, while a slight increase is observed in urban areas, as expected on the basis of the reported changes in consumption. Stable patterns of inequality are also observed in the regions, except in the Mountain region where there was a decline in inequality.

The risk of poverty is much higher for households headed by less educated individuals.

About 75 percent of all poor are headed by individuals who completed 8 or less years of education, even though they are about 55 percent of all households. The poverty risk for heads of households with

only primary education was about 32 percent in 2002, but 25 percent in 2005. While the reduction in the poverty incidence for heads of households with primary education is an impressive 28 percent, it compares poorly to the reduction in the risk of poverty for those with vocational or general secondary education. On the whole, while it is not surprising that those with more skills will stand to gain more in the context of high growth, the difficulty of the less skilled to gain ground even in such a favorable contexts is worrisome.

The poor are concentrated in rural areas, among the less educated and large families.

The majority of the poor continue to live in rural areas. In rural areas, extreme poverty fell from 5.2 to 4.5 percent, a reduction of 15 percent, between 2002 and 2005 compared to a 43 percent reduction in urban areas, where only 2.7 percent of the population can be considered extremely poor. We find that rural households who have more irrigated land, grow vegetables, and own more livestock on average, have higher consumption. Of particular mention is the observation that the incidence of poverty for vegetable growers is 10 percentage points lower.

Low agricultural productivity explains, in part, the lag in rural welfare. Most of the family farms are subsistence-oriented.

First, the ratio between quantity of crop sold and harvested is very low. Only 28 percent of farmers sell their production on the market and, on average only 9 percent of the crops harvested is sold by farmers. Second, there is very little use of hired labor in family farms. The evidence shows that hired labor is almost non-existent for small family farms. Only 8 percent of all farms hired labor, though this rises to about 17 percent for those who rented-in land. The share of hired labor in total input cost is only about 3 percent for all farms. This suggests that farmers rely on family labor or unpaid workers (relatives or exchanged labor from neighbors). Finally, most farms are characterized by low technology. Only about one-third of households report owning any type of equipment and at most 3 percent of all farm households own a tractor. However, although the majority of farmers use pesticides and modern seeds, the share of costs of pesticides is more than half the cost of all purchased inputs, and this may hint at the possibility that the price of this crucial input may be relatively high, especially for the farmers who are likely to participate in the market (those who rent-in).

The empirical evidence shows that productivity is low because most farmers face multiple constraints. Overall, the efficiency – that is allocation of inputs to the most productive use – of farmers is low and this is true for farmers of all land size classes. The average farmer is operating at only one third the distances to the potential. There are three major sources of inefficiency. First, too many families have access to insufficient land. The average household cultivates only 0.8 hectares, much of it split into many plots. Yet a 10 percent increase in land available to a farmer will increase agricultural production by 4.4 percent. Second, many farmers are not served adequately by agricultural institutions for input management, irrigation, and property rights. For instance, few farmers receive or are served by extension services on seeds, crops, pest control, and fertilizer and livestock breeding, even though the evidence points to the fact that farmers who received advice on soil quality and ways to improve it are significantly more efficient than those who did not. Third, credit availability within the communities seems to preclude efficiency gains. The evidence shows that if someone in the community needed a loan to start a business, then people in only 35 percent of communities could have obtained it from a government or a private bank. Finally, massive out-migration adds to the constraints by reducing available supply of crucial inputs like labor, effort of the remaining households on account of receiving remittances, and overall investment in agriculture.

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