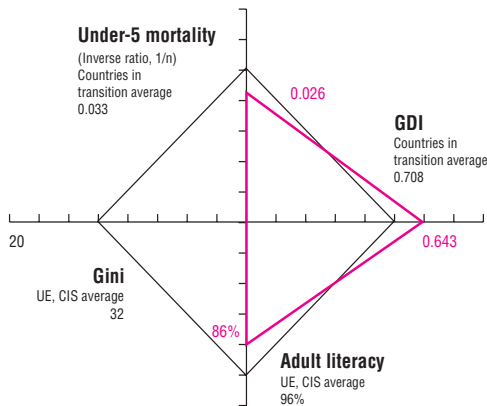


# A L B A N I A

R E P O R T



The Equity Diamond: National values in terracotta compared to regional ones in blue.

*It is hard to analyse Albania's efforts to tackle poverty. This is because of the scale of poverty and because of the difficulty in collecting reliable data since the upheaval in 1997, when the nationwide collapse of pyramid schemes triggered a rebellion that killed more than 500 people.*

The Albanian poverty figures are based on the number of families on social assistance, compiled by the Albanian Department of Statistics / General Administration of Social Protection and Social Services.

The number of people receiving social assistance rose from 1993 to 1994 and then began to fall, only to rise again in 1997 after the collapse of the pyramid schemes. Hundreds of thousands of Albanians invested hard earned foreign currency savings, lured by reports of massive returns and reassured by the former government's support for the scams. When they collapsed, millions of dollars were lost.

Social assistance is paid to families who have no other income or whose other incomes, such as pensions, are not sufficient to

## THE SINKING SHIP

support the whole family. They are not paid to unemployed workers who get a set percentage of their salary for the first year of unemployment and do not qualify for social assistance.

The figures show that the rising gap between the very poor and the rest of society seen across Europe is also manifesting itself in Albania. The U.N. Development Programme (UNDP) calculates that the ratio of the income of the richest 20% of the world to that of the poorest 20% was 78 to 1 in 1994, up from 30 to 1 in 1960.

The Albanian figures, limited as they are, indicate the same trend. The number of very poor – families living completely on social assistance – continued to rise, while the number of families receiving only partial social assistance dropped between 1994 and 1996. Some of this is due to the fact that the pyramid schemes were still paying out interest in these years, but membership of the schemes were the dubious privilege of those with cash to spare. **Those who were too poor to partake then are still poor today; the gap between Albania's very poor and its relatively secure is widening.**

A handful of people who made early profits on the pyramids, usually those with the political connections to trade illicitly, now form a small but powerful economic elite, especially in rural areas. At the same time those who subsist solely on state benefits are having to make do with a lot less. The average social assistance payment per family has fallen from 2,449 lek (\$17) per month in urban areas and 1,340 lek (\$9) in rural areas in 1994, to 2,200 (\$15) and 1,100 lek (\$7.7) respectively in 1997. The maximum possible payment per family is 5,275 lek (\$37) per month and the highest possible payment per person, 2,040 lek (\$14). Payments in urban municipalities are higher than in rural communes, where living costs are lower.

The ministry maintains that the drop in the average payment is not a result of cuts in the budget, but because the needs of the families were reduced by other incomes. **These other incomes are what effectively keeps Albanians alive – remittances from family members working abroad.** About 300,000 Albanians, some 10% of the entire population, are estimated to be working in Greece alone. The total, by dint of the fact that most of it comes from illegal employment across the southern European Union, is impossible to calculate.

In fact the government has often tried to raise social assis-

tance payments and pensions. The World Bank pledged an extra \$25m to cover the costs. The government also pledged to create 55,000 new jobs in public works by redirecting social welfare funds into broad work projects.

According to Fabian Schmidt, an Albanian project manager for a Western NGO, the main causes of inequality are land ownership and education. «*While there are no real large landowners, during the process of privatisation a large number of land disputes developed and many property questions are not yet settled*», Schmidt says. «*Also the quality, location and value of land given to individuals is different from case to case.*»

The World Bank concluded in a confidential 1996 report that «*the government programme of land reform achieved its original aim to privatise the cooperatives and state-owned farms in a short time and with a reasonable level of equality.*» However, it added, the average land given to families was a meagre 1.3 hectares, which was too little to support them and drove many people to migrate to the cities. Furthermore, many sold their land or other privatised real estate to invest in pyramid schemes, a gamble that cost them both homes and income.

Schmidt says the distribution of land during the 1992–1993 privatisation had a major effect on social conditions. «*On the one hand it has given everybody a basis to operate, but in cases where the ownership is still disputed it has led to increasing poverty, since land is not being used and those who demand it have to wait*»

Despite government efforts to attract them, there is a general lack of foreign and domestic investments. The overall economic situation shows little promise and local industrial production has

come to a virtual standstill since 1990. The only productive businesses are the building industry in the cities, soft drinks production and some agriculture, but mostly on a very basic level.

«*The result is a huge trade deficit, covered partly by transfers from migrant workers. Still, the trade deficit and customs evasion result in a budget deficit and weak position of the state.*»

As for education, while there is a school system throughout the country, it is starved of teaching materials in the countryside. Some hamlets are so isolated that winter cuts them off from the larger villages where the schools are. In the remotest areas the level of education is very low and illiteracy remains a problem, though detailed statistics are not easily available.

Most affected are women and children. In rural areas where conservative values persist, women have little opportunity to develop their education. **Children, again especially in rural areas, are expected to make the trek to the cities and scrape a living for themselves and their families through selling cigarettes or shining shoes. The old do little better; pensions are only slightly higher than social assistance.**

Many NGOs, foreign and Albanian, offer humanitarian aid. Around 20 have direct co-operation agreements with the Ministry of Social Affairs.

- IPS Special report for Social Watch