Abstract

We propose an easy way of evaluating prospective poverty reduction policies. Additionally, we assess the response of a poverty gap to the income and inequality effects of a given policy. The paper contains a series of convenient analytical results useful for the evaluation of a wide variety of policy measures.

Introduction

In this paper, we suggest a simple way of analyzing poverty reduction potential of the prospective policy measures.

The vast literature existing on the issue may be roughly divided in the two main streams. The first common way of assessing poverty reduction potential of the policies is that of microsimulations (see Datt and Jolliffe, 2005, for one of the recent examples). The second approach to the estimation of policy impacts is the application of poverty/income regressions (see e.g. Ravallion and Wodon, 1999). Clearly, the first