

Abstract

This study explores the extent to which inequality affects the impact of income growth on the rates of poverty changes in sub-Saharan Africa (SSA) compared to non-SSA, based on a global sample of 1977-2004 unbalanced panel data. For both regions and all three measures of poverty – headcount, gap and squared gap – the paper finds the impact of GDP growth on poverty reduction to be a decreasing function of initial inequality. The impacts are similar in direction for SSA and non-SSA, so that within both regions there are considerable disparities in the responsiveness of poverty to income growth, depending on inequality. Nevertheless, income-growth elasticity is substantially less for SSA, implying relatively low poverty-reduction sensitivity to growth compared with the rest of the developing world. Furthermore, the paper uncovers a considerable variation in the predicted values of income-growth elasticity across a large number of SSA countries. This implies there is a need to understand country-specific inequality attributes for poverty-reduction strategies to be effective.

Keywords: Sub-Saharan Africa, Inequality, Income growth, Poverty

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