

Oil-to-Cash Reform and Inequality Evidence From Iranian Reform 2010

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Abstract : Developing countries increasingly recognize the need to reduce energy subsidies. Cash transfers are proposed instead of subsidies to mitigate the negative effects of energy subsidy reforms. However, there is little evidence about the redistribution effect of these subsidy-to-cash reforms. We study the redistribution impact of the largest subsidy-to-cash reform in the history of developing countries in Iran in 2010. We find a strong pro-poor impact of the reform using five inequality measures, including the Gini index and the ratio of rich to poor expenditures. Finally, we show this pro-poor impact is on average and discuss other possible mechanisms by which low-income groups objected to these pro-poor reforms in the next round, which took place in November 2019 and led to wide and large protests.

Keywords : energy economics, subsidy reform, inequality, Middle East, Iran

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