



DG DEVCO Staff Seminar on Social Protection - from strategies to concrete approaches -

26 - 30 September 2016, Brussels

SESSION 7

Issues in Fiscal Incidence and Redistribution (Part B)

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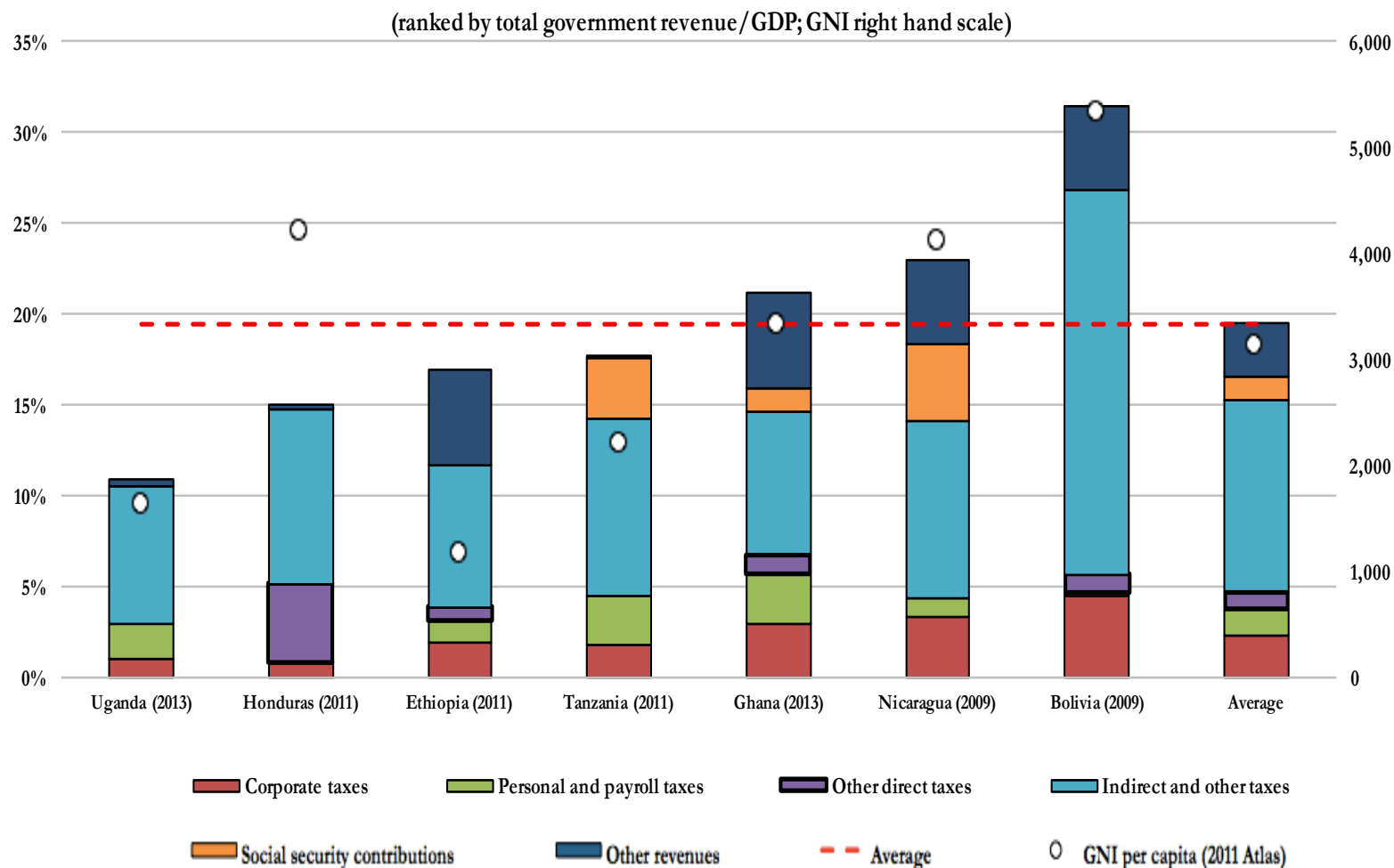


Outline

- The Domestic Resource Mobilization and Social Protection
- National vs. Subnational Levels and decentralization – are objectives complementary?

The Domestic Resource Mobilization and Social Protection

Revenue mix in international perspective

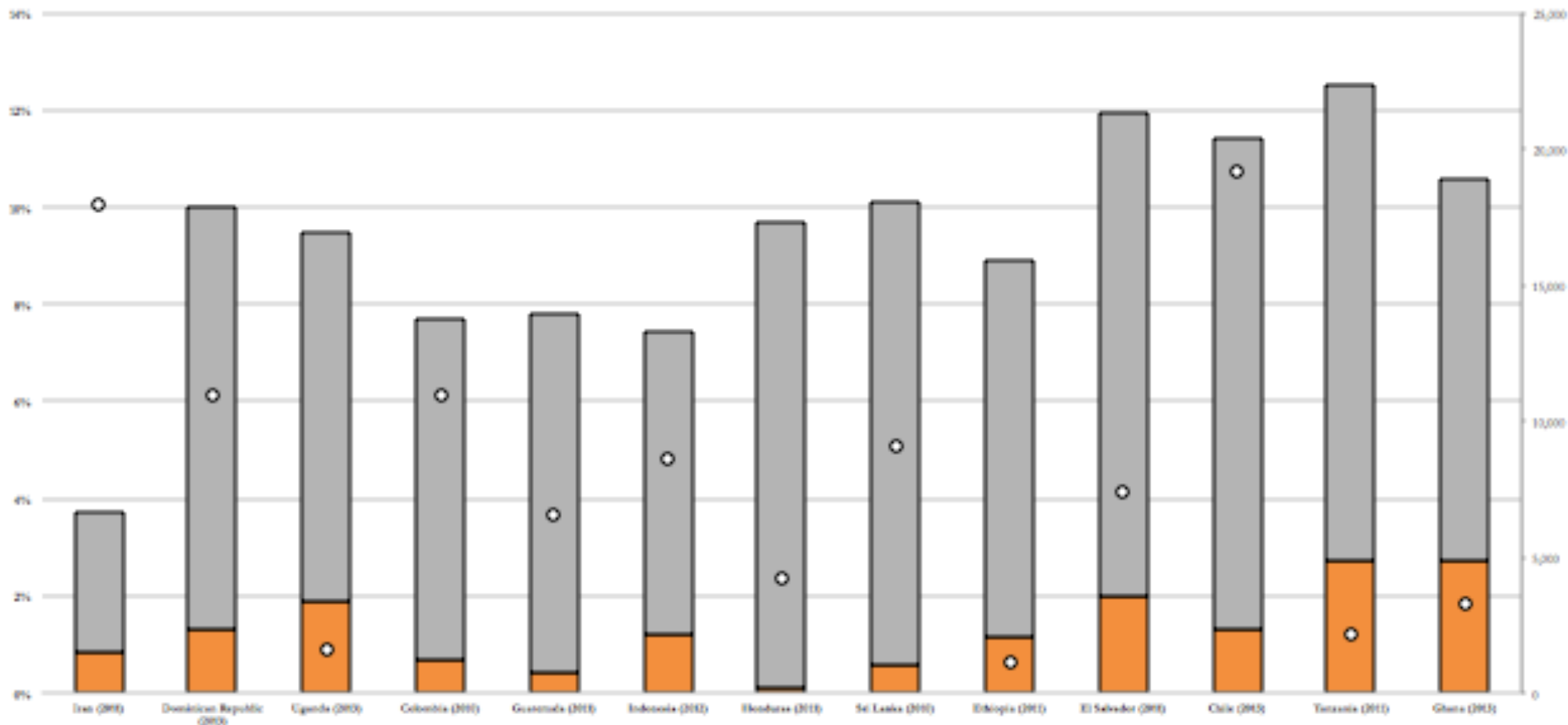


Notes

1. The year for which the analysis was conducted in parentheses.
2. Data shown here is administrative data as reported by the studies cited and the number not necessarily coincide with the IADB bases (or other multilateral organization).
3. Gross National Income per capita is in 2011 PPP from World Development Indicators, July 5th, 2016: <http://data.worldbank.org/indicator/NY.GNP.PCAP.PP.CD>

Revenue mix in international perspective

(ranked by total government revenue/GDP; GNI right hand scale)

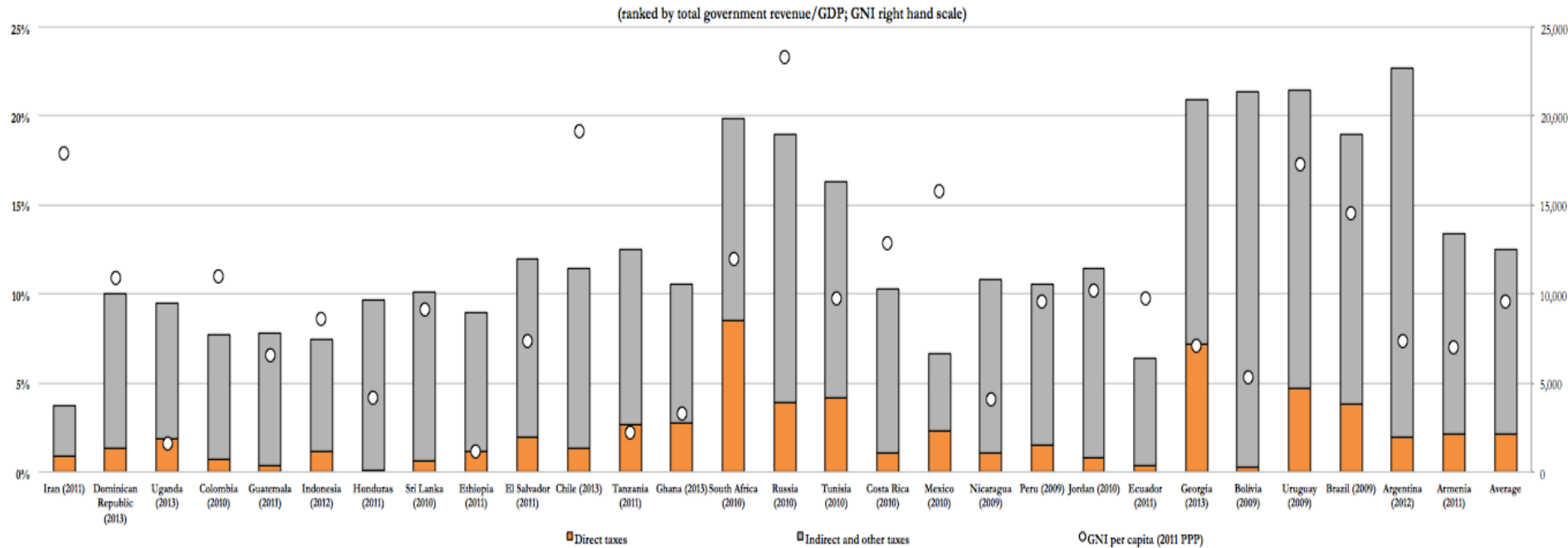


Direct personal income or payroll taxes
 Indirect taxes
 GNI per capita (2011 PPP)

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Revenue mix in international perspective

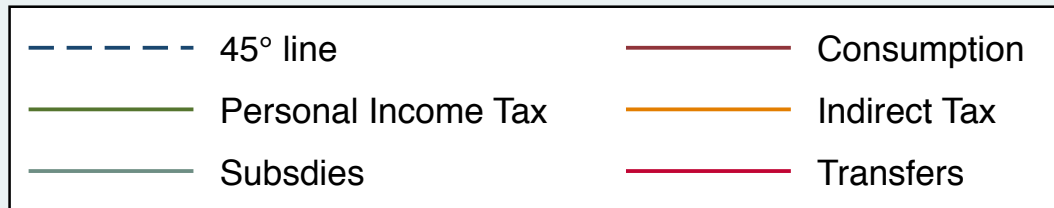
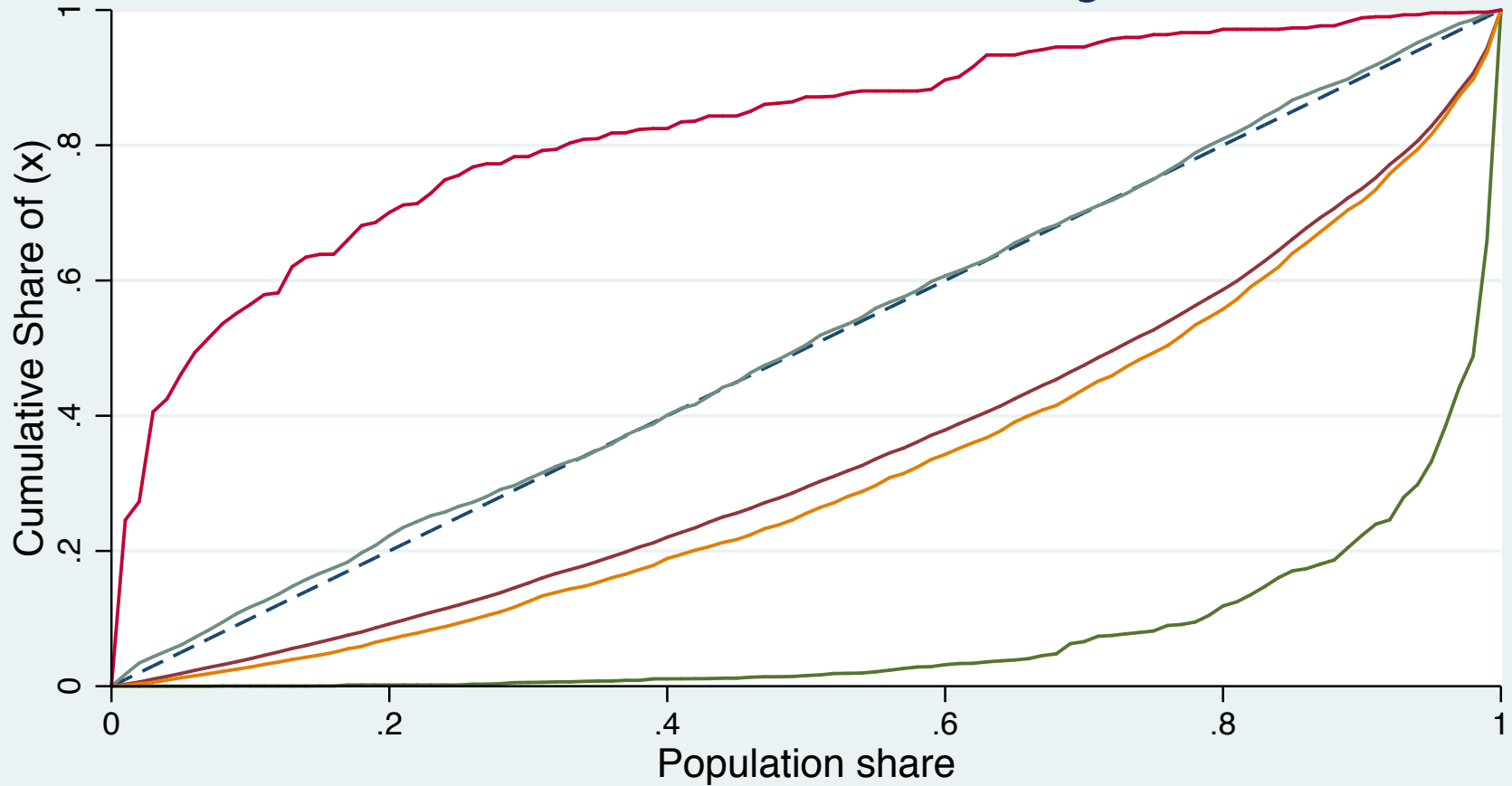


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Is this equitable?

Cumulative Concentration Shares, Uganda 2012/13



Is this equitable?

- Personal Income Taxes are paid by 1-5% of households.
- Transfers are received by < 3% of households
- Subsidies are received by ~50% of households.
- **Indirect Taxes: affect over 95% of the population**

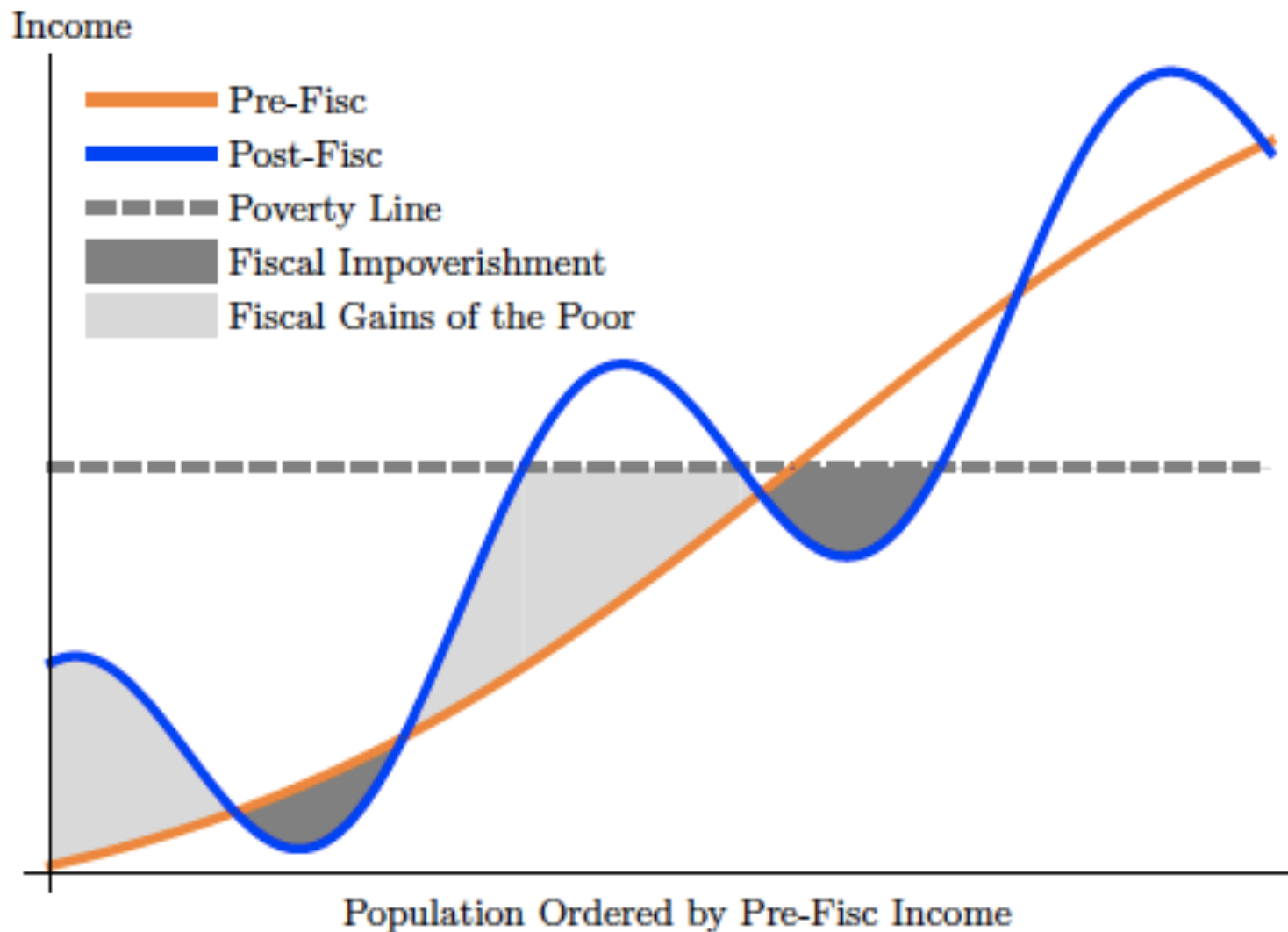
Is this equitable? Does it harm the poor?

- Even with exemptions, indirect taxes are approximately neutral with respect to consumption

<u>% shares of :</u>	Disposable Income	Indirect Taxes
Poorest quintile	4.6	6.6
Richest quintile	48	57

- But poverty is typically measured *before* indirect taxes are taken into account

Does it harm the poor?



Poverty reduction (anonymous) can occur alongside impoverishment of poor/near-poor populations

Does it harm the poor?

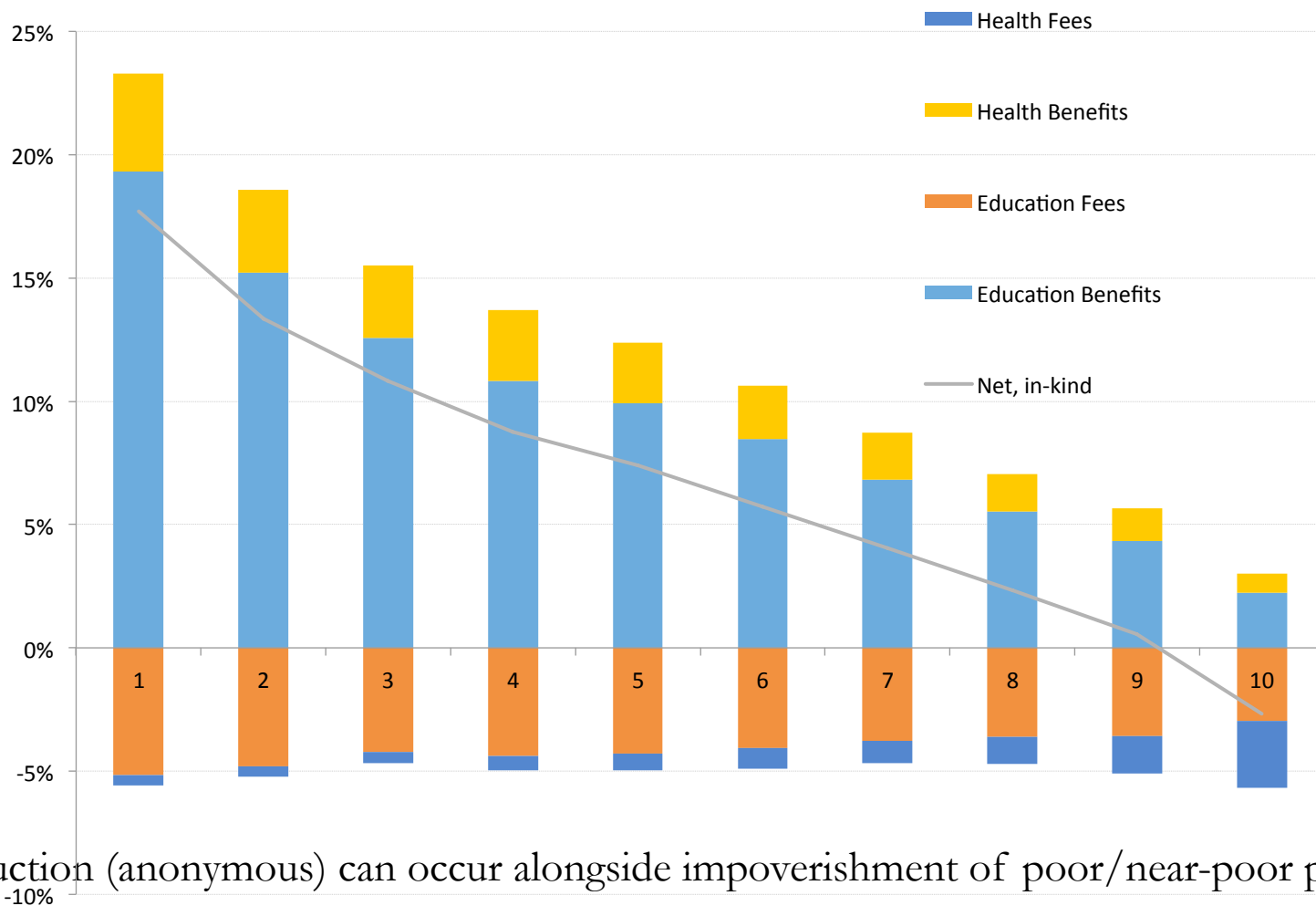
- Even fiscal systems producing reductions in poverty or inequality have various degrees of fiscal impoverishment.
- The poor can be “net payers” when there are widespread consumption taxes.
- In fiscal systems that produce an *increase* in the poverty headcount (e.g., Ethiopia, Ghana and Tanzania), more than 75% of post-fiscal poor were impoverished by the fiscal system.

In conclusion...

- **Domestic Resource Mobilization agenda might:**
 - **Be inequitable if marginal resources are collected from consumption**
 - **Harm the poor and vulnerable if transfers/subsidies are more thinly spread**
- **Is this a “technology” problem (tax admin.) or a political problem?**

National vs. Subnational Levels and decentralization

Per-capita grants delivered by center; fees imposed locally



Poverty reduction (anonymous) can occur alongside impoverishment of poor/near-poor populations

Overall result: more impoverishment, more inequality reduction

- Public education fees: amounts paid increase with income but...
... those with higher income shares pay have a lower fee burden when measured as a share of pre-fee income.
- Richer households may be opting for the private system and routing their fees outside the fiscal system
- Fees paid for public health system access are progressive absolutely and relative to pre-fee income, but still not pro-poor
- Inequality overall is higher without fees; imposition of fees reduces inequality