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

26 - 30 September 2016, Brussels

SESSION 9

The Impact of Fiscal Policy and its components on poverty and inequality in Ethiopia

Jon JELLEMA

Associate Director for Africa, Asia & Europe, CEQ Institute
jon.jellema@ceqinstitute.org
www.commitmentoequity.org

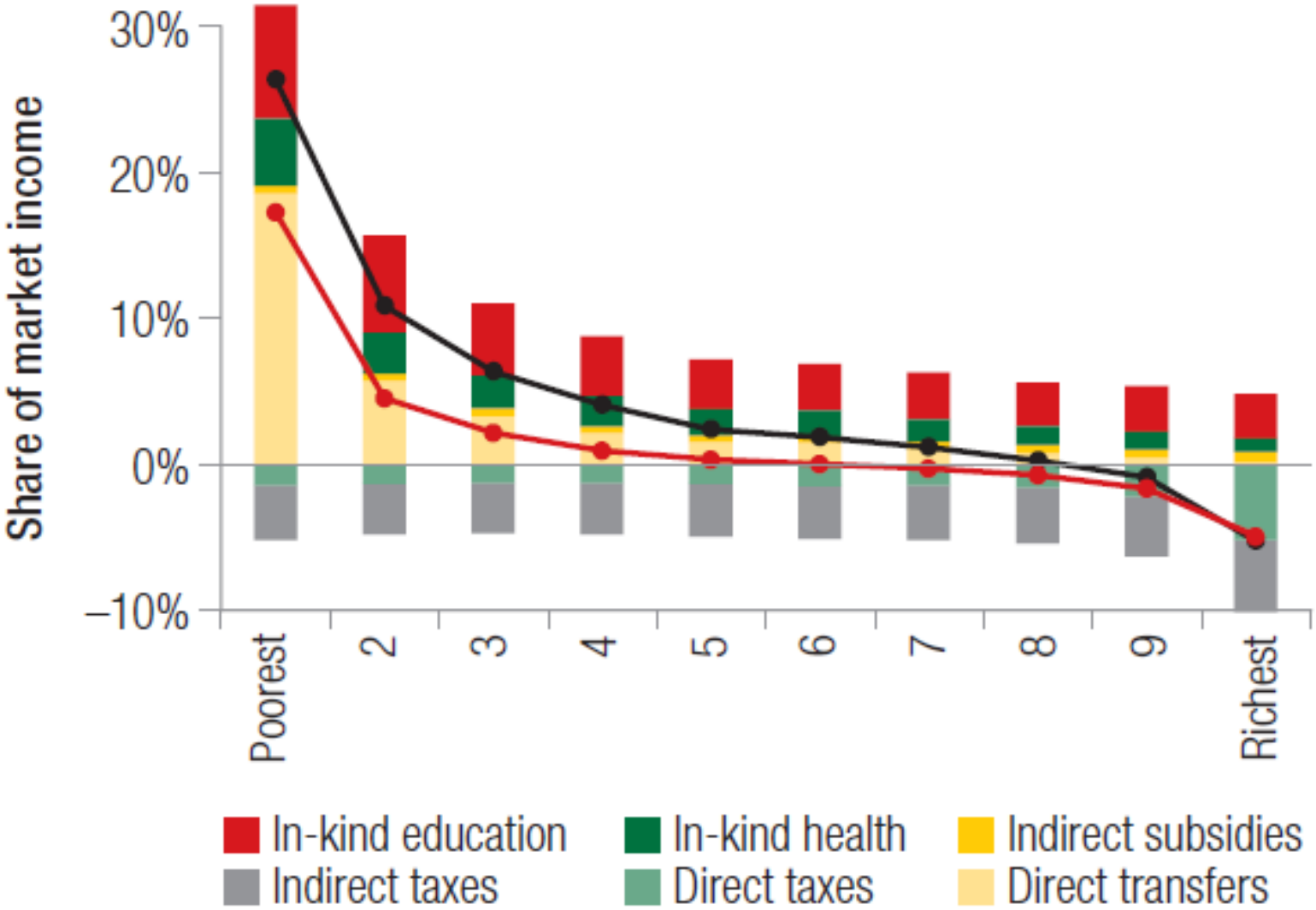
Based on:

- **Woldehanna et al., (2015) "Experiences with implementing CEQ: Ethiopia", presentation delivered at the February 2015 CEQ Training (World Bank)**

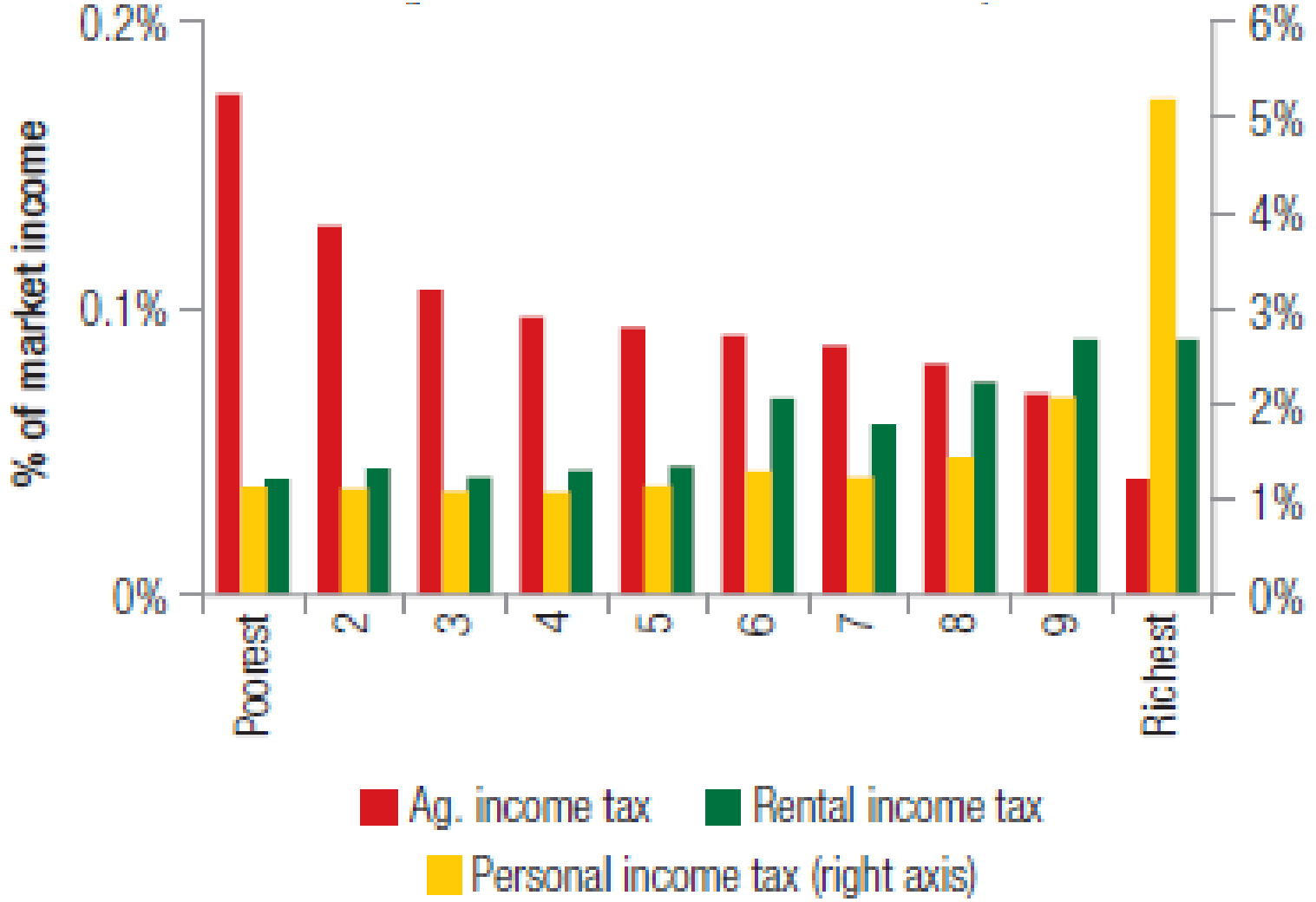
- **Chapter 5 in the 2014 Ethiopia Poverty Assessment (published in 2015 by the World Bank).**

- **CEQ Institute Data Center**

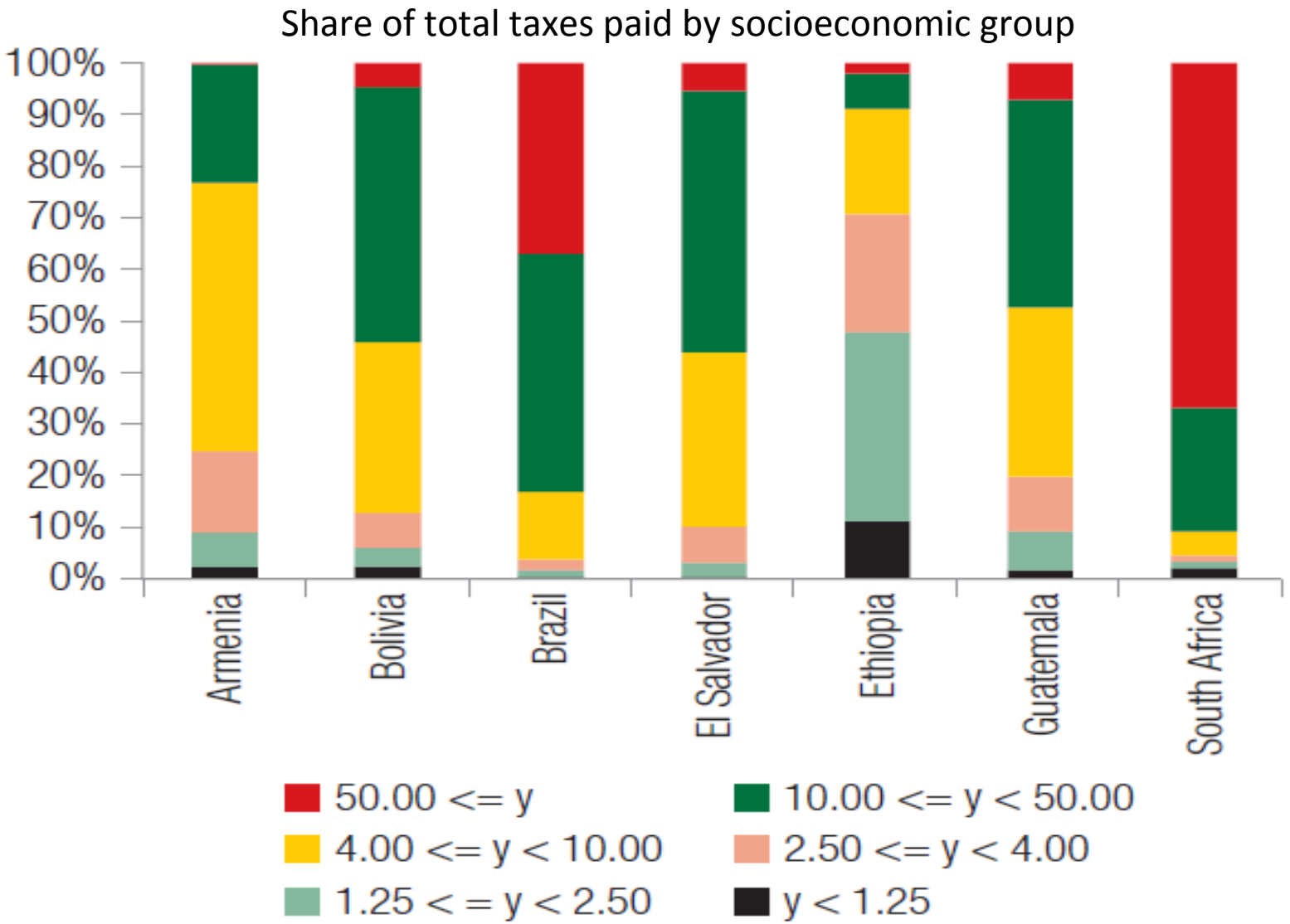
Bottom 50% are net beneficiaries…
…but notice who is paying taxes



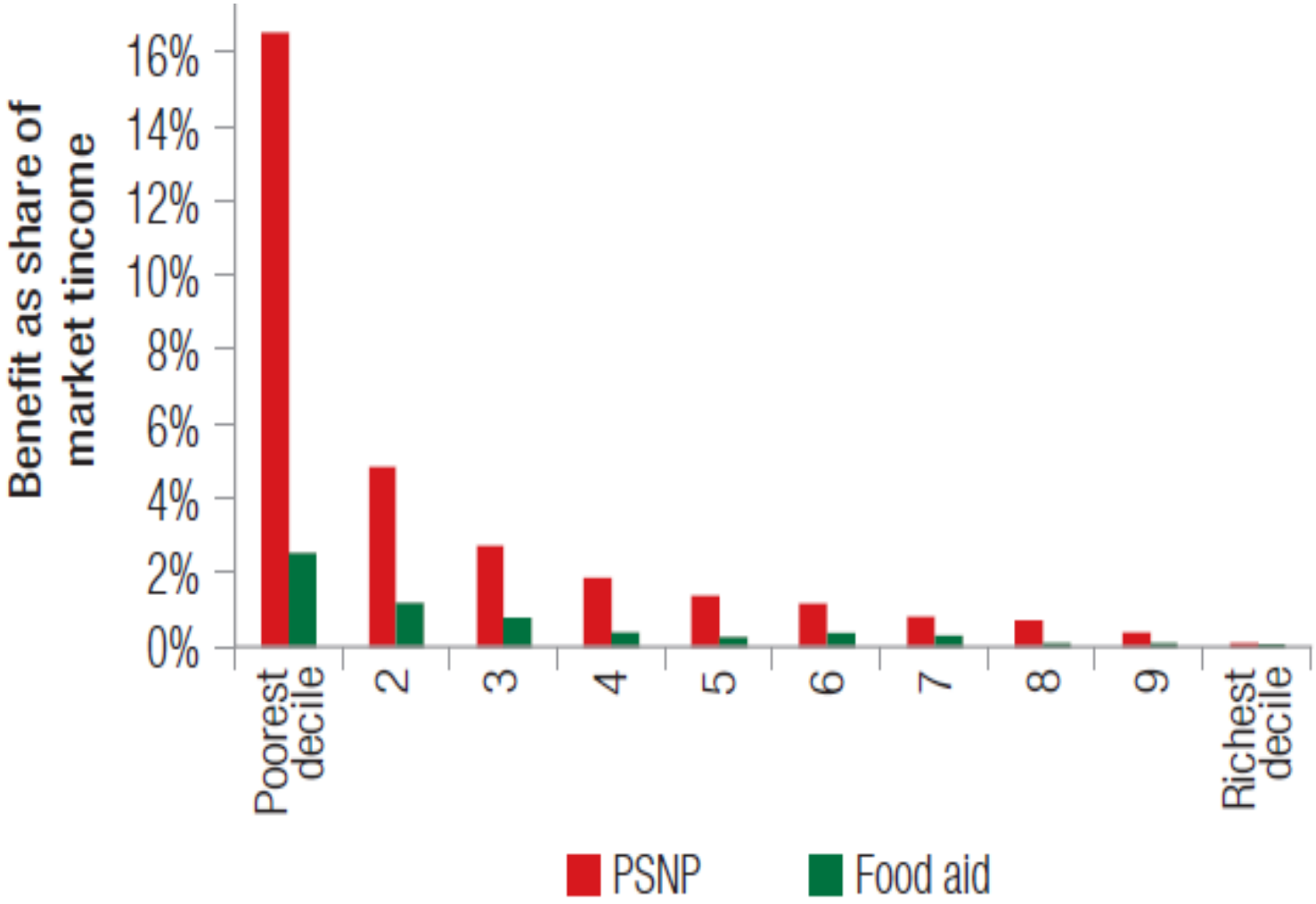
Poor rural households pay small but prevalent direct taxes while personal income tax progressivity is muted



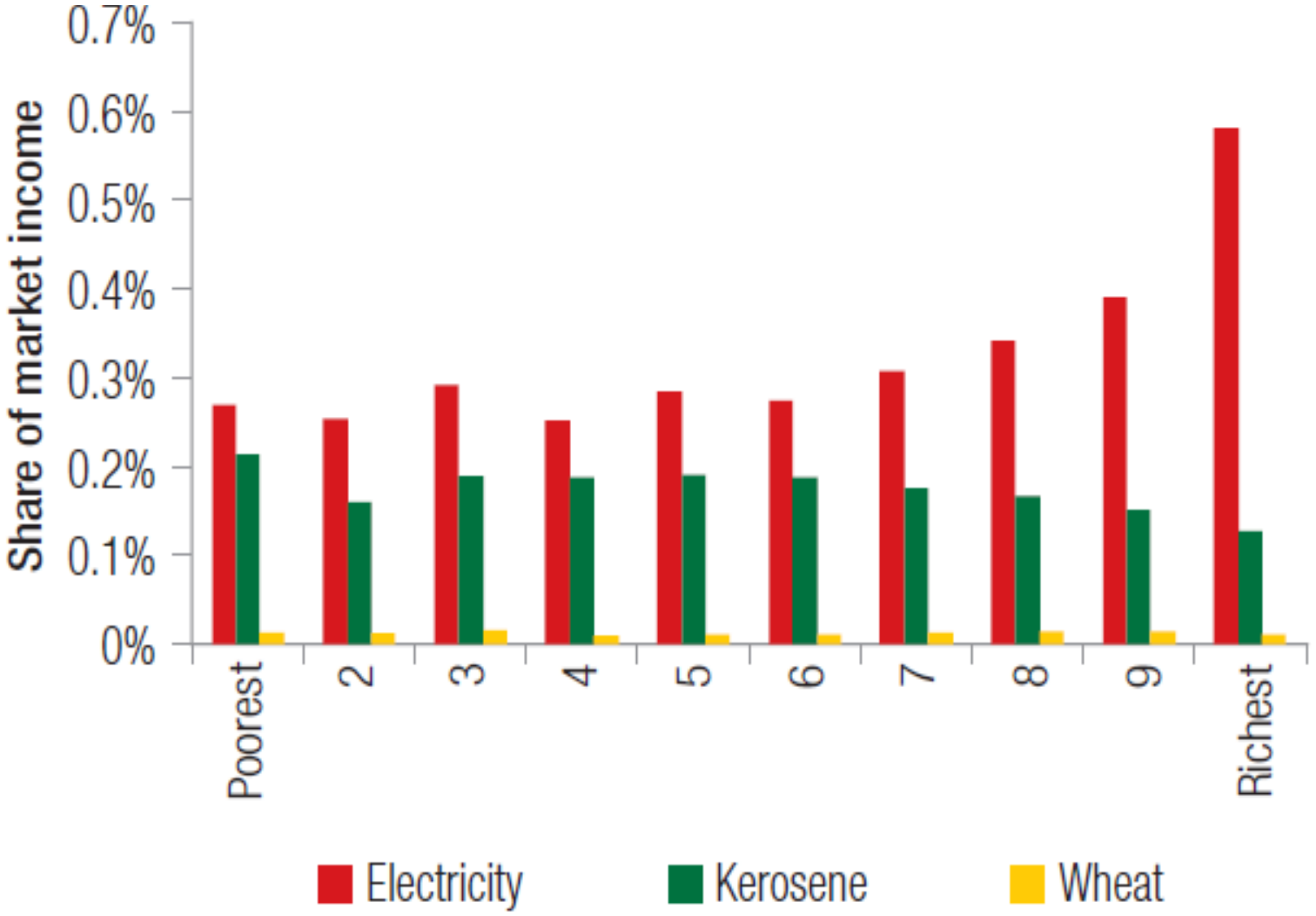
The poor pay a comparatively large share of revenue…



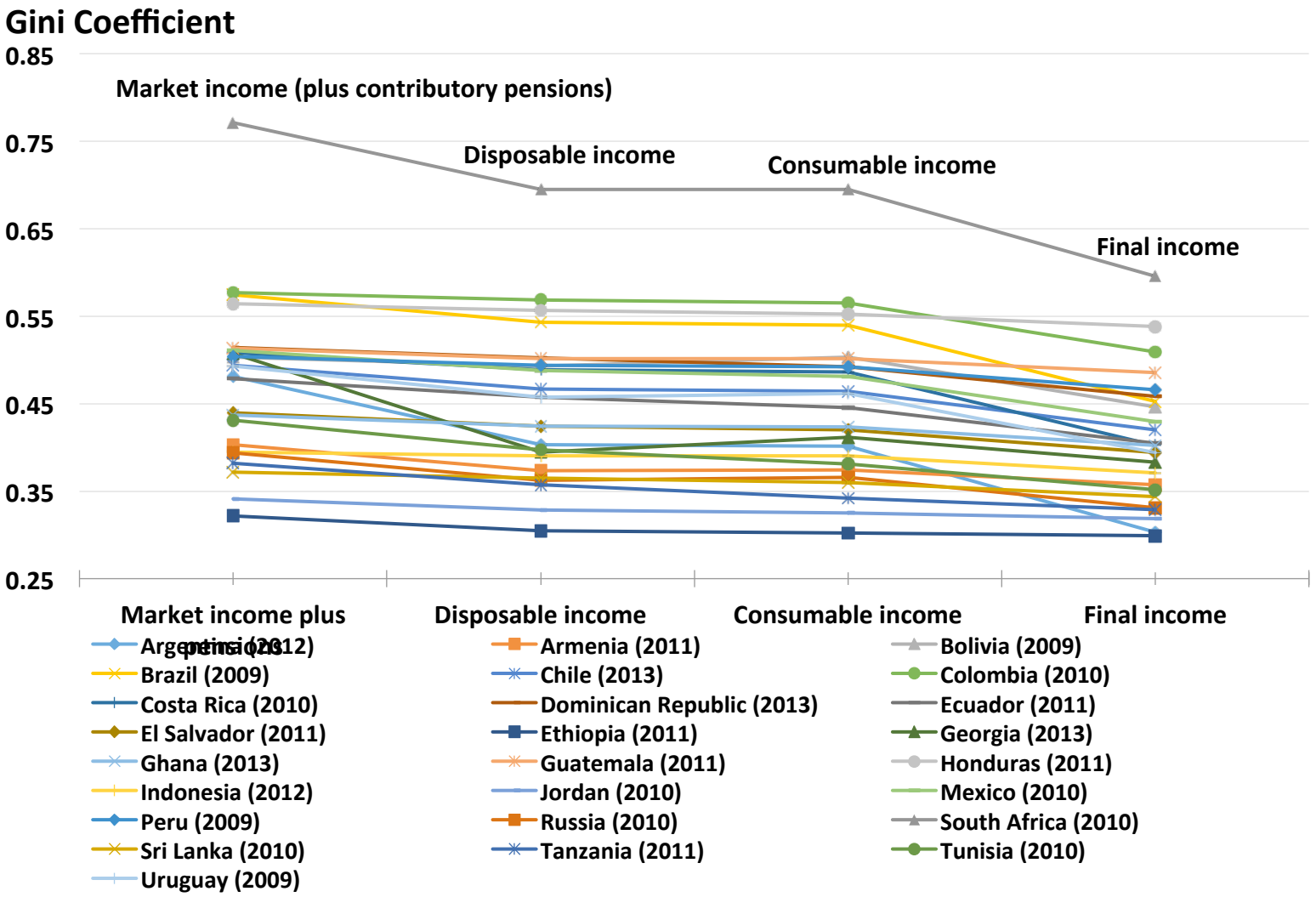
Direct transfers are well targeted and reduce poverty, but very little is spent on them



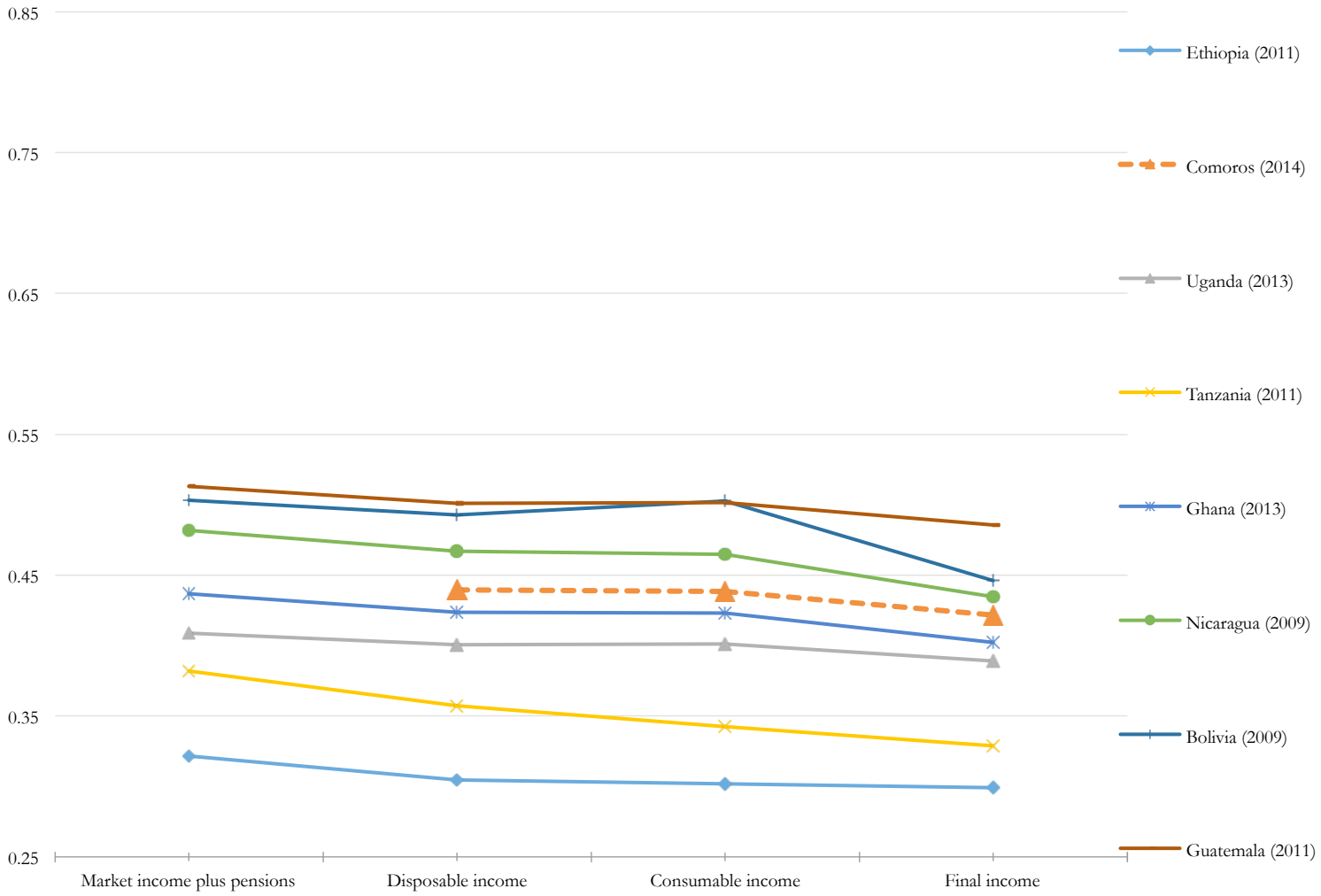
Subsidies – which are meant to assist the urban poor – are regressive and small relative to rural transfers; …



Overall…


Gini Coefficient
0.85
0.75
0.65
0.55
0.45
0.35
0.25
Market income (plus contributory pensions)
Disposable income
Consumable income
Final income
Market income plus pensions
Disposable income
Consumable income
Final income
Argentina (2012)
Armenia (2011)
Bolivia (2009)
Brazil (2009)
Chile (2013)
Colombia (2010)
Costa Rica (2010)
Dominican Republic (2013)
Ecuador (2011)
El Salvador (2011)
Ethiopia (2011)
Georgia (2013)
Ghana (2013)
Guatemala (2011)
Honduras (2011)
Indonesia (2012)
Jordan (2010)
Mexico (2010)
Peru (2009)
Russia (2010)
South Africa (2010)
Sri Lanka (2010)
Tanzania (2011)
Tunisia (2010)
Uruguay (2009)

Overall…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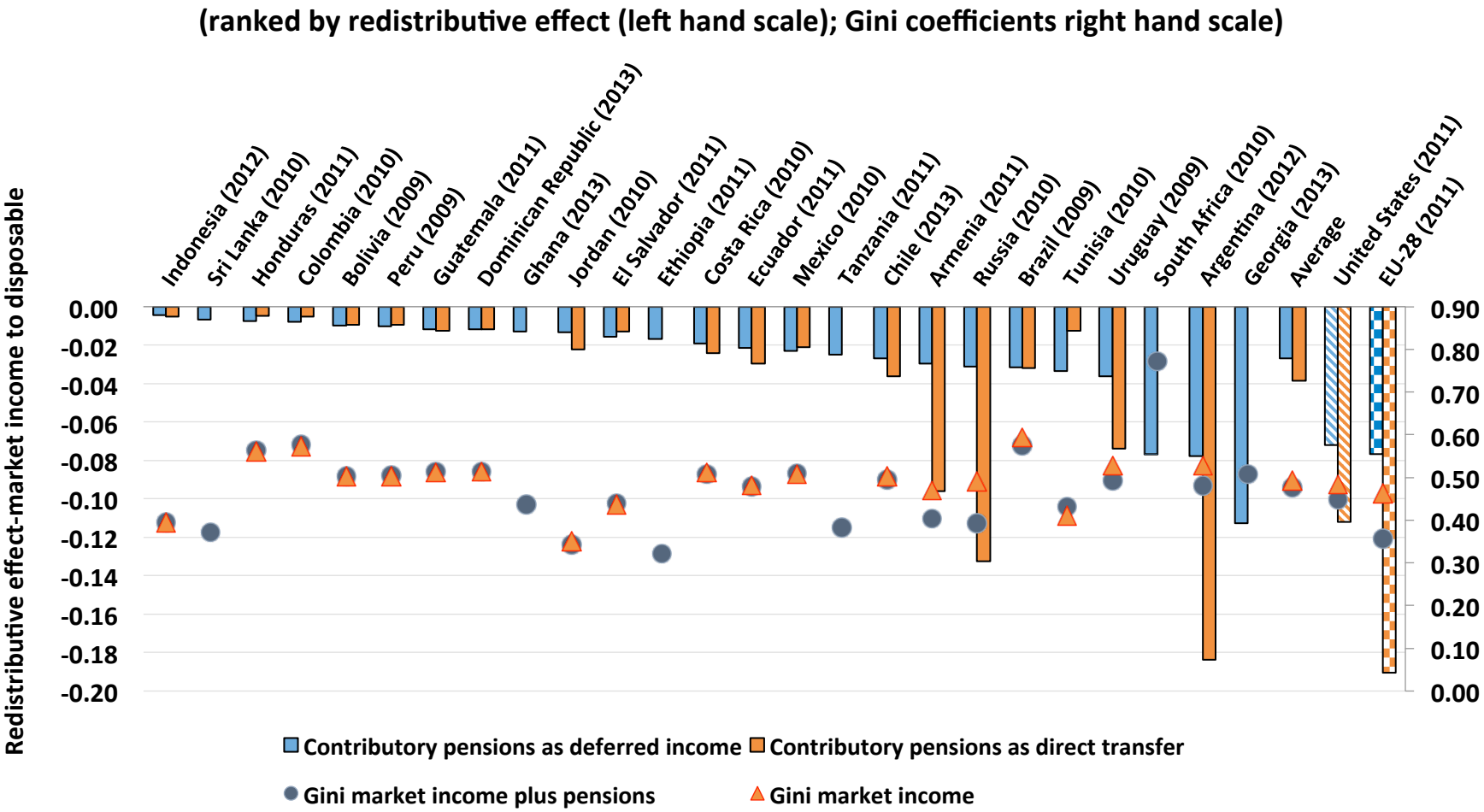
Market income plus pensions
Disposable income
Consumable income
Final income
Ethiopia (2011)
Comoros (2014)
Uganda (2013)
Tanzania (2011)
Ghana (2013)
Nicaragua (2009)
Bolivia (2009)
Guatemala (2011)

Redistributive effect

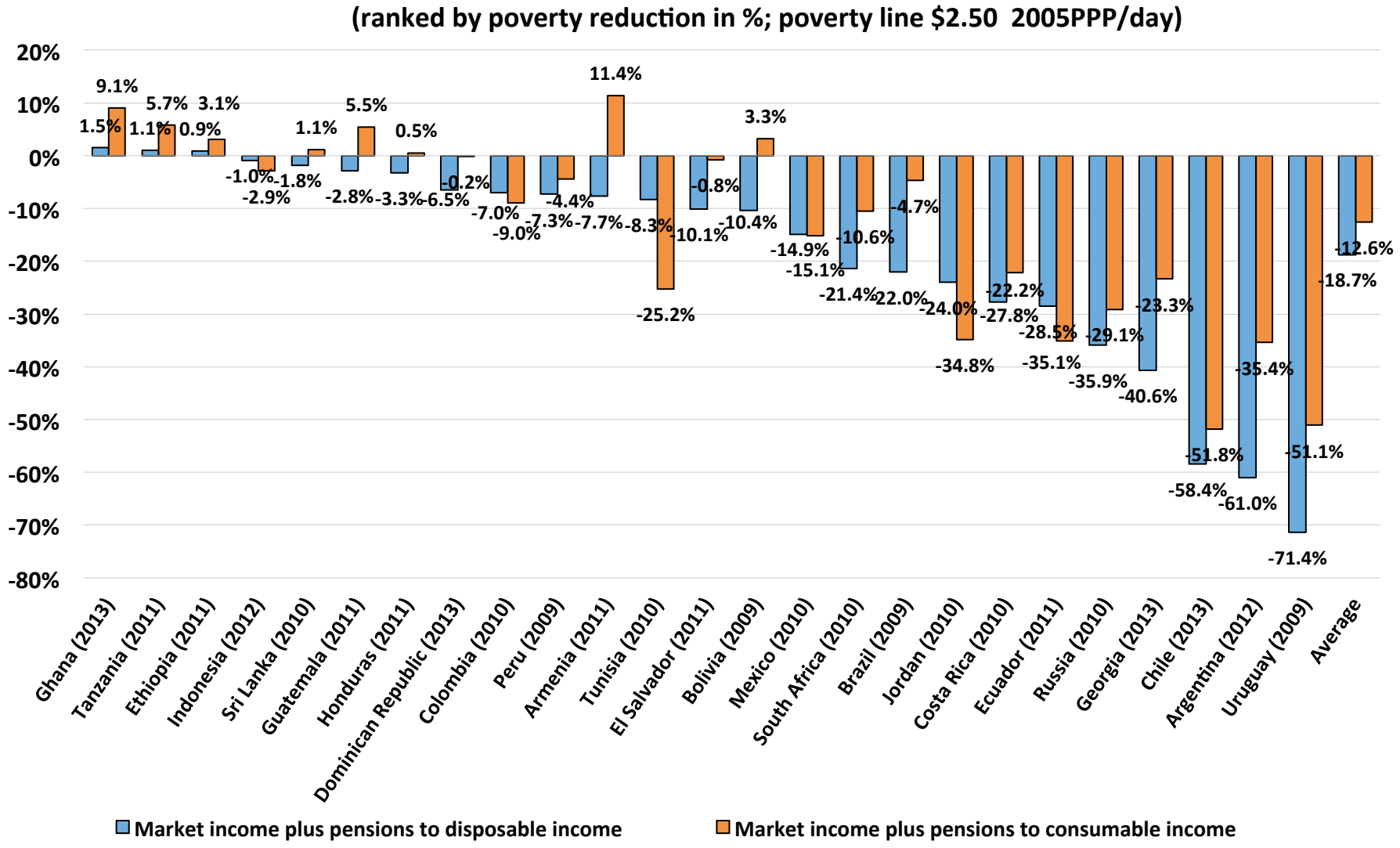
(Change in Gini points: market income plus pensions and market income to disposable income, circa 2010)



Source: Lustig (2016)

Fiscal Policy and Poverty Reduction

(Change in Headcount Ratio from Market to Consumable Income (Poverty line $2.50 / day 2005 ppp; Contributory Pensions as Deferred Income; in %)



Source: Lustig (2016)