

**CEQ Workshop
Inter-American Dialogue and CIPR, Tulane University
Washington, DC, November 3 and 4, 2011**

Summary

**Prepared by Nora Lustig with inputs from Sean Higgins, Grant Driessen, Mariellen Jewers,
Emily Travis and Yang Wang
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I. Workshop Information

1. Agenda

Thursday, November 3, 2011

- 10:00 – 10:15 Welcoming Remarks *Michael Shifter (LAD) and Ludovico Feoli (CIPR)*
- 10:15 – 12:45 CEQ: Fiscal Policy, Redistribution and Fiscal Mobility: Presentation of basic methodology and main results of two overview papers.
Moderator: *Nora Lustig*
Comments: *Miguel Jaramillo, George Gray Molina, Claudiney Pereira, Carola Pessino and John Scott* (15 minutes each)
- 12:45 – 2:00 Working Lunch: Discussion of Results (continuation of morning meeting)
- 2:00 – 3:45 “Fiscal Policy, Fiscal Mobility, the Poor, the Vulnerable and the Middle Class in Latin America”
Moderator: *Ludovico Feoli (CIPR)*
Presenter: *Nora Lustig (Tulane) and co-authors* (30 minutes)
Comments: *Francisco Ferreira (WB), Luis F. Lopez-Calva (WB) and Jamele Rigolini (WB)* (15 minutes each)
General Discussion
- 3:45 – 4:00 Break
- 4:00 – 6:00 “Fiscal Policy and Redistribution in Latin America”
Moderator: *Peter Hakim (LAD)*
Presenter: *Nora Lustig (Tulane) and co-authors* (30 minutes)
Comments: *Otaviano Canuto (WB), Santiago Levy (LADB) and Daniel Ortega (CAF)* (20 minutes each)
General Discussion
- 7:30 Dinner for participants (at Beacon Hotel)

Friday, November 4, 2011

- 8:30 – 9:30 Argentina: *Carola Pessino*; Discussant: *John Scott*
- 9:30 – 10:30 Peru: *Miguel Jaramillo*; Discussant: *Verónica Paz Arauco*
- 10:30 – 11:30 Brazil: *Claudiney Pereira and Sean Higgins*; Discussant: *Carola Pessino*
- 11:30 – 12:30 Mexico: *John Scott*; Discussant: *Claudiney Pereira*
- 12:30 – 1:30 Lunch
- 1:30 – 2:30 Bolivia: *George Gray Molina and Verónica Paz Arauco*; Discussant: *Miguel Jaramillo*
- 2:30 – 3:00 Brief Progress Reports for Guatemala (*Maynor Cabrera and Hilcías E. Morán*), Paraguay (*Jilio Ramirez and William Swanson*) and Uruguay (*Marisa Bucheli*)

3:00 – 4:00	CEQ Index or Scorecard Moderator: <i>Jeff Puryear</i> Introduction of Scorecard Inputs: <i>Nora Lustig</i>
4:00 – 4:15	Break
4:15 – 6:30	Taking Stock and Next Steps; Moderator: <i>Nora Lustig</i>

2. Participant List

Marisa Bucheli, *Profesor Agregado del Departamento de Economía, Facultad de Ciencias Sociales, La Universidad de la República*, Uruguay.

Maynor Cabrera, Senior Economist, *Instituto Centroamericano de Estudios Fiscales*, Guatemala.

Otaviano Canuto, Vice President and Head, Poverty Reduction and Economic Management (PREM), World Bank.

Kevin Casas-Zamora, Senior Fellow in Foreign Policy and Interim Director, Latin America Initiative, Brookings Institution.

Grant Driessen, Research Assistant, PhD student, Department of Economics, Tulane University.

Ludovico Feoli, Director, Center for Inter-American Policy and Research (CIPR), Tulane University.

Francisco Ferreira, Lead Economist, Research Department, World Bank.

Ariel Fiszbein, Chief Economist, Human Development Network, World Bank.

George Gray Molina, Chief Economist, Latin American and Caribbean Bureau, United Nations Development Programme.

Peter Hakim, President Emeritus, Inter-American Dialogue.

Amer Hasan, Consultant, World Bank.

Sean Higgins, Principal Research Assistant, PhD student, Department of Economics, Tulane University.

Miguel Jaramillo, Senior Researcher, *Grupo de Análisis para el Desarrollo (GRADE)*, Peru.

Mariellen Jewers, Associate for Social Policy, Inter-American Dialogue.

Santiago Levy, Vice President, Sectors and Knowledge, Inter-American Development Bank.

Luis Felipe López-Calva, Lead Economist, Latin America and Caribbean Region, World Bank.

Nora Lustig, Samuel Z. Stone Professor of Latin American Economics, Tulane University and Non-Resident Fellow, Center for Global Development and the Inter-American Dialogue.

Hilcías E. Morán, Professor, Department of Business Economics, Rafael Landívar University, Guatemala.

Judith Morrison, Senior Advisor, Gender and Diversity Unit, Inter-American Development Bank.

Daniel Ortega, Senior Research Economist, Research Department, *Corporación Andina de Fomento (CAF)*, Venezuela.

Verónica Paz Arauco, Researcher, *Instituto Alternativo*, Bolivia.

Claudiney Pereira, Senior Professor of Practice, Department of Economics, Tulane University.

Carola Pessino, Professor, School of Government and Executive Director, *Centro de Investigaciones y Evaluación en Economía Social para el Alivio de la Pobreza, Universidad Torcuato di Tella*, Argentina.

Jeffrey Puryear, Vice President, Social Policy, Inter-American Dialogue.

Julio Ramirez, *Miembro Investigador, Centro de Análisis y Difusión de la Economía Paraguaya (CADEP)*, Paraguay.

Jamele Rigolini, Senior Economist, Office of the Chief Economist for Latin America and the Caribbean, World Bank.

Ana María Sanjuan, Coordinator on Security, State and Democracy, *Corporación Andina de Fomento (CAF)*, Venezuela.

John Scott, Professor and Researcher, *Centro de Investigación y Docencia Económicas (CIDA)* and *Consejero Académico, Consejo Nacional de Evaluación de la Política de Desarrollo Social (CONEVAL)*, Mexico.

Michael Shifter, President, Inter-American Dialogue.

William Swanson, Research Assistant, *Centro de Análisis y Difusión de la Economía Paraguaya (CADEP)*, Paraguay.

Emily Travis, Research Assistant, BS student, Department of Economics, Tulane University.

Yang Wang, Research Assistant, PhD student, Department of Economics, Tulane University.

3. List of Documents Distributed at Workshop

Bourguignon, Francois. 2011. “On Treatment of Pensions,” excerpt from email sent to Nora Lustig on Wednesday, November 2, 2011, distributed at the Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3.

Bucheli, Marisa. 2011. “Commitment to Equity Project: application of the methodology to the Uruguayan case,” (oral) presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.

Gray Molina, George and Veronica Paz Arauco. 2011. “Commitment to Equity: An Assessment of Fiscal Policies. The Case of Bolivia,” presentation at the Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.

Jaramillo, Miguel. 2011. “Comments on CEQ: Fiscal Policy, Redistribution and Fiscal Mobility,” presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3.

_____. 2011. “Commitment to Equity: An Assessment of Fiscal Policies. The Case of Peru,” presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.

Lopez-Calva, Luis Felipe. 2011. “Comments on Fiscal Policy, Fiscal Mobility, The Poor, The Vulnerable, and the Middle Class in Latin America,” prepared for the IAD-IDB Meeting on the Commitment to Equity Initiative, presented at the Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3.

Lustig, Nora. 2011. “Commitment to Equity Workshop Background Notes for Session 1,” document distributed at the Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3.

_____. 2011. “Components of Income and tax assumptions CEQ,” Excel document distributed at the Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3.

_____. 2011. “Fiscal Policy and Redistribution in Latin America: Challenging Conventional Wisdom,” presentation at the Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.

- Lustig, Nora (coordinator). 2011. *Fiscal Policy and Income Redistribution in Latin America: Challenging the Conventional Wisdom. Argentina (Carola Pessino), Bolivia (George Gray-Molina, Wilson Jimenez, Veronica Paz and Ernesto Yañez), Brazil (Claudiney Pereira and Sean Higgins), Mexico (John Scott) and Peru (Miguel Jaramillo)*, background paper for Corporacion Andina de Fomento (CAF) *Fiscal Policy for Development: Improving the Nexus between Revenues and Spending/ Política Fiscal para el Desarrollo: Mejorando la Conexión entre Ingresos y Gastos*. 2012. This paper is an output of *Commitment to Equity*, a joint initiative of the Inter-American Dialogue and Tulane University's CIPR and Department of Economics (Working Paper 1124 <http://econ.tulane.edu/workingpapers.shtml>)
- Lustig, Nora (coordinator). 2011. "Fiscal Policy, 'Fiscal Mobility,' the Poor, the Vulnerable and the Middle Class in Latin America." *Argentina (Carola Pessino), Bolivia (George Gray-Molina, Wilson Jimenez, Veronica Paz and Ernesto Yañez), Brazil (Claudiney Pereira and Sean Higgins), Mexico (John Scott) and Peru (Miguel Jaramillo)*, background paper for World Bank, Vicepresidency for Latin America and the Caribbean "From Opportunity to Achievement: Socioeconomic Mobility and the Rise of the Middle Class in Latin America." This paper is an output of *Commitment to Equity*, a joint initiative of the Inter-American Dialogue and Tulane University's CIPR and Department of Economics.
- Morán, Hilcías E. and Maynor Cabrera. 2011. "Commitment to Equity: An Assessment of Fiscal Policies. The Case of Guatemala, Assessment of Data Problems," presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.
- Ortega, Daniel. 2011. "Comments to " 'Fiscal Policy and Income Redistribution in Latin America: Challenging the Conventional Wisdom' by Nora Lustig (coord.)," presentation at the Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3.
- Pereira, Claudiney and Sean Higgins. 2011. "Commitment to Equity: An Assessment of Fiscal Policies. The Case of Brazil," presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.
- Pessino, Carola. 2011. "Commitment to Equity: An Assessment of Fiscal Policies. The Case of Argentina," presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.
- Ramirez, Julio and William Swanson. 2011. "Commitment to Equity: An Assessment of Fiscal Policies. The Case of Paraguay," presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.
- Rigolini, Jamele. 2011. "Discussion of Fiscal mobility, the poor, the vulnerable and the middle class in Latin America," presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.

Sauma, Pablo and Juan Diego Trejos. 2011. “CEQ Assessment: Costa Rica,” *Informe preliminar*, distributed at the Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3.

Scott, John. 2011. “Commitment to Equity: An Assessment of Fiscal Policies. The Case of Mexico,” presentation at Commitment to Equity Workshop, Inter-American Dialogue, Washington DC, November 3 and 4.

II. Objectives of Workshop

The main objectives of the workshop were:

1. Present drafts of first two comparative papers:
 - Fiscal Policy and Income Redistribution in Latin America: Challenging the Conventional Wisdom
 - Fiscal Policy, ‘Fiscal Mobility,’ the Poor, the Vulnerable and the Middle Class in Latin America
2. Present country-specific results for Argentina, Bolivia, Brazil, Mexico and Peru.
3. Present updates for new countries: Costa Rica (sent written report), Guatemala, Paraguay and Uruguay.
4. Receive feedback from authors, other members of CEQ’s Steering Committee, and from experts from CAF and WB, in particular from experts who were involved in commissioning the two papers for their respective 2012 reports.
5. Discuss pending issues of cross-country comparability and methodological questions.
6. Complete country-specific information gaps.
7. Discuss characteristics of CEQ index or scorecard.
8. Discuss and agree on next steps.

III. Comments on Papers

1. Otaviano Canuto

- The papers present a thorough analysis of both taxes and transfers which will be very valuable to policymakers and governments.
 - He wished they had this analysis when discussing tax reform in Lula’s government.
- The report shows through quantifiable evidence that Latin America is not a homogeneous region, which he agrees with but which is sometimes contrary to outside perceptions of the region.
- Supported Brazil team’s decision to separate out special circumstances pensions and treat them as a government transfer even though they are part of the contributory system – in fact said it is necessary.
- Agreed that contributory pensions are not government transfers (this is in line with our benchmark case).
- Should not frame language in terms of success vs. failure or a “race” between countries.
- Paper does not address that there are tradeoffs in fiscal policy.
 - Redistribution might not be ultimate goal.
 - Macro issues and political economy dynamics:
 - Macro stability might be priority; taxes are needed. We can’t just abolish indirect taxes because that is often states’, provinces’ and municipalities’ main source of revenue.

- In Brazil, for example, indirect tax reform would imply a redistribution of resources between states and will therefore never pass Congress.
- Value judgments – we treat a transfer to the elderly retired as having the same value as a transfer to a child, and a cash transfer as equal in value to an in-kind transfer.
 - Are there ways to address this?
- Adding in “macro” or sustainability indicators (which had been discussed but are not currently in the papers) would be ad hoc, and give the impression that we are just uncomfortable with Argentina’s results. Instead, we should give our results as they are and simply frame it as being within the framework of assessing redistribution.

2. Francisco Ferreira

- Liked the distinction between the anonymous and non-anonymous approaches, which is seldom made explicit in the literature.
- Appreciated the paper’s focus on fiscal incidence. Often a rigorous fiscal incidence study is absent from the literature and from policy evaluations, which leads to policymakers overlooking the full spectrum of effects of the tax and transfer system.
- Suggested setting up an institutional framework so that CEQ is done on a regular basis over time for all countries in Latin America.
- Suggested keeping pensions as market income, and excluding contributions to social security from analysis (this will be our new benchmark case).
- Need for greater clarity linking fiscal mobility to growth mobility.
 - Analogy to equalization of long-term income; specify that we want to use Field rather than Shorrocks method.
 - Reassess if it is analogous to directional mobility.
- Discussion on page 7 of the Mobility paper about ideally having permanent income is a red herring because we never have permanent income; even if we had income over ten years for each individual, that doesn’t approximate permanent income.
- The papers should have more emphasis toward the beginning that this is a static analysis and thus ignores general equilibrium and behavioral effects.
 - Maybe there is some way to develop a framework for microsimulation of behavioral effects.
 - Future research agenda: behavioral affects (acknowledge that it is very difficult to model).
- Need some criteria to evaluate mobility and compare across countries.
 - Setting an arbitrary line, above which it is ok to have downward mobility, and below which it is bad to have downward mobility, is not a good criteria.
- In the paper we should go into more detail for each country, disaggregating by program and doing more detailed discussion in the paper of the flagship programs
- Recommended continuing to do what we are doing well and not wasting time doing many sensitivity checks, which are very time-intensive.

3. Ariel Fiszbein

- Liked that the effectiveness indicator is designed to deal with the built-in bias towards countries that spend more (e.g., Argentina vs. Peru).
 - Should emphasize in the paper that this indicator is precisely designed to deal with that bias.
- Should talk more about behavioral effects, since a \$1 transfer does not result in a \$1 increase in income.

4. George Gray Molina

- The best part of the paper is that we have developed a set of new stylized facts about Latin America.
 - Suggested making this either the focus of the paper or writing a new paper entirely devoted to these stylized facts.
- Could write a paper comparing our method and definition of final income to OECD, Paris School, CBO, etc. and explain why ours is better for Latin America.
- Last three paragraphs that talk about policy implications come up short.
 - Conclusions about pro-poor fiscal space are too abrupt and don't take into account the different scenarios faced by each country.
 - We should develop country-specific analyses of their pro-poor fiscal space, similar to what IMF does with Article IV.

5. Santiago Levy

- Homogenizing the language and information and defining broad concepts has a lot of value and is a major contribution from CEQ.
 - There may be interest among the multilaterals to fund a committee to agree on and disseminate information about the homogenized language and concepts, since the literature on redistribution is currently “three decades behind” the general economics literature in terms of having a standardized language and methodology.
- The detailed explanation of income and transfer concepts alone merits its own paper.
- Potentially put tables online for public access and create an institution similar to SEDLAC, but for the elements analyzed by CEQ, so that countries will be assessed over time, allowing not only for comparisons across countries but also assessments of governments' progress.
- Liked the “prototypes” and suggested elaborating further:
 - What creates the systemic differences between countries? How do they differ?
 - Allusions to specific programs would be helpful.
 - Link Table 3 to prototypes.
- Suggested putting formulas explicitly in paper
- Suggested a sensitivity analysis with the subsidized portion of contributory pensions included in transfers. Unresolved issue: how should we account for the subsidized portion?
- Suggested elaborating on the distributive implications of non-tax financing (also discussed by others but main results are included here):
 - Unresolved issues
 - How should we treat countries who finance some of their distribution with rents from non-renewable natural resources?
 - For example, it is easy for Mexico to appear well because part of the redistribution is financed by rents
 - Countries with debt engage in redistribution from future to present
 - Conclusions
 - Government's budget constraint with and without rent, with and without debt financing needs to be taken into account
- Would like to see more caution, and less policy implications
 - Underlying factor prices would be very different in the pre-fisc scenarios
- Behavioral effects
 - New papers on Mexico are showing labor disincentive effects of cash transfers
 - Need to scour papers from WB, J-PAL, IADB, etc.

6. Luis Felipe Lopez-Calva

- CEQ is a very interesting, useful, and important initiative.

- The fact that we are moving beyond the effect of government spending on the poor to the effect of government spending on equity, other social groups, and fiscal mobility is a great step forward.
 - Assessing these impacts is especially important for middle income countries such as many of the countries in Latin America.
- Very innovative and useful methodology
- The strength of an exercise as data-intensive as CEQ is that it allows us to get down to the level of each program and look at the effect of receiving a specific transfer on poverty and inequality in society.
- Question to address: How many people are receiving transfers because the issue of vulnerability is not being addressed in policy?
 - i.e., if the government addressed vulnerability, some would not have fallen into poverty in the first place and would not need transfers to escape from poverty.
- Suggested being more cautious with conclusions based on imputations of tax data.
- Issue of how programs are financed should be addressed.
- Need some criteria to evaluate mobility and compare across countries.
- Could include a discussion of social contract or political economy equilibrium; need a normative notion to link to policy and consider the idea of justice.

7. Daniel Ortega

- This is a remarkable endeavor that seeks to provide an update on fiscal incidence in Latin America.
- CEQ is a welcome effort given the significant policy initiatives put in place in many countries after 2005, such as Asignación Universal por Hijo in Argentina, Juancito Pinto in Bolivia, the expansion of Bolsa Família in Brazil, Juntos in Peru, and 70 y Más in Mexico.
- The paper brings to bear the important point that there is significant heterogeneity between countries in terms of their redistributive capacity.
- The fiscal incidence paper will be very valuable as a background document for CAF's 2012 flagship report.
- Suggested a more rigorous comparison to other studies to verify or qualify the claim that our results are "breaking with conventional wisdom."
- Suggested including analysis of the US or a Euro country for comparative purposes.
- Possible sensitivity analyses
 - Urban-only
 - Exclude health from all, since the methodologies differ
 - Different targeting assumptions for simulated programs
- Agreed with Santiago Levy and Otaviano Canuto that the statement that regressive public spending "should be scrapped" should not be included in the paper because there are other policy goals besides redistribution.

8. Jamele Rigolini

- The CEQ initiative represents an unmatched effort to analyze fiscal and equity issues in Latin America.
 - For the first time there is a platform that allows credible cross-country comparisons that can be tailored to specific needs.
- The immense amount of effort put into the project is beginning to pay off – the CEQ team has produced a set of very interesting papers in record time.
 - These papers address very important issues that had never been rigorously covered prior to CEQ.
 - Already in its current format we are learning many new interesting insights that will foster further policy debate.

- The analysis draws from and anchors to the latest thinking about the concepts of redistribution, mobility and the middle class.
- The mobility paper will be very valuable for the World Bank's 2012 flagship report on Latin America.
 - He also mentioned that he wished he would have had a paper like this to use as a reference when they were drafting their previous reports for the World Bank.
- Liked the detailed analysis of education components.
 - Suggested performing the same sort of analysis for health, pensions, and each transfer program.
- Suggested adding US or UK to give perspective and credibility to cross-country comparison.
 - This might also put heterogeneity across countries into perspective.
- Policy questions that should be addressed:
 - Tertiary education transfers generally go to middle class and above, while cash transfers go to the poor; is this polarizing the welfare system?
 - Is there a danger of establishing a middle class "dictatorship" that will neglect the poor as the population of the middle class expands?
 - Is the middle class benefitting disproportionately?
 - Suggested performing a sectoral analysis as well to help understand sector-specific issues.

9. General Suggestions

- Saying that all countries have spending that is at least relatively progressive is misleading because total social spending is never regressive.
- Papers should concede that governments may have other policy goals in addition to redistribution and poverty reduction.
- Qualify strong statements about redistribution.
- For poverty analysis, presentation and paper should put more emphasis on squared poverty gap and less on headcount index.
- Very important to conceptualize prototypes correctly because media and policymakers are more likely to look at those qualitative results than the more rigorous portion of the analysis.
- Rankings are detrimental to the objectives of the papers.
 - Otaviano Canuto thought that country rankings will "poison" reading of paper, and Francisco Ferreira and Daniel Ortega agreed.
 - Ariel Fiszbein also agreed and noted that rankings of outcomes will not influence policy.
 - Santiago Levy also agreed, saying that rankings only lead to getting picked at for the methodological choices made by the ranking, and never influence policy.

IV. Methodological Issues

1. Social Security Pensions

- Detected a potential inconsistency because we count social security contributions as "government intervention" but count social security benefits as market income. The inconsistency is potential because, strictly speaking, contributors and beneficiaries are not the same people so contributors may still think of contributions as a tax. Nevertheless, this potential inconsistency was pointed out by John Scott in the morning and again by Francisco Ferreira in the afternoon. Hence we decided to change the benchmark case.
- Need to scrap current tables and redo two ways:
 1. Benchmark case: Not as tax or transfer (primary income includes SS benefits, contributions to SS treated as saving and therefore excluded from analysis altogether)

2. Sensitivity analysis: SS contributions as tax and benefits as transfer
- Theoretical issues with counting pensions as inter-temporal transfers (#1):
 - We must assume system is actuarially fair, which is probably not true, but the evidence to evaluate this is missing (see email from François Bourguignon).
 - Theoretical issues with including pensions as transfers (#2):
 - Pensions are roughly twice the size of what is currently classified as transfers, thus moving them would significantly change results.
 - Including pensions as transfers may obscure the message that the paper attempts to convey.
 - Someone suggested doing a sensitivity analysis excluding those that are age 65+ (along the lines of DeFina et al.), but John Scott argued that this is not worthwhile. Conclusion: Not worth doing a sensitivity analysis excluding those age 65+.

2. Imputed Rent

- Issue: the inclusion of imputed rent can change the sign of the concentration coefficient of some programs (this happened in Bolivia) and excluding imputed rent results in absurdly high incidence percentages for the lowest decile.
- In Mexico, the national poverty lines (which are not used in the current analysis) no longer include imputed rent; this is a justification for doing a sensitivity analysis without imputed rent.
- Conclusion: benchmark case will be with imputed rent, sensitivity analysis will be without imputed rent.
- Unresolved issues:
 - What method should Argentina use? Since they do not have a question about imputed rent, they cannot use the methodology used by Brazil, Mexico, and Peru. Since they do not have a question on their survey about the amount people renting their homes paid in rent, they cannot use the regression methodology used by Bolivia or the “Barros et al” methodology described in the handbook. Carola Pessino suggested applying a 10% imputed rent to everyone not renting their homes (this is SEDLAC’s methodology); however, this will mean people with zero market incomes, who may get all of their income from moratorium pensions or other direct transfers, will still be receiving zero benefit from imputed rent since it is a percent of income!
 - Bolivia used regression method even though they have a question about imputed rent on the survey, because they concluded that the method on imputed rent was too noisy. Do we need to have a convention on this? Should all countries that have a question on imputed rent use direct identification from that question, or should all countries use the regression methodology, or should it be up to the authors to determine if the survey data on imputed rent is too noisy? Should we have a “benchmark” for testing if the data on imputed rent is too noisy?

3. Scaling up

- Benchmark case, when scaling up, will be to do it program-by-program. Scale market income by a unique factor, scale direct taxes by a unique factor, scale each program by a unique factor, scale indirect taxes by a unique factor if necessary. Each author will have to decide which totals are to be used for the scaling up process. Please document the scaling up process by including the corresponding scaling-up factor, and the totals in absolute numbers from survey and public accounts (include the source and, if available, hyperlink with page number).

- Remember that for poverty estimates and the fiscal-mobility matrices, there will be no scaling up. For all the inequality measures, incidence analyses, and concentration shares, however, the scaled-up data will be used.
- Deduction of administrative costs should also be program-specific, which it currently is not (currently we deduct 10% for all programs). Some programs have much higher administrative costs than others, and this should be reflected.
 - In addition, if the national accounts data is disaggregated so we can see how much was actually paid in benefits, use this number and don't deduct any administrative costs.

4. Size of Government

- Authors should report government revenues and spending by federal, provincial/state and, if possible, municipal levels.
- Authors should report government revenues distinguishing tax revenues and other sources (non-financial public sector revenues).
- Need to clearly distinguish between public sector and government, and make sure all countries are on same definition.

5. Housing and Urban

- Need to explain that countries that don't include incidence analysis for housing and urban don't have the type of programs that Mexico and Argentina are assessing under that column.
- No countries capture the subsidizing of interest rates in their analysis.
- Peru has no direct housing and urban programs, Bolivia has none after 2005, and in Brazil, the program Minha Casa Minha Vida was introduced in late 2009, after the survey.
- Unresolved issue: Should we do sensitivity analysis where we exclude housing and urban from everyone's results? This might not be necessary because currently we are only including it in the countries that had direct programs at the time of the survey.

6. Areas Not Covered by Current Incidence Analysis

- Access to subsidies through the financial sector (e.g., loans at subsidized interest rates for housing, etc.).
- Taxes on corporations and international trade.
- Revenues from the non-financial public sector such as "profits" of public enterprises.
- Access to basic infrastructure (water and sanitation, electricity, etc.).

V. Wrap-up and Next Steps

1. Next Stage of Studies

- Argentina, Bolivia, Brazil, Mexico and Peru will re-do calculations using the following benchmark case, and Costa Rica, Guatemala, Paraguay and Uruguay will use the following benchmark case for their first round of results.
 - Social security: Market income including the contributions to social security and do not subtract them to obtain net market income.
 - Scaling-up: for everything except the poverty and income group portions of the analysis, incomes from surveys will be scaled up program by program. Administrative costs will be determined program by program. Market income and direct taxes will also have their own scaling up factors. Be sure to report the total from public accounts and scaling-up factor that you are using for each item.

- Imputed rent: include imputed rent in market income; if you don't utilize a specific question on imputed rent from the survey, include a description of your methodology for calculating imputed rent.
- All countries will perform the following sensitivity analyses.
 - Consider contributory pensions as a government transfer; in this scenario, market income does not include contributory pensions, contributions to social security are a direct tax, and contributory pensions received are a direct transfer.
 - Exclude imputed rent.
 - Adult equivalence: pending.
- Individual country authors/teams will complete a To-Do List with additional country-specific tasks.
- Nora Lustig and her coauthors will revise the two present papers to include:
 - New calculations from the authors
 - Changes in language and emphasis to take into account recommendations
- In addition, Nora Lustig and her RAs will work on the following:
 - A discussion of behavioral effects that reviews the current literature on the incentive effects of taxes and transfers
 - A thorough comparison of our methodology to the methodologies used by other studies
 - A thorough comparison of our results to the results of other studies
 - Other general edits

2. Second and Third Round of Countries

- Uruguay is almost ready; Guatemala is waiting for recent surveys to become available (note: the surveys were released mid-November); Costa Rica is making good progress; Paraguay needs more technical assistance from core team to complete the first round of results.
- The Latin American countries that will probably be most interesting to include in the third round are Chile and Colombia.
 - Colombian researchers have expressed interest in joining CEQ with external funding.
- It would also be interesting to include another Central American country, for comparison with Guatemala, if the data is available. Maynor Cabrera will consult director of ICEFI, Hugo Noe Pino, on possible collaboration. Note: by mid-November, Nora learned that ICEFI might be interested; also, there is interest in El Salvador.
- The Asian Development Bank has expressed interest in the methodology developed by CEQ to apply it in some Asian countries.

3. Outputs

- Working Papers
 - Nora Lustig will revise drafts of two papers: *Fiscal Policy and Income Redistribution in Latin America: Challenging the Conventional Wisdom*; and *Fiscal Policy, 'Fiscal Mobility,' the Poor, the Vulnerable and the Middle Class in Latin America*; they will be published as working papers as soon as they are ready in CIPR, Tulane's Economics Department, Inter-American Dialogue, CGD, ECINEQ, and CEQ's website. Prepare columns for VoxEU and Vox.LACEA. Must check if they can appear in LA's institutions websites. Must check if they can be translated.
 - Individual papers for IFAD and book (see below) will be published as working papers in different venues.
- Book

- Propose a book to Brookings or CGD, in which each country team will write one chapter, and there will be synthesizing introductory and conclusion chapters, and a chapter outlining methodology. Nora will begin to explore possibilities.
 - Country teams will follow a general framework but have some freedom regarding their chapters and which elements they analyze more in-depth based on the specifics of their country.
 - Papers for book should be ready by end of March; they will be submitted to publisher and external referees.
 - Academic journal publications
 - The authors agreed that at the present time it is not worth preparing articles for a special issue of the peer-reviewed journal Public Finance Review.
 - Policy briefs
 - In the future the results from CEQ will be used to create country-specific and cross-country policy briefs.
 - Scorecard
 - In the future the results from CEQ will be used to develop multi-country scorecards.
 - There was general recommendation that a qualitative score-card would replace the previous idea of a quantitative index.
 - Website
 - CEQ currently has an internal website. The authors agreed that the website should be used more frequently, and that country authors will update the website with news from their countries that are relevant to CEQ, as well as with any relevant new studies or references that they find.
 - Since there is a critical mass of outputs, CEQ will set up external website to disseminate results and provide an institutional framework for this type of analysis.
- 4. Further research commitments**
- a. Produce revised versions of the two present papers for CAF and the World Bank by the end of December 2011.
 - b. Produce individual papers on rural/urban analysis by each country team and a synthesis paper by Nora Lustig for IFAD for Bolivia, Brazil, Mexico and Peru by February. Individual countries should send first draft of papers by mid-January.
 - c. Judith Morrison of the IADB expressed interest in a paper that disaggregates the CEQ analysis by race or ethnicity. Nora to follow-up. (As of November 28, Nora suggested that Bolivia, Brazil, Guatemala, Mexico and Uruguay could be included in such study).
- 5. Funding and Planning**
- Peter Hakim will prepare a first draft of strategy for fundraising by mid-December.
 - Ludovico and Nora will prepare a first draft of plan of activities for calendar year 2012 by mid-December.