SESSION 9

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

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Based on:


- 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...

Share of total taxes paid by socioeconomic group

- 50.00 <= y
- 4.00 <= y < 10.00
- 10.00 <= y < 50.00
- 2.50 <= y < 4.00
- 1.25 <= y < 2.50
- y < 1.25
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...
Spending on subsidies is less progressive, and electricity subsidies are highly regressive.
Redistributive effect
(Change in Gini points: market income plus pensions and market income to disposable income, circa 2010)

(rank by redistributive effect (left hand scale); Gini coefficients right hand scale)

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 %)

(rank by poverty reduction in %; poverty line $2.50 2005PPP/day)

Source: Lustig (2016)