

Who pays taxes and benefits from social spending?

Fiscal incidence analysis by ethnicity and race

Bolivia, Brazil, Guatemala and Uruguay

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CEQ uses tax/benefit incidence analysis and a specially designed diagnostic questionnaire to address the following questions:

- How much inequality and poverty reduction is being accomplished through social spending, subsidies and taxes?
- Who bears the burden of taxes and benefits from social spending? Socioeconomic Class; Rural vs. Urban; Whites vs. Afro-descendants and Indigenous
- Within the limits of fiscal prudence, what could be done to make taxes and transfers more pro-poor?

- CEQ is designed to assess how aligned fiscal policies are with supporting a minimum living standard and human capital accumulation, as well as with reducing inequality.
- The objective is to evaluate efforts based on whether governments: i. collect and allocate enough resources to support a minimum living standard for all; ii. collect and distribute resources equitably;
- provide a roadmap for governments, multilateral institutions, and nongovernmental organizations in their efforts to build more equitable societies

Commitment to Equity (CEQ) Project

- Inter-American Dialogue and Tulane University's CIPR and Dept. of Economics.
- Currently: 12 countries
- 6 finished: Argentina (2009), Bolivia (2007), Brazil (2009), Mexico (2008), Peru (2009) and Uruguay (year of HH survey)
- 6 in progress: Chile, Colombia, Costa Rica, El Salvador, Guatemala, Paraguay
- Ecuador soon to join

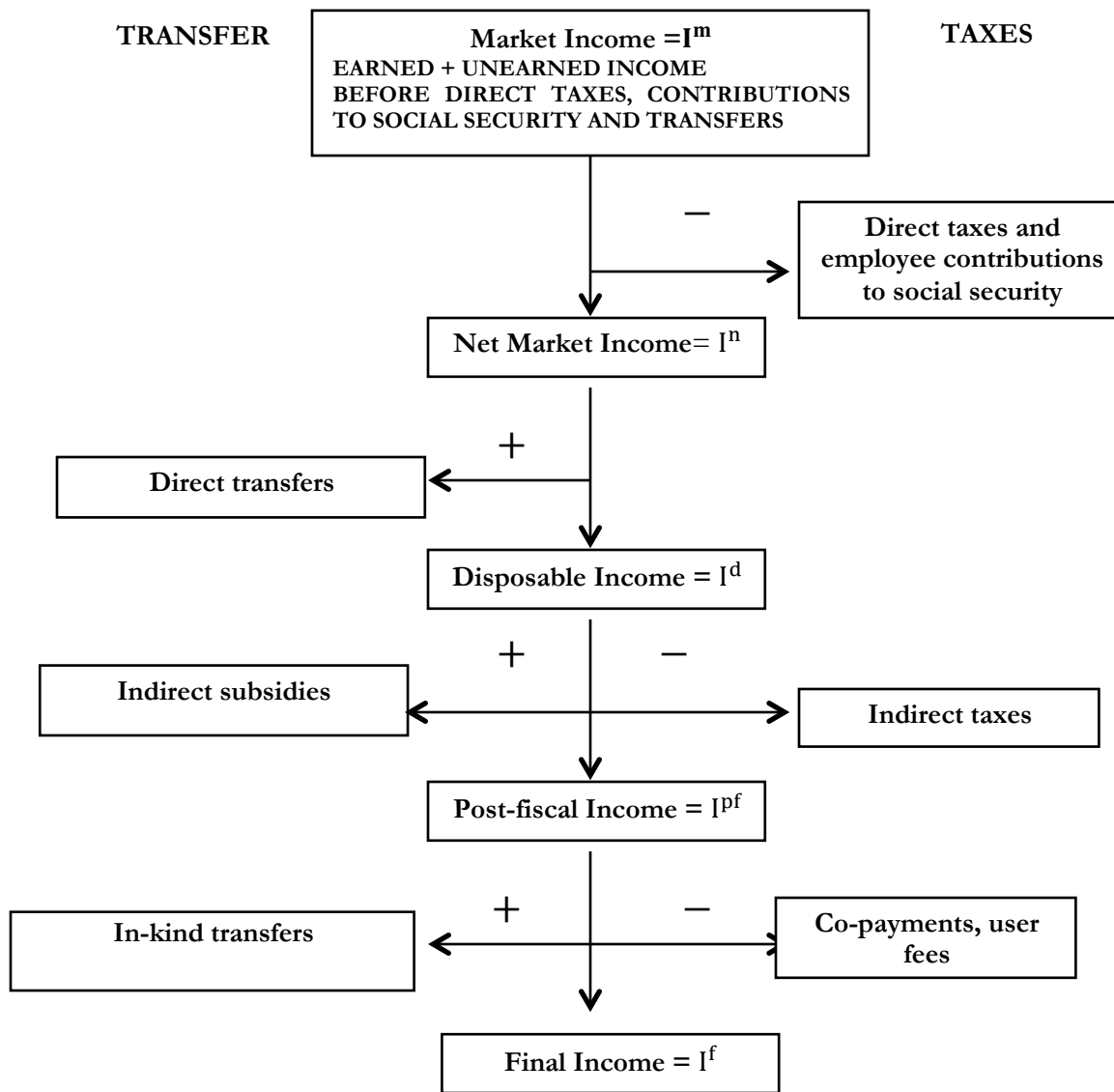
CEQ by Ethnicity and Race (IDB)

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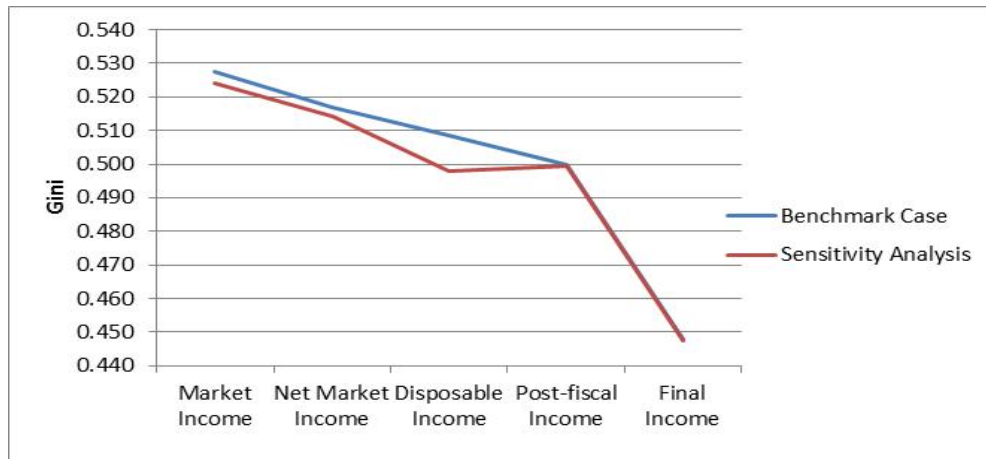
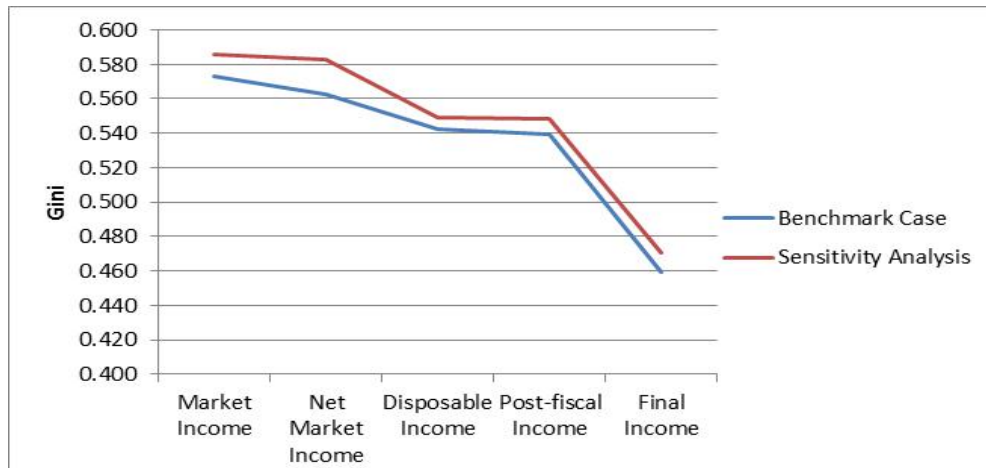
Diagram 1 – Definitions of Income Concepts



Options to Construct Income Concepts

- Direct Identification Method
- Imputation Method
- Inference Method
- Simulation Method
- Alternate Survey Method
- Secondary Sources Method

How sensitive are results to the placement of contributory pensions? Brazil vs. Mexico



Fiscal Incidence by Race: Preliminary Results for Brazil (POF 2009)

- Incidence within racial groups: whites, pardos and pretos
- Incidence between racial groups

The population distribution in the POF survey is as follows:

Blanco	48.0%
Pardo	43.0%
Preto	8.0%
Amarelo	0.5%
Indígena	0.4%
Não sabe	0.3%
	100.2%

		Market Income	Net Market Income	Disposable Income	Final Income	
<i>Brazil-White</i>						
	Gini	0.554	0.541	0.525	0.466	
	% change w	--	-1.3%	-2.8%	-8.7%	
\$1.25 PPP	Headcount i	2.8%	2.9%	1.1%		
	% change w	--	0.0%	-1.7%		
\$2.5 PPP	Headcount i	8.3%	8.4%	5.5%		
	% change w	--	0.1%	-2.9%		
\$4 PPP	Headcount i	16.2%	16.3%	13.4%		
	% change w	--	0.2%	-2.8%		
<i>Brazil-Pardo</i>						
	Gini	0.546	0.537	0.510		0.411
	% change w	--	-0.9%	-3.6%	-13.6%	
\$1.25 PPP	Headcount i	8.9%	8.9%	4.1%		
	% change w	--	0.1%	-4.7%		
\$2.5 PPP	Headcount i	22.5%	22.6%	16.5%		
	% change w	--	0.1%	-6.0%		
\$4 PPP	Headcount i	37.2%	37.5%	32.7%		
	% change w	--	0.3%	-4.5%		

Poverty Rates White/Pardo

Market	Net Mkt	Disp Inc
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3.1

3.1

3.7

2.7

2.7

3.0

2.3

2.3

2.4

Incidence: Whites

Deciles	Direct Taxes	Non-contrib	Flagship CCT	Other Direct	All Direct	Tr
1	0.1%	35.8%	22.7%	87.3%	145.7%	
2	0.4%	7.4%	7.9%	22.3%	37.6%	
3	0.3%	6.0%	3.3%	16.5%	25.9%	
4	0.4%	3.7%	1.5%	11.8%	17.0%	
5	0.4%	1.6%	0.6%	11.8%	14.0%	
6	0.6%	0.9%	0.3%	9.1%	10.3%	
7	0.7%	0.3%	0.1%	6.6%	7.0%	
8	1.0%	0.1%	0.0%	5.4%	5.5%	
9	1.5%	0.1%	0.0%	3.2%	3.3%	
10	6.1%	0.0%	0.0%	2.4%	2.5%	
Population	3.7%	0.5%	0.3%	4.6%	5.4%	

Incidence: Pardos

Deciles	Direct Taxe	Non-contril	Flagship CC	Other Direc	All Direct	T
1	0.1%	34.5%	29.1%	29.8%	93.5%	
2	0.3%	9.7%	10.3%	12.4%	32.5%	
3	0.3%	4.0%	4.8%	8.6%	17.4%	
4	0.4%	2.9%	2.3%	8.4%	13.7%	
5	0.5%	1.6%	1.1%	7.9%	10.5%	
6	0.6%	1.3%	0.5%	5.9%	7.7%	
7	0.8%	0.4%	0.2%	5.7%	6.2%	
8	1.0%	0.2%	0.1%	3.9%	4.3%	
9	2.0%	0.1%	0.0%	3.3%	3.5%	
10	6.0%	0.0%	0.0%	1.8%	1.8%	
Population	2.3%	1.6%	1.4%	5.1%	8.2%	

Incidence: Whites

Deciles	In-kind Educ	In-kind Heal	In-kind Tran	All Transfers	Final Income
1	143.5%	86.5%	230.0%	375.7%	343.4%
2	53.4%	41.1%	94.5%	132.1%	116.3%
3	32.4%	27.7%	60.1%	86.0%	71.3%
4	21.8%	21.4%	43.2%	60.2%	45.9%
5	14.7%	15.6%	30.3%	44.3%	30.1%
6	10.6%	11.9%	22.4%	32.7%	18.4%
7	7.0%	9.2%	16.2%	23.2%	9.1%
8	5.1%	5.5%	10.6%	16.1%	1.5%
9	2.9%	2.7%	5.6%	8.9%	-6.3%
10	1.1%	0.4%	1.5%	3.9%	-15.7%
Population	4.9%	4.4%	9.3%	14.6%	-2.8%

Incidence: Pardos

Deciles	In-kind Edu	In-kind Hea	In-kind Tran	All Transfer	Final Incom
1	159.0%	90.9%	249.9%	343.3%	322.0%
2	59.0%	42.2%	101.2%	133.7%	118.5%
3	34.0%	27.9%	61.8%	79.2%	64.9%
4	22.5%	21.6%	44.1%	57.8%	43.5%
5	14.2%	15.8%	30.0%	40.6%	26.2%
6	10.7%	12.0%	22.7%	30.4%	16.0%
7	7.9%	9.5%	17.3%	23.6%	9.1%
8	5.4%	5.6%	11.0%	15.3%	0.4%
9	3.3%	2.8%	6.1%	9.6%	-6.5%
10	1.2%	0.4%	1.7%	3.5%	-16.3%
Population	12.3%	10.3%	22.6%	30.8%	14.4%

References

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