

INEQUALITY AND FISCAL REDISTRIBUTION IN MIDDLE INCOME COUNTRIES

**Brazil, Chile, Colombia, Indonesia, Mexico,
Peru and South Africa**

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What is CEQ: Description of Project

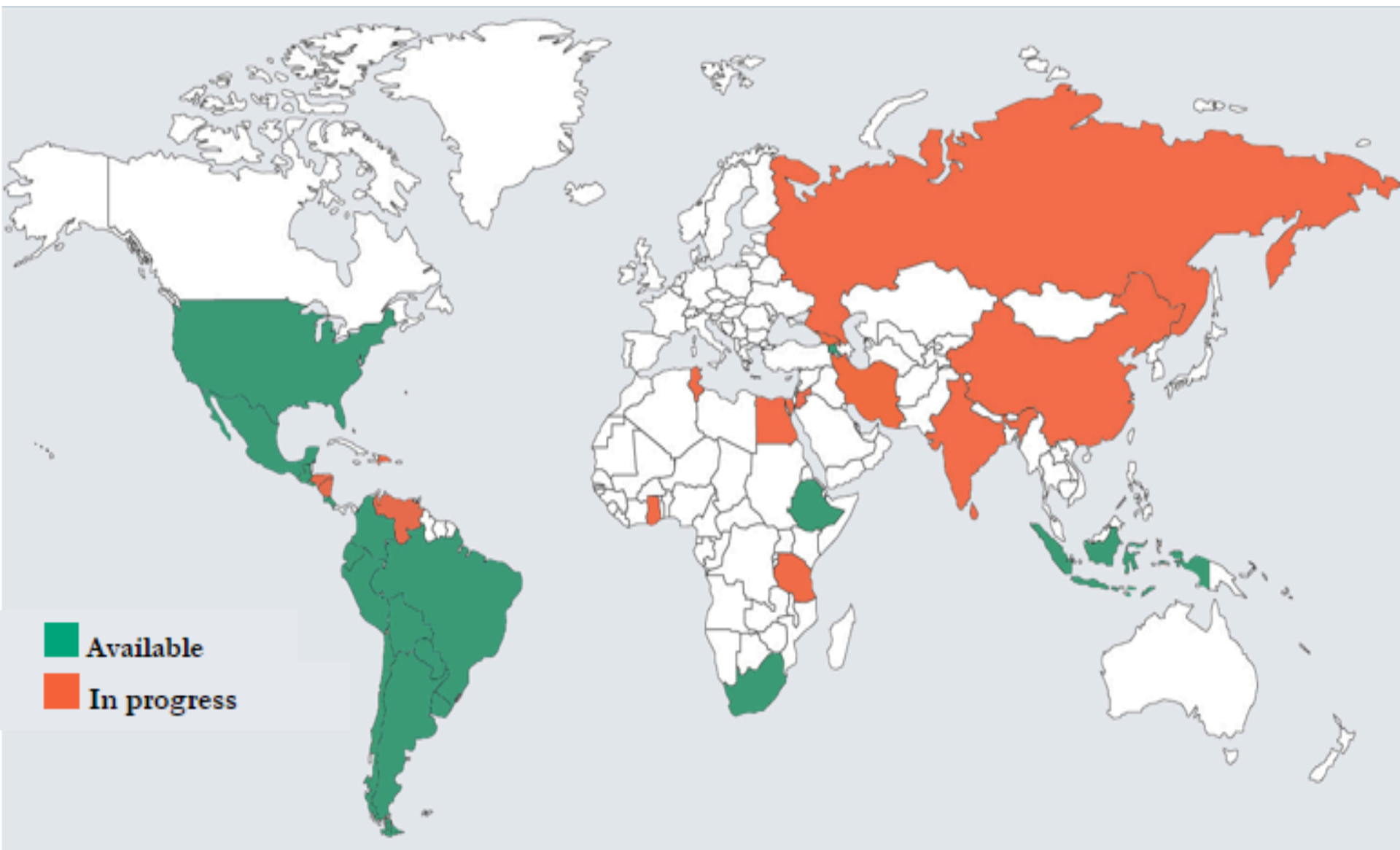
- The CEQ project is an initiative of:
 - The Center for Inter-American Policy and Research (CIPR) and the Department of Economics, Tulane University, the Inter-American Dialogue and the Center for Global Development
- CEQ's goals are to:
 - Foster evidence-based policy discussion
 - Assist governments, multilateral institutions, and nongovernmental organizations in their efforts to build more equitable societies

What is CEQ: the CEQ Assessment

The CEQ project developed the CEQ Assessment, a diagnostic instrument

- Comprehensive framework to analyze the effect of taxation and public spending on inequality and poverty
- Method: Fiscal Incidence analysis and qualitative diagnostic approach
- Application of a common methodology across countries makes cross-country comparisons more accurate
- Methodology is designed to be as comprehensive as possible without sacrificing detail in any particular component of the analysis

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Paper based on following CEQ studies:

- **Brazil:** Higgins, Sean and Claudiney Pereira. 2014. "The Effects of Brazil's Taxation and Social Spending on the Distribution of Household Income." In Lustig, Nora, Carola Pessino and John Scott. 2014. Editors. The Redistributive Impact of Taxes and Social Spending in Latin America. Special Issue. Public Finance Review, May, Volume 42, Issue 3 and CEQ Master Workbook: Brazil, November 4.
- **Chile:** Ruiz-Tagle, Jaime and Dante Contreras. 2014. CEQ Master Workbook: Chile, August.
- **Colombia:** Melendez, Marcela. 2014. CEQ Master Workbook: Colombia, November 21, Tulane University.
- **Indonesia:** Afkar, R., J. Jellema, and M. Wai-Poi, "Fiscal Policy, Redistribution, and Inequality in Indonesia," in G. Inchauste and N. Lustig (eds), The Distributional Impact of Fiscal Policy: Experience from Developing Countries, forthcoming.
- **Mexico:** Scott, John. 2014. "Redistributive Impact and Efficiency of Mexico's Fiscal System." In Lustig, Nora, Carola Pessino and John Scott. 2014. Editors. The Redistributive Impact of Taxes and Social Spending in Latin America. Special Issue. Public Finance Review, May, Volume 42, Issue 3.
- **Peru:** Jaramillo, Miguel. 2014. "The Incidence of Social Spending and Taxes in Peru." In Lustig, Nora, Carola Pessino and John Scott. 2014. Editors. The Redistributive Impact of Taxes and Social Spending in Latin America. Special Issue. Public Finance Review, May, Volume 42, Issue 3 and CEQ Master Workbook: Peru, June 21, 2013.
- **South Africa:** Inchauste, Gabriela, Nora Lustig, Mashekwa Maboshe, Catriona Purfield and Ingrid Wollard. 2015. The Distributional Impact of Fiscal Policy in South Africa. Policy Research Working Paper 7194, The World Bank, February.

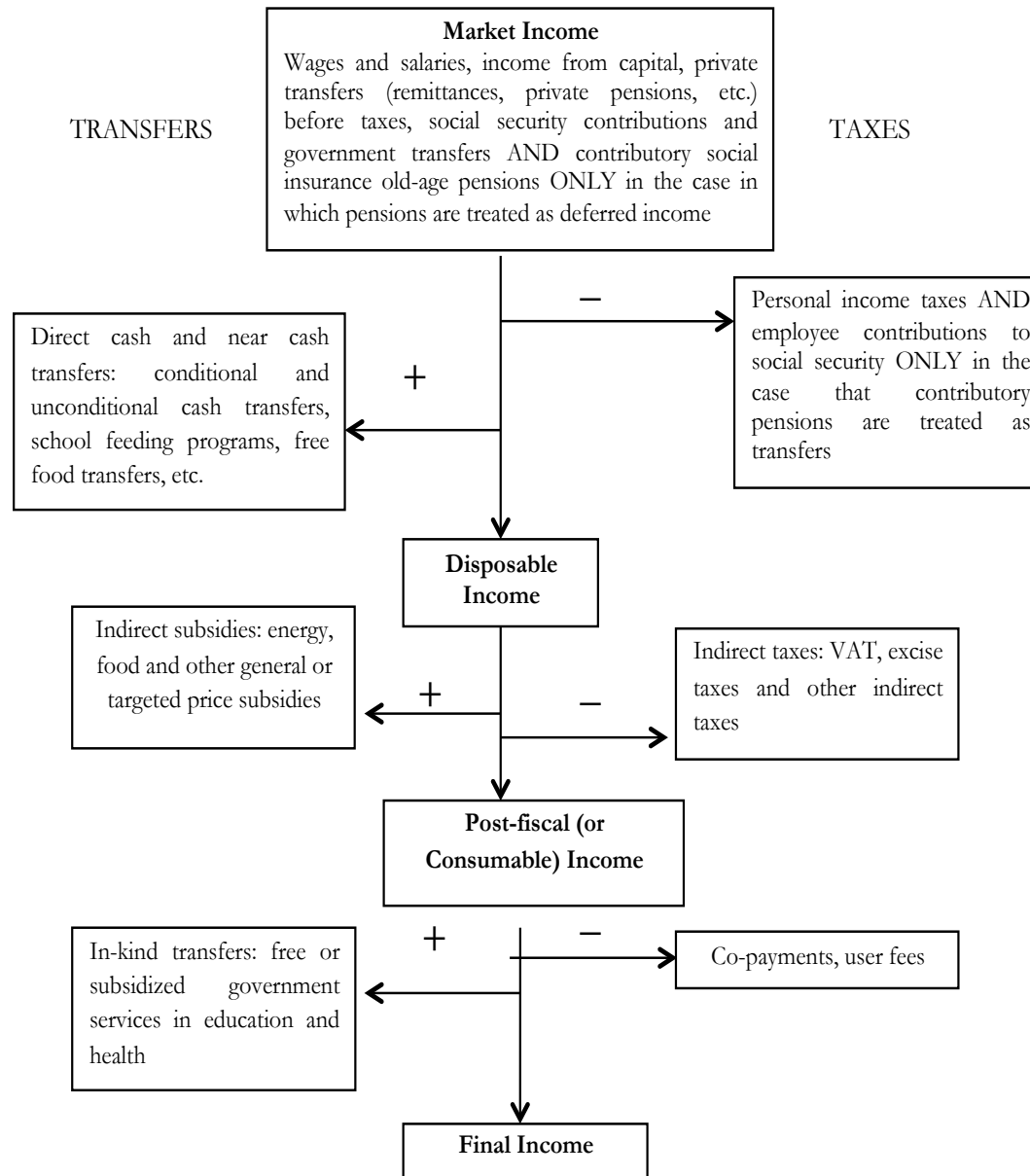
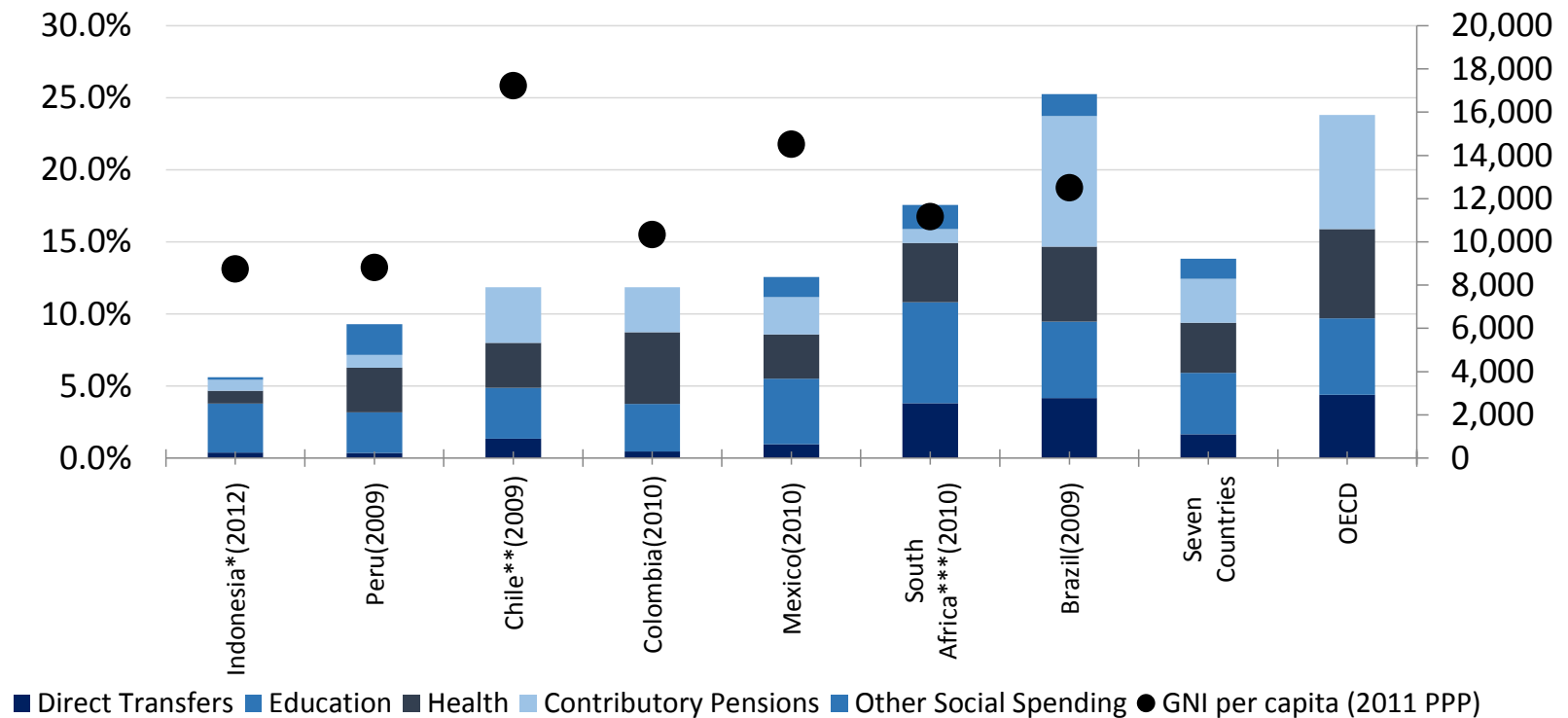


Figure 1: Size and composition of government budgets (circa 2010)

Panel a: Composition of Social Spending as a Share of GDP

(ranked by social spending/GDP)



Panel b: Composition of Total Government Revenues as a Share of GDP
(ranked by total government revenue/GDP)

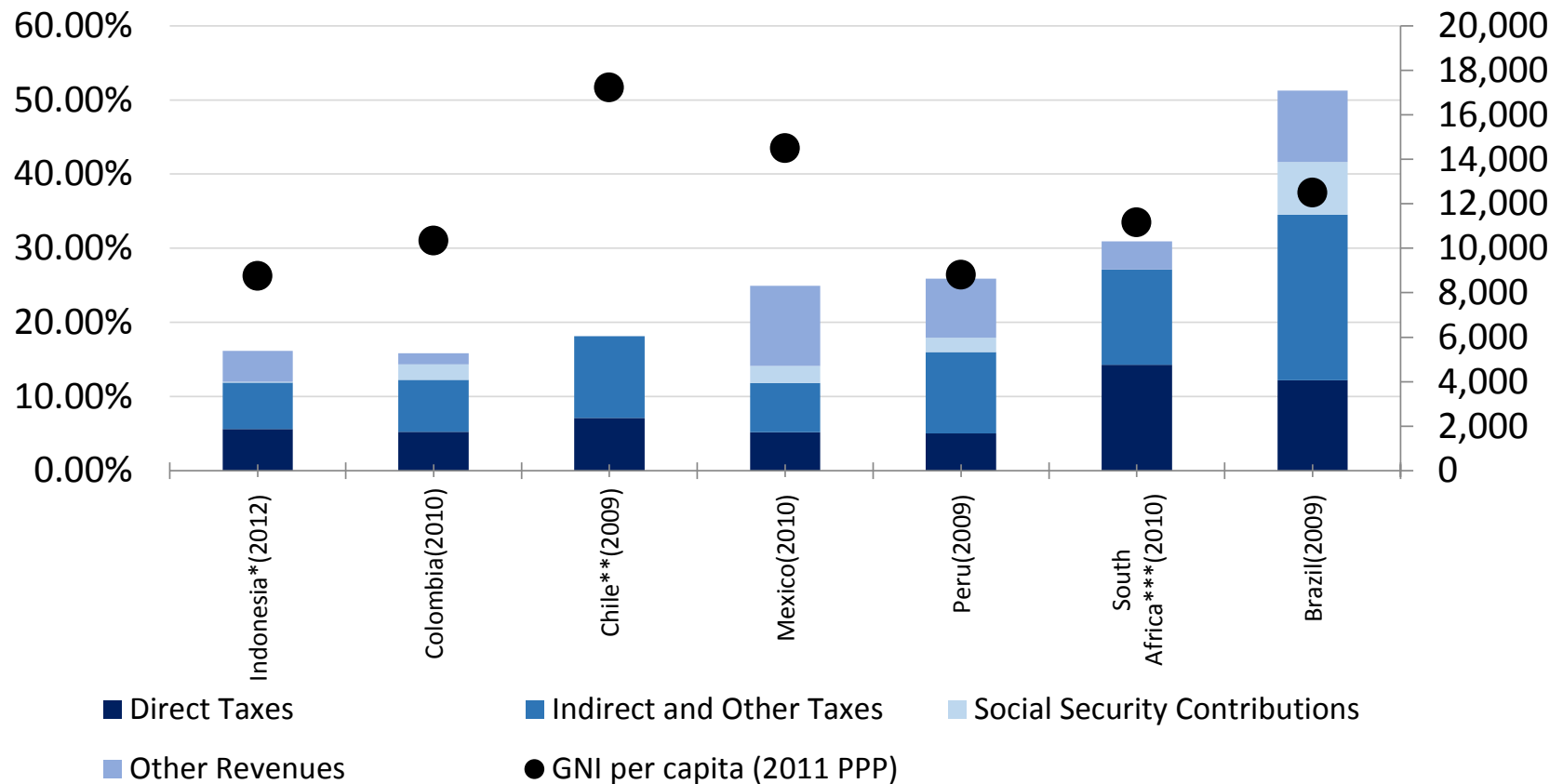
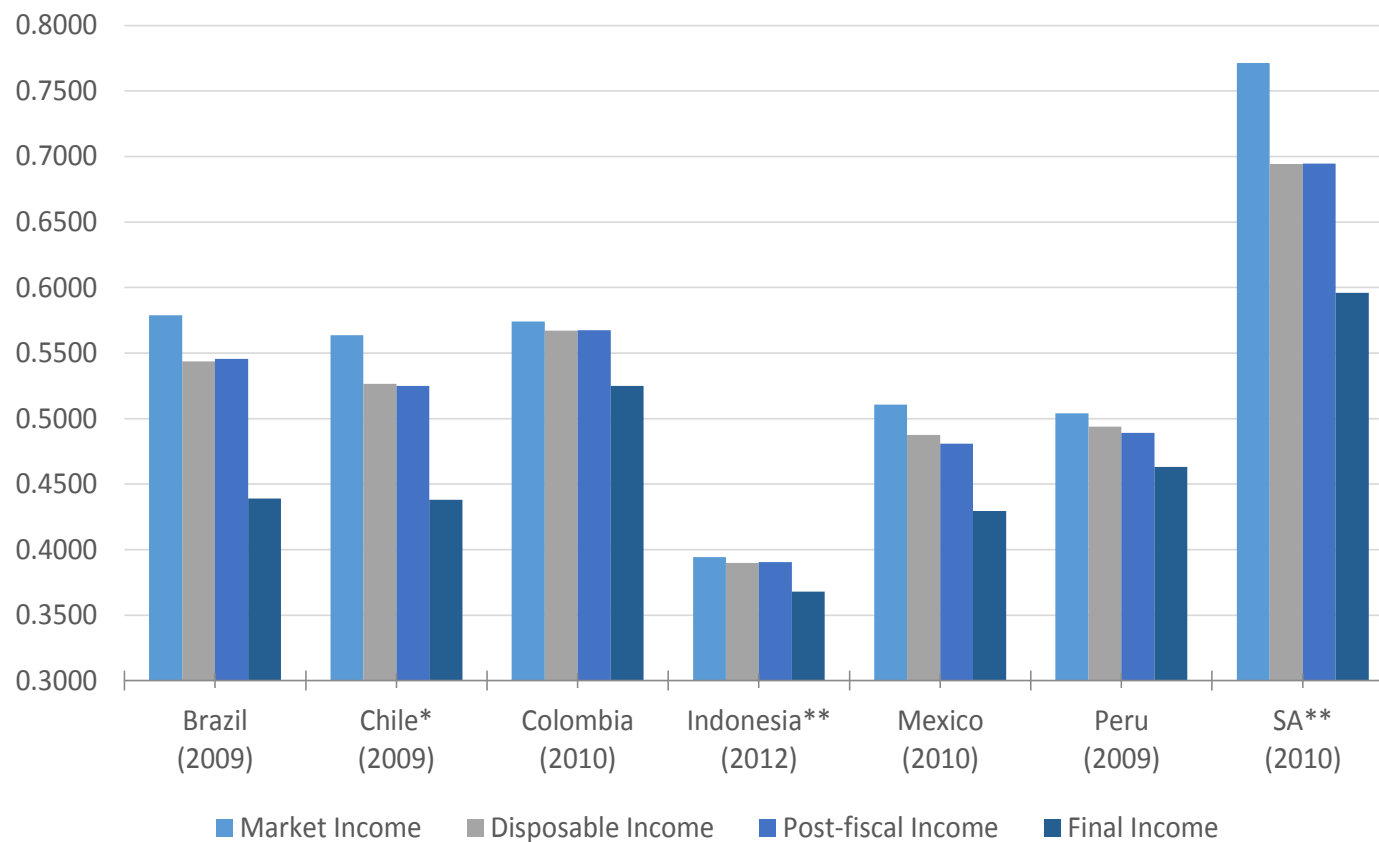


Figure 2: Fiscal Policy and Inequality (circa 2010)
(Gini Coefficient for Market, Disposable, Post-fiscal and Final Income)

Panel a: Pensions in Market Income



Panel b: Pensions as Transfers

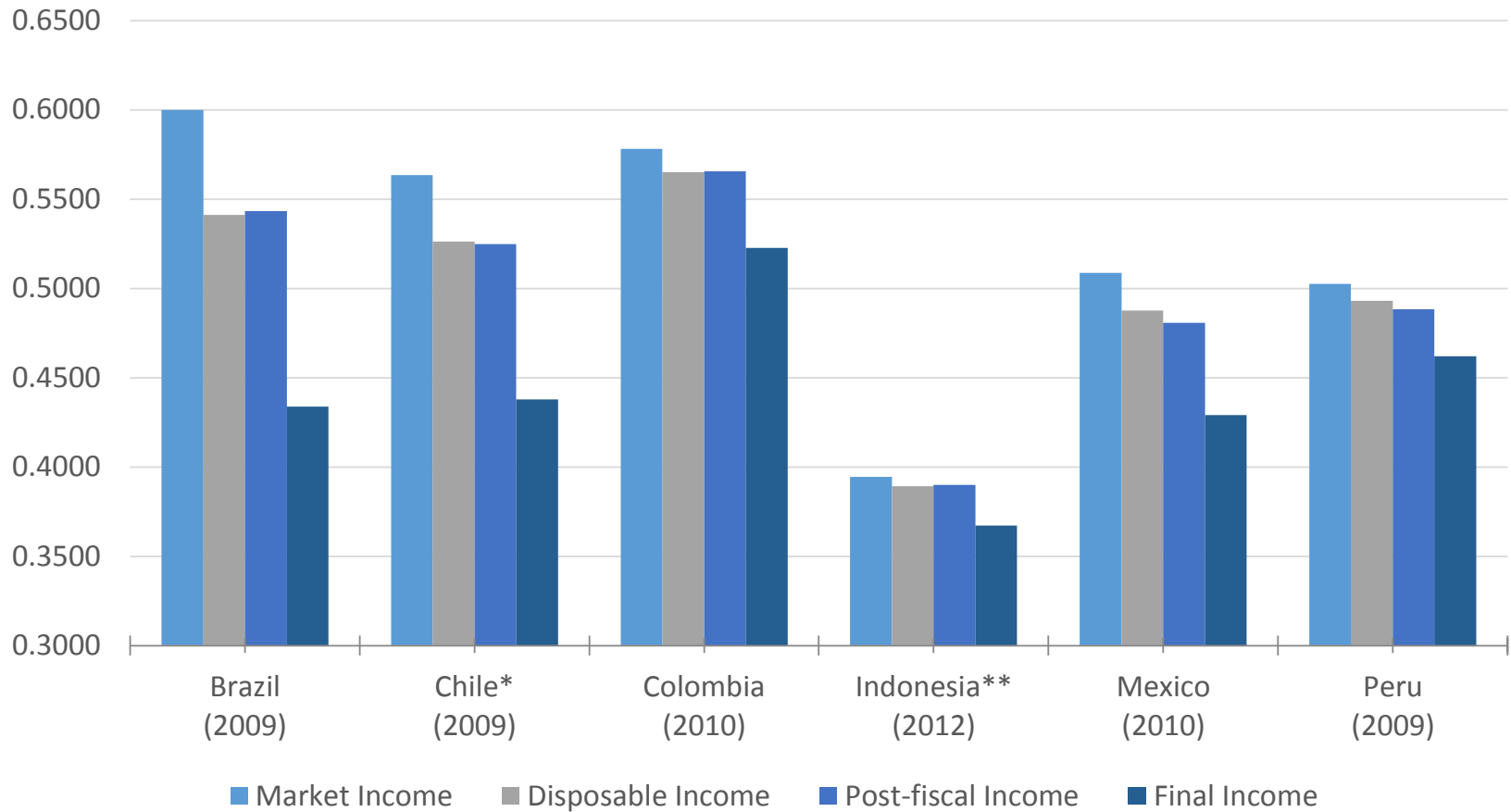
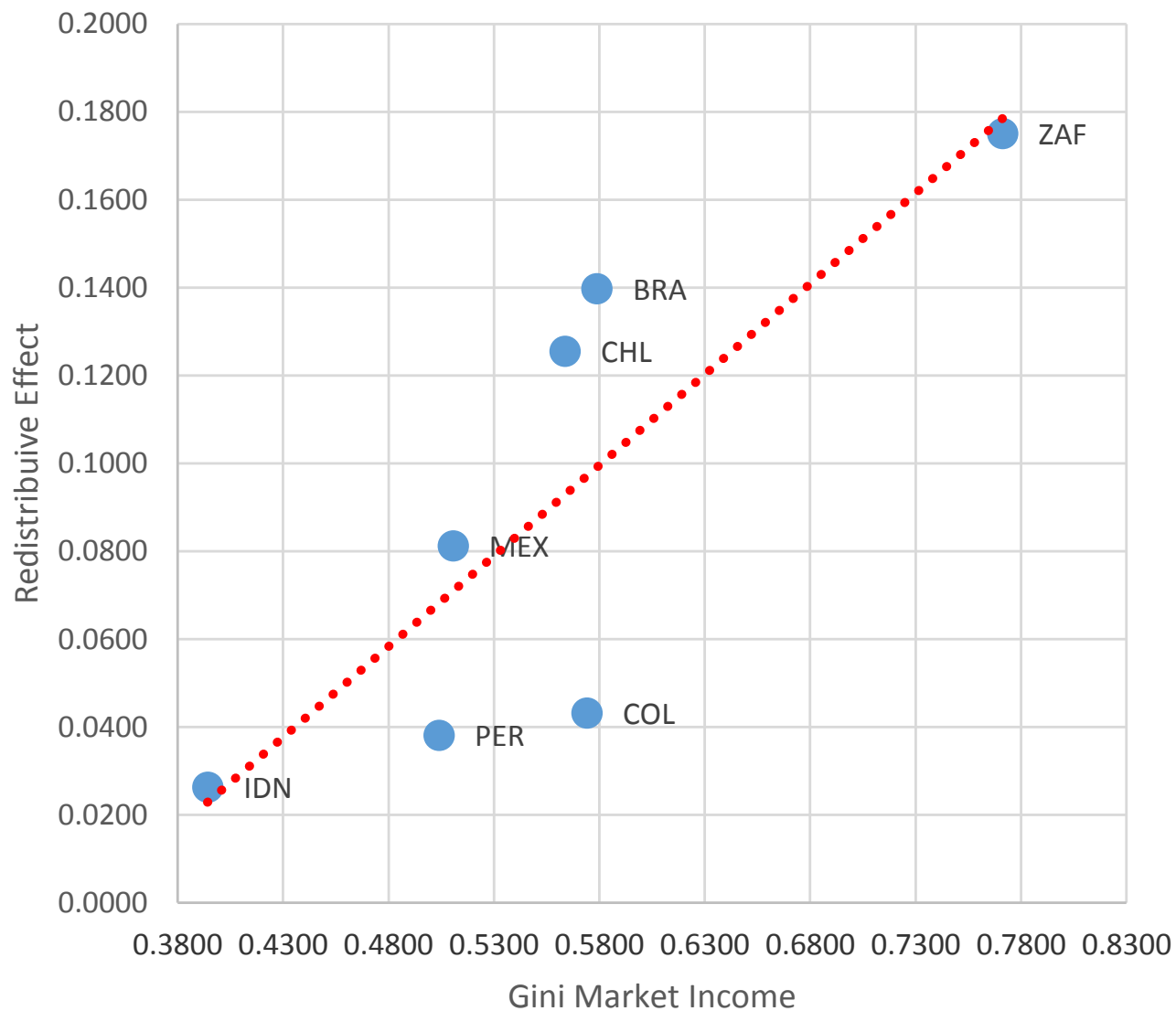


Table 1: Gini Coefficient for Pre-pension and Post-pension Market Income (circa 2010)

	Brazil (2009)	Chile ^a (2009)	Colombia (2010)	Indonesia ^b (2012)	Mexico (2008)	Peru (2009)	South Africa ^c (2010)
Pension as % GDP	9.06%	3.87%	3.14%	0.76%	2.60%	0.90%	0.97%
Gini Market Income w/o Pensions	0.5999	0.5635	0.5781	0.3944	0.5087	0.5025	--
Gini Market Income w/Pensions	0.5788	0.5637	0.5742	0.3942	0.5107	0.5039	0.7712
Change in %	3.6%	-0.04%	0.7%	0.1%	-0.4%	-0.3%	--
Change in pts	0.0211	-0.0002	0.0039	0.0002	-0.0019	-0.0014	--

A. Redistribution and market income inequality



B. Final income inequality and market income inequality

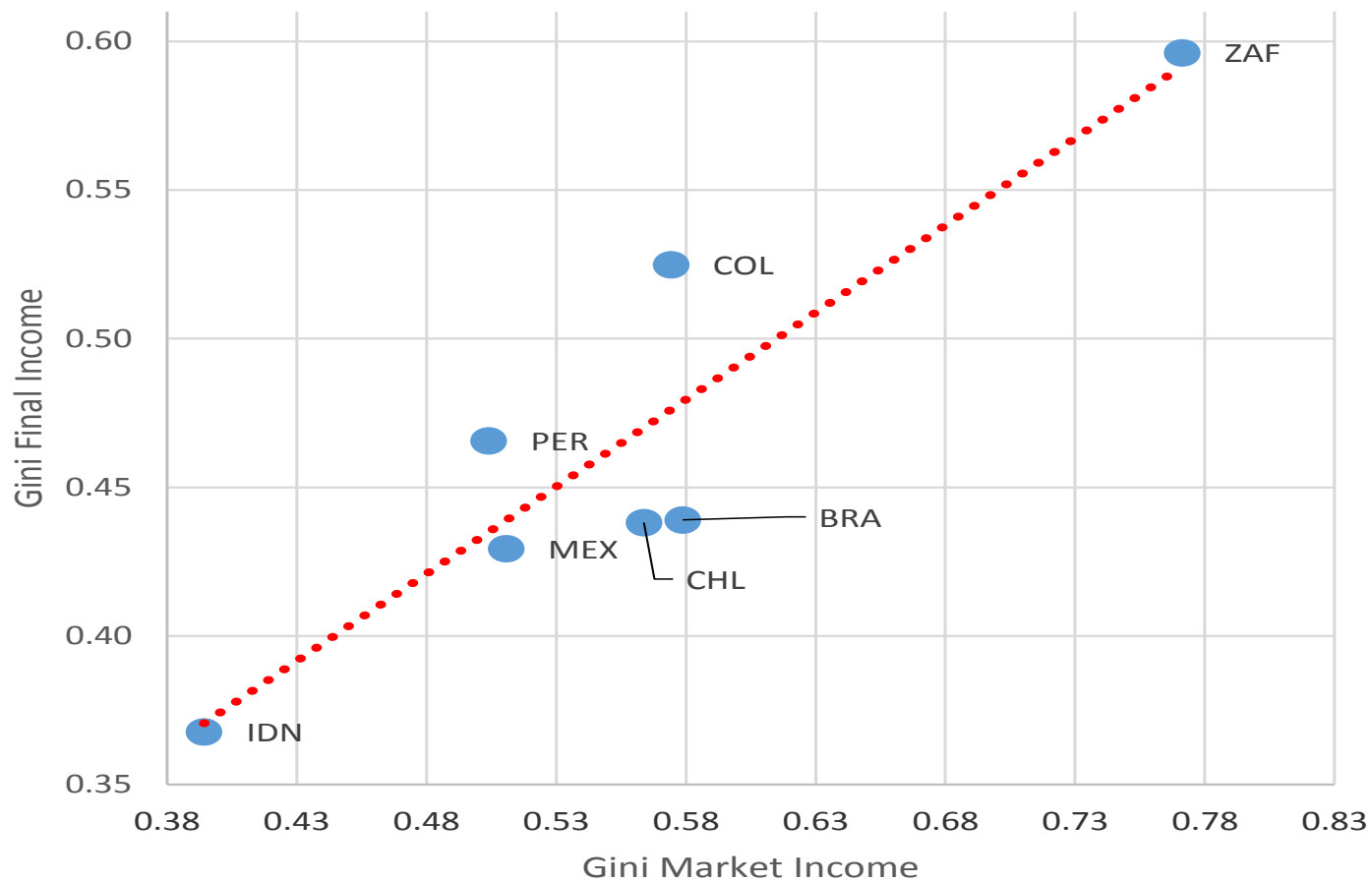
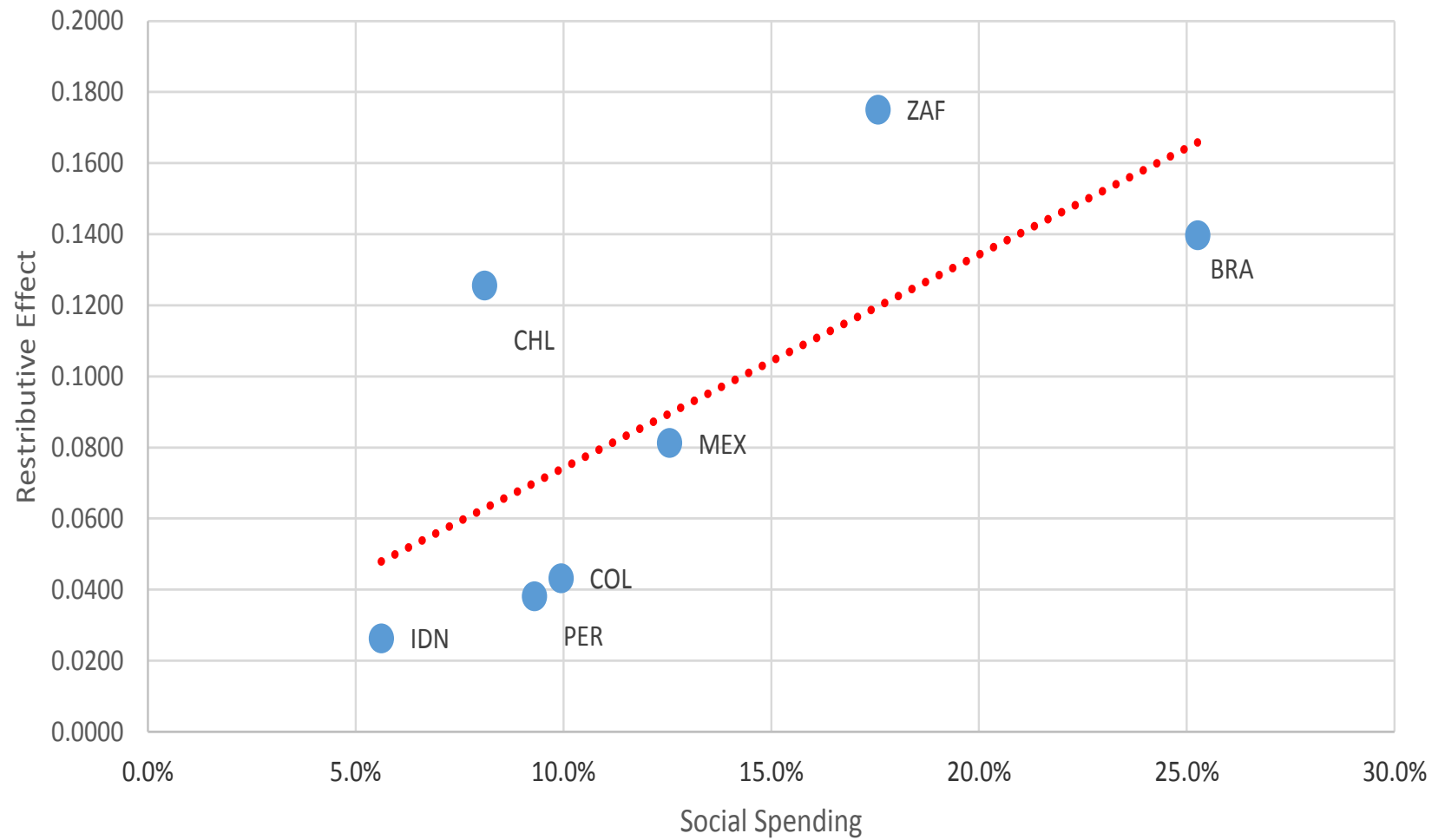
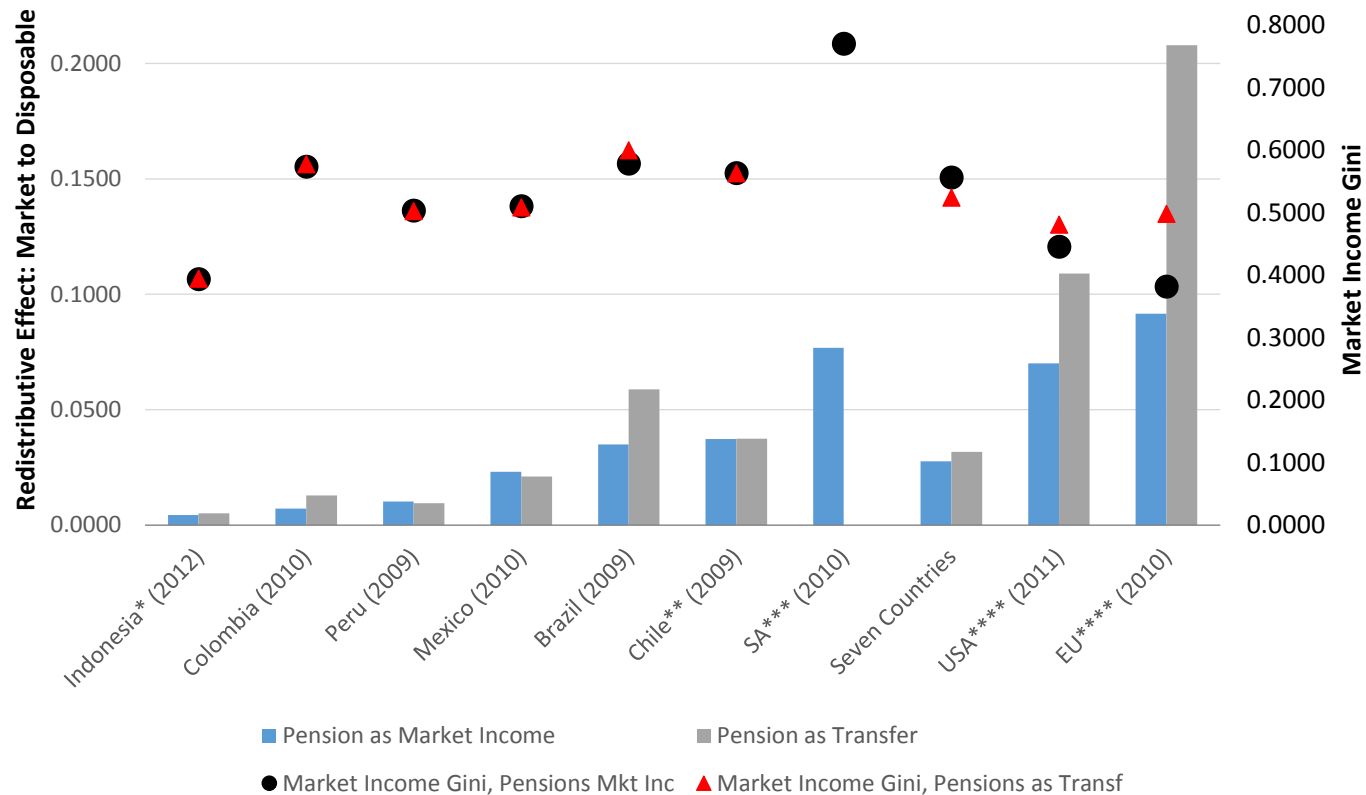


Figure 4. Redistribution and social spending, 2010



Redistributive Effect: Brazil, Chile, Colombia, Indonesia, Mexico, Peru, South Africa EU and the United States

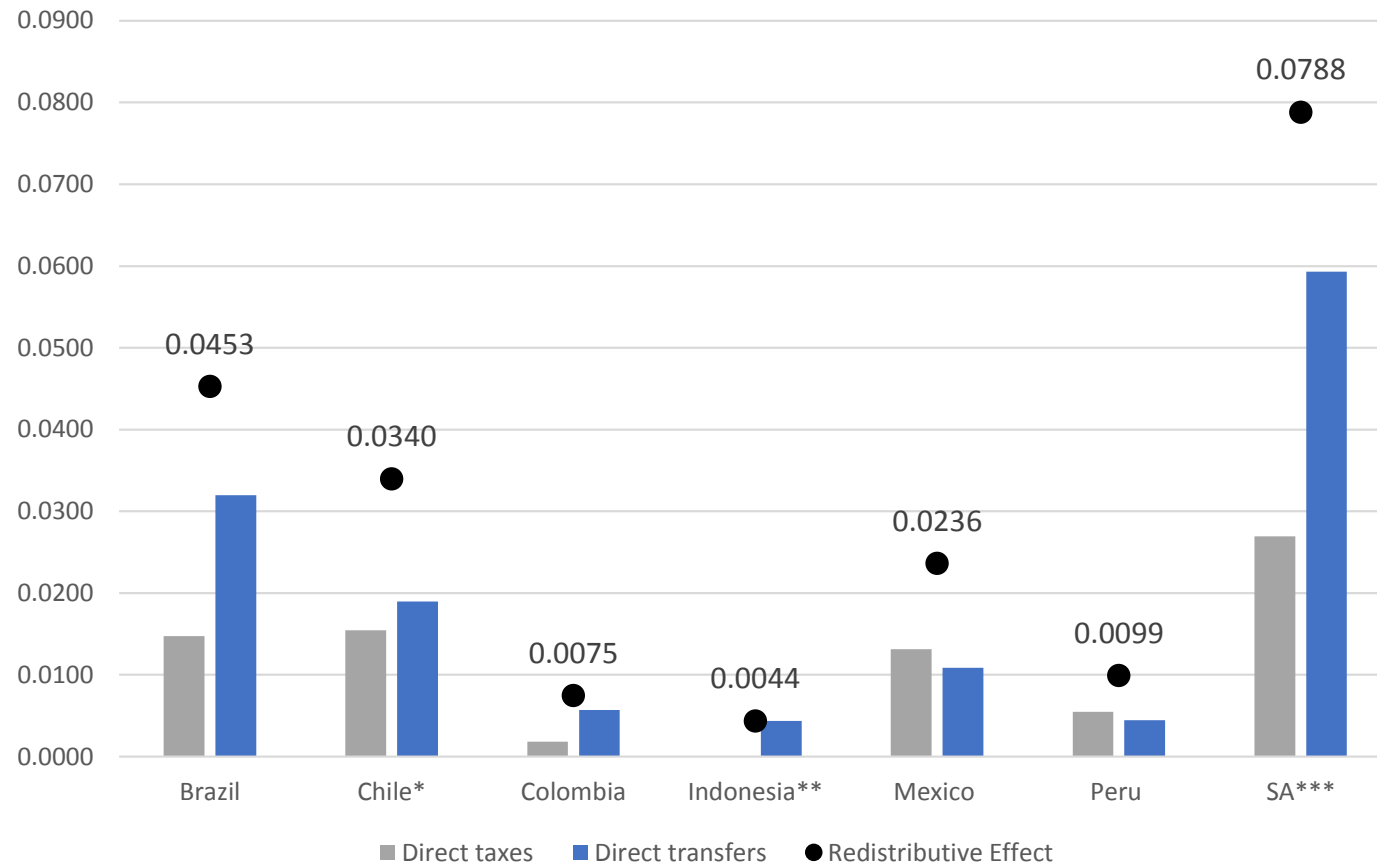
(Change in Gini Points: Market to Disposable Income; circa 2010)



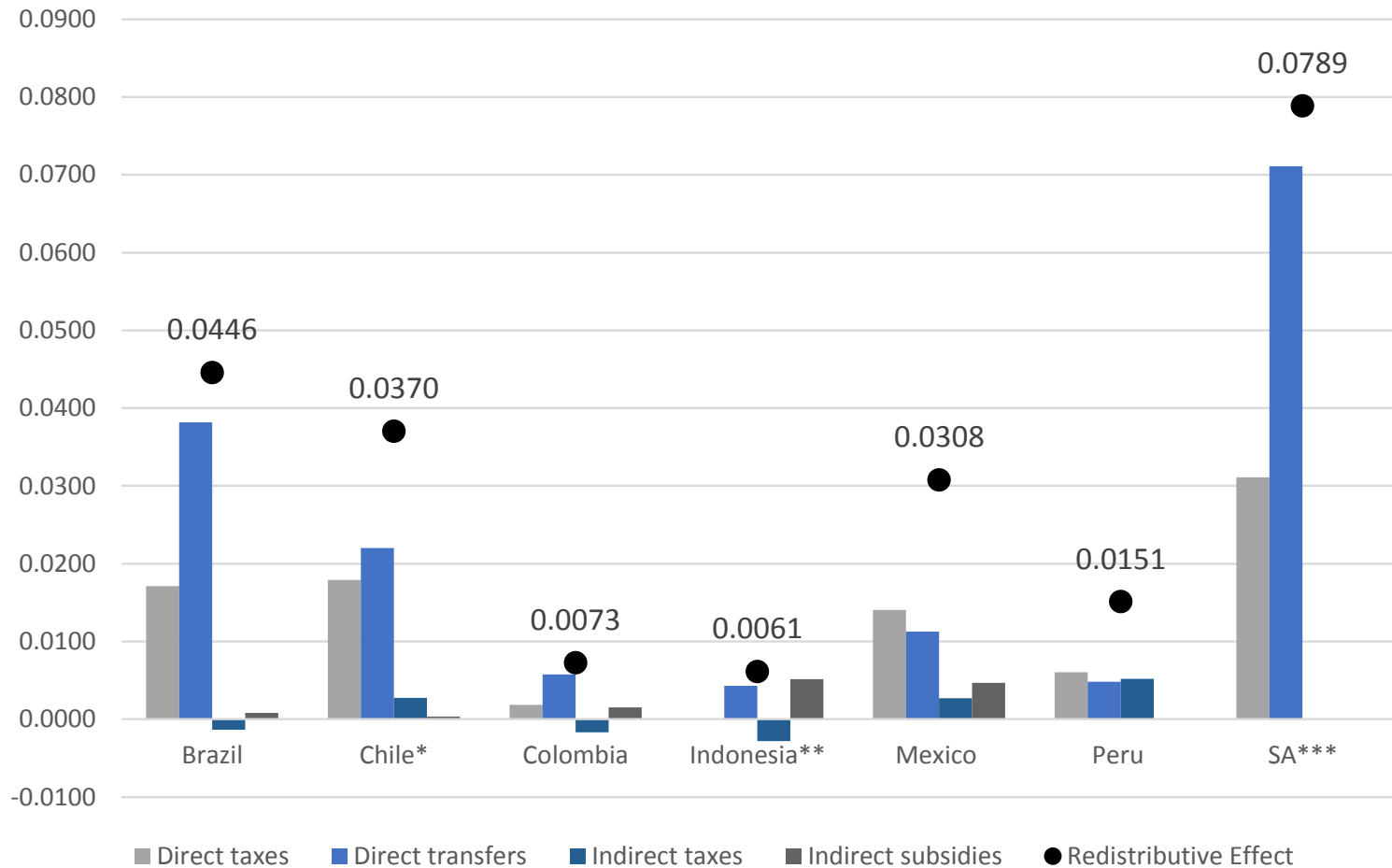
Marginal Contribution of Taxes and Transfers (circa 2010)

(Pensions as Market Income)

Panel a. Redistributive Effect from Market to Disposable

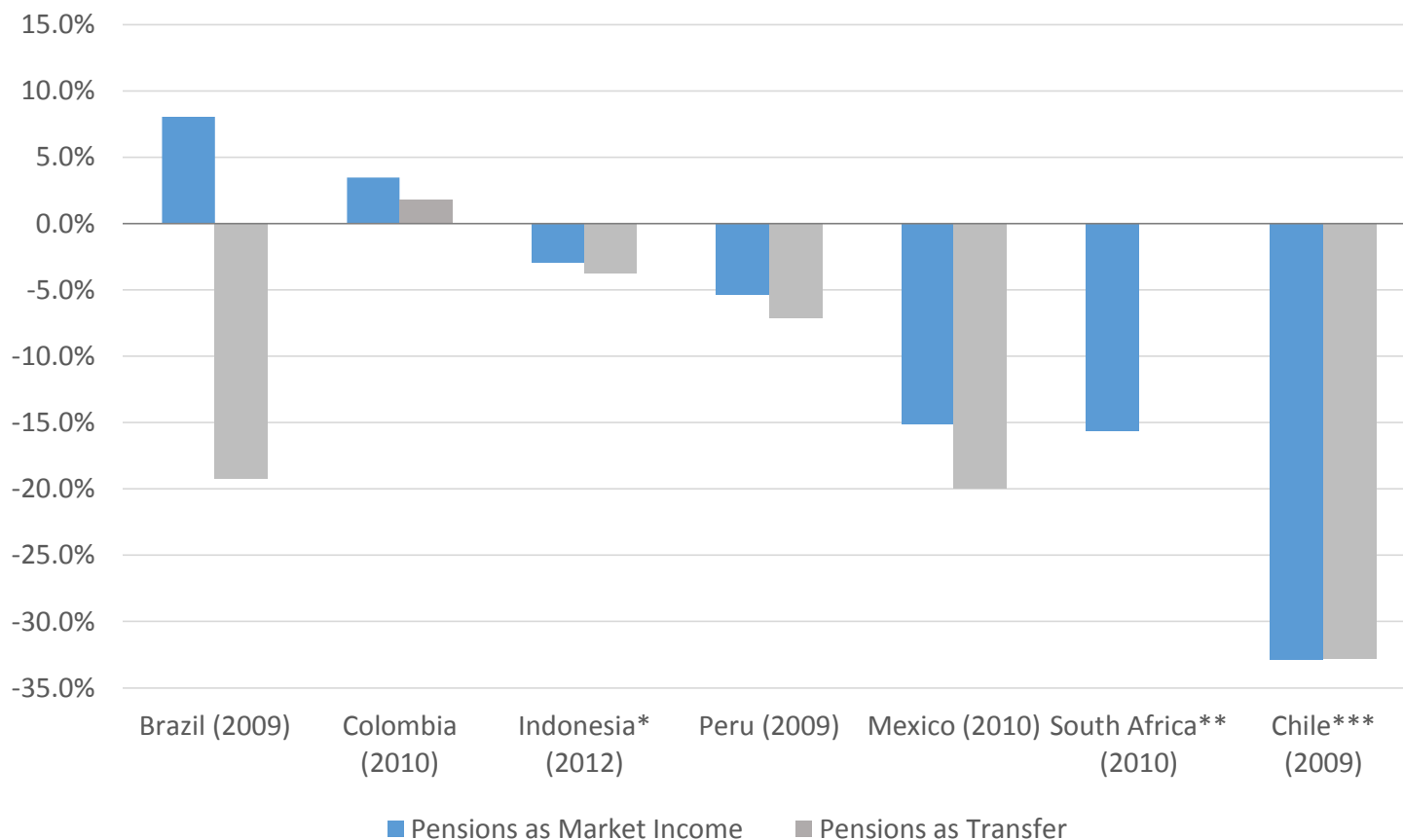


Panel b. Redistributive Effect from Market to Post-Fiscal



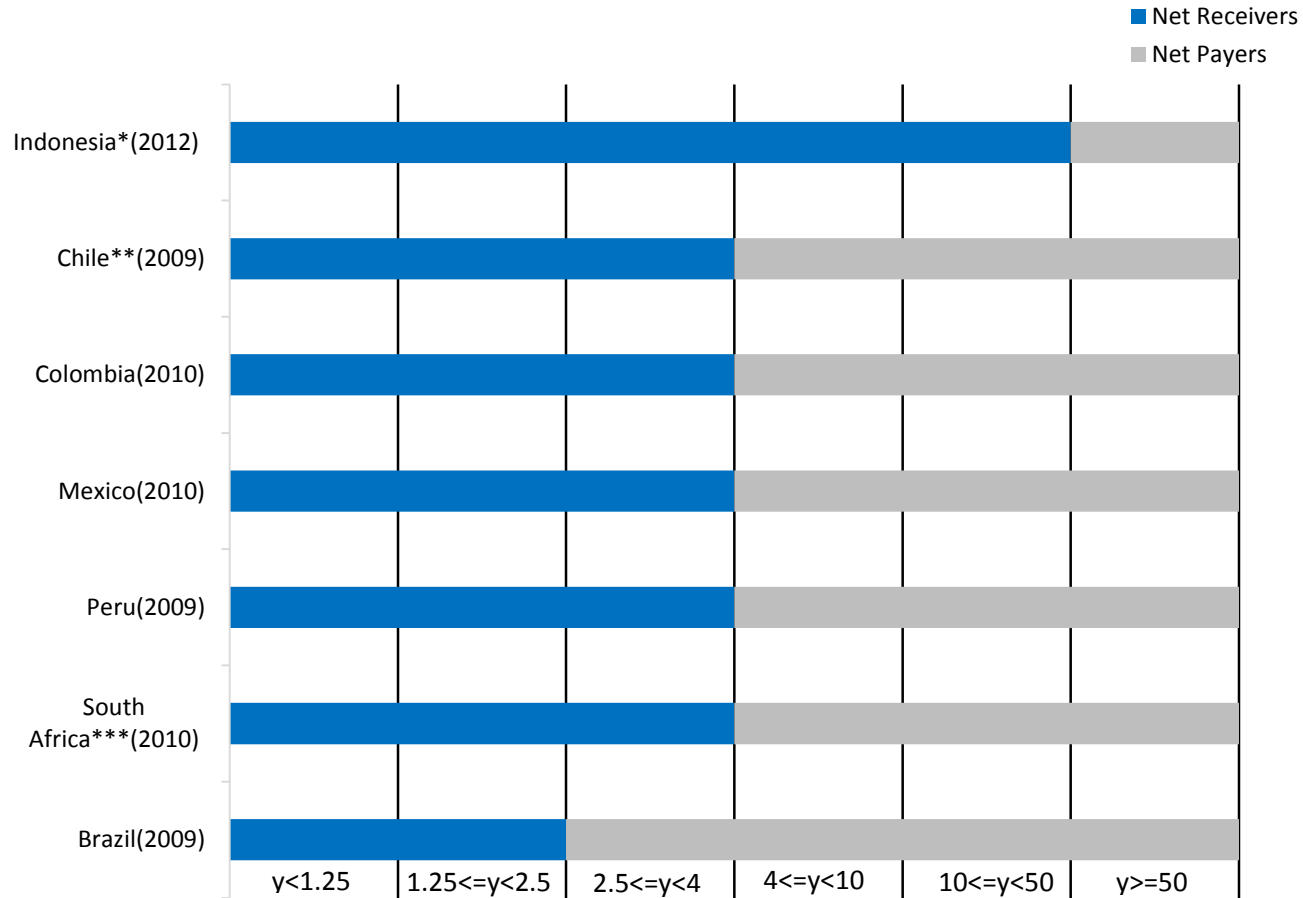
Fiscal Policy and Poverty Reduction (circa 2010)

(Change in Headcount Ratio from Market to Post-fiscal Income for Pensions in Market Income and Pensions in Transfers; in %) ^a



Net Payers to the Fiscal System (circa 2010)

Panel a: Pensions as Market Income



Progressivity and Pro-pooriness of Education and Health Spending. Summary of Results

	Educ Total			Pre-school			Primary			Secondary			Tertiary				Health		
	Pro-poor CC is negative	Same per capita for all; CC =0	Progressive CC positive but lower than market income Gini	Pro-poor CC is negative	Same per capita for all; CC =0	Progressive CC positive but lower than market income Gini	Pro-poor CC is negative	Same per capita for all; CC =0	Progressive CC positive but lower than market income Gini	Pro-poor CC is negative	Same per capita for all; CC =0	Progressive CC positive but lower than market income Gini	Pro-poor CC is negative	Same per capita for all; CC =0	Progressive CC positive but lower than market income Gini	Regressive CC positive AND higher than market income Gini	Pro-poor CC is negative	Same per capita for all; CC =0	Progressive CC positive but lower than market income Gini
Brazil (2009)	+			+			+			+					+		+		
Chile (2009)	+			+			+			+					+		+		
Colombia (2010)	+			+			+			+					+		+		
Indonesia (2012)		+		na			+				+					+			+
Mexico (2010)	+			+			+			+					+			+	
Peru (2009)	+			+			+			+					+				+
South Africa (2010)	+			+			+			+					+		+		

*CC is almost equal to market income Gini coefficient

If the Concentration Coefficient is higher or equal to -0.5 but not higher than 0.5, it was considered equal to 0.

Obrigada