

# **Fiscal Policy for Poverty Reduction, Improved Income Distribution and Human Capital**

**Fiscal Policy Equity and Long Term Growth in Developing Countries**



**Nancy Birdsall**

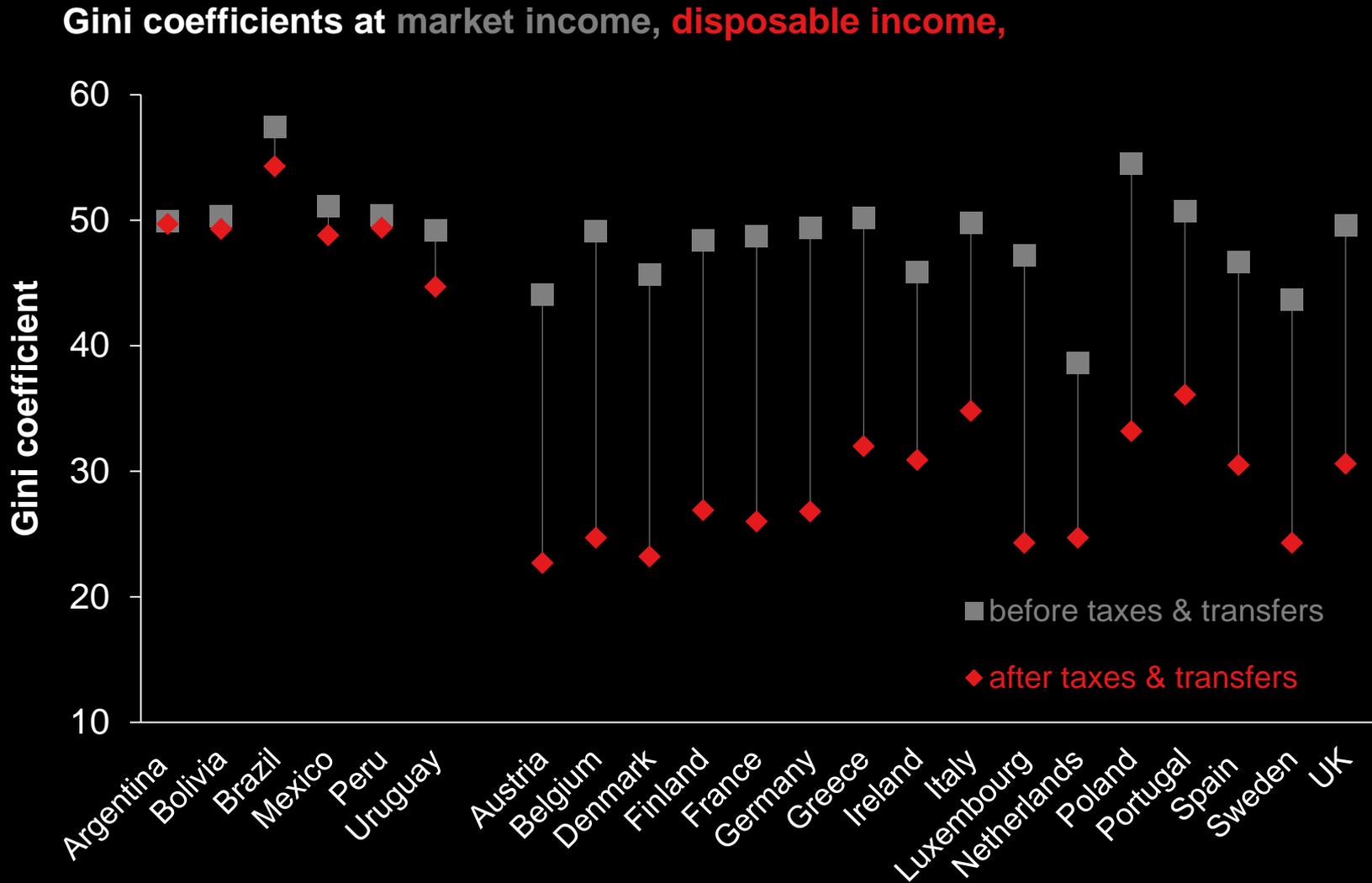
*President, Center for Global Development*

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**IMF HQ2, Washington DC**

April 22, 2013

# Fiscal systems in Latin America don't effectively redistribute

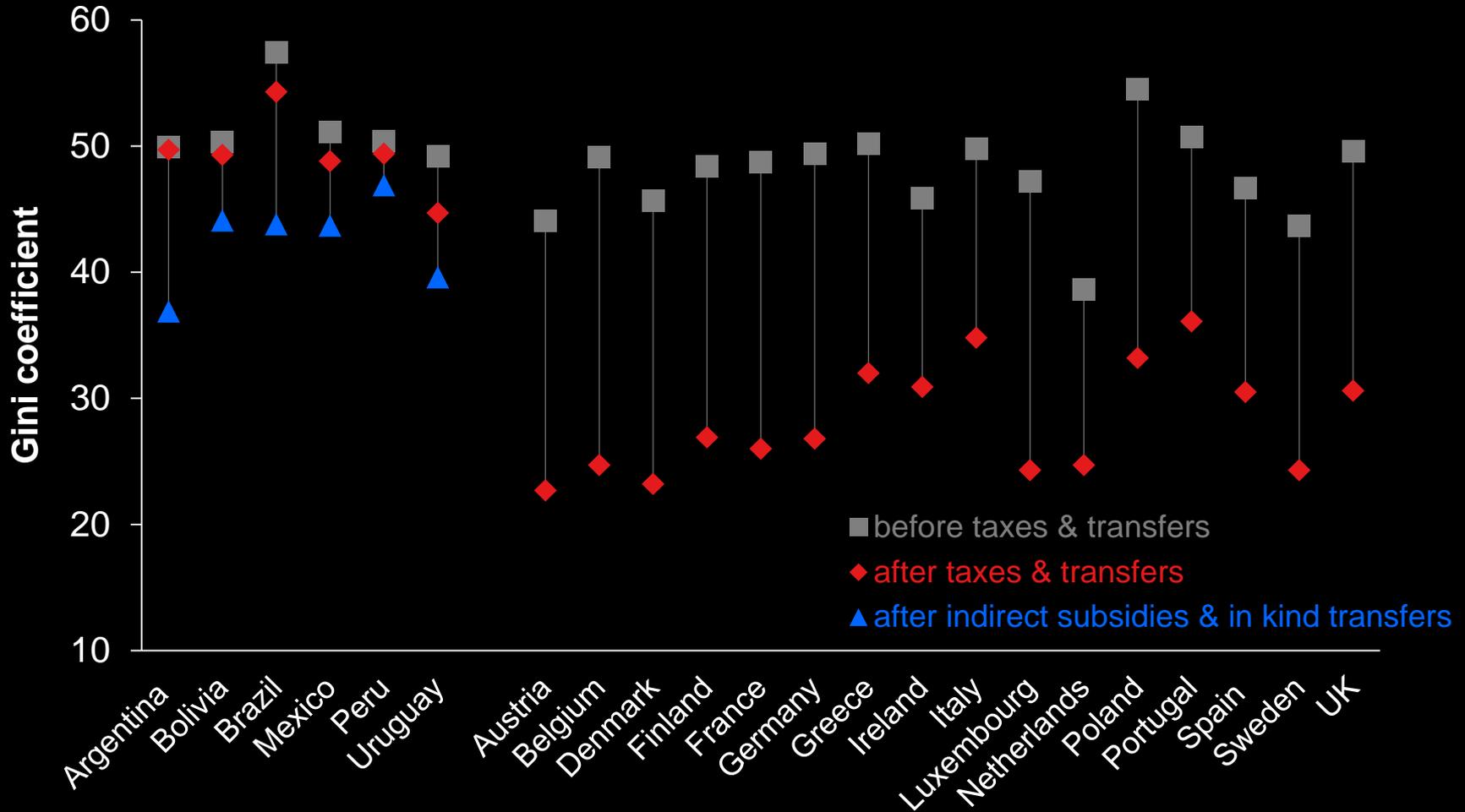


Source: Latin America Data, Lustig Pessino and Scott (2013). Europe Data, OECD (2008)

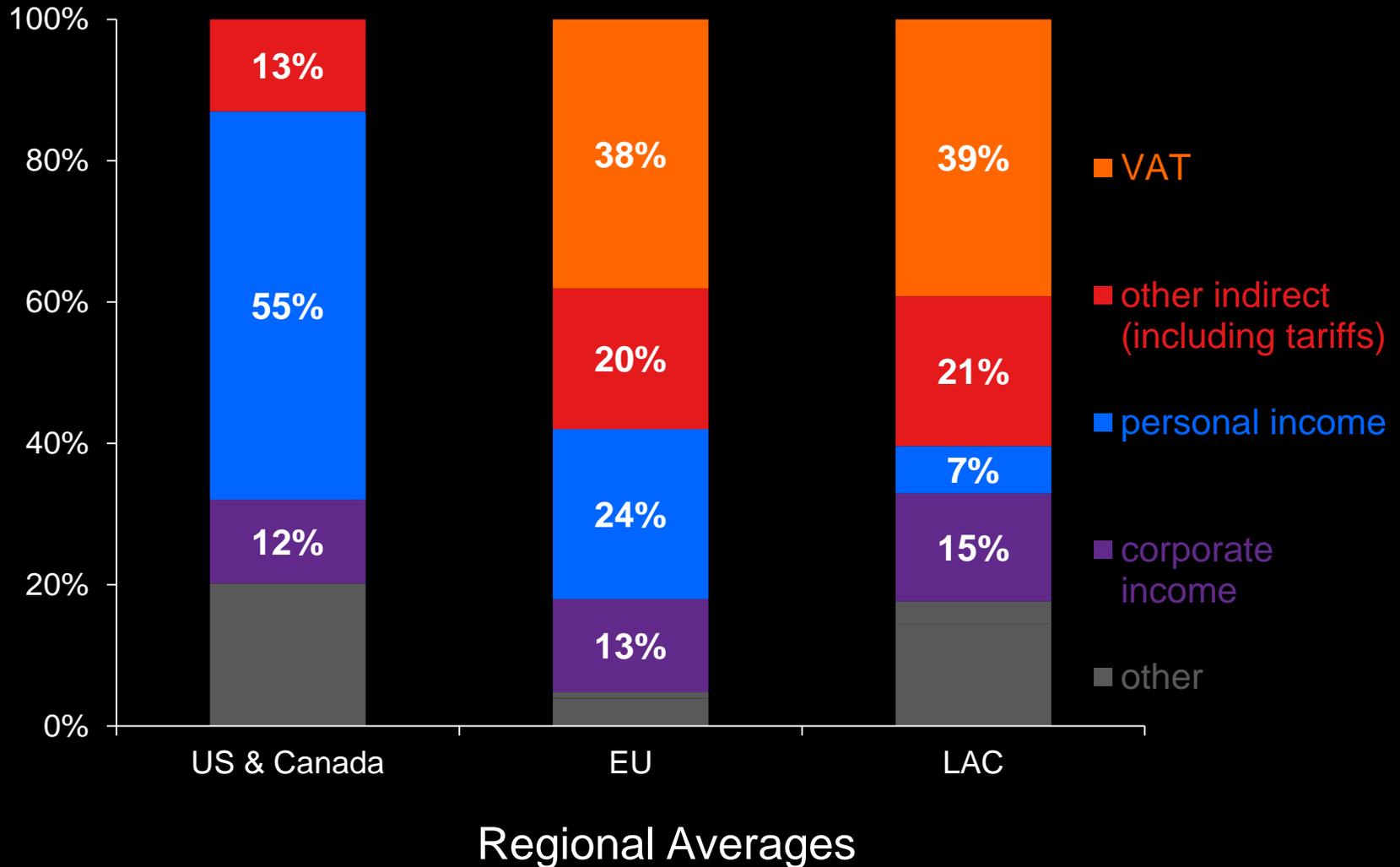
# Fiscal systems in Latin America don't effectively redistribute

## Even accounting for in kind transfers

Gini coefficients at market income, **disposable income**, and **post fiscal income**



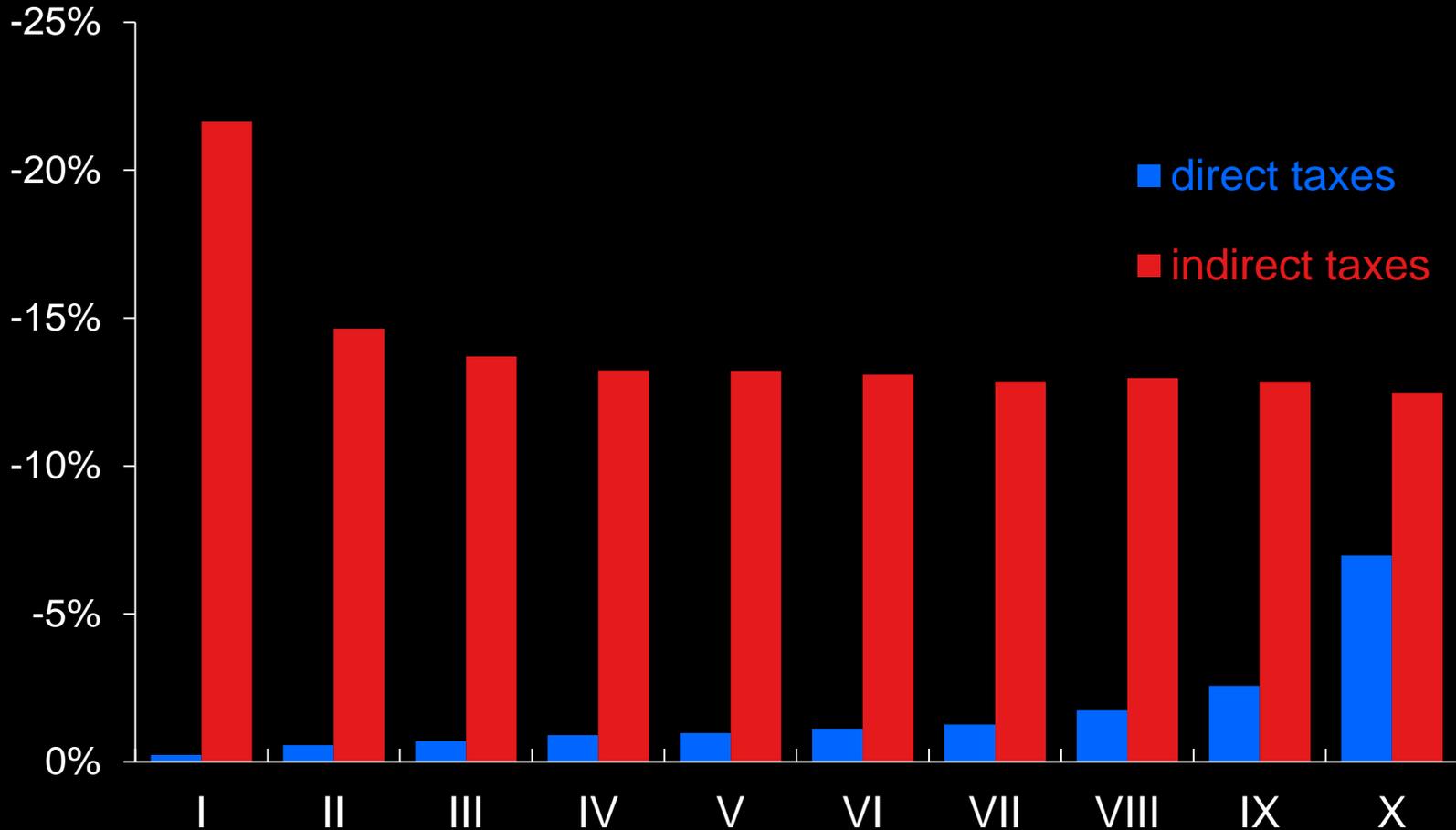
# Share of tax revenue by sources





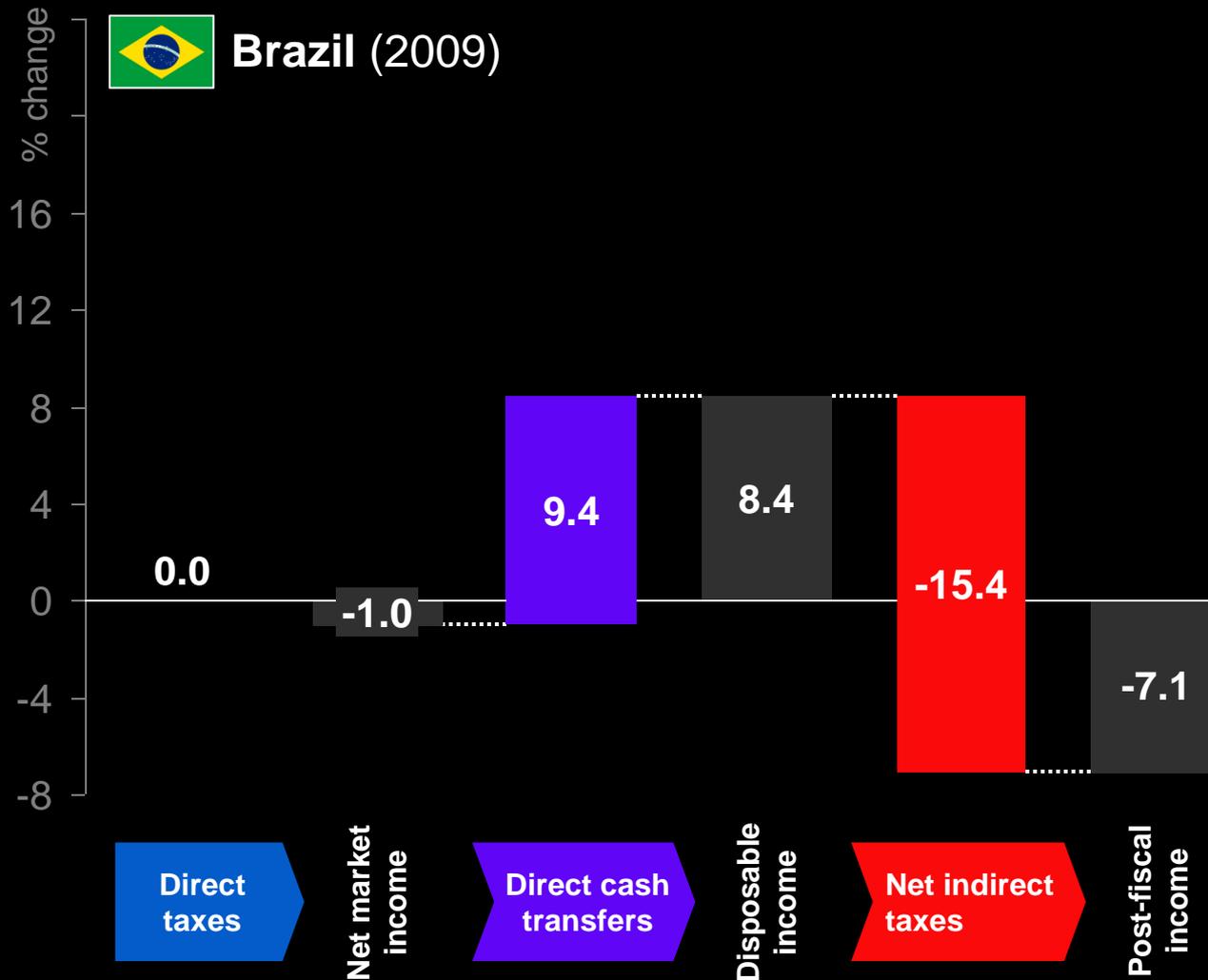
# Brazil income distribution and tax burden

Share of income paid in taxes by income decile



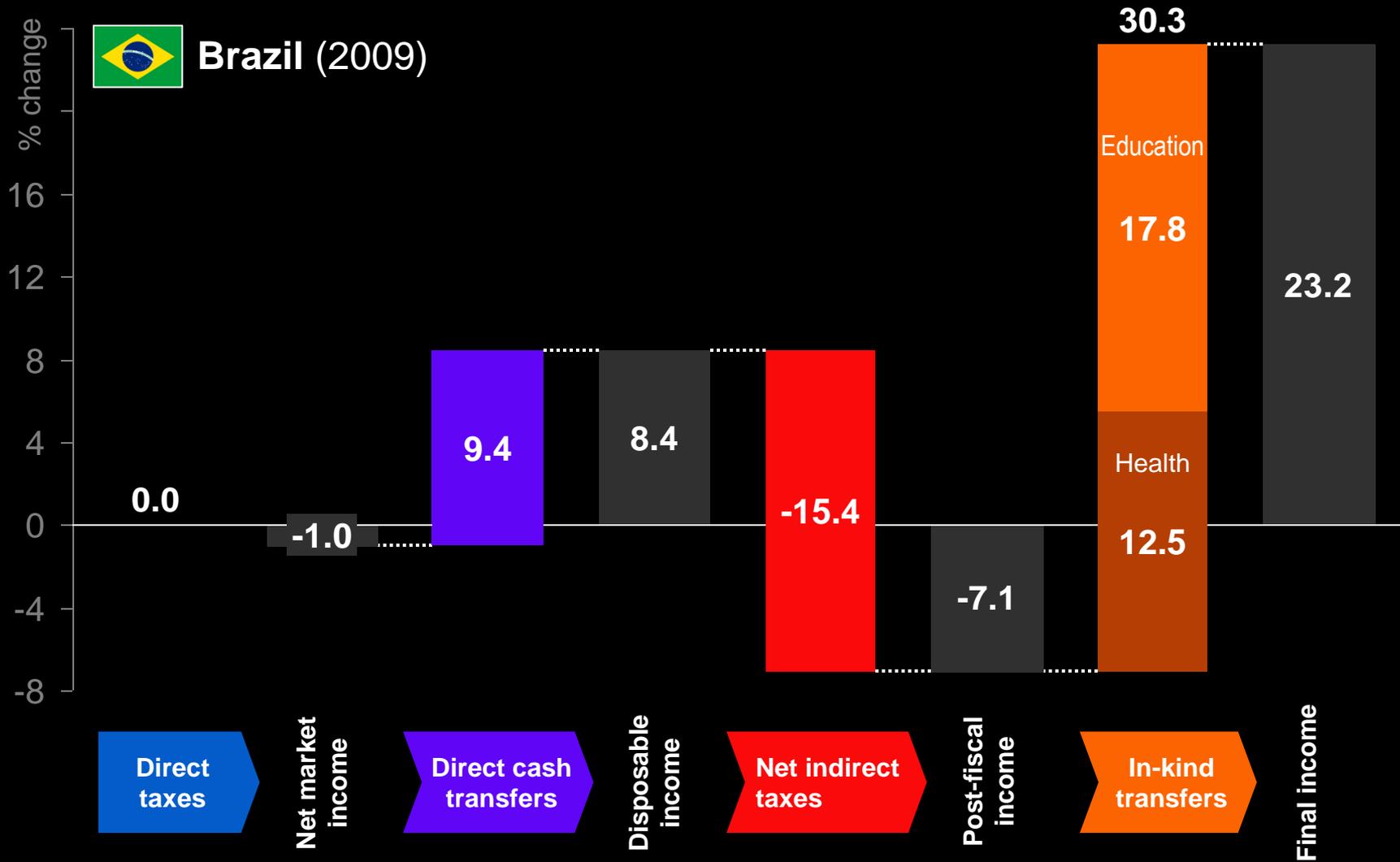
Source: Lustig et al, 2012.

# Nora's fiscal incidence data



Source: Lustig et al, 2012.

# Nora's fiscal incidence data



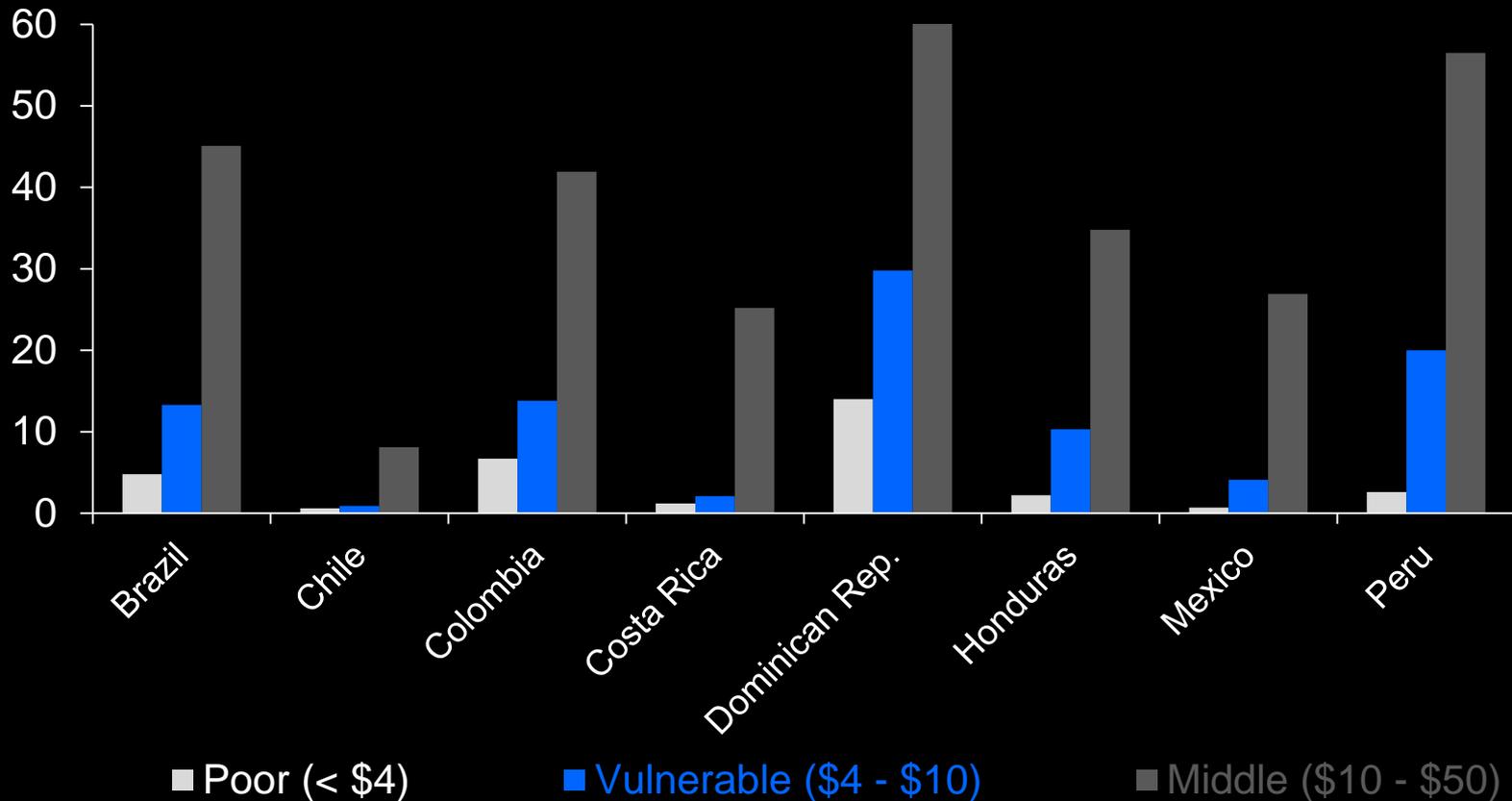
Source: Lustig et al, 2012.

# But the transfers are poor quality – everyone (even the poor) is opting out



## Education

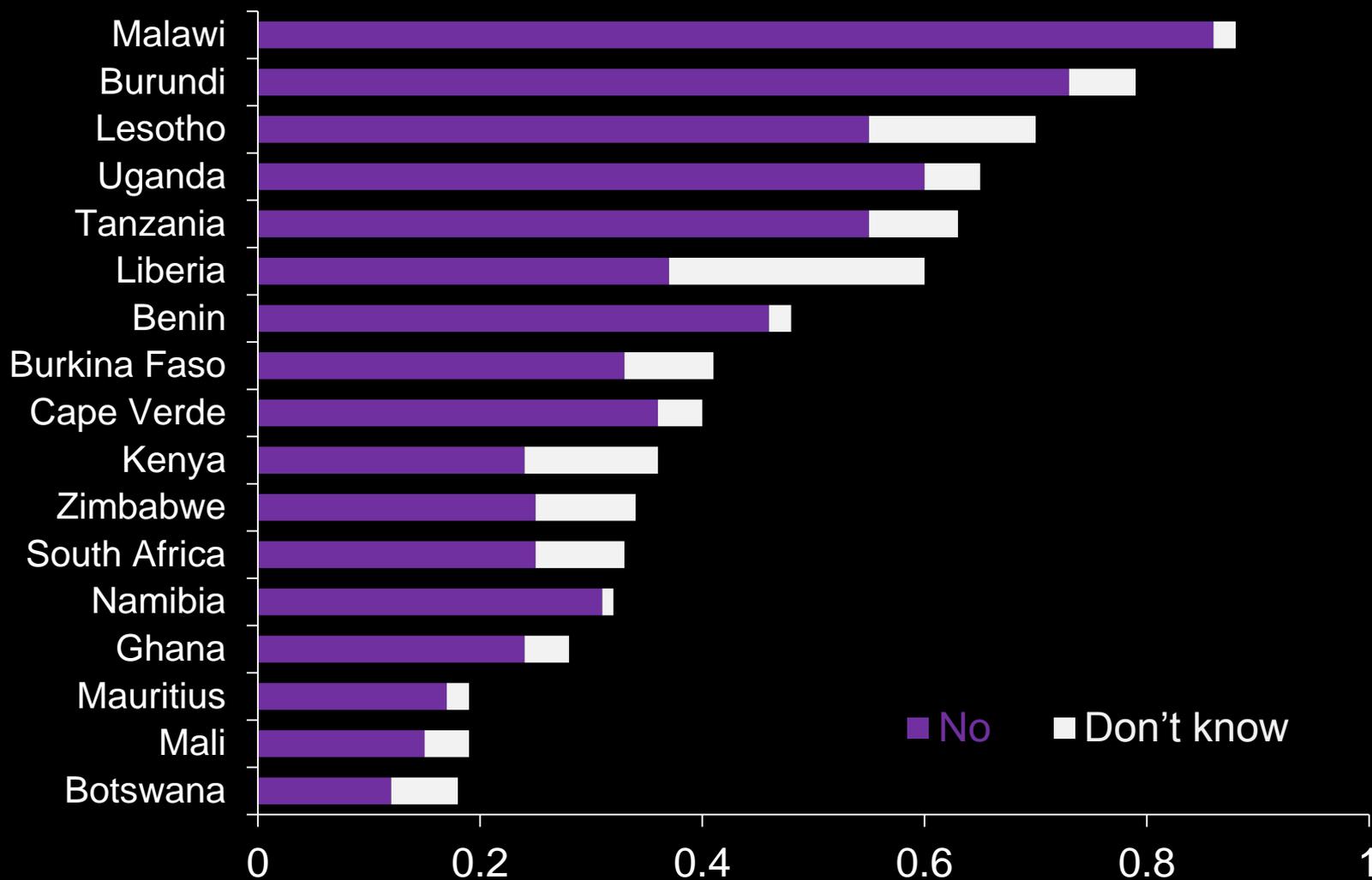
% of students (6–12 years) enrolled in private school



Source: Birdsall, 2012.

# Social Contract – when citizen's don't realize they are being taxed they can't hold the government accountable

Are you required to pay the VAT?





Thank you

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