Reducing poverty and inequality has become the major objective of public policies in developing countries.

State fiscal policy and public spending are now seen as instruments to be used to reduce poverty and/or redistribute revenues.

But in a context of limited financial resources in these countries, decisions must be made about which sectors are to benefit from greater public expenditure.

It is therefore important to identify the sectors for which public spending by the State will lead to a significant reduction in poverty and inequality.

State public spending is financed partly from the resources that the Government collects from households in the form of taxes.

For households, paying taxes to the State reduces income and purchasing power. It must therefore be ensured that tax collection by the State does not exacerbate inequalities or result into a great deterioration in the living conditions of vulnerable households.

The main focus of this paper is to examine how taxes and budget expenditures in Mali redistribute resources among the various welfare quantiles.

It presents a fiscal incidence analysis using the CEQ methodology to assess how taxes and spending distribute resources among the various income deciles in Mali.

The data used come from the latest Integrated Survey on Agriculture (Enquête Agricole de Conjoncture Intégrée, EACI), from 2014/15, and the national budget for 2014.

Figure 1: Income Concepts in the CEQ Methodology

Malian’s direct taxes are among the most progressive.

Indirect taxes and the overall tax system are progressive.

Figure 2a: Incidence by market income deciles and concentrations by decile.

Figure 2b: Kakwani Index of Direct taxes for selected countries.

Table 3: Gains to the poor

From market income to disposable income
Fiscal Gain to Poor 4.58%
7.61%
23.57%

Table 4: Marginal contributions to Gini index of different fiscal interventions

• We analyzed the incidence of 61 percent of total tax revenue and 30 percent of general government expenditures.

• Results show that the fiscal system is progressive in Mali. However, Fiscal policy has a limited effect on the distribution of revenue in Mali and a negative impact on poverty. The fiscal system reduces the Gini index by only 5.3 percent (0.026 points) and results in a 14 percent rise or 5.68 percentage points in the poverty rate from market to final income.

• Indirect taxes have a strong impoverishing effect on the population and also have a negative impact in terms of reducing inequality.

• The fiscal impoverishment rate (44.5 percent) from market income to consumable income of poor individuals who became poor is 6.92%.

• The fiscal impoverishment rate (44.5 percent) from market income to consumable income of non-poor individuals who became poor is 7.22%.

Table 1: Poverty and Inequality Indices for different income concepts

Table 2: Fiscal Impoverishment (FI) due to fiscal policy

Table 3: Gains to the poor

Figure 3: Concentration coefficients of public spending

Figure 4: FI index for various countries