

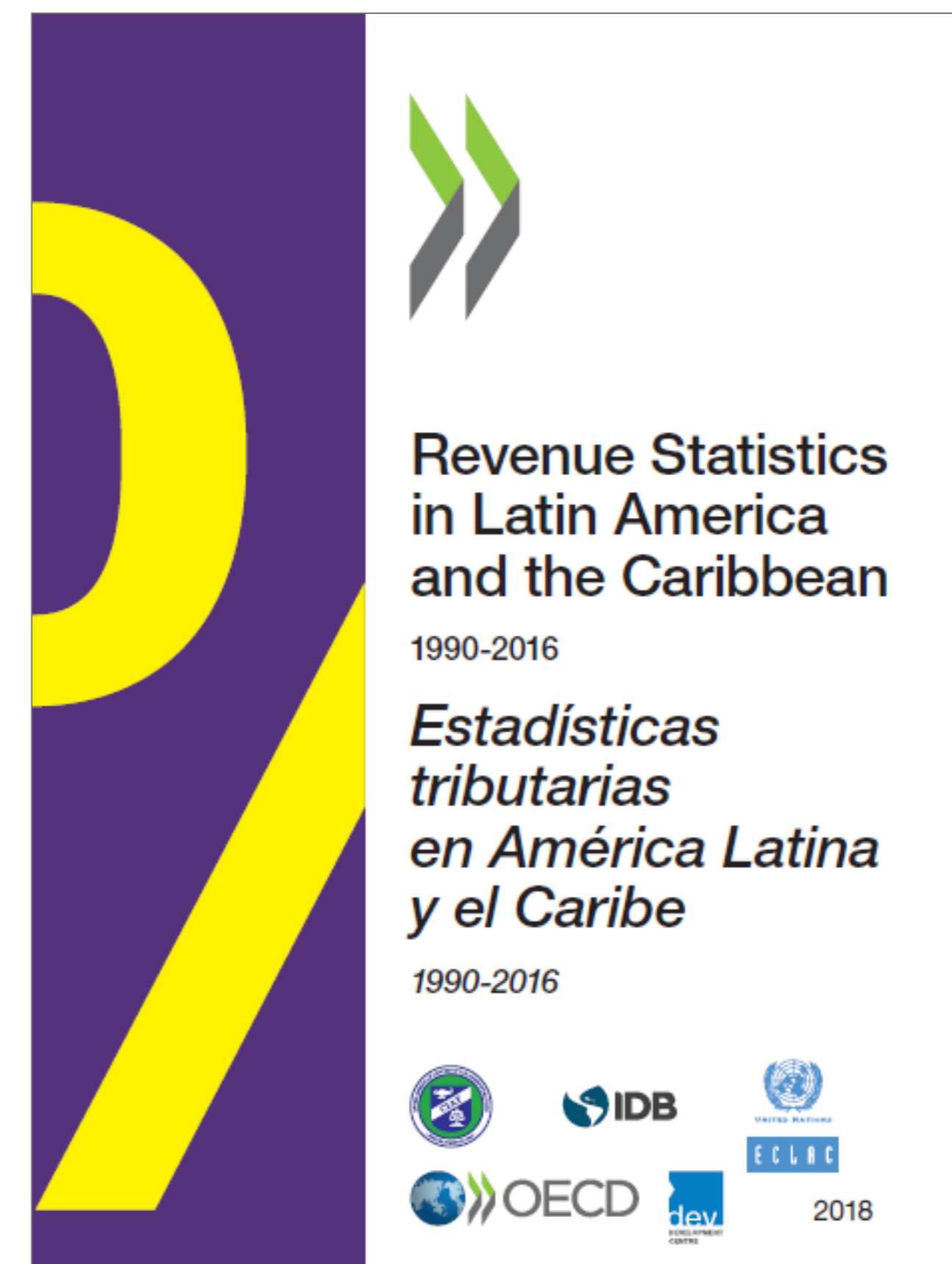
Latin America healthcare system overview: A comparative analysis of fiscal space in healthcare
LSE Workshop

Panel Discussion: Reflections on Sin Taxes and Fiscal Space in Latin America

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March 6th, 2020

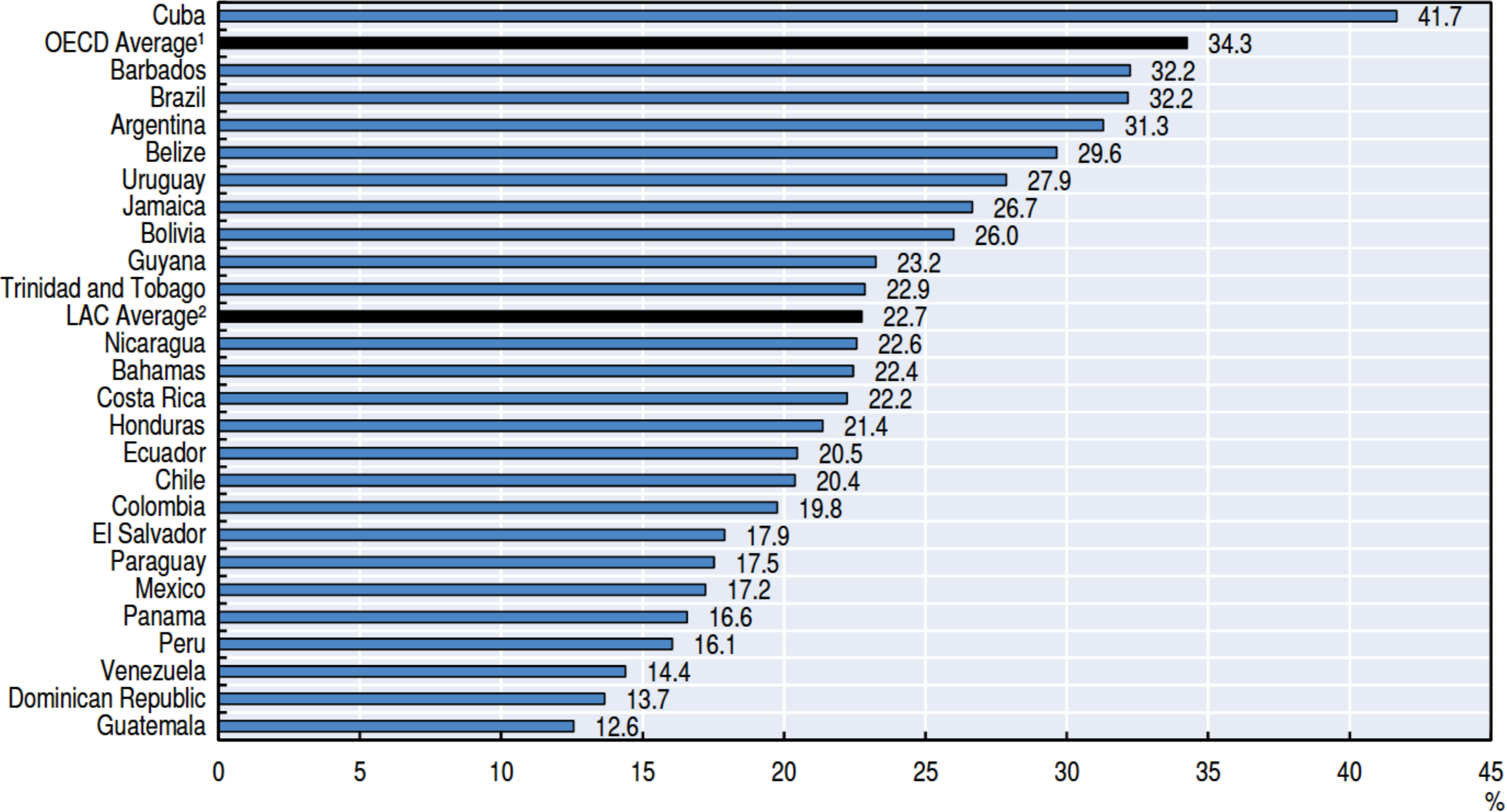
Key considerations in the context of LAC countries

1. Revenue capacity / effective tax rate
2. Prioritization of health
3. Fungibility of earmarked taxes



1. Revenue capacity / effective tax rate

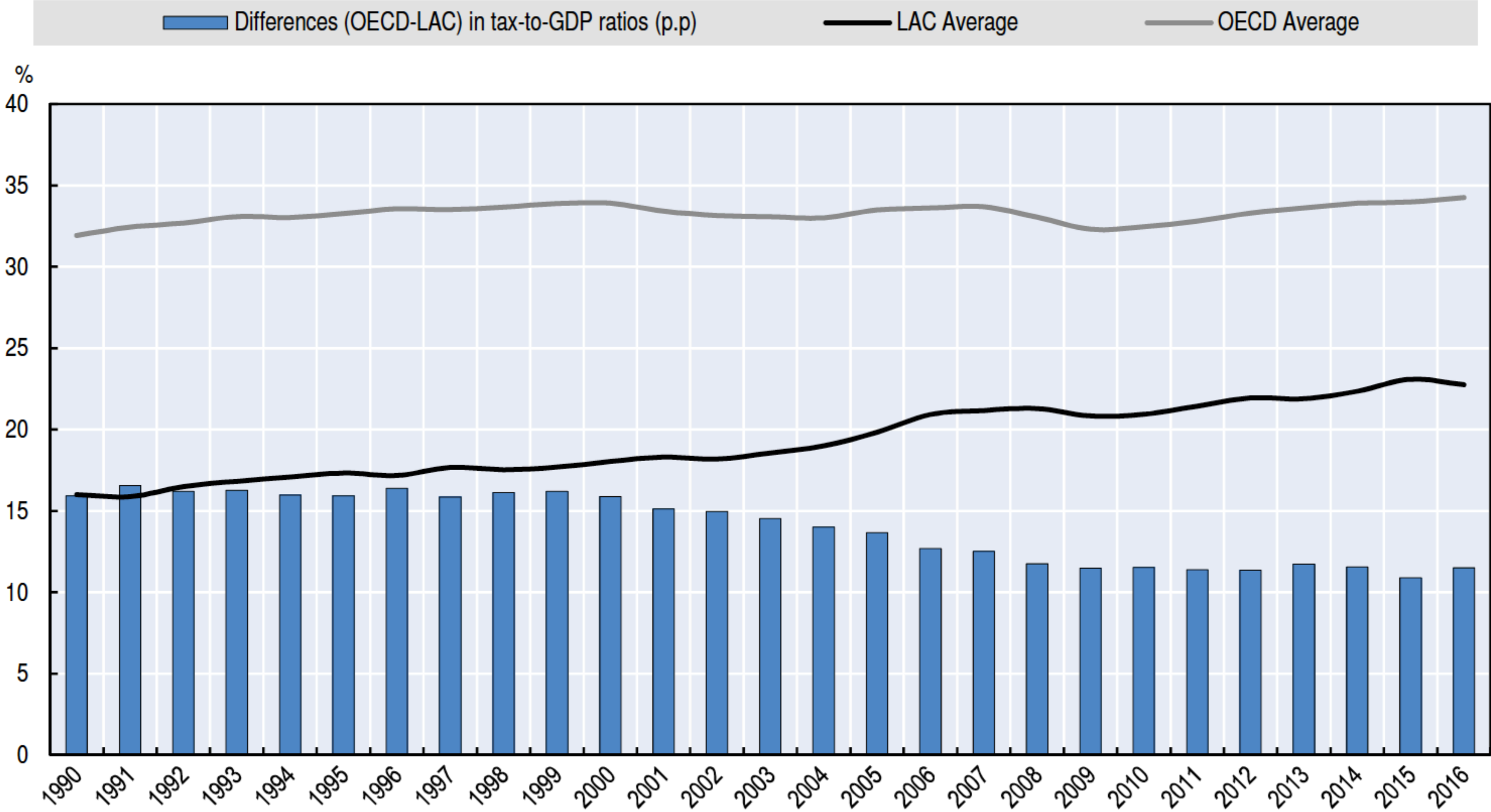
Tax-to-GDP ratios, (total tax revenue as % of GDP) in LAC countries, 2016



. Source: OECD, et al. (2018), Revenue Statistics in Latin America and the Caribbean 2018, OECD Publishing, Paris.

1. Revenue capacity / effective tax rate

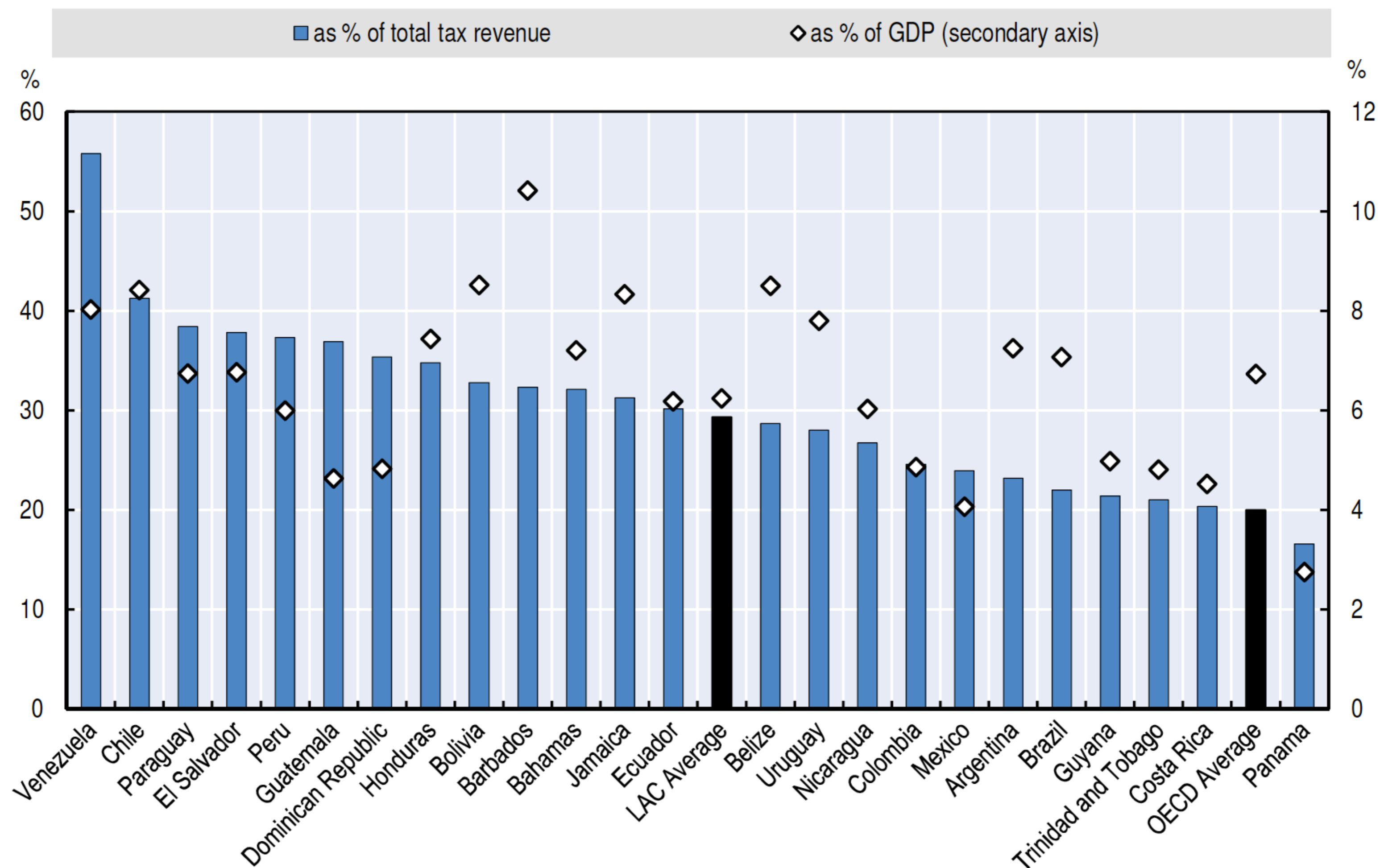
Tax-to-GDP ratios, LAC and OECD averages, 1990-2016



. Source: OECD, et al. (2018), Revenue Statistics in Latin America and the Caribbean 2018, OECD Publishing, Paris.

1. Revenue capacity / effective tax rate

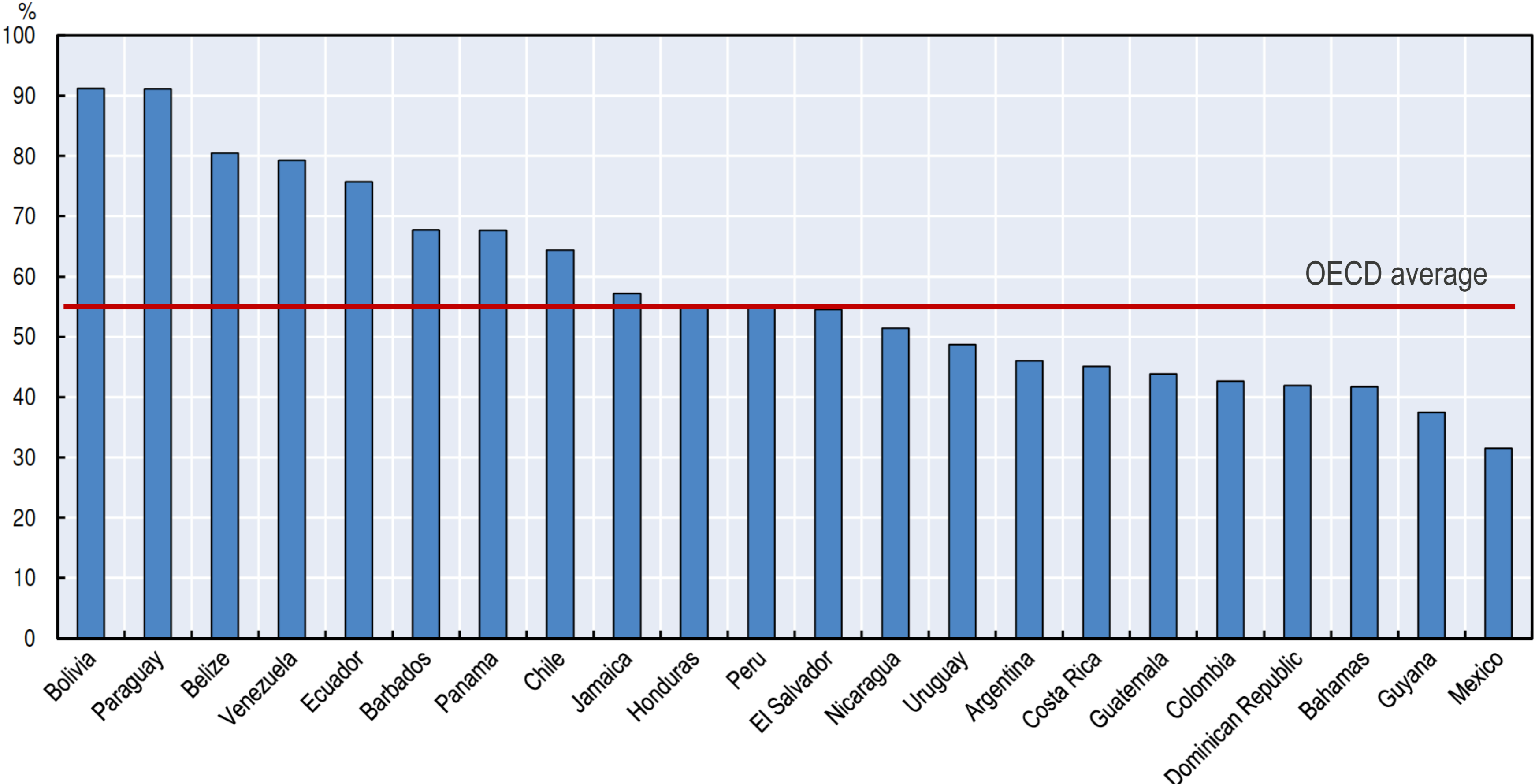
Revenue from **VAT** as % of total tax revenue and as % of GDP in LAC countries, 2016



Note: Cuba does not operate a VAT system. Source: OECD, et al. (2018), Revenue Statistics in Latin America and the Caribbean 2018, OECD Publishing, Paris. http://dx.doi.org/10.1787/rev_lat_car-2018-en-fr

1. Revenue capacity / effective tax rate

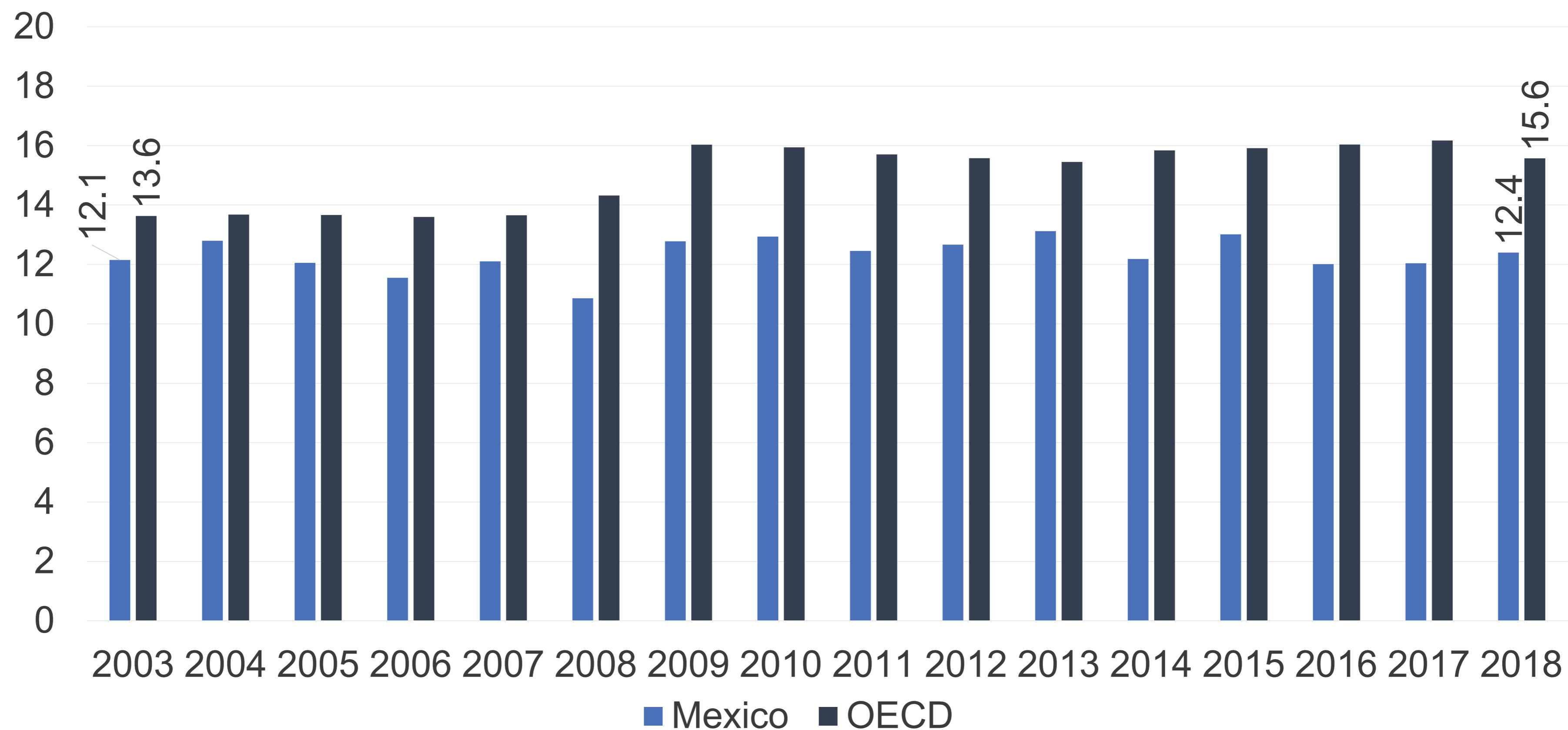
VAT revenue ratio (VRR) in LAC countries, 2015



Note: Brazil, Cuba and Trinidad & Tobago are excluded. Brazil operates a multiple-rate system with tax levied at different rates for each sub-national level. Some underlying information was not available for Trinidad and Tobago since 2009; Cuba did not operate a VAT system in 2015. 2014 data for Panama as the final consumption expenditure data are not available for 2015. Source: OECD, et al. (2018), Revenue Statistics in Latin America and the Caribbean 2018, OECD Publishing, Paris. http://dx.doi.org/10.1787/rev_lat_car-2018-en-fre7e-en

2. Prioritization of health

Share of **public health expenditure** as a share of **government revenue**, Mexico and OECD average, 2003 - 2018



3. Fungibility of earmarked taxes

- Vast country experience with earmarking for health (80 countries) but little empirical evidence.
- Results are highly context-specific:
 - In some cases, earmarking has made it possible to expand health coverage (Ghana, Estonia, Phillipines, South Africa).
 - In most cases, earmarking is unlikely to bring a significant and sustained increase in the priority placed on health in overall government spending.

