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Fiscal Revenues in South Mediterranean Arab Countries: Vulnerabilities and Growth Potential

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Abstract

<p>The views expressed in this Working Paper are those of the author(s) and do not necessarily represent those of the IMF or IMF policy. Working Papers describe research in progress by the author(s) and are published to elicit comments and to further debate.</p>
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This paper reviews the fiscal revenue performance of Southern Mediterranean Arab countries (SMCs) over the last decade and compares this performance with selected middle income and Organization for Economic Cooperation and Development (OECD) countries. These revenues have been declining over the past few years, and this trend is expected to continue because of a fall in mineral receipts and trade liberalization. Individual income tax yields are substantially lower than in other regions but the introduction of the value-added tax has proven to be highly successful. Higher trade protection than in other regions must be reduced, if SMCs are to be integrated into the global economy. Loss of nontax and customs revenues can be offset by reforms in income tax systems, petroleum product pricing, and by ensuring, through flexible exchange rate policies, that competitiveness is maintained.

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I. OVERVIEW

Over the past few years, there has been a structural deterioration in public finance in Southern Mediterranean Arab countries (SMCs). Fiscal deficits have edged upward, with particularly high levels in Jordan (9 percent of GDP), Lebanon (25 percent of GDP), and Morocco (7 percent of GDP). This deterioration has occurred against the backdrop of low growth and high unemployment as well as high public debt levels, even in countries which benefited from debt relief at the beginning of the decade (Jordan and Morocco). While expenditure rigidities have remained and expenditure reforms have been stymied by the high unemployment environment, the major factor behind this deterioration appears to be a decline in the share of revenue in GDP because of a reduction in both nontax and tax revenue: the former due to some exhaustion of mineral wealth and a reduction in earnings from state enterprises due to privatization, the latter due to trade liberalization, but also to a narrowing of the tax base and, in a number of countries, an appreciating real exchange rate. What is of even greater concern is that these trends are expected to continue over the next few years at a time when the SMCs will face major demographic pressures and the challenges of globalization.

The purpose of this note is to focus on government revenue in the SMCs by: looking at underlying trends in various revenue categories; comparing their performance to a broad sample of middle-income countries; assessing their vulnerabilities, but also identifying potential sources of growth and possible improvements in their existing tax systems.

II. SOME AGGREGATE INDICATORS AND TRENDS

Government revenue has tended to decline in some SMCs as a result of two opposing trends: a decline in nontax revenue in virtually all countries; and a major tax effort resulting in higher tax revenue. While it is expected that nontax revenue will continue to decline, tax revenue is beginning to decline as well because of trade liberalization. Given the rising demands for government expenditures stemming from demographic country profiles and trends—with a very young population and high rates of entry into the labor force—the SMCs can ill-afford to have a decline in tax ratios, particularly in low growth, underperforming economies.² Consequently, the main challenges for the next few years will be to broaden the tax base, find new sources of tax revenue, and strengthen tax administration.

Government revenue in SMCs (25 percent of GDP) exceeds on average revenues from a broad sample of middle-income countries (Tables 1 and 3). This average conceals substantial rents accruing to most SMCs from mineral deposits. Nevertheless, this revenue performance

² To the extent that the number of entrants to the labor force rises faster than the population, the country may benefit from a demographic dividend provided that the entrants can be fully employed without a decline in real wages. However, to the extent that this trend results in higher unemployment and welfare payments, public expenditures are likely to rise faster than public revenues.

has been relatively good in the Maghreb, with tax revenue (21.2 percent of GDP) exceeding the average in middle-income countries (20.3 percent of GDP), while the Mashrek countries tax ratio (15.7 percent of GDP) was closer to the poorer countries in the comparator group (Bolivia, Indonesia, Philippines, and Thailand).

Over the past decade, there was a strengthening of government revenue in about one half of the SMCs (Tables 1 and 2). Four out of seven countries have succeeded in raising their tax ratio. However, over the last two to three years, the tax revenue/GDP ratio has been declining in most SMCs, partly due to trade liberalization with multilateral tariff reductions but also in Morocco and Tunisia where the free trade agreements with the European Union (AAEUs) has gone into the implementation stage. This trend will strengthen as other countries in the region also start implementing free trade agreements with the EU. Consequently, SMCs face a number of vulnerabilities and, if current trends are sustained, virtually all SMCs will face a decline in overall government revenue and the prospect of higher budget deficits.

III. NONTAX REVENUE

Nontax revenues mostly include income from state enterprises and mineral rents; proceeds from sales of assets; and fees and charges. In medieval times, these sources of revenue were virtually the only source of government finance (*droits du seigneur*) where the ruler would exploit his monopoly rights and territorial control to exact tolls and levy rents from farmers, travelers, and traders. In modern times, as countries have transferred economic activity to their private sector and fostered competition, these revenues have dwindled—particularly in industrial countries—and have been mostly limited to fees and charges. In OECD countries, they range about 2 percent of GDP (1.2 percent in the United States) (Table 4) while, in middle-income countries, they are somewhat higher (3.3 percent of GDP) (Table 3). In SMCs, out of the eight countries considered, five have nontax revenues larger than 4 percent of GDP and the average is 7.6 percent of GDP. Aside from fees and charges—which are small (less than 2 percent of GDP) but clearly desirable—these revenues mostly accrue from oil production (Algeria, Egypt, Syria, and Tunisia) and phosphates (Jordan and Morocco). But they also include transfers from state monopolies (electricity and communications) and profits from the central bank. For instance, central bank profit transfers alone in Egypt in 1999/2000 were 1.2 percent of GDP and substantially higher in the mid-1990s when Egyptian foreign exchange reserves had risen to US\$20 billion.

Nontax revenues in SMCs have been declining over the last decade and should be expected to decline further in the next five years, possibly losing 1 percent of GDP in Morocco and Tunisia and 2–5 percent of GDP in the Mashrek, depending on the country. This decline has been mostly the result of exogenous factors such as the depletion of mineral resources and a decline in oil and phosphate prices. Egypt and Tunisia have become net oil importers while Syria is expected to follow soon, although prospects for natural gas production in both Egypt and Syria have strengthened. Similarly, phosphate production in Jordan and Morocco has reached its limit and has suffered from stiff competition abroad and declining prices.³

³ These limitations have been moderated by diversification into fertilizer production and other chemical derivatives.

More recently, this decline has also reflected a policy shift toward scaling back the public sector and introducing greater competition. Over the past few years, SMCs have introduced or accelerated privatization programs for public enterprises, and they have opened up the market for public utilities in which the state had a monopoly—particularly in telecommunication, electricity generation and distribution, and water provision and treatment. This is expected to have a dual impact: on one hand, the stream of dividends from these state enterprises will stop after their privatization; this has already happened in Egypt, Jordan, Morocco, and Tunisia. On the other hand and to the extent that privatization and greater competition raise efficiency and profitability, income taxes from these enterprises—and possibly sale and excise tax revenue—would increase, although this would only be achieved in the medium term. Also to the extent that privatization proceeds are used to reduce public debt, overall expenditure and the budget deficit would fall because of lower interest payments.⁴

Over the next five years, however, nontax revenues are bound to fall with the modernization of the economy through the rise in privatization, greater competition, and a more optimal management of central bank reserves. Nevertheless, there is a possibility of slowing down this decline by broadening and strengthening user charges for government services, including fees for higher education and some health services.

IV. INCOME TAXES

Income taxes, both corporate and individual, have risen over the last ten years in SMCs with the strengthening of tax administration and the expansion of private sector activities. In Morocco and Tunisia, both individual and corporate income taxes ranging between 2.7 percent of GDP and 4.2 percent of GDP compare favorably with most middle-income countries. On the other hand, in the Mashrek countries, individual income taxes average only 1.2 percent of GDP. This cannot be attributed to an inadequate income tax system or low rates of taxation but to a very narrow base of taxation, mostly civil servants and salaried personnel in large enterprises and the financial sector where the tax is automatically deducted at the source. Beyond these groups, the inability to adequately tax the business community, professionals, and wealthy individuals has not only limited government revenue but has also resulted in major inequities. This is particularly the case in Lebanon, where individual income taxes are only 0.6 percent of GDP, and in Syria, 0.9 percent of GDP, even though thriving business communities have been the driving economic force in these two countries. A sustained effort at broadening the tax base and at modernizing the collection mechanism through computerization and enforcement of standard accounting practices should readily raise individual tax collections in Mashrek countries by 2.0–2.5 percent of GDP to levels attained in Morocco and Tunisia. In turn, these two countries can aspire to reach the levels attained by Estonia (3.8 percent of GDP), Hungary (5.1 percent of GDP), Poland (6.2 percent

⁴ There may also be an increase in net tax proceeds depending on the source of privatization proceeds (domestic or external) and on how they are spent by the government.

of GDP), and Turkey (5.6 percent of GDP), keeping in mind that the OECD average for individual income taxes is 7.2 percent of GDP. Income tax reform is important in most SMCs not only to broaden the tax base but also to reduce excessive marginal rates and to adjust thresholds. Typically, thresholds are not being adjusted for increases in income or inflation, resulting in bracket creep toward the highest marginal rate.

Corporate taxation levels in both Morocco (4.2 percent of GDP) and Tunisia (2.7 percent of GDP) are quite respectable as they exceed the average for other middle-income countries (2.5 percent of GDP) and the OECD (2.6 percent of GDP). While in both countries their tax yields are boosted by profits of state-owned enterprises exploiting mineral deposits, the tax ratios reflect, nevertheless, both the dynamism of the private sector (and the small share of public enterprises) and a well performing tax system. Of all the middle-income countries in the comparator sample, only Indonesia and Malaysia have attained corporate income tax levels beyond 4 percent, but this is essentially due to income taxes on oil production (Table 3).

In the Mashrek countries, corporate income taxation is substantially lower than in other middle-income countries. In both Jordan and Lebanon, they are about 1.5 percent of GDP and mostly stem from the financial sector. Construction activities, other services, manufacturing, and agriculture hardly seem to be taxed. In Egypt, if we exclude the income taxation of the oil sector, the Suez Canal, and the Central Bank of Egypt, the ratio of corporate taxation would fall to 2.2 percent of GDP, which is still a respectable level. In Syria, most of the tax yield stems from public enterprises (including the oil corporation) and is difficult to interpret because of monopolistic practices, multiple exchange rates, and opaque accounting procedures where losses and interest payment are often financed by commercial bank credit and capitalized. Overall, the private business sector in Syria incurs very little taxation. In addition, agricultural activities have been exempted from taxation in some countries (Jordan and Morocco) and generous investment laws—which often provide tax holidays for 5–15 years—have eroded the tax base. Here, as in the case of individual income taxes, the major effort should be in broadening the tax base by reducing exemptions and modernizing tax administration. In this respect, Egypt, Jordan, Lebanon, and Syria should be in a position to raise their yield from corporate taxation by at least 1–2 percent of GDP.

V. TAXES ON GOODS AND SERVICES

Proceeds from sales taxes have increased markedly in virtually all the SMCs following the introduction of the value-added tax (VAT). The VAT yields, in relation to GDP, have exceeded all other government revenues in the countries that have introduced it (6.3 percent of GDP). The overall average for taxes on goods and services in SMCs (7.0 percent of GDP) is not far behind comparator countries (8.6 percent of GDP).

The most successful introduction of the VAT has been in the Maghreb countries, in Jordan, and in the West Bank and Gaza (WBG) (Morocco: 6.1 percent of GDP; Tunisia: 6.7 percent of GDP; Jordan: 7.2 percent of GDP; and WBG: 9.1 percent of GDP). These ratios exceed

the average for middle-income countries (5.6 percent of GDP) and, in three countries, the OECD average (6.2 percent of GDP). In the WBG, under the unified invoice system and a single VAT rate established with Israel, the yield from the VAT (9.1 percent of GDP in 1999) was only exceeded by Denmark (9.7 percent of GDP) and Hungary (9.4 percent of GDP). Nevertheless, multiplicity of VAT rates in most SMCs and substantial exemptions limit tax yields below their potential. The introduction of a VAT in Lebanon and Syria is urgently needed to strengthen their public finance as it may bring 3–4 percent of GDP during the first year—possibly rising to 5–6 percent within a few years.

Excise taxes in SMCs are levied mostly on petroleum products, alcohol, and tobacco, although, in some countries, some construction material (cement, rebars) has been taxed as a proxy for property taxes. Excise taxes have declined in yield over the past decade with the introduction of the VAT and the phasing-out of state monopolies. They still average 2.2 percent of GDP, slightly lower than in middle-income countries (2.5 percent of GDP), although, again, the Maghreb countries are doing much better (3.7 percent of GDP).

Much of the disparity in excise taxes in SMCs pertains to the pricing and taxation policy for petroleum products. In Table 5, domestic prices for gasoline, diesel fuel, and fuel oil are shown in relation to international prices at Mediterranean ports. Typically, gasoline prices include a substantial share of taxation, which should be used for infrastructure development and environmental cleanup. Unfortunately, in most countries, they are used to subsidize diesel fuel (used in transport vehicles) and fuel oil (for electricity generating). Since consumption of fuel oil and diesel fuel far exceed that of gasoline, this subsidization often results in an overall budget subsidy or quasi-fiscal expenditure. In Morocco and Tunisia, where two of the three products are taxed, the yield from excises is substantial, 5.8 percent of GDP and 3.5 percent of GDP, respectively. In the Mashrek, the WBG generates substantial excise revenue because it is the only country where all three products are taxed. On the other hand, Egypt, Jordan, and Syria heavily subsidize both diesel fuel and fuel oil, resulting in very low yields in excises (1.5 percent of GDP, 0.9 percent of GDP, and 0.3 percent of GDP, respectively). This pricing policy also results in resource misallocation, energy waste, and greater environmental damage.

Excise tax yields also depend on the adjustment mechanism for petroleum prices. An automatic adjustment mechanism obviously protects the budget from subsidization, or a decline in excise receipts, when international oil prices rise. This approach is followed in most OECD and middle-income countries. In Algeria, Lebanon, Morocco, and the WBG, a system has been established whereby petroleum prices are periodically adjusted to fluctuations in world prices; although recently Algeria and Morocco departed from their systems when they did not increase their domestic petroleum prices in line with world prices, thereby incurring tax expenditures.

In the other SMCs, domestic price adjustments for petroleum products are purely discretionary, resulting in a buildup of subsidies when world prices are trending upward. Syria has not changed its petroleum prices since 1994; both Egypt and Jordan have sustained

long periods without prices adjustment. In Jordan, a yearly net subsidy of 2.2 percent of GDP has been incurred over the last few years, but it was substantially reduced when domestic petroleum prices were raised by 15 percent of GDP in August 2001.

Clearly, a move toward automatic adjustment of petroleum prices would protect excise revenues from petroleum price fluctuations. However, the more important objective for Egypt, Jordan, and Syria—and to a lesser extent in other SMCs—would be to reestablish relative petroleum prices to their international levels. There would also be merit in establishing a “reasonable” level of taxation, which is harmonized at the regional level to ensure avoiding cross-border smuggling and a competitive level playing field.

VI. TAXES ON INTERNATIONAL TRADE

There has been a worldwide declining trend in taxes on international trade, with continuous trade liberalization, World Trade Organization (WTO) accession, and a proliferation of free trade agreements. In OECD countries, customs duties only yield 0.8 percent of GDP in revenues while in middle-income countries, the average is 1.4 percent of GDP (Table 3). In emerging markets with a large degree of openness, tariff revenue typically does not exceed 1 percent of GDP (Brazil: 0.6 percent; South Africa: 0.9 percent; and Turkey: 0.5 percent). Yet, most SMCs continue to have a high degree of protection (average tariffs are typically about 30 percent) and large reliance on custom duties with tariff revenues ranging between 2–7 percent of GDP (Table 1). Indeed, over the last decade, trade taxes have increased or remained constant in all SMCs, excepting Egypt and Tunisia.

In the Maghreb countries, the average most-favored nations (MFN) tariff is 31.2 percent and the trade restrictiveness index⁵ is also high—particularly for Morocco and Tunisia which are considered emerging markets (Table 5). Their tax yield is also high in both Morocco (4.7 percent of GDP) and Tunisia (3.0 percent of GDP) (Table 6). However, the effective import tariff (custom duties divided by import value) is a better indicator of real trade restrictiveness. It drops to 15 percent for Morocco and to 10 percent for Tunisia, signaling exemptions, the impact of free trade agreements, and an import composition skewed toward lower tariff bands.

In the Mashrek countries, Egypt, Lebanon, and Syria appear to be quite restrictive while Jordan and the WBG are more open and liberal.⁶ Nevertheless, all of the Mashrek countries

⁵ The IMF trade restrictiveness index combines average MFN tariff levels with trade restriction measures (import licensing, imposition of reference prices, etc.) to rank countries from 1–10 with 10 being the most restrictive.

⁶ In Syria, both the average tariff and the trade restrictiveness index are overstated. The average tariff has been set at a high level because customs valuations have been using appreciated exchange rates. That is why the effective tariff is much lower (7.2 percent) and the customs duties yield (2 percent of GDP) is the lowest (with Algeria) of all eight countries.

have custom receipts/GDP ratios which are out of line with world levels. The accession of SMCs to the WTO and integration with the global economy would inevitably entail further losses of tariff revenue in the range of 2–4 percent of GDP. This is already happening in Morocco and Tunisia with the implementation of the AAUEs, while Egypt and Jordan—which have already reached agreements with the EU—are likely to follow suit. This process should also entail some multilateral tariff reduction to maintain the preferential treatment of the EU within a 10–15 percent margin; otherwise, trade diversion is likely to reach significant proportions. Finally, for the first time, a Pan-Arab free trade agreement (greater Arab free trade area) is being implemented (since 1998) with yearly reductions in customs tariffs among Arab countries. Yet, while this trade liberalization is ongoing on a number of levels, SMCs have not moved with concrete plans—with the exception of Tunisia—to make up for tariff revenue losses.

VII. EXCHANGE RATE REGIMES

Exchange rate overvaluation undermines tax revenues.⁷ When the real exchange rate appreciates, import prices rise at a slower pace than the GDP deflator. Or, to put it differently, nontraded goods prices rise relative to traded goods prices. This reduces the tax yield in relation to GDP for all indirect taxes on traded goods (custom duties, VAT, and excises).

In those SMCs with fixed exchange rate regimes, which have experienced a sustained real appreciation of their currency (Egypt, Jordan, Lebanon, Morocco, and Syria), the tax yield from traded goods has been lower than yields which could have been obtained if their exchange rate policy had protected their competitiveness. Conversely, the adoption of a flexible exchange rate regime, which avoids real appreciation (Algeria and Tunisia), can sustain tax yields on traded goods and facilitate trade liberalization. Currency appreciation, which has reduced the competitiveness and profitability of traded goods sectors, has also resulted in lower corporate income taxes and has generated pressures by exporters for tax exemptions. Both Egypt and Morocco have recently responded to these pressures (as well as to pressures on their external reserves) by devaluing their currency by about 34 percent and 5 percent, respectively. Nevertheless, these ad-hoc adjustments tend to be politicized, are difficult to carry out, and typically do not make up for past losses.

VIII. LOOKING FORWARD

The major areas of tax revenue vulnerability and growth potential in SMCs can be summarized below.

⁷ Karim Nashashibi and Stefania Bazzoni: Exchange Rate Strategies and Fiscal Performance in Sub-Saharan Africa, *IMF Staff Papers*, March 1994.

Areas of vulnerability

- a. Nontax revenue will continue to decline relative to GDP because of depletion of mineral resources, privatizations, and reduction in monopolistic profits with greater market access. On the whole, this is a healthy development in line with the modernization of SMCs but revenue losses may be substantial.
- b. Most SMCs also need to reform their income taxes by lowering their marginal rates, particularly with respect to the individual income tax.
- c. Custom duties will have to decline together with further trade liberalization and removal of trade restrictions. This will have a dual impact of lowering custom duties receipts and, during an adjustment period, lowering income taxes in sectors which have been protected and which are now exposed to greater competition from imports. Estimates of tax revenue losses due to the implementation of AAEUs for Morocco and Tunisia range around 2–3 percent of GDP.

Areas of potential growth

- a. There is scope for broadening and adjusting user charges for a number of government services (while improving quality), including for higher education and some health services.
- b. A reform of the individual income tax by broadening the base, strengthening tax administration, and eliminating exemptions could raise tax yields substantially.
- c. The introduction of the VAT in most SMCs has been very successful. The reduction of the number of rates and elimination of some exemptions would further raise its tax yield in a number of countries. The introduction of VAT in Lebanon and Syria would substantially improve their public finance.
- d. In those countries where petroleum products are subsidized, bringing their prices to international levels and adopting an automatic adjustment mechanism could reduce subsidies and increase excise tax revenue. Harmonization of petroleum product excises across SMCs would be the next step to avoid smuggling and ensure fair competition.
- e. The negative impact of trade liberalization on competitiveness and the concomitant stream of income tax revenue will be exacerbated by the decline in customs duties receipts. This can be partly offset by the adoption of a flexible exchange rate policy (in those countries with a fixed exchange rate regime) to avoid any real appreciation of the exchange rate and to strengthen competitiveness.

Table 1. Southern Mediterranean Arab Countries: Central Government Revenue Structure, 1999–2000

(In percent of GDP)

	Total Revenue	Tax Revenue	Nontax Revenue 1/	Taxes on Income, Profits, and Capital Gains			Social Security Taxes	Domestic Taxes on Goods and Services			Trade Taxes	
				Of which:				Of which:			Import duties	Property Taxes
				Total	Individual	Corporate		Total	General sales, turnover or VAT 2/	Excises		
Maghreb												
Algeria	29.9	11.5	18.4	3.9	1.0	2.8	0.0	5.1	3.3	1.7	2.5	0.0
Morocco	28.2	26.1	2.1	7.6	3.4	4.2	1.9	11.9	6.1	5.8	4.7	0.0
Tunisia	29.1	26.0	3.1	5.6	2.9	2.7	4.9	11.1	7.6	3.5	3.0	1.3
<i>Average</i>	<u>29.1</u>	<u>21.2</u>	<u>7.9</u>	<u>5.7</u>	<u>2.4</u>	<u>3.2</u>	<u>2.3</u>	<u>9.4</u>	<u>5.7</u>	<u>3.7</u>	<u>3.4</u>	<u>0.4</u>
Mashreq												
Egypt 3/	22.8	16.0	6.8	6.0	1.8	4.2	1.2	6.0	4.5	1.5	2.8	0.0
Jordan	26.7	15.9	10.8	2.7	1.1	1.6	0.3	8.1	7.2	0.9	4.7	0.0
Lebanon	18.3	12.3	6.0	2.0	0.6	1.4	0.0	1.6	...	1.6	7.5	1.2
Syria	24.4	13.6	10.9	10.8	0.9	9.9	0.0	0.6	0.3	0.3	2.0	0.1
West Bank and Gaza 4/	23.4	20.7	2.7	2.0	1.5	0.5	0.0	11.5	9.1	2.4	7.1	0.0
<i>Average</i>	<u>23.1</u>	<u>15.7</u>	<u>7.4</u>	<u>4.7</u>	<u>1.2</u>	<u>3.5</u>	<u>0.3</u>	<u>5.6</u>	<u>4.2</u>	<u>1.3</u>	<u>4.8</u>	<u>0.3</u>
<i>Average</i>	<u>25.3</u>	<u>17.8</u>	<u>7.6</u>	<u>5.1</u>	<u>1.7</u>	<u>3.4</u>	<u>1.0</u>	<u>7.0</u>	<u>4.8</u>	<u>2.2</u>	<u>4.3</u>	<u>0.3</u>

Sources: Data provided by the country authorities; and IMF staff estimates.

1/ Including hydrocarbon revenue fees, dividends, Central Bank profits but excluding privatization receipts.

2/ Including VAT on imports.

3/ Fiscal year 1999/2000.

4/ For West Bank and Gaza, fiscal data are for calendar year 1999.

Table 2. Southern Mediterranean Arab Countries: Central Government Revenue Structure, 1989–1990

(In percent of GDP)

	Total Revenue	Tax Revenue	Nontax Revenue 1/	Taxes on Income, Profits, and Capital Gains			Social Security Taxes	Domestic Taxes on Goods and Services			Trade Taxes	
				Of which:				Of which:			Import duties	Property Taxes
				Total	Individual	Corporate		Total	General sales, turnover or VAT 2/	Excises		
Maghreb												
Algeria	37.3	16.3	21.0	5.0	3.1	1.9	...	7.8	7.5	...	2.6	...
Morocco	23.0	20.8	2.1	5.5	1.6	3.9	1.0	10.6	5.6	5.0	4.7	0.6
Tunisia	26.8	19.5	7.3	3.3	...	...	4.1	6.6	2.5	3.0	8	0.6
<i>Average</i>	<u>29.0</u>	<u>18.9</u>	<u>10.1</u>	<u>4.6</u>	<u>2.4</u>	<u>2.9</u>	<u>1.7</u>	<u>8.3</u>	<u>5.2</u>	<u>2.7</u>	<u>5.1</u>	<u>0.6</u>
Mashreq												
Egypt 3/	24.4	16.7	7.6	4.4	0.5	3.1	3.6	3.1	1.9	1.2	3.2	0.25
Jordan	27.1	14.4	12.7	4.3	1.0	3.3	0	4.5	0.0	4.5	4.4	0.81
Lebanon	14.1	9.2	4.9	1.3	...	...	...	0.8	0	0.8	5.1	...
Syria 4/	22.5	16.9	5.6	6.8	...	...	0	6.9	...	6.9	1.3	0.34
<i>Average</i>	<u>22.0</u>	<u>14.3</u>	<u>7.7</u>	<u>4.2</u>	<u>0.7</u>	<u>3.2</u>	<u>0.9</u>	<u>3.8</u>	<u>0.5</u>	<u>3.4</u>	<u>3.5</u>	<u>0.5</u>
<i>Average</i>	<u>25.0</u>	<u>16.3</u>	<u>8.7</u>	<u>4.4</u>	<u>1.5</u>	<u>3.1</u>	<u>1.2</u>	<u>5.8</u>	<u>2.5</u>	<u>3.1</u>	<u>4.2</u>	<u>0.5</u>

Sources: Data provided by the country authorities; and IMF staff estimates.

1/ Including hydrocarbon revenue fees, dividends by excluding privatization receipts.

2/ Including VAT on imports.

3/ Fiscal year 1989/90.

4/ Average of calendar years 1989 and 1990.

Table 3. Selected Middle Income Countries: Consolidated Central Government Tax Structure, 1999–2000

(In percent of GDP)

	Total Revenue	Tax Revenue	Nontax Revenue	Taxes on Income, Profits, and Capital Gains			Social Security Taxes	Domestic Taxes on Goods and Services			Trade Taxes				
				Total	Individual	Corporate		Of which:			Total	VAT	Excises	Import duties	Property Taxes
								General sales, turnover, or							
Estonia	33.7	30.1	3.6	6.0	3.8	2.2	10.7	13.3	9.6	3.4	0.0	0.0			
Hungary	38.4	33.5	4.9	7.1	5.1	2.0	10.8	12.0	7.7	3.3	2.8	0.2			
Latvia	31.7	27.0	4.7	3.3	1.0	2.3	10.3	12.8	8.9	3.5	0.6	0.0			
Lithuania	25.1	23.9	1.1	3.5	2.3	1.2	7.4	12.3	8.9	3.3	0.6	0.0			
Poland	36.2	32.7	3.5	8.9	6.2	2.7	10.1	11.6	7.6	3.9	1.8	0.0			
Turkey	21.2	17.5	3.6	7.5	5.6	1.6	0.0	8.5	5.2	2.8	0.5	0.4			
Indonesia	17.6	15.7	1.8	9.6	4.5	4.9	0.6	4.8	3.6	0.8	0.5	0.1			
Malaysia	24.0	19.5	4.5	8.8	2.5	6.2	0.3	6.2	2.1	2.3	2.5	0.1			
Philippines 1/	18.1	16.0	2.0	6.4	2.5	2.7	0.0	4.9	1.8	2.2	3.9	0.0			
Thailand	17.6	15.7	1.9	5.4	2.3	3.0	0.3	7.6	3.7	3.6	2.2	0.2			
Argentina	13.6	12.5	1.1	1.8	0.6	1.2	4.0	5.4	3.7	1.6	0.8	0.3			
Bolivia	17.3	13.9	3.4	1.1	...	1.1	1.9	8.0	6.0	1.9	1.1	1.5			
Brazil	24.5	19.8	4.7	3.9	0.3	1.5	8.6	5.4	2.1	1.9	0.6	0.0			
Chile	22.9	19.0	3.9	4.1	...	...	1.4	10.6	8.5	2.1	...	0.0	
Peru	17.2	14.9	2.4	3.4	...	...	1.4	8.5	6.4	2.1	1.6	0.0	
Venezuela 2/	18.8	13.7	5.1	5.9	...	...	0.6	5.7	4.5	0.7	1.6	0.3	
<i>Unweighted average</i>	<i>23.6</i>	<i>20.3</i>	<i>3.3</i>	<i>5.4</i>	<i>3.1</i>	<i>2.5</i>	<i>4.3</i>	<i>8.6</i>	<i>5.6</i>	<i>2.5</i>	<i>1.4</i>	<i>0.2</i>			

Sources: Government Finance Statistics (IMF), International Financial Statistics (IMF); and World Economic Outlook (IMF).

1/ Budgetary central government.

2/ Adjustment to tax revenue

Table 4. Consolidated Central Government: Tax Structure for OECD Countries, 1995–99

	Sample Size	Total Revenue	Tax Revenue	Other Revenue	Taxes on Income, Profits, and Capital Gains			Social Security Taxes	Domestic Taxes on Goods and Services			International Trade Taxes 1/			Property Taxes	
					Total	of which:			Payroll Taxes	of which:		Total	of which:			
						Individual	Corporate			General sales, turnover or VAT	Excises		Import duties	Export duties		
Canada	1995-97	20.9	18.7	2.2	10.8	8.4	2.1	4.1	0.0	3.5	2.5	0.9	0.3	0.3	...	0.0
Mexico 2/	1995-98	14.6	12.6	2.0	4.4	...	...	1.8	0.0	8.4	3.0	1.5	0.6	0.6	0.0	0.0
United States	1995-99	20.1	18.6	1.4	11.0	8.8	2.1	6.5	0.0	0.7	...	0.6	0.2	0.2	...	0.2
Australia	1995-99	24.2	22.3	1.9	15.9	11.8	4.0	...	0.6	5.0	2.4	2.5	0.6	0.6	0.0	0.0
Japan	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...	...
Korea	1995-97	19.8	17.0	2.8	5.7	3.5	2.2	1.7	0.0	6.5	4.1	2.3	1.3	1.3	...	0.4
New Zealand 3/	1995-99	35.0	31.8	3.1	21.3	15.7	4.0	0.0	0.3	9.1	6.3	1.9	0.9	0.9	0.0	0.2
Austria 4/	1995-99	37.2	34.5	2.7	9.1	...	...	14.9	1.6	8.9	...	...	...	...	...	0.0
Belgium 4/	1995-98	43.9	42.9	1.1	15.8	12.7	3.0	14.7	0.0	11.2	7.3	2.4	...	...	...	1.3
Czech Republic	1995-99	33.9	32.2	1.7	4.8	1.7	3.1	14.7	0.0	11.4	7.0	3.9	1.0	1.0	...	0.3
Denmark 4/	1995-99	38.8	33.7	5.1	14.8	11.4	2.2	1.5	0.3	16.0	9.7	3.8	...	...	...	0.7
Finland 4/	1995-98	32.0	27.5	4.5	9.2	7.5	1.8	3.7	0.0	13.8	8.2	4.6	...	...	...	0.6
France 4/	1995-97	41.1	38.3	2.8	7.5	5.7	1.8	17.5	0.5	11.6	7.9	2.7	...	...	...	0.8
Germany 4/	1995-98	31.6	26.7	4.9	4.7	4.1	0.5	15.2	0.0	6.6	3.4	3.0	...	...	...	0.0
Greece 4/ 5/	1995-98	22.4	20.2	2.2	7.7	4.0	2.3	0.5	0.0	12.8	7.6	4.7	...	...	...	0.9
Hungary	1995-99	38.4	33.5	4.9	7.1	5.1	2.0	10.8	0.1	12.0	7.7	3.3	2.8	2.8	...	0.2
Iceland	1995-98	30.3	25.9	4.4	6.8	5.7	1.0	2.7	0.0	14.6	9.4	3.4	0.4	0.4	...	1.3
Ireland 4/	1995-97	32.2	30.8	1.4	13.2	10.1	3.1	4.4	0.4	12.0	6.4	4.8	...	...	...	0.8
Italy 4/	1995-99	41.8	39.3	2.5	14.4	11.4	2.7	13.4	0.0	10.2	5.7	2.7	...	...	...	0.9
Luxembourg 4/	1995-97	41.7	39.9	1.7	14.1	8.5	5.1	10.8	0.0	10.9	5.9	4.5	...	...	...	2.9
Netherlands 4/	1995-97	45.8	42.8	3.1	11.6	7.6	4.0	18.7	0.0	10.5	7.0	2.9	...	...	...	1.3
Norway	1995-98	42.0	33.4	8.6	8.3	4.5	3.8	9.0	0.0	15.4	8.9	5.4	0.2	0.2	0.0	0.4
Poland	1995-99	36.2	32.7	3.5	8.9	6.2	2.7	10.1	0.3	11.6	7.6	3.9	1.8	1.8	0.0	0.0
Portugal 4/	1995-98	35.2	31.5	3.7	9.1	5.9	3.1	8.7	0.0	12.8	7.5	4.7	...	...	...	0.1
Spain 4/	1995-97	30.2	28.3	2.0	9.1	7.0	2.1	11.7	0.0	7.3	4.4	2.7	...	...	...	0.1
Sweden 4/	1995-99	39.6	34.5	5.1	4.9	1.9	2.9	14.2	2.1	11.4	7.1	3.8	...	...	...	1.8
Switzerland	1995-98	23.9	22.1	1.7	3.2	2.5	0.8	12.5	0.0	5.5	3.4	1.8	0.2	0.2	...	0.6
Turkey	1995-99	21.2	17.5	3.6	7.5	5.6	1.6	0.0	0.0	8.5	5.2	2.8	0.5	0.5	...	0.4
United Kingdom 4/	1995-99	36.2	33.9	2.3	13.7	9.8	3.9	6.2	0.0	11.5	6.8	4.0	...	...	...	2.5
Unweighted average 6/																
OECD Total		32.5	29.4	3.1	9.8	7.2	2.6	8.5	0.2	10.0	6.2	3.2	0.8	0.8	0.0	0.7
OECD America		18.5	16.6	1.9	8.7	8.6	2.1	4.1	0.0	4.2	2.7	1.0	0.4	0.4	0.0	0.1
OECD Pacific		26.3	23.7	2.6	14.3	10.3	3.4	9.8	0.3	6.9	4.3	2.2	0.9	0.9	0.0	0.2
OECD Europe		35.3	31.9	3.3	9.3	6.6	2.5	9.8	0.2	11.2	6.9	3.6	1.0	1.0	0.0	0.8
EU 15		36.7	33.7	3.0	10.6	7.7	2.8	10.4	0.3	11.2	6.8	3.7	...	...	...	1.0

Sources: Government Finance Statistics (IMF); and International Financial Statistics (IMF).

1/ European Union countries do not report statistics on international trade taxes to Government Finance Statistics.

2/ Total tax revenue shown is net of tax revenue transferred back to subcentral levels of government due to revenue sharing agreements.

3/ Budgetary central government.

4/ European Union countries.

5/ Components of tax revenue are based on budgetary operations. Total tax revenue reported is net of transactions among entities within the central government.

6/ For each revenue classification, only countries for which data are available are included in the calculation.

Table 5. Southern Mediterranean Arab Countries: Petroleum Product Prices

(U.S. Dollar Per Gallon)

	Super Gasoline		Diesel Fuel		Fuel Oil	
	DP	DP/IP	DP	DP/IP	DP	DP/IP
Algeria	1.07	1.08	0.50	0.55	0.50	0.98
Morocco	3.17	3.20	2.02	2.22	0.70	1.37
Tunisia	1.94	1.96	1.15	1.26	n.a.	n.a.
Egypt 1/	0.90	0.91	0.38	0.42	0.14	0.28
Jordan 2/	2.05	2.08	0.56	0.61	0.32	0.62
Lebanon 3/	2.47	2.49	0.96	1.05	0.65	1.28
Syria	1.54	1.56	0.47	0.52	0.10	0.20
West Bank and Gaza 4/	3.52	3.56	1.78	1.96	n.a.	n.a.

DP: domestic prices in 2000 or latest prices; IP: ex-refinery price Mediterranean ports.

IP 2000 averages (in US\$ per US gallon) : gasoline : 0.99; diesel fuel : 0.91; fuel oil : 0.51.

1/ Based on the latest prices available.

Prices are converted from U.S. dollar/metric ton to U.S. dollar/U.S. gallon using conversion factor 0.0033.

2/ As of August 2001.

3/ Prices as last set, on September 19, 2001.

4/ Retail prices inclusive of all taxes as last set on September 21, 2001.

Table 6. Southern Mediterranean Arab Countries: Import Taxation, 1999–2000

	Trade Restrictiveness Rating 1/	Average MFN Tariff 2/	Effective Imports Tariff 3/	Custom Duties (percent of GDP)
Maghreb				
Algeria	7	23.7	13.5	2.0
Morocco	8	34.0	15.0	4.7
Tunisia	8	35.9	10.1	2.8
Mashreq				
Egypt 3/	8	30.2	15.1	2.8
Jordan	6	16.0	5.3	4.7
Lebanon	7	21.0	21.4	7.5
Syria	10	35.0	7.2	2.0
West Bank and Gaza 4	4	8.8	9.1	7.1

Source: Trade Policy Information database, IMF.

1/ IMF restrictiveness rating, with 10 being the most restrictive.

2/ Includes other duties and import surcharges. And observations are for the most recent year available

3/ Custom duties on imports divided by the value of imports.

4/ Since the WBG is in a custom union with Israel, the index for Israel applies.