OXFAM CASE STUDY AUGUST 2013

DEVELOPMENT FINANCE AND INEQUALITY

Good practice in Ecuador, Rwanda and Thailand

Inequality is central to Oxfam's mission to fight poverty. While growth is good for poverty reduction, its effectiveness is severely reduced in places where high levels of inequality persist and privileged elites are able to hoard the rewards. In those cases, marginalized groups will see little of the positive benefits from high growth rates. However, governments, donors, and NGOs (both domestic and international) can do much to help redress these imbalances, particularly in places where development finance (defined as both overseas development aid and domestic resource mobilization targeted towards development) makes up part of the national budget. This report explores how reforms to the way that development finance is provided and administered in developing countries can help to reduce inequality and, as a result, create growth that benefits all. The three case studies focus on education in Rwanda, fiscal policies and revenue collection in Ecuador, and universal health care in Thailand.

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1 INTRODUCTION

This report examines reforms in Rwanda, Ecuador, and Thailand that may be contributing to reduced inequality. In **Rwanda**, aid reform led to a better financed education sector. Fiscal policies in **Ecuador** have become more progressive and targeted to the poor, and tax revenues are more efficiently collected. **Thailand**, already a health leader in South East Asia, instituted a policy of universal health coverage in 2002 and, since then, has significantly improved access to health services.

Inequality often entails exclusion and marginalization. High income inequality is an outcome of multiple, intersecting inequalities that reproduce conditions of political and economic disparity. In highly unequal societies, those at the bottom of income distribution experience overlapping inequalities based upon ethnicity, gender, religion, cultural practices, and geography.[1] The overlay of multiple inequalities excludes certain groups from social and economic networks and means that those at the bottom lack access to opportunities for economic mobility.

Inequality is central to Oxfam's mission to fight poverty. While growth is good for poverty reduction, its effectiveness is mediated by inequality. The impact of growth on poverty is weaker in countries with high inequality, and its power declines when inequality rises during growth periods.[2] Inequality, therefore, makes the fight against poverty even harder.

Rapid economic growth across developing countries has significantly reduced extreme poverty. However, at the same time, inequality has risen dramatically because too much growth has been unevenly distributed. Despite the impressive gains in poverty reduction, more equitable growth would most likely have produced greater poverty gains.

Achieving the Millennium Development Goal of eradicating extreme poverty requires national government to seriously address inequality within their borders. Government policy, together with the careful allocation of financial resources, can potentially make a difference. For example, education has long been considered a crucial equalizer and the basis for ensuring equality of opportunity; and the capacity to raise revenue to spur growth and provide social insurance is fundamental to effective governance, and instrumental for poverty and inequality reduction. Likewise, access for all citizens to health services mitigates the divide between the haves and the have-nots.

The three case studies that follow offer good examples of countries that are mitigating inequality through health, education, and tax policies, although more data is necessary to fully ascertain their impacts.

The stakes are high. Countries with high levels of inequality often suffer a host of social ills – including higher rates of crime, violence, disease and depression.[3] Economists have suggested that chronic inequality may limit a country's capacity for long term growth.[4] Inequality also injects vulnerability and risk into financial systems.[5] Importantly, inequality is not a developing country issue. Today, inequality is truly a global phenomenon, and countries at all levels of development are looking for ways to curb its effects.

Despite the successes of the Ecuadorean, Thai and Rwandan policies, challenges remain. Rwanda's high enrollment rates obscure persistent inequality across gender, geography, and household income at the secondary level. While Ecuador's fiscal reforms increased health and education spending, total social expenditure remains below the Latin American average. In Thailand, funding for universal health care is underspecified and sometimes uncertain.

The following case studies were produced through a combination of document analysis, semi-structured interviews, and focus groups. Interviews were conducted in all three countries between June and October 2012.

1 BETTER AID CO-ORDINATION IN THE EDUCATION SECTOR IN RWANDA

‘Economic growth alone is not sufficient to bring about the necessary rise in the standard of living of the population. To vanquish hunger and poverty, growth must be pro-poor, giving all Rwandans the chance to gain from the new economic opportunities.’

H.E. Paul Kagame, President of the Republic of Rwanda, Vision 2020 (2000)

CONTEXT AND ACHIEVEMENTS

Rwanda is highly dependent on external aid, which represents about 40 per cent of its national budget. However, it has broad control over the management of these funds, with 65 per cent of the aid received being spent by government agencies. In 2008, 48 per cent of the education budget was provided through sector budget support (SBS), up from zero in 2005 and 11 per cent in 2006. This represents the highest percentage across all sectors of government.[6]

The Rwanda Aid Policy[7] drawn up in 2006 listed the problems encountered in the co-ordination of aid as: i) a lack of delegation of authority to local offices by donor organizations; ii) incomplete reporting of aid to government; iii) some donors’ unwillingness to meet with government’s requests for information; iv) the country’s Poverty Reduction Strategy Paper gave broad objectives, but did not discuss the approach and co-ordination of stakeholders, leading to donors promoting their own programmes, which were not included in the government’s planning and budget; and v) the potential for large vertical funds (funds targeted at specific issues on a global basis) to disturb the Government of Rwanda’s (GoR) allocation of resources across sectors and sub-sectors. The Aid Policy was designed by the GoR to address these issues. It ensures that the GoR sets its own development priorities and reduces transaction costs by aligning donors’ strategies with national policies.

Principles defined in the Rwanda Aid Policy (2006)
• Public finance management (PFM) and procurement systems to be strengthened; • All aid flows to be reported in national budget; • Knowledge transfer through co-ordinated programmes; • All assistance to be delivered through national PFM; • Assistance disbursement on schedule; • Aid to be untied; • Sector-wide approach; • Missions and analytical work to be conducted jointly between donors; • Aid conditionalities to be harmonized between donors; • Performance indicators to be commonly defined; • Independent monitoring mechanism to be established.

The Rwanda Aid Policy clarifies the roles of government and other actors at each stage of the aid negotiation and management process, drawing a line under stakeholders' responsibilities and co-ordinating how aid is provided. The Ministry of Finance co-ordinates external assistance and ensures efficient allocation, while the Ministry of Foreign Affairs and Co-operation is in charge of the broader policy dialogue with partners. In addition, the GoR performs an assessment in which each donor is evaluated against a set of performance criteria.

In the education sector, the GoR has decided to increase investment in education as a basis for the country's development. This priority is highlighted in the GoR's Vision 2020 development programme.[8] School fees were removed and the management of aid to education was reorganised. As a result, Rwanda, despite being classified as a low-income country, has made great strides in education. Net enrolment[9] in primary schools for both sexes has risen from 75.9 per cent in 2001 to 90.6 per cent in 2008. Girls' net enrolment in primary education has also improved significantly, from 76.9 per cent in 2001 to 92.2 per cent in 2008. It is worth noting that a major leap in net enrolment was observed between 2005 and 2007 (2006 data is not available) following the aid restructuring in the sector in 2006.

Table 1: Primary education net enrolment

Year	Net enrolment rate for both sexes (%)	Net enrolment rate for girls (%)
2001	75.9	76.9
2002	79.8	81.3
2003	85.6	87.4
2004	79.8	81.7
2005	81.9	84.7
2006	-	-
2007	91.7	93.3
2008	90.6	92.2

Source: UN Statistics Division, http://unstats.un.org/unsd/mdg/SeriesDetail.aspx?srid=589&crid=646 (both sexes) and http://unstats.un.org/unsd/mdg/SeriesDetail.aspx?srid=634&crid=646 (girls), updated July 2012

For both sexes, primary education completion rates have risen dramatically, from 22.9 per cent in 2000 to 69.6 per cent in 2010.[10] In 2008, girls' completion rate in primary education surpassed the completion rate of boys (see Table 2). According to UNstats, the secondary gender gap for enrolment has already been closed (Table 3).

Table 2: Primary education net enrolment

Year	Primary completion rate, boys (%)	Primary completion rate, girls (%)
2000	24.7	21
2001	25.7	22.4
2002	30.7	28.6
2003	40.4	39.2
2004	40.6	39.4
2008	49.1	53.2
2009	64.6	71
2010	65.4	73.8

Source: http://unstats.un.org/unsd/mdg/SeriesDetail.aspx?srid=744&crid=646 (boys) and http://unstats.un.org/unsd/mdg/SeriesDetail.aspx?srid=745&crid=646 (girls), last updated 2 July 2012.

Table 3: Gender parity index in secondary education enrolment

Year	Index (number of girls/number of boys)
2001	0.99
2002	0.99
2003	0.89
2004	0.90
2005	0.88
2006	0.90
2007	0.90
2008	0.91
2009	0.95
2010	1.02
2011	1.05

Source: UN Statistics Division, **http://unstats.un.org/unsd/mdg/SeriesDetail.aspx?srid=613&crid=646**, last updated 2 July 2012

HOW WAS THIS PROGRESS ACHIEVED?

The GoR has explicitly expressed its preference for aid to be given as budgetary support, either as SBS or general budgetary support (GBS). It has established a Single Projects Implementation Unit, which manages programmes financed by the national budget (comprising domestic resources and budgetary support) and oversees projects financed directly by donors to ensure better co-ordination and reduced transaction costs, notably through sharing of the finance, procurement, monitoring, and evaluation functions. Budgetary support is managed through the Public Expenditures and Financial Accountability mechanism (PEFA). The PEFA is a harmonized management and reporting tool used to facilitate the monitoring of funds by the GoR and donors. Using the PEFA as a transparent means of monitoring funds has convinced donors to provide more aid through budgetary support. Between 2007 and 2010, aid transferred through budgetary support doubled from $174m to $352m – with aid as budgetary support from the European Union, the World Bank and GIZ[11] reaching 70, 83 and 57 per cent respectively.[12]

The aim in Rwanda is to provide a minimum of nine years of basic education for all. To achieve this goal, a clear vision and strategy have been designed, to which donors are expected to align. The 2010 Education Sector Strategic Plan (ESSP) sets objectives as far as 2015, with an ultimate goal of ‘Education for all’. These objectives are: to improve completion and transition rates while reducing drop-out and repetition rates in primary education; to ensure that the quality of education continues to improve; to develop a skilled and motivated teaching, training and lecturing workforce; to ensure that the post-primary education system is better tailored to meet labour market needs; and to ensure equality within all fields and throughout all levels of education and training.[13] Yearly targets are defined and the overall strategy is being revised in parallel with the Economic Development and Poverty Reduction Strategy. The Joint Education Sector Support Programme (JESS) is a pooled fund financed by the UK and UNICEF through SBS. The JESS is dedicated to strengthening the Ministry of Education’s capacities in planning, implementation, monitoring and evaluation.

SBS is used to finance teacher salaries (including bonuses and the salaries of contract teachers), capitation grants, the construction of infrastructure and the supply of textbooks. GBS is managed by the Ministry of Finance whereas SBS is jointly managed by the Ministry of Finance and the Ministry of Education. GBS and SBS are consolidated to identify financing needs that are not covered by domestic revenues. The capitation rate per child is determined by operational and recurrent costs, as well as by the availability of funds.

The Development Assistance Database gathers information on disbursement by donor and sector. It acts as an interface between donors, NGOs and the GoR for the collection, verification, and basic analysis of financial data, and enhances transparency in the management and flow of funds. The Common Performance Assessment Framework (CPAF) is a matrix of selected outcome indicators used by all donors to assess the GoR's performance. It is mainly used to monitor the GoR's performance against budgetary support conditions. The Donor Performance Assessment Framework (DPAF) reviews the performance of bilateral and multilateral donors against a set of pre-established indicators of the quality and volume of aid. The DPAF serves as a tool for the GoR to evaluate donors' performance and make sure that they are aligned with government priorities and approaches. The Joint Review of the Education Sector (2010–15), conducted every year by the GoR along with donors, sets annual targets and acts as a shared tool to assess the performance of the education sector and identify the challenges it faces. The CPAF, the DPAF, and the joint review together serve as transparency mechanisms to evaluate what works, what remains to be done and how to tackle the challenges. The GoR and donors are all involved and informed.

The Development Partners Co-ordination Group is the highest-level body for the oversight of aid. The GoR and its development partners meet quarterly, with two meetings being based on CPAF and DPAF, in order to attain a common understanding of achievements and challenges. The Development Partners Co-ordination Group helps to ensure accountability between donors and government, and to organize the structure of aid in the education sector. In 2008, the GoR introduced a division of labour among donors, with each donor restricted to interventions in a maximum of three sectors of government. It now decides which donors will intervene in each sector on the basis of performance and comparative advantage, with the Ministry of Education establishing clear guidelines on priorities. The GoR also validates the activities of donors and NGOs, to make sure that they are aligned with its priorities, and checks how they fit into the strategy. Their contribution to results is reviewed quarterly. As one donor interviewed put it: 'Donors are put on the grill to prove their efficiency and contribution to the sector's objectives.'

On its side, the Ministry of Education conducts an annual self-evaluation, with the results made public, and discloses its budget allocation. In addition to visits to schools, the Ministry of Education also follows up on results through a reporting system that runs from schools via district administrations to the ministry itself. The parliamentary social sector committee follows up on education sector strategy implementation and results, acting as an external oversight body. The GoR is clearly leading decision-making on the basis of inputs from donors, assessment tools, and reporting from local administrations. Debates and decision-making are open and transparent.

Within the education sector, the Sector Working Group is co-chaired by the Ministry of Education and the UKs Department for International Development (DFID), as the lead development partner, with other donors having agreed to a silent partnership structure.[14] The Sector Working Group also discusses sector policy and technical issues on the basis of inputs from technical working groups (arranged occasionally to address specific issues, such as gender, finance, infrastructure, and educational material, and to discuss best practice).

Poor children around the world cannot go to school because the costs of schooling are too high. Girls face additional challenges to enrolling in primary education compared with boys, and the GoR has accordingly decided to address their specific needs. The enhanced co-ordination of donors has improved human and financial management, conserving resources, which have then been reinvested in targeted measures to support the enrolment of girls. For example, there has been investment to make school facilities more girl-friendly with separate access to toilets and tap water. Due attention has also been paid to the representation of girls in educational material, such as textbooks, videos and posters. To encourage enrolment of girls, teachers have been trained in gender issues, more female teachers have been recruited, and communities have been sensitized about the importance of educating girls. Teachers have also been trained in gender disparities and the best female students have been awarded scholarships. Stakeholders have undertaken gender-specific research to collect quantitative and qualitative data on girls' education, the better to address their needs. In addition, schoolgirls have also been mobilized, sometimes in girls' camps, to teach them about the importance of education and its benefits in terms of family welfare and future opportunities (social, economic and political).

Furthermore, the strong representation of women in the Rwandan parliament has had an indirect impact in showing girls that they could become involved in decision-making and in their country's development. Female members of parliament themselves advocate in favour of girls' education and contribute to building their self-confidence.

SUCCESS FACTORS

Education focus

Making education an absolute priority for the country's development has enabled a strong convergence of stakeholders, all working towards the objective of 90 per cent adult literacy by 2020. GoR's leadership is strengthened by this very clear objective. A study conducted by GIZ on aid co-ordination noted that 'Rwanda skilfully takes up DAC [Development Assistance Committee] development partners' rhetoric to exert leverage and bring its negotiation capital into play',[15] in order to drive harmonization of effort between donors and alignment of aid with national development strategies. The Ministry of Education and donors have developed a long-term plan in order to achieve to these two goals. Human, financial and technical resources are determined accordingly. The GoR and donors work together on a common framework and understanding of how to implement the JESS.

Working together

The Joint Review of the Education Sector, the CPAF, the DPAF, and the Development Partners Co-ordination Group are all transparent processes with key roles for establishing trust among stakeholders, allowing them to hold a continuous dialogue on achievements and challenges. This joint assessment facilitates criticism, review and enhanced efficiency. The allocation of resources is systematically based on participatory diagnosis and consensus between the Ministries of Education and Finance, donors and civil society. As an example of its effectiveness, this very open policy dialogue led to a reorientation of financing towards primary education from 18 per cent of the total education budget in 2004 to 43 per cent in 2007.[16] Sectoral monitoring indicators (including quotas of teachers per school, number of students per teacher and per class, attendance, type and quality of education material, and distance to school) are also agreed by all stakeholders. Sector Working Group meetings are convened by the Ministry of Education and co-chaired by DFID, the lead development partner, gathering together donors and civil society representatives. Agendas are prepared jointly; documentation and data are fully shared; and challenges, solutions and means to implement those solutions are jointly identified. Collaborative consultation and inputs from working groups are helpful to the design of efficient strategies. Transparency among stakeholders has thus fostered an environment of trust and alignment in objectives, strategy and implementation.

Efficient technical assistance

Drawing on the dialogue between stakeholders, any financial, human and skills gaps are identified, and technical assistance is adapted to fill these needs. Technical assistance to the Ministry of Education, local authorities or education staff is determined jointly, and may be delivered through formal training or on-the-job coaching. Technical assistance relating to planning, analysis and capacity of implementation is provided by development partners. Stakeholders look at what is being done in other countries and transfer knowledge and best practice to Rwanda.

Gender

Gender equality is enshrined in the Rwandan constitution: women have the same rights to inherit land as men and Rwanda was the first country in the world to have more than 50 per cent of its members of parliament be women. In Rwanda, gender issues are mainstreamed in all policies and a dedicated national gender policy was drafted in 2010. The Rwanda National Gender Policy (2010–14)[17] describes some of the measures currently being taken to promote girls' access to education, including the Forum for African Women Educationalists (FAWE) girls' schools[18] and awards for girls. Access to primary education for girls is a major priority for the GoR, and donors are required to align with and address this priority in all their actions. The GoR has established a Ministry for Gender and Family Promotion and a gender monitoring office committed to gender-responsive budgeting and the fight against gender-based violence.

Budgetary support and financing

Rwanda has clearly expressed a preference for aid to be disbursed as budgetary support. Donors required improved PFM, a clear policy framework, and costed strategic plans as prerequisites to disbursing aid through this channel. A Transparency International report in 2011, based on a 1999 public expenditure tracking survey, mentions ‘possible leakages of funds at both regional and district education office levels’.[19] It was evident that policies, planning and costing had to be improved to ensure that funds were well managed.

The PEFA was created as a joint assessment and planning tool to support policy dialogue and fund specific technical assistance to that end. Improved overall financial management, not just within the education sector, convinced donors to provide GBS and SBS. Donors’ use of national systems for decision-making and budget allocation in turn supported better budgeting, reporting, and monitoring. Budgetary support and the establishment of the Single Projects Implementation Unit have minimized parallel accountability structures, enhanced transparency, and improved effectiveness of aid through technical assistance and management tools. The adoption of budgetary support has strengthened PFM overall and has been instrumental in maintaining good sector management. According to a UNICEF education officer interviewed, budgetary support has enhanced coherence, harmonization, alignment, government ownership and accountability through continuous dialogue, leading to accurate policy design, planning, costing, reporting, and monitoring mechanisms.

In fact, a 2009 Overseas Development Institute (ODI) report concluded that ‘the modalities and form of SBS to the education sector in Rwanda have had significant effects on the quality, efficiency and effectiveness of the education sector in Rwanda. In this respect the objectives of the GoR and donors are being met. SBS has contributed to improved education outcomes through improved planning and budgeting, increased budget allocations overall and to key budget lines, strengthened sector co-ordination mechanisms and open dialogue, support to existing government institutions and accountability mechanisms.’[20]

REMAINING CHALLENGES

Unequal achievements

Rwanda’s high enrolment rates do not give a full picture of access to education. Drop-out rates among girls, people living in poverty, and those from rural communities are still higher than among boys, affluent groups, and urban children at secondary and tertiary education levels. Educational achievement is still related to age, gender, residence and socio-economic status. The ending of school fees has increased access to education, but the costs of uniform, books and school lunches continue to be too high for the poorest households. In rural areas, opportunity costs must also be taken into account, for example children going to school are unable to help with agricultural and other income generating work. Additionally, going to school is economically advantageous in the long term if skilled non-agricultural jobs are available, but agriculture in Rwanda is not yet a highly skilled sector. If it is unlikely that potential pupils in rural areas will have access to skilled jobs after completing their education, then their motivation to attend school may suffer.

More broadly, keeping children in school once they begin to attend will require improving the quality of schools, working with parents, and offering scholarships at secondary and tertiary levels for disadvantaged students. The quality of education has proved to be a major challenge thus far, with poor physical infrastructure, a lack of textbooks, large class sizes and high pupil/teacher ratios. However, solutions are being implemented: teachers now benefit from more training, provision has been made for the supply of sufficient, high-quality textbooks and for competitive salaries to motivate teachers. Pre-schooling has also proved to have a positive effect on results in primary school. UN monitoring of literacy and numeracy skills is on-going in order to gather more data and identify specific gaps in the education sector.

Aid dependency and problems of aid management

Rwanda remains highly dependent on aid and, although the co-ordination of aid has becom more efficient, it is also time-consuming. As a consequence, resources are spent on co-ordination processes and not on actual education. Another constraint is the unpredictability of external aid. Donors are committed, but external factors may affect their ability to disburse the funds pledged. The co-ordination of aid in the education sector is very effective, but it involves only DAC donors; other donors still lack alignment and harmonization.

Education authorities at district level avoid making decisions for fear of contradicting government policies and being replaced, thereby limiting the advantages of decentralization and locally adapted policies. Moreover, local grass-roots organizations are currently not very involved in education. A local NGO representative suggested to Oxfam that aid should be decentralized and not channelled only through the central Ministries of Education and Finance this would empower the district authorities and CSOs.

The GoR, with support from UNESCO and the International Finance Corporation (IFC), is planning to reinforce the role of the private sector in education provision, by means of selected subsidies. The aim is to better link the skills taught in schools with the needs of the labour market. The private sector is also seen as key to increasing the number of schools and thus the capacity of the education system. However, reinforcement of education by the private sector may entail the reintroduction of fees for primary education and so risks undoing the progress made so far in terms of equal access to education.

NEXT STEPS

The next steps envisaged by the GoR to further improve education achievements are described in the Millennium Development Goals (MDGs) Rwanda Country Report[21] as follows:

- Support to improve the quality of primary school education including training teachers to teach in English and increasing the numbers of 'child-friendly schools';
- Linking the school curriculum to the needs of local communities and working with parents;
- In-service staff development for teachers at all levels in modern teaching methods and educational management, and the provision of textbooks;
- Ensuring education at all levels produces graduates with the competences demanded by the labour market;
- Support for technical and vocational education and higher education in areas where the skills shortages are causing bottlenecks in achieving other MDGs – for example in agriculture, environment, and health.

In addition, the Ministry of Education is working to broaden the deployment of teachers, so as to ensure that all children have access to high-quality education, even in remote areas. In 2009, the Nine Year Basic Education Programme was launched to expand secondary school provision, especially technical and vocational education, and to drive up the quality of secondary education. In this the private sector is expected to play a more important role in education provision. Parent–teacher associations have had a positive impact on enrolment, attendance, and the drop-out rate, and have helped address cost barriers for poor people. They (and especially their women members) will be more frequently consulted and involved in the financial management of schools, to foster transparency, accountability, and mobilization of stakeholders (GoR, donors, parents, the private sector and CSOs). Their feedback and testimonies will serve as a basis for the technical working group's discussions and proposals.

The GoR is planning to build stronger strategic links between the education sector and other sectors, such as agriculture, infrastructure, industry and services, in order to increase the numbers of non-agricultural employment opportunities, improve access to clean drinking water, and introduction of improved cooking stoves. These last two policies should have a positive impact on school attendance and retention rates, as mothers will be less likely to keep daughters at home to help with domestic work. The benefits of going to school will also be enhanced by increased job opportunities in a skills-based agriculture sector and dynamic industrial and service sectors.

Vocational training will be supported in order to respond to market needs. Budgetary support is having an enhanced 'quality' impact compared to a range of separate parallel programmes which do not entail regular co-ordination and alignment.

CONCLUSION

Rwanda has managed to improve co-ordination of the aid it receives so as to improve service delivery, thereby supporting access to education for all children, including girls, empowering them to improve their future prospects and escape from poverty. Despite its high dependency on external aid, the GoR has shown strong leadership, exercised through a clear-cut distribution of roles and responsibilities, alignment, harmonization to national policies, and evaluation of donors. The GoR and donors have jointly adopted flexible policy tools (EDPRS, Vision 2020, the Rwanda Aid Policy, the ESSP, JESS, CPAF, DPAF, and sectoral structures) built on extensive sharing of information, analysis, and evaluation. Objectives, means, and gaps have been identified and shared in a collaborative environment. Joint working at all stages (planning, budgeting, implementation, evaluation, and monitoring) has enabled all stakeholders to push in the same direction. Reduced transaction costs have freed up funds to be reinvested.

Gender aspects have been systematically considered by all stakeholders and mainstreamed in policies. In parallel, complementary measures targeted at supporting girls' enrolment in school have been enacted. Rwanda has proved that, despite being considered a low-income country, it is able to address gender inequalities in an effective way. As an article in AfroNews put it, 'The modification of inequitable situations does not fundamentally depend on economic development but rather on the transformation of cultural patterns and power distribution'.[22] Rwanda is one of two countries worldwide that have made the greatest improvements in the Gender Equality Index since 2000 (calculated on the basis of school enrolment, labour market participation and empowerment).

However, there remain shortfalls, which stakeholders are aware of and are addressing, such as the quality of education, school drop-out rates (in particular for girls in secondary education), and unequal access to education for poor and rural children. The role of civil society is also limited and the sustainability of achievements in educational reform is potentially endangered by the foreseen increased role of the private sector. Eventually Rwanda will need to design an exit strategy from its current dependency on external aid. The hope must be that an educated workforce with social and economic opportunities will generate domestic development, in turn enabling the country to become self-supporting.

2 PROGRESSIVE FISCAL MEASURES IN ECUADOR

CONTEXT AND ACHIEVEMENTS

Ecuador was identified for this case study because reforms since 2007 have led to a more progressive and fairer fiscal system. The current government's strategy is to maintain economic growth through increased public spending. Social expenditure in health and education significantly increased; in health from $3.033m in 2006 to $4.256m in 2009 and in education from $548m in 2006 to $783m in 2010.[23] This was made possible through increases in government revenues from $9.01bn in 2005 to $19.72bn in 2010. Revenues from oil exports accounted for 49 per cent of that in 2010.[24]

Tax reforms have played an important role in financing public spending, as well as in reducing inequality. Fiscal pressure (the ratio of tax revenue to GDP) in Ecuador increased from a low 10.7 per cent in 2007 to 14.5 per cent in 2011.[25] In context, the average for Latin America stands at 15 per cent. Government revenues from taxation increased from $4.895m in 2007 to $9.417m in 2011.[26] The Director of the Treasury, interviewed in June 2012, reported that the proportion of direct and indirect taxation shifted over this period: in 2006, indirect taxation represented 65 per cent of government tax income, but by 2011 the proportion was down to 58 per cent. He also explained how reforms to the transfer pricing regime, a tax on currency transfers abroad, and simplification of the tax system had helped to reduce tax avoidance and evasion by 38 per cent between 2006 and 2011.

Ecuador's Human Development Index (HDI) for 2011 stood at 0.720, putting the country 83rd out of 187 countries.[27] Primary school net enrolment stood at 96 per cent for boys and 99 per cent for girls in 2010. Also, as of 2010, 44.2 per cent of adult women had attained a secondary or higher level of education, compared with 45.8 per cent of adult men. In the health sector, 58 per cent of pregnant women benefited from at least four antenatal care visits in 2010, 84 per cent visited a health facility at least once during their pregnancy, and 98 per cent of births were attended by skilled staff. The latter figure was the same in urban and rural areas. The maternal mortality rate in 2010 was 110 per 100,000 live births. Overall, Ecuador is a relatively good performer in education and maternal health care compared with other countries in Latin America,[28] in rural as well as in urban areas.

However, when the 2011 HDI rating is corrected for inequalities, it falls to 0.535, a loss of 25.8 per cent, due to unequal distribution in health, education and income outcomes. In 2008, the poorest 20 per cent of the population held only 3.7 per cent of the national income. Regarding inequalities in access to health care, the *Health Policy and Planning* journal states: 'Inequalities by economic status and ethnicity are strong determinants in the use of health services in Ecuador'.[29] For inequalities in access to education, virtually all children start primary school, but completion rates within groups of European-descent continue to exceed those of indigenous and Afro-descendent minorities. These groups also lag behind in test scores for language and maths. The achievement scores of predominantly Afro-descendent schools are especially low – behind those of indigenous and Hispanic schools.[30]

Gender inequalities measured by the Gender Inequality Index have decreased in Ecuador from 0.51 in 2005, to 0.48 in 2008 and to 0.469 in 2011, ranking it 85 out of 146 countries in 2011.[31]

Over the same period, income inequality has also reduced. Nationally, the proportion of people living in poverty (on less than $2.30 a day) fell from 37.62 per cent in 2006 to 28.37 per cent in 2011. Levels of extreme poverty fell from 16.9 per cent in 2006 to 11.6 per cent in 2011. The percentage of urban dwellers living in poverty dropped from 22.61 per cent in 2007 to 17.17 per cent in 2011. While rural dwellers have also benefited from a large fall in poverty levels, from 60.6 per cent in 2007 to 50.46 per cent by 2011, the absolute level remained much higher.[32]

Between 2000 and 2007, inequality, as measured by the Gini coefficient (which measures the distribution of income amongst the population, 0 being perfect equal distribution and 1 being fully unequal distribution), decreased slowly, from 56.6 to 54.3. But, from 2007 (when the fiscal reforms began), the country's Gini coefficient fell significantly from 54.3 to 49.3 in 2010.[33] The urban Gini coefficient stood at 44.0 in 2011 (down from 51.0 in 2007), whereas the rural Gini coefficient was 46.0 in 2011 (compared with 50.0 in 2007). The share of national income held by the poorest quintile has risen consistently since the fiscal reforms began.

Table 3: The share of income held by the poorest quintile of the population

Year	**Poorest quintile's share of national income (%)**
2000	3.0
2003	3.0
2005	3.1
2006	3.6
2007	3.3
2008	3.7
2009	3.9
2010	4.3

Source: UN Statistics Division, http://unstats.un.org/unsd/mdg/SeriesDetail.aspx?srid=585&crid=218

HOW WAS THIS PROGRESS ACHIEVED?

Fiscal reforms

Ecuador adopted a new constitution in 2008 with an emphasis on equity and access to essentials services. Civil society and parliament were heavily involved and supported the newly-elected President Rafael Correa in its drafting. The constitution is based on the concept of ‘buen vivir’, meaning living in harmony with one another and with the environment. Article 300 of the constitution requires that the tax system should be based on equity, redistribution and the encouragement of responsible behaviour.

Constitution of the Republic of Ecuador (2008)[34]
Section 5: Tax system Article 300: ‘The tax system shall be governed by the principles of generality, progressivity, efficiency, administrative simplicity, non-retro activeness, equity, transparency and revenue collection adequacy. Priority shall be given to direct and progressive taxes. Tax policy shall promote redistribution and shall stimulate employment, the production of goods and services, as well as ecologically, socially and economically responsible conduct.’

Table 4: Main fiscal reforms implemented since 2007

<table>
<tr><th>Year</th><th>Name of the law</th><th>Main reforms</th></tr>
<tr><td>2007</td><td>Ley para la Equidad Tributaria del Ecuador (Law for fiscal equity in Ecuador)</td><td>Personal income and assets tax system:
- creation of eight income groups by including new ranges at 30 and 35 per cent tax on income:
<table>
<tr><th>Taxable income ($)</th><th>Fixed tax on lower limit ($)</th><th>Marginal rate on excess (%)</th></tr>
<tr><td>Up to 9,720</td><td>–</td><td>0</td></tr>
<tr><td>9,720 – 12,380</td><td>0</td><td>5</td></tr>
<tr><td>12,380 – 15,480</td><td>133</td><td>10</td></tr>
<tr><td>15,480 – 18,580</td><td>443</td><td>12</td></tr>
<tr><td>18,580 – 37,160</td><td>815</td><td>15</td></tr>
<tr><td>37,160 – 55,730</td><td>3,602</td><td>20</td></tr>
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<td></td>
<td></td>
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<table>
<tr><td>55,730 – 74,320</td><td>7,316</td><td>25</td></tr>
<tr><td>74,320 – 99,080</td><td>11,963</td><td>30</td></tr>
<tr><td>Over 99,080</td><td>19,391</td><td>35</td></tr>
</table>
Source: www.knowyourcountry.com/ecuador3.html

- limited VAT on education, health, accommodation, food and clothing - incentives for voluntary declaration of assets;

- compulsory declaration above $200,000 of assets value.

Corporate tax system:

- control of transfer pricing and thin capitalization[35]: establishment of a transfer pricing regime, increased penalties and removal of bank secrecy in case of violations of regulations;

-all transaction above $5,000 must transit through bank accounts;

- tax on capital outflows: tax of 0.5 per cent on currency transferred abroad;

- tax on exceptional profit from 50 per cent to 99 per cent;

- compulsory redistribution of 15 per cent of profit to employees.

Public finance management:

- move from 2,000 accounts to one single national budget account for the government;

- inclusion of income from the oil sector in the national budget account;

- end of earmarking of funds.
</td>
</tr>
<tr>
<td>2008</td>
<td>Ley Reformatoria a la Ley de Régimen Tributario Interno y a la Ley Reformatoria para la Equidad Tributaria del Ecuador (RO 497-S / 30-XII-2008)

(Reformative law to the law on internal fiscal regime and to the reformative law for fiscal equity in Ecuador)</td>
<td>Corporate tax system:

- increase in tax on currency transferred abroad from 0.5 per cent to 1 per cent;

- mainstreaming of oil revenues in the national budget.</td>
</tr>
</table>

2009	Ley Reformatoria a la Ley de Régimen Tributario Interno y a la Ley Reformatoria para la Equidad Tributaria (RO 094-S / 23-XII-2009) (Reformative law to the law on internal fiscal regime and to the reformative law for fiscal equity)	**Corporate tax system:** - increase in tax on currency transferred abroad from 1 per cent to 2 per cent; - 10 per cent tax reduction on profits reinvested (taxed at 15 per cent instead of 25 per cent); - removal of tax exemption in the case of dividends received by companies resident in tax havens or jurisdictions with lower tax rates; - improved standards for transfer pricing regime. **Personal income and assets tax system:** - removal of income tax exemption in the case of dividends received by individuals.
2010	Ley Reformatoria a la Ley de Hidrocarburos y a la Ley de Régimen Tributario Interno (Reformative law to the law on hydrocarbons and the law on internal fiscal regime) Código Orgánico de la Producción, Comercio e Inversiones (Organic code of production, trade and investment)	**Corporate tax system:** - contracts with oil companies changed from operating contracts to service provider: government becomes the owner and the oil companies receive a fixed amount of $37 per barrel- companies to pay a tax rate of 25 per cent for hydrocarbon exploration and exploitation services to incorporate; **Corporate tax system:** - introduction of a minimum wage; - reduction in tax on profits by 1 per cent each year from 25 per cent (in 2010) to 22 per cent (in 2012) - reduction of the 15 per cent of profit distributed to employees to 3 per cent, with the remaining 12 per cent being paid to government to invest in social programmes; - simplification of tax payments for small and medium enterprises (SMEs). with fixed monthly amount.
2011	Ley de Fomento Ambiental y Optimización de los Ingresos del Estado (Law on environmental development and optimization of state revenue)	**Corporate tax system:** - tax on vehicles and plastic bottles; - increase in tax on currency transferred abroad from 2 per cent to 5 per cent and extension to all transfers.

Source: Centro de Estudios Fiscales (2012), *Una Nueva Política Fiscal para el Buen Vivir, La Equidad Como Soporte del Pacto Fiscal*, Quito: Centro De Estudios Fiscales, Servicio De Rentas Internas, pp298–317.

According to the director of the country's treasury, the Government of Ecuador (GoE) is committed to ensuring a higher proportion of direct taxation, fighting tax evasion, and supporting job creation and investment. As shown in Table 4, after a wave of reforms of personal taxation, legislation from 2008 to 2001focused on the corporate tax system. Measures against tax evasion and avoidance have been implemented and strengthened. PFM has also been improved through the move to a single national budget account. Oil revenues have been mainstreamed into this account, making management of funds more transparent. Overall, the fiscal system has become more progressive, with the introduction of new income groups for taxation, resulting in the richest contributing more. The increase in direct taxation of firms and financial transactions has enabled redistribution of income and lower taxation of education and health expenditures, reducing both the burden on poor people and out-of-pocket spending, and setting the template for a more equitable, redistributive fiscal system.

Fiscal reforms alone do not explain the increase in the government's available income. The reduction in the level of debt from 32.4 per cent of GDP in 2006 to 19.7 per cent in 2009 (Ecuador defaulted on part of its foreign debt in 2008), and economic growth, estimated at 3.2 per cent in 2010,[36] thanks to skyrocketing oil prices have also contributed to government revenues. However, debt default is a one-off source of increase in available income, growth may not benefit all sections of the population, and oil revenues are unstable and unpredictable. On the other hand, revenues from a fair tax system are relatively reliable, sustainable and predictable.

Expenditure

Extract from the Constitution of the Republic of Ecuador (2008)

Article 18. The State shall progressively allocate public resources from the General Budget of the State for initial basic education and secondary education leading to a high school diploma, with annual increments of at least zero point five per cent (0.5 per cent) of GDP until the share amounts to six per cent (6 per cent) of GDP.

Article 22. The General Budget of the State aimed at funding the national health system shall be increased every year by a percentage of no less than zero point five per cent (0.5 per cent) of GDP until it accounts for at least four per cent (4 per cent) of GDP.

The Ecuadorian Constitution states that, ultimately, at least 6 per cent of GDP should be spent on primary and secondary education and 4 per cent on health. Moreover, spending on health and education should always exceed external debt repayment. Thanks to its increased income, the government has increased spending on education by at least 0.5 per cent of GDP each year. Spending on primary and secondary education has increased from a meagre 3 per cent of GDP ($1,383m) in 2007 to 5.2 per cent of GDP ($3,397m) in 2011, while health spending has risen from 1.2 per cent of GDP, the lowest level in Latin America ($606m – about

$500 per capita), in 2007 to 2.4 per cent ($1,611m, corresponding to $692 per capita) in 2011.[37]

Unfortunately, official data is not available concerning the impact of increased essential services spending on access to education and health care, especially for indigenous people (who suffer from severe and endemic inequalities).

SUCCESS FACTORS

According to the Minister for Co-ordination of Economic Policy and stakeholders interviewed by Oxfam, Ecuador's tax reforms and the subsequent increases in education and health spending were possible thanks to the strong involvement and support of CSOs and parliament in 2007. The drafting of the 2008 constitution created a momentum in which all stakeholders worked together and exchanged views on what the national priorities should be. All those interviewed by Oxfam in June 2012 in Quito, the Ecuadorian capital, pointed to the adoption of the constitution as a turning point in political priorities towards social investment. In order to achieve the objective of 'buen vivir', it was decided by President Correa and his the government, together with CSOs and academics, that economic policy should serve social development, and was elected on the basis of this social mandate. However, to reach the targets for expenditure on health and education stipulated in the constitution, the government needed to increase its revenue. Tax reforms were implemented rapidly, taking advantage of the momentum created by the drafting and adoption of the new constitution.

Donors work with the government through policy dialogue. The European Union and GIZ have provided support to the Ecuadorian government, which, in turn, has a strong leadership role in setting priorities, putting demands to donors and deciding on aid delivery mechanisms. The sectors for which international co-operation is requested are defined by the government through a bilateral memorandum of understanding stating what the support will consist of and which ministries or other stakeholders are to be involved. Donors align to national priorities and use the domestic procedures. The support sought by the government consists of skills transfers and technical co-operation, as well as private investment support, specifically, that aid should support the government in creating a conducive environment for small and medium enterprises (SMEs) to invest. GIZ and the European Union have responded to requests from the government to provide support to the Servicios de Rentas Internas (SRI – the Ecuadorian national revenue service) and to ministries in charge of promoting private investment.

GIZ is working in three areas: improving local government collection of revenue; decentralizing revenue collection and expenditure; and fiscal transparency, especially concerning transfers of funds from the central to local level with the aim of mitigating regional inequalities. Civil servants at the SRI and in municipalities have accordingly received training in fiscal matters, for example the evaluation of fiscal progressivity at local level. GIZ has also worked with the Ministry of Finance to improve transparency in the management of public finance, culminating in the online publication of all government expenditure. The Ministry for Co-ordination of Economic Policy was trained by GIZ in methodologies to assess the value of central, decentralized and social security expenditure. Studies were also financed by GIZ, UN Woman and the European Union into decentralization, the use of time by women and a study of impact assessment. These evaluations have enabled the Ministry of Finance to fine-tune reforms to their systems and processes.

The European Union disburses funds upon the achievements of targets. The ministry benefiting from the EU fund can therefore emphasize to the government that funds will only be received if the targets are met, which can help to focus priorities on essential services expenditure. Training of civil servants also provides an opportunity to draw attention to the importance of health and education service delivery.

The Treasury and the Centre for Fiscal Research (part of the SRI) have been institutionally strengthened and trained by donors. Interviewees from the public and private sector acknowledged the high quality of the SRI, its independence of large companies' influence and its openness to dialogue. The tax administration is increasingly well regarded by the population, who are consequently more willing to pay taxes.

The momentum and cohesion of the government, parliament and CSOs have enabled them to go beyond simply increasing spending on essential services to tackle the underlying inequalities in Ecuadorean society. The well-off and elites may not feel concerned about the public provision of health care and education because, on the one hand, they can afford to pay for their health and education expenses and, on the other hand, they may feel that these essential services can always be financed by aid, oil revenues, etc. Tax policies, however, oblige them to contribute directly. Pressure from CSOs has played a significant role in the acceptance of progressive tax reforms by elites. However, the momentum has recently weakened, with elites rediscovering a voice to defend their vested interests – which may explain the challenges Ecuadorian civil society is facing today.

REMAINING CHALLENGES

CSO participation

Since the constitution was adopted in 2008 with broad support and involvement from CSOs, their opportunities to contribute to decision-making appear to have been reduced, drawing criticism from CSO representatives, especially those from indigenous minorities. Admittedly, during interviews with officials, various opportunities for consultation were mentioned, but it seems that CSOs are not taking advantage of them. Two possible reasons for this deficit in CSO participation are that forums for consultation are limited and not always known to CSOs, and participation is restricted to very technical discussions, making it difficult for CSOs to articulate alternative proposals to the government. Moreover, CSOs in Ecuador are increasingly fragmented, while large industrial companies are becoming increasingly organized in how they influence government decision making.

Shortfalls of the fiscal reforms

Despite improvements in fiscal pressure and increased expenditure on health and education, academics and CSO representatives have expressed disappointment that, given the high potential for tax collection, available resources and the strong political will, the outcomes of the fiscal reforms should have been more far-reaching. Social expenditure in Ecuador remains below average for Latin America.[38] The Minister for Co-ordination of Economic Policy and the Director of the Treasury acknowledged that it will take time for the reforms to have further impact on inequalities. One of the main limits identified in the fiscal reforms lies in the absence of reforms in favour of women, to encourage their participation in the labour market and support investments made by women. The Centre for Fiscal Research acknowledged the mixed results in terms of redistribution and inequalities, but also pointed out that the priority at the outset was to improve the progressiveness and efficiency of the tax system. The focus of the SRI is now shifting to the challenges of redistribution and taking into account the gender aspects of the fiscal system.

Challenges in the fiscal system

When asked about the challenges lying ahead, officials voiced their concern about the large number of fiscal exemptions. For example, in order to boost the energy and oil sectors, these sectors benefit from tax exemptions, leaving the government with a shortfall in revenues estimated at $2bn by GIZ.[39] A former member of the committee on fiscal reforms evaluated the total loss from corporate tax exemption at 36.5 per cent of potential corporate tax revenue. The contribution made by companies to the public budget has increased with the introduction of new and increased taxes since 2007, but according to the Director of the SRI (interviewed in June 2012), tax evasion still represented an 18 per cent loss from total potential revenue in 2011. Eighty per cent of taxes collected from companies came from just 3 per cent of firms based in Ecuador.

The Director of the SRI also described how , overall, tax on individual income, mainly from civil servants and public sector employees, accounted for a mere 1 per cent of government tax revenue. Taxation of individual income starts at $810 a month, while the minimum wage stands at $190 a month. The threshold was purposely set high in order to encourage consumption. In addition, below an income of $3,100 a month, the exemptions have become so advantageous that the amount of tax paid by an individual in 2011 would have been lower than in 2006. Allegedly, only 60 per cent of individual taxpayers have registered with the tax administration.[40] All interviewees agreed that the potential to increase tax revenue, from both companies and individuals, and so to reduce inequalities, has not yet been fully realized.

Expenditure

The administration has struggled to administer increases in health and education budgets. The approach to spending available funds was described by interviewees as 'chaotic' and focused on the amount to be disbursed, with little attention given to the quality of service delivery. Major inefficiencies were reported by interviewees, mainly due to a lack of planning and long-term vision. According to a professor of economics at the Facultad Latino Americana de Ciencias Sociales (FLACSO – Latin America Faculty of Social Sciences), investments have been made in equipment for hospitals, but primary health facilities have been overlooked, especially in rural areas. A lack of co-ordination between the Ministry of Health and the social security system has led to inefficiencies in the management of expenditures. In education, the primary school enrolment rate is high, but the quality of schooling remains a concern.

Unfortunately, new taxes have not had the expected impact. The tax on currency transfers abroad has not significantly reduced the transfer of funds to outside Ecuador.[41] The tax on vehicles has had little impact on the quantity of carbon emissions, due to the exemption of taxis and buses, the main sources of vehicle emissions. A public company was created to manage the new 12 per cent contribution to the exchequer from companies,[42] whereby the 15 per cent of profit previously required to be distributed to employees was reduced to 3 per cent and the remaining 12 per cent required to be paid instead to government to invest in social programmes. To benefit from these funds, communities have to submit proposals to the public company. However, Repsol, the main oil company in Ecuador, reports that communities generally lack the capacity to articulate such proposals or navigate the procedures to receive the funds.

Productive sector

The main concern expressed by academics concerns the productive sector. According to them, the government should focus on rebalancing the economy, which currently undermines efforts to create a progressive fiscal system and introduce redistributive spending. Academics deplore the government's short-term vision, which they say fails to address the issues of dependency on oil revenues, the concentration of productive activities, and high levels of imports. Oil export revenues represented 58 per cent of GDP in 2011,[43] making the Ecuadorian economy, state incomes and spending highly dependent on oil prices. The risk is that a fall in oil prices will generate a fall in social spending. At the same time, productive activities in Ecuador are in the hands of a small number of firms (see Table 5); this concentration makes it difficult for newcomers to enter the market and create competition, diversity, and jobs.

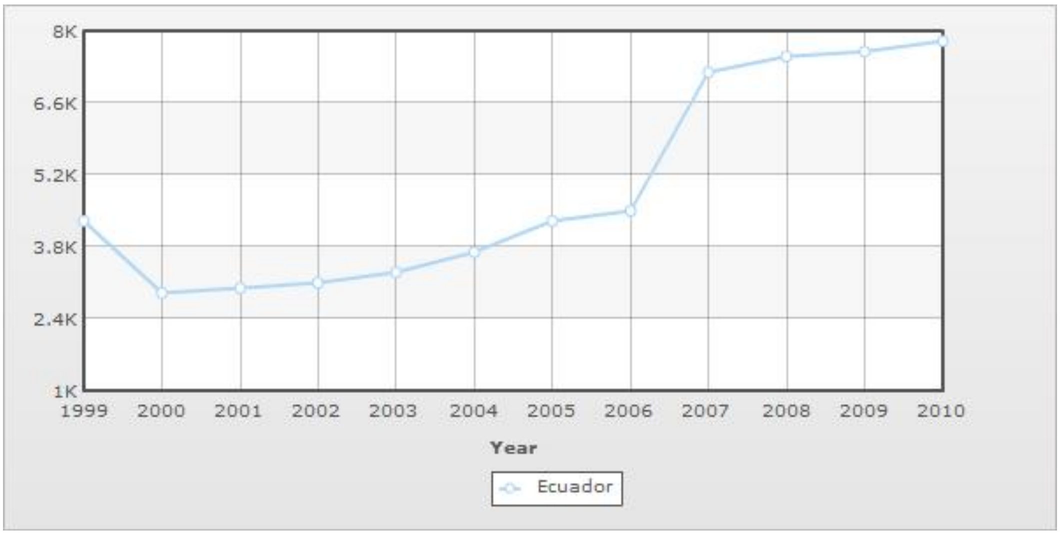
Table 5: Examples of the concentration of the Ecuadorian economy

Sector	Control of the market (%)	Rest of the market (%)
Production of mineral water and soft drinks	81 (1 firm)	19 (155 firms)
Oil production	58 (1 firm)	42 (13 firms)
Production of hygiene items	76 (2 firms)	24 (88 firms)
Production of pasta	54 (2 firms)	46 (26 firms)
Production of grain products	71 (5 firms)	29 (335 firms)
Production of dairy products	61 (5 firms)	39 (436 firms)
Production of textile products	61 (9 firms)	39 (1,493 firms)
Production of plastic products	50 (11 firms)	50 (373 firms)
Supermarkets	50 (Corporation La Favorita) 31 (Corporation El Rosado) 10 (Megasantamaría)	9 (other)

Source: INEC data, 2010 in Machado, D (2012) Las Elitas Económicas: Los Verdaderos Beneficiarios del Gobierno de Rafael Correa 24/02/2012

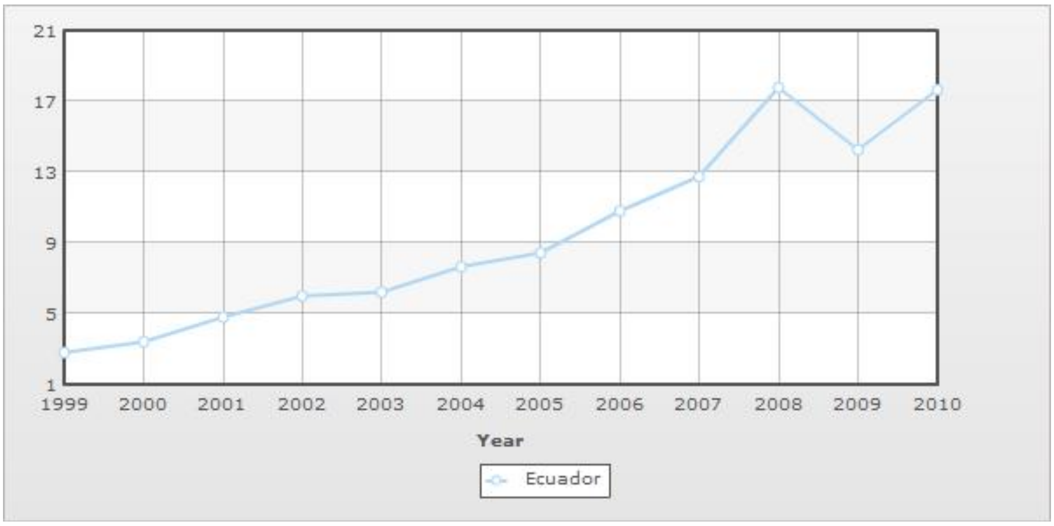
The development model in Ecuador is based on public investment and private consumption, which are expected to boost the economy and create jobs for all. However, an academic states to Oxfam that when consumption increases as a result of rising income per capita GDP, the increase is mainly oriented towards the purchase of imports, with no positive impact on the national economy – as Graphs 1 and 2 illustrate.

Figure 1: Ecuador's per capita GDP (Purchasing Power Parity) ($)



Source: Index Mundi, http://www.indexmundi.com/g/g.aspx?c=ec&v=67

Figure 2: Ecuador's imports ($bn)



Source: Index Mundi, http://www.indexmundi.com/g/g.aspx?c=ec&v=89

In 2008 the government increased import taxes, which had a positive impact on production levels and employment according to economics professors at FLACSO. They suggested protective measures to replace imports with local production and reduce the concentration of sectors of the economy in the hands of a few companies, but ministers disagree among themselves about import controls.

CONCLUSION

The Ecuadorian tax system enables the government to rely on sustainable and predictable sources of revenue, but, beyond safeguarding spending on essential services, the country's reformed fiscal system also addresses the dynamics of inequality. The richest contribute more than the poorest, thus redistributing income, which is used in part to improve services. This redistribution reduces inequality and has the potential to strengthen the social contract between the various sections of society.

In Ecuador, the combination of political will, administrative know-how and donor support has enabled the government to put in place measures that build a more progressive fiscal system. CSOs, parliament, government, and the president have all committed to the fight against inequality. This strong commitment was translated explicitly into the 2008 Constitution, which now obliges the government to reach the targets set. CSOs are in a position to hold the government to account via a rights-based approach.

Officials interviewed by Oxfam explained that they felt the government should take advantage of the momentum, while also gradually introducing the main reforms rather than launching them all at once, so as to give time for individuals and companies to adjust. Evaluations by the SRI and donors have enabled the government to measure the impacts of the reforms and fine-tune regulations accordingly. Officials and academics also advised that increases in taxation and spending should be planned, prioritized and sequenced according to absorptive capacities, in order to ensure coherent service delivery. Importantly, they advised that attention should be paid to improving the progressivity and the redistributive role of the fiscal system in parallel. They warned that, if this did not occur, government expenses would lose much of their impact, leading to social frustrations and a sense of unfulfilled expectations.

Donors have supported the government in strengthening the country's fiscal administration. Aid to the reform process was focused on the transfer of skills and know-how. The competence of the Treasury and SRI has won widespread respect, encouraging taxpayers to pay the taxes to which they are liable and reassuring them that those taxes will be appropriately used. The technical and administrative bases are now in place to extend the scope of tax collection and increase pro-poor spending. According to the SRI, the main challenge that remains is to ensure further embedding of a healthy fiscal culture in society – a willingness to pay taxes and the expectation that public services will be received in return.

The scope for CSOs to contribute to policy decisions has narrowed, but at the same time the opportunities that do exist are also underused. CSOs need training in power analysis to help them identify opportunities for participation, as well as in the fiscal system and in negotiation to enable them to make practical suggestions. Strengthening CSOs will safeguard their influence within the decision-making process, ensuring that the fight against inequality remains high on the agenda. Donors can help by providing the requisite training.

Ecuadorian academics believe that reliable fiscal contributions sufficient to finance health and education systems are only achievable by means of support to the productive sector. This is highly concentrated, with a very limited number of companies dominating the main markets. To reduce this concentration, SMEs must be encouraged to enter the market. More SMEs will contribute to broadening the tax base and creating jobs. However, the companies dominating the markets are powerful and defend their vested interests aggressively. One consequence is that there is still a high incidence of tax exemptions for large companies. The government should reduce these exemptions and use additional resources to create an enabling environment for investment by SMEs. Fiscal policy is also critical to reducing dependency on oil revenues and stimulating new industries by using tax revenue to support investment outside the oil sector. Donors have a role to play in all of this as facilitators of policy dialogue between government, CSOs, large companies, SMEs, and trade unions.

3 INVESTING IN UNIVERSAL HEALTH COVERAGE IN THAILAND

In 2000, the opposition Thai Rak Thai party made an electoral pledge to introduce universal health coverage. Once elected in January 2001, the party kept its promise, instructing Ministry of Public Health officials to develop plans for this. The Thai Universal Coverage Scheme (UCS) was launched in 2002 and has remained in place ever since. Now, CSOs and the government are working together to improve it.

CONSTITUTION OF THE KINGDOM OF THAILAND 2007 Part 9 Rights to Public Health Services and Welfare

Section 51. A person shall enjoy an equal right to receive standard public health service, and the indigent shall have the right to receive free medical treatment from State's infirmary. The public health service by the State shall be provided thoroughly and efficiently. The State shall promptly prevent and eradicate harmful contagious diseases for the public without charge.

Section 52. Children and youth shall enjoy the right to survive and to receive physical, mental, and intellectual development potentially in a suitable environment with due regard to their participation. Children, young people, women, and family members shall have the right to be protected by the State against violence and unfair treatment and shall have the right to medical treatment or rehabilitation upon the occurrence thereof. Any interference with and imposition upon the rights of children, young people, and family members shall not be made except by virtue of the law specially enacted for the maintenance of the institution of the family, or where it would be to the utmost benefit of such person. Children and young people with no guardian shall have the right to receive appropriate care and education from the State.

Section 53. A person who is over sixty years of age and has insufficient income to live on shall have the right to welfare, public facilities, and appropriate aids from the State.

Section 54. The disabled or handicapped shall have the right to gain access to, and to utilize, welfare, public facilities, and appropriate aids from the State. A person of unsound mind shall have the right to appropriate aids from the State.

Section 55. A person who is homeless and has insufficient income to live on shall have the right to appropriate aids from the State.

CONTEXT

Thailand has a long history of commitment to universal access to health services. The 2007 Constitution of the Kingdom of Thailand enshrined the right to free health care for the poor and appropriate assistance to access health care for young, elderly, disabled, and homeless people.

The country is currently one of the best performing in Asia in the health sector. The percentage of births attended by skilled medical staff is 99 per cent in urban areas and 97 per cent in rural areas.[44] Approximately 93 per cent of women belonging to the poorest quintile of the population give birth with the assistance of a skilled attendant. The maternal mortality rate stands at 48 per 100,000 live births against a South-East Asia regional average of 240. The infant mortality rate is below the regional average at 11 per 1,000 live births.

Thailand has been investing in its health system since 1946, initially by means of user fees. Throughout the 1970s and 1980s, large-scale investment in the building of provincial and district hospitals and health centres established the basis of a strong health facilities network across the country. In addition, research institutions and public health administration capacities were strengthened, and later a computerized civil registration system was established.

A first scheme to provide free medical care for poor people was implemented in 1975. Since then, several types of health care system have been tested to increase the coverage of the population, especially poor people. Under the Low Income Card system, cards were issued to low-income groups by community committees, which had been approved by district governors. However, this system had two main problems: the inclusion of people who should not have benefited and the exclusion of people who should have done. As a consequence, in 1998, 65 per cent of card holders were not poor people and only 17 per cent of those below the poverty line were covered by the Low Income Card system.[45]

That year, the Thai authorities decided to move to a pre-payment system in which people at high and low risk of needing health care contributed the same amount, but those on high incomes contributed more than those on low incomes. The pooling of contributions would redistribute the funds between high- and low-risk and between high and low income groups. However, this pooling of funds did not occur; instead, risks were averaged along an individual's lifespan, but not across the whole population. This meant that the high health risks faced by an individual from a low-income group living in hard conditions would not be mitigated with the low risks face by another individual from a high-income group, with better living conditions. As a result, prepayment was not effective in providing health care to poor people. Voluntary health insurance subsidized by public funds was also tested, but the coverage was always limited by the voluntary basis of the system, never exceeding 15 per cent of the population.[46]

The conclusion was that a compulsory system was essential. The solution envisaged by the Thai government was a UCS, underpinned by the principles of access to health care for all, free at the point of delivery, and financed by tax revenue. Given the envisaged scale of the UCS, efficient central and local management was required.

The Thai health system is now based on three different schemes: the Civil Servant Medical Benefit Scheme (CSMBS), the Social Security Scheme (SSS), and the UCS. The CSMBS is a comprehensive welfare system, which covers government employees and dependents for treatment of all the main diseases, but does not cover preventative measures. It is funded from general public revenue. Private sector employees are covered by the SSS, a social health insurance scheme financed by contributions from employees, employers and the government. This package is also comprehensive, but also excludes preventative measures.

The Universal Coverage Scheme

Beginning in 2002, all Thai people who were not covered by one of the two previous schemes were entitled to treatment under the UCS. By 2007, the UCS covered 48 million people (75 per cent of the population), who would previously not have been able to access the CSMBS or SSS, and included a comprehensive package under which all medical expenses were met for ambulatory care, hospital services, and high-cost care (excluding organ transplants, cosmetic surgery, and infertility treatment). Until the system was changed in 2006, UCS patients had to contribute 30 baht (about €0.77) when receiving a treatment. In 2005, before the abolition of the 30 baht scheme, the health care system as a whole was financed at 23.2 per cent by these out-of-pocket payments, 24.5 per cent by direct taxes, 35.2 per cent by indirect taxes and 17.1 per cent by private insurance premiums.[47] The government's share of overall health expenditure rose from 50 per cent to 67 per cent between 2000 and 2009. Public health spending rose from about 66.25bn baht in 2000 to 91.36bn baht in 2007. Health expenditure increased from 1.5 per cent of GDP in 1994 to 3 per cent in 2008, corresponding to 14 per cent of total government expenditure,[48] which is relatively high but remains not too costly.[49]

The quality of the health service is ensured by national guidelines and audits, and a complaints hotline is available for patients. CSOs are also very active in monitoring access to health services and the quality of those services.

By 2010, financing the UCS represented 4 per cent of GDP.[50] The UCS budget is funded from general tax revenues (including taxes from alcohol and tobacco). It is based on an indicative allocation per person (known as the capitation rate), which is multiplied by the number of people covered by the scheme. The capitation rate is decided by the National Health Security Office (NHSO), an independent of government technical agency in charge of managing UCS funds and contracting primary health centres, district hospitals and regional tertiary hospitals. Provincial branch offices handle beneficiaries' questions and requests. The NHSO is composed of representatives from the Ministry of Public Health, doctors' associations and civil society, along with academics and researchers. It interacts regularly with the Bureau of the Budget.

Civil servants at the state health institutions (including administrators and doctors) also contribute to the work of the NHSO. Research institutes, the health facilities network, and trained NHSO staff have proven to be instrumental in providing country-specific evidence to inform the UCS and contribute to its design. Representatives of research institutes, health professionals and trained NHSO staff studied past experiences to draw conclusions about best practice, and estimate impacts in terms of budget, access to health care, and health status. As contributors to the NHSO, they continue to provide evidence to facilitate informed decision making.

CSO representatives are active members of the NHSO and participated in the design, budgeting, and implementation of the UCS. The first step CSOs had to take in order to be active and credible actors was to mobilize the population, in the first instance people affected by HIV. The second step consisted of building patient organizations and leadership. An ongoing dialogue between officials, medical staff, civil society and health experts has been established.

Once a capitation rate is agreed upon within the NHSO, the proposal is sent to the Ministry of Public Health for discussion. The capitation rate is then submitted to the Cabinet. The budget of the UCS is considered as a priority by the government; and is therefore not part of the general budget-setting process, which means the allocation asked for is always obtained. In fact, as stated in a 2012 assessment report, 'Resources were found to fund the rate rise even in 2009 when GDP fell by 2 per cent and all ministries had to make spending cuts.'[51]

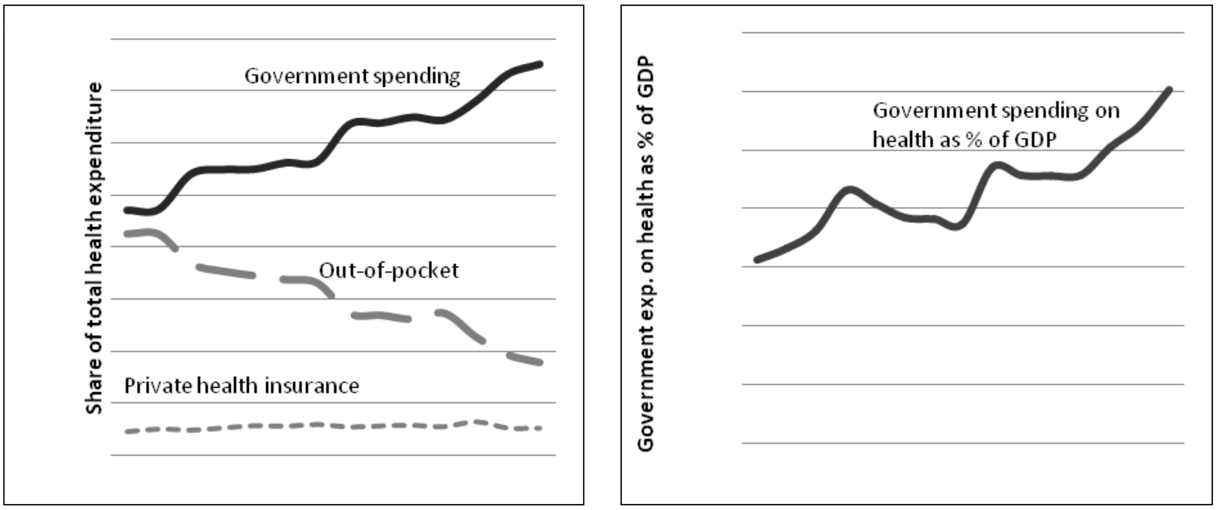
Table 6: The rising UCS capitation rate approved in the Budget Bill, 2002–11

	2002	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**
Capitation (baht per capita) at 2011 price	1,201.4	1,201.4	1,308.7	1,396.4	1,718.0	1,983.4	2,194.3	2,298.0	2,497.2	2,693.5

Source: NHSO in Timothy G. Evans, BRAC University (2010) various years in *Thailand's Universal Coverage Scheme: Achievements and Challenges – An Independent Assessment of the First 10 Years (2001-2010)* Synthesis Report, Health Insurance System Research Office.

Measures to keep the costs of the UCS at a reasonable level include: household surveys to estimate the level of need for health services; calculation of the capitation rate on the basis of utilization, costs and fiscal capacities; adjustment according to age demographics to ensure that the UCS is appropriately funded; clear rules for calculating the UCS budget (the capitation rate is simply multiplied by the number of people to be covered); a prohibition on overspending the budget; a cap on provider payments, creating an incentive to minimize costs; monitoring utilization rates to adjust the supply of hospitals (in terms of beds, medicines and staff) and medical audits to monitor the efficient use of supplies and funds. Another key element in keeping the scheme affordable is the medicines procurement system. Thailand has argued at the World Trade Organization (WTO) that access to health services should be protected by international safeguards agreement to enable it to buy generic medicines from countries that produce them at low cost, such as India. Thailand has issued compulsory licences under WTO safeguards that allow intellectual property rights to be disregarded. As a result, the country can buy medicines at only 10 per cent of the branded price.

Figure 3: Trends in Thai government expenditure on health 1994–2008



Source: M. Lindelow et al. (2012) 'Government Spending and Central-Local Relations in Thailand's Health Sector', Washington: World Bank.

ACHIEVEMENTS AND SUCCESS FACTORS

Following the implementation of the UCS in 2002, access to health services improved significantly, especially for poor people. By 2003, 34 per cent of people covered by the UCS belonged to the poorest quintile of the population. Outpatient service utilization among those covered by the UCS increased from an average of 2.41 visits a year in 2003 to 3.22 in 2009 and 3.64 visits in 2011. The infant mortality rate fell from 15 per 1,000 live births in 2000 to 11 in 2010. Under-5 mortality also decreased over the same period from 18 to 13 per 1,000 live births, as did the maternal mortality ratio, from 66 to 48 per 100,000 live births. Again between 2000 and 2010, the tuberculosis detection rate improved from 40 per cent to 70 per cent.[52]

The UCS has greatly benefited the poorest sections of the population and has contributed to reducing inequality in access to health services. Household health expenditure as a percentage of monthly income for the poorest 10 per cent of the population fell from about 4.8 per cent in 2000 (before the introduction of the UCS) to 2.77 per cent in 2002. In the rural north-east of Thailand, the country's poorest region, the number of households spending more than 10 per cent of their total household consumption expenditure on health)[53] dropped from 3.4 per cent in 1996 to 2.4 per cent in 2004, and to 1.3 per cent in 2009.[54] Nationally, the percentage of households forced into poverty through excessive health payments fell from 7.1 per cent in 2000 to 2.9 per cent in 2009 for the poorest quintile.[55] This means that fewer households from the poorest quintile fell into debt because of health care expenses. Out-of-pocket health care payments fell across the second, third and fourth poorest quintiles. For the poorest decile, payments fell to 2.5 per cent of household income in 2006 from 5.46 per cent in 2000.[56] Overall, the proportion of health care financed by out-of-pocket payments fell from 33.7 per cent in 2000 to 23.2 per cent in 2006. The comprehensive benefits package and the low level of out-of-pocket payments protected a cumulative total of 291,790 households from health impoverishment between 2004 and 2009.[57]

The increased proportion of funding from direct taxes used to finance the UCS and the reduced proportion of funding from indirect taxes, as well as the reduced level of out-of-pocket payments, have all increased the progressivity of Thailand's health care financing. The poorest quintile of the population pays the lowest level of direct taxes while the wealthiest quintile pays the most. The comprehensive cover offered by the UCS means that patients can benefit from a wide range of treatments at public health facilities and do not need to seek treatment elsewhere, such as in expensive private clinics. Limiting the use of services outside of the scheme as well as the extensive health facilities network (especially in rural areas) have facilitated greatly improved access to health. A 2012 World Bank evaluation showed that the UCS had reduced the incidence of absence from work through sickness.[58]

REMAINING CHALLENGES

Funding of the UCS is uncertain. In practice, the money used to fund the UCS comes not only from tax revenue but also from other sources outside the health budget, for example, the Ministry of Public Health's general budget, the state pension fund, and the central reserves of the Bank of Thailand. Although a part of the tax revenue from alcohol and tobacco is used to fund the UCS, the proportion is not clearly set. The proportion is negotiated each year during the national budget process. Even if the UCS budget is not part of the overall government budget negotiation, specific, sustainable funding for it should be identified and ring-fenced.

Experts in social protection and development interviewed said that within Thai society taxation to fund the UCS is generally seen as a matter of charity and not as a redistributive tool to fight inequalities and release development potential. As a consequence taxpayers and service users do not hold the government to account over the results achieved in terms of service delivery and the fight against poverty and inequality.

Moreover, funding of hospitals and medical staff has since 2010 been substantially reduced. This has obliged hospitals to implement cuts, especially in their budgets for medical staff and medicines. As a consequence, patients and doctors interviewed reported recurring shortages of medicines. Medical staff are working longer hours for the same wage, affecting their motivation and the quality of care and service provided. Audits teams that monitor finances and quality of service have also been reduced in number.

All stakeholders agree on the major impact the UCS has had on equality of access to health services. According to the beneficiaries interviewed, the UCS is a very good concept, but suffers from shortfalls in its implementation. Quality standards are described in national guidelines on treatments, there is a publicly available list of essential medication that has to be made available, and a hotline is provided for service users to report discrepancies in the UCS package and the effective delivery of services, but people are not aware of their rights or of the means to claim them. Farmers interviewed by Oxfam in Thailand about their living conditions stated access to health coverage as one of their main concerns: 'There hasn't been any information disseminated on how people who work independently or at home can register for social insurance.'[59] The farmers were failing to benefit from the UCS because of a lack of awareness of entitlement, lack of an identity card, or incorrect housing registration.

A student in Humanities in Chiang Mai interviewed in August 2012 said he would buy medication at a pharmacy or go to a private clinic in case of serious illness rather than visit the local health centre. He explained that at the health centre he would still have to pay the 30 baht contribution. Moreover practitioners often ask for patients to pay for medication or procedures, even though these are supposedly covered by the UCS package. Besides the cost, he would also have to wait between four and six hours before seeing a doctor.

A factory owner, based near Bangkok, said that the lack of doctors is a major constraint on access to quality treatment. Medical students are heavily subsidized by the government and, in exchange, they have to serve three years in a public hospital upon graduation. At the end of the three years, doctors move to the private sector. As a consequence, doctors in public hospitals lack motivation and this, in turn, affects the quality of the service.

If a patient cannot afford to pay the 30 baht contribution and any additional expenses, he might be able to ask for support from his community or apply to the government for free care. However, interviewees reported a complex administrative process for this. This may be why in-patients who are covered by the UCS, but who can afford to pay for private care, prefer the latter. As a result, the compliance rate (the proportion of patients eligible for the UCS who actually use it when they are sick) is 60 per cent for out-patients. The situation is the opposite for in-patients who can rarely afford to pay the high costs entailed by hospitalization and choose to take advantage of the UCS. The compliance rate for in-patients thus reached 90 per cent in 2012.[60]

Another issue to be tackled is the lack of harmonization between the country's three different health schemes. Inequalities are becoming evident in the health packages provided by the different schemes. 'Quality of service provision and universal security for all Thais' is a main goal of the 11th National Development Plan, 2012-2016.[61]

NEXT STEPS

To sustain the UCS and improve its management, the Thai government is implementing new measures. For example, 'strategic partnerships' based on 'local commissioning' are being piloted to involve more local stakeholders in the decentralized management of funds and the monitoring of quality of service provision.[62] NGOs are currently working together to set up monitoring groups at provincial level to keep records of medicine stocks and to ensure that proper medical procedures are followed .

CONCLUSION

After 56 years of investment in health services and a variety of different schemes, Thailand now considers the UCS as the best means of delivering universal health care. UCS ensures universal coverage, shares the financial burden of care equitably among the population, and helps to build social solidarity. UCS ensures free access to health service for all. The implementation of the UCS was made possible by the convergence of political will, strong support from civil society, and expertise in health policy built up over a number of years. Policy design, research data, and administrative and infrastructure capacities were readily available when the scheme was launched. CSOs and WHO emphasize that UCS involved a large financial commitment; but, just as importantly, it was a political decision and governance reforms, including the creation of the NHSO, were key to its. The creation of the NHSO has separated the purchasing and service provision functions, improving the administration of health service delivery.

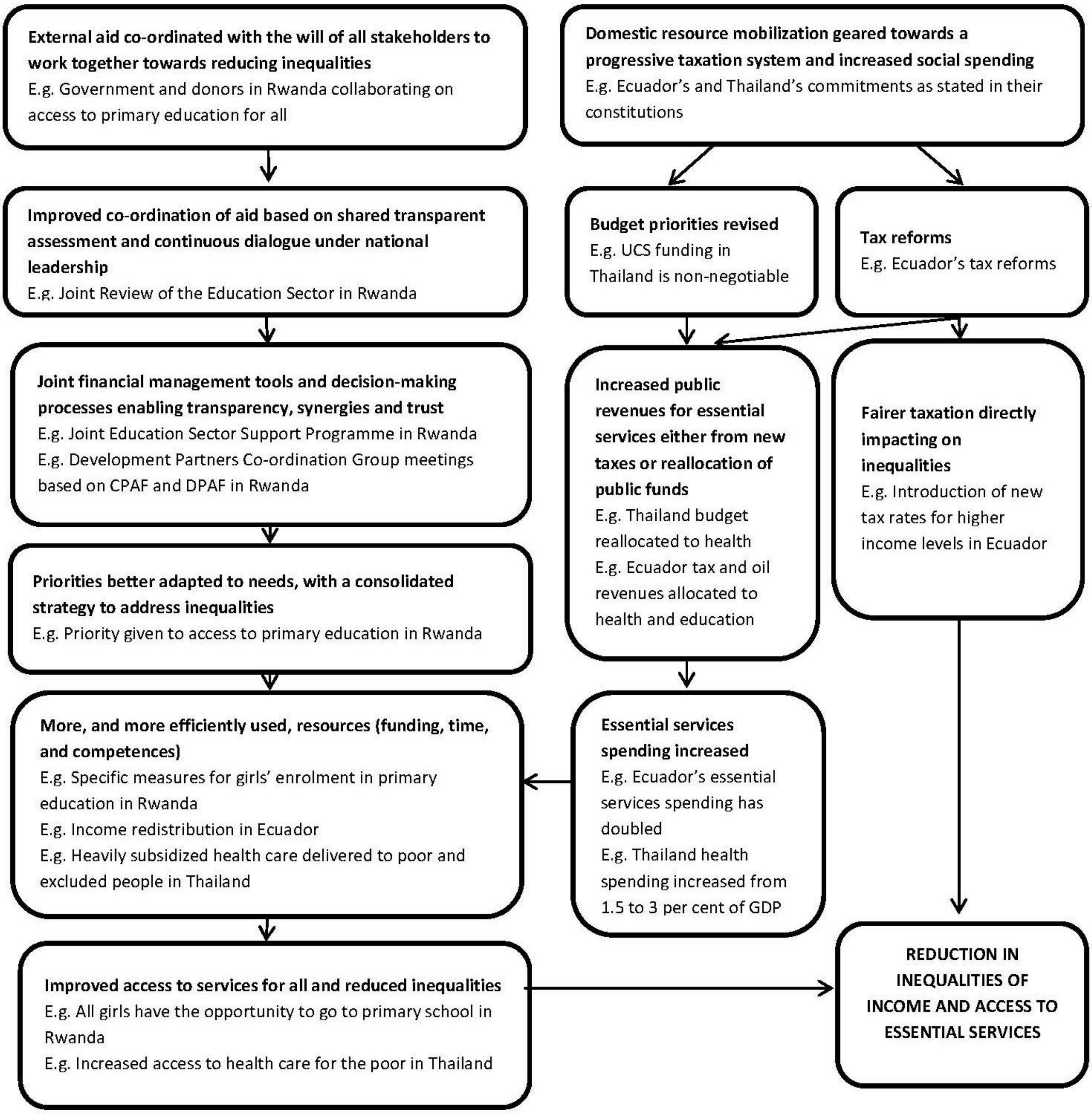
On the fiscal side, using general tax revenue to provide a comprehensive health care package free at the point of delivery to millions of previously uninsured people has not led to a dramatic spike in total health expenditure as a percentage of gross national income and has significantly reduced out-of-pocket payments as a proportion of total health expenditure. Moreover, the increase in health expenditure has not led to reductions in other sectors. Thailand has benefited from sustained economic growth and has used the additional resources to provide better services for all. As an academic from the Thailand Development Research Institute interviewed in Bangkok in August 2012 stated: 'The UCS is an inexpensive way of achieving considerable health benefits.'

In fact, the main advice offered by UCS stakeholders lies in the need for popular organization and leadership. CSOs have worked to mobilize people to call for essential services to be enshrined in the constitution, and have collaborated with academics on how to enforce people's rights. At the same time, support from inside the government has been key. The challenge ahead involves the long-term funding of the UCS, but CSOs and academics are confident that enlarging the tax base, especially by introducing taxes on landowners or on financial transactions, will provide adequate funding for the scheme.

LESSONS LEARNED

Figure 4 is based on the findings of the case studies and illustrates the links between development finance and the reduction of inequalities. In each case, governments, supported by donors and CSOs, decided to tackle inequalities through new decision-making bodies which were set up or reinforced (including the NHSO in Thailand, the single projects implementation unit in the Rwandan Ministry of Education, and the SRI in Ecuador) under national leadership. Decision-making tools were also created and used in a participatory manner involving donors, CSOs and professionals. Joint diagnosis, evaluation, planning and implementation reduced inefficiencies in the management of both time and finances. Transparent self-evaluation, criticism and fine tuning allowed for appropriate assessment and policy design. Policies were made more appropriate and better linked to the specific needs of poor and excluded people. Aligning and harmonizing processes and goals ensured synergies and trust among stakeholders. Donors also supported the strengthening of tax collection systems and increased spending on essential services. The reallocation of revenues, or their increase through higher or more effective taxation was hence oriented towards the redistribution of income and the provision of essential services for all. As a result of reforms, aid and fiscal systems have had a higher and more sustained impact on inequalities and poverty.

Figure 4: Aid and Domestic Resource Mobilisation to reduce inequalities: Lessons from the case studies



CONCLUSIONS

Rwanda

- Improved aid co-ordination among donors is supporting access to education for all children, including girls.
- Despite its high dependency on external financing, the government has shown strong leadership, exercised through a clear-cut distribution of roles and responsibilities, alignment, harmonization to national policies, and evaluation of donors.
- Success stems from strong collaboration between government and donors. At all stages, both sets of actors share information, analysis, and evaluation. This has enabled all stakeholders to push in the same direction, reducing transaction costs and freeing up funds for reinvestment.
- Gender is at the forefront of consideration by all stakeholders and mainstreamed in policies. Rwanda has proved that, despite being a low-income country, it is able to address gender inequalities effectively. In fact, Rwanda is one of two countries worldwide that have made the greatest improvements in the Gender Equality Index since 2000 (calculated on the basis of school enrolment, labour market participation and empowerment).
- The Government of Rwanda is also attentive to linkages with other sectors, such as agriculture, infrastructure, industry and services. Vocational training is supported in order to respond to market needs. Budgetary support is having an enhanced 'quality' impact compared to a range of separate parallel programmes, which does not entail regular co-ordination and alignment.
- However, shortfalls remain. These include quality of education, school drop-out rates (in particular for girls in secondary education), and unequal access to education for poor and rural children. The role of civil society is also limited and the sustainability of achievements in educational reform is endangered by the foreseen increased role of the private sector. Eventually Rwanda will need to design an exit strategy from its current dependency on external aid.

Ecuador

- As enshrined in its 2008 constitution, the goal of Ecuador's tax policy is creating greater equity among citizens.
- Prioritizing the reduction of inequality resulted from the right combination of political will among parliament and the president, along with strong CSO advocacy and donor support.
- The reforms established a progressive tax system, whereby tax

liabilities increase with income level. The constitution also necessitates that government expenditure achieve specific social spending targets.

- These reforms enable the government to rely on sustainable and predictable sources of revenue, thereby safeguarding spending on essential services

- New policies have been phased in slowly, permitting the government to fine tune reforms. Based on advise from officials and academics, tax increases and government spending are planned, prioritized, and sequenced according to absorptive capacities to ensure coherent service delivery.

- Donors have supported the government in strengthening the country's fiscal administration. Aid to the reform process was focused on the transfer of skills and know-how. The technical and administrative bases are now in place to extend the scope of tax collection and increase pro-poor spending.

- According to the SRI, the main remaining challenge is to ensure further embedding of a healthy fiscal culture in society – a willingness to pay taxes and the expectation that public services will be received in return. However, the competence of the Treasury and SRI seems to be winning respect, encouraging taxpayers to pay the taxes to which they are liable and reassuring them that those taxes will be appropriately used.

- The scope for CSOs to contribute to policy decisions has narrowed, but at the same time the opportunities that do exist are underused. CSOs need training in power analysis to help them identify the remaining opportunities for participation, as well as in the fiscal system and in negotiation to enable them to make practical suggestions. Donors can help by providing the requisite training.

- Ecuador's productive sectors are highly concentrated by a limited number of firms that dominate the main markets. These firms are powerful enough to maintain many tax exemptions. The government should reduce these exemptions and use additional resources to create a conducive environment for investment by SMEs. More SMEs will contribute to broadening the tax base and creating jobs. Fiscal policy is also critical to reducing dependency on oil revenues and stimulating new industries by using tax revenue to support investment outside the oil sector. Donors have a role to play in all this as facilitators of policy dialogue between government, CSOs, large companies, SMEs, and trade unions.

Thailand

- Among South East Asian countries, Thailand has been a leader in health services for more than 50 years.

- In 2002, the government chose the UCS as the best means of delivering universal health care. UCS ensures free access to health service for all, shares the financial burden of care equitably among the population, and helps to build social solidarity.

- The implementation of the UCS was made possible by the convergence of political will, strong support from civil society, and expertise in health policy built up over a number of years Policy design, research data, and administrative and infrastructure capacities were readily available when the scheme was launched.

- On the fiscal side, the tax revenue providing comprehensive health care free at the point of delivery has not led to a dramatic spike in total health expenditure as a percentage of gross national income. However, it has significantly reduced out-of-pocket payments as a proportion of total health expenditure. Moreover, the increase in health expenditure has not led to reductions in other sectors. Thailand has benefited from sustained economic growth and has used the additional resources to provide better services for all.

- The challenge ahead involves the long-term funding of the UCS, but CSOs and academics are confident that enlarging the tax base, especially by introducing taxes on landowners or on financial transactions, will provide adequate funding for the scheme.

METHODOLOGY

The methodology of this paper builds on new evidence and data obtained from interviews and work in the countries selected for case studies. The aim was to identify what made a particular policy work, who were the actors involved, how they interacted, and how aid can contribute to development finance and to the fight against inequalities. Lessons were drawn from the country case studies on how aid can best help governments, CSOs, and other stakeholders to respond to people's needs.

Questionnaires were drafted on the basis of an in-depth desk review before the chosen countries were visited. Meetings and interviews were organized with key actors, for example public and private stakeholders, CSOs, and oversight bodies.

The research methodology combined the following steps:

- Document analysis and literature reviews from primary and secondary sources were used to frame the terms of the debate, and to identify the key players and the main areas of dispute to be covered by the research questions. This process included analysis of literature (academic and institutional) on aid and development finance, aid modalities, public sector and budget reforms, public financial management, and democratic governance – including transparency, the fight against corruption, participation, and accountability. The review looked at international, regional, and national literature.
- Grey literature was collected and analysed, including policy documents; programme documents; reports, and selected case studies from donors and national ministries; audit bodies' reports and audits; studies by CSOs, NGOs and think thanks; and data analysis.
- Interviews and focus groups were conducted, including semi-structured interviews with key stakeholders at the national level (donors, government, parliamentarians, the judiciary, audit bodies, the private sector, the media, CSOs/NGOs, academia, experts, etc.) and with communities (including personal story-telling to ensure both accuracy of the research and communicability of the findings).
- Participatory observation was carried out when it was possible to participate in a relevant meeting.

RWANDA CASE STUDY

Interviews were conducted in October 2012.

Interviewees: Carrie Antal (Education Programme Officer, USAID), Moses Gahigi (Executive Secretary, Fight Illiteracy among Youth), Heike Hoes (Technical vocational education and training expert, GIZ), Innocent Mutabaruka (Head of Programmes and Policies, ActionAid), Heinrich Rukundo Mutsinzi (Education officer, UNICEF), Yassin Said (Chief of party, Education Development Centre).

ECUADOR CASE STUDY

The research mission took place from 25 to 29 June 2012 in Quito.

Interviewees: Jeannette Sanchez (Minister of Economic Policy Co-ordination), Carlos Marx (Director of SRI, Treasury), Patricio Riuz (Ministry of Environment and former parliamentary adviser on fiscal reforms), Javier Gimenez (Director, SRI Centre for Fiscal Research –), Diana Arias (Economist, SRI– Centre for fiscal research), Nicolas Oliva (Economist, SRI – Centre for fiscal research), Alberto Acosta (Economist, Professor at FLACSO and former President of the National Constitutive Assembly), Katuashka King (Economist, Professor at FLACSO and former Minister of Economic Policy C-oordination), Dominique Wauters (Head of European Union Delegation in Ecuador), Juan Arroyo (Head of Programmes, Spanish Technical Co-operation Office), Daniela Oleas (Head of Fiscal Policies component, GIZ), Luis Garcia Sanchez (Director, Repsol Ecuador), Javier Silva Vinueza (Head of Fiscal Department, Repsol Ecuador), Manuela Villafuerte (Co-ordinator, Crescent Moon Women's Movement), Clara Merino (Co-ordinator, Crescent Moon Women's Movement), Mauricio Cisneros (Co-ordinator, Ecology and Development Foundation of the Andean Communities Institute), Anaité Vargas (human rights expert), Mayra Garzón (Head of Livelihood Programmes, Intermon Oxfam Ecuador), Verónica Burneo (Head of Women's Rights programmes, Intermon Oxfam Ecuador).

THAILAND CASE STUDY

The research mission took place from 6 to 10 August 2012 in Bangkok.

Interviewees: Jockey Kit (Aids Access Foundation), Jorge Carillo (consultant on social protection), Ms Benjy (Fish factory owner), Tawan (student in humanities, Chiang Mai University), Dr Ammar Siamwalla (Thailand Development Research Institute), Dr Joy (Doctor, Chulalongkorn University Hospital).

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[61] WHO (2011) 'Country cooperation strategy: at a glance', http://www.who.int/countryfocus/cooperation_strategy/ccsbrief_tha_en.pdf

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This case study was written by Cecile Unternaehrer. Oxfam acknowledges the assistance of Nick Galasso, Kevin Roussel, Susana Ruiz Rodriguez, and Jon Mazliah in its production. It is part of a series of papers and reports written to inform public debate on development and humanitarian policy issues.

Published by Oxfam GB for Oxfam International under ISBN 978-1-78077-384-1 in August 2013. Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

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