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## **From Consensus to Contention**

*Changing Revenue and Policy Dynamics in Uganda*

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Politics of Domestic Resource Mobilization

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# **Introduction to Working Papers on The Politics of Domestic Resource Mobilization for Social Development**

This paper is part of a series of outputs from the research project on The Politics of Domestic Resource Mobilization for Social Development.

The project seeks to contribute to global debates on the political and institutional contexts that enable poor countries to mobilize domestic resources for social development. It examines the processes and mechanisms that connect the politics of resource mobilization and demands for social provision; changes in state-citizen and donor-recipient relations associated with resource mobilization and allocation; and governance reforms that can lead to improved and sustainable revenue yields and services. For further information on the project visit [www.unrisd.org/pdrm](http://www.unrisd.org/pdrm).

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International Centre for Tax and Development.

## Contents

List of figures and tables .....	ii
List of Acronyms .....	iii
Summary.....	iv
Authors .....	iv
Introduction .....	1
How government’s relations to donors and citizens may affect policy priorities .....	2
Literature on the politics of domestic resource mobilization .....	2
Studying the Politics of Domestic Resource Mobilization in Uganda: Hypotheses .....	4
Reconstruction and establishment of strong government-donor relations, 1986-1996 ....	6
Closer Government-Donor Ties, Stronger Citizen Influence and Poverty Focus, 1996-2006.....	9
Voters’ preferences and government-donor partnership .....	9
Policy priorities and social spending: PEAP, PAF and budget support .....	11
Weakened government-donor ties, focus on infrastructure and energy, 2006-2013.....	13
Shifting relationships.....	13
NDP and changing policy priorities .....	17
Conclusion.....	18
References .....	21

## List of figures and tables

Figure 1: Uganda net official development assistance received.....	5
Figure 2: Aid (grants) and domestic revenue as percent of total revenue in Uganda.....	5
Table 1: Domestic Budget Allocations to Sector PEAP Priorities 1997/98-2005/06 ....	12

## List of Acronyms

<b>CHOGM</b>	Commonwealth Heads of State and Government Meeting
<b>CNOOC</b>	China National Offshore Oil Corporation
<b>CSOs</b>	Civil Society Organisations
<b>DENIVA</b>	Development of Indigenous Voluntary Associations in Uganda
<b>DGF</b>	Democratic Governance Facility
<b>GDP</b>	Gross Domestic Product
<b>GoU</b>	Government of Uganda
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>HUR�PEC</b>	The Human Rights and Peace Centre at Makerere University
<b>IFI</b>	International Financial Institutions
<b>IMF</b>	International Monetary Fund
<b>MPs</b>	Members of Parliament
<b>MTN</b>	Johannesburg based mobile operator
<b>NDP</b>	National Development Plan
<b>NGOs</b>	Non-Governmental Organizations
<b>NRM</b>	National Resistance Movement
<b>OPM</b>	Office of the Prime Minister
<b>PAF</b>	Poverty Action Fund
<b>PEAP</b>	Poverty Eradication Action Plan
<b>PRSPs</b>	Poverty Reduction Strategy Papers
<b>RoU</b>	Republic of Uganda

## Summary

This paper examines how the changing relationships between the Ugandan government, on the one side, and citizens and donors, on the other, affect public policy priorities. We hypothesise that citizens can affect government's policy priority both as voters, as represented by civil society organisations and as tax payers, whereas the influence of donors is largely driven by the extent to which the government is reliant on aid. The analysis shows how the relationships have shifted from being consensual between the government, the citizens and donors on the desirability of poverty eradication strategies and social spending, to relationships for which consensus is waning and the government is moving (back) to policies of infrastructural development and structural transformation of the economy. In the former period, donors provided the majority of funding and, with the introduction of elections, citizens' preferences became an important political consideration. In the latter period, donors have lost some of their erstwhile funding dominance, the government is building new partnerships, and social sector expansion has lost much of its electoral appeal.

Keywords: domestic resource mobilization, government-citizen-donor relations; social sectors, revenue sources

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## Introduction

The first Poverty Eradication Action Plan (PEAP) in Uganda in 1997 reflected a quite unique consensus between the government, international donors and civil society actors that good governance, public services and social programmes should dominate in efforts to reduce poverty. Uganda had been the first African country to qualify for the Highly-Indebted Poor Country (HIPC) debt relief programme, and together with escalating aid funds, this created a momentum for increased social expenditures, and large social programmes such as Universal Primary Education (1996) and reforms in basic health care (2001) were launched.

However, the consensus did not last. Increasing criticism of the PEAP (both internally and externally) emerged in the new Millennium. Although growth and poverty data were positive, the plan failed to create a transformation of the Ugandan economy seen as necessary to achieve sustainable broad-based poverty reduction, and despite the expansion of primary education and basic health care the quality of social services remained poor (Kjær and Muhumuza 2009).

At the same time, donors responded negatively to a number of domestic political developments, such as the Global Fund scandal in 2006 (Ulriksen and Katusiimeh 2014);<sup>1</sup> the opponent presidential candidate's arrest the same year; and the Commonwealth Heads of State and Government Meeting (CHOGM) scandal, in which public funds for the Commonwealth heads of state meeting (2007) were misappropriated. In 2006, it was officially announced that oil would be exploited commercially in Uganda, and the prospects of future incomes from oil constituted a welcome alternative to relying on the traditional donors. So did the increasing availability of Chinese loans that had no political conditionalities attached to them. Due to Uganda's GDP growth rates, domestic revenues from income taxes and trade taxes have also risen gradually in the new Millennium (Ulriksen and Katusiimeh 2014). While increasing reliance on tax revenues for state finances might potentially lead to increased influence from citizen groups on policy, they seem to have less influence on policy than in the past: While civil society actors were involved in 1997 in the formulation of the PEAP they have subsequently had limited influence on policy-making, for instance during the formulation of the National Development Plan in 2010.

The changing composition of revenue affects the nature of political decision-making and who might be involved. Furthermore, the changing relations, such as an increasingly strained partnership with the traditional donors, an arguably weakened civil society, the emergence of new external actors, as well as oil findings are likely to affect the governments' policy priorities. Depending less on aid, the governments' policy autonomy vis-à-vis donors has increased. The five-year development plan (NDP) that finally substituted the PEAP in 2010 focused much more on policy strategies of economic structural transformation with the main focus areas being infrastructure and energy, as also originally favoured by the NRM in the late 1980s, rather than on social expenditures and poverty reduction.

In this paper, we are interested in the processes and mechanisms that connect the politics of resource mobilization and demands for social provision, and how changes in state-citizen and donor-recipient relations are associated with resource mobilization and

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<sup>1</sup> The Global Fund scandal involved misuse of funds meant for combating tuberculosis, malaria, and HIV/AIDS by key Ministry of Health officials and ministers.

allocation. Consequently, we examine the changing relationships between the government of Uganda and donors, and between the government and its citizens, both as taxpayers, electorates and as represented by civil society. And, we explore whether and how these changing relationships have affected the prioritisation of social programmes.

We go about our enquiry as follows. First, we turn to the literature to discuss how government-citizen and government-donor relationships may affect policy priorities and we tease out some hypotheses about how these changing relationships in Uganda may have affected the priority of social policies specifically. Then, we examine the government-citizen and government-donor relations in Uganda over time. The analysis is divided into three distinct periods in Uganda's political economy, as presented by Ulriksen and Katusiimeh (2014) in the UNRISD paper *The History of Resource Mobilization and Social Spending in Uganda*. The first period, 1986-1996, will only be briefly covered as this was a period of economy recovery with little room for extensive social policy focus. Next follows the period 1996-2006 which, beginning with the first parliamentary and presidential elections in 1996, marks a period of close government-donor-citizen relations. The last period, 2006-2013, also starts with watershed elections in 2006, the first elections under a multiparty system and with no term limits of the presidency. During this period, the government's relationships with both donors and citizens changed and we examine how this may have affected policy priorities.

In order to examine these shifting relationships and their impact on policy, we have studied primary documents such as budgets and other government finance data. Furthermore, we rely on our own previous research (see references) and longstanding observations of the governments relations with donors and civil society in Uganda, and we have carried out interviews with donor representatives, politicians, members of civil society organisations, as well as government officials. In the analysis, we are informed by the interviews conducted for this project as well as other relevant interviews. To ensure anonymity of interviewee we do not disclose the identities of any person interviewed. Finally, we rely on existing secondary literature on the topic.

## **How government's relations to donors and citizens may affect policy priorities**

In order to study the implications of domestic resource mobilization for policy, we start with a review of literature that discusses how different (external and internal) contributors to government revenue may affect policy priorities, specifically the priority of social policies. This is followed by a brief overview of changes in revenue composition in Uganda and the development of context-specific hypotheses that will drive the subsequent analysis.

### ***Literature on the politics of domestic resource mobilization***

Political leaders may often be viewed to be – or hoped to be – visionaries with strong ideas of how their country should best tackle and prioritise social and economic challenges. These ideas may have ideological leanings and may be found in their biographies and their parties' manifestos. However, the priorities of the political elite, and the government it runs, are also driven by other motives; not least to remain in power.

In this paper, we focus on two key mechanisms that link the political elite's desire to remain in power to their priorities of public policies, where the first is the need for



legitimacy in the eyes of, and electoral support from, the citizens. With the introduction of democracy, the political elite rely on electoral support from the citizens and therefore they are likely to choose public policies that will be popular either broadly or among key constituencies. The provision of social services is often popular among the broader population and hence the introduction of elections is likely to increase the appeal of social service expansion.<sup>2</sup> Social sector policies have many election winning attributes: Building a class-room in a locality, for example, is *visible, popular* and can be done quite *quickly*; attributes which enable party politicians and their local supporters to demonstrate their ability to meet popular demands and hence to win votes (Kjær and Therkildsen 2013). In addition, as elections cause the political elite to seek the support of the majority, policies that reach broadly (such as primary education), rather than narrowly (for example tertiary education), get higher priority (Stasavage 2005). Hence, as these scholarly contributions suggest, the expansion of primary education enjoy substantial political support in many African electoral democracies due to their electoral appeal; it is likely that the expansion of basic health care have similar attributes.

The other key mechanism that affects policy priorities of governments is the need for revenue mobilization to finance public policies. The basic argument is that as the political elite rely on revenue to finance public policies and to gain political support to remain in power, the main contributors of revenue have strong influence on the political elite's policy priorities (Moore 2008; Ulriksen 2013). The main assumptions lying behind this mechanism derive from the literature on taxation and state-building in which the key argument is that the composition of revenues for the government budget will affect the behaviour and priorities of the political elite (Bräutigam et al. 2008). If the government relies on tax revenue from its citizens – or certain groups of citizens – the government is likely to compensate their main contributors with public policies favoured by them. Hence, if the main tax payers are the well-off they may be rewarded with policies important to them, such as the protection of property rights whereas, if the government gain most of its revenue from the broader population, it is likely to prioritise basic public services and improved social welfare (Timmons 2005).

In many developing countries, however, tax revenue from citizens is not the main revenue source of governments. Instead, revenue from either mineral resource wealth or international donors dominates the revenue base and hence affects the way the political elite prioritises policies (Moore 2008; Ulriksen 2013). If the government is highly dependent on aid, the political elite are likely to be more accountable to donors than to their own population (Moore 1998; Therkildsen 2002) and therefore donor priorities may also become government priorities. In the last few decades, long-term human capital development, such as investments in education and health, has been an important element of donors' priorities. More recently, donors have also be attracted to policy areas that have the winning attributes of being visible, popular and quick to implement (Kjær and Therkildsen 2013). This may explain why, as discussed by Ulriksen and Katusiimeh (2014), there has been a tendency to focus on quantitative measures, such as school enrolment and number of vaccinations, rather than the more difficult challenges of improving the quality of social services or making the agricultural sector more profitable and sustainable.<sup>3</sup>

While aid and taxation thus tie governments to the interest of the providers of finance, revenue from mineral wealth, on the other hand, in principle make governments free from compensating specific groups of contributors. This is one of the key arguments in

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<sup>2</sup> Stasavage (2005); Prichard (2014); Kjær and Therkildsen (2012).

<sup>3</sup> See also Easterly (2009).

the literature on the resource curse (Hujo 2012). Nonetheless, both international donors and civil society organisations may attempt to monitor the revenue gains and spending from mineral wealth. This is nevertheless often extremely difficult as deals between governments and the mining sectors are usually very secretive.<sup>4</sup>

On the revenue side, informal revenues that may be used as funding for the ruling party are often also important for the political elite (Whitfield et al. forthcoming; Kjær and Therkildsen 2013). In order to stay in power, the political elite needs funding for campaigns, which means that favours and patronage may be given in return for funding (Tangri and Mwenda 2013). For revenue, this means that the imperative of finding political finance may trump the consideration to increase revenues. Therefore, if businesses finance the ruling party they may be promised tax exemptions in return which is likely to reduce public revenues (Therkildsen 2013). This will again affect the size of the budget and ultimately the allocations available for social sectors. If the largest funders of the party are businessmen, they may influence policy in directions favouring them and their business personally to the possible detriment of policy areas, including spending on social programmes (Delamonica et al. 2014). Certainly, whether businesses fund the ruling party directly or are main contributors to government revenue through taxation, they are likely to favour policies that protect and support their businesses, such as property rights and infrastructural development, over policies regarded as costly to them and therefore of a lower priority, which include social sector spending (Timmons 2005). The immediate concern of businesses are those that keep the business running, such as reliable power or water supply. Of course, businesses that rely on a healthy and skilled work force do have an interest in good quality social services in the education and health sectors. However, in developing countries, where the lack of good quality public services is widespread, it is likely that businesses instead prioritise private health insurance schemes and expatriate employment over support for defunct public social services.

Thus, based on the literature review, there are two key mechanisms that may affect the policy priorities of the Ugandan government over time: 1) The need to win elections where the interest of citizens can be important. 2) The need for government revenue where the interest of contributors such as donors, and citizens as tax payers, must be considered. It is possible that donor priorities differ to those of citizens, but it is equally likely that both donors and citizens favour certain policies, such as for instance the provision of basic social services.

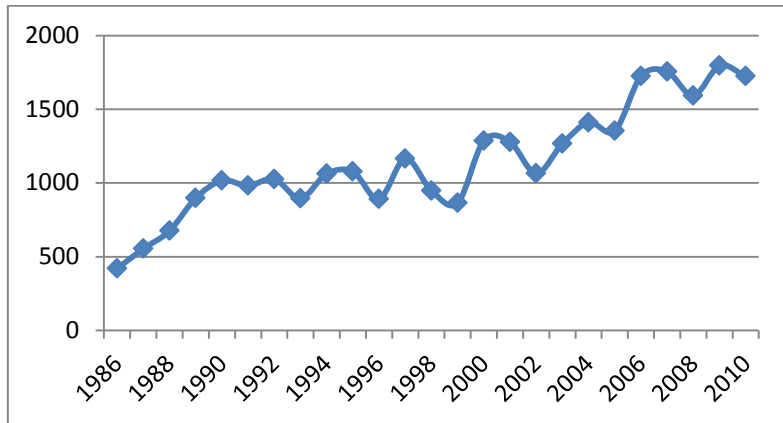
## **Studying the Politics of Domestic Resource Mobilization in Uganda: Hypotheses**

In the following, we elaborate upon our expectations with respect to how these mechanisms come into play in the shifting relations between government and donors on one side and between government and citizens on the other. In Uganda, the **relationships between the government and donors** have changed over time and, as will be explored further in this paper, these shifting relationships have influenced the policy priorities of the Ugandan government. As indicated in Figure 1, total aid received by Uganda has increased steadily in absolute terms over the almost three decades that the National Resistance Movement (NRM) has been in power, although aid has levelled off since 2006.

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<sup>4</sup> Even in Botswana, often regarded as one of the most transparent and least corrupt countries in Africa, some of the arrangements between the government and mining companies have remained undisclosed (Good 2008).

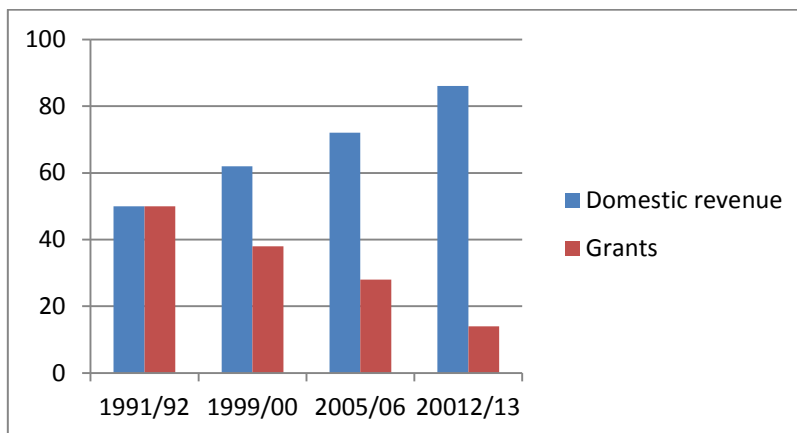
**Figure 1: Uganda net official development assistance received (constant 2010 US\$ millions)**



Source: World Development Indicators online

However, as Figure 2 shows, whereas aid in relative terms took up half of the public budget during the 1990s, the amount of aid relative to domestic revenue has since decreased to an estimated 15 per cent of the budget (see also Ulriksen and Katusiimeh 2014). The influence of the traditional donors has thus decreased, at least in monetary terms, and we expect that the Ugandan government was more likely to follow donor policy priorities in the 1990s than in recent years. At the same time, the increasing activity by non-traditional donors, such as China, may also affect government's policy priorities.

**Figure 2: Aid (grants) and domestic revenue as percent of total revenue in Uganda**



Source: Backgrounds to the Budget, Ministry of Finance and Economic Planning, Various years.

Thus, in terms of government-donor relationships, we propose the following hypothesis:

- With diminishing relative support from traditional donors, the government enlarges its national policy space and will to a lesser extent follow donor policy priority areas

The **state-citizen relationships** in Uganda have also shifted over time, although in somewhat more complex ways. In general, citizens' influence as taxpayers is expected to be relatively limited as domestic tax revenues have hovered at a low 12 per cent of GDP (Ulriksen and Katusiimeh 2014). However, tax revenue from income tax and from indirect taxes such as VAT has increased in recent years relative to donor contributions, and as such, citizens are important to the government as contributors to government revenue. Particularly, given that the increase in income tax revenue largely comes from

businesses and the formally employed (Kangave and Katusiimeh forthcoming), it is possible that the business sector has some influence on policy. At the same time, given the fragmented tax framework as well as a large informal economy where many are not taxed directly, the Ugandan population does not constitute a coherent interest group concerning taxation (Kangave and Katusiimeh forthcoming). We therefore expect that citizens as contributors to domestic revenue do not have a strong influence on the government's policy priorities. The weakening of civil society that could otherwise represent citizen interests and the increasing importance of oil incomes exacerbate this situation. Nevertheless, citizens are also related to their governments as voters, and we expect that Ugandans are likely to have a stronger influence on the political elite as electorates – the urge to remain in power will cause the political elite to prioritise policies that are popular with the population, particularly if elections are contested.

With respect to state-citizen relations, we therefore propose the following hypothesis:

- Citizens are not likely to constitute a strong political constituency as taxpayers, but as voters citizens will have some influence on policy around elections.

To sum up, we expect that the donors have stronger influence over the government's policy priorities at times when the government is heavily dependent on aid. Equally, with the increasing activity of non-traditional donors such as China, the government may shift its policy priorities depending on which donor they build closer relationships with. Citizens mainly have some influence through their position as voters and, to some limited extent, through civil society organisations. Finally, we expect that as the government came to rely on businesses for tax revenue (and direct party funding), this particular interest group may also increase its influence on policy priorities. In the following, we examine in more detail the Ugandan government's relations to its citizens as well as to donors. The analysis is divided into three periods (1986-1996, 1996-2006, and 2006-present) and for each section we explore how the shifting relationships affect changes in policy priorities.

## **Reconstruction and establishment of strong government-donor relations, 1986-1996**

In the decade following President Museveni and his National Resistance Movement (NRM) coming to power, the main focus of reforms was on reconstruction and stabilisation. As mentioned by Ulriksen and Katusiimeh (2014), President Museveni initially favoured socialist economic planning, but as Uganda was in great need of support from International Financial Institutions such as the IMF and the World Bank, the government soon adopted the structural adjustment programmes promoted by these institutions. As we explain further below, the priority given to infrastructural investments within these agreements suited well enough with Museveni's political ideas. However, Museveni was much less in favour of social policies, particularly poverty reduction programmes. Consequently, the expansion of social sector expenditures toward the end of this period can largely be ascribed to the donors' agenda. The Ugandan citizens for their part did not push the government much in this period as NRM had considerable legitimacy as provider of peace and stability.<sup>5</sup>

Museveni, in his autobiography of 1997, focused strongly on roads and infrastructure as having a crucial role in eliminating poverty and lamented donors' attention to "poverty

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<sup>5</sup> Although there were still some conflicts in Northern Uganda.

relief programmes” where money was “scattered in inappropriate directions” (Museveni 1997: 182-183).

My view is that these ministries [working with poverty relief] are wasting resources [and] roads must be prior to actual relief. Before we talk of poverty alleviation and other such things, we should talk about the movement of goods and services. If people are able to sell their goods and services, they will be able not only to alleviate their own poverty, but to eliminate it completely through their own efforts (Museveni 1997: 183).

In other words, according to this view, the poor need not be directly targeted through social programmes. Instead, poverty will be reduced through improvements of infrastructure, which will facilitate increased production and employment opportunities for the poor (see also Mugaju 1996: 38). Budget allocations in this period largely reflected these priorities in that infrastructure received large allocations (Mugaju 1996: 40; UNDP 2007).

In the initial years after the NRM came to power, donor funds went mainly to the state and public institutions rather than to non-state actors such as NGOs and civil society organisations (see for example Lister et al. 2006). The emphasis was on re-constructing state institutions and basic infrastructure after the war, the latter being in a sorry state after the civil war. Donors also supported a major reform of the public service, including one of the most far-reaching decentralisation programmes in Africa (Kjær 2002; Ndegwa 2002); and donors supported a demobilisation programme to reduce the army that had grown large from accommodating different armed groups after the civil war in 1986. Donors and international finance institutions were also convinced that the establishment of rule of law, basic institution building, and in particular, the ability to manage the economy, would be of primary concern (Kjær 2002). Thus, until 1996 focus was very much on infrastructure construction and institution building and to a lesser extent on social programmes.

The focus on reconstruction of basic infrastructure and institutions implied that the social sectors were not the main concern, and poverty reduction as a term did not appear much in debates in the first NRM years in Uganda (Kjær and Muhumuza 2009). As said, the government’s view was that poverty reduction would happen mainly through more production, employment and income-generation (Museveni 1992). During the early 1990s, there was some mentioning of social programmes but it remained a secondary concern. In 1989/90, the Programme on Poverty and Alleviation of the Social Costs of Adjustment (PAPSCA) was introduced, in collaboration with the World Bank, to ameliorate the effects of structural adjustment programmes (SAPs). The programme targeted war widows, AIDS orphans, disabled persons, urban poor, retrenched civil servants and people from marginalised districts affected by civil war (World Bank 1996). By the mid-1990s, the programme was assessed to not having reached its targets (Gariyo 1998), and was perceived to be a failure by the Ugandan government (Mugaju 1996).

This early programme, however, can be argued to mostly be a consequence of external pressure rather than a genuine government priority. The international debate on the human costs of SAPs following the publication of the 1987 UNICEF report “Adjustment with a Human Face” was about the negative implications of structural adjustment (Cornia et al. 1988). The generally accepted policy implications of the report’s recommendations were to protect public expenditure on the social sectors, and as the Ugandan government was very receptive to donors because of the high degree of aid dependence (Silkin 2006), it accepted these recommendations from international

donors. Consequently, although user-fees for social services were part of the programme, allocations for the social sectors grew towards the end of the period, although from a very low start (Ulriksen and Katusiimeh 2014). In fact, because of this being a period of re-construction in which government functions had to be re-established, Uganda was able to increase government expenditures during the early 1990s contrary to other African countries going through SAPs. This was because both production and revenue levels, and hence expenditures, rose in parallel in the period (Kjær 2002).

Given the extent of poverty and deprivation in the decade following 1986, the Ugandan citizens are likely to have favoured increases in social spending – and, as we shall see in the next section, the Ugandans certainly resented the user-fees enforced for basic social services in the education and health sectors. However, in this period the citizens were likely to have had limited influence on policy-makers because of limitations to the democratic system where citizens had limited voting power. The NRM enjoyed considerable legitimacy for ending the civil war. Except from northern Uganda, most people were happy that the country was now peaceful, which gave the NRM government a sort of honeymoon period in which it could carry out reform (Kjær 2004). The Constituent Assembly was elected in 1994 and, as it took time to draft a new constitution, the NRM government was not concerned with presidential and parliamentary elections prior to 1996 and had few incentives to gain additional popularity among voters. Furthermore, tax revenue in this period was low and institutionalised tax relations with citizens had to be re-established (Ulriksen and Katusiimeh 2014).

In addition, for historical reasons, civil society was only in its bud in the late 1980s. Various regimes since colonialism had left a heritage of what Dicklitch and Lwanga (2003: 482) have labelled “a culture of fear and political apathy”. De Coninck observes that “[By 1986, therefore] chaos had only allowed a truncated form of civil society to emerge, much weaker than in some other parts of East Africa at the same time.” He argues that civil society organisations tended to be complacent and to have a “cosy non-confrontational relationship with the state” (2004: 3). Even as the number of civil society organisations grew in the first decade of NRM rule, they were mostly concentrated on relief functions and providing support to donor-funded projects (Jørgensen 2004).

Overall, the period of 1986 to 1996 was characterised by reconstruction and a growing relationship between the government and donors. The NRM government was in a strong position given its widespread legitimacy for ending the civil war. In fact, it can be said that citizens’ influence was relatively limited as the government enjoyed a period of good-will, was not faced with challenging elections, and as civil society organisations were only in their infancy. Given the need for funds to rebuild their country, the government increasingly became reliant on aid and donors gradually increased their influence on policy. Towards the end of the period social expenditures were allowed to rise because revenue increased too, but as social expenditure up to then had been particularly low, comparatively speaking, results on the ground in terms of improved health and education were still to be realised.

## **Closer Government-Donor Ties, Stronger Citizen Influence and Poverty Focus, 1996-2006**

Two changes were significant in the period between 1996 and 2006: The citizen-government relations changed such that it became more important for the government to be attentive to citizen preferences – this was primarily due to the introduction of elections but also because of a growth in the number of Civil Society Organisations (CSOs). The second change was that, as the government realised the electoral value of social programmes – a policy area also favoured by the international donor community – donor-government relations grew closer and a partnership developed around pro-poor policy strategies, which included priority to basic social services.

### ***Voters' preferences and government-donor partnership***

The 1996 elections constituted the event that significantly shifted the government's focus towards poverty eradication and social programmes. The government's explicit priority until then had been on infrastructure and industrialisation (Museveni 1992; Kjær and Muhumuza 2009). Several observers note that the president's campaign tours prior to the elections alerted him to the fact that poverty was widespread (Stasavage 2004). The dominance of user-fees to access even basic health services and primary education was deeply resented by the population (Mugaju 1996), and the ruling elite realised that expansion of and better access to social services would be popular and help win votes (Kjær and Therkildsen 2012). The poverty focus that was reflected in the first Poverty Eradication Action Plan was therefore largely a result of the elite's perception of the popularity of social programmes, but also due to considerable donor pressure (Kjær and Muhumuza 2009; De Coninck 2004), as we elaborate upon in the following.

Donors continued to have considerable influence in this period given their substantial aid to Uganda. The increasing attention to the human costs of SAPs as described in the previous section developed into an even stronger focus on human capital development in the international debates. John De Coninck identifies the years after 1992 where the government succeeded in re-establishing macro-economic stability as the years in which the government legitimised itself through poverty reduction programmes and “with solid prompting from the donor community” (De Coninck 2004: 65). As will be discussed in section 4.2, donors were heavily involved in the formulation, implementation and not least financing of the PEAPs.

With respect to citizen influence, there is widespread agreement that the first and second PEAPs involved civil society to a high extent (Kjær and Muhumuza 2009; Oxford Policy Management 2008). NGOs were involved in the initial national seminar on poverty which started the PEAP process and were also among the stakeholders consulted by the first task force charged with developing the PEAP (Oxford Policy Management 2008: 9). Moreover, it appears that the inclusion of civil society actors in the drafting of the PEAP actually grew from the first PEAP in 1997 to the first revision in 2000 (Kjær and Muhumuza 2009). In drafting the second PEAP, CSOs, local governments as well as international donors were consulted in an institutionalised kind of way with planned seminars for stakeholders, and participation in the various preparatory sector working groups.

The extent of civil society influence is very hard to measure and must be related to other assessments of the strengths of civil society and its policy influence in general. From the early 1990s onwards the number of NGOs grew substantially due to the generally opened public space ensured by the NRM government and the existence of donor

support for civil society. Some observers talked about a “virtual explosion of civil society” (Oloka-Onyango and Barya 1997: 120). In 1992, 784 NGOs were registered with the Ministry of Internal Affairs, while in 2003, this number had grown to 4781 (Jørgensen 2004). Many of the umbrella organisations that were established for NGOs had quickly rising memberships such as HURIPEC (The Human Rights and Peace Centre at Makerere University) or DENIVA (Development of Indigenous Voluntary Associations in Uganda) (Robinson and Friedman 2007). Likewise, Uganda Debt Network was established in order to lobby for debt relief and to monitor the use of HIPC funds for social purposes. Its membership base grew from 23 organisations in the late 1990s to 40 ten years later. Whether this expansion of civil society organisations had an effect on policy is, however, uncertain. Jørgensen (2004) finds that only ‘non-political’, or at least only CSO’s that were not openly very critical to the regime, would be allowed to register by the government with the Ministry of Internal Affairs having quite strict procedures including security checks with regard to registering NGOs.

Civil society actors did not, according to most observers at the time, act much as real agenda-setters or indeed watchdogs but rather as service NGOs not challenging the governments’ political agenda. Robinson and Friedman (2007) examined six of the strongest interest organisations at the time, some of them umbrella networks for NGOs and human rights based organisations, some of them employment related, such as trade unions and the Uganda Manufacturers Association (UMA). They concluded that, except for the UMA, none of these organisations had policy influence and all of them, again except for the UMA, were dependent on foreign aid donors for funding (Robinson and Friedman 2007).

What can be concluded is that, overall, civil society organisations exist but lack genuine policy influence. Nevertheless, the period from the mid-1990s to the turn of the Millennium was a peak period of policy influence as NGOs and other stakeholders were included in the PEAP consultations in a systematic way.

Citizens as taxpayers did not seem to have any direct influence on policy. Donors still contributed the largest share of the budget. The introduction of the VAT in 1996 was not popular and there were some protests. However, these protests did not appear to have been linked to social programmes in any way, and there was no organisation around ‘bargains’, as also discussed by Kangave and Katusiimeh (forthcoming). The only tax that addressed the entire informal sector, the personal graduated tax, which was collected by local governments, was abolished in 2006. The abolishment did not result from direct citizen pressure but rather from politicians campaigning for its abolishment because they knew the tax was not popular (Kjær 2009). Thus, again, citizens did not directly influence policy as contributors to revenue. However, citizens did have some indirect influence as voters, where policies perceived as popular were introduced (or existing policies perceived as unpopular were removed) by the ruling elite in order to win elections.

Thus, in conjunction with donors’ increasing attention to social spending, the need to win elections, and CSO’s opportunity to be involved in efforts to improve access to social services and poverty reduction strategies, the government adopted more explicit social policies. It is fair to say that a consensus on policy priorities emerged among the political elite, donors and the CSOs in the mid-1990s and was a way in which the government legitimised itself in this period, vis-a-vis the donors and vis-à-vis citizens broadly. In the next section, we elaborate on how this consensus enabled the



government to increase resource mobilisation from the donor community and thus expand social spending.

### ***Policy priorities and social spending: PEAP, PAF and budget support***

Uganda's Poverty Eradication Action Plan (PEAP) was drafted between 1995 and 1997 and was the key policy document expressing this consensus and the government desire to improve social spending. In interviews, key public officials in Uganda and donors expressed the view that the first PEAP was home-grown and that it was formulated prior to, and may even have inspired the World Bank's Poverty Reduction Strategy Papers (PRSPs).<sup>6</sup> However, others emphasise donor influence and the government's ability to 'read' what donors wanted. It is not possible to know what came first, donor wishes, or the Ugandan government's agenda, but the interesting point is that the level of agreement was high at the time.

The PEAP contained a long list of priorities and has, by one observer, been judged "rather a menu than a meal" (Selassie 2008). However, social spending and generally pro-poor spending were high on the list (Oxford Policy Management 2008: 12). A mechanism to protect funding for pro-poor purposes was set up, termed PAF (Poverty Action Fund), which worked to ring-fence budget allocations for sectors such as health, education, and rural water and sanitation. The PAF mechanism ensured that large and increasing parts of the budget were allocated to public services thought to reduce poverty. Thus, the share of PAF within the budget increased from 18 per cent in 1997/98 to 38.2 per cent in 2006/07 (Oxford Policy Management 2008: 16).

The increasing expenditure required under PEAP was made possible through increasing aid as well as the Heavily Indebted Poor Countries Programme. Uganda was the first African country and indeed the first country in the world, to reach its HIPC decision point in April 1997, which granted the GoU debt relief for the amount of 347 million US dollars in the first release (IMF 2000a; Oxford Policy Management 2008). All in all, Uganda got about 2 billion dollars through the HIPC programmes (IMF 2000b). Although the original purpose of the PAF was to create a transparent mechanism for ensuring that all resources saved from the HIPC initiative were channelled to poverty eradication programmes, the PAF has evolved into much more than this. "It has attracted additional donor funding for poverty programmes over and above the regular donor programmes and, in effect, has become a mechanism for ensuring reallocation of incremental expenditures directly to poverty reducing public services" (Kutesa et al. 2006: 11).

An indication that relations between donors and the GoU were close and trustful was that general budget support increased in this period. Whereas throughout the 1990s, project support remained the predominant mode of aid (Lister et al. 2007) and was mostly uncoordinated, overall budget support increased three-fold from 1998 to 2003/04 where it amounted to 451 million US dollars (Lister et al. 2006; 2007). The increase happened because of the introduction of the Poverty Action Fund and of sector wide approaches. Donors used several variants of budget support: sector budget support earmarked to a particular sector, PAF related general budget support earmarked to the PAF as a whole, and full general budget support, which is not earmarked (Lister et al. 2006). The PEAP was thus successful as a resource mobilisation mechanism. Donor

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<sup>6</sup> As expressed by several key policy actors interviewed by one of the present authors in 2008/09. See also Kjær and Muhumuza (2009).

funding averaged 50 per cent of the budget throughout the PEAP period, and the partnership with donors was active and inclusive relative to other periods. For example, donors were heavily involved in sector working groups in charge of policy, planning and budgeting under the sector wide approaches. In other words, each sector had a working group consisting of sector-employees and relevant stakeholders feeding into sector-plans, in line with the overall poverty strategy. Furthermore, after the introduction of the PEAP and the increasing emphasis on harmonisation and coordination of aid, development partners drafted a joint assistance strategy for Uganda in cooperation with the government to support implementation of the poverty eradication plan (World Bank 2005). Reflecting this strong partnership between Uganda’s government and donors, Uganda has been called the leader in aid collaboration with its PEAP, which became ‘the model in the world’ (Ernst 2011).

**Table 1: Domestic Budget Allocations to Sector PEAP Priorities 1997/98-2005/06 (excluding donor contributions)**

	1997/98 (Pre-PAF)	1999/00	2001/02	2003/04	2005/06
<b>UGX billion (2000 prices)</b>					
Universal primary education	167	277	379	389	396
Primary health care	6	25	146	176	204
Safe water and sanitation	5	23	62	61	48
Agricultural extension, advisory services and strategy exports	1	6	32	33	53
Rural roads	12	32	48	52	41
Other Poverty Action Fund	6	30	115	148	163
<b>Total Poverty Action Fund</b>	<b>196</b>	<b>393</b>	<b>782</b>	<b>859</b>	<b>904</b>
<b>Per cent of Sector Budgets</b>					
Universal primary education	57	65	65	65	68
Primary health care	8	24	70	74	85
Safe water and sanitation	97	95	99	100	100
Agricultural extension, advisory services and strategy exports	6	25	59	62	65
Rural roads	21	24	24	31	26
<b>% of GDP</b>					
Universal primary education	1.5	2.3	2.7	2.4	2.2
Primary health care	0.1	0.2	1.0	1.1	1.1
Safe water and sanitation	0.0	0.2	0.4	0.4	0.3
Agricultural extension, advisory services and strategy exports	0.0	0.0	0.2	0.2	0.3
Rural roads	0.1	0.3	0.3	0.3	0.2
Other Poverty Action Fund	0.1	0.2	0.8	0.9	0.9
<b>Total Poverty Action Fund</b>	<b>1.8</b>	<b>3.3</b>	<b>5.6</b>	<b>5.3</b>	<b>5.0</b>

Source: Hedger et al. 2010: 7

Most notable among the PEAP programmes were, as also mentioned by Ulriksen and Katusiimeh (2014), provision of and access to basic social services, such as the Universal Primary Education programme (UPE) of 1996/1997 and the reforms in basic health care in 2001. As Table 1 indicates, government expenditures (excluding aid) increased for all PEAP priority areas and the education and health sectors were the larger programmes in terms of budget allocation. Budget support from donors was an important part of the financing of PEAP priorities, particularly in the beginning where government budget allocations for some sectors were low (see Table 1). However, except for budgets to rural roads, towards the end of the period the government covered the majority of the sector budgets.

The decentralisation programme launched in 1993 and seriously set in motion with the new local government act in 1997 aimed to improve social services by bringing service delivery closer to its recipients (Villadsen and Lubanga 1996). Together with the ring-fencing of funds through PAF, the allocation of funds to the intended sectors was

improved, although leakage of funds, misuse and corruption continue to be real challenges in public service delivery (Reinikka and Svensson 2005).

A downside of the increased aid allocations for PAF sectors was that it indirectly enabled more spending on public administration and on the army too because of the fungibility of aid. In other words, aid given for one purpose allows governments to shift resources to other uses (Kono and Montinola 2012). There are indications that this has indeed been the case in Uganda. The Institute for Health Metrics and Evaluation, for example, argues that foreign aid has allowed the government to cut its own health care spending, and that for each additional aid dollar received, Uganda cut its health care spending by 57 cents.<sup>7</sup> Concurrently, there was a rise in military expenditure over the 1990s and into the new millennium. Mwenda and Tangri (2005) demonstrate how the defence budget grew from 44 million US dollars in 1991 to around 200 million US dollars in 2004. In addition, Mwenda and Tangri argue that a lot of the public administration expenditure is being used for patronage to reward political support, such as the appointment of important supporters as heads of semi-autonomous agencies set up as part of the donor supported reform package. Such agencies were set up in the context of New Public Management reforms during the 1990s in order to boost important government functions or reform programmes (Bangura and Larbi 2006). Examples are, in addition to the Revenue Authority, the National Drug Authority, the Water Board, and the Dairy Development Authority, just to mention a few. Whereas not all semi-autonomous agencies were staffed to reward support, Tangri and Mwenda (2005) point to many examples, and such patronage is part of the explanation for the deterioration of donor-government relations in the period after 2006.

Summing up for the period 1996 to 2006, it is evident from the above that the need for NRM to ensure legitimacy and win elections urged the government to prioritise social sectors, which was also an area favoured by the much involved international donor community. The Government, with inputs from donors and civil society, developed the PEAP and through the PAF and budget support managed to secure additional donor support. Both citizens and donors thus had some influence on the political elite's policy priorities in this period.

## **Weakened government-donor ties, focus on infrastructure and energy, 2006-2013**

As with the preceding period, elections marked a change in relationships and a gradual move towards new policy priorities. Both citizens and the traditional donors lost influence on policy decisions, and the government's enthusiasm for the PEAP and social sector spending cooled with new government priority areas, most notably in infrastructure and energy, becoming the favoured government strategies. As with the previous section, we start here by describing how the relationships between the government and citizens and between the government and donors have changed. This is followed by an analysis of how these shifting relationships relate to changes in policy priorities.

### ***Shifting relationships***

In terms of government-citizen relationships, the most significant feature of the 2006 elections was that the constitution had been changed to allow for true multi-party elections and, at the same time, the two-term limit on the presidency had been lifted. For

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<sup>7</sup> According to Kono and Montinola (2012).

the ruling elite this meant that more money was spent on campaigns, that winning with a clear majority in order to make the opposition appear as an unrealistic alternative became more important, and also that it became important to have support from lower level factions of the ruling coalition as they could mobilise votes.

All of these considerations meant that spending priorities focused on gaining political support in the short term. Political support could be ensured either through patronage to buy loyalty and maintain the support of important factions, or through the implementation of policies that would benefit many voters in the short term (Barkan 2011; Kjær and Katusiimeh 2012). Both strategies were used as evident in the many new opportunities for patronage positions in for example new districts, the increase in the number of presidential advisors, and the rise in expenses to state house and the president's office, which made IFI's critique the rises in public expenditure.<sup>8</sup> It could also be seen in the 2006 election campaign of 'Prosperity for All', as will be outlined in the next section.

However, citizens still have some indirect influence on policy through their position as voters. Conversely, there is no indication that citizen as tax payers in general have gained more influence on the governments' policy priorities, as also discussed by Kangave and Katusiimeh (forthcoming). However, as is the case elsewhere in East Africa (Therkildsen 2013), individual businessmen have been observed to be important contributors to the NRM party's election campaigns, and in return they have received favours such as land allocations and tax exemptions (Tangri and Mwenda 2013: 111). In addition, unlike ordinary citizens, the business community is generally well organised and has been able to lobby for tax reforms that often include tax exemptions or tax reductions (Kangave and Katusiimeh forthcoming). Evidently, the largest taxpayers in Uganda are not domestic companies, but rather multinational companies, such as Shell, Total or MTN, who constitute the twenty largest taxpayers in the country.<sup>9</sup> When the corporate sector provides financial support to the ruling party, lobbies the government on tax reforms and pays taxes, it pursues objectives that favour the business sector, such as tax exemptions, investment infrastructure leading to lower production costs (as further discussed in the next section).<sup>10</sup> Social spending is not likely to be their primary concern in a context where there are more immediate threats to company survival, such as predictable access to land; steady power supply, water, and roads.

With regard to civil society influence on the government, CSOs were subdued during the 2006 elections and many of them felt fear of repression. Thus, although they criticised the lifting of the two term limits on the presidency, they were not vocal about it (Kjær and Olum 2008). Interviews with policy officials and CSOs around the making of the National Development Plan, the successor of the PEAP, concur that representatives of civil society did not really have an opportunity to influence the content of the NDP (as we also note in the next section, as they did with the PEAP. One representative from a large NGO, who does policy work, explains how she finds it quite easy to access the sector ministries, such as those of health, education, or agriculture, but that their policy suggestions, even if they are adopted in the ministries' plans, are then subsequently overruled by politicians.<sup>11</sup> In other words, she argues that ministers may overrule what the technical staff adopted on the grounds of policy analysis and stakeholder hearings, because political winds subsequently are blowing in other directions. For example, a policy might have been well-prepared but would then be

<sup>8</sup> Occurrence of patronage is not a new phenomenon in Ugandan politics. However, compared to the previous period, patronage in order to win elections has arguably increased (Barkan 2011; Therkildsen 2013).

<sup>9</sup> "Uganda's 1,000 top tax payers". *New Vision*. Sept. 10, 2007.

<sup>10</sup> As confirmed in a personal interview with a business representative.

<sup>11</sup> Personal interview with member of large NGO, January 2014.

abolished right before the presentation of the new budget. Another example of tensions between civil society and the government is the government bill passed in 2013, which severely limited the freedom to have public meetings. Public approval must now be acquired if three or more people are to meet publicly about political issues. The bill was passed despite massive protest from civil society organisations, religious leaders, opposition MPs and the public.<sup>12</sup>

Regarding government-donor relations, it is clear that the Ugandan government's relationship to donors has changed significantly in the last decade. In the past the government had close and frequent dialogue with the World Bank, probably its closest development partner, and other traditional development partners had relatively easy access to the government. However, the close partnership may not be as cordial as it once was. At the same time, the government is building stronger relationships with non-traditional donors such as China, which are less demanding regarding certain conditionalities such as good governance.

The deteriorating government-donor relationship has happened gradually. Corruption scandals have compelled the traditional donors to react, and there have been regular cuts in general budget support, although it has often been resumed after a while. In 2012, for example, a corruption scandal in the prime minister's office made many donors suspend aid. The auditor general made public a report showing that about 15 million US dollars had ended up in the private bank accounts of employees in the prime minister's office (OPM) rather than being channelled to the designated peace, recovery, and development programme in northern Uganda.<sup>13</sup> The EU ambassador to Uganda saw the scandal as a 'breach of trust' between Uganda and donors.<sup>14</sup> Another indication of the changing relationship is that although there is still a formal dialogue between the government and the traditional donors around support for the National Development Plan, donors have started to move away from budget support. In the mid-2000s budget support took up the majority of aid, but this has since shifted so that project support today again constitutes the majority modality of donor funding (Ulriksen and Katusiimeh 2014).

While Uganda's relations to Western donors may have soured, this is evidently not the case with regard to China.<sup>15</sup> In fact, although it is difficult to accurately estimate Chinese aid to Uganda, indications are that the Ugandan government has increasingly benefited from Chinese support (Guloba et al. 2010). China is a different type of donor to the traditional ones, as China does not have governance concerns as traditional donors do. In addition China's presence in Uganda is visible as much through its national oil company CNOOC as through its role as donor. Recent Chinese grants have been given to support infrastructure development such as the construction of Karuma, Isimba and Ayago dams, the Kampala-Entebbe Expressway, the twin offices for the President and Prime Minister, an automobile factory and several schools and hospitals. Increased Chinese aid is thus primarily channelled into sectors that fit the governments' priorities of energy and infrastructure development. The Ugandan president was thus quoted in a Chinese news agency in 2013 saying "Chinese lending is completely free of the usual meddling and high-handedness of some of the friends from outside. They also

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<sup>12</sup> "Uganda Public Order bill is to blow political debate" *BBC news* August 6, 2013. "Activists oppose Public Order Management Bill". *New Vision*. Oct 17, 2013.

<sup>13</sup> See e.g. *The Guardian*. Friday November 16, 2012. "UK suspends aid to Uganda as concern grows over misuse of funds"; or *Africa Review*. December 4, 2012. "Donors cut all budget support to Uganda until 2015".

<sup>14</sup> *Reuters*, Tuesday Dec 4: "EU joins national donors in freezing aid to Uganda over graft".

<sup>15</sup> On China's good relation to Uganda, see for example: *Xinhuanet*, 18 September, 2013 "Chinese top legislator pledges closer ties with Uganda".

focus on the primary sectors of the economy such as infrastructure instead of focusing on the secondary sectors of national life”.<sup>16</sup>

The prospects of getting revenue from oil, together with the dwindling importance of traditional aid relative to domestic revenue and the increasing cooperation with China, means that the government puts less emphasis on dialogue with the donors and that the government is much more selective in terms of the donors they would like to interact with. One example of engagement with traditional donors is technical cooperation with Norway who has been sending experts from oil specific branch agencies in Norway to help build up oil-related capacity in Uganda’s government.<sup>17</sup> As Norway is a partner in the promising oil sector, this country may have had easier access to the government compared to other traditional donors, although Norway too suspended aid in the aftermath of the scandal in the prime minister’s office.

Concurrently, the oil findings have also indirectly contributed to the deteriorating relations between donors and the Ugandan government. Development partners support civil society organisations in their efforts to hold the executive to account. This support also concerns the oil sector where CSO’s have become more vocal, have taken a position as watchdog over how oil resources are managed, and have demanded to be heard in key issues such as on the nature of Production Sharing Agreements. They also vocally criticised the fact that the Minister of Energy, rather than an independent Petroleum Authority, was given powers to grant licenses in the oil sector (Kjær 2013). The multi-donor-funded Democratic Governance Facility (DGF) has supported many of these CSOs. The president apparently perceives this as an alliance against the government. This perception came out in a recent speech to parliament where the president refers to the “nefarious and mendacious campaign of the foreign interests, using NGOs and some Members of Parliament to try and cripple or disorient the development of the oil sector”.<sup>18</sup> Referring to a parliamentary forum on oil and gas supported by the DGF and its criticism of the authority of the Minister, the president says that “the malignment by internal saboteurs working on behalf of external parasitic interests must be stopped by legal, political and media actions by the NRM and Government leaders”<sup>19</sup>. The speech is itself evidence to the deteriorating relations between the government and (many) donors.

Summing up, it is clear from the above that the government-citizens and government-donor relationships have shifted significantly in the last period. Citizens continue to have some political relevance in as much as the government needs majority support in elections. However, the benefit of spending on broader policies to gain electoral support must be weighed against the need to ensure loyalty from different elite factions and clienteles. Hence, citizens have limited direct influence on policymaking. This is more so, as civil society organisations have experienced increasing repression and inability to access the policy processes. With the rise of tax revenue relative to donor funds, it could be expected that tax contributors increase their influence. Whereas citizens in Uganda in general are unable to organise successfully around tax issues (Kangave and Katussimeh forthcoming) the domestic business sector appears to have some influence over politicians in the ruling party; most probably through their direct support to the ruling party, however. Finally, as the government’s relationship with traditional donors have deteriorated and China has become a new and important partner, the government is

<sup>16</sup> *Xinhuanet*, 14 August 2013. “Uganda looks up to China as western aid dwindles”. Accessed 27 February, 2014.

<sup>17</sup> See *The Foreigner*, December 14, 2012; “Uganda appreciates Norway for Oil Industry Cooperation”. Accessed November 2014 at <http://theforeigner.no/pages/news/uganda-appreciates-norway-for-oil-industry-cooperation/>.

<sup>18</sup> President Museveni’s speech to parliament given December 13, 2012.

<sup>19</sup> President Museveni’s speech to parliament given December 13, 2012.

more selective in its interaction with donors, meaning that donors are no longer as close to the policy making processes. In the next section, we discuss how these shifting relationships have affected the priority of social policies.

### ***NDP and changing policy priorities***

In breaking with the past focus on poverty eradication, the government's current overall development framework is Vision 2040 in which the aim is "a transformed Ugandan society from a peasant to a modern and prosperous country within thirty years" (RoU 2011: 3). The theme of the visions is to accelerate Uganda's socioeconomic transformation, which involves reaching a per capita income of 9,500 US dollars by 2040. This focus should be well in line with strengthening local capacity to link up to the oil economy, and the vision lists oil as one of the main opportunities in the future to generate revenue that can be reinvested into strategic sectors of the economy to promote structural transformation (RoU 2011: 26).

In order to reach the aims of the vision, five year development plans are made, and the first National Development Plan (NDP) was presented in 2010 (RoU 2010). In the plan, a strategy is laid out to address key constraints to transform the economy. A mixed economy approach is adopted and key priority areas are infrastructure development, human resource development, promotion of science, technology and innovation, and facilitating availability and access to critical production inputs. The strategy also talks about targeted initiatives to promote industry and the development of technological capabilities in Uganda. "The plan is to maximise future revenues from the oil industry and utilise them for high return public investments in the longer term" (RoU 2010: 54). This also is evident from the oil-specific bills such as the "Oil and Gas Revenue Management Policy" from February 2012, which stipulates taxation of the oil sector, allocation of oil revenues to a Petroleum Fund and the Petroleum Exploration, Development and Production Bill (2012), which has requirements for local content.<sup>20</sup>

This change in policy priorities towards industrial policy, and infrastructure and energy sectors is very much in line with the initial focus of the NRM government on industrialisation and structural change of the economy. It is also in line with a change that is observable in other African countries and in the debate on the post MDG agenda (Abugre and Ndomo 2014). Hence, in spite of all the debate about government ownership of the PEAP, one could argue that the new priorities are not really new, but simply reflect a return to the more basic ideology of the NRM regime. It is very probable that the policy change has been possible because the NRM government has been able to distance itself from the donor community and civil society organisations. Thus, starting already with the 2006 elections, the government gradually moved away from the PEAPs and instead, with limited external inputs, developed the NDP to reflect the new policy directions.

To demonstrate this point: During the 2006 elections, the NRM's campaign slogan was 'Prosperity for All' (Election manifesto 2006). The slogan had a common appeal: to increase prosperity. The president promised that every farmer could be earning 20 million Ugandan shillings a year by the 2011 elections.<sup>21</sup> Nevertheless, as an independent evaluation of the PEAP concluded, the election campaign was not launched with a focus on reducing poverty through social programmes and the manifesto was then later integrated into the existing PEAP framework (Oxford Policy Management

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<sup>20</sup> Available at the Ministry of Energy's petroleum departments website: <http://www.petroleum.go.ug>.

<sup>21</sup> "Prosperity for All: Myths vs realities". *The Observer*. 21<sup>st</sup> February, 2010.

2008). In fact, as the drafting of the National Development Plan started after the 2006 elections, it was without waiting for an evaluation of the PEAP. It can thus be argued that the ruling elite was not concerned to include experiences and recommendations gained from the implementation of the PEAP. In addition, the NDP was drafted in a much less participatory manner than the previous strategies, and the sector working groups did not include donors or civil society organisations – these were only heard after the plan had been drafted.<sup>22</sup>

The government has indeed developed the NDP with limited inputs from donors and CSOs, who were otherwise close partners in the PEAP processes. At the same time, it can be argued that the NDP fits well with the interests of new and influential partners, such as China and the domestic and international business community. China has given grants and loans to infrastructural developments and business has a strong interest in such investments as dams and roads, as argued above.

The ruling government still wants to appeal to voters – now with slogans promising ‘prosperity’. Nevertheless, while social programmes remain in the National Development Plan, they are not on the top of the priority list, and it appears that the social sector has lost its appeal among the political elite. It is probable that, as the attention to improvements in the social sectors has moved from quantitative to qualitative standards as also discussed by Ulriksen and Katusiimeh (2014), increasing social spending no longer have the electoral winning attributes of showing visible and quick outcomes (Kjær and Therkildsen 2013). Hence, a recent assessment of sector support for education, for instance, finds that education sector expenditures have not kept pace with the overall budget. They have declined as a share of government expenditure over the last 12 years, from 24 per cent in 1997/98 to 17 per cent in 2009/10 (Hedger et al. 2010). In addition, Hedger and colleagues argue that the quality of both primary and secondary education programmes has been allowed to decline.

In sum, we have demonstrated that the government’s relations to civil society and to external actors have changed and we have shown that this is likely to have affected policy priorities, so that these now emphasise primarily economic concerns, as the president puts it. Whether these policies will indeed be implemented requires future research.

## Conclusion

In this paper, we have examined the changing relationships between the government of Uganda and donors on the one side, and between the government and its citizens on the other, and we have explored how these changing relationships and the gradually changing composition of revenues may have affected public policy priorities. Starting from the assumption that the ruling elite wants to stay in power, we discussed two mechanisms that link the elite’s desire to remain in power with policy priorities. The first mechanism is the need to win elections, which connects the government to its citizens, and may cause the ruling elite to prioritise perceived popular policies. The second mechanism is the need for government revenue in order to fund public policies favourable to important constituencies; this requires the government to consider the interests of different types of contributors (which include both citizens and donors). At the same time, it also has to consider political funding for the ruling party elite.

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<sup>22</sup> Interview, Ministry of Finance official, June, 2009.



The relationship between government and its citizens is thus complex as citizens may have influence as voters, as civil society organizations, and as taxpayers (where different groups of citizens may again have more influence than others, given their revenue contributions and ability to mobilise collectively). In Uganda, citizens seem to largely have had an influence as voters where the ruling elite has perceived the introduction of social services (education in 1996 and health in 2001) as important strategies to win elections. Popularity and legitimacy among the broader population are still important considerations, but the appeal of social policy expansion seems to have dwindled in the recent period. This may be partly due to the difficulty and lack of success in improving the quality of education and health services, and partly due to the fact that the government's relationship with other stakeholders have changed such that there is room to prioritise the originally favoured sectors of infrastructural development.

Citizens, as represented by civil society, have had some limited influence on policy. In the period 1996-2006, where social policies and the PEAP in general appealed to the government, were favoured by the citizens, and supported by the donors, the government involved civil society organisations in the development of Poverty Eradication Action Plans and the civil society sector grew. However, in recent years the relationship between the government and CSOs have soured somewhat, and CSOs have lost their prior opportunity to provide inputs to policy.

Finally, as taxpayers, citizens have had limited influence on the government, which can largely be ascribed to the relatively small direct income tax base and citizens' inability to mobilise around taxation issues. Hence, our second hypothesis on citizens' ability to influence policy as voters, but very little as taxpayers, seems to have been confirmed.

Donors, for their part, have had quite substantial influence on public policy priorities in Uganda given the governments' dependence on aid resources. The Uganda government in its early years favoured spending on infrastructure and other sectors that could support structural change of the economy. President Museveni argued that this was the right avenue to achieve poverty reduction and that social spending had to come second. Bilateral donors, but also the World Bank and IMF, argued more for the importance of protecting social sector spending, particularly from the mid-1990s. As the government in the mid-1990s also saw the electoral advantages of such spending, the donors and government developed a strong and close relationship around the PEAPs. Nevertheless, since the mid-2000s the amicable relationship between government and donors has been breaking down. There are several reasons for this: the increasing funding from non-traditional donors such as China, the prospect of mineral/oil revenue, which will make the government less dependent on aid, the increase in tax relative to aid in terms of overall government revenue, and the traditional donors' upset with several political developments in Uganda.

The relationship between the government and donors has thus shifted from being close and harmonious to being more fragmented and, somewhat, conflict-stricken. With this change in partnership, the government is to a lesser extent bound to follow donor priorities, as we expected with our first hypothesis. The government in 2010 drafted the current national development plan in which it seems to have gone back to promoting infrastructural development over that of the social sectors. In one way, the government seems to behave more independent in its policy choices. However, the new development path also speaks well to important partners such as new donor agencies in the East and the resourceful business sectors. Citizens for their part may accept the promise of 'Prosperity of All' at a time when there is disillusionment with the quality of social

services and with the ability of poverty eradication strategies to meet the plight of the public.

A number of lessons can be drawn from this environment of shifting relationships and changes in revenue mobilization. For the Ugandan government, the emergence of non-traditional donors and expectations of natural resource income may create opportune moments to move towards favoured policy strategies. However, it may also be worth noting that although non-traditional donors often have no conditionalities in terms of democracy and accountability, the grants and loans still come with strings attached. In addition, potential future natural resource income has to be managed carefully to ensure positive developmental outcomes.

From a citizen perspective, it is clear that citizens are unable to sustain substantial pressure on the government in terms of both policy development and accountability. Competitive and fair elections is one way to increase citizen influence, but mobilization through taxpayer organisations, budget monitoring forums, and in the review of natural resource wealth funds may be avenues to be explored. Donors may have a role to play in promoting such civil society activities. Donors will also do well to recognise that their significance in influencing policy has declined and that they must pursue new strategies in their negotiations with the Ugandan government.

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