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From Consensus to Contention

Changing Revenue and Policy Dynamics in Uganda

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prepared for the UNRISD project on
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.

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List of Acronyms

CHOGM	Commonwealth Heads of State and Government Meeting
CNOOC	China National Offshore Oil Corporation
CSOs	Civil Society Organisations
DENIVA	Development of Indigenous Voluntary Associations in Uganda
DGF	Democratic Governance Facility
GDP	Gross Domestic Product
GoU	Government of Uganda
HIPC	Heavily Indebted Poor Countries
HURIPEC	The Human Rights and Peace Centre at Makerere University
IFI	International Financial Institutions
IMF	International Monetary Fund
MPs	Members of Parliament
MTN	Johannesburg based mobile operator
NDP	National Development Plan
NGOs	Non-Governmental Organizations
NRM	National Resistance Movement
OPM	Office of the Prime Minister
PAF	Poverty Action Fund
PEAP	Poverty Eradication Action Plan
PRSPs	Poverty Reduction Strategy Papers
RoU	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);¹ 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

¹ 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

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