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A Political Economy Analysis of Domestic Resource Mobilization in Uganda

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prepared for the UNRISD project on
Politics of Domestic Resource Mobilization for Social Development

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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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Acronyms

CSO	Civil Society Organization
GDP	Gross Domestic Product
CNOOC	China National Offshore Oil Company
DI	Development Initiatives
HDI	Human Development Index
HIPC	Heavily Indebted Poor Countries
ICTD	International Centre for Tax and Development
IFI	International Financial Institutions
IMF	International Monetary Fund
MOFPED	Ministry of Finance Planning and Economic Development
MP	Members of Parliament
NDP	National Development Plan
NCC	National Chamber of Commerce
NORAD	Norwegian Agency for Development Cooperation
NRM	National Resistance Movement
PAF	Poverty Action Fund
PEPD	Petroleum Exploration and Production Department
PEAP	Poverty Eradication Action Plan
PSA	Production Sharing Agreement
PSF	The Private Sector Foundation
RoU	Republic of Uganda
UGIETA	Uganda Import and Export and Traders Association
UGX	Ugandan Shilling
UMA	Uganda Manufacturers Association
UPE	Universal Primary Education
URA	Uganda Revenue Authority
VAT	Value Added Tax

Summary

This synthesis paper brings together the research findings from four papers prepared by the Uganda team as a part of the UNRISD Politics of Domestic Resource Mobilization for Social Development project, which addresses three broad themes: bargaining and contestation, key relations, and institution building with regard to mobilizing resources for social development. In the paper we analyse how political economy factors affect revenue raising and social spending priorities in Uganda. We establish a theoretical framework based on the political settlement theory, within which we explore instances of revenue bargain, which we understand as political negotiations that shape revenue mobilization, the actual revenue composition and policy priorities guiding revenue allocation. We focus on three instances of revenue bargains: legislative tax reform, institutional performance of the revenue agencies, and policy making. The first two instances relate to the actual mobilization of resources, whereas the third example focuses on bargains over spending priorities within a given revenue base. We find that in Uganda, a low-income country with competing political factions, there are specific challenges to mobilizing resources for social development. The need to maintain political power has led to reduced tax intakes, as a result of abolishing taxes levied on rural voters and introducing tax exemptions for powerful supporters. On the spending side, social development concerns compete with other public policy areas as well as the pressure to allocate resources for political purposes.

Introduction

> *There is good news in the agenda for the Third International Financing for Development Conference… . For the first time, domestic resource mobilization is more prominent than international aid. The emphasis is on the ways in which the governments of developing countries can raise and leverage more financial resources for development.*[1]

Domestic resource mobilization is increasingly regarded as a central element in financing social development as well as broader development goals in the Global South, and for good reasons. As an alternative and complement to aid, the mobilization of domestic resources can bridge critical funding gaps, enhance national ownership, and strengthen citizen influence on the spending priorities of governments, all factors that have the potential to improve social development. However, low-income countries face particular challenges in broadening their tax base and improving tax compliance, as is the case in Uganda. Some of these challenges are economic and technical in nature (such as, how to tax the large informal sector), while others relate to issues of institution building and governance. Although such challenges are not easily resolved, they have received considerable attention in the development community.[2] As domestic resource mobilization attracts attention, there is also increasing focus on how political dynamics affect taxation and other forms of state income generation and how this in turn influences social development. The growing body of literature focuses on revenue bargaining in developing countries and whether a fiscal contract is being established between states and their citizens (Moore 2008; Prichard 2015). However, we still lack knowledge about how these bargaining processes evolve and how negotiations over revenue affect policy choices, including whether and how social development is prioritized. This paper contributes to that knowledge in examining bargains over revenue and policy reform. It rests on research carried out for the UNRISD research

1 Moore et al. 2015.

2 Donor programmes on taxation focus on providing technical assistance and know-how to building capacity and to improving tax legislation. See also Moore 2013 on challenges for low-income countries, and Bhushan and Samy 2014 on donor programmes and fiscal capacity.

project 'The Politics of Domestic Resource Mobilization for Social Development'. This project focuses on three broad themes in a number of case countries: contestation, claims and bargaining over issues of resource generation and allocation; changes in relationships among key actors related to resource mobilization and social policy; and institutional development associated with the dynamics of resource mobilization and service provision (UNRISD 2013).

We explore these themes by examining how political processes are affecting the growth of the domestic revenue base as well as the extent to which public resources are prioritized for social development in Uganda. We establish a theoretical framework based on political settlement theory, within which we can explore the three themes. According to the theory, political settlements of a given country constitute constraints and opportunities for policy making.[3] A political settlement approach focuses on the balances of power of different interests and thereby helps us understand the political costs and benefits of particular policy and institutional reforms. It brings us closer to the political realities within which revenue bargains are both formal and informal in nature.

We argue that an understanding of the political settlement in Uganda will help us grasp the more specific bargains that take place. This finding is likely to have broader relevance. Uganda carries many of the political and economic features that are typical of several low-income countries in Africa. Politically, Uganda can be characterized as a hybrid regime (Diamond 2002) with regular elections and a multiparty system, but also high levels of political corruption, many authoritarian tendencies and patrimonial attributes, which are typical also of other countries on the continent. Economically, the country is part of a group of African 'emerging economies' that experienced continuous economic growth throughout the late 1990s and 2000s (Radelet 2010). These countries still have small national budgets and large informal and subsistence agricultural sectors that are hard to tax. However, because of the general growth in economic activity, tax revenue has increased somewhat, which, together with investments and grants from new donors such as China and the discovery of natural resources such as oil, has decreased the dependency on development aid from western donors. Yet these emerging economies remain among the poorest of the world and the majority of their populations do not have access to basic services such as health care and quality primary education. Consequently, financing social development remains a challenge and it is not at all certain that public revenues, to the extent that they increase within budget constraints, will be spent on social, or indeed national, development.

In the first part of our analysis, we briefly review the literature and establish the theoretical framework. We then outline the basic socio-economic structure and political settlement in Uganda from when the National Resistance Movement (NRM) came to power in 1986 until 2015. This constitutes the structural context within which revenue bargains take place. Subsequently, we focus on three instances of revenue bargaining: legislative tax reform, the institutional performance of the Uganda Revenue Authority (URA), and policy making in the field of social policy. For all three of these case studies, we shed light on revenue bargains taking place from the early 1990s up until 2015. The first two instances affect the actual mobilization of resources, whereas the third example focuses on bargains over spending priorities within a given revenue base.

In the first case, we analyse how different actors write their voices into legislation through the politicized processes of tax reform and tax bargaining. We find that this

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3 Khan 2010; 2012; Hassan and Prichard 2013; Hickey and Golooba-Mutebi 2013; Kjær 2015.

process results in a taxation system that continues to be fragmented and limited. The second case of revenue bargaining illustrates how political interference affects the institutional capacity and power of key fiscal institutions to mobilize domestic revenue. These first two instances of revenue bargaining establish that domestic resource mobilization is still a major challenge in Uganda, and that the Ugandan citizens in general have limited influence on policy in their position as taxpayers. However, as we show in the final part of our analysis, citizens do have some influence on social development in their role as voters because the government is concerned with staying in power. Equally, major revenue providers, such as OECD DAC aid donors, have also been able to push for stronger social spending. Nevertheless, the recent developments with decreasing dependence on these donors and promises of natural resource revenue have opened the policy space for the government to pursue their primary policy priority areas, which may be less strongly focused on social development.

This paper draws on the analyses and findings from four UNRISD working papers conducted by colleagues and ourselves.[4] We rely primarily on analyses of Uganda's political economy; available policy documents, including national budgets over time and parliamentary debates; and interviews carried out in connection with this research, and as part of our own previous research on policy reform and productive sector initiatives in Uganda undertaken between 2008 and 2014. Interviews were conducted with key policy actors in the central ministries—such as the Ministry of Finance, Planning and Economic Development (MOFPED) and the URA—Members of Parliament (MPs), representatives of civil society groups, representatives from International Financial Institutions (IFIs) and political experts in Uganda during repeated stays in the country.

The Political Economy of Domestic Resource Mobilization in Low-income Countries

Two strands of literature inform our framework. The first is the literature on political settlements. It argues that socio-economic structures shape the distribution of power and constitute the conditions under which political factions must gain and maintain power.[5] This distribution of power and the institutions that sustain it define political settlements (Khan 2010). Central to the political settlement is the ruling coalition, which consists of those specific groups that either have government power or that support and sustain the ruling elites (Whitfield, et al. 2015). Such ruling coalitions are maintained through the allocation of resources. However, low-income countries are characterized as low-productivity economies with large informal sectors of low-technology agriculture or micro-enterprises (Whitfield et al. 2015). Taxing such informal sectors requires extensive administrative capacity and is costly because it implies that each individual small firm or farm is registered and assessed. A pre-capitalist mode of production therefore constitutes an obvious constraint on the volume of taxes that can be extracted domestically. When national budgets are small, powerful organizations cannot be appeased only by allocating resources to them from the national budget. In contrast to industrialized countries, in which large national budgets are distributed to the entire population in the form of a range of public goods and services, low-income countries must appease important organizations at least partly by means of off-budget allocations, in other words through using state resources as patronage.[6] Hence, according to this

4 Ulriksen and Katusiimeh 2014; Kjær and Ulriksen 2014; Kangave and Katusiimeh 2015; Katusiimeh and Kangave 2015.
5 North, Wallis, and Weingast 2009; Khan 2010; Khan 2012.
6 North, Wallis and Weingast 2009; Khan 2010; Khan 2012.

perspective, clientelism remains a central feature of political settlements in the least developed countries.

The second body of literature is fiscal contract theory, which points to the importance of bargaining between governments and taxpayers. The central argument is that when citizens pay tax, they raise demands to get a return for their tax monies.[7] One can therefore speak of revenue bargaining where the government and contributors to revenue negotiate over 'returns' for contributions. A 'revenue bargain' is not uniformly defined in this literature but here we use it broadly along the lines of Moore (2008: 37-38) to refer to a "wide range of types of (political) exchange, ranging from explicit haggling ('If you do this, I will do that') to indirect, strategic, anticipatory interaction ('Let us announce more public spending on health now, in the hope that Parliament will be ready to accept an increase in Value Added Tax (VAT) rates next year')". In other words, a revenue bargain is an explicit or implicit agreement reached between the contributors of government revenue (that is taxes, fees, royalties, grants) and the government about what to contribute and what to get in return. Revenue bargains can take place in quite different contexts. Potential contributors may influence the ruling coalition during the legislative process where tax reforms are decided upon, just as they may push public policy spending priorities in directions that favour their own interests and needs. Within the ruling coalition itself, bargains can also affect the institutional performance of tax revenue agencies in their ability to mobilize resources. Hence, bargains are political in nature—different actors seek to favour their position through negotiations, haggling and manipulation by various means and in different contexts.

A political settlement approach in combination with fiscal contract theory brings our attention to the political costs of a potential revenue-raising policy. In clientelist settlements, raising revenue is a challenge not only because of economic constraints, but also because of political constraints. Any initiative that would impinge on the privileges of an important group or individual would invite resistance and could be destabilizing. This also explains why tax collection in clientelist contexts can be particularly difficult: the ruling elites must consider how an initiative to raise more tax revenue will affect the interests of important supporters of the ruling coalition, and key supporters are likely to want something in return for their contributions. An important implication of a small budget is that it limits expenditures, so not everyone can have access to social services, good infrastructure or other types of goods and resources. Bargains over revenue and policy may therefore involve other forms of allocations, such as positions in government, access to land or the granting of tax exemptions. The outcomes of revenue bargains may prompt the government to provide social services or infrastructure with the income raised, but bargains may also lead to tax exemptions and the abolition of taxes whereby governments forego revenue and therefore have less resources for social development or other national development priorities (Hujo 2012).

The scope of mobilizing resources in low-income countries with a small national budget is further circumscribed by the landscape of external actors who become important partners in providing grants and loans to development projects (Therkildsen 2002; Morrissey 2014). Although international donors weigh recipient countries' national priorities, they also have their own policy priority areas. Thus, international aid agencies are also stakeholders in the revenue bargaining process in which they will seek to influence how resources are spent, and ultimately how external actors affect the nature of the political settlements, at least indirectly.

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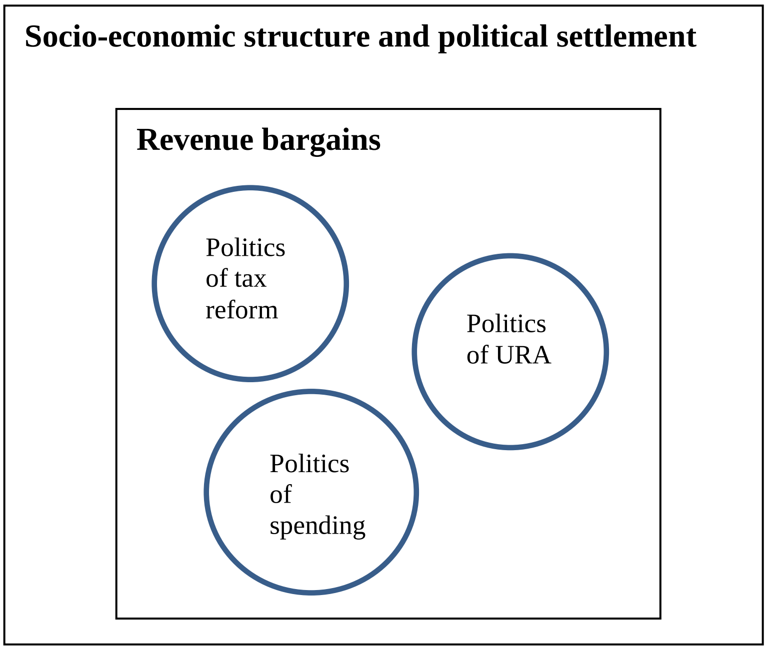
[7] Levi 1988; Ali, Fjeldstad and Sjursen 2014; Prichard 2015.

Finally, the introduction of competitive elections affects the nature of the established political settlement and the way ruling elites enter into revenue bargains. Elections are an avenue for ordinary citizens to influence policy, as it is assumed that ruling elites will seek to meet the voters' demands, such as by providing essential social services (Stasavage 2005; Kjær and Therkildsen 2013). However, elections also open the political space for lower factions in the political settlement as ruling party members at the local level become important agents in winning votes. This in turn makes elections more costly for the ruling elites as they need to maintain the support of lower level political factions (Whitfield et al. 2015).

Figure 1: Analytical framework for studying revenue bargains in Uganda



Source: Authors' own elaboration

In summary, figure 1 represents the political settlement framework for analysing revenue bargains in Uganda. As we shall see in the following, the largely informal structure of Uganda's economy means that raising taxes can be difficult and costly. Furthermore, given the limited extent of capitalist production in Uganda, and the relatively small budget, the political settlement is upheld through clientelist behaviour. It is within this structural context that we analyse three different instances of revenue bargains that together affect domestic resource mobilization and the extent to which social development is prioritized. In all three cases, we focus on the political aspect of revenue bargains. That is, how different groups within or of importance to the ruling coalition seek to promote their position and/or interests. The first case, *the politics of tax reform*, analyses the legislative outcomes of the revenue bargains between the ruling coalition and potential taxpayers over legislation intended to mobilize domestic resources. The second case, *politics of the URA*, focuses on how political bargaining (here primarily within the ruling coalition) can affect the institutional capacity of Uganda's primary revenue agency to raise domestic resources. The last case, *politics of spending*, explores how the composition of revenue—and particularly the role of the different contributors to revenue—affects spending priorities. Our approach and cases

serve to enlighten the three broad themes of institutions, relationships and revenue bargains that inform the UNRISD comparative study on domestic resource mobilization.

The Ugandan Political Settlement

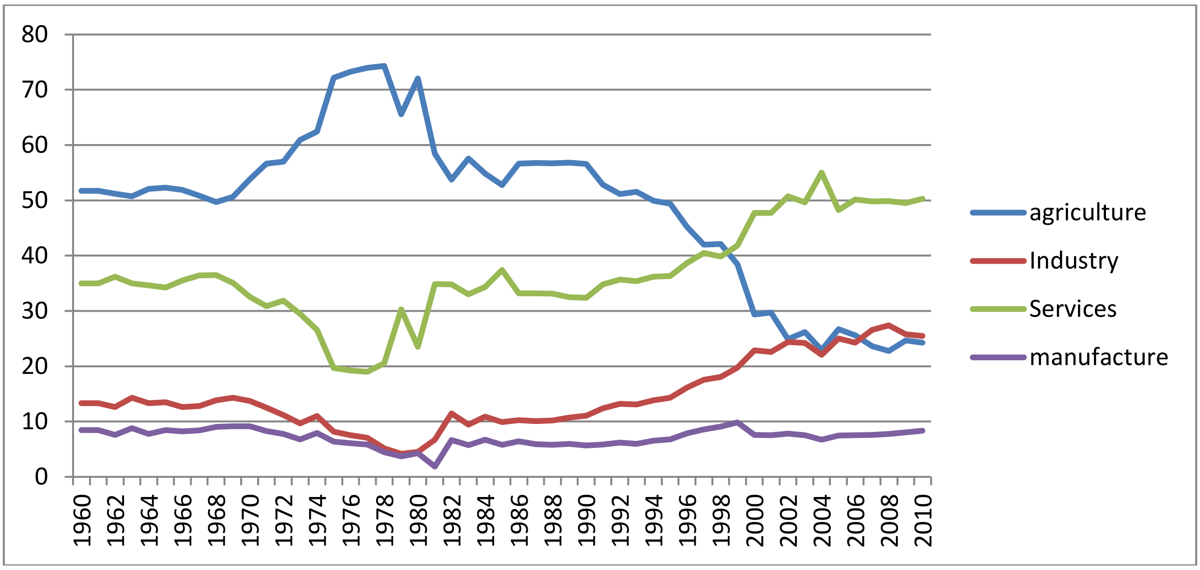
Basic socio-economic structure

Uganda's economy has experienced considerable growth since the early 1990s with an average annual growth rate of about 7 percent over the two decades from 1992 to 2012. The main drivers of growth have been area expansion in agriculture, primarily coffee, largely due to the peace dividend emerging after the civil war ended in 1986, the stable macro-economic environment that was established in the early 1990s, the support of the IFIs, and increases in coffee prices (Kuteesa et al. 2010). Aid has also contributed to growth, primarily through public service expansion since the mid-1990s, and increased foreign direct investments and remittances have contributed to increased economic activity (Whitfield et al. 2015). However, in recent years, growth has declined somewhat, partly due to drought and partly due to stagnating foreign inflows, the global recession and unpredictable public infrastructure supply, particularly with regard to power supply (Government of Uganda 2014a).

Oil was found in Uganda in 2006, and although it has not yet been pumped, it has created high expectations for growth and state revenues. As of 2017, the government expects incomes from oil to start flowing in 2020 and projects that this revenue will reduce Uganda's dependence on foreign aid over a period of at least 20 years.

In spite of high growth rates over two decades, Uganda remains primarily an agricultural economy and structural transformation is slow. The sectoral composition of GDP has nevertheless changed, so services now constitute about half of GDP, and industry and agriculture each about 25 percent (figure 2; Kjær and Katusiimeh 2012). However, industry is mostly comprised of construction and some mining. Manufacturing has grown recently, but from a low level, and in relative terms now comprises the same approximately 9 percent of GDP it did at the time of independence in 1962. Manufacturing is overwhelmingly characterized by informal small enterprises with less than five employees (Kalema 2008) and by low capacity utilization (Government of Uganda 2014b). These informal enterprises face huge constraints with regard to upgrading technologies and learning, so there are limits to the extent to which they are able to contribute to structural transformation. Productivity in agriculture has not risen significantly, and farming is still done without modern technologies and with hand held hoes. For example, only an estimated 1 percent of farmers use fertilizers (RoU 2010: 35). Farmers also face enormous challenges with regard to marketing their produce because of inadequate rural infrastructure. There are no accurate data on agricultural production, but according to the Uganda Bureau of Statistics, real growth in agricultural output has been declining since the 2000s from 7.9 percent in 2000/01 to 0.9 percent in 2010/11, and has since remained below 2 percent (Government of Uganda 2014a: 25).

Figure 2: The sectoral composition of GDP in Uganda, 1960-2011



Source: World Bank 2014

Tax and revenue[8]

The slow structural transformation process and the large informal sector means that there is no significant surplus production to tax. It also means that the large majority of taxpayers live in the cities, and primarily in the capital city of Kampala. Since 2006, with the abolishment of the local government tax, persons in the informal sector (around 70 percent of the population) have not been directly taxed. In 2015, Uganda's national budget was at around 5.7 billion USD for its 36 million people (Kayiwa and Domasa 2015).[9]

Most taxes were historically derived from taxes on international trade (customs and excise), but since the early 1990s, the International Monetary Fund (IMF) has supported reforms to introduce VAT and increase the amount of income tax collected and at the same time reduce tariffs on international trade. Nevertheless, Uganda still relies heavily on international trade taxes, which in budget year 2011/12 constituted 48 percent of total tax revenue. Income taxes, however, have increased steadily to a share of 33 percent from around 13 percent in the mid-1990s (Ulriksen and Katusiimeh 2014: 8), of which personal income tax constitutes about half and corporate tax about a quarter (Kangave and Katusiimeh 2015: 2). Consumption taxes make up a significant portion at 20 percent in 2011/12 (Kangave and Katusiimeh 2015: 2). As can be seen from figure 3, tax collection was very low in the early 1980s, reflecting the collapse of the economy during President Idi Amin's rule. Then, after President Milton Obote introduced early structural adjustment programmes, tax collection initially increased, but the improvements were disrupted by the ongoing civil war. During the NRM's reign, tax collection improved again. In the last decade, despite some further improvements in tax reform and collection (see Ulriksen and Katusiimeh 2014), the level of taxation in Uganda has hovered at around 11-13 percent of GDP and tax income in Uganda remains low compared to other countries in the region (see figure 3).[10] The IMF (2011) estimates that Uganda's tax effort, understood as the proportion Uganda collects out of its maximum potential, is at 67 percent. In other words, despite some structural constraints, there is potential to increase revenues through taxation.

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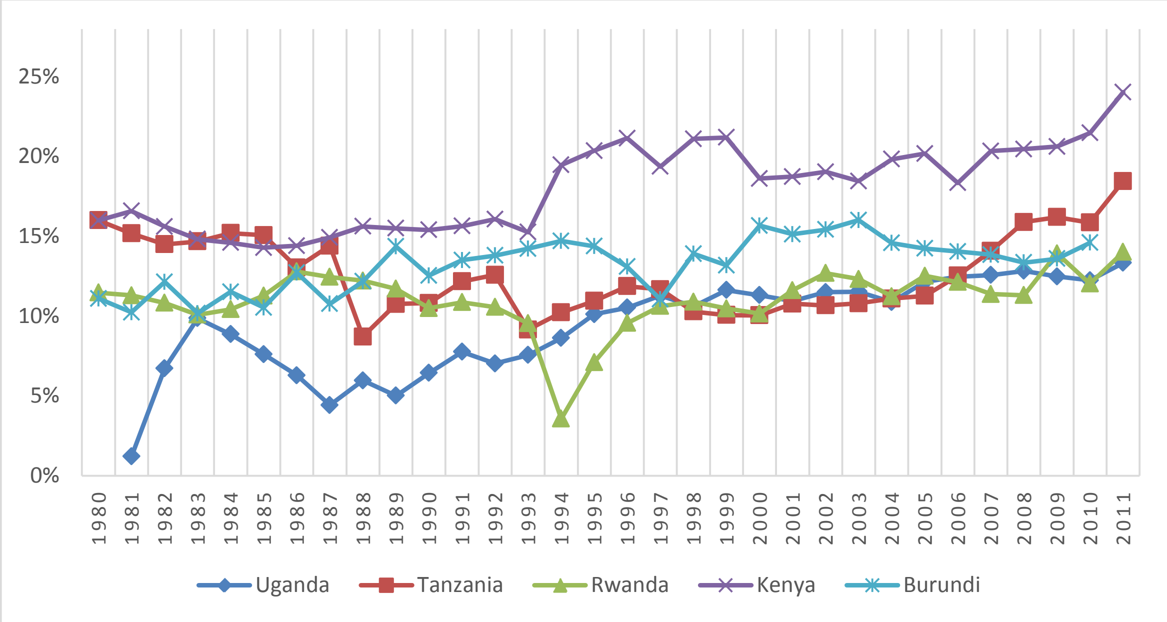
8 This section builds partly on Ulriksen and Katusiimeh (2014) and Kjær and Ulriksen (2014).

9 To compare, England's national budget in 2015 was at around 486 billion USD with a population of 53 million (Kayiwa and Domasa 2015).

10 The increase in 2010/11 reflects the one-off stamp fees paid by oil exploration companies (IMF 2013).

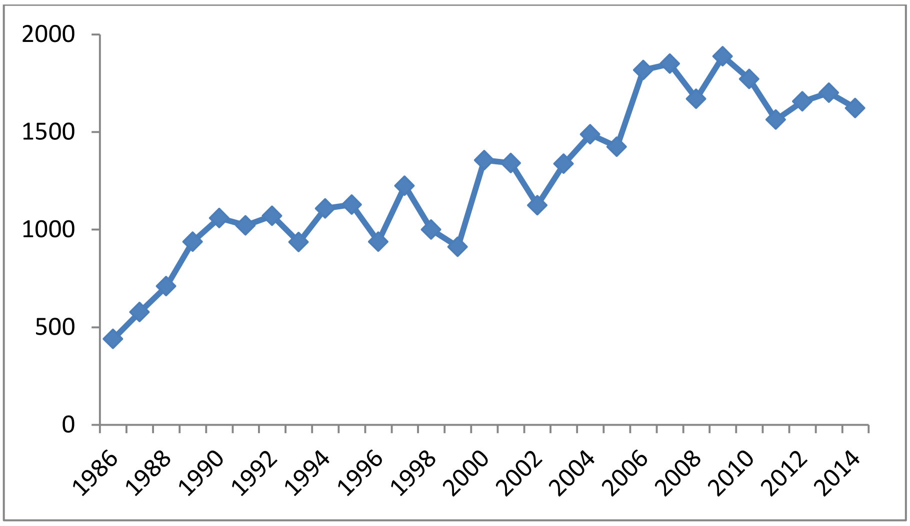
Figure 3: Tax revenue as percent of GDP, excluding grants and social contributions, Uganda compared



Source: ICTD 2014

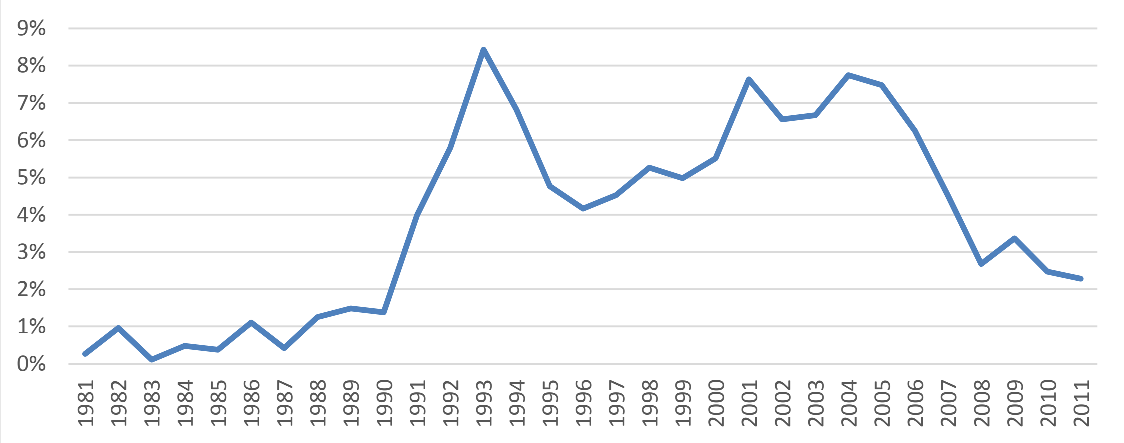
International donor agencies have been important partners of the Ugandan government since 1986. As figure 4, 5 and 6 show, the net official development assistance that Uganda has received every year has increased steadily in absolute terms, reflecting the donors' wishes to support the NRM's reconstruction efforts after the civil war. The donors and financial institutions have remained supporters of Uganda, but with increasing skepticism. The amount of aid relative to the domestic GDP and relative to domestic revenue has decreased since the turn of the millennium. As a main revenue provider, the donor community has had a strong influence on social spending, as we discuss later.

Figure 4: Uganda net official development assistance received (constant 2013 USD millions), 1986-2014



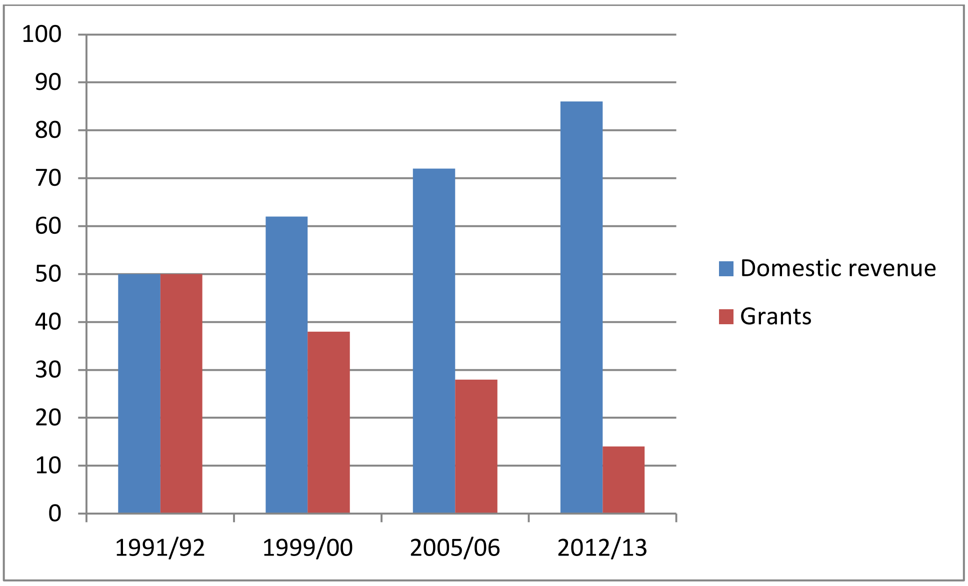
Source: World Bank 2017

Figure 5: Total aid grants to Uganda, percent of GDP, 1981-2011



Source: [ICTD 2014]

Figure 6: Aid (grants) and domestic revenue as percent of total revenue in Uganda, 1991/92 – 2012/13



Source: Government of Uganda, Various years

The ruling coalition

The ruling elites in Uganda thus operate in an economic environment of low domestic revenue and strong, although waning, support from international aid agencies. The revenue side is important for the ruling elites to maintain political support in that they can prioritize spending that will be popular with the electorate. However, revenue providers such as the donors or the corporate sector may also put conditionalities on fund allocations or make demands in return for their contributions, and the national budget may be too small to meet all the demands. In addition, when the ruling coalitions are unstable and resources few as in Uganda, political support can alternatively be ensured through patronage.

The political settlement in Uganda can perhaps best be characterized as what Khan (2010) has labelled competitive clientelism, a settlement with a great number of ethno-regional, economic, religious and social cleavages. It has not been easy for post-independence leaders to build stable coalitions because they have had to accommodate a variety of competing factions. The Buganda kingdom has been one strong faction with which all post-independence leaders have had to deal. The current NRM regime

originally built upon an alliance—established before winning the civil war in 1986—between key actors from President Museveni's home region of southwestern Ankole and key elites of the south central Buganda region.

This original alliance ensured the NRM ruling coalition was the most stable political settlement in Uganda since independence. However, the alliance has gradually fallen apart due to deep-set disagreements over land issues, but also over the status of the kingdom and the issue of federalism (Lindemann 2011; Goodfellow and Lindemann 2012). Factions from the southwest that used to belong to the NRM have also broken away over the years, including some important military officers. This means that a larger number of relatively powerful political factions have been excluded from the ruling coalition, which has become more narrowly based. Thus, although formal political opposition parties are weak, fragmented and under-resourced, the ruling elites are more vulnerable than they were prior to the breaking away of important factions. The elites have also become more vulnerable as competition among factions *within* the coalition has increased. There is today more resistance against President Museveni and the group around him from within the NRM party, particularly from younger party members who were not part of the National Resistance Army's guerilla war in the early 1980s. This is perhaps the reason why the regime has become more repressive and on occasion relies on the direct or indirect display of its capacity for coercion (Golooba-Mutebi and Hickey 2017).

With the introduction of regular elections since 1996 under the movement system and 2006 under a multi-party system, lower level factions in the ruling coalition have grown stronger because they are necessary in order to mobilize votes (Kjær and Therkildsen 2013). In particular, the local council chairmen at the district and sub-county level, who are mainly affiliated with the NRM, play important roles prior to elections and are able to block or affect the implementation of policies at the local level. At the same time, as the ruling coalition has become more fragmented and to some extent vulnerable, it is depending more on its leadership and the president's ability to control the military and persuade the most powerful factions to remain within the coalition. Winning elections with a considerable margin is important to the ruling government too because the regime needs to demonstrate that the opposition does not offer a viable alternative (Kjær and Therkildsen 2013). Both the juggling of factions and election campaigns are costly, and hence the costs of staying in power have been increasing (Barkan 2011; Kjær and Katusiimeh 2012). This has led to extra-budgetary allocations both in terms of having the parliament pass bills on additional expenses, but also by way of using funds originally approved for purposes other than election campaigns. The IMF and the World Bank have been expressing concerns about fiscal discipline.[11] The 2016 election campaigns are said to have been the most costly ever; the NRM and the president were openly handing out cash, livestock and vehicles during the campaign (Africa Confidential 2016).

During the years 2012-14, donors were cutting budget support due to a series of corruption scandals and to Uganda's controversial anti-homosexuality bill.[12] We can assume that this has increased pressures to gain votes and hence reduce taxes. Similarly, support from resourceful stakeholders (such as the corporate sector that can provide political funding needed to win elections and to keep the coalition together) is also important and thus the business sector may also be favoured with tax exemptions (Therkildsen 2012). This is the topic of the next section.

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[11] Makuma and Akello 2011; Busuulwa 2010; Oketch 2015.
[12] For further details, see Kangave and Katusiimeh (2015).

Tax Reform[13]

In the following, we explore how bargains around tax reform unfold, and we focus the analysis on the role of actual or potential revenue providers—the corporate sector and citizens more broadly. Of course, other actors may influence tax reforms, but their role is not as contributors to government revenue. MPs play a role in legal reform as they confirm bills tabled before them. However, although there are examples of MPs critically debating bills and pushing through amendments, the MPs are generally perceived to have limited impact on tax reforms: some amendments to tax laws are not contained in bills discussed in parliament and MPs are furthermore often compromised due to their willingness to receive favours (Kangave and Katusiimeh 2015). The International Financial Institutions, particularly the IMF, have been key players in advising on tax reforms in Uganda. The contribution by the IMF stems from its ability to provide high quality technical assistance and know-how in addition to loans. The IMF has been the primary driver of tax reforms on a global scale, and in Africa, it has focused on removing taxes from trade and increasing tax collections through the introduction of VAT and administrative reforms, such as supporting the establishment of semi-autonomous revenue authorities (Fjeldstad and Rakner 2003; Fjeldstad and Moore 2007). Civil society has also increasingly started to engage with tax issues, primarily through awareness campaigns and in the facilitation of dialogue between government and local community actors. Thus, these actors have some influence on tax reforms. As we are here interested in the politics of revenue mobilization, we concentrate on the first two actors and explore how the business sector and citizens each in different ways try to influence tax reform processes with the purpose of limiting their own contributions.

The business community

Due to the narrow tax base, "the only group visibly affected by the central government tax reforms are the formal business corporations" (Rakner and Gloppen 2003: 13). The business community is generally characterized by a few 'big players' who in negotiations with the government pursue objectives that favour the business sector, such as tax exemptions and investment infrastructure that leads to lower production costs. As highlighted in the following (and further elaborated in Kangave and Katusiimeh 2015), the business sector is able to formally push for tax exemptions, or at least more favourable tax terms, as this sector is well institutionalized and resourceful. It represents a narrow sector with the shared value of profitmaking, which is organized in different institutions that can lobby for certain policy reforms or changes. The business sector also has the resources to hire tax professionals that understand and can navigate the complex laws, and due to either the monetary or social status of some key taxpayers, it can gain audience with the MOFPED or influence change through the court system.

The business sector has been able to obtain tax exemptions and reduce the levels of income tax liability through their institutional affiliations or umbrella organizations such as the Private Sector Foundation (PSF), the Uganda Manufacturers Association (UMA) and the National Chamber of Commerce (NCC). For instance, the PSF was able to push for changes to the individual income tax threshold and for the elimination of initial allowances under the Income Tax Act (Private Sector Foundation 2009; Government of Uganda 2014b).

Many big businesses also use their resources to pay tax advisors. The tax advisors lobby the MOFPED directly by putting forward proposals benefitting their clients and

[13] This section is based primarily on the case study report Kangave and Katusiimeh (2015).

potential clients. They hold business forums for their clients, MOFPED, the URA and other interest groups to discuss the concerns of the business sector, and the tax advisors compile reports that they present to the MOFPED for consideration in legal amendments. Finally, especially around the time of the annual budget speech, tax practitioners write articles on tax issues in the business columns of the main newspapers communicating some of the policy changes that they would advise (Kangave and Katusiimeh 2015: 12). However, business-focused bargains are not one-sided. Sometimes investors and their advisors are approached directly by the MOFPED. For example, before the annual amendments to tax statutes, the MOFPED invites stakeholders such as UMA, PSF, Uganda National Chamber of Commerce and accounting firms to provide proposals on the changes that they would like to see in tax laws.

Investors not only work collectively through their institutions but also engage in individual tax bargains, usually in order to secure tax exemptions. For example, the VAT exemption on hotels was apparently intended to benefit individuals with close political ties to the president (Tangri and Mwenda 2013). Similarly, various local businesses have obtained concessions in the form of tax waivers and exemptions in exchange for financing elections (Tangri and Mwenda 2013). Consequently, as election campaigns become more expensive, the effect of this bargain is that those taxes accruing from private financiers are effectively reduced (Therkildsen 2013). Sometimes, the government grants exemptions to businesses with respect to a specific activity without changing the legal text. In general, the URA is concerned with identifying rich individuals who either evade taxes or do not pay enough taxes in order to increase the share of taxation, which derives from individual income taxes (Kangave and Katusiimeh 2015). Some of these individuals have political connections and are thus able to evade taxes, as in the example of hotel owners above; the URA estimates that out of a sample of 71 government officials who also own businesses, only one was paying income tax (Kangave et al. 2016: 12).

The oil and gas sector has taken part in similar forms of revenue bargaining. The discovery of commercial oil wells compelled the government to introduce special provisions relating to the taxation of petroleum operations, which points to the ability of oil investors in influencing tax laws. However, the Ugandan government also has bargaining power vis-à-vis oil companies.[14] Uganda has looked to countries such as Norway and Botswana to learn how to build local capacity to negotiate with oil companies and better manage oil. A Petroleum Exploration and Production Department (PEPD) has been established within the Ministry of Energy, supported by technical advice from Norway. The PEPD has capable staff and it has been allowed enough resources to pay decent salaries and obtain adequate equipment and tools to fulfill its functions. A Norwegian evaluation of its support to the PEPD noted that it is a competent institution with a number of highly experienced and focused directors and staff (NORAD 2011). In fact, if the pre-2008 contracts between the government and oil companies were favourable to the Ugandan government, the 2012 contracts are even more so (Global Witness 2014).

Businesses can also use the court system to contest interpretations of legal provisions and thereby compel the government to amend the law. For instance, over time there have been amendments in the law geared toward reducing the amount of interest payable by the URA on refunds due to taxpayers. As a result of the URA losing many

[14] This section builds on Kjær (2016).

tax cases in court, the section was amended in 2002 to provide that interest would only become payable from the time the taxpayer made an application for the refund.

In addition to such formal means of influencing legal change, resistance has also been employed, to a limited extent, by the business community to shift the law. Perhaps the most notable act of contestation was the one-week strike that was organized through the Uganda Import and Export and Traders Association (UGIETA) against the introduction of VAT in 1996 (Rakner and Gloppen 2003). Partly as a result of the strike, the VAT threshold was increased from UGX 20 million (USD 7,734) to UGX 50 million (USD 19,334.9) (Kangave and Katusiimeh 2015).[15]

The citizenry[16]

In Uganda, taxation is one issue area where citizens have had very limited direct influence. The citizenry has not engaged in actual direct revenue bargaining with the government; the extent to which they have influenced tax reform has been in their capacity as voters. The reforms and eventual abolition of the graduated tax serves as perhaps the best example of how, around election time, local governments are employed as sites for political contestation using local taxes as bait (Fjeldstad and Rakner, 2003; Kjær and Therkildsen 2013).[17] In 1984, for example, citizens rebelled against the Obote II government (1980-1985) because of a tenfold increase in graduated tax (Mamdani 2008). Later, in the early 1990s, citizens in the eastern part of the country staged protests against the tax (Kjær and Therkildsen 2013). In the 2001 election campaign, the incumbent, President Yoweri Museveni, promised to reduce the minimum tax payable from UGX 11,000 (USD 4.3) to UGX 3,000 (USD 1.2) per year, a promise which he honoured after the elections.[18] Later, as the 2006 elections drew closer, he abolished the graduated tax completely (Therkildsen 2006).

With the exception of the graduated tax, it appears that citizens have had little influence on tax reform.[19] Their limited engagement with tax issues can be explained by a number of factors. First, taxation is frequently perceived as a technical issue, which should be handled by experts. Second, taxpayers are often unaware of the magnitude of taxes they pay. Especially in rural areas, many assume that their tax obligations ended with the abolition of the graduated tax. Third, there is a tendency for the public to be unsettled more by socio-cultural issues (which are perceived as central to core values) than with tax issues. For instance, while there was heavy public contestation of the Domestic Relations Bill and support of the Anti-Homosexuality Bill, such debates do not occur with respect to proposed financial statutes such as tax acts. Fourth, the lack of institutionalization (through, for example, taxpayer associations) has limited the extent to which ordinary citizens can mobilize around tax issues. As with any amorphous group, non-institutionalized actors are often restricted by an inability to act collectively (Olson 1971; Garay 2007). While citizens have had limited active engagement with tax issues, we may see a change in their role in the foreseeable future. Civil Society Organizations (CSOs) and those working on local government issues are engaging community members in calling for a reintroduction of the graduated tax, as they see it as a positive obligation for the population to increase their productivity and labour supply (Kangave and Katusiimeh 2015).

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[15] USD 1 = UGX 2,558.14 (February 2015)
[16] This section is based on Kangave and Katusiimeh (2015).
[17] The Graduated Personal Tax was a tax levied on all able-bodied men and women with an income. It was abolished in 2005, but when in effect, it was the only tax targeting the informal sector, constituting an important source of revenue for local governments,
[18] USD 1 = UGX 2,558.14 (February 2015)
[19] But they may affect the amount of tax collected by trying to avoid paying taxes, such as through informal trading.

In sum, in the context of relatively stable levels of domestic resource mobilization in Uganda (10-13 percent of GDP, see figure 2) for the last two decades, the country has had some success with the introduction of VAT where contestation has not been strong. Nevertheless, this section has also shown how it can be difficult politically to introduce and/or expand taxes: the business sector is well organized and resourceful and uses a range of different avenues to lower its tax obligations; and citizens, for their part, prompt political leaders to abolish unpopular taxes to win votes. In this sense, Uganda represents a typical low-income country with a clientelist political settlement and the consequences for tax collection that this implies.

The Uganda Revenue Authority[20]

The national tax collection institution in Uganda, the URA, has been instrumental in increasing domestic revenues, especially in the early 1990s. However, the URA has not been free from political meddling, and thus reflects the dilemmas of building effective revenue institutions in the context of a clientelist political settlement.

The URA was established in 1991 as a semi-autonomous agency charged with responsibilities of tax administration, including the assessment, collection and accounting of various forms of tax revenue. The operational autonomy for day-to-day affairs was expected to reduce the scope for political interference and hence allow the URA to collect taxes in accordance with the targets set by the Ministry of Finance. Its semi-autonomous status meant that it was exempted from civil service rules concerning recruitment, retention, pay and other working conditions, allowing it to recruit internationally at competitive market rates (Robinson 2007; Kangave 2005). The URA also has autonomy in setting all financial policies, with the exception of procurement.

The URA's tax collection ability was impressive initially, with tax revenues growing from 7 percent of GDP in 1992 to 11 percent in 1997. Since then, the tax level has remained at around 11-13 percent (see figure 2). One additional explanation for the initial growth is a one-off gain from post-civil war recovery. The lack of progress from the mid-1990s onward led to widespread accusations of corruption that resulted in a restructuring of the URA in 2004 (Kagina 2012) by reducing the number of departments in order to lower administrative costs and improve efficiency and the quality of services (Kangave 2005). In 2006, the URA developed a Modernization Plan (2006-2010) to improve its revenue collection. The plan aimed to adopt modern, efficient and effective processes and systems to collect tax and customs revenues and achieve a high level of voluntary compliance from taxpayers (Kagina 2012). Subsequently, other reforms were made to URA's operations, such as the introduction of an electronic tax administration platform for domestic taxes. However, these past reforms have not improved tax mobilization significantly, which partly has to do with political connections that jeopardize the institutions autonomy, as discussed in the following (and in more detail in Katusiimeh and Kangave 2015).

From autonomy to political connectedness

Overall, the reforms made within the URA have produced mixed results in the organization's capacity to mobilize revenues, because in the end the organization's autonomy and capacity was also affected by the political priority given to the institution and the political connections of the upper management. The initial ability of the URA to

[20] This section builds upon Katusiimeh and Kangave (2015).

improve resource mobilization is attributable to (in addition to the general post-war recovery) the ruling elites' political prioritizing of URA whereby the institution was given resources and autonomy to improve its organizational operations.

At the time that the URA was established in 2001, salaries were delinked from civil service pay, allowing them to be set very high. The goal of this was to provide an incentives regime that would be conducive to enhancing productivity and curbing corruption (Therkildsen 2004; Robinson 2007). In 1993, URA staff salaries were higher than for other civil servants. The high salaries arguably improved institutional capacity and revenue performance. In contrast, by 2000, when the salary scales of URA employees were almost equal to those of other civil service employees, specialized skills and institutional knowledge were lost as staff left the URA. Similar motivations led the organization to buttress competence by employing expatriates in some of the senior positions. The recruitment of foreign experts was based on the assumption that they would not be part of the patronage system or succumb to political pressure (Robinson 2006).

Yet the recruitment of staff to the URA was not free from political interference. It is generally believed that some senior employees were hand-picked because they either originated from the same geographical region or religious background as the president. Similarly, some expatriates were not favoured by the political elites and did not remain in office for long. For instance, Annebrit Aslund, the third Commissioner General of the URA, only served for three years. As one former URA employee explained, "Her contract could not be renewed because she wanted to stick to the standards and not listen to the big tax payers who didn't want to pay tax but instead reported her to President Museveni for killing their businesses" (Katusiimeh and Kangave 2015: 6). This is in contrast to Allen Kagina, who served for ten years as Commissioner General (2004-2014) and was well connected to the President. In this latter case, the political backing caused some loss in autonomy but, on the other hand, Kagina was able to ensure better financing of salary increments and thereby enhance the human resource capacity of the URA.

To sum up, the case study of URA (Katusiimeh and Kangave 2015) shows that even if it is possible to establish institutions to improve tax collection, the functioning of those institutions cannot be seen as separate from a country's political economy. Certainly, the initial priority given to the URA as well as the later political connectedness of the Commissioner General ensured the URA budgetary support that was necessary to hire well-qualified staff. However, political connections invariably mean political interference, and with that follows the risk of losing autonomy and becoming involved in clientelistic relations and dependency on political leaders, jeopardizing long-term institution building.

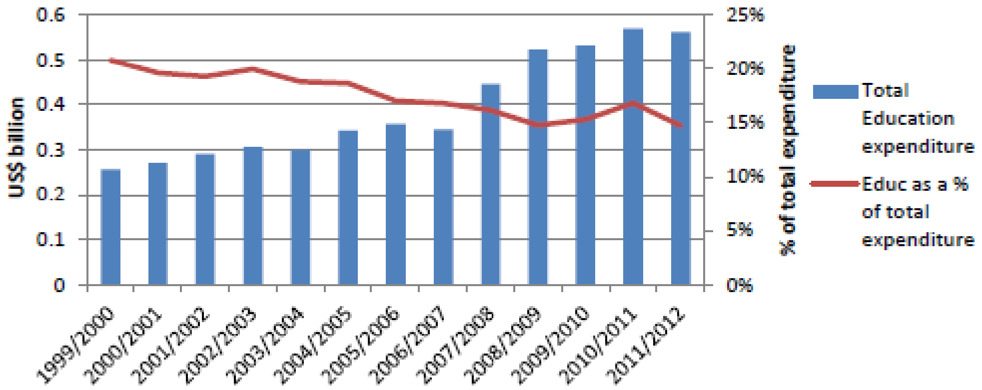
Spending Priorities

In a low-income country like Uganda with a very slow pace of structural transformation of the economy, the large majority of the population are taxed only indirectly, for instance through VAT. We saw earlier that citizens are rarely involved in tax bargains with the government. However, regular elections imply that the ruling party would want to appeal to rural constituencies for two reasons: the majority of the population live in rural areas and the opposition is stronger in the cities. In addition, aid donors are also likely to influence policy, since they fund large parts of the budget. In the following, we examine how the government's shifting relationship with aid donors and its reliance on

electoral support from citizens is related to changes in government spending, focusing specifically on social development.[21]

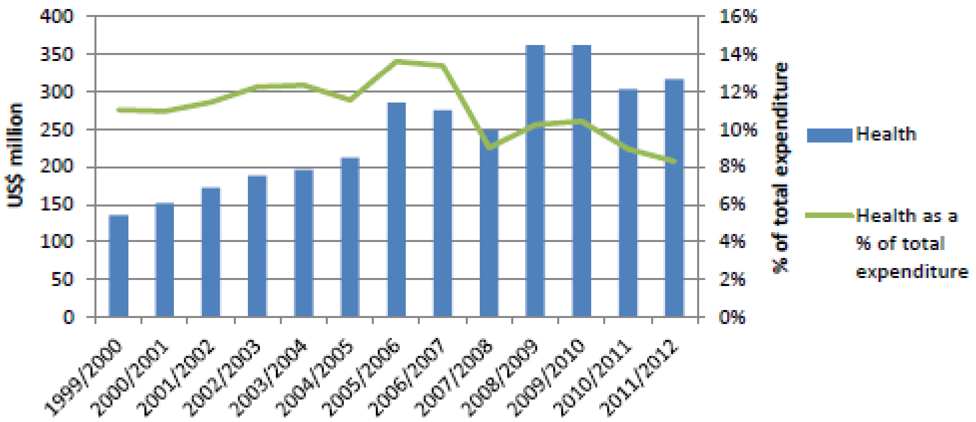
Taking budget allocations to the education and health sectors (Figure 7 and 8) as indicators of the government's actual commitment to address social development, we can see that the budget allocation for education has steadily decreased from 20 percent of the total government budget in 1999/2000 to 15 percent in 2011/12 (although increasing in absolute terms). Similarly, health has gone from a share of the total budget of 11-12 percent to 8 percent (with an interesting increase around 2006, which we will discuss later).

Figure 7: Budget allocation to education, 1999/2000 – 2011/2012



Source: DI 2012

Figure 8: Budget allocation to health, 1999/2000 – 2011/2012



Source: DI 2012

Taking up the political economy framework discussed in the theoretical section, we discuss why there has been a decrease in the Ugandan government's commitment to social development. In a context of resource constraint, the government was in the 1990s and early 2000s reliant on donor funding and, as such, western donors had a strong influence on the revenue-spending bargaining process and were able to push for implementation of the Poverty Eradiation Action Plans (PEAP), which had strong social development components. These developments coincided with the introduction of elections in 1996 that led the ruling elites to focus on winning votes, which in turn led to promises of improvements in the education and health sectors. However, since the mid-2000s, the relationship between the government and traditional donors has deteriorated

[21] This section builds partly on Ulriksen and Katusiimeh (2014) and Kjær and Ulriksen (2014).

somewhat. Non-traditional donors with other priorities have become important partners, and the education and health sectors have lost some of their erstwhile electoral appeal. The policy space of the political elites has thus opened and they increasingly pursue other policy priorities, although social development needs are still high.

Government-donor partnership and the PEAP[22]

The 1996 elections significantly shifted the government's focus toward poverty eradication and social programmes. The government's explicit priority until then had been on infrastructure and industrialization (Museveni 1992; Kjær and Muhumuza 2009). Several observers noted that President Musevini's campaign tours prior to the elections showed him 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 elites realized that expansion of and better access to social services would be popular and help win votes (Kjær and Therkildsen 2013). Thus, in the hotly contested 1996 elections, Museveni promised to implement a Universal Primary Education (UPE) programme that would abolish school fees and make basic education available to all (Stasavage 2005). In the 2001 elections, he promised to remove user fees at public health facilities.

The poverty focus that was reflected in the first PEAP was therefore largely a result of the elites' perception of the popularity of social programmes, but also due to considerable donor pressure (Kjær and Muhumuza 2009; De Coninck 2004). The PEAP contained a long list of priorities, with social spending and generally pro-poor spending being high on the list (Oxford Policy Management 2008: 12). A mechanism to protect funding for pro-poor purposes was set up, termed Poverty Action Fund (PAF), which worked to ring-fence budget allocations for sectors such as health, education, and rural water and sanitation services.

The increasing expenditure required under PEAP was made possible through increasing aid as well as debt relief through the Heavily Indebted Poor Countries programme (HIPC). 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 also "attracted additional donor funding for poverty programmes over and above the regular donor programmes" (Kutesa et al. 2006: 11). Most notable among the PEAP programmes were the above mentioned provision of and access to basic social services, such as the Universal Primary Education programme of 1996/1997 and the reforms in basic health care in 2001(Kjaer and Ulriksen 2014).

Reflecting the political elites' priority of social spending, 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. Donors were important partners in financing social development, although the government's own commitments increased in this period: domestic allocations to the UPE went from 57 percent of the budget to 68 percent (from 1997/98 to 2005/06), and allocations for primary health care went up from only 8 percent to 85 percent (Hedger et al. 2010).

Greater governmental policy space and shifting priorities

In the mid-2000s, the government's relationship with donors worsened, which has had consequences for the level of international aid coming into Uganda, as illustrated in

[22] This section is based upon Kjær and Ulriksen 2014.

figure 5. The government-donor relationship has changed 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. 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 (Ulriksen and Katusiimeh 2014). On the other hand, Uganda's military engagements in Somalia and South Sudan are considered important by some western bilateral donors, perhaps most notably the United States. The security imperative weighs heavily and has arguably given the Ugandan government increased policy space, as western donors are less likely to sanction bad governance in these cases (Fisher 2012).

While Uganda's relations with western donors may have soured, this is not the case with regard to China. 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 shows itself less concerned with issues of good governance (in Uganda) and is present in Uganda as much through its national oil company, China National Offshore Oil Company (CNOOC), as through its role as donor. Chinese aid makes the government less dependent on traditional donors, as does the prospect of oil revenue. As we discuss in the following, Chinese funding also fits the government's new set of priorities, which focuses more on energy and infrastructure development than on social development.

The changing revenue-policy space in which the ruling elites operate has caused them to veer away from social spending. In breaking with the past focus on poverty eradication, the government's current overall development framework is Vision 2040, through which the government aims to develop "a transformed Ugandan society from a peasant to a modern and prosperous country within 30 years" (RoU 2011: 3), reaching a per capita income of USD 9,500 by 2040.

In order to reach the aims of the Vision 2040 document, five-year development plans were made, and the first National Development Plan (NDP) was presented in 2010 (Government of Uganda 2010).[23] In the plan, a strategy was laid out to address key constraints to transforming the economy. A mixed economy approach was adopted, and key priority areas include infrastructure development, human resource development, promotion of science, technology and innovation, and facilitating availability and access to critical production inputs. The strategy also mentions targeted initiatives to promote industry and the development of technological capabilities in Uganda: "The plan is to maximize future revenues from the oil industry and utilise them for high return public investments in the longer term" (Government of Uganda 2010: 54). The increasing focus on infrastructure is also reflected in the government budgets (table 1). Between 2008/09 and 2014/15 the 'road and works' sector's share of total government expenditure increased from 13.7 percent to 16.8 percent, and the sector is now larger than education. Spending on education and health have both dropped somewhat, and although there is a slight increase in social protection spending, this sector is still at a very low level of 0.7 percent of total government spending.[24]

Table 1: Consolidated expenditures for selected sectors, excluding donor projects, in percentage of total government budget, 2008/09, 2010/11, 2012/13 and 2014/15

[23] While the Vision 2040 document was published in 2011 (Government of Uganda, 2011), some of its key ideas already form part of the NDP presented in 2010 (Government of Uganda, 2010).
[24] Termed social development in the budget.

	2008/09	2010/11	2012/13	2014/15
Education	17.1	14.1	17.0	15.4
Health	8.5	7.3	7.8	6.6
Social development	0.5	0.3	0.4	0.7
Agriculture	3.9	3.6	3.3	3.4
Roads and Works	13.7	9.5	15.1	16.8
Public administration	14.4	15.7	14.4	13.4
Parliament	2.7	2.0	2.9	2.9
Security	12.9	20.9	9.5	9.8
Energy and Minerals	2.8	4.7	1.5	2.0

Source: Government of Uganda 2016 and 2013, authors' calculations

This change in policy priorities toward industrial policy and infrastructure and energy sectors is very much in line with the initial focus of the NRM government on industrialization 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-2015 Development Agenda (Abugre and Ndomo 2014). It is probable that the policy change has been possible because the NRM government has been able to distance itself from the donor community. 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. The NDP fits well with the interests of new and influential partners, such as China and the domestic and international business community.

The ruling government still wants to appeal to voters. Nevertheless, while social programmes remain in the NDP, they are not on the top of the priority list, and it appears that the social sector has lost its attraction among the political elites. It is probable that, as the attention to improvements in the social sectors has moved from quantitative to qualitative standards, increasing social spending will no longer have the election winning attributes of showing visible and quick outcomes (Kjær and Therkildsen 2013). However, social development needs are still dire in Uganda, as we show in the next section.

Social development in Uganda

Uganda still faces many challenges related to social development, as table 2 and 3 demonstrate. On some indicators (adult literacy, school enrolment, pupil/teacher ratio, child malnutrition and physicians per 10,000 people), Uganda scores reasonably well in comparison with its regional neighbors, although not as compared to the world averages. However, with respect to the Human Development Index (HDI), poverty, immunization and infant mortality, the scores are more discouraging. Also, Ugandans are those in the region with the most negative perceptions of the quality of education and health services, surpassed only by Tanzanians. Interestingly, Uganda spends by far the least on education in the region, in comparison to both sub-Saharan Africa and the world. Health expenditures are higher, but this score includes social and health insurance funds and is therefore not a true reflection of the government's commitment to free health care. In fact, Uganda is the country where citizens pay the most for health services (out of pocket), which indicates that they (in particular, the poor without health insurance) are still forced to pay directly for basic health needs.

Table 2: HDI, poverty and education outcomes, Uganda in comparison

	HDI	Poverty	Adult	School	Pupil/ teacher	Education	Education

			literacy	enrolment	ratio	expenditure	quality
Uganda	164	70.3	73.2	110	48	3.3	48
Kenya	147	48.2	72.2	112	47	6.7	69
Tanzania	159	66.4	67.8	93	46	6.2	35
Rwanda	151	70.8	65.9	134	59	4.8	76
Burundi	180	81.8	86.9	137	47	6.1	…
Sub-Saharan Africa	…	…	58.9	100	..	5.2	…
World	…	…	81.2	108	…	5.0	64

Notes: HDI: A composite index measuring average achievement in three basic dimensions of human development—a long and healthy life, knowledge and a decent standard of living.
Poverty: Multidimensional Poverty Index: Percentage of the population that is multidimensionally poor adjusted by the intensity of the deprivations.
Adult literacy: Percentage of the population ages 15 and older who can, with understanding, both read and write a short simple statement on their everyday life.
School enrolment: Total enrolment at primary school level, regardless of age, expressed as a percentage of the official primary school-age population.
Pupil/teacher ratio: Average number of pupils per teacher in primary education in a given school year.
Education expenditure: Total public expenditure (current and capital) on education, expressed as a percentage of GDP.
Education quality: Percentage of respondents who answered "satisfied" to the Gallup World Poll question, "Are you satisfied or dissatisfied with the education system?".

Source: Human Development Report 2014

Table 3: Health outcomes, Uganda in comparison

	Immuni-zation	Infant mortality	Child malnutrition	Physicians per 10,000	Health expenditure	Out of pocket	Health quality
Uganda	18	45	33.4	1.2	9.5	47.8	41
Kenya	7	49	35.3	1.8	4.5	46.4	57
Tanzania	3	38	42.0	0.1	7.3	31.7	28
Rwanda	3	39	44.2	0.6	10.8	21.4	65
Burundi	7	67	57.7	0.3	8.7	43.6	41
Sub-Saharan Africa	28	64	37.8	1.8	6.3	27.6	42
World	16	35	…	13.4	10.1	17.8	57

Notes: Immunization: Infants lacking immunization against measles; percentage of surviving infants who have not received the first dose of measles vaccine.
Infant mortality: Probability of dying between birth and exactly age 1, expressed per 1,000 live births.
Child malnutrition: Stunted children: Percentage of children ages 0–59 months who are more than two standard deviations below the median height-for-age of the World Health Organization (WHO) Child Growth Standards.
Physicians per 10,000: Number of medical doctors (physicians), both generalists and specialists, expressed per 10,000 people.
Health expenditure, total: Current and capital spending on health from government (central and local) budgets, external borrowing and grants (including donations from international agencies and nongovernmental organizations), and social (or compulsory) health insurance funds, expressed as a percentage of GDP.
Out of pocket: Household direct payments to public and private providers of health care services and nonprofit institutions and nonreimbursable cost sharing, such as deductibles, copayments and fee for services, expressed as a percentage of total health expenditure.
Health quality: Percentage of respondents who answered "satisfied" to the Gallup World Poll question, "Are you satisfied or dissatisfied with the availability of quality health care?".

Source: Human Development Report 2014

To sum up, we have seen that donors, as revenue providers, and citizens, as voters, have pressured the government to prioritize spending on the education and health sectors from the mid-1990s, with the introduction of elections, through to the mid-2000s. This commitment has since lost some of its appeal as the government now primarily emphasizes economic concerns, as the president puts it.

Conclusion

In this synthesis paper, which brings together the analyses and findings from four papers prepared by the Uganda team as a part of the UNRISD Politics of Domestic Resource

Mobilization project, we have addressed the three broad themes of contestation and bargaining, key relationships, and institutional capacity with regard to mobilizing resources for social development. More specifically, we set out to examine how political economy factors affect revenue raising and spending priorities in Uganda. We established a theoretical framework based on the political settlement theory within which we explored instances of revenue bargaining. Within a fragmented political settlement, it is a challenge to strengthen the ability to improve domestic revenue collection. It is also a challenge to increase social spending with a limited national budget where the pressure to allocate money for political purposes is strong. Within this context, changes have however taken place. The Ugandan government has become gradually less dependent on aid, and the promise of oil revenues, in addition to increased loans and grants from Chinese partners, appear to have affected government priorities. The government is less accommodating to the traditional western donors, and the implication seems to be that the Ugandan ruling elites have begun to focus more on energy and infrastructure provision, particularly power supply and roads, and less on the social sectors, and therefore such services remain low quality. At the same time, winning elections with a great majority is still important. This means that pledges of creating ‘prosperity for all’ are still made. The national development goals are broad and also include promises of improving the social sectors, but within a context of resource constraints and multiple demands on the budget, spending for the social sectors is limited and the quality of services suffers.

On the revenue side, elections have mattered in the sense that unpopular taxes, such as the graduated personal tax, have been abolished. Likewise, the cost of running elections may drive the ruling elites to grant tax exemptions to funders of the ruling party. Within these constraints, the government seeks to expand the domestic revenue base, and we have shown that bargaining between the business sector, wealthy individuals and the government makes an impact on tax reform. However, such bargaining can just as well lead to tax exemptions, as to the introduction of new instruments or expansion of tax revenue. The URA has built up considerable institutional capacity and is making efforts to expand the tax base. To the extent that it enjoys formal autonomy from political intervention, the URA has been able to take some initiatives in that direction, but, as the analysis has shown, political interference has become increasingly important, with uncertain effects on long-term institution building. Domestic civil society actors influence tax policy decisions to a limited extent, even though there are signs that tax associations are being formed and are increasingly vocal.

The increasing attention to domestic resource mobilization in low-income, aid-dependent countries is a promising agenda for sustainable development. However, to fully appreciate the opportunities and challenges in raising revenue for social spending, we have shown that it is critical to understand the political structures and bargains that take place in resource-constrained electoral democracies. Domestic policy makers may objectively agree that improving the tax system to raise revenue is a worthwhile pursuit, but their attention to policy is marked by their need to remain in power. Hence, revenue raising is strongly linked to government spending priorities, which may favour sectoral or individual interests, rather than the broader population through social spending. A political economy analysis, based on the political settlement theory, thus allows us to discern the dynamics behind domestic policy making with respect to both social spending and resource mobilization, which in turn provides the opportunity to consider options for policy reform that take into account the varied political interests of key domestic stakeholders.

Our findings indicate that given Uganda's current political economy, it is not straightforward to increase financing for social spending. The Uganda Revenue Authority has taken interesting initiatives to increase domestic revenue mobilization in recent years, for example by attempting to identify and tax so-called High Net Worth Individuals (Kangave et al, 2016). It is yet to be seen whether such attempts will lead to increased revenue mobilization. It also remains to be seen whether increased revenues will then translate into increased social expenditure, given the many pressures on the budget in general and the current policy prioritization of infrastructural improvements. In the longer run, however, a gradual structural transformation of the economy would lead to an expanded revenue base. Combined with electoral pressures for public goods, this could lead to more public debate and higher prioritization of social spending.

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