



**The New Poverty Agenda in Uganda**

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## **ABSTRACT**

This paper explores the poverty agenda in Uganda, its drivers and its effects. We show that transforming the economy by increasing productivity was initially considered more important than to reduce poverty through redistributive policies. However, as a consequence of the 1996 elections a consensus on poverty eradication through health and education emerged. The Poverty Eradication Action Plan (PEAP) had a shopping list nature and it is therefore difficult to establish whether it was implemented. Growth and poverty reduction during the PEAP period was mainly due to a continuation of macro-economic policies that were introduced prior to the PEAP. Around the multi-party elections in 2006, policy priorities changed towards more focus on agricultural production, agro-business and infrastructure. The government now has a two-edged focus: poverty reduction through economic transformation and poverty reduction through social services. However, there is also a political agenda about remaining in power which threatens to undermine the results achieved so far.



## I. EARLY STRATEGIES AND DEBATES AROUND POVERTY

Uganda's long period of economic growth began in the early 1990s, just a few years after the National Resistance Army and its leader, Yoweri Museveni, took office (in 1986) after a prolonged civil war. Speeches and policy documents from the late 1980s and early 1990s show at least three things: (i) that poverty reduction through social transfers was not an initial concern of the government, (ii) that the government over its first few years in power gradually shifted from a pro-interventionist policy stance to a pro-market view more in line with the IMF's position; and (iii) that structural adjustment policies carried out did not have negative effects on poverty levels.

### Poverty reduction through economic transformation

In the first few years of the NRM rule (about 1986-1992) the policy debates were dominated by restoring security and economic reconstruction and stabilization. In the publication of 29 of President Museveni's main speeches during the 1989-1992 period, the words poverty, poverty reduction or the poor are hardly mentioned (Museveni, 1992). Similarly, poverty was not brought up in early budget speeches (1989, 1990). Rather, and reflecting the ten-point programme of the movement, the speeches in general have a strong focus on economic transformation through industrialization and increased value addition in production. The assumption was that the best way to alleviate poverty would be through income generation, as reflected in the following two quotes:

*There is no way that Africans can emancipate themselves from poverty and backwardness without carrying out an industrial revolution. As long as we continue exporting cheap, raw, primary commodities, our present situation will not change (Museveni, 1992: 208).*

*Our economic programme hinges on reviving and diversifying production, both in the agricultural and industrial sectors, with a view to creating a well-integrated, self-sustaining economy ... this particularly involves restoring traditional export crops, and also expanding non-traditional crops such as beans or simsim (Museveni, 1992: 45).*

Thus, poverty reduction would only happen through more production, employment and income-generation. During the early 1990s, there was some mention of social programs but it remained a secondary concern. For example, 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. This early programme, however, can be argued to be more of a consequence of the international debate on the costs of adjustment to poverty reduction following the publication of the 1987 UNICEF report "Adjustment with a Human Face", which focused on 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, such as health and education, and this was adopted and sustained in Uganda's later policy frameworks under the PEAP. The predominant view on poverty, however, was still not one that favoured a specific targeting of the poor but rather one that emphasized increased production and trade in exports. For example, Museveni, in his autobiography focuses squarely on roads and infrastructure as having a crucial role in eliminating rural

poverty and laments the fact that focus has been more on various “poverty relief programmes” such as the PAPSCA and that the money was “scattered in inappropriate directions” (Museveni, 1997).

*“My view is that these ministries 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”* (ibid: p. 183).

In other words, according to this view, the poor need not be directly targeted but rather facilitated through improvement of infrastructure for increased production (see also Mugaju; 1996: 38). Budget allocations in this period largely reflected these priorities in that infrastructure received large allocations. Allocations for the agricultural sector remained below 4% of the budget during the 1990s (Mugaju, 1996: 40, UNDP, 2007). This was probably mainly due to the general liberalization of the sector over the period. Allocations for the social sectors grew in the period but from a very low start – thus, contrary to other African countries going through structural adjustment, Uganda was able to increase government expenditures during the early 1990s in line with the restoration of peace and order and the subsequent increase in production and revenue levels.

### **From pro-interventionist to pro-market governance**

The vision of an interventionist state implies favouring domestic production over imported goods, and provision of export subsidies and subsidized capital inputs. The state may also intervene by investing in research and development of new technologies; and taking

measures to socialize risks where investments do not easily occur by themselves in the private sector (Weiss and Hobson, 1995). In the president’s early speeches, there was a vision of a rather interventionist state, as priorities were on not only infrastructure, but also government provision of agricultural machinery and implements, seeds, herbicides, on providing trucks for transportation of produce and consumer goods, and on the provision of industrial raw materials and spare parts to factories. This comes out very clearly at the OAU summit in 1990, where the President directly says that *“deliberate government intervention is needed to ensure overall sectoral and enterprise planning. It is an error if we simply leave the emergence of new industries to so-called market forces. There is a need for proper planning”* (Museveni, 1992: 238). In addition, Museveni emphasizes the importance of buying Ugandan produce, for example, at an address in 1989, he intends to *“do everything possible to pressurize the Government of Uganda to ensure that we buy what we produce in Uganda”* (ibid: 214).

Over the years, the vision of a more interventionist state came under scrutiny both because the early measures could not be sustained, and also because of the emergence of a cadre of technocrats, both Ugandan and foreigners who increasingly challenged the interventionist view. The debate in the first years of NRM rule thus evolved around whether liberalization was desirable or not in order to achieve economic development, and in the early 1990s, the President himself did not only embrace but became a champion of the liberal view. The endorsement of liberal policies is reflected in Museveni’s autobiography where he observes that a consensus emerged that the country should be developed through private efforts and that the price factor should be the main stimulus (Museveni, 1997: 183; Botchwey et al., 1998).

More importantly, the endorsement is reflected in the policies actually carried out in the early 1990s. It was a period of structural adjustment, in which control of prices and the exchange rate was relinquished, inflation brought under control, and revenues gradually increased as peace and order, and thereby productive activities, was restored (Brett, 1995; Brett, 1998; Mutebile, 1991). Behind these policies was a coalition of technocrats primarily in the Ministry of Finance and Economic Planning, politicians (although resistance from some NRM elites to these policies remained), and donors (Brett, 1998; Kjær, 2002). The policies brought about a period of sustained growth and macro-economic stability and as they had the effect of increasing producer-prices, farmers, who constitute the bulk of the poor, in that way were not harmed by structural adjustment policies. Budget allocations to agriculture remained low throughout the period, but as the extension-system had not been functioning prior to the introduction of SDAP, the farmers did not experience a deterioration of services. As argued by the then permanent secretary of the Ministry of Finance and Economic Planning, even though the structural adjustment policies brought about more control of public expenditure this was unlikely to affect the poor, as the bulk of the poor was constituted by the rural population who remained unaffected by government services, and as “direct government subsidies are insignificant” (Mutebile, 1991: 343).

In sum, in the early years, there was a strong wish to prioritize industrialization with a big push from government. During the early 1990s, this view gradually waned and was substituted by a more pro-market, anti-interventionist view and IMF-supported structural adjustment. At the same time, poverty reduction through social expenditures attracted

more attention, as the next section will illustrate. How this shift affected policies and their implementation will be explored below, in the section on PEAP implementation. Whether the more interventionist view coupled with a focus on infrastructure and industrialization has returned will be discussed in the final section on the most recent developments.

## 2. EMERGENCE OF A POLICY CONSENSUS AROUND POVERTY REDUCTION AND THE POVERTY ERADICATION ACTION PLAN

The poverty agenda became more pronounced over the 1990s and, according to De Coininck (2004), provided an increasingly important rationale for the regime's existence. More specifically, the poverty agenda became a strategy to become elected in the first elections under the new constitution in 1996 (Stasavage, 2004). A range of programmes framed in the rhetoric of poverty reduction were introduced over the 1990s. Most importantly, the Decentralization programme was initiated with the aim of bringing services nearer to the people (initiated in the early 1990s but culminating in the Local Government Act, 1997). Also, Universal Primary Education (1996), the *Entandikwa* (seed capital) credit scheme (1994/5) and then the first PEAP (1997) are key initiatives.

The first PEAP was formulated between 1995 and 97 and had an overall target of reducing poverty from 44% in 1997 to 10% in 2017 (Piron and Norton, 2004), but at the same time reflects a complexity of the government's views on poverty reduction as being *both* about increasing incomes *and* about improving the quality of life of the poor (NORAD, 1999). It addressed five main areas:

- Education and in particular, Universal Primary Education
- Rural feeder roads maintenance
- Primary health care
- Water and sanitation
- Modernization of Agriculture (agricultural extension)

In all, the plan was to increase allocations from 23% to 50% to the five sectors in total (NORAD, 1999). With regard to budget allocations, the social sectors had top priority in this period. This may have had to do with the donors' emphasis on social sectors in relation to the HIPC programme, but it was arguably also a direct consequence of the 1996 elections campaign, in which the pledge of improving social services was extremely popular (Stasavage, 2004).

The New Poverty Agenda is often said to be defined by international development partners. Therefore, the degree of ownership is questioned. It is difficult to determine whether the ideas behind the Ugandan PEAP derived from outside Uganda or from within. New policy ideas tend to cross borders and develop among donor agencies, recipient governments, civil society, consultants and academic experts that are both national and international. Therefore, these ideas feed into each other and render the distinction between external and internal blurred. There is no doubt that the World Bank zoomed in on the subject of poverty at an early stage. In three reports in the early 1990s, *Uganda: Growing out of Poverty* (1993), *Uganda: the Challenge of Growth and Poverty Reduction* (1995), and *Uganda: Agriculture* (1993) (with a focus on rural poverty), the Bank set the stage for the focus on poverty reduction (McGee, 2004). At the same time, however, Uganda was one of the first least developed countries to embrace an explicit poverty agenda, which is widely acknowledged to have had Ugandan ownership. There is a general consensus among key public officials in Uganda and donors 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):

*“We became the first country to qualify for HIPC because we developed the PEAP, we think we were the ones who gave the inspiration for PRSP’s in the rest of the world – it was invented in Uganda!”*

In an assessment of the PEAP process, Isooba and Ssewakiryanga (2005) argue that the need for the PEAP arose out of discontent voices by rural Ugandans during the 1996 presidential election.<sup>2</sup> Other observers mention the pressure on the government from within the National Resistance Movement. Some NRM members were convinced that the adjustment programmes had worsened poverty (Foster and Mijumbi, 2002). This pressure from below and within the movement allegedly led Museveni to launch the Universal Primary Education programme which he knew would be popular among Ugandans and donors and which was very much in line with the poverty agenda. However, the launch of the UPE also has to be seen also in the context of the 1996 elections where the opponent candidate, Ssemogerere, promised free primary education and Museveni realized this idea was popular. Stasavage (2004) makes the convincing argument that the turn to social programs and particularly the UPE programme was directly linked to the realization during the election campaigns that such programs would be popular and would mobilize votes. Stasavage (2004: 62) observes “a dramatic shift in public spending priorities in 1996 from planned road building towards primary education

provision” and links it directly to the elections. Hence, the abandonment of a focus on structural transformation and provision of infrastructure could be explained by the introduction of elections, the winning of which takes more than an economic agenda but also the implementation of broadly popular social programs that can generate votes (Therkildsen, 2009).

All of these developments indicate that the PEAP was not only a donor agenda. Many officials bring out the fact that President Museveni rejected the donor’s use of the term “poverty reduction” preferring “poverty eradication”. The World Bank’s version of the sequence of events also largely reflects this account, and there is thus near unanimity among observers that the President and MFPED were strong in defining the poverty agenda. In addition, a recent review of the implementation of the PEAP stresses the fact that initially, there was a sense of shared interest between the Ugandan government and donors (OPM, 2008: vii), and observers noted how the donor emphasis on direct poverty alleviation through increased expenditures for the social sectors was internalized by the Ugandan government in this period (NORAD, 1999).

Whether the ownership expresses a broad policy consensus across many political actors is an open question. Some observers have brought out a tendency of policy-making to happen in a closed policy space, i.e. “a parallel state in which donors and selected central government policy actors claim their entitlements to define Uganda’s route to development”. Ssewakiryanga (2004) noted that, in this parallel space, as for example, in Poverty Reduction Support Credit meetings where donor influence is large, the influence of other actors is smaller. In as much as the PEAP also to a large extent functioned as a resource mobilization mechanism, this seems

<sup>1</sup> Interview with Margaret Kakande, Economist, Ministry of Finance, Planning and Economic Development; Poverty Monitoring and Analysis Unit, Thursday January 17, 2008.

<sup>2</sup> Luwero triangle is comprised of several districts that provided sanctuary for Museveni during the 5-year guerrilla war that brought him to power.

likely. On the other hand, there are also indicators that many political actors supported and were involved in the poverty agenda. This included civil society actors more broadly but also in the government offices. For example, when commenting on the Poverty Action Fund, an official in the MFPEd noted that the good thing about the PAF programmes was that “the poverty discourse became part of the bureaucratic discourse on service delivery” (Isooba and Sewakiryanga, 2005; De Coininck, 2004).

Observers note how consensus and also inclusion of key stakeholders grew especially during the first revision process of the PEAP, another indicator of broad ownership. There were two revisions, one in 2000, and one in 2004. As the basis for the first revision, and in order to involve the poor in the design of poverty reduction programs by collecting their views on poverty, the government in cooperation with mainly DfID and Oxfam, established the Uganda Participatory Poverty Assessment Project (UPPAP) within the Ministry of Finance, Planning and Economic Development. This process was incorporated into the subsequent revisions of the PEAP.

The second PEAP thus became more pronounced on poverty reduction, and inclusion in the revision process was broader. During the second revision of the PEAP, the following four broad pillars were developed:

*Pillar 1:* Creating an enabling environment for sustainable economic growth and transformation

*Pillar 2:* Promotion of good governance and security

*Pillar 3:* Directly increasing the ability of the poor to increase their own incomes

*Pillar 4:* Directly improving the quality of life of the poor

In drafting the second PEAP, CSOs and local governments were consulted, and the document was approved as Uganda’s PRSP by the World Bank and the IMF. With this approval, Uganda was able to access debt relief from HIPC-II (46 million dollars in 2001 and 55 million dollars annually the following years – with HIPC-I totalling 90 million dollars annually). So, the main differences between the first and second PEAP were that: security and governance issues were included; there had been a more systematic consultation process; and it was recognized by the World Bank as Uganda’s poverty reduction strategy. Further, the introduction of the pillars was a consequence of the UPPAP process and its more multi-dimensional approach to poverty. The pillars are thus seen to be cross-cutting and multi-sectoral (OPM, 2008: 6).

The early NRM focus on poverty through structural transformation rather than relief programs was never entirely abandoned, however. The poverty focus was allegedly never meant to include the “poorest of the poor”, and therefore, it has been argued to be rather superficial. Our interviews suggest that there is a common distinction between the “active” and the “passive” poor and that the general perception is that aid for the latter group will not work anyway and will only mean money wasted on getting people drunk or producing more children with no improvements in welfare. This is an observation confirmed by the research of Sam Hickey (2005) who argues that local and national elites in Uganda consider the poor “unable to benefit from economic growth or poverty programs” and therefore, the poorest are generally excluded from development programs – they are seen as drunkards who will waste the opportunity. Hence, during the period where poverty was most in focus, the poorest groups were never targeted. In addition, it appears as if

the Ugandan government, even when poverty has remained very high on the agenda, favoured economic transformation much more than the donors who seemed to prefer targeted programs. A NORAD report from 1999 observes a certain “dilemma” in poverty reduction, with the donor community focusing on direct support to the alleviation of the symptoms of poverty while the government emphasized growth in the private sector and new employment as a way out of poverty. This latent and continuous focus on economic transformation has come out more clearly recently, as the last section will discuss.

The second PEAP revision mainly addressed organizational issues, and thus did not have any flagship programs, such as UPE, with resonance in the general public. The second revision was meant to address the MDGs globally, and recent developments of the decentralization-process domestically (Ssewarkiryanga, 2005). A PEAP secretariat was established, a PEAP revision guide was developed, and a first stakeholders workshop held in July 2003. Consultations were conducted through budget sector working groups, local government, the private sector as well as civil society. The product of all this was a revised PEAP (2004-07/08) (GoU, 2004), which has five pillars:

- Economic Management
- Production, competitiveness and incomes
- Security, conflict-resolution and disaster management
- Good Governance
- Human development

The PEAP of 2004-2007/08 thus resulted from a prolonged period of consultation with stakeholders. It has a stronger focus on income poverty, rural livelihood, production and competitiveness than in the previous

PEAPs that were more singularly focused on the social sectors.

The consensus supporting the PEAP process in many respects fell apart during the last revision, according to observers, and one of the reasons could be the involvement of many different stakeholders. An official in the MF-PED stated that inclusion means that there are many demands. When many interests are pleased, the PEAP, to the extent it ever had a clear message, loses it. For example, the first PEAP came with a flagship programme, Universal Primary Education. And since the later PEAPs have been more technical, emphasizing already existing programmes, it has been more difficult to mobilize support for them. The many ambitions of the PEAP are hard to explain to the general public and implementation requires complex procedures that has made most officials and Ugandans in general see it as a technical document. Many, probably including the president, feel that the PEAP has failed to deliver on its promises and the original sense of ownership has waned over the revision-processes (OPM, 2008: 12).

### 3. PEAP IMPLEMENTATION

An assessment of PEAP implementation is not a straightforward task and requires recognition of the mechanisms for identification of budget priorities for each year, which form the basis for allocating resources. One also has to consider any intra-year budget variations caused by changing priorities as additional issues tend to emerge leading to budget reallocations. Finally, it is necessary to understand the capacity of the main implementing units namely: Ministries, Departments and Agencies both at the central and local government levels. This section first examines the implementation set-up for the PEAP in terms of financial mechanisms, important implementing agencies and their capacities as well as the nature of donor support. It then addresses broad outcomes in terms of growth and poverty reduction and sector priorities during the PEAP period.

Apart from the process of developing local government and sector plans, which involves conducting annual sector performance reviews that lead to identification of priorities and budget allocations at the sector level, the PEAP is basically implemented through two main financial mechanisms at the higher/national level: the MTEF and the Poverty Action Fund (PAF). The MTEF exercise was initiated in 1992 at the same time as the cash budgeting system with the purpose of achieving better budget management (Bird, 2003). Its main purposes includes increasing budget predictability by sectors as it provides indicative or anticipated resources over the next three years, and also helps to maintain expenditures within limits/ceilings of what is considered compatible with concerns of macroeconomic stability. In fact the MTEF is widely regarded as successful in keeping

public expenditure within the budget ceiling (Holmes, 2003), and hence critical in maintaining macroeconomic stability.

After the introduction of the first PEAP, the role of the MTEF was implicitly expanded to ensure that the government priorities as set out in the PEAP were reflected in increased budget (UPPAP, 2002), implying that the MTEF also became a technical tool for guaranteeing pro-poor expenditures (Piron and Norton, 2004). The MTEF, as an umbrella in which most of the donor supported public expenditure management initiatives are incorporated, covers the Public Investment Plan, which is the development budget that consists of Volume II of the PEAP, and the Priority Program Areas under the PAF (protected areas that initially covered primary education, primary health care, water supply, rural roads, and agricultural extension).

The seemingly complex relationship between the PEAP and the MTEF raises a question of the extent to which the PEAP and the MTEF have been aligned. Several interviewees, among others an economist with the parliament's budget office, expressed the view that the MTEF is the real guide for expenditures, not the PEAP. The way the MTEF functions is that it guides and sets the ceilings for the sector budget framework papers (BFPs) developed by each Sector Working Group (SWG) and later amalgamated into the National Budget Framework Paper that is then submitted to Parliament. The sector BFPs are required to be in line with PEAP priorities. There have been cases where sectors have tracked indicators that were different from the agreed PEAP indicators implying that sectors used their leverage to do things that may only have had a remote relationship with the PEAP objectives. In addition, officials reported that their first concern in planning is always to determine

whether any development proposal is compliant with the PEAP and to establish a clear link to some undertaking in that Plan. However, as Wyatt (2008: 21) observes, this “is not quite the same thing as starting with the PEAP commitments and asking what needs to be done to implement them”. This means that although sector expenditures may be in accordance with the PEAP, the PEAP itself has not guided these expenditures. The observation by Wyatt notwithstanding, it is clear that the PEAP remained a major influence of policy and budget decisions since all activities, regardless of the source of the original thinking, were required to be in line with the goal of poverty reduction as enshrined in the spirit of the PEAP.

However, one of the key areas that could have had a significant negative impact in the manner in which the PEAP was implemented is the emergence of political priorities not in the PEAP which have to be considered. Such pressures wherever they arise tend to lead to budget reallocations, implying a possible deviation not only from the PEAP priorities but also from MTEF allocations. As the political commitment to the PEAP has waned, the financial provisions for non-PEAP originated initiatives may have made its implementation more difficult (OPM, 2008: 108).

Unlike the MTEF, which predated the PEAP, the PAF mechanism was introduced in 1998/99, a year after the first PEAP was launched. In the beginning, the PAF funds mainly consisted of savings arising from the HIPC initiative and donor budget support earmarked for pro-poor activities. PAF funds grew over the first three years from 80 billion Ugandan shillings to 330 billion (Background to the Budget, 2001: 27). A significant proportion of the PAF resources were channeled to the local governments in the form of conditional grants to support the then five main

pillars of the PEAP. The criteria for the line ministries to access PAF funds were that the program had to be identified in the PEAP, the interventions had to be directly poverty reducing, the program had to deliver a service to the poor and that it must have a well developed action plan (Background to the Budget, 2001). Examples of such programs include: primary school activities, salaries and wages in all sectors, district hospitals and other related health centres. Additional areas such as wetlands, strategic exports, land, micro-finance and restocking, urban roads were included in the subsequent years (Lister et al., 2006). The resource allocations for the PAF are determined through the MTEF-process, and hence are part of the mainstream MTEF. It is worth noting that the PAF channeled expenditures to protected areas and in that sense served to exclude programs with indirect but crucial effects on the poor, such as growth initiatives.

The implementing units of the PEAP are sector ministries and local governments with the sector ministries taking the lead in setting the overall policy direction, monitoring and guiding the local governments in implementation. The capacity to execute their obligation varies between sectors with some sectors/ministries, e.g. education considered to be more efficient than others, e.g. roads or agriculture. A recent public expenditure review for the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) for instance, points out that a very large proportion of allocations for the ministry, as much as 80 percent in some departments, are spent on administration (OPM, 2007). Additionally, some allocations are not in line with the sector plan, which means that the alignment with the PEAP is not adequate. Apart from the general constraint of available resources, part of the reason for inadequate resources

in agriculture, according to an official in the Ministry of Finance, is that MAAIF fails to meet the requirements for the releases of funds, for example, to come up with adequate work plans. This is mainly in the area of the development budget where a lot of resources remain unutilized at the end of various projects. The failure to utilize resources, both recurrent and development, which is partly due to weak institutional capacities, can create a vicious circle whereby lack of capacity in a sector creates an impression that the ministry cannot spend money efficiently and hence does not require additional funds, which in turn can result into further deterioration of capacity. Since the PEAP is a very broad policy framework that was supposed to guide sectors in making their own annual plans tailored on considerations of the most pressing priorities at the time, its implementation varied across sectors. Sector investment plans were developed with the aim of showing how the various sectors will allocate their resources to maximize the impact on poverty reduction. The fact that some items may have remained high on the sector priority list and the limitations imposed by budget constraints, which were reflected in the Medium Term Expenditure Framework (MTEF), means that some aspects of the PEAP may never have been implemented at least not to a level worth yielding visible impacts. As was indicated in a recent report, “the PEAP focused work of the sector groups and provided an incentive for better Sector Investment Plans. In some cases, this resulted in translating PEAP priorities into sector programs financed through the MTEF, but this has not been true for all sectors” (OPM, 2008: 109).

Local governments are required to submit quarterly progress reports that help the parent ministries to review implementation progress and address any concerns through

subsequent supervision missions. In the early 1990s when the decentralization program was introduced by the government, the responsibilities of the local governments were expanded just as they were upon independence. With the 1993 Decentralization Statute and the 1997 Local Government Act, local governments became responsible for many services that are important in the PEAP, such as primary and secondary education, as well as hospital service provision, field services and agricultural extension (Livingstone and Charlton, 2001, Republic of Uganda, 1997 – local Government Act). During the mid-1990s, central government transfers expanded in line with the increase in responsibilities, and they more than doubled in the four years prior to 1996/97 (Livingstone and Charlton, 1998). Over one third of public expenditure is now spent via local governments, the largest share in Africa (Foster and Mijumbi, 2002). Two thirds of the central government grants are conditioned, i.e. they are earmarked for specific sectors that have been prioritized in the PEAP. Three-quarters of the PAF funds are spent in the districts, and PAF funds also account for three-quarters of the central government’s grants to local governments (Piron and Norton, 2004). The high proportion of conditional transfers out of total transfers has reduced the local governments’ fiscal autonomy but has also secured funding for the PAF protected areas.

Success in this area has been hampered by a number of factors including: capacity constraints in the ministries, limited resources to do field visits, and ineffective examination of linkages between policy areas and complementary services, e.g. primary health care and sanitation (Wyatt, 2008: 26). More so, the capacity of the local governments and particularly the lower local governments to implement pro-poor policies and to provide

basic services remains questionable, and has probably deteriorated further as the number of districts has increased from 30 in 1994 to 80 in 2008. The future may even be bleaker as another 14 districts were approved in May 2009, and more applications for district status are pending in the Ministry of Local Government (Habati, 2008). The creation of new districts tends to weaken administrative capacity as competition for experienced staff increases given difficulties in attracting qualified staff in some areas of the country. According to the Local Government Finance Commission, many small local government units have less than half of the staff they require (LGFC, 2008).

The lack of capacity became more pronounced with the abolishment in 2005 of one of the most important sources of domestic revenues, the graduated tax. The two developments recently made a political journalist remark that “The creation of new districts that hardly raise enough revenue to finance their activities defeats the logic of service delivery. It instead creates a dependence on handouts from the central government which renders the essence of decentralization meaningless” (Habati, 2008). Moreover, the handouts from central government are relatively on the decline given the increasing fixed costs of managing any given district.

The donors have been heavily involved since the first PEAP and they have considered the strong government ownership of the PEAP as an opportunity to increase harmonization efforts after the Paris Declaration and to incorporate more of ODA into the governments own procedures. The MTEF and PAF mechanisms have helped in this regard (OPM, 2008). The new General Budget support based on the partnerships idea, whereby donor resources are not earmarked for any sector, started with the introduction

of the PAF mechanism in 1998. Harmonization efforts imply that the most important donors take part in the Uganda Joint Assistance Strategy (2006) for Uganda<sup>3</sup>. Although project support and support for the civil society and the private sector remain, there is a commitment to increase coordinated budget support, Sector Wide Approaches and basket funding arrangements (Uganda Joint Assistance Strategy, 2006: x; 14). Overall ODA flows increased from a little less than 800 million US dollars in 1997 to 1,060 million in 2003. Budget support disbursements generally became more predictable over the PEAP period and increased between 1999 and 2005 (Lister et al., 2006: 40). The PEAP was thus clearly successful as resource mobilization mechanism (MFPED official). The partnership with the donors is, among others, felt in their high involvement in the sector working groups. Donor funding has averaged 50 percent of the budget throughout the PEAP period, but increasing domestic revenue collection has meant that Uganda now finances 66% of its public budget itself. Although revenue collection has remained at around 12% of the GDP, absolute revenue amounts have increased due to the general GDP growth.

Monitoring of the PEAP is done through a National Integrated Monitoring and Evaluation Strategy (NIMES). The NIMES unit placed in the Prime Minister’s Office publishes an Annual PEAP Implementation Review, the purpose of which is to “improve planning, budgeting and implementation of activities leading to realization of the PEAP outputs and outcomes. In addition, there is quarterly financial management reporting

<sup>3</sup> The members are the African Development Bank, Austria, Belgium, Denmark, European Commission, Germany, Ireland, The Netherlands, Norway, Sweden, UK DfID and the World Bank, and membership continues to grow.

against work plans by districts, sub-counties and other spending bodies (OPM, 2008). However, a recent analysis of the poverty monitoring systems in Uganda concludes that it has many gaps (Booth and Nsabagasani, 2005). They emphasize that even in sectors with well-funded management information systems, there are problems of completeness and reliability. In addition, there is no systematic intake of experiences with implementing PEAP policies as the routine reporting by the sectors and the local governments seems to be collecting huge amounts of data that is not used. This tends to de-motivate officials in line ministries and local governments.

In sum, mechanisms for funding the PEAP were set up, and the drafting of the PEAP itself was successful in terms of attracting donor funds and putting poverty on the domestic poverty agenda. ODA funds have increased over the PEAP period as donors strongly supported the PEAP process, and the PEAP did affect budget priorities. However, in terms of the PEAP shaping sector plans, it seems there has been an *ex post* justification of the sector plans rather than an *ex ante* guidance of the sectors. In addition, since the PEAP contains an ambitious number of targets in each sector, budget allocations have been guided more by budget constraints than by PEAP priorities. This of course, begs the question of whether the PEAP has been necessary for sector-policies and it also renders an assessment of PEAP implementation in terms of policy-output and outcomes more problematic. Since the PEAP contains a number of broad themes in which overall goals (e.g. “to enhance competitiveness”) are lined out, everything could in principle be fitted into it. “It does not make policy-trade-offs, but rather emphasizes all of the issues that the country needs to address” (Selassie, 2008: 37). In addition, there is simply very little information

available on the extent to which policies have actually been implemented (OPM, 2008: 12). In the subsequent write-up, we will briefly address the broad developments of the economy and of poverty, and finally briefly address sector-priorities.

Has there been real growth? This is a question that one hears regularly in Uganda. An agricultural advisor, for example, says “no one really knows the real production figures”. In an interview, the previous Inspector general and former school mate of the president questions the extent to which there has been any real changes in economic structure: “*Production, real production has not grown. There might be 6% GDP growth but if you look at what it is, it is mostly such activities as construction of roads that will deteriorate, i.e. constant mending, or CHOGM hotels, or trading mobile phones – not real production*” (interview, January, 2008). A recent study asks these questions and examines the Ugandan record as compared to those of the East Asian tigers at similar stages in their take-off period (Selassie, 2008). The findings show, first of all, that the pro-market reforms adopted since the early 1990s have had overall positive effects resulting in 20 years of sustained growth. However, although Uganda has experienced increased investment and savings levels since the early 1990s, they are considerably below the levels of the Asian late developers at comparable stages. The same goes for exports, particularly manufacture exports. Further, Uganda has not experienced the same declines in fertility and dependency ratio as was the case in Asia. The conclusion is thus that in spite of impressive growth record, there has been very limited structural transformation of the economy. In addition, it is hard to establish the extent to which this general growth results from the PEAP in that it is widely regarded mostly as being a result of one-time gains of establishing peace and

establishing macro-economic stability (Piron and Norton, 2004).

Income poverty or the population of Ugandans living below the poverty line fell from 56% in 1992, to 44% in 1997 and to 34% in 2000. The figure rose to 38% in 2003 but has since then fallen to 31% in 2006. There are large regional and geographical differences, with the urban areas doing better at 14% compared to 34% for the rural areas, and the rural North (61%) and East (36%) being poorer than the Western (21%) and Central (16%) parts (RoU, 2004; UNDP, 2007). Just as with the general economic growth, the overall poverty reductions in the 1990s are generally by observers attributed to the effects of post-civil war re-construction, and the economic reforms carried out during the late 1980s and the early 1990s. Kappel, Lay and Steiner (2005) attribute the poverty results to these reforms and explain how poverty reduction resulted mainly from agricultural growth that was spurred by, among others, liberalization of the market-

ing, which specifically increased efficiency of existing capacity in production of crops such as coffee. This is also observed in the government's poverty strategy document, according to which the poverty reduction is due mainly to a general growth in GDP rather than to redistribution. Okidi et al (2007: 174) reported that, although the growth episode of 1997 to 2000 disproportionately benefited the rich and worsened the Gini index of inequality from 0.35 to 0.40, the poverty impact of this growth episode remained positive and significant. From 2000-2003, the increases in poverty levels are attributed to lower agricultural growth. The fact that many people have either moved out of agriculture or diversified their activities to include services has dampened the rise in poverty in the beginning of the millennium (ibid). However, with rapid population increases (more than 3% annually) and a very slow growing agricultural sector (i.e. 5% in 2004/05), it is uncertain whether poverty will be further reduced (see e.g. RoU, 2005).

Table I. Changes in rural poverty estimates

Region	1992	1997-98	1999-2000	2002-03
National Rural	59.2	48.7	37.4	41.7
Central	54.3	34.5	25.2	27.6
East	60.6	56.8	36.7	48.3
West	54.3	44.0	27.4	32.7
North	73	61.8	65.4	65
Gini Coefficient	0.324	0.311	0.322	0.363

Source: Godfrey Bahigwa, "Right Target, Wrong Mechanism? Agricultural Modernization and Poverty reduction", *World Development*, vol. 33 no. 3, 2005, pp 481-496.

As Table 1 shows, the sharp fall in rural poverty has, as can be seen from the table, stagnated somewhat in the new Millennium, although it has resumed pace in the most recent years. The fall was primarily driven by agricultural growth as a result of liberalization policies, the introduction of peace, as well as area expansion of productive land. Some observers point out that this was a one off gain and that further poverty reduction has to involve policies addressing structural constraints. A recent Africa Development Fund report even argues that rural poverty is increasing due, among other things, to weak agricultural prices, decreasing soil fertility, lack of targeting of investments in public sector support to agriculture and the tendency of privatized land (that was previously owned communally) to be captured by the wealthier members of the community (ADF, 2005: 7). A recent Afrobarometer survey has found that lived poverty among Ugandans (people who say that have gone without food and have otherwise experienced shortages) has increased in recent years (Robert Sentamu, personal interview, May, 2009).

In any case, the extent to which growth and poverty reduction in Uganda can be directly related to the PEAP is questionable. A recent assessment concludes that the PEAP can only have been said to promote growth indirectly (through the macro-economic policies) and that the PEAP cannot be associated with increases in public investments.

The PEAP may, however, have contributed indirectly to poverty reduction primarily through policies aimed at improved health and education, such as Universal Primary Education, which involved recruiting teachers and building classrooms. Also in the area of health and sanitation, programs to build health centres and improve water and sanitation were carried out (OPM; 2008: 38). De-

spite the many visible outputs and outcomes, a lot more remained undone or was poorly done for reasons that could range from lack of finances, non-prioritization at the sector level, weak institutional capacities, civil strife, and possible clash of individual interests. As has been indicated above, the health and education sectors were prioritized during the entire PEAP period. Funding for agriculture and infrastructure suffered; in 1997 it was below 2% of the public budget and only rarely exceeded 4%. In 2006/07, it was 3%. More so, the limited funding for agriculture has been inclined towards research and advisory services only as opposed to a whole range of activities such as disease control and provision of inputs. The Plan for Modernization of Agriculture which was launched under the PEAP in 2000 represents a renewed focus on agriculture. However, funding for the programme, except one component of advisory services has been limited until recently. In all, health and education, in line with international development priorities, have been funded while investment in infrastructure and agriculture has been considered secondary (OPM, 2008). Hence, a recent World Bank report concludes that more investment is needed in order to promote growth in the agricultural sector. Under PEAP 2000, the share of public spending on roads and works increased from 4.9% to 8.1%. However, it has declined steadily ever since and reached 5.4% in 2006-7 (OPM, 2008: 52). Education, measured in terms of primary school enrolment, improved during PEAP implementation, especially as a consequence of the programme of Universal Primary Education. Also, literacy rates improved for both sexes. However, there are increasing complaints that the quality of primary education has deteriorated, as can be seen in very low numbers of pupils who pass primary one leaving exams and high drop-out rates. With

regard to health, the PEAP had set targets for infant mortality that were not met, although the infant mortality rate did drop slightly. A recent report gives no clear conclusions on the maternal mortality rate.

During the PEAP period, the MTEF has continuously been effective in keeping up macro-economic discipline, and specific programs affecting poverty have been carried out, particularly in education but also to some extent in health and sanitation. The question that has been raised is the extent to which the results in terms of fiscal discipline, the economic growth and improvements in especially the social sectors could have been reached without the PEAP and the answer is probably yes, since the PEAP has been so broad. However, the PEAP in Uganda was widely debated and it did succeed in putting poverty on the agenda and thereby contributed to a public debate about poverty reduction that affected policy priorities.

#### **4. RECENT DEVELOPMENTS: THE WANING CONSENSUS ON POVERTY REDUCTION AND THE INCREASINGLY PRONOUNCED, PARALLEL POLITICAL AGENDA**

The final period of the PEAP (from 2004) and onwards has seen a gradual erosion of the original consensus about the agenda. This final section briefly examines, first the change in focus of the government's development vision from targeting poverty reduction directly through social services to a two-legged approach embracing both social services and economic productivity; second, the direct interventions from state house that appear to be increasing as political imperatives of a parallel political agenda become more pressing.

The change in focus has to be seen in relation to Uganda's first multi-party elections where the movement ran as a party. During the campaigns, Museveni promised "Prosperity for All". The NRMs election manifesto describes NRMs main purpose as "transforming Uganda from a poor peasant society into a modern, industrial and prosperous society in a stable and peaceful environment" (NRM, 2006: i). It focuses very much on production and wealth creation and less on poverty reduction through social services. For example, the words growth and production each appear 23 times while the word poverty is only used 11 times in the Manifesto. In that sense, the original ideas of the Movement have re-entered the agenda. It is not that the social sectors have disappeared. For instance, Universal Secondary education was important in the 2006 elections. Social and economic sectors now both are emphasized.

The Manifesto emphasizes the importance of continued liberalization and privatization, so overall, the pro-market approach is en-

dorsed. However, the Manifesto also expresses views that are more pro-interventionist, particularly in the area of rural development, where change agents are introduced: *A trained cadre shall be appointed to drive and motivate development at each parish – it shall act as proactive catalyst for the much desired social economic transformation of Uganda* (NRM, 2006: 81). In addition, it also emphasizes the provision of improved inputs such as seeds and state support for micro-credit associations. A DfID advisor pointed out that: *“The PEAP has a liberal design. There is an element of micro-credit in the second PEAP, but overall, economic development is to be left to the market. Now with Bona Bagagawale (Prosperity for All) and the rural development scheme, they are emphasizing the state and government intervention”*. The statement refers to the fact that the old Plan for the Modernization of Agriculture (under the PEAP) with its more liberal vision of a private led agricultural sector has become integrated with the Prosperity for All programme, which envisions a more active government, providing micro-finance, and inputs to agricultural production. This development comes out of a debate about the extent to which the sector is public and not private. In some quarters, government has argued that its role is only to catalyse private investments as agriculture is largely a domain of the private sector. Until recently, the role of Government, at least according to activities that have dominated the Government budget, appear to have been restricted to research, advisory services, and control of livestock and crop epidemics. But this is changing, a fact which is reflected in the 2006 election Manifesto as well as it will be reflected in the new National Development Plan, the title of which is “Growth and Employment for Prosperity”.

After the elections, the government was eager to carry out its pledge of “Prosperity to All” (also the title of the manifesto), and

many of the initiatives it took were not all aligned with the PEAP. The work with the new National Development Plan was not coordinated with the PEAP and did not await its evaluation. It has been observed that the initial strong ownership of the PEAP diminished as donors became more involved and that there is a perception in government that the relationship between donors and technocrats in the MFPEP are so close that it has excluded government in a political sense. Hence the drafting of the new National Development Plan can be seen as an attempt from the political side of government to recapture the process (OPM, 2008: 12). Some government technocrats thus seem to have a more pro-market view than some of the leading NRM-politicians and the president who now seem to have become impatient and have (re)adopted a more pro-interventionist view. The change away from a pure liberal model and towards a vision of the state intervening in order to push for structural transformation may have contributed to the erosion of the consensus around the PEAP. Our interviews indicate that there is now more disagreement within the political and technocratic elite about the role of the state. There are also those who argue that there is nothing wrong with a development vision inspired more by the East Asian tigers than the Anglo-Saxon countries; however, it is *the way* in which interventions from the state house are carried out and implemented that are problematic. For example, Selassie (2008) recommends that in order to achieve structural transformation of the economy, keeping the overall pro-market framework but combining it with focused government intervention in a few selected sectors would be the best solution (Selassie, 2008). He argues that “what is needed is a more focused growth-cum-industrialization strategy, with a focus on sectors rather than

specific enterprises” (ibid: 37). It is often argued (mostly by technocrats in key ministries) that *ad hoc* interventionism disrupts continuity and impedes such a coherent policy intervention in favour of economic growth.

Drafting The National Development Plan has not been an inclusive process. Several MPs interviewed laments the fact that PFA initiatives are not debated in parliament but are only presented to the movement caucus. Donors were not invited to initial discussions, and they have become increasingly hesitant to channel funds as general budget support since they fear that the commitment to the PEAP-process has waned (OPM, 2008). Some observers argue that the fact that the policy process around the National Development Plan is more closed than the PEAP process could make the agenda more focused, since there are fewer interests to please. Thus, it may provide a platform for the more focused interventions which are arguably needed. However, there is also a parallel tendency by which the political agenda of staying in power may interfere with such interventions because political interventions tend to be more *ad hoc* and short term.

Many observers of Uganda highlight the concentration of power around the presidency and the fact that this has increased over the last decade (Barkan et al., 2004; Mwenda and Tangri, 2005). One of the effects of this concentration is the increasing number of direct interventions from State House shortcutting or counteracting the procedures established with the PEAP. There is a coordination unit for PFA directly under the president’s office. Some of the interventions express a real concern with the fact that economic transformation is not happening fast enough, and others can be seen mainly as steps to concentrate power and remain in power. None of them are aligned with the PEAP framework, and

they have been characterized as diffuse and uncoordinated. “*In recent years, tax breaks, and/or government financial support have been provided to activities as varied as the hotel and tourism sector, hides and skins, textiles, palm oil production, micro-finance etc. These have not been very successful*” (Sellassie, 2008: 37). Interviewees, for example in the MFPED, have responded along the same lines arguing that government interventions could be needed if focused and targeted, but they also argue that the unfocused *ad hoc* kind of interventions that they have witnessed in Uganda are not promoting economic transformation. In general, the administrators feel that political interventions impede policy coherence and continuity.

Other than the 2006 Prosperity for All pledge, interventions often referred to as impeding PEAP implementation are (i) the abolishment of graduated tax which reduced local revenues and hence made it more difficult for the districts to deliver services in accordance with the PEAP, especially since districts have not received adequate compensation for the loss in local revenue (ii) the proliferation of districts which increased public expenditures and decreased the capacity of the smaller district units to implement PEAP policies; (iii) the re-centralization of the appointment of the district Central Administrative Coordinator, which both enlarged opportunities for patronage but also established a more direct link between the State House and the district administrations – a link that could be seen as a direct intervention by-passing the PEAP coordination and administration. In addition, existing programs such as the advisory services reform (NAADS), which has been relatively successful, have been reformulated and re-launched as a PFA initiative. This means that their original idea has changed. In the case of NAADS, it was originally conceived as a programme to make extension services

more demand-based by moving away from government extension. However, new presidential initiatives are now returning to a more top down government extension system. In addition, the president is seen to tour the country giving out hand-outs such as pick-up trucks and large sums of money (up to at least 20 million Ug shs) as part of the Prosperity for all program, but of course also with an intention to gain political support (Monitor, September 9, 2008).

Many of these initiatives should be seen as ways in which to become re-elected. The abolishment of graduated tax was generally popular and so is the creation of districts. However, short-term considerations of popularity may not create long-term poverty reducing development. Asked whether the Prosperity for All programme as it has been built in to NAADS is a “political gimmick to win votes in the 2011 elections”, the president’s head of poverty alleviation at State House says *“I think it is a genuine concern of the president and the NRN government to get people out of poverty. The president has been consistent in his message to the public ... There was a systematic message that households must have money for the basic needs and other things ... in fact a president wins votes by demonstrating what is stated in his manifesto. In all his manifestos and the 10-point programme, he pledged to transform Uganda from a subsistence to a commercial self-sustaining economy”* (New Vision, July 30, 2008). This quote reflects the schism that there is probably a genuine drive to transform the economy among the top leadership but at the same time, the costs of and instruments to remaining in power are increasing and may undermine this very drive.

Many observers express increasing concern about the political agenda of the top leadership (Interviews, but also e.g. Barkan, 2004; Piron and Norton, 2004). There is concern that the purpose of remaining in power

beyond 2011 may undermine poverty reduction in the long run. This began years ago but increased in the new millennium when the presidential term limits were lifted and a multi-party system adopted. There are thus many costs involved in the regime’s strategies for continuity. This includes the increasing public administration costs, the payment of “mobilization money” for Movement MPs, and other extra-budgetary allocations of non-classified categories such as defence. In addition, programmes directed at the productive sector, such as agricultural modernization, have become more characterized by hand-outs that can be presented as government intervention in favour of growth in line with the East Asian examples, but in reality can function as hand-outs in return for support from important political clients who can mobilize voters.

In addition, a cause for concern is the general move away from meritocratic recruitment and a tendency for the NRM-regime to become increasingly based upon appointments to the presidents’ family and clan. This includes all the five full generals in the NRA which are all from the same small area as Museveni; the President’s wife who has become cabinet member but also numerous nieces, sisters and brothers in law who have received high posts in the cabinet or government (see e.g. *The Independent*, March 2009). While this practice of nepotism may not jeopardize the poverty agenda directly, it at least causes concern as to whether all implementers are recruited on merit criteria and hence are the most qualified to carry out policies to enhance production and reduce poverty.

In conclusion, although structural transformation of the Ugandan economy has not yet occurred, the fact that there has been sustained economic growth, poverty reduction, and sustained implementation of financial

discipline makes Uganda a success in Africa. With the PEAP, Uganda was able to attract more donor funds a larger proportion of which was budget support. There was consensus around a PEAP agenda among key political and technocratic elites. The president started to endorse it after the 1996 elections and a strong unit in the Ministry of Finance and Economic planning was set up. The consensus waned around the latest PEAP 2004-2007 that became more technical and a new PEAP revision process is abandoning the name, PEAP, rechristening it the National Development Plan. The overall agenda remains that of macro-economic stability, fiscal discipline and a pro-market ideology, which is also a pre-condition for attracting donor support. This agenda has not changed but as the PEAP matured, the consensus around it has fallen apart. Many felt it was not a useful guide to the implementation of sector plans. Although there is probably real commitment behind the National Development Plan, a parallel political agenda threatens to undermine its future implementation.

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