

Uganda

Status Index (Democracy: 5.30 / Market economy: 5.79) 5.54		Management Index 5.33	
HDI	0.508	Population	26.9 mn
GDP p. c. (\$, PPP)	1,457	Population growth¹	3.3 %
Unemployment rate	-	Women in Parliament	23.9 %
UN Education Index	0.71	Poverty²	55.0 %
		Gini Index	43.0 (1999)
Source: UNDP: Human Development Report 2005. Figures for 2003 – if not indicated otherwise. ¹ Annual growth between 1975 and 2003. ² Population living below the national poverty line (1990-2002).			

A. Executive summary

Uganda's transformation process presents a rather contradictory picture with a wide divergence between political and economic achievements. This disparity is reflected in strongly conflicting ratings that Uganda has received from various external observers. Bilateral and multilateral donors of development aid consider Uganda one of the most successful countries in Africa with respect to implementing economic and social reforms, despite several obvious shortcomings. As such, the country receives preferential support from many sources, such as a high volume of aid, generous modalities and Heavily Indebted Poor Countries (HIPC) debt relief.

It is beyond dispute that the present government has achieved extensive success in bringing about reconstruction and economic recovery after a near-complete economic collapse. The government has also been relatively successful at liberalizing the economy and establishing the fundamentals of a socially integrated market economy. This has enabled the country to reach a satisfactory macroeconomic growth pattern (of about 5% per annum) and to make good progress with respect to key social programs, genuine and sustainable poverty reduction, and structural changes.

However, these changes have still only been of a rather limited nature: policies in this area have been pursued since the early 1980s and there have been no fundamental changes since then. As such, there has not been any significant advancement in the direction of market-oriented reforms during the period relevant for this study, but rather a fairly consistent continuation of an already quite well established policy framework. In the overall context of the BTI, it is very noteworthy that while this advancement in the direction of a socially responsible market economy has consistent, this has been pursued largely in the absence of a parallel progression toward a genuine participatory democratic system.

It is for this reason that political analysts tend to deliver very different verdicts on Uganda than aid agencies and economic observers. These include a rather ambivalent evaluation of Uganda's regional political role in an African sub-region continuously faced by crises and armed conflicts: On the one hand, Uganda actively promotes economic cooperation, particularly that within the East African Community (EAC). On the other hand, however, the country is heavily involved in the civil war in the Democratic Republic of Congo (DR Congo). It is unable and/or unwilling to find a negotiated peaceful solution to the long-lasting internal conflicts with armed rebel movements (particularly the Lord's Resistance Army, LRA).

Analysts also noted an initial recognition of elements of participatory democracy in the "No Party Movement" political system, but it has been bewildered and frustrated by continued manipulation, preventing a return to an open and fully competitive multiparty political system. The Movement has now been in power for 19 years without being challenged by open and fair political competition. A relatively small group has thus become entrenched in positions of control and power, and significant signs of widespread patronage have been discernible for a long time.

During the period under review, some reluctant moves were undertaken to open up the political system, but so far it is by no means clear whether a genuine "level playing field" can be expected to be operative for the crucial elections set to take place in 2006. At the moment, cautious optimism about the country's progress toward genuine democracy prevails, but the system's new openings yet to be firmly tested. In addition, while there are some positive signs for possible solutions to both the country's internal guerilla conflicts and the wider regional conflict, there is no guarantee that this thaw will prove sustainable.

B. History and characteristics of transformation

The start of Uganda's political and economic transformation can be traced back to January 1986, when the National Resistance Movement (NRM), led by Yoweri Museveni, took power after a successful 5-year guerilla war, first against the government of Milton Obote (Obote II) and then (in 1985) against a short-lived military regime. In its early years in power, the NRM made a serious effort in the political realm to form a government coalition on the broadest base possible, including representatives from all ethnic groups, regions and political orientations. However, new rebel groups (consisting both of followers of the earlier regime, and of leaders without any clear political concepts) challenged the regime from its founding to the present.

While the activities of the old political parties - which had been founded before independence in 1962 - were suppressed by the government because of their

alleged role in intensifying conflicts prior to the NRM's assumption of power. There was no formal ban on their existence and they were allowed to continue to operate in a rather limited fashion. In lieu of effective political parties, a five-tier system of elected Resistance Councils, built upon the rudimentary groupings that had emerged during the guerilla fighting, was introduced allowing the populace to participate in the political process, at least at the local level. The Resistance Councils were later renamed Local Councils and still exist today as the structures for decentralized local government. A surrogate national parliament, set up in 1989, was a mixture of elected representatives from the Resistance Councils and the core group that had led the NRM during the guerilla era.

The work of a constitutional commission dragged on considerably longer than originally expected and finally culminated in general elections for a Constituent Assembly (CA) in 1994. The CA's central debates related to the question of state building; namely, whether this should be a centralized or federal system. Vehement demands for federalism originated from traditional Baganda representatives, but they did not prevail. The second fundamental question has been whether a return to multi-party pluralism or the continuation of a no-party democracy should be pursued.

The new constitution, which took effect in October 1995, initially adhered to the Movement system for the first general elections set for 1996, without a general liberalization of party-related activities. It did stipulate, however, that a referendum should be held every five years for the population to choose between a continuation of the Movement system or a return to a multi-party system. In the essentially free and fair elections that followed, Museveni was elected president, and the NRM candidates won a clear majority in parliament. However, easily identifiable members of the old parties, other persons critical of the government and non-conformist liberal followers of the NRM also won seats in parliament. In forming the government, there was no longer any special focus on ensuring a broad regional basis.

In 1997, the "Movement Act" made every Ugandan legally a member of the Movement. Although this decreed membership did not have any de facto relevance for the majority of citizens, the Movement was thus legally installed as the dominant political organization with party-like structures, and thus akin to a disguised one-party system. With this, the country's political transformation had come to an end for the time being. Another referendum in 2000 again confirmed the existing system and elections in 2001, though somewhat disputed due to the heavy-handed attacks on the emerging opposition, nevertheless delivered a clear victory for Museveni as president and for a dominance of the Movement in parliament. After long and controversial debates about the need to legally regulate the status of political parties, a "Political Parties and Organizations Act" was at long last passed in May 2002. Due to its very restrictive regulations, however, it was utterly rejected by all opposition groups. Until the end of 2002, there did not

seem to be any common ground for opening up a more inclusive and competitive political system.

Uganda's economic transformation also began when the NRM took power, essentially starting from square one with a largely destroyed economy. An initial 10-point program, though previously conceived by the NRM to rebuild the country, was largely oriented along Museveni's earlier socialist ideas. However, given the concrete challenges facing Uganda, there was a definite swing toward a very pragmatic free-market course starting as early as 1987. In subsequent years, this course was fully supported by a wide range of international donors, including the IMF and the World Bank, with considerable development aid.

The economic reform process has developed gradually and continuously over subsequent years. Important elements of the transformation have included: macro-economic stability and fiscal-policy discipline, privatization of state-owned enterprises, the encouragement of local businesspeople, the attraction of foreign investors (including the return of the Asian entrepreneurial class expelled by Idi Amin in 1972), debt reduction (as one of the first beneficiaries of the HIPC initiative), decentralization, diversification of the manufacturing sector, promotion of enhanced regional cooperation and improvement of available human resources (education and health sectors). Many of these measures were carried out under the obvious influence of donor institutions, but President Museveni also considers himself an important promoter for structural changes, and for an overall modernizing dynamism in society and in the economy. Uganda has thus gained the reputation of being - relatively speaking - one of the most successful reform-oriented countries in Africa. Nevertheless, many obstacles and political considerations still remain if this course is to be pursued consistently in the future.

C. Assessment

1. Democracy

At the time of this writing in January 2005, Uganda still demonstrates considerable fundamental deficits in the transformation of the political system, especially with respect to political representation, unrestricted organizational freedom and the transparency of political decision-making. The military continues to be an influential background factor inside and outside of all existing formal structures; the upgrading of the former Presidential Protection Unit (PPU) into the Presidential Guard Brigade (PGB) does not bode well for a reduction of the role of the armed forces. Nevertheless, there are definitely viable elements of political participation at the local level and a new era with a return to a conventional multi-party political system is just beginning to emerge in 2005, although it is not yet clear at all to what extent this will really allow a free and fair competition between different political groups.

1.1. Stateness

The basic elements of the nation-state identity do not fully exist throughout Uganda. The state monopoly on the use of force has been achieved in the central parts of the country. It has, however, been seriously challenged for many years in some significant geographic parts of the country by rebels and guerillas of various political (or pseudo-political) shades and by traditional nomadic warriors. The strongest and most long-lived rebel group is the LRA, which terrorizes the civilian population of its own Acholi people in the north. Despite its continued reference to the Bible's Ten Commandments it cannot be considered a Christian or Christian fundamentalist grouping. This is because it has its roots in Alice Lakwena's possession cult (Holy Spirit Movement), which included a number of soldiers who had served under the Obote II government in the first half of the 1980s. For more than 15 years the Ugandan army, despite great efforts, has not succeeded to militarily defeat the LRA, in part because the LRA has been able to withdraw across the border to Sudan for hiding and regrouping. Various attempts to offer an amnesty and bring about a negotiated peace agreement have not come to fruition. The latest such move at the end of 2004 was almost agreed, but stalled at the very last moment (as of January 2005 there was still hope for a positive conclusion).

Since the middle 1990s on Uganda's mountainous western border with the DR Congo, another rebel group called the Allied Democratic Forces (ADF) was active and had been a threat to state power. By 2001 the ADF had been largely contained, but not fully eliminated, largely due to cross-border links into the DR Congo; at the time of this writing there seems to have been some partial resurgence of ADF activities.

In addition to the LRA and ADF, several other opposition groups (with exile bases abroad), such as the dubious People's Redemption Army (PRA), have carried out armed campaigns since the Museveni government took power. These campaigns have included fatal bombings in Kampala on various occasions. The state has always struggled with limited success to control the northeastern Karamoja region, where nomadic warriors use modern weapons for more traditional activities such as cattle rustling and robbery. In the central and most densely populated parts of the country the state monopoly on the use of force is, however, by and large fully established. The magnitude of violent crime and the feeling of insecurity in Kampala and other cities tend to be considerably lower than in many other African countries.

There is fundamental consensus among all population groups about who qualifies as a citizen of Uganda. There are no signs of secessionist movements. Perceptions of identification with the present state authorities vary, but no population group is formally denied basic aspects of citizenship. Ethnic groups in the north (Acholi, Langi, etcetera) consider themselves excluded from the central state to a large

degree because of historical factors (economic neglect), repressive military actions (in the course of the fight against the LRA, for example: forced resettlement into fortified camps) and a lack of genuine political representation. Large and influential factions of the Baganda, the largest ethnic group in the very center of the country, are still demanding a special federal status in recognition of their history as a separate kingdom. Thus, their loyalty to the Ugandan state is split.

The state is formally secular to the greatest possible extent with a clear separation of religious institutions and the state, although religious movements (many sects, independent churches, Muslim groups) can have an important influence on the pattern of political behavior of the population toward the state and its agents. No religious leaders are putting the authority of the state into question.

The state's administrative structures are generally present throughout the country, with some territorial limits, but they are operative to very different degrees: in the central parts of the country they are relatively effective and generally visible, but they are clearly much more limited on the periphery, particularly in the north and the northeast. Corruption and a lack of civilian monitoring of the arbitrariness of the state's security forces represent real restrictions for an effective functioning of the state authorities in the eyes of the population. In pursuance of a policy of decentralization the responsibility and decision-making for a whole range of regular state activities is being shifted from the central government level to lower administrative and political levels, with a main focus on the districts.

1.2. Political participation

Based on the constitution of 1995, general elections are, in principle, accepted as the method for deciding political rule. The rights to vote and to campaign for political office apply to all citizens, although the right to be a candidate for political office is partially limited by formal educational requirements. Separate presidential and parliamentary elections took place in 1996 and 2001. None of these elections has been characterized as completely free and fair (the election in 2001 much less than in 1996) given the general framework, which did not allow a level playing field for all competitors, but they were by and large carried out correctly and probably express the will of the majority of the people.

An important point, however, is the almost total restriction of the freedom of political organization that has been in force up to now. These restrictions were formally legitimated by the Constituent Assembly in 1995 and again by referendum in 2000. This does not mean that the old established political parties - specifically the Democratic Party (DP) and the Uganda People's Congress (UPC) - have been altogether forbidden and disbanded, but they were simply not allowed to carry out any regular party activities and to field official candidates under their

party banners in the elections. The old parties were just left in limbo and the founding of any new parties was not allowed. Electoral candidates had to run as individuals, not as party representatives (although their political affiliations were usually known to the public). New legislation dealing with political parties was passed in 2002 after many years of controversial debate and had essentially again codified these restrictions. The DP and the UPC, therefore, contested this act before the Constitutional Court. After a subsequent wide-ranging revision of all regulations the opposition parties had only in late 2004 finally accepted to take the step to register under the provisions of the act, expecting to be able to operate freely without any restrictions from then on.

The current government does have the effective power to govern practically in all parts of the country, except for some limitations in the war zones in the north and in the thinly populated semi-arid northeast with its nomadic groups. There are no veto powers or political enclaves under the influence of competing groups. Despite formal democratic structures there is, however, still a small circle of leadership within the Movement and the top ranks of the military that wield the real power in Uganda. Parliament has won itself a certain amount of control over the executive branch, but it is constantly being confronted with barriers in this pursuit.

The right of free association and assembly by independent political or civil society groups is being exercised in an ambivalent and sometimes precarious way. This is, of course, particularly true for the severe restrictions on political parties. In principle other groups and NGOs are allowed to operate freely, but subject to adherence to legal provisions, which can easily be interpreted by state authorities in such a way that group activities are considered to be detrimental to the interests (or security) of the state. This situation leaves room for an element of arbitrariness in regard to the control of independent groups, but a whole spectrum of rather lively and critical groups is nevertheless allowed to exist and to operate.

Similarly, the freedom of speech and of the press are not always respected consistently, but tolerated to a fairly large extent. Surprisingly critical public discussions and statements in the media are normally the rule of the day, but state authorities also carry out from time to time massive intimidation campaigns. However, they have not been able to muzzle all critical voices. An outstanding example is the newspaper, *The Monitor*, which has been occasionally shut down (even without legal authority), but has been able to continue with a consistent editorial line openly critical of the government. All in all, the political climate is characterized by a carefully balanced fusion of relatively open and independent discussion on the one hand and of a nevertheless keenly felt control (and sometimes even intimidation) on the other hand.

1.3. Rule of law

The separation of powers between various state bodies is generally accepted and, to a large extent, also practiced. However, military and security forces are, to a considerable degree, beyond the control of the civil courts (although not completely, but they continue to enjoy a fair amount of latitude). The judiciary is professionally competent, institutionally differentiated in various levels and can act relatively independently. It has also shown an astounding independence in the face of strong political pressure in several hotly debated political cases (for instance, legal challenges to elections, constitutionality of laws, etcetera). The constitution is not very clear in regard to the accountability of the president toward the parliament. Any effort to enforce such accountability proves, in fact, to be very complicated.

The handling of both widespread corruption - Uganda is consistently singled out by Transparency International as notorious - and the abuse of authority by office-holders is inconsistent. A whole range of regulations and institutions to fight these vices is in place. There have been outstanding cases where investigative committees (for example, for large portions of the police force and the military) have led to severe sanctions. Some of these committees have even been backed by a parliamentary majority against corrupt ministers who were subsequently dismissed. But at the same time there are also very considerable political and procedural limitations for all-out and consistent measures in that regard. It is nevertheless the case that even prominent individuals are in no way universally shielded from prosecution.

Civil rights are not systematically abused, but the impartial and correct prosecution of abuses by state bodies quite often has its practical limitations. The most blatant public abuses are linked to the long-lasting fight against guerrillas (particularly in the north). Members of the security forces who commit attacks on suspicious persons and civilians are seldom brought to justice and protected by their peers, although there are some exceptions to this rule. In some cases even the execution of members of the military convicted of crimes has been carried out.

1.4. Stability of democratic institutions

Despite massive restrictions that go hand-in-hand with the prohibition of an open political party plurality, democratic institutions (such as the parliament, the judiciary, the local councils and the administration) do play a very substantial role in all public affairs of the country and they are by and large capable to perform their functions effectively. These institutions do form a valid foundation for the ongoing steps to further consolidate and strengthen the present semi-democratic system.

In their current restricted form the institutions at least appear to be stable and they have the potential to be strengthened gradually. The restrictions exist primarily because of the uncodified power of intervention enjoyed by top members of the military, and especially because of President Museveni's still undisputed supreme position. The existing semi-democratic state institutions are, of course, not accepted by the remaining active rebel groups (LRA and others), but they are grudgingly accepted (although considered to be illegitimate) and not openly opposed by all the political and civil society opposition groups that are operating within the country and taking part in all public debates.

1.5. Political and social integration

The political system has until now been characterized by the government's obstruction of a normal functioning multiparty system (despite the continued legal existence of well-founded old parties like DP and UPC). The dominant Movement evolved from the NRM liberation movement of the 1980s. Its self image stems from its history, but since then it has virtually become a dominant party with a predominantly pragmatic-opportunistic membership and with widely diverging ideological positions, including positions on the key question of changes to the prevailing system.

Despite the party restrictions of the recent past there is nevertheless at the time of this writing an emerging party system that is potentially capable of articulating and aggregating different existing societal interests. The strength of the Movement will be tested against the revived DP and UPC and a major new grouping called the Forum for Democratic Change (FDC) as well as a host of smaller parties that have sprung up recently. The FDC was founded in 2004 as an umbrella body mostly for disenchanted former members or followers of the Movement. This emerging pattern of a range of major parties cannot yet be characterized as being stable, socially rooted and widely accepted, but it has at least the potential for forming a relatively solid foundation for a new democratic political system.

Despite their precarious situation, the active representatives of the DP, the UPC and also the dissenters from the NRM who first appeared after the 2001 elections (known as "Reform Agenda", now merged with the FDC) had over the last few years created a starting point for a semi-legal and half-heartedly tolerated political opposition.

The landscape of associations and interest groups is not very distinct, but it has gradually become more differentiated in recent years. This is equally true for entrepreneurial interests, chambers of commerce, trade unions, farmer's cooperatives and representatives, all of which do exist, but have relatively little ability to assert themselves in the political realm. All these groups have links to

the Movement as the dominating political force and they also try to use the Parliament as a forum for lobbying for their respective special interests.

According to the Afrobarometer, support for democracy is high in Uganda: 80% of the population prefers democracy to other forms of political rule. But although a clear majority of 89% rejects military rule, only 53% reject one-party rule. Uganda has also a very lively culture of public debate, particularly in urban environments. The participation level of the population in the elections has been relatively high and satisfactory. Recent (limited) public opinion polls indicate that the people do express a very differentiated picture of political preferences and take an active interest in having a real political choice. The undeniable popularity of the opposition groups (at least among the urban electorate) can also be taken as proof that the arguments for the continuation of the No Party Movement system have become less convincing.

Autonomous organization in civil society is relatively well developed, although significant regional and ethnic differences exist. Some of the larger ethnic groups can fall back on strong traditions of elaborate and effective social organization. Social self-organization represents substantial development potential and provides a basis for creating social capital, mainly for activities at the local level. Uganda can boast about a high number of successful ventures of this type. The relationship between the government and NGOs is inconsistent and varies between support for socioeconomic development tasks and control attempts in the case of more politically-leaning activities that the government perceives to be potentially critical of its own role.

2. Market economy

Uganda has made considerable progress in carrying out economic reforms toward free market elements since the late 1980s. It is considered by most outside observers, including most donor institutions, to be one of Africa's greatest national success stories in this respect. Nevertheless, significant deficits do still remain and there is a constant need for further improvements.

2.1. Level of socioeconomic development

Macroeconomic indicators show a relatively low general development level in Uganda in comparison with the rest of the world (despite fairly solid growth rates in recent years, albeit from a low absolute level), but about average in respect to sub-Saharan Africa. Social exclusion is rather prominent both quantitatively and qualitatively, and it is structurally fairly entrenched due to a blend of geographical, historical, cultural and political factors. In particular, the northern parts of the country are very disadvantaged (economically, ecologically and for

political-historical reasons). There is traditional gender inequality with only some exceptions, and it is generally quite a difficult climb up the social ladder in society. Social classes are mainly determined by land ownership, by continued relevance of traditional societal stratification and increasingly by modern education. Almost half of the population lives below the national poverty line, with many rural people still relying on a semi-subsistence type of agriculture. A genuine freedom of choice for all citizens in accordance with a normal distribution curve does, therefore, not exist.

2.2. Organization of the market and competition

The fundamentals of free market competition are guaranteed in a general form. Formerly dense bureaucratic regulations and direct state intervention have been continually and fairly consistently reduced and dismantled over the years. Attempts have been made to provide new regulatory frameworks for the functioning of liberalized sectors of the economy, but the rules of the game are not always fully consistent. A thriving informal sector operates largely outside any institutional framework, but nevertheless along free market rules of its own.

The limited size of the national market has resulted in at least partial monopolies and oligopolies for certain products and in certain areas. The economy will be exposed to more competition due to the effects of the new East African Customs Union (January 2005).

At the time of this writing, the privatization of former state-owned enterprises has been vigorously pursued for years and has almost come to end (although not yet fully). Decisions in this regard were frequently not fully transparent and were, therefore, susceptible to corruptive practices. Foreign trade has also been largely liberalized to the greatest possible extent. Membership to both the EAC and the Common Market for Eastern and Southern Africa (COMESA) is relevant for any customs and other regulations regarding the foreign trade regime.

The traditionally weak and inefficient finance and banking sector has long been a particular problem area and an impediment for a more broadly based economic development (particularly in the more remote rural areas). Various reform efforts (including privatization of the important Uganda Commercial Bank) were too slow to provide positive results, but there is now some progress.

2.3. Currency and price stability

The government has quite consistently adhered to the key elements of its macroeconomic goals, including inflation control, a realistic exchange-rate policy and a disciplined budget policy. The Ministry of Finance and the Central Bank

enjoy relatively strong positions vis-à-vis the financial demands of the individual government ministries and departments. The IMF, the World Bank and other donors, in this regard, have over the years repeatedly praised macroeconomic management of the economy. One significant exception, however, has been a repeated controversy over what constitutes an acceptable and adequate level of military spending with respect to the ongoing rebel war.

The government is clearly keen to develop and maintain a stable macroeconomic policy. As a result of this consistent policy and as a reward, Uganda was the first country to qualify for significant debt relief as part of the HIPC initiative, although the quantitative relief has in the meantime turned out not to be as high as expected. The fiscal situation regarding domestic revenue generation (quite low by African standards) continues to be rather precarious and necessitates a continued heavy reliance on the influx of financial aid resources. External donors finance about half of government spending.

2.4. Private property

Property rights and the rules for the acquisition of property are clearly established in principle. There are, however, still problems and disagreements regarding the practical implementation of existing regulations. This is especially true of the acquisition and ownership of land, where there are competing modern and traditional (differing significantly between ethnic groups) perceptions of the relevant laws and legal practices. Conflicts of this nature continue to be part of everyday life. A complete conversion to individual property ownership of land would be contrary to all traditions and create serious controversies.

As a result of the determined economic reform policies private enterprises have quite unequivocally become the mainstay of the Ugandan economy, although in some sectors of the economy parastatal institutions and enterprises do still continue to exist and to perform a relatively important role.

2.5. Welfare regime

Like in most African countries social safety nets supported by the state do not exist for the vast majority of the population. There are basic provisions for social risks (such as health insurance, pensions) only for a relatively small group of permanent government and public employees and for employees of a few large firms, but even these benefits are fairly limited in scope. Otherwise, all such problems continue to be handled in a traditional manner within the solidarity systems of extended family networks. This system is, however, undergoing some rapid changes due to urbanization, mortality rates because of HIV and AIDS infections and can be viewed less and less as a reliable fallback in the case of

need, especially as a result of changed urban lifestyles. Social safeguards are, therefore, for large segments of the population, considerably worse than in previous periods and no modern replacement is in sight.

A fair equality of opportunity does not exist at all, but there are at least some signs of improvement in that direction. There are significant differences in the volume and quality of public services between major cities and rural areas and also among various geographical parts of the country, with indisputable neglect of the north. The situation is made much worse by the repercussions of the armed conflict; at least 1.6 million people have been internally displaced.

The abolition of school fees in 1997 for primary schools (Universal Primary Education, UPE) drastically broadened access to elementary education, a measure that also greatly benefited girls. There are indications that the poorer segments of the population have more than proportionally gained from the expansions of the health and education sector programs of recent years, although the quality of service remains a serious problem. Despite efforts on the part of the state to create equality of opportunity, background (social and regional origins) continues to play a very important role. Quite successful by way of international comparison has been the campaign against HIV and AIDS which was undertaken in a determined and open fashion without being hampered by the fright of prevailing taboos. The HIV infection rate has decreased from 18% in 1990 to 6% of the total population in 2004.

2.6. Economic performance

Economic growth (absolute GDP and per capita income) has been consistently higher than the African average since about the middle 1990s, with unavoidable fluctuations reflecting the high share of the agricultural sector and the dependence on climate-related factors. This satisfactory growth pattern has clearly resulted from a consistent pursuit of reform policies and structural adjustments, although it remains somewhat uncertain how quickly this will reduce the poverty level significantly. While the poverty level was reduced somewhat during most of the 1990s, it has increased again recently, which is attributed largely to a fall of agricultural export prices, particularly coffee.

The judgment about the economic effects of the various military activities of the country in recent years is quite ambivalent. While high expenditures on modernizing a relatively large army have certainly been an economic drain, there has also been an (illegal) influx of resources from military involvement in the DR Congo, which is partly contributing to the construction boom in Kampala.

The recent and current macroeconomic data do generally look fairly good, but the average GDP growth rate (around 5% to 6%) is still too considerably low to

induce sufficient structural changes of the economy, for instance to create more employment opportunities and to lower the prevalence of poverty. The dimension of the challenge becomes clear when one takes into account that Uganda has one of the youngest populations worldwide; the present figure of 25 million inhabitants is expected to triple in less than 50 years.

The diversification and modernization of production in the economy is still at an early stage. Uganda is thus still highly vulnerable to changes in world market prices of its main export commodities (coffee and tea) and of its crucial imports, in particular oil.

2.7. Sustainability

Politicians and society as a whole are fairly slow to understand and consider the value of environmental concerns. Nevertheless, a few gradual changes and some activities by NGOs with a particular focus on the environment can be observed. With regard to fishing on Lake Victoria, which had become a very important new source of income and foreign exchange earnings within only a few years, fundamental economic and hygienic improvements were brought about under massive pressure from the European Union, for example by a temporary total ban on imports.

The vital importance of education and improvement of human capital resources in general is well understood by the government and by the president personally. Museveni's main campaign promise in the 1996 election was UPE. The populace also subscribes to the high value of formal education, for which parents are willing to go to great lengths in the (often illusory) expectation of a better future for their children. There are several public and private (some religious) universities and a broad spectrum of specialized educational and research institutions, but in most cases they suffer from a fairly poor quality of services due to a severe lack of adequate funding and qualified staff.

3. Management

Although the following sections providing an assessment of various aspects of governance are supposed to focus exclusively on the two-year period 2003 and 2004, it is always pertinent to keep in mind a much longer past time perspective which provides an understanding of the country's difficult and violent history since independence, and is still highly relevant as a background for assessing the difficulties, problems and contradictions of present public management issues. The memories of the past still affect behavior and attitudes in many ways, although it has now been 19 years since the NRM took power and has since been able to maintain a relative stability at least in most parts of the country. Narrow-minded partisan confrontation among important decision makers is perceived by

many as having been the main reason for the misery of the past and this explains (partly) the reluctance to move again to a political system with inherent dangers of exploiting existing ethnic and/or religious cleavages.

3.1. Level of difficulty

The structural difficulties for the new NRM government when coming into power in 1986 had been extremely high due to the almost complete devastation of the country and the breakdown of most modern structures. But as a very result of the relatively successful rehabilitation and economic recovery since then, the structural constraints for the current review period cannot any longer be assessed as being all that bad, although undeniably difficult. The material infrastructure in most parts of the country is in relatively good condition (by African standards); the relatively compact geographical nature of the country is an advantage compared to much larger territories. Both the education and health services are probably above average in Africa and the horrendous prevalence of the HIV and AIDS pandemic of the 1980s and 1990s has largely been contained. On balance, it can be stated that Uganda is, of course, confronted with the “normal” structural deficits of all African countries, but not any longer to any extraordinary extent. By and large, the existing difficulties are not insurmountable.

Moderately strong traditions of civic engagement do exist in most parts of Uganda, with variations between the different ethnic groups. This is quite a positive factor for the local mobilization of economic and social development activities. There is also a wide spectrum of modern style NGOs pursuing many different goals. Social trust is understandably mostly rooted within a homogenous local and/or ethnic environment, but at least in the metropolitan Kampala area this can also transcend these boundaries. Civil society groups can be quite outspoken and the general climate despite eventual government threats of intimidation does allow a rather lively and controversial public discourse.

The memories of the violent history and the deep-seated perceptions of relative marginalization of some groups and of the entrenched domination of others are still important factors for society and for the political life of the nation. The Movement has attempted to create an image and ideology of national unity and of overcoming all earlier ethnic and/or regional cleavages, but this has not really succeeded. The popularity of the old political parties (DP and UPC) with their particular ethnic, regional and religious leanings has apparently survived quite well (although not really tested in any elections) and indicates the continuing strength of such societal differentiations.

The dominance of the Movement and the orchestrated suppression of any open party political activities have so far prevented a return to the old style of confrontational political conflicts. But this cannot be fully ruled with the

imminent return to an uncontrolled multiparty system that also features the old parties - along new ones like the Movement under its new label NRM-Organization (NRM-O) and the FDC. Despite modernization and urbanization ethnic and religious identities and affiliations remain of primary importance for the large majority of the population. On top of this there is a fast growing social differentiation between groups that are benefiting from the opportunities offered by the liberalized market-based economic policies and the much more numerous groups that are by and large left out from these new opportunities. This is also to a significant extent a differentiation between major towns and rural areas and between different geographical parts of the country. It is still unclear to what extent these different cleavages (ethnic, regional, religious, social) can or will in the near future be mobilized in a context of unfettered open political competition.

Profile of the Political System

Regime type:	<i>Democracy</i>	Constraints to executive authority:	3
System of government:	<i>Semi-presidential</i>	Latest parliamentary election:	26.06.2001
1. Head of State:	<i>Yoweri Kaguta Museveni</i>		
Head of Government:	<i>Apolo Nsibambi</i>		
		Number of ministries:	20
		Number of ministers:	25
<p>Source: BTI team, based upon information by country analysts, situation in July 2005. Constraints to executive authority (1-6 max.) measures the institutional constraints posed by a federal or decentralized state, a second parliamentary chamber, referenda, constitutional and judicial review and the rigidity of the constitution. Number of ministries/ministers denotes the situation on 1 January 2005. Note that only individual candidates may compete in elections; partisan candidacies are not allowed.</p>			

3.2. Steering capability

In addition to managing the day-to-day political situation, the government (and in particular the president) is clearly pursuing some longer-term strategic goals as well. These goals, however, often take a back seat to short-term needs and tactical opportunistic considerations typical of politicians. The strategy for the economy focuses strongly on economic diversification, modernization of production methods, improvement of human capital resources, strengthening the potential of private enterprise, attracting foreign investors and eventually reducing dependence on foreign aid while attracting as much as possible for the time being. The available financial and human resources needed to realize these essentially sensible goals are, however, very limited. The political strategy, on the other hand, has been clearly geared toward maintaining the dominance of the Movement and to prevent a return to an orthodox dissected party landscape with the danger of a revival of parochial and potentially conflict-enhancing electoral fights on the basis of a mobilization of ethnic and/or religious affinities.

From a normative view, this strategy is clearly not geared toward a conventional party-based formal democracy. However, a return to a multiparty system has nevertheless begun largely due to increasing pressure by external donors. President Museveni declared that he is worried about foreign investors and that this is his main reason for changing his mind about the structures of Uganda's political system. It is still unclear to what extent a genuinely free and fair political competition among different parties can be expected in the future, but the present leadership is clearly determined to maintain its supremacy by all means. The leadership is thus maintaining its priorities quite rigorously and cleverly even against strong (internal and external) opposition and in full knowledge of critical disapproval by many observers. This can be seen as a sign of strength and confidence, even if the democratic credibility of the goals is seriously in doubt.

The government does generally pursue and implement its own strategic goals quite effectively. This is true for the economic reforms in the direction of an increasingly liberalized market-based economy, but also for the well-controlled process of allowing a return to a formal multiparty democracy and thereby satisfying all external demands, while cleverly manipulating and orchestrating the process in such a way that the dominance of those in power can be maintained.

In that sense the political leadership (and above all President Museveni personally) has many times proved to be very flexible and to respond to any new exigencies (both internal and external). This has brought about significant and largely successful socioeconomic changes to the country and has maintained the longest period of political stability for Uganda in its four decades of post-independence history, but not necessarily promoted the normative values of a representative, classical party-based democracy.

3.3. Resource efficiency

The government makes moderately adequate use of available national financial and material resources, at least in comparison to the majority of other African countries. There is, however, no question that shortcomings still exist, such as considerable political patronage and widespread corruption. The administration nevertheless is endeavoring to implement modernized management practices and financial systems, better educated, better trained employees, managerial autonomy for specific tasks, decentralization and promotion of local government, etcetera. These efforts are still far from being truly efficient, but it is a tangible improvement over previous periods in the country. Reform plans can, for the most part, be implemented only partially, and the implementation is slower than envisaged and intended. The range of public services surely remains way behind objective needs and expectations of the people given the very limited availability of resources, but some moderate improvement has clearly been seen in, for example, education, health care, water supply, transport and communications. The

high expenditures for the military - considered to be unavoidable from the point of view of national security - are, however, an obvious wasteful drain on the economy.

The government tries to coordinate conflicting objectives and interests, but only with somewhat limited success. The Ministry of Finance and the Central Bank obtain a relatively strong role as watchdogs over the financial accountability of all public departments and as arbitrators in the delicate allocation process of scarce resources for different purposes. Nevertheless many politically motivated compromises (depending on the relative strength of different actors) are often made, thus contravening a supposedly objective balance between different purposes and interests. This particularly refers to very different regional strongholds of key politicians, whereby the northern groups are severely underrepresented. The military is to a significant extent able to exert enough pressure for remaining outside of the normal political bargaining process for public resources and to avoid sanctions and repercussions in case of constant and uncontrolled over-expenditures (supposedly necessitated by the war situation against the rebel groups and in the regional neighborhood). As such, the military does still maintain a somewhat special role in the overall coordination of government priorities and policies.

Despite fairly elaborate formal control mechanisms, corruption continues to be a major problem. The battle against corruption is often circumscribed by political considerations and exigencies. The cultural heritage tends to strengthen cronyism and political patronage while impeding objective state actions and strict sanctions for misconduct. On balance, the record in regard to the control of corruption is quite ambivalent. While there have been, on the one hand, many investigations into corrupt practices including the police and the army and subsequent dismissals or other disciplinary actions in proven cases, there is still, on the other hand, a widely prevailing perception that in many other cases no stern action is taken and corruption is implicitly allowed to continue to a significant extent.

3.4. Consensus-building

There is arguably a vague general consensus among most political actors regarding the goal of a market economy, which belongs more to the type of a mixed economy with state elements. In contrast, there is so far no consensus regarding the type of desired democracy. The Movement's hardliners continue to deny the conventional political parties any justification to operate freely under the current conditions and still argues for the value of a participatory all-embracing no-party democracy. Liberal members of the Movement and the rest of the politicians are in favor of a conventional multiparty system. The very recent return to a formal multiparty system permitting freedom of operation to fully registered political parties (when fulfilling certain formal requirements) has been

more due to the government giving in to enhanced external pressure than to a genuine acceptance of the virtues of such a system. The various armed rebel groups (LRA, ADF, PRA, etc.) do not have any recognizable political concepts; rather their activities are based almost exclusively on a very fundamental opposition to the government.

The pivotal conflict over political reforms - return to a genuine multiparty system or maintenance of the status quo (without full recognition of parties) - has until recently primarily been taking place within the Movement, but it had been influenced by a relatively free public debate, pressure from donors and the burden of fighting guerillas. A group of hardliners within the Movement had long resisted any opening up of the prevailing power structure. Lines of ethnic, regional, religious and political conflict stretching back into the recent past continued to play a prominent role.

With the emerging system allowing formally unrestricted operation of registered political parties the underlying disagreement over the virtue of a conventional party-based democratic system has, however, still not yet been fully overcome. The Movement's hardliners are still convinced of its superiority and will try by all means to perpetuate its dominance and its exercise of power (including a third presidential term for Museveni). Thus a genuine consensus about the democratic system has still not been reached. In this respect the Ugandan situation is characterized by the fact that the potential anti-democratic veto actors are located at the very center of the present government power structure (including most, but not all of the military leadership), while the groups advocating for democratic reforms are still in a much weaker position outside of the power structure.

In official public statements the political leadership is trying to prevent cleavage-based conflicts from escalating and is preaching national unity and conciliation, but in reality it has not really succeeded in making much progress on this front. In the eyes of its adversaries (internally and externally based political opposition and guerilla groups) the government/Movement is still clearly perceived to only pursue the interests of its own followers, while more or less completely neglecting the aspirations of any other groups. This is a deeply ingrained perception, even when not backed up by real facts. As a result, there is really no broad common ground of solidarity existing throughout the country that could be drawn upon to achieve a national consensus.

As a result of the foregoing, the political leadership largely fails to promote social capital on the national level. But it is a very different matter with regard to the existence or promotion of social capital at the regional and/or local level. It is here (with an largely ethnically homogenous population and a continued validity of traditional solidarity patterns) that social capital does play an important role. This is also true for modern economic activities and new types of societal relationships. The government is trying to promote such values, for instance in regard to its

decentralization focus, but fails to forge an overarching social capital for the nation as a whole.

The judgment on the political leadership's attitude toward the involvement and/or participation of civil society in political and socioeconomic issues is rather ambiguous. The official government philosophy (or perhaps ideology) is going to great lengths advocating the participation of civil society groups in furthering the social and economic development of the country at all levels. But this is largely (almost exclusively) perceived as being of a technocratic and non-political nature. When it comes to issues of a more narrowly political nature, however, the government is often quite suspicious of civil society groups and tends to exercise as much control as possible. This, of course, goes back to the controversial issue (in the eyes of the ruling groups) of how much genuine political party-related diversity should be allowed today against the background of the conflict-ridden past of the country.

There have been attempts to find ways of reconciliation regarding the acts of injustice that had been perpetrated by the earlier governments (pre-1986), but they did not lead to a new start or an actual reconciliation of all national groups. Similarly no generally accepted approach has been found and pursued in order to deal with the atrocities and injustices committed (by all sides, rebels as well as government forces) in the long and still ongoing geographically confined wars against the different guerilla groups. An official amnesty has been offered to rebel members willing to surrender and this has actually been taken up in many cases (with such former rebels being fully integrated, even into the official army), but it has not been enough to overcome all suspicions and to end the conflicts. On the other hand, many hardships and atrocities committed by government soldiers against civilians in the course of the wars are never brought to justice. Although in a number of cases this has nevertheless actually happened, it is in the perception of the local population certainly not enough.

3.5. International cooperation

The government is working closely with all bilateral and multilateral donors in regard to its economic and development policies because Uganda depends greatly on receiving development assistance from external sources. Practically all donors have for a long time considered Uganda as an above average success. Its economic reform policy has been implemented relatively consistently and has resulted in fairly good macroeconomic progress. In this respect, the government is perceived internationally as being relatively reliable and predictable.

It is, however, quite a different matter when it comes to the field of political reforms in the direction of re-establishing a genuine pluralistic political system. Donors had for quite a long time encouraged the government to make the required

changes, but the Ugandan leadership had until early 2003 more or less completely refused to undertake such steps. The donors, however, had also not been very consistent and insistent on this issue, given the country's satisfactory economic progress and its strategic role in a region burdened with a great deal of conflict and turmoil. The latest developments over the last two years of bringing back a full-fledged democratic multiparty system have nevertheless been largely due to external pressure and the fear of possibly losing out on attracting foreign investors (as openly stated by President Museveni). The political authorities have thus eventually complied with donor demands, but they have not really proved to be credible and reliable partners in this respect.

The government's relationship to neighboring countries varies greatly. On the one hand, intense and serious efforts have always been undertaken to strengthen regional cooperation in the context of the EAC, COMESA and of the Inter-Governmental Authority for Development (IGAD). On the other hand, Uganda has been directly and heavily involved in the two wars in the DR Congo and has for a number of years been engaged in serious conflicts with Rwanda and Sudan, which have only recently been settled as of this writing (at least for the time being). Regional policy thus fluctuates greatly between pragmatic economic cooperation (based on an understanding that this will be in the country's best self-interest) and attempts to be politically influential or even attain political supremacy in the sub-region.

4. Trend of development

From 2001 to January 2005 there have been some very noteworthy new developments in the realm of the political arena, while the field of economic and social policies has not seen any similarly significant changes (largely due to the fact that relevant and generally successful economic reforms had already been pursued since the middle 1980s and were thus just continued during the review period). In the Ugandan case there has for many years not been a close correlation between political (democratic) and economic (market oriented) reforms going on simultaneously - as seems to be implicitly assumed throughout this BTI exercise. It is only in 2005 with the emerging new political dispensation that a closing of the gap between economic and political reform measures is likely to occur.

4.1. Democratic development

The first half of the review period (from 2001 to 2002) had not yet brought about any meaningful relaxation of the then prevailing unique (semi-democratic) political system with the almost total domination of the governing Movement and the severe restrictions on the regular functioning of political parties (although formally allowed to exist). The crucial steps to establish that system had been

made between 1994 and 1996 (through the election of a Constituent Assembly, ratification of a new constitution, and first semi-competitive presidential and parliamentary elections in 1996). In 1997, the Movement had been legally established as an all-embracing national organization, and in 2000 the existing system had been codified by referendum for an additional five-year period.

In the 2001 elections the government was seriously challenged for the first time by a group of critical NRM dissenters. They sprang from a close circle who had been loyal to the system for many years, but who had since relentlessly called attention to such weak points as corruption, graft and patronage. The full power of the government was let loose to relentlessly fight the reformers during the election campaign. Taking the country as a whole, the Movement was able to obtain a clear - all things considered, probably legitimate - electoral majority. But in the capital Kampala and in the war-ravaged north its unpopularity was very apparent. Museveni felt safely confirmed in his exercise of power and a non-transparent squabbling over long existing demands for a proper legislation about the status of political parties was just allowed to drag on.

A reform-minded wing of the Movement ready for change was not strong enough to forcefully establish itself and to make its influence felt. A new law regulating the existence of political parties was eventually passed in parliament in 2002, but it still contained many restrictive clauses and did not really liberalize the political system. This did not satisfy the aspirations both of the political opposition and of the internal reformers and, therefore, did not bring about any overall positive action. Also, the general situation regarding an open public discourse and critical media discussions remained uncertain and ambivalent. At the end of 2002 the government still continued to be intransigent and unwilling to allow a genuine political liberalization. Everything appeared to be stalled as it had been for so long.

Therefore, it came as a general surprise in early 2003 when Museveni for the very first time indicated a willingness to bring the country back to a conventional multiparty system. But many obstacles and controversies still continued and it took the better part of two years until the legal technicalities had been cleared in such a way that the major political parties were able to obtain their full registration in the beginning of 2005. This opens up a completely new political arena, but its concrete functioning has not really been tested yet. It remains to be seen to what extent the opposition parties will really be allowed to operate without any restrictions, how the Movement will from now on behave as a political party, how it will exercise its undeniable dominance as the governing power and to what extent there will be a genuine level playing field for a fair democratic competition. One unresolved hot point of contention is the attempt of the Movement to bring about a change in the relevant clause of the constitution which at present does not allow Museveni to be a candidate for a third term as president

in the next elections (2006). Constitutional change is possible by a vote of parliament and a subsequent referendum (June 30, 2005).

As an overall assessment it can, therefore, be stated that stateness, political participation and the rule of law have until end of 2004 by and large remained at their former level, since new forms of political participation and a full functioning of opposition parties were announced but have not yet been tested. However, the ground has now been laid for significant improvements, specifically with the legal recognition of a return to an unrestricted multiparty democratic system (on the assumption that the opposition will really be allowed to operate freely). The execution of the rule of law has more or less remained unchanged, with some shortcomings, but a considerable degree of independence from political interference. Some aspects of stateness have remained fragile (namely continuing guerilla activities, mainly in the north, but partially also along the western border). At the end of 2004 there seemed to be better chances than ever before to bring the LRA insurgency to a negotiated end, but this failed again at the last moment, although hopes for a solution were still kept high in early 2005.

With the given semi-democratic system it is not possible to talk of a consolidation of democracy, but with the recent changes of bringing back a multiparty political system the foundation has at least been laid for a (hopefully) improved political and social integration of the country and a continued institutional stability.

4.2. Market economy development

Uganda's level of socioeconomic development has continued to improve significantly during the period of review. Evidence for this is the remarkable increase of the HDI over a five-year period (from 1998 to 2002) from 0.409 to 0.493. This change of 0.084 points on the HDI score is far above the average for most African countries.

This overall improvement has been happening within a largely unchanged economic policy environment, since all the basic principles of the key reform measures had already been introduced much earlier and just continued to be executed more or less in a similar vein. Macroeconomic development continued to be above average, and objectives were met for the most important macroeconomic indicators. Certain aspects of the institutional framework for free-market activities were further elaborated and developed, but there were no fundamental changes. Privatization continues to take place for the last remaining public assets, but in some cases it has resulted in major failures and setbacks.

Development of macroeconomic fundamentals (2000-2004)

	2000	2001	2002	2003	2004
Growth of GDP in %	5.5	5.1	6.7	4.7	4.0
Export growth in %	-6.9	0.3	6.4	6.9	22.7
Import growth in %	-4.0	8.1	8.5	6.3	11.0
Inflation in % (CPI)	2.8	2.0	-0.3	7.8	3.5
Investment in % of GDP	19.8	20.1	21.7	23.0	n.a.
Tax Revenue in % of GDP	11.3	10.9	12.3	12.5	12.9
Unemployment in %	n.a.	n.a.	n.a.	n.a.	n.a.
Budget deficit in % of GDP (excluding donor grants)	9.2	10.9	12.8	11.4	11.3
Current account balance in million \$	-825.4	-802.4	-421.4	-438.9	-405.9

Source: Economist Intelligence Unit (EIU) Country Reports; 2000-2002 actual figures, 2003-2004 estimates; For Investment & Tax Revenue: World Bank: African Development Indicators 2004

The overall economic development has continued to improve markedly (with a consistent GDP growth rate of around 5% per annum), but this growth is still too low to bring about lasting structural changes to the economy and to create enough new jobs for the large number of young people entering the labor market. The fight against poverty has brought some modest success, but is still very much dependent upon the vagaries of the climate and of world market prices, since the majority of the population continues to make its living in a (fairly traditional) agricultural context.

D. Strategic perspective

The most likely perspective for the near and medium-term future is a continued dominance of the Movement/NRM-O, but within a context of a formally liberalized multi-party system with open competition between different political parties and without a further continuation of the various armed rebel activities. In the economic field, no major changes from the present course seem likely: the government will likely continue to strive toward a relatively free market economy, but experience ongoing shortcomings with respect to social equity goals and in bringing about significant structural changes and economic improvement.

After a long period of resistance against both external and internal pressure in defense of its unique no-party system, the government has finally given in and is about to fulfill the formal requirements to return the country to a conventional democratic multi-party system. The key test of the credibility of this about-face will be whether or not (or to what extent) all opposition parties and other groups critical of the government will really be allowed to operate freely and without any

interference or intimidation from of state authorities. To meet true democratic standards, it is essential that a genuinely level playing field for all political actors can be attained - this is by no means guaranteed. There is a relatively high likelihood that the hardliners of the present Movement system would resort to unfair practices of control and intimidation against all opponents if they felt that the opposition was gaining an upper hand against the entrenched political authorities. Such an emerging rise of tensions (with the possible use of violence as well) can certainly not be ruled out, since a great deal is at stake. In this respect, it is considered absolutely crucial for the international community to be much stricter and more vigilant in their insistence and pressure on the government to observe the "normal" rules of open and unrestricted political competition. Donor pressures have not consistently been in place because of the country's good economic performance and because of the civil war in the north. Only an undisputed and fair electoral contest in 2006 will give credibility and legitimacy to the government then to be established. The entire political process from that day onwards (i.e. not only the day of elections) will have to be monitored very carefully. Indeed, this is important not only for the country's future, but also for western governments to maintain their own credibility in dealing with Uganda.

This also applies to the highly contentious issue of changing the constitution to allow Museveni to run for a third term as president after he had also been in power from 1986 to 1996 without any election. While an amendment to the constitution should not automatically be considered undemocratic as long as it is brought about through a fair and open process, the present rulers do, of course, have many means at their disposal to bring about the desired result. This issue will be hotly debated in the Ugandan body politic in 2005.

Most likely, Museveni will get a chance to run again for a third term, thus greatly enhancing the chances for the Movement to remain in power beyond 2006 - given the probable strength of his popularity – genuine or manipulated – among the rural masses, despite the seemingly strong opposition in the urban population. The least that the international community can do is to provide careful monitoring to ensure that the decision is made on a strictly legal basis. Indeed, in the basis of key democratic ideals, it would certainly be preferable to have a change of president after 20 years in power notwithstanding all merits of this president having brought stability back to the country.

Also with regard to the persistence of the fight against different guerilla movements (most importantly, the LRA) it is essential to insist even more strongly than in the recent past on a genuine demonstration of the government's willingness to reach a negotiated peace agreement. This should go hand in hand with firm donor promises for a substantial reconstruction program for all those areas that have been heavily devastated by the long-lasting war situation. Only this would in the longer run help to bridge the developmental gaps and the historical mistrust between different parts of the country.

With respect to economic policies it can be realistically projected that the relatively liberal and market-oriented course that has already been pursued for well over a decade will continue to be followed with some consistency and determination, although, of course, not without shortcomings and partial resistance towards direct government intervention. Continued external assistance is by and large justified, but continuous careful monitoring is still necessary for making further progress on key issues like curbing corruption, reducing military expenditures, promoting genuine structural changes and ensuring a social balance in all public sector programs.