

Growing but not transforming:: Fragmented ruling coalitions and economic developments in Uganda

Author(s): Anne Mette Kjær and Mesharch Katusiimeh

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**Growing but not transforming:  
Fragmented ruling coalitions and  
economic developments in Uganda**

Anne Mette Kjær and Mesharch Katusiimeh

DIIS Working Paper 2012:07

**ANNE METTE KJÆR**

Associate professor  
Department of Political Science,  
Aarhus University  
mkjaer@ps.au.dk

**MESHARCH KATUSIIMEH**

Lecturer in Political Science and Public Administration  
at Uganda Christian University.

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Danish Institute for International Studies, DIIS  
Strandgade 56, DK-1401 Copenhagen, Denmark  
Ph: +45 32 69 87 87  
Fax: +45 32 69 87 00  
E-mail: [diis@diis.dk](mailto:diis@diis.dk)  
Web: [www.diis.dk](http://www.diis.dk)

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## CONTENTS

Introduction	7
Structural transformation of the economy?	8
The present structure of Uganda's ruling coalition	11
Historical origins of the fragmentation of the ruling coalition (the Obote-KY crisis, the Amin crisis and the civil war)	13
The ruling coalition in Museveni's Uganda	16
The bureaucracy	17
The military	19
The party	21
Funding the ruling coalition	24
The business sector	27
Conclusion	29
References	30



## INTRODUCTION

*There is no way Africans can emancipate themselves from poverty and backwardness without carrying through an industrial revolution.*

President Yoweri Museveni (1992: 208)

When the National Resistance Movement (NRM) and its leader, Yoweri Museveni, came to power, they had an explicit agenda of industrializing the economy (Kjær and Muhumuza, 2009). Improved infrastructure and increased production and productivity were the focus. Indeed, Uganda enjoyed a period of sustained economic growth of about 7 percent annually between 1990 and 2006 (Piron and Norton, 2004; Kjær and Muhumuza, 2009), made possible by a stable ruling coalition, macro-economic stability, low inflation (until recently), and relative peace. Poverty declined from 56 percent in 1991 to 25 percent in 2010<sup>1</sup> However, there has been limited structural transformation in terms of a shift from agriculture to industry. A number of explanations for this could be put forward, whether institutional, policy-oriented or geographical (Selassie, 2008; van de Walle, 2001). None of them, however, explains fully how Uganda, in spite of an initially highly dedicated ruling elite, did not succeed in transforming its economy. For example, Uganda is a landlocked country, but so is Zimbabwe, which is far more industrialized. Similarly, while Uganda certainly has weak institutions, so did other countries that have succeeded in industrializing (Selassie, 2008).

In this paper, we analyze Uganda's development through a political economy lens that emphasizes the nature of the ruling coalition. In theory, according to Khan (2010), a relatively stable ruling coalition without any

strong opposing factions should be able to decide and implement growth-enhancing strategies to promote structural transformation, because there will be no strong faction resisting such strategies. However, this has not happened to any significant extent in Uganda. The ruling coalition has been stable, and there have been no strong excluded factions with enough holding power to seriously challenge the regime. The northern region, particularly the Acholi region, has been excluded from power and influence, and it is in the Acholi area that the Lord's Resistance Army (LRA), a rebel group, has been active and rampaging among the local population. The regime has been criticized for not adequately protecting the Acholi population. However, with the LRA in Congo at the moment of writing (continuing its assaults on local populations), peace (albeit temporary) has finally been established in the north, and the region has seen a period of growth since 2006. Museveni gained more votes from the region in the 2011 elections than he has ever done before (Uganda Electoral Commission, 2011).

Other excluded factions are the older parties, the DP (the Democratic Party, with its Catholic background) and the UPC (the Uganda People's Congress, former President Milton Obote's party with a Protestant leaning), and groups that were previously NRM members but now belong to the opposition. Although the main opponent, Dr Besigye, a previous NRM member was perceived as a threat, especially in the 2006 elections, his Forum for Democratic Change (FDC) has not yet been able to seriously challenge the ruling elite and their hold on power. Paradoxically, the ones most capable of threatening the power and stability of Museveni's ruling coalition are probably former movement members, such as Besigye, or Movement members

<sup>1</sup> According to the World Bank's development indicators.

who are still within the ruling coalition, partly because they also have potential influence within the military.

The continued lack of effective strategies to promote the productive sector may be explained by the fact that there have been significant factions *within* the ruling coalition. The power of lower level factions, excluded factions and opposing factions *within* the NRM against the president seems to be increasing, rendering the ruling coalition less stable and increasing the costs of holding the ruling coalition together. Uganda has had a ruling elite capable of providing macro-economic stability (at least until the 2008 financial crisis) and promoting growth, but not of ensuring real structural transformation through sustained state-driven initiatives towards the productive sector.

The purpose of this paper is to explain why there has been growth but not structural transformation through a focus on the organization and funding of Uganda's ruling coalition. We set out to explain how the ruling coalitions have been organized, how they have changed and, in parallel, how the economy has changed (or not). We put forward several arguments. First, the regional dimension has played a major role in Uganda's ruling coalitions since independence and continues to do so. Second, the militarization of politics and politicization of the bureaucracy began early and is a continuing legacy within Uganda's present ruling coalition. Third, in the present NRM ruling coalition, although excluded factions are not strong, lower level factions are growing stronger, and there are opposing factions within the coalition that make it less stable, so the ruling coalition is characterized by competing factions vertically as well as horizontally. Fourth, the character of the ruling coalition induces the ruling elite to spend huge sums

on patronage to win elections and to maintain political support in order to stay in power. Fifth, this results in a continued lack of structural transformation and a perpetually small indigenous capitalist class. Productive entrepreneurs have nurtured their interests largely through personal and individualized ties with the ruling coalition. However, there are also more formalized government-business relations that may develop an environment friendlier to indigenous business than in the past.

The paper sets out by giving a brief sketch of Uganda's economy and discusses whether the economy has been structurally transformed. Then it gives a brief picture of Uganda's current ruling coalition before explaining its legacies and how it got to where it is now. In doing so, it explores the impact of three crises in post-independent Uganda: the *Kabaka Yekka-Obote 1 crisis*; the *Idi Amin crisis*; and the *Museveni bush war, 1981-1985*. These are only some of the crises that have marked Uganda, but they are arguably among the most important in understanding the nature of the ruling coalition. In parallel, economic developments are explored. Subsequently, the current ruling coalition is explored in depth; the members of the ruling coalition include regional groupings and important parts of the bureaucracy and the military. The funding of the ruling coalition and the ruling party, and developments in the economy in terms of emerging entrepreneurial classes, are explored in the final section.

## **STRUCTURAL TRANSFORMATION OF THE ECONOMY?**

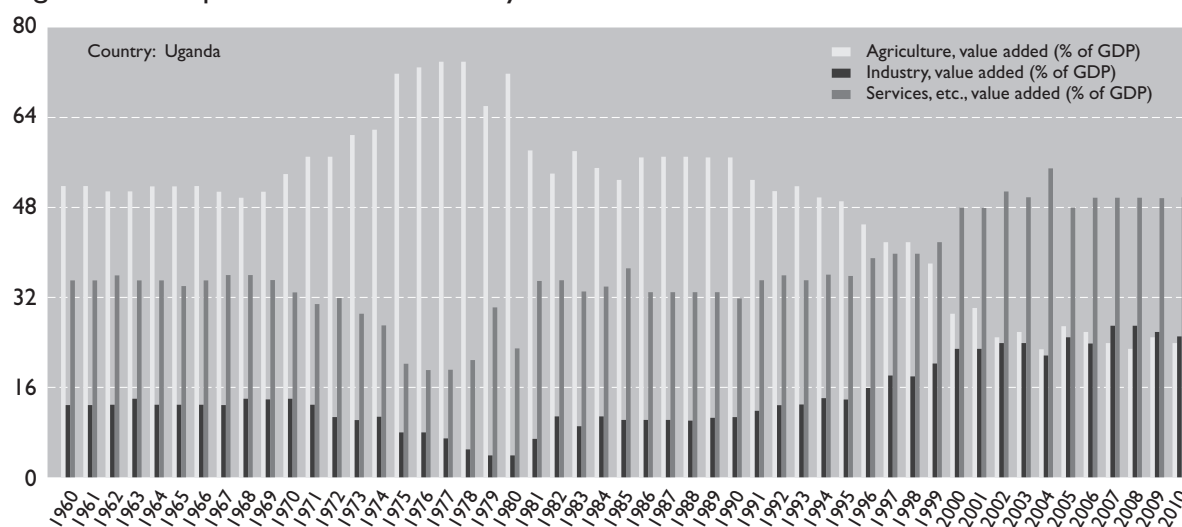
As noted, Uganda's economy has grown since the early 1990s at an average rate of about

7 percent.<sup>2</sup> The main driver of Uganda's growth has been coffee as the main foreign exchange earner (about 21 percent of exports) and the most rapidly growing export crop (Uganda Export Promotion Board online, Dijkstra and van Donge, 2001). Non-traditional exports such as fish, cut flowers and vanilla have had spurts of growth, none of them long-lasting. Oil was found in 2006 but has not yet started to bring in revenue. It is, however, expected that future oil revenues will be able to finance so much of the public budget that it will be able to replace aid (Kiiza et al., 2009). The manufacturing sector has grown but is still small, representing 5.7 percent of GDP in 1990, increasing to 8.7 percent of GDP in 1999 and to 9.1 in 2006, a proportion not much higher than the 8.5 percent in 1960.<sup>3</sup> Uganda's private sector, in addition to informal subsistence farming, is overwhelmingly characterized by informal small-scale enterprises with fewer than five employees (Kalema, 2008).

Foreign direct investments have grown from zero in 1990 to about 222 million dollars or 3.25 percent of GDP in 2006, which is over a fifth of total capital formation in Uganda (Rasiah and Tamale, 2004; MIGA, 2007). FDI has mainly gone into the beverage, food, petroleum and agri-business industries (Rasiah and Tamale, 2004). Aid (all overseas development assistance received) also drives some of the growth, as it has continued to increase in the new millennium and constitutes about 12 percent of GDP (World Development Indicators database, 2011), thus defining Uganda as a highly aid-dependent country.

Figure 1 shows the composition of Uganda's economy. It shows that in 2010 agriculture made up about 18 percent of total GDP, whereas in 1980 it was about half. There has thus been a decline in the relative significance of agriculture in total production. The share of industry has gone up from about 14 percent to about 20 percent and services from 34 to 50 percent. Although especially be-

Figure 1. Composition of the Economy



Source: World Development Indicators online databank, 2011.

<sup>2</sup> World Bank, Uganda at a glance; Uganda, Background to the budget, various years.

<sup>3</sup> World Resource Institute, <http://earthtrends.wri.org>; Rasiah and Tamale, 2004.

tween 1998 and 2003 industry production in Uganda is estimated to have grown at 8.9 percent, mostly in the sectors of apparel, metals, and bricks and cement (Rasiah and Tamale, 2004), the economy is more dominated by an increase in services than in industry. The service sector covers mainly telecommunications, and hotels and tourism.

These figures, although they indicate that industry takes up an increasing share of national income, thus may not mean that the economy has undergone genuine structural transformation. For an economy to undergo structural transformation, the levels of savings and investment in new technology have to be high for a sustained period of time (Selassie, 2008). Technology improvements imply increased productivity and hence increasing incomes to a larger number of people, who can then increase demand and set in motion a process whereby industry and manufacturing take up larger parts of the labor force (Whitfield, 2010). Structural transformation is thus in part driven by increased productivity and technological improvements in agricultural production. Selassie (2008) demonstrates that structural transformation has not taken place in Uganda. He argues that 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 manufacturing exports. Uganda's share of manufacturing in total exports has been much lower than would be predicted given its resource endowments, and is among the lowest in Africa (Wood and Jordan, 2000). Thus, within the industry category, manufactured production has hardly grown at all (Selassie, 2008).

In addition, economic growth is widely regarded as being mostly the result of one-off

gains in establishing peace and macro-economic stability rather than a result of industrialization and increased exports (Piron and Norton, 2004). For example, some of the increases in production over the mid-1990s are explained by area expansion, which cannot continue as further area expansion is limited by the prevailing unequal and insecure access to land (World Bank, 2007; AfDB, 2005). It seems the peace dividend has worn off somewhat with regard to agricultural growth. There are no accurate data on agricultural production, but according to the Uganda Bureau of Statistics, real growth in agricultural output has been declining, from 7.9 percent in 2000/01 to 0.7 percent in 2007/08 (UBOS, 2008), and 0.9 percent in 2010/11 (Background to the Budget). Uganda has not experienced the same declines in fertility and dependency ratio as was the case in Asia. Population growth is estimated to be 3.2 percent, which basically means that every year there are one million mouths more to feed (Joughin and Kjær, 2010). The extent to which poverty has really been reduced has thus been questioned. Afrobarometer surveys examining "lived poverty" show only slight declines in the proportion of people reporting to have gone without food within the last week between 2005 and 2011 (25 percent in both years, according to afrobarometer.org, results). Because of population growth the absolute number of poor people is actually estimated to have increased from 8.46 million in 2005 to 10.15 million in 2015 (Resakks, 2009).

The share of population in urban areas is a proxy of the extent of economic transformation, because it gives a sense of whether production is shifting away from agricultural to industrial types of activity (Selassie, 2008). Ugandan urbanization has happened relatively late and at a slower rate than in other African countries (Mukwaya, 2004). About 13 percent

of the population is estimated to live in cities, and the annual urban growth rate is 4.8 percent (CIA World Fact Book).<sup>4</sup> 73 percent of the population is estimated still to be working in low-productivity agriculture where people face enormous challenges, especially with regard to marketing their produce. 75 percent live more than two hours away from a market; the paved road density is low, and roads are generally not in a good state. The cost of moving 100 kilos of agricultural goods 100 kilometers has been estimated at US \$ 5.43 compared to US \$ 0.573 in the USA (Gollin and Rogersen, 2011). In all, in spite of an impressive growth record, there has been limited structural transformation of the economy.

## THE PRESENT STRUCTURE OF UGANDA'S RULING COALITION

The structure of the ruling coalition is important when we want to understand how or why ruling elites support productive sectors. Our point of departure is that ruling elites intervene in the economy to support productive sectors when they feel this will help them remain in power (Whitfield and Therkildsen, 2011). Since the formal economic sector is small in the least developed countries and the level of revenue generated from the formal sector is low, the distribution of power cannot be determined by the formal sector alone (Khan, 2010: 49). When power is not derived from formal institutions alone, such as constitutions, elections or a formal sector tax base, ruling elites tend to legitimize power by informal means too, such as distributing patronage to ensure loyalty (Whitfield and Therkildsen, 2011: 18). However, ruling elites

also increasingly have to consider how to win elections, as elections have become increasingly formalized institutions in many African countries (Kjær and Therkildsen, 2012). Thus ruling elites have to think about how to win elections, as well as how to hold their coalitions together.

We distinguish between the ruling elite and the ruling coalition. The ruling elite are the top political leaders in the incumbent regime. The “ruling coalition” consists of the factions that support the ruling elite. Other than the ruling elite, the ruling coalition thus consists of the individuals and groups who are behind the rise of the ruling elite and help them maintain power through their support (Whitfield and Therkildsen, 2011: 16). These groups often have considerable holding power. The “holding power” of a faction is based on an assessment of its economic wealth and legitimacy, and on its ability to organize supporters and to mobilize them politically (Whitfield and Therkildsen, 2011). According to Khan (2010), if excluded factions are strong, they have a greater ability to oppose productive sector initiatives, and implementing policies to promote structural transformation will then be difficult. We find that this may also be the case if there are factions within the ruling coalition competing for positions of power. When the ruling coalition is characterized by competing factions with strong holding power (whether factions are within or outside the ruling coalition), implementation of initiatives to promote the productive sector is more easily opposed and political stability more easily threatened by new initiatives. Thus, when the main aim is to stay in power, investing in capitalist enterprise or broader economic development may not be the best strategy because it has uncertain pay-offs that may take time

<sup>4</sup> In contrast, the share of population in urban areas is 26 percent in Tanzania and 38 percent in Zimbabwe.

to materialize (Geddes, 1994; Tripp, 2010) and because it can threaten the stability of the ruling coalition.

The ruling elite in Uganda consist of the most important members of the National Resistance Movement (NRM) government. President Museveni overwhelmingly dominates this in a system that most observers label highly personalized (Tripp, 2010; Barkan, 2010; Mwenda and Tangri, 2005). Museveni is president as well as party chairman and the commander-in-chief of the armed forces. The NRM came to power upon winning a civil war in 1986; after a drawn-out process of drafting a new constitution, it won the first elections in 1996. After that, the Movement and Museveni have won elections in 2001, 2006 and 2011, the latter two under a multi-party system. Museveni's winning margin declined significantly from 54 percent in 1996 to 22 percent in 2006, and then went back up to 42 percent in 2011. The NRM is still strongly represented in parliament with 263 out of 364 elected seats, but there is considerable competition for parliamentary seats, increasingly within the Movement itself. Most of the ruling elite are from the southwestern part of the country, the former Ankole Kingdom, and the top positions are occupied by members of the Bahiima ethnic group within Ankole, especially in the military. The core of the ruling elite thus consists of the president and his closest supporters, who are cabinet ministers, presidential advisers, top bureaucrats and military leaders.

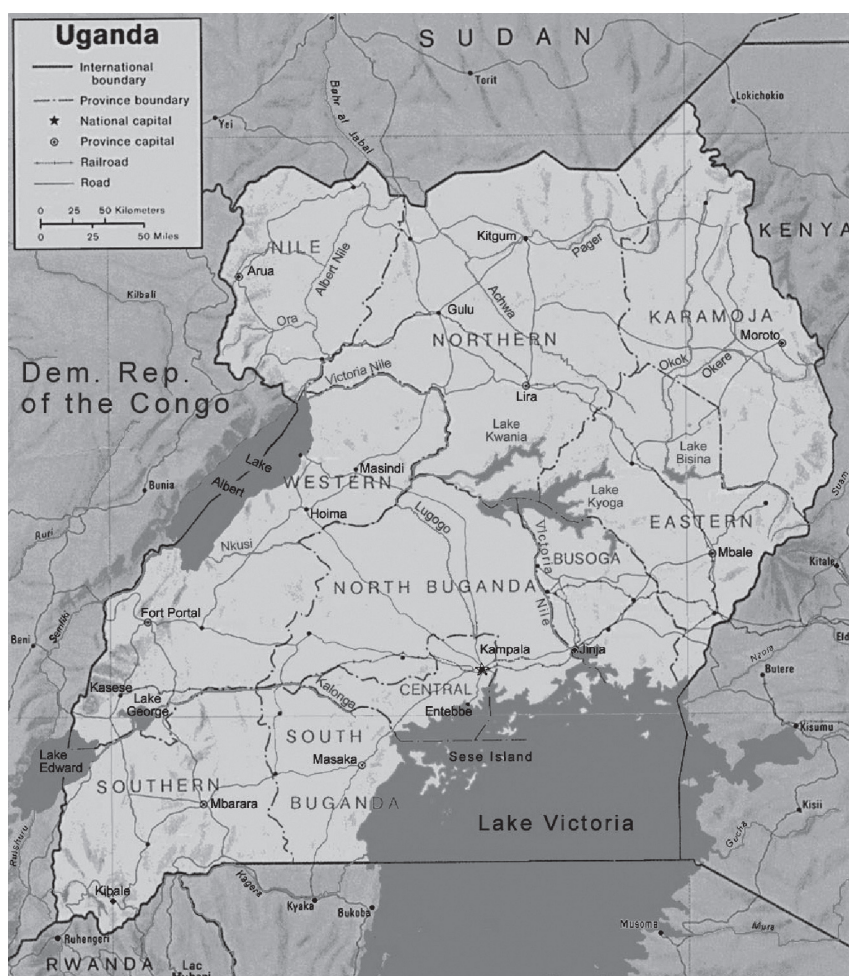
The ruling coalition can best be defined regionally. The main support base of the ruling elite is to be found in southwestern Uganda. The Buganda area, in the south-central part of Uganda, used to be an important base of support in the ruling coalition, but over the last decade many Baganda members have left

the ruling coalition. There have been splits between Banyankole and Baganda members over such issues as land or whether to adopt federalism. Since the Baganda have increasingly fallen out with the Museveni regime, and since they are not expected to provide any real political or military threat to the stability of the ruling coalition, the most important conflicts may be found within the ruling coalition itself.<sup>5</sup>

At the lower levels of the ruling coalition, NRM cadres are important in mobilizing support for the ruling elite. The president appoints key government officials in the districts, Resident District Commissioners who play an active role in political mobilization through the local government structures and who are also chairmen of the local security committees (Ssemogerere, 2011: 82). Local movement chairmen are powerful and have gained holding power with the introduction of movement primaries and decentralization.

Uganda has a weak capitalist class, and the wealthiest have usually obtained their wealth from trade, imports, distribution or the services sector (mainly hotels, mobile telephone services etc). Most of the members of the ruling coalition may not be the richest people in Uganda, even though many of them have used their positions to acquire various businesses, as we shall see below. The well-known list of the super-rich in Uganda does not include people in government or army positions (Tripp, 2010: 143), one of the reasons being that their wealth is not published (*New Vision*, April 7, 2007). Another is that resources derived from state positions are spent on securing support from important factions in order to stay in power (Tripp, 2010: 143),

<sup>5</sup> Tripp, 2010; *The Monitor*, October 4, 2011: "They set the dogs on Bukunya, which NRM Big Man is Next?"



Source: <http://www.face-music.ch/artuganda/gandamap.jpg>

in other words, to hold the ruling coalition together. Therefore, they are not re-invested in productive activities, nor are they always used for personal enrichment. However, many of the richest people are funders of the NRM party.

Uganda's ruling coalition has become increasingly narrowly based, and although some factions such as many Baganda have become excluded, Uganda's ruling coalition is also increasingly fragmented because lower level factions have become stronger, and because NRM party members are increasingly challenging the ruling elite on important issues.

### **HISTORICAL ORIGINS OF THE FRAGMENTATION OF THE RULING COALITION (THE OBOTE-KY CRISIS, THE AMIN CRISIS AND THE CIVIL WAR)**

The splits within the NRM were apparently not intended from the outset of the NRM period. Upon coming to power in 1986, Museveni declared a "fundamental change" and the end of tribal, ethnic and regional sectarianism in Uganda (Kjær, 1999). However, it has been difficult to escape the legacy of sectarianism that has characterized Uganda at least since colonialism where many of the

cleavages that to an extent still characterize Uganda were established (Kasakende et al., 2004; Kabwengyere, 1995; Dornboos, 1976; Mamdani, 1976).

Politically and economically, these cleavages consisted of a north-south divide and, in particular, a divide between the kingdom of Buganda (in the south-central part) and the rest. The British had recruited Baganda into the civil service but, fearing they would become too strong, had recruited mainly northerners into the army and police (Kabwengyere, 1995; Tripp, 2010). The British thus allied with the Buganda Kingdom and the Protestant Christians in administration, the Asians in commerce, and finally the northern populations, especially the Acholi and Langi (around the towns of Gulu, Kitgum and Lira on the map), in the armed forces.

Other kingdoms in Uganda like Bunyoro, Toro, Busoga and Ankole had been quite powerful in the pre-colonial period, but the British used the Baganda as administrators, not only in Buganda but in these other areas as well (Mamdani, 1976; Kabwengyere, 1995). Many Baganda thus became an elite resented in much of the rest of the country, and while the Baganda were strengthened economically, the north became more marginalized economically as well as politically (Okuku, 2002). The Asians came from India (now also Pakistan and Bangladesh); some of them had been brought by the British to do clerical work, but most came in connection with the construction of the Uganda Railway, when over 31,000 labourers were imported for this six-year project. The British allowed the Asians to dominate the commercial sector because they were allegedly regarded as a non-national trading class isolated from the people of Uganda, and hence easy to neutralize politically in the pursuit of colonial interests (Mamdani 1983).

During colonial times there was also a struggle between Protestants and Catholics. The Protestant faction (the Anglican Church) emerged victorious after the Imperial British East Africa Company under Captain Lugard had intervened in its favour. In terms of political power, therefore, the Anglican Church came to identify itself as the church of the establishment. This explains why the Catholic Church retaliated and formed the Democratic Party (DP) in the mid-1950s largely to protest against its marginalization (Okuku, 2002).

Thus, when the first post-independence government was founded, Prime Minister Milton Obote from the UPC had a difficult task. The UPC or Uganda People's Congress was a Protestant-based party which had members from the whole country, but mainly supporters in the north and the southwest, not among the Baganda. Obote's party made an alliance with the Buganda king and his movement, Kabaka Yekka, in 1962, and after having won the subsequent elections, the king became president and Obote prime minister. Obote, himself a Langi (from the north), made efforts to build one Ugandan nation, but these were ill-received in Buganda, which feared loss of its autonomy (Tripp, 2010). Obote had used his patronage to persuade most DP opposition members to switch sides (crossing the floor) and had thereby built a majority, but he was challenged by factions from within his coalition that were plotting to overthrow him. These factions organized a vote of no confidence in parliament over allegations of corruption in the army (Brett, 2006). Obote responded by removing a general (Opolot) and promoting Idi Amin in his place and finally, in 1966, by abolishing kingdoms and local governments, effectively breaking the alliance with Kabaka Yekka and using the army (still mainly consisting of northerners) led by

Idi Amin, himself from West Nile, to oust the Kabaka, who fled into exile.

After the Obote-Kabaka crisis, Obote established a one-party dictatorship with himself as president and, as the powerful Baganda had effectively been excluded from power, he had to rely heavily on the military to the extent that no major political action could be contemplated without first ensuring its support (Gingyera-Pinchwa, 1994; Brett, 2006). The army was so important that Obote raised army pay scales considerably (Lofchie, 1972). In general, holding the ruling coalition together by buying support from different elite groups through patronage became widespread in this period (Whaites, 2008).

Obote's general, Idi Amin, staged a coup in 1971 with the support of external actors, such as the British, who were concerned about Obote's African socialist economic strategies, and the Baganda, who were naturally eager to get rid of Obote. However, support for Amin did not last long, as his rule proved dictatorial and arbitrary, as is well known. The militarization of the state begun by Obote was completed by Amin (Gyngyera-Pinchya, 1994). Immediately following his coming to power, the predominantly civilian cabinet ministers were drafted into the army as cadets and subjected to discipline under the Armed Forces Act and Regulation of 1971 (Kasekende, et al., 2004). All elective bodies were dissolved and policymaking by decree introduced. Political activities were banned and the military were granted powers of search and arrest. Soldiers were appointed to the local government posts of county and sub-county chiefs. During the three months following Amin's coup, the army more than doubled as about 10,000 men were recruited. The core of the new recruits was constituted by some 4,000 Sudanese fighters, along with former Zairean freedom fighters. The bulk of the remainder

came from Amin's own West Nile District, 40 percent of whom were Muslims (Ravenhill, 1974). Mamdani calls them a mercenary army (Mamdani, 1976). In a populist move, Amin expelled all Ugandan Asians in 1973 and nationalized their businesses which were distributed to his supporters as patronage, leading to the formation of a new social class commonly known as the *Mafuta Mingi* (people of much oil; Mamdani, 1983). By expelling the Asians, Amin effectively removed the most productive elements of Uganda's capitalist and merchant classes (Himbara and Sultan, 1995).

Many Ugandans had gone into exile, and when Amin invaded Tanzania in 1979, the latter's President Nyerere and his army, along with Ugandan dissident forces in the shape of the Uganda National Liberation Front (UNLF), ousted Amin, who fled the country. This led to an eight-year period of crisis and uncertain rule that plagued the country with many unstable coalitions during the Uganda National Liberation Front (UNLF) governments (1979–1980), the second Obote administration (1980–1985), the Okello junta years (1985–1986) and the early part of the National Resistance Movement (NRM) government.

After Amin's defeat, a couple of short-term governments led by the UNLF followed under first President Binaisa, and then President Lule (Brett, 2006). These governments were not able to build a stable ruling coalition based on the competing and rival groups that were in exile during the Amin period. Perhaps the biggest problem was to create a unified, professional and politically neutral army willing to submit to civilian authority (Golooba-Mutebi, 2008).

This environment of political uncertainty, characterized by a quick succession of regimes, resulted in the widely disputed multi-

party elections of 1980 that reinstated Obote as president (Karugire, 1996). The ruling coalition now involved and was supported by the northern, eastern and southwestern parts of Uganda. The composition of the army was still mainly dominated by soldiers from northern Uganda, from where Obote himself hailed, and the Buganda kingdom remained an excluded faction. Yoweri Museveni, who lost miserably in the 1980 presidential elections, claimed that the elections had been rigged and took advantage of Buganda's hatred of Obote to launch a guerrilla war in 1981. Museveni's alliance with the former president from Buganda, Yusuf Lule, meant that the war could initially be fought from Buganda's Luwero triangle.

Divisions within the already narrow ruling coalition began to develop because the Acholi complained that members of Obote's Langi group were being favoured in terms of privileges and promotions, while the Acholi were being sent to fight Museveni's guerrillas and losing their lives. Having lost the favour of the military constituency, Obote was overthrown for the second time by soldiers who now put their entire military constituency in the hands of one of their fellow Acholi tribesmen, one General Tito Okello Lutwa, who was head of the Republic of Uganda until Yoweri Museveni and his National Resistance Army forced him too to flee from power in January 1986.

Economically, the country had collapsed by 1986. Only a very few had managed to maintain their businesses under the Amin regime, which had brought most production, such as cotton or coffee, to almost a complete halt and had given rise to a very large informal subsistence sector. Since the Asians, who had been the main entrepreneurs in Uganda, had been expelled, there were no strong economic groupings in Uganda that were independent

of the state. Obote had attempted to address the country's considerable economic woes by approaching the IMF and the World Bank for financial aid. They were willing to help the Ugandan government reverse the economic decline, and investment in the country rose considerably, inflation was curbed and by 1983 the economy had stabilized. However, with the increasingly difficult political situation and with the NRA growing stronger, this period of reconstruction was short-lived.

To sum up, the British had left Uganda divided. In post-independent Uganda, three crises: the KY-UPC crisis, the Amin crisis, and the civil war, left a legacy in which the main dividing lines in Uganda were regional and ethnic and in which there was only negligible economic power independent of the state. The most powerful factions were the military, the top bureaucracy and the top politicians. The three were virtually merged under Amin, and this left a legacy of a military state that still persists.

## THE RULING COALITION IN MUSEVENI'S UGANDA

After coming to power, Museveni set out to establish a broad-based government in which former enemies were invited to join. The ruling coalition was primarily based on an agreement between the southern elites: Lule and his Baganda, and Museveni and his Banyankore. One of the first things Museveni did was to restore the kingdoms in return for having received support from the Baganda during the civil war. Another desire of the Baganda, for the establishment of a federal system, was never granted. Museveni also invited back the Asians who had been expelled under Idi Amin. The first period upon coming to power was thus one of reconstruction

and consensus-building, but with the northern question and the rebel activity going on in the north being a continuous factor disrupting this picture of peace and consensus. Relative peace in the Acholi area did not emerge before 2006.

Lindemann (2010) argues that, although the western representation in government has remained constant, power has been shared in recent years with marginalized (read northern) areas because of the setting up of new districts that have provided local elites with resources and power. The broadening of power thus explains the cessation of civil war in the north, according to Lindemann, and the value of holding national power has declined because of the decentralization of power. This argument, however, can be questioned because, with the increasing number of local government units, these have in fact been disempowered (Kjær and Katusimeh, 2009). There has been a recentralization of power in the sense that appointments to a number of local posts have been moved back to the central government. In addition, the block grants to local governments are now distributed among a larger number of increasingly smaller district units, making them less able to decide and implement important policies. In other words, each unit has fewer resources because there are more units sharing the same cake. The local units have been provided with patronage and public posts, but not real power in a strategy that has served a dual purpose: using districts as patronage has helped keep the ruling coalition together and win new support for it, while setting up new districts has been a response to popular demands in order to win votes, especially in the 2006 and 2011 elections.

In spite of this strategy power is still very much to be found at the national level, and

we would argue, along with Tripp (2010), that rather than broadening its base, the ruling coalition has become more narrowly based, especially after the return of the multi-party system in 2006. In multi-party elections, Museveni has been concentrating on securing a majority rather than creating a broad-based government through consensus and making broad appointments. As a result individuals who have been critical towards the government have left the ruling coalition, which has become increasingly based on the support of long-term allies, family or friends. In addition to becoming more narrowly based, the ruling coalition also increasingly relies on the military to remain in power, and the distinctions between the army, the state and the NRM have become blurred. This section will explore further the factions that belong to (and are outside) of the ruling coalition: the top positions in the cabinet and bureaucracy, the NRM party and the UPDF (Uganda People's Defence Forces). It will then study the sources of revenue for both the government and the ruling NRM party, before finally discussing the entrepreneurial class in Uganda.

### **The bureaucracy**

The bureaucracy in Uganda is politicized as well as militarized. Also, public service reform programs have been used to strengthen the ruling coalition. This section explains how. Under British colonial rule, the Baganda had traditionally been recruited to the civil service. This had changed somewhat under Obote's first government, under which Africanization of the bureaucracy had taken place, and it had also expanded a lot under Obote's drive to pursue an African socialist development strategy that included the nationalization of the main enterprises

(Bibangambah, 2004). Amin had purged all real or perceived threats from the bureaucracy and had militarized it as well. After the NRM came to power (and after an initial period in which Museveni stuck to his radical nationalist economic program), Museveni's government negotiated a structural adjustment loan with the IFIs. Their support led to a strengthening of the key economic ministries, especially the merged Ministry of Finance, Planning and Economic Development, which, under its principal secretary, Tumusiime-Mutebile, constituted a model of how to manage macro-economic stabilization and expenditure (Kasakende et al., 2004; Mutebile, 2010).

At the same time, the NRM was also in a way "movementizing" civil service. During the 1990s, the public sector was cut down from 320,000 state employees to 160,000 under the structural adjustment program. Many of the people who were laid off were said to be non-supporters of the movement (Kjær, 2001; 2004). The remaining public servants were given pay rises as a part of the public-sector reform program, and since the mid-1990s the size of the public service has grown again. In parallel, a process of politicizing and militarizing the bureaucracy was going on. First, many public servants went through the NRM's political and military training, called *Chacka Mchacka*. Secondly, military and party loyalists were placed in important positions in the civil service (Kayi- era, 2010; Tripp, 2010; Mwenda and Tangri, 2005). For example, formerly a career police posting, the Inspector General of Police is now occupied by military generals (Karyeija, 2010). The Late Major Mayombo was placed by Museveni in the position of Permanent Secretary in the Ministry of Defence, and Museveni was quoted in the newspapers as saying, "I saw to it that Movement cadres

would take over the PS position".<sup>6</sup> A recent research project conducting a survey of civil servants in Uganda found that 76 percent thought that civil servants owed their appointments and promotions to considerations other than those of merit (Karyeija, 2010: 169), and all of them felt that a fusion between politics and the public service had taken place.

Although the civil service was cut down, it has gradually grown again, and there has been a gradual re-expansion of public administration expenditure to the extent that the World Bank has expressed its concern. The number of ministries was cut from 39 to 21 in 1992 in connection with the structural adjustment program, but the number of ministers has now risen to about 72. In the 2000s public administration expenditure has consistently represented more than 20 and up to 28 percent of the public budget (Tumushabe, 2009). One of the reasons for the re-expansion is the rise in the number of positions in the civil service that can be used to appoint people whose loyalty is important, e.g. for semi-autonomous agencies that have been set up in large numbers as part of the public-sector reform program (Mwenda and Tangri, 2005).

The same pattern of simultaneous expansion and movementization can be found at the local level. The Movement government embarked on an extensive process of decentralization that built upon the resistance council system which the army had established in the rural areas that it conquered during the civil war. Under decentralization, resources and functions were transferred to the districts, and local elections were held to sub-county and district councils (Villadsen, et al., 1996;

<sup>6</sup> *New Vision*, May 6, 2007: "Mayombo was not corrupt at all -- Museveni".

Kjær, 2001; Therkildsen, 2001). One third of the government budget is distributed in the form of block grants to the local governments, which have the responsibility for local development and service delivery. Maybe as early as the 1996 elections, the local councils have been used to mobilize support for the NRM (Kjær, 2001), as have the positions of the resident district commissioners, who are centrally appointed (Ssemogerere, 2011) and are also the chairpersons of the local security committees. The sub-county chiefs from the Gulu area had reportedly been sent for Chacka-Mchacka military training under the pretence that they were being educated in agricultural reform. They came back to Gulu wearing uniforms, obviously leaving the local people in fear that their local officials had become military representatives (interviews, Gulu, January, 2009).

Movement chairmen or Movement members in the many and increasing number of districts are also often local council chairmen and are used to mobilize support for the regime. 87 out of 112 elected chairpersons for the local councils belong to the Movement. Another 14 are so-called independents, i.e. NRM candidates who lost the Movement primaries but who ran as independents in the subsequent elections (Uganda Electoral Commission).<sup>7</sup> The NRM is said to have nine million members, which is a large part of the Ugandan electorate. Movement primaries were introduced a few years ago, which means that candidates for parliaments have to be elected. The most recent Movement primaries were held in 2010, preceding the national elections. Allegedly, more Ugandans voted in the highly contested Movement primaries (6.1 million)

<sup>7</sup> Election results for District Councils accessed December 13, 2011 at [http://www.ec.or.ug/Elec\\_results/2011\\_District\\_Chairperson\\_winners.pdf](http://www.ec.or.ug/Elec_results/2011_District_Chairperson_winners.pdf)

than in the subsequent elections (5.25 million) (Izama and Wilkerson, 2011). This, combined with dependence on local Movement chairmen to mobilize support, has strengthened the lower level factions of the ruling NRM coalition, within which they have now have increased their holding power.

The appointment to the position of CAO (Chief Administrative Officer) has been re-centralized. The increasing number of districts given over to political patronage to win elections in all parts of the country is evidence of the politicization of the public service (Green, 2009). In 1991, there were 31 districts. Since the 2011 elections, the number has risen to over 100. In all, the militarization and politicization of the bureaucracy has taken place throughout the Movement regime, indicating that in order to stay in power and hold together the ruling coalition, political elites think it necessary to build support through such appointments. In all, local Movement cadres are strong and have increased their holding power. However district administrations have not become stronger through recentralization and lack of resources, which means that government revenue is still controlled by the government. Thus, there has been dual process of on the one hand creating new districts as patronage, and on the other strengthening the holding power of local Movement cadres.

### **The military**

The National Resistance Army (now the UPDF or Uganda People's Defence Force) was known to be a disciplined army compared to Uganda's previous armies (Brett, 2006; Museveni, 1997). However, after almost thirty years of NRM rule, the army has become more divided because of the increasing number of different security organizations,

making it harder to have one chain of command, and it has been wrought with corruption scandals. Also, the legacy of a fusion between the army and politics persists and may even have become more pronounced.

Important members of the military are not only also Movement members, they also come from the southwest, as does the president. The Movement's "historicals" are the individuals who fought in the bush along with Museveni (Museveni, 1997). Many of them still have important posts, but others have broken away from the movement. Many of the top military positions are occupied by members of Museveni's closest family, including Museveni's son (Col. Muhoozi Kainerugaba, who heads the Special Elite Forces, including the Presidential Guard Brigade), his brother (Gen. Salim Saleh, who has held many positions but is currently presidential adviser) and his cousin (Sabiiti Mugenyi, commander of the Presidential Guard Brigade), to mention a few.<sup>8</sup> All the full-star generals belong to Museveni's Bahiima group. The number of various armed units, special brigades and other extra-legal security organizations has increased under Museveni's regime, and Uganda's *The Independent* has identified over thirty different security units.<sup>9</sup> These security organs serve the function of building loyalty to Museveni and also make it more difficult to plot against him. The army has been known to be very top-heavy and to have few foot soldiers, an indicator that it is used in building individual loyalty.

The support of the army is thus necessary in order for Museveni to stay in power, and the army often plays political roles (Barkan, 2011). Museveni is still believed to control

the army, which in turn benefits from his patronage and is allowed to take advantage of Uganda's various military ventures. Military expenditure in Uganda has grown from 77 mill US \$ (constant 2009) in 1988 to an estimated 315 mill in 2009, or more than 2 percent of GDP (SIPRI military expenditure database).<sup>10</sup> Real military expenditure may be higher as most of the defence budget is classified, which means it is out of the jurisdiction of the Auditor-General and the Parliament's Public Accounts Committee (Transparency International, 2008). Many high-ranking officers benefitted from Uganda's involvement in the Congo in what Barkan (2011: 9) has called the plundering of resources, as well as from the war in the north, which many believe dragged on for so long because of corruption in the army and because individual officers benefitted from it in various ways, such as the acquisition of land (Barkan, 2011; Tripp, 2010). These people know they would be prosecuted should the NRM lose power, giving them a strong incentive to keep Museveni in the presidency (Clark, 2002; Tripp, 2010).

In addition, in the early 2000s, it became known that the army had a large number – as many as 24,000 – “ghost soldiers” on its payroll, basically covering for officers drawing larger salaries than they were supposed to.<sup>11</sup> One story came out in the newspapers about one very Movement-loyal soldier who had tried to report cases of ghost soldiers, but who had instead been imprisoned and tortured, a case that shows the ruling elite's interest in maintaining the status quo, simply because the ghosts were a way of ensuring

<sup>8</sup> Museveni Gov's Family Tree, *Independent*, March 25, 2009.

<sup>9</sup> *Independent*, February 11, 2009: “Museveni's many security organs: a ticking time bomb”.

<sup>10</sup> In comparison, Tanzania's figures were 217 million and 1 percent of GDP in 2009, Mozambique's 0.9 percent of GDP and Ghana's 0.7 percent in the same year.

<sup>11</sup> *Independent*, October 9, 2009: “UPDF commanders confess to the existence of ghost soldiers”.

important officers' continued political support (Tripp, 2010).

Finally, the army is widely and commonly employed in domestic politics, and there are a number of famous cases, such as when a special extra-legal unit, "the Black Mamba's" was used to re-imprison Museveni's opponent Dr Besigye prior to the 2006 elections, or more recently, when special forces were used to crack down on the opposition's "walk-to-work" protest against rising food and petrol prices.

In sum, the military does not consist of one army, but of the UPDF and an increasing number of security organizations. Politics and security are fused, and military expenditure is used to buy loyalty.

### **The party**

The National Resistance Movement was formed on the basis of the army fighting the civil war. The NRA constituted the broad-based no-party system, the so-called "Movement" system, which was officially in place until the multi-party system was adopted by referendum and the first multiparty elections were held in 2006. The Movement system was based on the assumption that, as a non-developed country, Uganda was not ready for multi-party politics because people would organize in accordance with ethnic or religious cleavages rather than class cleavages (Museveni, 1997). The experience with parties in Uganda between independence and the civil war had not been positive, so most Ugandans were willing to give the Movement system a try. During the first ten to fifteen years, the Movement did incorporate many different groupings and individuals. However, it became increasingly narrowly based, particularly after the introduction of multi-party elections, which many argue was

the result of a quiet agreement with donors: Museveni was allowed to lift the limits on the number of presidential term without donors protesting provided he allowed other political parties to compete at elections. However, an even more important reason for turning around and suddenly allowing political parties should probably be found in the splits within the Movement itself: the ruling elite was increasingly challenged from within, and these internal opponents were dealt with better by ousting them than by accommodating them (Makara, Rakner and Svåsand, 2010). Most of them were replaced by people from Museveni's own region.

There is thus an overrepresentation of the west among NRM cabinet ministers. Whereas westerners make up about a quarter of the Ugandan population, they take up 44 percent of cabinet positions (Lindemann, 2010). The inner circle around Museveni is even more dominated by a narrower group of Bahiima (Mwenda, 2009). Under the multiparty system, the Movement was able to concentrate on being a party only by including people who were loyal to Museveni, and this completed a development that had started, some would say, even a long time prior to 2006. Over the years, many of the "historicals" or other long-time movementists have either been ousted from the Movement or have taken the initiative themselves and left. Dr Besigye, who fought alongside Museveni in the bush and is now his opponent, is one example; Dr Ruzindana, who went to primary school with Museveni and is the former IGG, is another; and so are Bidandi Sali, former minister for local government, and Miria Matembe, former minister of ethics. While still an officer in the Ugandan army, Besigye published a controversial letter in 1999 criticizing the Movement for losing its broad base. He argued that, at the time of the Constituent Assembly elec-

tions in 1994, the Movement was officially called a political system that could be funded by the government, but for all practical purposes it acted like a political party.<sup>12</sup> It was around this time that Movement historicals, some of them annoyed with the posts they had been given, began to distinguish between the NRM and the “broad-based” members of the Movement, hence indicating that some were more deserving of membership than others.

Many of these individuals founded their own parties, most notably the Reform Agenda, which later became the FDC, the Forum for Democratic Change led by Museveni’s opponent during three consecutive elections, Kiiza Besigye, and the People’s Progressive Party of Bidandi Ssali. The opposition has so far not been able to threaten Museveni’s position seriously, especially because it has not been united and because opposition parties have not been able to build strong grassroots followings, and their lower cadres have not been able to mobilize support for them. The last elections (February 2011) thus saw several political parties not being able to agree to campaign under a joint agenda and thus not becoming strong enough to seriously threaten the NRM.

The shift to the multi-party system did not do away with internal conflicts within the NRM. Increasingly, a new generation of NRM members who do not feel the same historical allegiance and loyalty to Museveni that the older members do is raising its voice in parliament, by, for example, challenging Museveni’s appointments to cabinet posts and other important positions.<sup>13</sup> The 2010 NRM primaries were marked by violence and

fraud in many parts of the country, resulting in a large number of politicians who were aggrieved and decided to run as independents. These still lean toward the NRM and have not sought to join the opposition afterwards; they may, however, become another power base that will be difficult for the NRM leadership to control.<sup>14</sup> There are now 38 of these independents, equivalent in size to the main opposition party, the FDC (Izama and Wilkerson, 2011: 73).

The discovery of oil has led to increasing conflicts within the Movement caucus in parliament. Many Movement MPs feel they are being pressurized into supporting a non-transparent process in which three ministers close to Museveni (Sam Kutesa, Amama Mbabazi and Hilary Onok) have been accused of accepting bribes. The Movement’s MPs have resisted pressure from the ruling elite to let the debate go, and Janet Museveni was forced to withdraw a statement that the oil debate was “useless”.<sup>15</sup>

The ruling coalition has lost many of its Baganda members, most recently the former vice-president Gilbert Bukenya, who has been jailed for corruption in connection with the CHOGM (Commonwealth) meeting in 2007, although other members of the ruling elite who were involved have not been prosecuted. Although not all Baganda are loyal to the Kabaka, the Buganda king, the conflicts between the kingdom and the central government have led to the increasing fragmentation of the ruling coalition. After 2001, the failure to grant federalism to Buganda and the passing of a land bill that would give tenants the right to own land and

<sup>12</sup> *Observer*, November 3, 2010: “Museveni-Besigye Part 2”.

<sup>13</sup> *Independent*, Friday, July 29, 2011: “Power slipping away from Museveni in NRM”.

<sup>14</sup> *Independent*, September 22, 2010: “NRM fears trouble in 2011 after primaries”.

<sup>15</sup> *Observer*, October 13, 2011: “NRM losing control over own parliament? Ministers join MPs in calling for resignation”.

therefore might be seen as taking away land from the Baganda, many of whom have tenants on their land, seem to have distanced Buganda from the government of Uganda. These developments culminated in a clash between the president and the Buganda government quite reminiscent of what happened under Obote 1. For example, the Kabaka of Buganda was prevented by the army from visiting Kayunga, one of Buganda's out-lying districts; Buganda's CBS radio has been closed down by the government; and not least the Kasubi tombs, one of the heritage sites recognized by the UN and a source of money for the Buganda Kingdom, were burned down, allegedly by government agents. In a move which some observers likened to the formation of Kabaka Yekka close to independence to fight for Buganda's demands, former Buganda premiers Joseph Mulwanyamuli and Dan Muliika and some vocal Buganda kingdom ministers resigned their seats at Mengo, the seat of the Kabaka of Buganda, and formed a political mobilization group called Suubi 2011 to campaign what they called a highly desirable change in the 2011 general elections. A political struggle was therefore set up between elites serving and loyal to the Buganda Kingdom cause and the central government.

The ruling elite rely on movement cadres locally and their ability to organize support. With the introduction of Movement primaries there is now a great deal of competition at the local level, and Museveni's favoured candidates do not always win.<sup>16</sup> This means that the local Movement chairmen can take positions of power, and they are not automatically in line with the NRM leadership. In order to remain in control of local

movement cadres and to keep their loyalty, Museveni uses various strategies based on a mixture of coercion and patronage. Recently, the president has used a reform of extension services to give local Movement chairmen more influence and a better chance of individually benefitting from the reform program by placing them on local committees where they have a say in who should be selected as model farmers to receive government benefits. This also goes for the local council chairmen, who, more often than not, are equal to the local NRM chairman (Joughin and Kjær, 2010). The strengthening of local movement chairmen should be seen in combination with the increase in the number of new districts, which are granted as patronage to local constituencies, to 114. This means an increase in the number of local council and Movement chairmen with the potential power to mobilize and/or oppose the ruling elite.

The increasing fragmentation of the ruling coalition has increased the cost of holding it together. Joel Barkan (2011) argues that it has become more expensive to buy loyalty and compares the size of the sum for "mobilization" given to Movement MPs in 2006 (approx. 2,000 dollars) with that given for "monitoring NAADS" – the extension reform just mentioned – in 2011 (approx. 9,000 dollars). These bribes add to the cost of staying in power, as do the roughly 109 people appointed as presidential advisors (up from 4 in 1986 according to Tumushabe, 2009) and other positions, such as the increase in the number of resident district commissioners alongside the increase in the number of districts and the appointments of deputy and assistant RDCs. In addition, State House has increased its expenditure sixfold since 1994 (Tomushabe, 2009: 50).

Increasing expenditure for patronage puts a strain on the government budget, some-

<sup>16</sup> *The Monitor*, September 6, 2010: "More Ministers lose in NRM primaries".

thing which Barkan (2011) calls inflationary patronage. This has led to situations in which the president has used his control of parliament to make it pass extra-budgetary allocations. Most recently, the passing of a supplementary budget of US \$ 257 million approved by parliament on 4 January 2011 barely one month before the presidential elections led to a lot of criticism from opposition politicians and donors (Helle, 2010). Among the expenditure in the budget was a US \$ 33.6 million allocation to State House, which the opposition claimed was going on campaigns. A day after the passing of the supplementary budget, some Movement members were given around UGX 20 million each for their campaigns and a further UGX 20 million to NRM members of parliament allegedly for monitoring NAADS, a government program to help in poverty eradication (the approx. 9,000 dollars mentioned above). “They passed a supplementary budget which was not consistent with the program that we had just agreed, right before the election,” Thomas Richardson, IMF representative in Uganda, said of the last-minute \$250m allocation, much of it for the presidency, before February’s election returned Museveni to power with 68 percent of the vote. European Union observers noted widespread distribution of money and gifts by the ruling party during the polls.<sup>17</sup>

Combined, the increasing number of districts, presidential advisors and other positions, the increased expenditure on elections, and the handing out of money and gifts are indicators that the costs of keeping the ruling coalition together have increased.

<sup>17</sup> *Financial Times*, June 13, 2011: “Uganda Bank governor criticizes Marxism”.

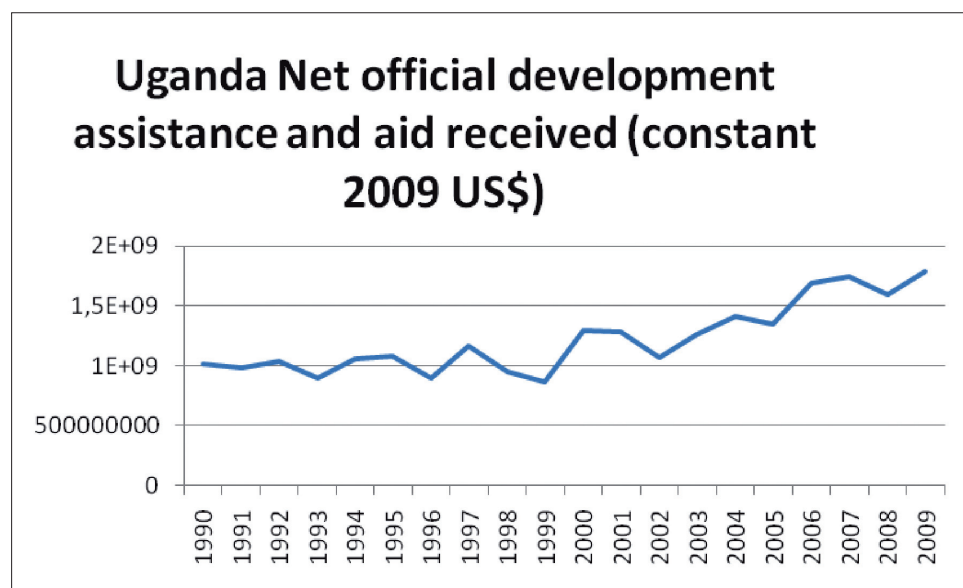
## FUNDING THE RULING COALITION

This begs the question as to how long the Movement government can sustain itself by buying support. As has been indicated above, there is a significant overlap between officially funding the government through different revenue sources and funding the NRM as a party. However, in this section we distinguish between official revenues and other sources of funding for the governing party.

Along with the other structural adjustment reforms adopted in the late 1980s, Uganda embarked upon a strengthening of revenue collection through a reform that set up a semi-autonomous Revenue Authority in which all tax collection functions were pooled. Initially the URA succeeded in increasing the tax take, mostly because it introduced a value added tax and because it was reconstructing the taxation system after a long period of collapse (Kjær, 2001). However, since these one-off gains have been achieved, the official tax take (minus grants) has not increased much. In 1989, tax collections were only 5 percent of GDP. By 1997, they had increased to 11 percent (Kjær, 2001). Since then, however, while there have been fluctuations, the tax take has not increased above the 12.6 percent of GDP it was in 2001 (World Bank, World Development indicators online). An important source of local government revenue, the Personal Graduated Tax was abolished in 2005 prior to the 2006 elections (Kjær, 2009).

There is a consensus among most observers that development aid has helped Museveni fund his patronage (Mwenda and Tangri, 2005; Tripp, 2010; Barkan, 2011). Aid has increased steadily over the years of Museveni’s rule, as can be seen in Figure 2 below. Net official development assistance to Uganda went up from about 500 million dollars in 1990 to about 1.8

Figure 2. ODA to Uganda



Source: Generated from World Bank, World Development Indicators Online

billion dollars in 2009. International donors provided about 600 million dollars annually in general budget support throughout the first decade of the 2000s (Barkan, 2011: 9).

However, donors have become increasingly concerned about increased political corruption in the NRM ruling coalition. General budget support to Uganda has been cut substantially by such important international development partners as the World Bank, the UK, the Netherlands and Ireland, so that from a high of 55 percent of the budget, aid now constitutes 26 per cent of 2011/2012 budget (Barkan, 2011: 12). The increasing costs of holding the ruling coalition together, along with decreasing aid and stagnating or only slightly increasing revenues, mean that the ruling elite has to find other sources of income in the future. In 2006, oil was found in western Uganda. Revenues from oil are expected to start flowing from 2016 (although the real date may be 2018 or later), and there are fears that this will provide the funding the

Museveni family needs to stay in power. The oil discoveries in Uganda are expected to be able to bring in as much as 350,000 barrels a day or about 2 billion dollars a year, more than Uganda has been receiving in development assistance (CSCO, 2010). So far, the oil companies (the most important is Tullow Oil) and the Uganda government have signed so-called Production Sharing Agreements, the contents of which are not, however, publicly available (Kiiza et al., 2009), which again strengthens Ugandans' concerns that the management of oil revenues will not be transparent (Barkan, 2011, Kiiza, et al., 2009).<sup>18</sup> The proposed new oil bill is said to lack procedures to monitor the oil funds in that the executive (the appropriate minister) will have the power to appoint the most important positions in the Petroleum Authority, the National Oil Company and the Ministry of Energy and Mineral

<sup>18</sup> See also *Reuters*, August 13, 2010: "Corruption threatens Uganda Oil".

Development, as well as having discretionary power to issue licences, regulate the oil industry and give directions to the Petroleum Authority.<sup>19</sup> Finally, Libya's Colonel Gadaffi has previously been known to fund the National Resistance Movement and long had a cordial relationship with President Museveni.<sup>20</sup> With the Libyan revolt, this support came to a halt before Uganda's 2011 elections.

In the absence of oil revenues and with declines in aid both from development partners and from Libya, the Museveni regime must rely on other sources of revenue. The NRM party is not known currently to own any income-generating business or industry, as has been the case for similar parties in countries such as Ethiopia or Rwanda.<sup>21</sup> Instead, the ruling coalition has relied heavily on the public purse and to some extent on support from individual businessmen. All political parties are entitled to government funding prior to elections, as stated in the recently passed, but not yet operational, Political Parties and Organizations Amendment Act. However, the Act does not, according to Ugandan observers, address the built-in structural imbalance in favour of the governing party (Ssemogerere, 2011; Demgroup, 2011), and it regulates only foreign sources of funding, not domestic Ugandan sources. Hence, the ability of the incumbent party to make use of state resources is not regulated in the Act (Ssemogerere, 2011: 67).

As was indicated above, Museveni has been able to pass supplementary budgets that are

directed at least in part to bodies that he is in control of, namely State House and the president's office. The president's office does function as a sort of parallel bureaucracy that is more easily directly controlled by the president and can be used to support the NRM. As mentioned, public-sector reform programs such as decentralization and the agricultural extension reform have been used as ways to distribute patronage to lower level cadres of the ruling coalition who are able to mobilize votes (Kiiza, 2011; Joughin and Kjær, 2010). In order to win elections, the ruling elite have thus applied a dual strategy where, on the one hand, they seek support from lower cadres who are in touch with and can mobilize voters, and on the other hand by relying on policies that appeal to many voters on the short term, such as universal education programs or the Prosperity for All pledge launched in relation to the 2006 elections (Kjær and Therkildsen, 2012,).

Another source of funding for the ruling coalition is family members of the president. Some family members hold important government positions but are also owners of big businesses, some of which are previously state-owned but now privatized companies, such as Entebbe Handling Services (owned by Salim Saleh and Muhoozi Kainerugaba, Museveni's brother and son). Museveni's wife Janet and in-law Sam Kuteesa are also known to own businesses (Barkan, 2011). Museveni himself is known to own a former government ranch, the Kisozi Ranch. The privatization of the Uganda Commercial Bank (now Stanbic) was said to be influenced by the first family, as have those of other big privatized companies.

At least half of the most important NRM party leaders also hold posts as cabinet ministers or other important government jobs which they can use to channel funds into the

<sup>19</sup> *The Independent*, May 31, 2010, "New Oil Bill Promotes Corruption"; *ThinkAfricaPress*, July 12, 2011, "What Uganda's Petroleum Bill must address"; CSCO, 2010.

<sup>20</sup> *The New Vision*, June 5, 2005, "Gadafi Funds Movement"; *Independent*, 21 Dec 2010, "Inside Museveni's Campaign Money".

<sup>21</sup> *The Independent*, September 8, 2010, "Who Funds the NRM?".

NRM. Several government and party members have quietly been allowed to make use of public office in return for their loyalty. A few examples are the public scandals surrounding the big Commonwealth meeting in Kampala in 2007, a scandal over the global funds money for combating tuberculosis, HIV /Aids and Malaria, or the buying of junk helicopters from Russia, which Salim Saleh, among others, was involved in. Finally, many Movement cadres are employed in central or local government, in which position they receive allowances and other benefits that make up a third of the budget allocated to administration and public service expenditure.

The ruling coalition also maintains good relations with individual business people from whom they receive campaign contributions in return for support in the form of, for example, access to land or tax exemptions. One of the most important of these is Hassan Basajjalaba, who owns several enterprises, the most important of which is Hides and Skins Ltd. He is chair of the NRM's Entrepreneurs' League and funds the party, in return for which he has received several government favours in the form, for example, of a loan of 11.5 million dollars in 2004 (apparently reluctantly carried out by the Bank of Uganda under pressure from the president; see Kiiza, 2011) and tax waivers on building materials to construct a teaching hospital.<sup>22</sup>

Similarly, Sudhir Rupelia was allegedly given government money to build hotels prior to the big Commonwealth meeting in Uganda in 2007 in return for having supported the NRM. Patrick Bitature, owner of Simba telecom and various other businesses in insurance and airtime dealerships and a Chairman of the Board of the Uganda Investment Au-

thority, is known to be a big NRM funder and mobilizer.<sup>23</sup> And the president has repeatedly attempted to give away a piece of land covered by tropical rainforest, the Mabira Forest, to a sugar factory called Scoul belonging to the Indian Mehta conglomerate, apparently in return for financial support for the NRM. The attempt was met by violent protests from Ugandan citizens and has so far not succeeded (*Independent*, Dec 21, 2010).

In all, funding for the ruling coalition comes primarily from public coffers, increasingly so according to observers, due to the fact that the cost of buying loyalty has risen, and indeed, returning favours to supportive businessmen can become difficult, as the case of the attempted Mabira forest giveaway illustrates.

## THE BUSINESS SECTOR

As indicated in the introduction, the business sector in Uganda is weak, particularly with regard to manufacturing. There has been a tradition of government hostility to private entrepreneurs, something which became especially clear under the Amin regime. Under the Movement government, however, the business environment has improved significantly. Privatization, liberalization and initiatives to improve regulation have improved the general business environment and led to increased foreign direct investments (Wood and Jordan, 2000). The restoration of Asian property under Museveni has encouraged some of the previously expelled Asians to return to Uganda to rebuild their enterprises.

<sup>23</sup> *New Vision*, January 5, 2011, "Museveni defends NRM rule", photo text; *Red Pepper*, October 12, 2011, "Polls Security Report Reveals 100 City Tycoons who funded Museveni and the opposition".

<sup>22</sup> *Monitor*, June 15, 2006, "Museveni gives Bassajja another 13 billion in taxes".

Uganda is still ranked comparatively poorly on business environment rankings.<sup>24</sup> Although foreign direct investment has been on the increase, the Ugandan private sector is overwhelmingly characterized by micro-enterprises with very few or no employees other than the owner. The Uganda Business Register records such 800,000 micro-enterprises, about 15,000 small enterprises, 1500 medium enterprises and 700 large enterprises (Kalema, 2008: 11). Most of the large enterprises are branches of multinational companies or are owned by Asian Ugandans. The fact that the private sector is characterized by many very small units makes it difficult to organize. However, 750 of the non-micro-enterprises are organized in the Uganda Manufacturers' Association, considered one of the most influential organizations in Uganda, having successfully lobbied government to take business-friendly initiatives (Kalema, 2008; Robinson and Friedman, 2005).

The Uganda Manufacturers' Association was the main driver in establishing a forum for public–private sector dialogue called the National Forum, which paved the way for a more permanent institution, the Private Sector Foundation, whose purpose it is to provide a platform for dialogue between the private sector and the state authorities (Kalema, 2005). It has been possible to establish conducive government–business relations in certain sectors at certain times. For example, a successful public–private partnership was established in the fisheries sector after the industry was compelled by European bans on imported fish from Lake Victoria to set up

procedures capable of meeting European expectations (Ponte, 2005). In the dairy sector, the regulatory agency has interacted successfully with industry actors to upgrade and improve the quality of milk (Kjær et al., 2010).

However, such examples seem to be the exception rather than the rule. In general, the governments' policies towards the industrial sector has been either non-existent or ad hoc and aimed at particular enterprises whose political support has been important (Selassie, 2008). These enterprises have received government financial support or tax exemptions in return for donations to the Movement party. As noted, influential business individuals may have a more particularistic relationship with the ruling elite and therefore avoid having to go through an organization when they want something from the government. There is thus a formal, official side to public–private relations in which organizations exist to provide a platform for dialogue, but there is also a more informal side in which big businessmen sponsor the Movement and receive various favours from the government in return.

The Global Competitiveness Index describes the most problematic factors in doing business in Uganda as corruption, lack of access to credit and poor infrastructure. The latter was emphasized by Uganda Investment Authority Director Maggie Kigozi in an interview (August, 2010). In particular, she mentioned the poor state of Uganda's roads, the high costs of transport to Mombasa and the high price and instability of the power supply as big challenges in attracting more investment. The "cost of doing business survey" also mentions the timeliness and procedures of registering property. An investor in the fish sector who was interviewed particularly mentioned expensive and unreliable power as well as the difficulty, in spite of support from the Uganda Investment Au-

<sup>24</sup> Uganda is ranked 122 out of 183 countries in the World Bank's "Cost of doing business survey", ranking better than Tanzania (128) but worse than, for example, Rwanda (58) (World Bank, 2011). In the World Economic Forum's competitiveness index, in 2011 Uganda ranked 118 out of 139 countries.

thority, in obtaining the rights to land he had bought (interviewed August, 2010). The road sector has also proved difficult to reform. It had the same minister, John Nasasira, a member of the Bahiima ethnic group, for nineteen years and was well known for its low level of performance. With regard to power, energy delivery was one of Museveni's 2011 election promises. However, the sector has been wrought by scandals and high consumer fees (the second highest in the world after Sweden) that must be paid for highly unreliable power supplies that have deteriorated lately, with load shedding and general power cuts at night. The reasons for unreliable supplies are highly disputed, but it is likely that corruption in the government-owned power-distribution company has created an inability to pay the company's private suppliers.<sup>25</sup>

## CONCLUSION

In spite of decades of GDP growth, Uganda remains an agricultural economy still awaiting an economic transformation. State initiatives to promote such a transformation have been lacking.

The explanation for this is to be found in the nature of the ruling coalition, which has been stable enough to maintain macro-economic stability, attract aid and ensure the one-off gains from introducing peace. However, the fact that it has proved so challenging to hold the ruling coalition together has hindered the ruling elite in implementing initiatives to support transformation. The Ugandan ruling coalition is becoming increasingly exclusive in the sense that previously strong supporters have been ousted from the coalition or

have left at their own initiative. In addition, lower level factions have become stronger due to the introduction of Movement primaries and the fact that lower level cadres are to be found in important lower level government positions. The costs of holding the ruling coalition together have increased, and this has made the ruling elite rely more heavily on state resources. At the same time, the ruling elite turn a blind eye to Movement supporters who make use of their public positions to benefit themselves. The costs involved in winning elections have also risen, and increasing use is being made of public resources to fund patronage, as well as of public-sector programs to win elections.

The fact that staying in power has become more costly and that the ruling coalition has become more fragmented makes it difficult for the ruling elite to take initiatives to promote a structural transformation of the economy. Such initiatives have uncertain long-term results and may be resisted by factions with strong holding power. An easier and safer way to stay in power is to use state resources to hold the ruling coalition together. This, however, is not likely to result in an economic transformation and hence in job creation for the poor majority of Ugandans.

<sup>25</sup> *Independent*, September 3, 2011, "UMEME explains load-shedding, tariffs".

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