

A POLITICAL-SECURITY RISK ANALYSIS OF UGANDA

by

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Living at risk is like jumping off a cliff and
building your wings on the way down

Ray Bradbury

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SUMMARY

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by

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DEPARTMENT: DEPARTMENT OF POLITICAL SCIENCES

DEGREE: MASTER OF SECURITY STUDIES

The aim of this study is to analyse political-security risk in Uganda. It emanates from the research question: *Does Uganda pose a political-security risk to prospective foreign investment or involvement?* The need to move beyond a political risk analysis without entering into a country risk analysis, poses the research problem to develop a political-security risk analysis framework and to apply it to Uganda. This problem generates three subsidiary questions: *How appropriate (or inappropriate) are existing risk analysis frameworks? Do existing frameworks contain generic elements that can provide a basis for a synthesised framework? To what extent is a country specific framework applicable to other countries?* Therefore, three sub-problems are addressed, namely to determine the appropriateness of selected frameworks; to identify generic elements to construct a synthesised framework; and to assess the applicability of this

framework for the analysis of political-security risk in other African countries.

Following a definition of the concepts risk, country risk, political risk and political-security risk (analysis), selected frameworks for risk analysis were analysed. The generic elements of these frameworks, namely *The Economist* (EIU), Business Environment Risk Intelligence (BERI), International Country Risk Guide (ICRG) and Political Risk Services (PRS) frameworks, were reduced to three categories and synthesised into a single framework which was applied to Uganda. The categories of risk indicators pertained to security, political and socio-economic risks respectively. These indicators and the allocated risk scores were used to construct a political-security risk index in respect of which the summed scores provided an index figure of risk that was interpreted in accordance with an interpretation scale.

In respect of Uganda, its more recent political history was described and the political, security and socio-economic circumstances prevailing in the country analysed. These conditions were assessed and measured against the indicated risk factors and according to the risk index. The summed political-security risk index score for Uganda was 55.5 out of a maximum of 100. In accordance with the interpretation scale, this constitutes an intermediate risk. Based on this Uganda is not, at present, the most suitable destination for foreign investment or involvement. This does not disallow investment or involvement but if indeed the case, it should be done with circumspection. The situation is volatile to the extent that it can rapidly change for the better or the worse, depending on trends concerning the risk categories, or more specifically a turn of events in respect of a particular key risk indicator.

Since the synthesised risk analysis framework is able to accommodate key variables pertaining to politics and security in African states, and since it has provided an indication of risk in respect of Uganda, it is suggested for application

to other African states. The need for modification, based on the particularities of other countries, is not excluded. It is also proposed that similar exercises be conducted at intervals of six months. This will indicate whether the variables used were, in fact, valid and reliable, and whether additional variables should be included. The repetition of the analysis also indicates risk trends and allows for the monitoring of risks, which will be conducive to risk management.

Key terms

risk

risk analysis

country risk

political risk

political-security risk

country risk analysis

political risk analysis

political-security risk analysis

synthesised risk analysis framework

foreign direct investment

SAMEVATTING

'N POLITIEK-SEKURITEIT RISIKO-ANALISE VAN UGANDA

deur

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Die doel van hierdie studie is om politiek-sekuriteit risiko in Uganda te ontleed. Hieruit volg die navorsingsvraag: *Bied Uganda 'n politiek-sekuriteit risiko vir voornemende buitelandse investering of betrokkenheid?* Die behoefte om verder as 'n politieke risiko-analise te gaan, sonder om 'n staatsrisiko-analise te onderneem, bied die navosingsprobleem om 'n politiek-sekuriteit risiko-analise raamwerk te ontwikkel en om dit op Uganda toe te pas. Hierdie probleem genereer drie aanvullende vrae: *Hoe toepaslik (of ontoepaslik) is bestaande risiko-analise raamwerke? Bevat bestaande raamwerke generiese elemente wat die basis vir 'n gesintetiseerde raamwerk kan bied? In welke mate is 'n staatspesifieke raamwerk toepasbaar op ander state?* Drie sub-probleme word dus aangespreek, te wete die bepaling van die toepaslikheid van geselekteerde raamwerke; die identifisering van generiese elemente ten einde 'n gesintetiseerde raamwerk te skep; en die beoordeling van die toepaslikheid van hierdie raamwerk vir die ontleding van politiek-sekuriteit risiko in ander Afrikastate.

Na die definisie van die konsepte risiko, staatsrisiko, politieke risiko en politiek-sekuriteit risiko (analise), is geselekteerde risiko-analise raamwerke ontleed. Die

generiese eienskappe van hierdie raamwerke, te wete *The Economist* (EIU), *Business Environment Risk Intelligence* (BERI), *International Country Risk Guide* (ICRG) en *Political Risk Services* (PRS) raamwerke, is reducer tot drie kategorieë en in 'n enkele raamwerk saamgevoeg wat op Uganda toegepas is. Die kategorieë van die risiko-aanwysers hou verband met onderskeidelik politieke, veiligheid en sosio-ekonomiese risiko. Die aanwysers en die toegewysde risiko-waardes is gebruik om 'n politiek-sekuriteit risiko-indeks saam te stel waarvan die gesommeerde tellings 'n indeks-waarde van risiko voorsien het wat volgens 'n interpretasieskaal interpreteer is.

Ten opsigte van Uganda is die meer resente politieke geskiedenis van die staat beskryf en is die heersende politieke, veiligheid- en sosio-ekonomiese toestande in die staat ontleed. Hierdie toestande is beoordeel en gemeet teen die aangeduide risiko-aanwysers en volgens die risiko-indeks. Die gesommeerde politiek-sekuriteit risiko-indeks telling vir Uganda was 55.5 uit 'n maksimum van 100. Volgens die interpretasieskaal verteenwoordig dit 'n intermediêre risiko. Hiervolgens is Uganda nie, op die oomblik, die mees aangewese bestemming vir buitelandse investering of betrokkenheid nie. Dit diskwalifiseer nie investering of betrokkenheid nie, maar indien wel die geval, moet dit omsigtig gedoen word. Die situasie is plofbaar in die mate dat dit vinnig ten goede of ten kwade kan verander, afhangende van tendense rakende die risiko kategorieë, of meer spesifiek veranderde omstandighede rakende 'n spesifiek sleutelaanwyser van risiko.

Aangesien die gesintetiseerde risiko-analise raamwerk daarin slaag om kernveranderlikes oor die politiek en veiligheid van Afrikastate te akommodeer, en aangesien dit wel 'n aanduiding van risiko in Uganda kon verskaf, word voorgestel dat dit ook op ander Afrikastate toegepas kan word. Die behoefte aan aanpassing, met inagneming van die eiesoortigheid van ander state, is nie uitgesluit nie. Dit word ook voorgestel dat soortgelyke analyses met tussenposes van ses maande herhaal word. Dit sal 'n aanduiding verskaf van die mate waartoe die veranderlikes wat gebruik is, geldig en betroubaar is, en of

bykomende veranderlikes ingesluit behoort te word. Die herhaling van die ontleding sal ook tendense aandui en die monitering van risiko moontlik maak; aspekte wat risiko-bestuur sal bevorder.

Sleutel terme

risiko

risiko analise

staatsrisiko

politieke risiko

politiek-sekuriteit risiko

staat risiko-analise

politieke risiko-analise

politiek-sekuriteit risiko-analise

gesintetiseerde risiko-analise raamwerk

buitelandse direkte investering

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CHAPTER ONE

INTRODUCTION

1. General introduction

Risk is an inevitable fact of life and different types of risk abound in the contemporary world. In everyday life, personal risks include crime and violence. Each individual also continuously runs the risk of contracting a deadly disease. Sportspersons constantly face the risk of injury while playing their chosen sport. Every time a motorist takes to the roads, travelling to work or for leisure, the risk of being involved in a motor vehicle accident or being hijacked exists. Business institutions continuously face the risk of injudicious investments, irresponsible actions by ill-informed or incompetent employees, corruption, theft, industrial actions and detrimental government actions. Similarly, countries face immediate risks concerning balance of payment problems and international debt. Others face more distant types of risk such as rising sea levels and global warming, and natural hazards such as monsoon floods and hurricanes or *tsunamis*. Some countries risk external threats to their sovereignty and territorial integrity, or are at risk internally by way of political instability, terrorism, civil war and secessionism. From these examples it is clear that risk could be natural in origin or man-made. Regardless of its origin, risk is universal and unavoidable.

Numerous risk factors impact on the general conditions in and investment environment of a country where foreign involvement, irrespective of its nature and scope, is contemplated. For example, investing in a foreign country requires the analysis of investment risks, more specifically financial and economic risks, including aspects such as financing, expertise, technology and personnel in the target country. In addition to this, a thorough knowledge of the macro political-security situation and risks that impact on such investment is indispensable. Analysing the political-security risk factors prevalent in the target country is thus

incumbent on any external actor considering foreign investment or involvement. This requires a comprehensive risk analysis. However, because of the limited scope and narrow focus of this study, the analysis is limited to the political-security risks in Uganda and the probable impact thereof.

Uganda was chosen as a case study on account of three considerations. Firstly, as a sub-Saharan African country, Uganda is faced with a broad range of political-security and socio-economic problems that are typical of the developing world. As such Uganda constitutes a representative case study concerning risk in an African context. Secondly, although Uganda's post-colonial history is characterised by intermittent change, turbulence and high levels of political instability, the country is democratising. Thirdly, and viewed from a South African perspective, Uganda provides opportunities for direct foreign investment and development projects by the corporate and parastatal sectors in particular. Considering that South Africa's foreign involvement in the country is on the increase, a political-security risk analysis of Uganda in the context of strategic (corporate) planning is therefore essential and serves a useful practical purpose.

2. The aim of the study

In analysing the risks pertaining to a specific country, it is necessary to differentiate between country (sovereign) risk and political (including political-security) risk. Country risk is a wide-ranging concept that includes all possible risks that a country may face at a domestic and international level. These relate to problems ranging from the political (and security), such as inter-state war, foreign intervention and occupation, civil war, terrorism, a lack of good governance and political instability; through the social, for example social (ethnic) stratification, rapid urbanisation, relative deprivation and social upheavals; to the economic, such as growth, unemployment, strikes, other industrial actions and rapid increases in production costs. Therefore, country risk requires a comprehensive analysis that includes the economic and financial features of the

country concerned, as well as the anticipated political-security situations that foreign investors may encounter.

Political risk, or more specifically political-security risk, is therefore but a part of the inclusive concept of country risk - albeit an important part. The analysis of political risk, for centuries considered by merchants and traders to be an art, has since evolved into a proper scientific endeavour. It is utilised to assess the possible occurrence and probable impact of macro-political decisions or events that may affect the economic climate and other spheres of human interaction.

Consequently, this study firstly distinguishes between country and political risk and furthermore between country risk and political-security risk. Secondly, it discounts so-called “traditional” methods of risk analysis by replacing them with a more appropriate composite framework, specifically constructed to assess political-security risk in Uganda. Thirdly, by creating an index based on selected indicators of risk, this synthesised framework is used to identify and measure political risk in Uganda and the security implications thereof for prospective investors. The proposed framework to be used in this study will therefore differ from but will still contain elements of the models on which it is based.

It is the explicit aim of this study to analyse (macro) political-security risk in Uganda, since a comprehensive country risk analysis would extend the scope of the study beyond what is required. Hence the aim is to develop an appropriate political-security risk analysis framework and to apply it to contemporary Uganda.

3. Formulation and demarcation of the research problem

The basic research question is: *Does Uganda pose a political-security risk to prospective foreign investment or involvement?* Obviously, this requires a political-security risk analysis of Uganda. However, although there is a profusion of frameworks for country and political risk analysis, it is not the case with

political-security risk analysis. The need to move beyond a political risk analysis but without entering into a comprehensive country risk analysis, therefore poses the research problem to develop a political-security risk analysis framework for application to Uganda as an African country. This problem generates three subsidiary questions: *How appropriate (or inappropriate) are existing risk analysis frameworks? Do existing frameworks contain generic or common elements that can provide a basis for a synthesised framework? To what extent is a country specific framework applicable to other countries in the same region?* Therefore, three sub-problems are also addressed. Firstly, determining the appropriateness (or lack thereof) of selected frameworks; secondly, identifying generic or common elements in order to construct a synthesised framework; and thirdly, assessing the applicability of the composite framework for the analysis of political-security risk in Uganda to other African countries.

The research problem is demarcated conceptually, geographically and temporally.

(a) Conceptual demarcation: As stated previously, the analysis is confined to macro political-security risk. Therefore, country risk in its entirety (including financial and economic risks) is not considered. Only political-security risks are considered, namely those political risks with security implications.

(b) Geographic demarcation: The study is confined to Uganda, except for those political-security risk factors that also impact on or emanate from neighbouring or contiguous countries. Therefore, the study extends to the influence that neighbouring countries in the sub-region, of which Uganda forms part, has on the political-security environment of that country.

(c) Temporal demarcation: The political-security risk analysis encompasses the recent situation in Uganda. However, the political history of Uganda has to be considered in order to trace the political development of the country. In this

respect, only the post-colonial history of Uganda since independence from the United Kingdom (UK) in 1962 is covered. The main focus of the study, though, is on the contemporary situation in Uganda extending until September 2002.*

4. Methodology

The methodological approach to the study and to risk analysis in particular, emerges from the security context and is embedded in international political realism as it pertains to contemporary world politics. Alternative reflective approaches, critical of the linear causality and rationality of the conventional realist approach are thus not considered for the purposes of this study. The study is executed in a historical-descriptive and analytical manner, based on a literature study and factual data sources. Although the components of the analytical framework are deductively linked, the factual information is dealt with in an inductive manner as a basis for the assessment. A comparative study is not attempted because of time and length constraints. Hence, a single-state case study of Uganda is undertaken. The main unit of analysis is Uganda. The level of analysis will thus be predominantly state-centric, although regional and other external factors are also considered where applicable.

5. Overview of literature

The literature and data sources consulted in this study cover two areas:

(a) **Literature regarding political-security risk analysis:** Definitive works such as Vertzberger's *Risk Taking and Decision-Making* (1998) and Buzan's *People, States and Fear* (1991) were consulted in order to define the concept of risk. The differentiation between country risk and political risk was based on the distinctions made by Nagy in *Country Risk: How to Assess, Quantify and Monitor*

* Due to practical considerations concerning the completion of the study, also considering that the Ugandan case study serves an analytical purpose only, the cut-off date has arbitrarily been set at September 2002.

It (1979) and by Desta in *International Political Risk Assessment for Foreign Direct Investment and International Lending Decisions* (1993). In addition, consideration was also given to Diffenbach's article *Corporate Environmental Analysis in Large US Corporations* (1983) that explains risk analysis and justifies the inclusion of political risk analysis in the strategic planning of an institution.

As a basis for identifying the selected political-security risk factors used in the proposed framework, and determining the relationship between these factors, Howell and Chaddick's article *Models for Political Risk for Foreign Investment and Trade* (1994) was used as a point of departure. In addition, Howell's *Handbook of Country and Political Risk Analysis* (1998) was used extensively. It contains a detailed exposition of existing frameworks for risk analysis, including those known as Business Environment Risk Intelligence (BERI), Economist Intelligence Group (EIU), Political Risk Services (PRS) and International Country Risk Guide (ICRG). Since composite elements of these frameworks were used to construct a synthesised framework, this book was an indispensable source.

Additional publications utilised in this regard, in particular concerning the appropriateness, validity and use of a synthesised framework, were Venter's *Political Risk and Suharto's Fall* (1999) and *Macro Political Risks for Zimbabwe at a Glance: June 2000* (2000). Other sources used included *International Political Analysis and International Business: A New Model* (Tarzi 1992); *The Evaluation of Country Risk and Economic Potential* (Kern 1985); and *How Multinationals Analyse Political Risk* (Rummel & Heenan 1978).

Although risk analyses concerning individual countries are commonly utilised for commercial and intelligence purposes, the overview of literature available in the public domain provided no evidence of non-restricted studies or research reports that focus specifically on political-security risk in Uganda. Apart from filling this void, it is hoped that this study may stimulate similar research concerning other African countries.

(b) Data sources regarding Uganda: The Internet with its huge pool of information was extensively used to gather information of a primary nature regarding Uganda. It must be stated, though, that the Internet is not fully utilised in the case of Uganda and, it seems, in respect of many other developing countries that have been left behind by the electronic revolution. The websites of various African and Ugandan press and electronic media institutions, as well as those of non-governmental organisations (NGOs) in Uganda and elsewhere were accessed. Unfortunately, they suffer from a dearth of information relevant to this study. Background information and some primary documentation were obtained from the websites of *Amnesty International*, the World Bank and news agencies such as the Voice of America, CNN and the BBC. Certain documents were also available on the websites of intergovernmental organisations (IGOs) such as the African Union (AU) and the United Nations (UN).

In addition, aggregate data sources, were used extensively. These include publications such as *Africa at a Glance, Facts and Figures 2001/02*, *Africa Review*, *Africa South of the Sahara*, the *Europa World Year Book* and *The Statesman's Yearbook* that were used to obtain background information, statistical data, and general information on Uganda's political history. Other publications used in this regard were the *FY 2000 Country Commercial Guide* (1999), published by the U.S. Department of State, and *Africa Today* (1996). *Jane's Sentinel Security Assessment Central Africa* (2001), *The Military Balance* and *Strategic Survey* served as valuable sources of information concerning the security sphere. Conference papers and material, providing additional information, were also utilised. Unfortunately, more recent primary sources on Uganda are noticeably absent and those that do exist are not readily available in the public domain, particularly in South Africa. Unstructured personal interviews were limited to a senior employee of Eskom Enterprises (Africa) who has been stationed in Kampala, as well as the Ugandan High Commissioner, His Excellency J. Tomusange.

Secondary sources were also used. These include Hansen and Twaddle's *Religion and Politics in East Africa* (1995) and Wiseman's *The advent of no-party democracy in Democracy and Political change in Sub-Saharan Africa* (1995). Various studies written by Ugandans, such as *A Political History of Uganda* (Karugira 1980), *What is wrong with Africa?* (Museveni 1992), and *Uganda Since Independence* (Mutibwa 1992), were consulted. The publication, *Conflict Resolution in Uganda*, edited by Kumar Rupesinghe (1989), was also used; as was Amaza's *Museveni's Long March* (1998) and Mugaja and Oloka-Onyango's *No-Party Democracy in Uganda* (2000).

6. Structure of the research

The study is structured in a conventional way, being divided into a theoretical framework, a main body and a concluding section containing an evaluation. Chapter one is of a methodological nature and provides an identification and formulation of the research theme and problem. It also delineates the conceptual, geographical and temporal parameters of the study; differentiates between various approaches to and methods of political risk analysis; and explains the need to synthesise elements of different frameworks in order to analyse political-security risks. The political-security risk analysis of Uganda is therefore positioned in the context of security studies.

Chapter two provides definitions of all the key concepts that are used in the study, such as uncertainty, risk, country risk, political risk and political-security risk, as well as country, political and political-security risk analysis respectively. In addition, strategic planning is described and the importance of risk analysis is justified in the context of strategic planning within an institution. This is followed by a discussion of the rationale of a risk analysis framework and a comparative analysis of existing risk analysis frameworks. For this purpose, four risk analysis frameworks are described in order to identify their generic features. The chapter culminates in the construction of a synthesised theoretical framework, the

compilation of a risk index and the provision of an interpretation scale, in accordance with which political-security risk can be identified, assessed, measured and interpreted.

Chapter three comprises a base-line construction of the Ugandan situation. Firstly, it provides demographical, geophysical and infrastructural facts about the country as well as a brief historical overview. Secondly, an overview is presented of Uganda's political history (since 1962) as a background to the prevailing political conditions in the country. Thirdly, the more recent political situation in Uganda is described in order to discern trends and transformations that serve as risk-inducing factors.

In chapter four the proposed synthesised framework is applied to Uganda, in order to analyse and assess the political-security risks that may impact on any foreign investment or involvement in the country. The risk indicators are used with reference to the current situation in the country. With reference to the spectrum of political-security risk factors, an index is produced and interpreted. The level of political-security risks existing in Uganda is thus indicated.

Chapter five is an evaluation that summarises key findings; that addresses the research problem(s) posed in chapter one; that assesses the utility of the synthesised framework; that advances proposals for its future use; and that culminates in a final conclusion.

7. Conclusion

Political-security risk is only part of the country risk and a limited extension of the political risk that may impact on foreign investment and/or involvement in a target country. Hence the analysis of risk is an indispensable tool for strategic planning. Although various risk analysis models exist, most of these suffer from severe limitations or are inappropriate for contemporary political-security risk

assessment in respect of African countries in particular. Therefore, a synthesis of more than one model is suggested. Such a composite framework should contain sufficient objective risk indicators so that it can be adapted for use in more than one country, even though it may not be suitable for use in all developing countries. It should also be able to provide a reliable and valid risk index indicative of the level of actual risk. Subsequently, a political-security risk analysis framework is constructed and applied to Uganda.

CHAPTER TWO

A SYNTHESISED POLITICAL-SECURITY RISK ANALYSIS FRAMEWORK FOR PURPOSES OF STRATEGIC PLANNING

1. Introduction

Several frameworks for the analysis of country risk and more specifically political risk exist. Across the political spectrum, various analysts have suggested their own method of analysis, with minor adjustments, for the political risks that pertain in a certain country or even a series of countries. These frameworks generally contain numerous aspects that do not differ much. In this chapter a selection of these frameworks are discussed, their generic features extracted and then synthesised into a framework for the analysis of political-security risk in Uganda. The selected frameworks are those known as Economist Intelligence Unit (EIU), Business Environment Risk Intelligence (BERI), Political Risk Services (PRS) and International Country Risk Guide (ICRG).

These frameworks, however, serve an instrumental purpose only. In any institution, governmental or non-governmental, making decisions about the future involves intricate planning. Such planning includes tactical, operational and strategic processes. Tactical planning caters for the normal, day-to-day operations of the institution; operational planning involves planning for the short-to medium-term (two to five years); and strategic planning makes provision for the long-term (longer than five years). Plans for investment or involvement in a foreign country require strategic planning because such investment or involvement will, of necessity, encompass a longer term to have any chance of success. In this respect strategic planning must involve a political-security risk analysis that serves two major purposes. Firstly, it offers a broad perspective of the policy milieu that assists in structuring the decision-making process. Secondly, it also provides a set of techniques for evaluating the respective merits

of policy options and/or policy decisions. Venter (1999:75) argues in this regard that (political) risk analysis, and thus by implication also political-security risk analysis, is widely recognised by international institutions, government agencies and major corporations as an essential basis for operational and strategic planning. Similarly, Stapenhurst (quoted by Howell & Chaddick 1994:71) states that strategic planning in a corporation is an important ingredient of its profitability and that environmental scanning which includes political risk analysis, is a vital input of the strategic planning process.

Stapenhurst (in Howell & Chaddick 1994:71) furthermore contends that a decline occurred in the use of political-security risk analyses by corporations during the 1980s. The main reasons for this decline was the failure of companies to incorporate the results of political risk analysis into corporate decision-making. There was also a decreasing need for such analysis because of retrenchments by smaller multinational companies. In addition, the motive of increased profits often did not allow for (costly) political-security risk analysis. A more compelling reason for the decline was the lack of credibility in the field.

Unfortunately, very few attempts have been made to assess or demonstrate the reliability of such analyses and to respond to findings. This obviously requires a thorough investigation of the models, methods and frameworks utilised to analyse risk; the extraction and evaluation of the key elements of the best methods; and synthesising them into a framework that may be used to greater effect in the security environment. In addition, the political-security risk and the threats they pose should first be deconstructed and thereafter recomposed in order to analyse them thoroughly, to assess uncertainties and to determine a preferred strategy in response (Hertz & Thomas 1984:1). As a point of departure, this requires the clarification of the concepts regarding political-security risks and the analysis thereof.

2. Definition of concepts

Howell (1998:5) contends that the primary objective of risk analysis is the forecasting of losses with a secondary consideration of managing the risks or avoiding such losses. This involves the identification of variables within the phenomenon that is analysed, determining their relationship, establishing their contribution to prevailing conditions, and projecting anticipated or future trends that involve these variables. The aforementioned can, however, not be achieved without a basic understanding of the theoretical components of, in this case, political-security risk analysis.

2.1 Risk

Vertzberger (1998:22) defines risk as follows: "Risk is the likelihood that validly predictable direct and indirect consequences with potentially adverse values will materialise, arising from particular events, self-behaviour, environmental constraints or the reaction of an opponent or third party." He furthermore contends that risk, like beauty, is in the eye of the beholder; in other words risk may be perceived in as many different ways as there are observers. Risk, therefore, is a concept that is usually viewed in a subjective manner and individual risk analysts will each have an own particular conception in this regard. Nonetheless, in order to be classified as a risk, each circumstance or condition must conform to a few underlying aspects.

Risk means both uncertainty and the results of uncertainty. Risk refers to a lack of predictability about problem structure and consequences in a situation where decisions have to be made (Hertz & Thomas 1984:3). Nagy (1979:34), to an extent, also implies this by stating that risk is the combination of a potential loss and the probability of its occurrence. This does not mean that risk should be directly equated with uncertainty, since Vertzberger (1998:19-20) also argues that risk exists even when there is perfect knowledge about all possible outcomes

associated with an event and what is known as the probability distribution of its result. Thus, the word risk simply means danger and high risk means a lot of danger. Uncertainty, on the other hand, exists when a decision-maker has neither knowledge of nor information on the probability distribution of these outcomes. This connotes a state of incomplete information. The concept risk, in other words, is used when the probabilities of outcomes are uncertain but the situation itself poses a plausible possibility that at least some outcomes are unknown and will have adverse consequences for the decision-makers (Vertzberger 1998:20).

In this respect the level of risk is shaped by the following concerns:

- What are the gains and losses connected to each outcome?
- What is the probability of each outcome?
- How valid are the outcome probabilities and gain-loss estimates?

Risk, however, could present opportunities, especially when competing investors leave the field. Risk in this sense may constitute a gamble but, as with gambling anywhere, high risk may result in high gain (Howell & Chaddick 1994:72).

At an operational level the concept risk is disaggregated into three types: real, perceived and acceptable risk. Real risk results from a situation or behaviour and occurs irrespective of whether decision-makers are aware or not of its existence. Perceived risk is the level of risk attributed by decision-makers to a situation or behaviour. Acceptable risk is the level of risk that is seen by decision-makers to be sustainable in pursuit of their goals. Obviously, these types of risk are not identical and do not correlate with one another. As soon as an analysis has been made (irrespective of whether or not it is accurate in terms of real risk), a decision on how to proceed is made by weighing perceived risks up against what is deemed to be acceptable risks. This comparison assists decision-makers in deciding whether to accept or reject the risks posed (Vertzberger 1998:18-19). In summary then, risk is the possibility of a potentially

detrimental occurrence or circumstance, that could threaten the well-being of an individual, institution, company or country.

2.2 Political risk

Vertzberger (1998:1) contends that (international) risk and its implications have in great measure been ignored even though such risk is perennial and its consequences visible and critical. Political risk, as a particular type of risk, is the possibility that political decisions, events or conditions in a country, including those that might be seen as social, will affect the business environment in such measure that investors will lose money or experience a reduced profit margin (Howell & Chaddick 1994:71). In a related definition, Greene (in Desta 1993:4) describes political risk as "(t)he uncertainty stemming from anticipated and unexpected acts of government or other organisations which may cause loss to the business firm." Similarly, Weston and Sorge (in Desta 1993:4) argue that political risk can be seen as the actions of the national government interfering with or preventing business transactions or changing the terms of agreements or causing the confiscation of wholly or partially foreign owned business property. Venter (2000:2) agrees with this consensus, but extends it by stating that political risk can be described as the likelihood that events in the political, economic or social environment an enterprise operates in will cause financial, strategic or personnel losses to the firm.

Political risks are therefore inextricably linked to potential conflicts between corporate goals and the national aspirations of host countries (Desta 1993:28). Tarzi (1998:444) agrees and states that a political risk is an event defined as any change in the host country which, if and when it occurs, would negatively impact on the financial success of the particular venture. Venter (1999:74-75) shares this conviction and states that an analysis of political risks must consider the possibility that political decisions, events or conditions in the host country can affect the business environment. Also to be considered is the fact that political

risk events are not predictable on the basis of inductively derived generalisations but requires a fundamental descriptive analysis of political and social trends that can provide early warning signals of impending, serious political risks. Thus, certain, as yet unobserved future events have to be predicted or anticipated.

From the aforesaid It is apparent that political risks exist when the country receiving an investment has the potential to nationalise, expropriate or simply take over the investment in question and to evict the investing country, company or enterprise without recompense. Also, a foreign subsidiary is less likely to face risk if it is perceived to provide technology transfer, generate foreign exchange through export, accelerate balanced economic growth, reduce unemployment and contribute to import substitution policies and price stability (Desta 1993:30). Therefore, in the context of this study, political risk is similarly viewed with the purpose to establish what influence, detrimental or otherwise, it will have on the proposed investment of a corporation in a specific country.

2.3 Political-security risk

Mathur (1996:304) states that security pertains the preservation of the liberty, life, property, honour, and culture of individuals and an environment of peace and tranquillity. National security includes the preservation of the territory of the country against external threat; the preservation of the constitutional and political order; the maintenance of the economic system; the promotion of core national values; the protection of legitimate national interests; and the preservation of a society (be it plural or not). Threats to national security are any activity or event that pose a danger to these aspects, more specifically to the survival and independent existence of the state.

Mathur (1996:307) furthermore states that in assessing the security concerns of any country, the political and security environment of its region, the nature of relations with and its attitude towards its neighbours, and its military doctrines

should be evaluated. External security mostly concerns military aspects, but internal security is connected to non-military factors such as economic underdevelopment and political dissidence, particularly when the latter arises from religious, sectarian, linguistic or tribalistic interests and when it is expressed violently. Indeed, the most dangerous threats against nations are those arising from internal political struggles between ethnic groups and not that from external enemies. These threats include political assassinations, labour unrest, ethnic conflicts, political terrorism, insurgency, industrial actions and student unrest. Therefore, political instability, erosion of authority and law and order, rising expectations and economic insecurity are all threats to national security.

According to Buzan (1991:97) all states are vulnerable to military and environmental threats, nearly all are open to economic threats, and many to political and societal insecurities. National security rather than military defence becomes a problem. Whatever the nature of the problem, it is generally those of internal origin that threaten the security of the state. In a similar vein, Ayoob (1995:5) contends that (national) security is the ability of a nation to protect its internal values from external threats and that insecurity is the defining characteristic of Third World states.

Mathur (1996:333), like several other, also contends that human security is the most important element of national security. A shift away from a narrow and almost exclusive military-strategic approach to security has occurred recently and peace, stability, development and progress have become the primary objective of governments pursuing in the promotion and maintenance of national security. The main threat to the national interest emanates from challenges such as economic collapse, overpopulation, mass-migration, ethnic rivalry, political oppression, terrorism, crime and disease. Therefore, security should be defined less in military terms and more in the broader sense of freedom from vulnerability of modern society (Republic of South Africa 1994:1).

Threats are, however, not synonymous with risks. However, whatever threatens the (national) security of a particular country, constitutes a potential risk to a foreign actor when investment or involvement in that country is contemplated. From the aforesaid it can be deduced that the political actions of governments, in response to these threats, contribute largely to security and/or national risk. Therefore, political-security risk can be described as those vulnerabilities that flow from the political risks (policy responses to security threats) that are found in a specific country. As will be indicated at a later stage, these could include, amongst others, political actions such as unpopular legislation leading to widespread unrest, restrictions on political parties leading to civil unrest, labour actions and even terrorism. It could also include deteriorating socio-economic conditions, corruption in high places and discrimination against ethnic groups.

3. The nature and scope of risk analysis

Analysis, based on reliable sources of environmental data, involves amongst others the compilation, taking apart and examination of the data to discern key relationships, trends and transformations. In addition, it includes monitoring developments and anticipating the future (Diffenbach 1983:108). Risk analysis means utilising analytical methods to develop an awareness and understanding of risk associated with a particular variable or interest. This broader perspective of risk analysis serves as a way of examining data associated with a decision problem. As such risk analysis is an important aspect in the planning, forecasting, understanding and handling of uncertainty, especially where the risks of this uncertainty affect foreign investment (Hertz & Thomas 1984:2).

Hertz and Thomas (1984:3) also argue that risk analysis is important in two main arenas. Firstly, it is a valuable aid in clarifying managerial assumptions about the decision problem and implications thereof. Secondly, it improves communication, debate and dialogue about the problem. Risk analysis, therefore, compels managers to confront the structure of the decision problem in an objective

unemotional way, but it should also indicate to the decision-maker what alternatives to consider. Hence risk analysis examines changing secondary effects and anticipates the nature and scope of the impact of uncertainty on contingency planning, but it also assists the decision-maker in understanding why one course of action may be more acceptable than another.

However, when analysing risk, a rational choice approach is not enough. Vertzberger (1998:5) argues that a more sophisticated, contingent and empirically grounded theory of risk judgement and risk-preference formation is required. In addition, he contends that decision-makers should be able to:

- know of and understand all variables impinging on the outcomes of investment;
- correctly and coherently assimilate such variables in producing an integrated evaluation; and
- know of potential biases that may affect their analysis of the variables.

Furthermore, all relevant contingencies, prepared plans and standard operating procedures must be continually and rapidly adjusted before they become outdated and irrelevant because of a high level of risk, indeterminacy and uncertainty.

3.1 Types of risk analysis

There are different types and methods of risk analysis. For the purpose of this study country risk analysis, political risk analysis and political-security risk analysis are considered.

3.1.1 Country risk analysis

Country risk analysis requires a multi-disciplinary approach because political factors have to be considered in conjunction with economic and social factors.

Also, according to Merrill (1982:89), different techniques to assess and measure risk are often used in combination; whereas both qualitative and quantitative methods are employed. More specifically, Nagy (1979:13) views country risk analysis as the recording, classification, investigation and analysis of risks that may threaten company investments in a foreign country. This is based on his definition of country risk as exposure to cross-border lending, caused by events in a particular country; events that are to some extent under government but definitely not under private enterprise or individual control. When cross-border lending is substituted by cross-border investment, it is evident that country risk can be described as exposure to irregular actions by the host government that may influence the business operations of the investing company. Accordingly, Cataquet (quoted in Desta 1993:6) states that country risk can be seen as any potential change in the economic, political and/or social environment that could interfere with a country's contractual flow of financial payments.

Country risk can be ascertained and analysed by providing answers to the following basic questions (Nagy 1973:37):

- What is the likelihood an adverse event will occur in the country under scrutiny?
- When is the event likely to occur?
- What is the likelihood that risks will materialise if that event occurs?
- What is the likelihood of nationalisation of assets and processes?

These questions can be extended by asking the following questions (Vertzberger 1998:26):

- How well are the risky consequences of a decision understood?
- How serious and damaging are the perceived consequences of a decision or situation?
- How certain is any particular adverse outcome to materialise?
- How close in time are the adverse consequences?

- How complex are the risks? In this respect, the complexity of risks can be determined utilising four criteria namely measurability of the risk; the variability of issue dimensions; the time frame of the anticipated risky effects; and the interactive nature of risky effects.
- Are risky decisions reversible once they are made?
- Are the risks controllable and containable?
- Will decision-makers be held responsible for adverse consequences by investors?

Even though Buzan (1991:134-140) by implication associate risks with threats, he asks similar questions. He wants to know whether the threats (and the incurred risks) are diffuse or specific; how close in space and time they are; if they have a high or low possibility of occurring; whether their consequences are high or low; and in what measure historic events are expected to amplify the consequences of risky events. Country risk analysis can therefore be seen as investigating all hard data about the country in question; building different scenarios about the possible results such data can have on foreign investment (or involvement); and being prepared for all eventualities.

3.1.2 Political risk analysis

Political risk analysis also provides for a multi-disciplinary approach since risk in the international business sphere is largely a function of a firm's operation, the conditions in the international arena, and a range of related factors. Accordingly, Rummel and Heenan (1978:72) state that "political risk analysis is a multi-dimensional task involving several hundred political, economic and socio-cultural factors". International conditions, the socio-cultural, economic and political situations in the country also play a part (Desta 1993:22). Blank *et al.* (in Desta 1993:23) also argue that companies must know how what happens in a country will affect their interests, and not how stable a country is. The problem with these understandings of (macro) political risk analysis, since they include economic and

social factors, are that they virtually become indistinguishable from country risk analysis. In the absence of an explicit distinction, political risk analysis can in the narrower sense of the word be differentiated from country risk analysis by concentrating on the risks involving explicit and implicit political variables. This problem is particular to the scope of political risk analysis and, as is evident from the subsequent discussion, not to the nature of political risk analysis.

Desta (1993:24) recommends that "hard data" and not subjective analysis should be used when analysing political risk. This is echoed by Vertzberger (1998:28) who is of the opinion that accurate risk analysis needs three determinants: information, imagination and motivation. It is thus clear that political risk analysis also requires a multi-disciplinary approach that needs to be supplemented by correct and timely information and a vivid imagination from highly motivated analysts.

At an operational level a conventional projection of political risk analysis usually involves a form of causal analysis by making connections between historical and existing behaviour and by projecting it into the future. For example, an incumbent nationalist or socialist government could suggest that the new government will increase their interference in business operations especially in those of foreign companies. Similarly, high and rising ethnic tension in a country could point to the possibility of future civil strife and consequent collateral damages to economic infrastructure or processes. There is usually a predictor of some sort in the social, political or international system warning of the likelihood of political risks being involved.

The following provides an example of the risk that civil strife poses. The origin of the risk may lie in ethnic fractionalisation. If combined with adverse societal conditions and an authoritarian government, the risk will increase. Howell and Chaddick (1994:73) agree: "Based on historical memory, the argument is made that the presence of ethnic tension has a good probability of resulting in civil

strife." This clearly means that ethnic tension in combination with other risk factors could lead directly to civil strife. Political risk analysis should therefore be able to determine which variable(s) and in what particular combination could lead to loss (Howell 1998:5).

Political risk analysis also focuses on other factors in the host country that may influence investment. These factors include inconvertibility, when the host government prevents conversion of the local currency into foreign exchange; expropriation, that is seizing the assets of the investing company without compensation; as well as war damage and civil strife damage. The abduction of office bearers or ordinary workers, sabotage, terrorism, corruption and other actions can also be considered, because such actions are usually not controlled by government (Howell 1998:4).

Typically, the methods of analysing political risk usually result in an index composed of various weighted variables that produces a summed index figure. Models that are used to derive such an index are based on an underlying theory that determines the relative contributions of each variable to risk. It should, however, be borne in mind that the analysis of political risk through this method merely produces a forecast and not a basis for accurate prediction. Based on experience, it indicates that a high probability exists that previous events may be repeated. In other words, if a certain set of circumstances is present, certain outcomes have a high probability of following. Several factors preclude a precise prediction, namely the model itself being an abstraction of reality; the complex nature of social phenomena; partial or imprecise information; and the possibility of human intervention (Howell 1998:5, 9).

Political risk analysis is expected to lead to risk management. The latter is the process by means of which the findings of analysis are evaluated in the context of political values and policy whereupon a value-laden decision is made about what must be done about the risk problem at hand. Managing political risk is the

responsibility of the investing company or the intervening actor. This may involve ignoring the risk or simply operating in a less risky area of the country. Those involved may also attempt to negotiate a better deal with the host country and turning the risk into an asset. Risk can also be managed by direct action, for example employing bodyguards to reduce the possibility of kidnapping. Another method is to obtain political risk insurance (Howell 1998:10).

3.1.3 Political-security risk analysis

As its scope suggests, the analysis of political-security risks entails the assessment of the political-security dimensions of both conventional country and political risk. In addition, it includes determining what, if any, effect the actions undertaken by the host government will have on the security situation in a country or, conversely, determining what the security implications of political events will be. In this respect, but also concerning the nature of the analysis, the questions raised by Nagy (1979:37), Vertzberger (1998:26) and Buzan (1991:134-140) are particularly pertinent:

- What is the likelihood of government actions leading to popular unrest?
- How well does the government understand the possibility that political decisions may lead to unrest?
- How serious are the perceived consequences of governmental decisions?
- Will the governmental decisions be reversible once they are made?
- Will the possible consequences be containable and controllable?
- Is the possibility of a public uprising diffuse or specific?
- Will historic events amplify the consequences of government actions?

It is evident that the political actions of governments contribute largely to national security and/or risk. Therefore, political-security risk analysis pertains to explicit security risks, but more specifically to those security vulnerabilities that emanate from the political risks in a specific country. These range from political actions such as unpopular legislation and restrictions on political parties leading to civil

unrest, labour actions and even terrorism, through deteriorating socio-economic conditions, and corruption, to discrimination against certain ethnic groups.

3.2 Political-security risk analysis as part of country risk analysis

As previously indicated, country risk is mainly, but not exclusively, limited to actions by the host country government, whereas political risk can also include actions by other actors such as terrorist groups and foreign governments. Thus country risk analysis is a much broader type of analysis than political or political-security risk analysis, even though both are components of and complementary to country risk analysis. There are, also as previously indicated, similarities between these types of analyses. However, based on the assumption of Howell and Chaddick (1994:73) that: “political risk only assesses likelihood of losses due to the political situation in a country, not those losses due to economic conditions”, economic risk factors are excluded from this study. The emphasis will therefore be on political-security risk in a more limited sense.

As a result, political-security risk analysis will address similar questions to those asked when analysing political risk (Nagy 1979:37), namely:

- What is the likelihood an adverse political event will occur in the country?
- When is the political event likely to occur?
- What is the likelihood that political risks will materialise if that event occurs?

In this respect, the texture of risk as described by Vertzberger (1998:26) is relevant. This refers to:

- How well are the risky consequences of a decision understood?
- How serious and damaging are the perceived consequences of a decision or situation?
- How certain is any particular adverse outcome to materialise?
- How complex are the risks, considering the measurability of risks, the variability of issue dimensions, risky effects, and the interactive nature of risky effects?
- Are risky decisions reversible once they are made?

- Are the risks controllable and containable?
- Will decision-makers be held responsible for adverse consequences?

Additional concerns raised by Buzan (1991:134-140) should also be considered, namely:

- Are risks specific or diffuse?
- Are they close or distant in space and time?
- Is there a high or low possibility of the risks occurring?
- Will the consequences of the risks be high or low?
- Can historic events amplify the consequences of the risks?

Clearly, there are a number of concerns involved in the process of country risk analysis that are also relevant to political-security risk analysis, that must be considered to ensure a thorough and comprehensive assessment.

4. Frameworks for analysis

4.1 Underlying assumptions

Accurate and comprehensive risk assessments, considering that ill-defined and “hard-to-model” situations are involved, require the attributes of information, imagination and motivation. Information without imagination and motivation will not produce an astute or incisive risk analysis. Imagination unrestrained by valid information can lead to paranoia, self-serving assessments and even hallucinations. Motivation without information can lead to wishful thinking or a worst-case analysis (Vertzberger 1998:28).

In order to accommodate these attributes, the complex, ill-defined and often indeterminate (open-ended) nature of problems in the political domain should be recognised. An ill-defined problem makes it difficult to determine the relevance of information. This could lead to important information being ignored or to the indiscriminate collection of large volumes of unimportant or less important

information. In addition, uncertainty concerning the course of domestic and world events also requires that conceptual maps of the present and future be updated continuously. Analysts must therefore impose their own parameters on the problem and define the nature of the risk within the context of these parameters. This subjective element obviously makes it difficult to objectively assess risk (Vertzberger 1996:31-32). Consequently, the method or model for analysing risk where ill-defined problems exist, should be carefully chosen.

Dunn (1994:138) agrees with this in principle, contending that the structuring of a problem is undoubtedly the most important function performed by analysts. Analysts seem to fail more often because they solve the wrong problem, than on account of producing a wrong solution to the correct problem. Therefore, problems should be well-structured, implying that only a few policy makers should be involved and only a small set of alternatives should exist. As a result, the consequences of policy problems can be determined in advance and the outcome of each alternative will be clarified. Furthermore, this approach also makes it possible for the problem to be solved in stages, namely the problem search, problem definition, problem specification and problem sensing. This leads to analysts being faced with a “metaproblem” consisting of all competing problem formulations, thereby isolating or identifying areas where mistakes mostly occur when analysts fail to formulate the correct problem. Formulating the correct problem thus leads to the “substantive problem”, meaning that the problem is defined in its most basic terms. Upon completing the formulation of a substantive problem, a “formal problem” can be constructed in policy terms (Dunn 1994:147,150). Therefore, the aim of any political-security risk analysis must be clearly stated, thoroughly researched and, if need be, broken down into composite parts so as to ensure that the correct answers are supplied to questions or concerns of the prospective investor.

Also, as indicated by Frei and Ruloff (1989:24), current information is essential. Since inferences can lead to speculation, political phenomena should be

monitored using a specific pattern that starts with the basic aim (in this case assessing political-security risk), but which includes the following steps:

- defining the question as precisely as possible;
- determining indicators of the problem;
- assessing the utility of these indicators;
- collecting and classifying data for each indicator; and
- creating a monitoring mechanism.

In addition, Frei and Ruloff (1989:13) state that although no decision-maker can be absolved for her/his decision, the decision can be made easier. This is done by reducing the uncertainty through information about the future, identifying all available options and assessing the different options in a systematic manner.

In proceeding from problem formulation to actual risk analysis four different mental operations are required, namely identifying the risk dimension associated with an event or premeditated action; establishing causal attribution; making judgements and estimations of the magnitude of probabilities and the utilities or disutilities of outcomes; and exercising a choice on how to respond to risk (Vertzberger 1998:44). The extent to which this is possible in practical terms, is illustrated with reference to the following description and assessment of selected risk analysis frameworks.

4.2 Selected risk analysis frameworks

Several varied frameworks for assessing political risks, that make use of quantitative and/or qualitative methods, exist. These frameworks represent different approaches and methods that include rank ordering or scoreboard approaches (quantitative or qualitative); judgement of experts (quantitative); the decision tree approach (qualitative); and statistical approaches such as multiple regression analysis and discriminant analysis (quantitative) (Hough & Du Plessis 2000:10-11). For the purpose of this study, four frameworks that are deemed

appropriate and applicable are enumerated, dissected and synthesised into a comprehensive framework for the analysis of political-security risks. This includes the identification of the generic features of these frameworks, as well as the indication of the limitations of each.

4.2.1 *The Economist* (EIU) framework

In 1986 the Economic Intelligence Unit (EIU) of the journal *The Economist* (London) produced a country risk analysis framework titled “Countries in Trouble”, based on a list of economic, political and social (combined as “socio-political”) risk factors. A scheme for weighing the individual impact and relative roles of these risk factors was also provided (Howell & Chaddick 1994:74). The EIU assessed composite country risk through four types of risk to investors, namely political risk, economic policy risk, economic structure risk and liquidity risk. Political risk constituted 22 percent of the composite and included two subcategories, namely political stability and political effectiveness. Political stability was represented by five indicators, namely war, social unrest, orderly political transfer, politically motivated violence and international disputes. Political effectiveness was based on six indicators, that is change in government orientation, institutional effectiveness, bureaucracy, transparency/fairness, corruption and crime. Political stability enquired whether the political environment was free of internal or external threats to security, whereas political effectiveness indicated whether good governance existed or not (Howell 1998:101).

The EIU reduced these indicators to six political and four social variables to represent what is generally called “political risk”, in the process allocating a points-based scoring system. These include (Howell & Chaddick 1994:77-78):

(a) Political variables

- **Bad neighbours (3 points):** Bad neighbours refers to the regional situation a country finds itself in and is a critical political variable. For example, nearby superpowers almost always cause concern because they are inclined to control their immediate surroundings, often forcefully. It may also include regional trouble spots, namely those having a history of being “disturbed” or a history of continuous violence, such as the Middle East.
- **Authoritarianism (7 points):** Authoritarianism refers to a lack of democracy in a state, whether totalitarian or authoritarian, that may lead to discontent. Therefore, violence usually lies very close to the surface. This indicator also includes rigid control, even though it may only amount to superficial control over citizens.
- **Staleness (5 points):** Staleness occurs when a leader has been in power more than ten years. As a result he/she will get detached and stale, also considering that complacency emanating from stale leadership can encourage corruption, disdain and delay in political processes.
- **Illegitimacy (9 points):** Legitimacy refers to the unforced and positive acceptance of rule by the citizenry. However, the gap between acceptability and the persistence of a government to remain in power points to illegitimacy and can pose serious political risk.
- **Generals (the military) in power (6 points):** The absence of a legitimate civilian government can lead to interference by the military, the military taking control or to a military regime. In addition, military rulers are not necessarily able to govern or willing to transfer power.
- **War/Armed insurrection (20 points):** This variable has the greatest impact on investment or involvement in the host country. War destroys physical facilities and disrupts the economy. It also causes diversion and delays in the availability of raw materials. In addition, it removes most able-bodied workers from the labour pool, especially in the case of a rebellion or civil war where workers join either of the warring sides.

(b) Social variables

- **Urbanisation pace (3 points):** Urbanisation causes problems such as idleness and crime, an expanded drug trade and economic irregularities especially when concentrated in a single city or when occurring too rapidly.
- **Islamic fundamentalism (4 points):** Muslim radicals can have a major impact on countries (witness the attacks on 11 September 2001). This may especially affect an investor who is a non-Muslim or from a non-Muslim country.
- **Corruption (6 points):** Corruption is a scourge that exists virtually everywhere and has become uncontrollable in many locations. Corruption, which is found in both government and private enterprise, can disrupt the economy in several ways that investor awareness or power cannot accommodate.
- **Ethnic tension (4 points):** Ethnic tension provides an environment in which industry simply cannot endure. Ethnic, religious or racial tension can redirect government attention and invoke restrictions on investors, for example forcing them to employ workers from only certain racial/cultural groups. This can easily lead to open conflict, both amongst workers and between workers and employers.

Howell and Chaddick (1994:79,83) argue that the index of socio-political risk generated by the scoring system is not particularly useful in forecasting losses because it only explains 11 percent of the variance in losses. Also, while addressing some of the indicators that may influence political-security risk, the framework neglects analysing factors such as law and order and the presence of radical groups, both of which can detrimentally influence the investment or involvement. Furthermore, an important risk indicator such as the investment profile is not included. In addition, the points awarded to the indicators add up to 64 which may provide difficulties in assessing the overall risk factor. This may lead to a skewing of the scoring index because the index scores are not equally spread around the central point. Also, the points awarded to certain risk indicators far exceed those awarded to others (20 points for war and only four

points for ethnic tension). Granted, war could be a very dangerous risk factor but ethnic tension may prove to be equally as dangerous especially when these tensions run deep, as is the case in many African countries.

The value of the EIU analysis, however, lies in the fact that it possesses many features similar to those employed in other frameworks. Different frameworks thus include features or use indicators that are regarded as universal by different commentators. These would obviously be of great value in analysing political-security risks in Uganda.

4.2.2 Business Environment Risk Intelligence (BERI) framework

The Business Environment Risk Intelligence (BERI) framework attempts to provide a complete picture of country risk based on a set of quantitative indices developed and refined over a 25-year period. It comprises a political risk index (PRI) that is used in conjunction with two other ratings, namely the operations risk index (ORI) and the R factor (which covers the legal framework in the country under analysis). The average of these three ratings is called the Profit Opportunity Recommendation (POR). Statistics from reliable sources such as the International Monetary Fund (IMF) and the World Bank are used as a basis for these assessments (Howell 1998:36-37). In respect of this study, only the PRI and the R factor will be considered since the emphasis is on political-security risk and not on economic or monetary risk.

The PRI of the BERI framework is composed of ratings on ten political and social variables (Howell 1998:36-37). The index is based on an assessment of and scores assigned to the variables by a permanent panel of experts with diplomatic experience and training in the political sciences. The ten variables are divided into three categories, namely “Internal Causes of Political Risk”, “External Causes of Political Risk” and “Symptoms of Political Risk” (Howell & Chaddick 1994:78). The PRI therefore focuses on the socio-political conditions in a country

by creating a multi-component system with an in-built flexibility to weigh key factors. Since it utilises existing data, the PRI can be utilised independently of other BERI risk indices and measurements. To optimise the value of the PRI, it is required that the political risks be assessed over four time periods, that is in respect of present conditions, conditions over a year, conditions over five years and conditions over ten years (Howell 1998:41).

The PRI variables (or indicators) are subdivided into those having internal and external causes, and those indicative of symptoms of political risk. These include (Howell 1998:40-41):

(a) Internal causes

- **Fractionalisation of the political spectrum and the power of these factions:** This variable represents different political thoughts in a country and as such constitutes an intrinsic political or ideological factor. It may cause divisions or represent a threat to political stability and the regularity of the political process.
- **Fractionalisation by language, ethnic and/or religious groups and the power of these factions:** Although a social factor, social divisions and the power of distinct groups may increase the political risk in a country.
- **Restrictive (coercive) measures to retain power:** This variable is associated with authoritarianism that leads to arbitrary actions, the changing of rules and the alienation of citizens. These authoritarian decision-making structures and actions is of serious concern to prospective investors.
- **Mentality, including xenophobia, nationalism, corruption and nepotism:** Corruption and nepotism are related to each other and so are xenophobia and nationalism. However all of these factors are not necessarily mutually interrelated. Corruption may point to an excessive willingness to compromise and include a level of nepotism. Xenophobia and nationalism sometimes overlap and can lead to risks when citizens, afraid of losing their positions to illegal immigrants, take extreme measures in order to safeguard themselves or their interests.

- **Social conditions including population density and wealth distribution:**

This variable points to disparities between different strata of society or an unequal distribution of wealth. As such it includes aspects such as and exerts an influence on crime, unemployment, illiteracy, drug use and health conditions.

- **Organisation and strength of forces for a radical left government:** This political risk factor is currently not as prevalent as during the 1970s, but it still represents an issue of great concern.

(b) External causes

- **Dependence on and/or importance of a hostile major power:** A prospective host country may have to rely on a major power in order to create conditions favourable to attract investments or have to divert the hostile actions of a major power. These situations may deter investment.

- **Negative influences of regional political forces:** This variable pertains to the actions of or conditions in a neighbouring country that may negatively influence investment conditions in the host country.

(c) Symptoms

- **Societal conflict involving demonstrations, strikes and street violence:** This variable refers to the environment in which the investor carries on his business operations, and is obviously an operational factor of concern. Demonstrations, strikes and street violence all have the potential of disrupting economic processes and are detrimental to normal production.

- **Instability as manifested in non-constitutional political changes, assassinations and guerrilla war:** Instability of this nature has always been one of the earliest and most enduring concerns for prospective investors in foreign countries. The possibility of assassinations and guerrilla war also increases feelings of fear and decreases production levels.

In conclusion, BERI's experts grade a country's political risk climate in terms of these internal and external variables, including the symptoms of risk, by assigning up to seven points for each of the variables. Based on an *ex post facto* evaluation that compared BERI risk forecasts with what actually happened, the BERI experts were correct in forecasting 26 percent of the losses suffered due to political risk for the subsequent five years (Howell & Chaddick 1994:83). This is indicative of the reliability and validity of the BERI framework.

4.2.3 International Country Risk Guide (ICRG) framework

The International Country Risk Guide (ICRG) framework was created in 1980 by the editors of *International Reports* (Howell 1998:185). At the time, it was believed that clients needed an in-depth and well-researched analysis of the potential risks that endangered international business operations. This led to the creation of a statistical model for the calculation of risks, backed up by an analysis of the statistical results. This analysis also explained what the statistical results did not indicate. Since the ICRG framework can be used by the clients themselves, it is widely employed by banks, international corporations, importers, exporters and other institutions (Howell 1998:185).

The ICRG framework provides ratings of 22 variables that are divided into three categories (or indices) of risk, namely political, financial and economic risks. The political risk index is based on 100 points, the financial risk on 50 points and the economic also on 50 points. The total score of the three indices are added and divided by two to produce a weighted average for inclusion in the composite country risk score. These composite scores, ranging from 0 to 100, are divided into categories ranging from very low risk (80 to 100 points) to very high risk (0 to 49.5 points). Because the financial and economic risks do not form part of this study, only the political risk index is discussed.

The political risk rating is composed of 12 weighted variables covering both political and social attributes. This political risk rating aims to assess the political stability of countries by assigning risk points to a pre-set group of factors also known as political risk components. The political risk components used by ICRG are the following (Howell 1998:185-194):

- **Government stability (12 points):** This component is a measure of both the government's ability to carry out declared programmes and its ability to stay in power. Government stability depends on the type of governance, the cohesion of the government, the nearness of the next elections, and popular approval of the government's policies.
- **Socio-economic conditions (12 points):** This component attempts to measure the satisfaction or dissatisfaction with the socio-economic policies of government. Usually, the greater the dissatisfaction of the citizens with government policies, the greater the chance that the government will have to change these policies. This may be to the detriment of investors. The socio-economic factors are varied and include, amongst others, aspects ranging from infant mortality and the provision of medical care to the level of interest rates.
- **Investment profile (12 points):** A government's attitude toward foreign investment is measured (zero denoting a very high risk and the maximum score a very low risk) using four sub-components, namely risk to operations (0-4); taxation (0-3); repatriation (0-3); and labour costs (0-3).
- **Internal conflict (12 points):** This component refers to the assessment of political violence in the host country and the actual or potential impact thereof on governance. A country experiencing no armed opposition and where the government does not indulge in arbitrary violence against citizens will score the best rating, while a country locked in civil war will score a worse rating. Ratings depend on factors such as whether the threat is to government alone or also to business; whether acts of violence have a political objective; the amount of support for opposition groups; and whether the violence is experienced countrywide.

- **External conflict (12 points):** This component includes the measurement of the risk external conflict poses to the incumbent government and to foreign investment, also considering factors such as trade embargoes and restrictions; whether these are imposed by a single country or the international community; and armed threats, border incursions, foreign-supported insurgency and full-scale warfare. External conflict impedes foreign investment due to restrictions placed on operations, trade and investment; the introduction of sanctions; and violent changes brought about in the societal structure.
- **Corruption (6 points):** Corruption within the political system is a risk to foreign investment. It distorts the economic and financial environment and reduces the efficiency of government and business by allowing incompetent and corrupt persons to assume positions of power. It also causes an inherent instability in politics. The most common forms of corruption involve demands for special payments for import and export licenses, exchange control, police protection and loans. Such corruption may lead to the withdrawal or withholding of foreign investment.
- **Military in politics (6 points):** The military is not an elected body and its involvement in politics diminishes democratic accountability and could distort government policy. The threat of a military take-over can force a government to change its policies or lead to it being replaced by a government less amenable to foreign investments. In addition, although a military regime may provide short-term stability and reduce business risks, the risks can increase in the longer term if the system of governance becomes corrupt or results in armed opposition. A lower risk rating indicates a greater degree of military involvement in politics and thus a higher level of political risk.
- **Religious tension (6 points):** This component refers to the domination of society or government by a single religious group that seeks to exclude other religions from political or social structures and processes; to dominate the governing process; to suppress religious freedom; to replace civil law by religious law; and to separate its religious order from the rest of the country.

- **Law and order (6 points):** This component includes two separate assessments, namely that of law and order. Law (3 points) entails an assessment of the strength and impartiality of the legal system, whereas order (3 points) includes an assessment of the popular observance of the law of the land. When a country has a strong judicial system but the populace do not observe the laws as a result of political aims (for example by making use of illegal strikes and boycotts and by propagating general lawlessness), a high risk factor exists.
- **Ethnic tension (6 points):** This component refers to tensions in a country resulting from deep racial, language or (ethnic) nationality divisions. Countries with high levels of ethnic tension are awarded poor ratings because opposition or deviant groups tend to be inflexible and unwilling to compromise on political issues, thereby contributing to a negative political environment.
- **Democratic accountability (6 points):** This component provides a measure of how responsive government is to its people; the less responsive, the more likely that the government may fall, either peacefully in a democratic system or violently in a repressive society. This situation does not only apply to non-democratic governments. Even democratically elected governments may believe that they know what is good for the nation, even though the people have made it clear that a particular policy is not acceptable.
- **Bureaucracy quality (4 points):** The institutional strength and quality of the bureaucracy tend to minimise policy revisions when governments change. Countries with a strong and accountable bureaucracy can govern without service interruptions when governments change. In these cases the bureaucracy tends to have established mechanisms and to be autonomous from political pressure. Countries without this cushioning effect are awarded low points because changes in government tend to have a traumatic effect on policy formulation and everyday administrative functions.

The advantage of this framework, although it provides for a country risk analysis, is that it distinguishes between political and non-political (economic and financial) indices and that the political risk index contains components that are intrinsically

political in nature. In addition cognisance is also taken of socio-economic conditions that may have a direct political impact, as well as of the investment implications of the political components. The differentiated scoring system also attributes a relative weight (significance) to each component.

4.2.4 Political Risk Services (PRS) framework

The widely utilised Political Risk Services (PRS) framework was initiated by Coplin and O'Leary in 1976, using expert predictions and a modified Delphi technique. It was originally called "World Political Risk Forecasts" and is presently known as "Political Risk Services". This analysis is generated by at least three experts for each country and has never relied on a single individual or group of individuals from the same occupational background. These experts analyse a set of indicators relating to situations of potential loss for foreign investors and arrive at a net probability figure for each indicator (Howell & Chaddick 1994:84).

The PRS uses variables that relate directly to government actions or economic functions. Thus it is a country risk analysis, rather than a political risk analysis in the limited sense of the word. The PRS uses the following variables (Howell & Chaddick 1998:85-86):

- **Political turmoil probability:** This variable refers to actions undertaken in the political environment that does not adhere to the rules of law or social norms.
- **Equity restrictions:** This variable refers to a situation where equity is forcibly instituted by imposing new regulations/norms after an investment has been made.
- **Personnel/procurement interference:** Government regulations can preclude the employment of members of certain groups or require that only citizens of the host country be employed. Therefore, such regulations can prevent the hiring of citizens from the investor country or insist on hiring from only certain ethnic groups, thereby increasing the possibility of industrial action. The procurement of materials can be similarly influenced.

- **Taxation discrimination:** The tax system can be arbitrarily enforced whereupon preferential taxes can be imposed or removed.
- **Repatriation restrictions:** Repatriation restrictions refer to inconvertibility, which means that the currency of the host country may not be converted to another currency. When the repatriation of funds is restricted by the host country, it obviously creates problems that negatively affect foreign investors.
- **Exchange controls:** Exchange controls can lead to any number of limitations and associated losses but is also a direct source of inconvertibility.
- **Tariff imposition:** New and unanticipated tariffs resulting from a confrontation between governments (or economic systems) can add costs that will affect the investor negatively. Certain tariffs introduced by the host country are intended to generate income, often to compensate for budget deficiencies resulting from poor government planning.
- **Non-tariff barrier imposition:** As with tariffs, non-tariff barriers are generated in cross-national economic conflicts, but unlike tariffs they are not likely to be created purely as income-earning devices.
- **Payment delays:** This refers to limitations imposed by a government on the movement of funds in order for to cover costs.
- **Fiscal/monetary expansion:** Monetary policy can be a function of mistakes or poor planning by governments in other sectors of the economy.
- **Labour cost expansion:** This factor may result from inflation or when the host government demands technological competence from the investing country. It may also be an effort to mollify certain political factions in the country.
- **International borrowing liability:** Borrowing may become a necessity to maintain programmes that brought a government to power or help it to retain power. Borrowing may also be necessary to make viable economic adjustments.

The PRS method boasts unique features in that each variable is adjusted for alternative future governments. Also, direct government actions rather than broader circumstances are predicted and each variable is recognised as being economic in nature until filtered through the likely changes that future regimes

may introduce to produce a political perspective (Howell & Chaddick 1994:86). Bearing in mind that it is mainly focused on economic variables, Howell and Chaddick (1994:87) contend that the results obtained from the PRS framework are much better than those produced by either the BERI or the EIU frameworks and accounted for the greatest explained variance, namely 74 percent. A drawback is that it utilises indicators that are, with one exception, dependent on government actions. Therefore, non-government actions are ignored.(Howell & Chaddick 1994:85). In addition, this framework does not really cater for political risk analysis (irrespective of its name which contains the concept “political” - which justifies its inclusion) but rather for country risk analysis. This, also considering the predominance of economic variables, makes it of lesser importance for the purposes of this study.

4.3 Generic features

In analysing these selected frameworks, mainly designed for purposes of country risk analysis, it is evident that they are very comprehensive in that they incorporate a number of indicators of political-security risk. They also show a significant level of overlap, indicative of their exhaustive nature. If a comparison is made of the risk indicators (or variables) of the aforesaid frameworks, it is evident that they have some common or rather generic features (see Table 1).

Table 1: Generic features of the selected frameworks

Indicator	EIU	BERI	ICRG	PRS
War/Armed insurrection	X	X	X	X
Ethnic tension	X	X	X	
Corruption	X	X	X	
Socio-economic conditions	X	X	X	
Authoritarianism	X	X	X	
Bad neighbours	X	X		
Military in government	X		X	

Religion in politics	X		X	
Government stability		X	X	
Investment profile			X	
Law and order			X	
Left wing radical groups		X		

As indicated, all the frameworks, with the exception of PRS which in fact is also a country risk analysis framework, explicitly indicate that war and armed insurrection in some form or another is considered a political risk factor. The EIU refers to it as “war/armed insurrection”, BERI lists “negative influences of regional political forces” and “instability as perceived by non-constitutional changes”, whereas ICRG refers to “internal conflict” and “external conflict”. PRS does, however, refer to “political turmoil probability” that in principle could include different forms of violence and the use of force. Both the ICRG and EIU frameworks refer to ethnic tension, while BERI mentions “fractionalisation by language, ethnic and/or religious groups”. Socio-economic conditions, in some or other form are prominent in each of the frameworks. The EIU refers to urbanisation pace, BERI to social conditions, and ICRG to socio-economic conditions. The same applies to authoritarianism, which is called authoritarianism by the EIU, restrictive measures to retain power by BERI, and democratic accountability by ICRG. Corruption is referred to by name in all three frameworks.

In addition, similar features appear in at least two of the frameworks. The EIU considers “bad neighbours” while BERI uses “dependence on and/or importance to a hostile major power”. The influence of the military is also a common feature in two frameworks. The EIU refers to “generals in power”, whereas ICRG calls it “military in politics”. Similarly, the effect of religion (or religious authority) in the political situation of a country is emphasised. The EIU refers to “Islamic fundamentalism”, whereas ICRG calls it “religion in politics”. The BERI indicator, namely “fractionalisation of the political spectrum and the power of these factions” can be equated with the ICRG indicator of “government stability”.

Three indicators, namely “investment profile” (ICRG), “organisation and strength of forces for a radical left government” (BERI) and “law and order” (ICRG) only appear in a single framework and are thus not generic. However, the presence of these three indicators is crucial to a proper analysis of political-security risks especially in developing countries. The investment profile of a newly independent, post-colonial state must be such as to indicate to prospective investors that their investment would be safe. Although intrinsically non-political in nature, the broad scope of “investment profile” essentially encapsulates a range of key economic and financial indicators. This indicator is broad enough to reflect direct political implications, with the exclusion of the spectrum of non-political, economic and financial variables. The inadequate application of law and order unquestionably poses a risk to foreign investment. Also, the presence of any radical groups in a country strongly indicates the possibility of political-security risks.

Although PRS includes several variables that are not present in the political indices of the other frameworks (except for “political turmoil probability”, as previously indicated), these are excluded on account of their intrinsic economic and financial nature and irrelevance to this study. Thus PRS is not used in the construction of a synthesised framework and in the subsequent analysis. Even though it produced the highest reliability of all the frameworks, it is essentially a method for assessing country risk, emphasising economic indicators, and not as much one for assessing political-security risk.

5. A synthesised political-security risk analysis framework

Howell and Chaddick (1994:89) contend that no single framework or model for assessing (political-security) risk should ever be utilised. In addition, existing frameworks for analysis vary considerably in their ability to accurately assess and forecast risk. Finally, some of the indicators or variables that each framework contains may be more useful than those of others to forewarn prospective

investors. This means that either a suitable selected framework or a synthesised framework should be used. Because the choice of a particular framework may prove to be extremely difficult, a synthesised model is suggested.

Also to be considered is Venter's (2000:77) suggestion that a basic distinction should be drawn between macro and micro political risk analyses. In this respect macro risk analysis refers to changes in the overall political order of a state that by implication affect all companies in (and/or other relevant actors involved in) the country. In contrast, micro risks are those that are specific to an industry in question. A macro risk analysis is therefore performed in this study since an overall political-security risk profile of Uganda is required.

5.1 Indicators of political-security risk

The political-security risk indicators utilised in the synthesised model are those that are generic to the frameworks under discussion. These indicators can be subdivided into three groups. The first group includes those indicators of an explicit security nature with direct political-security implications, namely war, ethnic tension, negative international relations, radical groups, and law and order. The second group contains those indicators of a more explicit political nature that may have direct political-security implications, namely government instability, authoritarianism, the military in government, and religion in politics. The third group is of a more implicit socio-economic nature that has more indirect political-security implications, namely corruption, socio-economic conditions and the investment profile. Also considered is the fact that political-security risks are mostly those that are generated by the actions or inactions of the government of a country and do not rely excessively on the actions or inactions of non-governmental actors. Therefore, the indicators used in the present case study focuses primarily but not exclusively on the conditions created by government.

As a scoring system, points are awarded to each indicator of the risk analysis framework. These scores range from 0 to a pre-set maximum of either 12, 6 or 4. The higher points-value is awarded to those indicators that are utilised by all three frameworks (excluding PRS). In addition, these indicators are regarded as the most influential or significant and therefore more likely to impact negatively on any investment. Consequently they form the core of the synthesised framework. The points-value decreases thereafter depending on the number of frameworks a particular indicators appears in, also being indicative of its relative importance. The points awarded also indicate the assessed level of risk of a particular indicator relative to others, thereby differentiating or weighing the respective risks that are involved. Howell (1998:189-190) states that an absolute risk factor is indicated by zero (0) and as the points awarded increase, so the assessed risk decreases from extremely high to relatively low. It must be said, though, that neither zero (absolute high risk) or a score beyond the pre-set maximum (absolute no risk) exists. In respect of the synthesised framework used in this study, merely because it is more logical, it has been decided not to employ this inverse proportion but to reverse the relationship between the points awarded and the level of risk. Hence a positive or directly proportional relationship exists between the allocated score and the risk involved, that is a high score indicates a high risk and vice versa. The indicators of political-security risk used in the synthesised framework are subsequently summarised.

5.1.1 Security risks (explicit, with direct political-security implications)

The security risk indicators are as follows:

- **War:** This indicator refers to either inter-state or intra-state war, that is the use of armed force between the host state and another sovereign state (or states), or between the host government and internal forces intent on overthrowing the government or destabilising the country. The latter depends on the intention either to install another political group as the government, or to act as a “puppet” government for a foreign power. Because armed conflict can have an adverse

effect on government, business, industry, society and the population, the opposite also holds true: when the use of armed force is not present or imminent, it bodes well for the country. The pre-set maximum of points awarded is 12.

- **Ethnic tension:** As a product of deep social divisions in a plural society, this indicator refers to the prevalence of severe tension between different ethnic groups, irrespective of whether this ethnicity is based on language, religion or other divisive factors that may affect the normal running of the country by the government. The pre-set maximum for points awarded is 12.
- **Negative international relationships:** This indicator refers to relationships with adjacent or nearby neighbouring countries, but also to relationships with major powers. These negative relationships result from the interaction between governments and if tantamount to intervention, they will therefore impact on core national interest, especially sovereignty and territorial integrity. In this respect this indicator constitutes a definite security risk factor, although it also has political dimensions. The pre-set maximum for points awarded is 12.
- **Radical groups:** This indicator refers to radical groups whose activities (violent and non-violent) may inhibit the government in various ways so as to influence, retard, or destabilise governance. Left-wing or right-wing groups directly opposed to the government and its policies usually act in response to the policies of the government but may pursue their ideological and political objectives in an independent manner. The pre-set maximum for points awarded is 4.
- **Law and order:** No country can ever hope to attract investment from abroad without recognition of the rule of law, an independent judiciary and an impartial and unbiased police service that is to function in an effective manner. Traditionally the assurance of law and order in any country is the exclusive domain of government. The extent to which this prerogative is undermined, also poses a security risk. The pre-set maximum for points awarded is 6.

5.1.2 Political risks (explicit, with indirect political-security implications)

The political risk indicators are as follows:

- **Authoritarianism:** This indicator pertains to democratic accountability and the expectation that a government is obliged to govern sensibly and democratically. Since only a government can practice authoritarianism in a political context, authoritarianism is a major political-security risk factor. The pre-set maximum for points awarded is 12.
- **Government instability:** The political spectrum often includes various factions that may jeopardise the stability of government by attempting to realise their respective ideals and policies through stabilising activities. This may include agreements with, amongst others, external actors. Government instability is attributed to or related to government and as such constitutes a major political-security risk factor. The pre-set maximum for points awarded is 6.
- **Military in power:** This situation is found when a military *junta* rules a country, either directly or indirectly, or where civilian government is supported or kept in place by a noticeable military presence. This involvement usually diminishes democratic responsibility. Most military regimes (or personnel) that have become involved in the process of government, have also been shown to not give up governing easily. The pre-set maximum for points awarded is 6.
- **Religion in politics:** A single, dominant religious group may become a political force, perpetuate religious intolerance, overwhelm all other religious groups and lead to diminished democracy. Although this indicator is not necessarily directly attributable to government, with the exceptions of theocracies, it remains a significant political factor with security implications. The pre-set maximum for points awarded is 6.

5.1.3 Socio-economic risks (implicit, with indirect political-security implications)

The socio-economic risk indicators are as follows:

- **Corruption:** Here the question is whether or not corruption, including nepotism, occurs in government and/or private enterprise. As a highly detrimental factor for foreign investors, government agents and civilians alike can

perpetrate corruption. When practiced by government representatives it becomes extremely problematic for both prospective investors and the government of the host country. The pre-set maximum for points awarded is 12.

- **Socio-economic conditions:** This indicator refers to and includes aspects such as rapid urbanisation, drug trafficking, unemployment, wealth distribution and population density. The socio-economic problems in a country can be directly attributable to the actions of the government, more specifically government policy. The pre-set maximum for points awarded is 6.
- **Investment profile:** The host country attempting to attract investment capital should make investment as attractive as possible to prospective investors. The government through its investment policies is responsible for the investment profile of the country. This factor, if detrimental, can be utterly devastating for foreign investment. The pre-set maximum for points awarded is 6.

5.2 Index of political-security risk

Based on the generic indicators suggested by the risk analysis frameworks previously discussed, the following index (see Table 2) is proposed for the purpose of a political-security risk analysis of Uganda. It is regarded as an appropriate synthesis of the political and security related indicators that form part of some of the most acceptable and widely used frameworks in existence.

Table 2: Index of political-security risk

Indicators	Score	Maximum points
Security risks		46
War		12
Ethnic tension		12
Negative international relations		12
Radical groups		4
Law and order		6
Political risks		30

Authoritarianism		12
Government instability		6
Military in power		6
Religion in politics		6
Socio-economic risks		24
Corruption		12
Socio-economic conditions		6
Investment profile		6
Total (risk index score)		100

5.3 Interpretation scale

Based on a 5-point scale with equal intervals of 20 points, ranging from 1 to 100, the following interpretation scale of the summed political-security risk index score is suggested (see Table 3):

Table 3: Interpretation scale

Points awarded	Risk potential
1-20	Very low risk
21-40	Low risk
41-60	Intermediate risk
61-80	High risk
81-100	Very high risk

If the overall index score is between 1-20, it is considered to represent a very low risk; if between 21-40, a low risk; if between 41-60, an intermediate risk; if between 61-80; a high risk, and if between 81-100 a very high risk. The 5-point interpretation scale is based on equal intervals. Hence the index scores are spread evenly around the central point to counteract a skewed interpretation scale.

6. The use of risk analysis in corporate strategic planning

Malherbe (1990:4) defines strategy as the setting of long-term aims and objectives within an institution and the acceptance of plans of action as well as the provision of the resources to reach such goals. In addition, he describes strategy as the basic characteristics of the match an organisation achieves with its environment.

Malherbe (1990:7) also identifies seven clear steps when formulating strategy and an analysis of the (strategic) environment constitutes one of these steps. Therefore, social and political analyses form part of the strategy formulating process. He furthermore emphasises the importance of analysing the external environment for strategic management purposes, as well as the influence this analysis has on the mission, vision and strategic decisions of a company. Carroll and Hall (quoted by Malherbe 1990:17), state that the aim of an external analysis is to position the company in accordance with stakeholders in the environment. This can only be achieved through a strategy formulating process that includes the formulation of the objectives and mission of the company.

According to Stapenhurst (1992:54-56), certain countries of the south are becoming increasingly important for industrial production. Competition in the global industry that is caused by this increased importance necessitates the gathering and utilisation of more country-specific information. Therefore, corporate management faces an obvious problem: risk assessment must be incorporated into decision-making. In order for a corporation to interact with the environment it operates in, strategic planning is of utmost importance. Political and socio-economic assessments, which form part of the analysis of the environment, are therefore cornerstones of effective strategic planning. Such analyses are also called “political risk assessment” (PRA) and thus relates to political-security risk analysis. Since the size of a corporation correlates positively

with the probability of that organisation actually undertaking environmental scanning, large corporations are more inclined to employ risk analysis.

Similarly, Merrill (1982:91) is of the opinion that (country) risk analysis rests on the proposition that professional economic and political research can help corporate management avoid mistakes and choose between the best policy alternatives. The same may be said of political-security risk analysis. Bergner (1982:29) concurs when stating that the degree of specificity of risk analysis information is critical in regard to corporate decision-making needs.

Corporations not only have to appreciate their environments, but they also have to increase their environmental intelligence and then face the challenge of integrating the results of analyses with strategic management. Planning has to be done not only in respect of economic factors, but also in respect of political, social and technological factors. Such planning has to be done in an external business environment that has strategic implications for the company concerned. Furthermore, most international firms do practice some form of environmental analysis as a part of a strategic management process (Diffenbach 1983:107-108).

Sethi and Luther (1986:64-67) also suggest that strategy-specific data will yield more focused information gathering and will eliminate risk exposure generated by a particular strategy. Furthermore, the collection of information for assessing risk exposure must be done with consideration of a particular strategy to contain those risks. More accurate measurement of political-security risk is therefore likely to improve management's ability to respond to risk-increasing events. Senior management must recognise that many systematic modes of analysing political risk exist, both qualitative and quantitative. There must be willingness on the part of senior management to devote a share of corporate resources to political analysis and forecasting (Haendel, West & Meadow 1975:52-76).

It is apparent that any institution that wants to successfully invest abroad will have to utilise political-security risk analysis. It should be done in a manner to be able to determine at corporate or strategic level which are perceived risks, which are real risks and which risks are acceptable. Political-security risk analysis will also assist corporate management to recognise the legitimacy of perceived risks and to institute communication on risk issues involving all interested or stakeholders. This process will also assist in risk management.

7. Conclusion

Country risk, political risk and political-security risk are intrinsic to all countries. Several frameworks exist for the analysis of such risks, but it is accepted that no single framework is suitable to be utilised for risk analysis in respect of all countries. In order to construct an appropriate framework, it is necessary to investigate some of the more frequently used risk analysis frameworks and to extract generic risk indicators as a basis for a synthesised framework. For the purposes of this study a synthesised framework that will enumerate political-security risks must be employed. Such a framework will have to incorporate those political-security risk factors that may endanger or compromise strategic planning concerning foreign investment or involvement.

Risk is the combination of a potential loss and the probability of it occurring. Country risk consists of those actions by a government impacting on investment or involvement by another country or company. Political risk is the possibility that political decisions, events or conditions in a country will impact detrimentally on the business environment and include the actions of a government and other non-governmental actors such as terrorists or NGOs. Political-security risks are those vulnerabilities flowing from or related to the political risks that exist in a specific country.

Certain generic elements exist in the EIU, BERI and ICRG frameworks. These elements can be synthesised into a political-security risk analysis framework that comprises the following indicators of risk, namely security indicators, political

indicators and socio-economic indicators. Security indicators include war, ethnic tension, negative international relations, radical groups, and law and order. Political indicators include authoritarianism, government instability, military in power, and religion in politics. The socio-economic indicators are corruption, socio-economic conditions and investment profile. Each risk indicator is, in accordance with the risk index, awarded a certain number of points which are summed. This produces a risk index score indicative of the risk factor threatening foreign investment or involvement in the host country. High scores indicate high risk and *vice versa*. A 5-point interpretation scale is also supplied to assess the overall political security risk that is involved.

Strategic management is crucial when contemplating investment or involvement in foreign countries. Management (or decision-makers) will have to determine in which country and in what sector of the economy an investment should be made; what the value of the investment should be; the amount of money to be invested, the number of personnel, if any, that will be transferred to the investment country, and how much use will be made of local labour; whether personnel transferred to the target country will be permanently or temporarily moved and, if temporarily, for how long; the production or service processes to be utilised; and whether the machinery used in the investment will be manufactured in the country of origin or in the target country. Moreover, it must be decided if the infrastructure of the host country is sufficient and efficient enough. Basically, management must investigate whether the usage of the commodity to be produced (or service to be rendered) is sufficient to sustain the investment. As a decision-making and strategic planning tool, this implies that the political-security risks in Uganda must be assessed using the proposed synthesised framework. This, however, cannot be done without a so-called baseline construction that provides a country profile covering Uganda's geophysical and geodemographic features, infrastructure, political history and the current political situation.

CHAPTER THREE

A COUNTRY PROFILE OF THE REPUBLIC OF UGANDA

1. Introduction

Uganda was colonised as a British protectorate by the United Kingdom (UK) in the latter part of the 19th century and gained its political independence on 9 October 1962 as the Republic of Uganda. Following independence, Uganda suffered from inefficient political rule because most Ugandans were not sufficiently educated or trained to take over the government and the administration of the country. As was the case in many countries of the south (formerly the Third World) after decolonisation, Uganda experienced various forms of political turmoil and instability. This included, amongst others, civil war, armed insurrection, *coups*, ethnic cleansing, the nationalisation of foreign assets, nepotism, political violence and corruption that have been rife since 1962. Following a period of military rule from 1971 to 1979, foreign intervention and a return to civilian rule, Uganda has, since 1986 effectively been a one-party state. The so-called Movement, headed by pres. Yoweri Museveni, governs the country and does not allow multi-party participation. Its form of government is, however, democratic to an extent since every citizen can potentially be elected to the Assembly, which is the central legislative body of Uganda.

Because of Uganda's somewhat chequered history, it is advisable to take cognisance of and investigate all possible risks that may impact negatively on foreign investment or involvement. Therefore, a political-security risk analysis is performed using the synthesised framework as discussed. However, before this can be done, it is necessary to provide a country profile of Uganda. This serves as a base-line construction and therefore as background overview to the political-security risk analysis that will follow. For this purpose attention is forthwith given to the geophysical, infrastructural and politico-historical features of Uganda.

2. Geophysical and geodemographic features of Uganda

The Republic of Uganda, once described by Sir Winston Churchill as the “pearl of Africa”, is an independent, landlocked country in east-central Africa. It is bordered by Sudan to the north, by Kenya to the east, by the Democratic Republic of the Congo (DRC – formerly Zaire) to the west and by Tanzania, Rwanda and Lake Victoria to the south. Uganda lies astride the equator and between 30 and 35 degrees eastern longitude. The country has a surface area of 241 139 square kilometres of which land makes up 197 058 square kilometres. The rest is taken up by inland water in the form of natural lakes (Africa south of the Sahara 2003:1112). The centre of the country forms a plateau at between 900 and 1 500 metres above sea level and mountainous areas are found in both the east and west of the country. The eastern range includes Mount Elgon at 4 321 metres and the western range includes Margherita Peak, which, at 5 110 metres is the highest in Uganda (Jane’s Sentinel 2001:518).

The estimated population of Uganda in mid-2001 was 22 788 000, most of whom are resident in the rural areas (Africa south of the Sahara 2003:1112). The birth rate in Uganda is 45.08 per 1 000 of the population and the death rate is 20.98 per 1 000 of the population. Life expectancy for females is 42.4 years and 41.9 years for males (Jane’s Sentinel 2001:523).

The capital of Uganda, Kampala, (population 1 500 000) is situated on the northern shore of Lake Victoria (Africa at a glance, facts and figures 2001/02:22). Other large towns include Jinja, Masaka, Gulu, Entebbe, Soroti, Mbarara and Mbale (The Statesman’s Yearbook 2003:1587). The official language of Uganda is English but many local languages of which the most important is Luganda are spoken (The Europa World Year Book 2002:4014).

The Ugandan population is made up of the following ethnic groups: Baganda 17 percent, Karamajong 12 percent, Basogo eight percent, Iteso eight percent and

Langi six percent. The Rwanda ethnic group also comprises six percent of the total population, the Bagisu five percent, the Acholi as well as the Lugbara four percent, the Bunyoro three percent and the Batobo also three percent. Other groups (Asian, European and Arab) comprise 24 percent of Uganda's population (Jane's Sentinel 2001:522). The Christian religion (eight million Anglicans and about 10 million Catholics) makes up about 60 percent of the Ugandan population and the Muslim faith about five percent (The Europa World Year Book 2002:4026).

Uganda boasts a tropical climate and has two distinct rainy seasons, namely March-May and September-November (The Statesman's Yearbook 2003:1588). The highest annual rainfall figures in Uganda (higher than 2 000 mm per year) are found in the area bordering Lake Victoria and in the mountains. More than 1 250 mm per year is measured on the high ground in the west and in the eastern and north-central interior. Only the north-eastern parts and areas in the south receive less than 750 mm per year (Africa south of the Sahara 2003:1113).

3. Background information

Most information about Uganda is dated and incomplete and as such constitutes a major problem in compiling background intelligence information required for a political-security risk analysis. The basic political, economic and social features of the country is summarised as follows (see Table 4):

Table 4: Background information on Uganda

Sector	Data
Economic	
Economic policy	The IMF has expressed satisfaction with Uganda's economic policy and has approved a new 3-year poverty reduction and growth facility (PRGF) worth about US\$17.8 million between 2002 and 2005 (Country Report October 2002:3).

Gross Domestic Product (GDP)	Uganda's gross domestic product (GDP) has improved from Ush7.7 billion in 1998/99 to Ush9.6 billion in 2000/01. The EIU expects GDP to grow by six percent from 2002 to 2003. The <i>per capita</i> GDP for 2001 was US\$240 (EIU Country Report July 2002:11; EIU Country Report October 2002:5; The Military Balance 2002/2003:329).
Origin of GDP in 2001	Agriculture: 41 percent Government and community services: 20 percent Commerce: 12 percent Manufacturing: 10 percent Construction: 7 percent (EIU Country Report October 2002:5)
Principal exports in 2001	Coffee: US\$98 million Tea: US\$30 million Gold: US\$49 million Cotton: US\$13 million Fish and fish products: US\$78 million (EIU Country Report October 2002:5)
Main destinations of exports in 2001	Belgium: 14.3 percent Netherlands: 14.1 percent Germany: 12 percent United States: 5.9 percent Spain: 5.7 percent (EIU Country Report October 2002:5)
Principal imports in 1999	Machinery: US\$171 million Petroleum: US\$121 million Road vehicles: US\$97 million Medical and pharmaceuticals: US\$74 million Cereals: US\$58 million Iron and steel: US\$45 million (EIU Country Report October 2002:5)

Main origins of imports in 2001	Kenya: 43.2 percent India: 6.8 percent South Africa: 6.4 percent UK: 5.6 percent USA: 3.7 percent (EIU Country Report October 2002:5)
Foreign reserves	The value of reserves (excluding gold) in the second quarter of 2001 was US\$870 million (EIU Country Report October 2002:6).
Inflation	The inflation rate at the end of August 2002 was -0.5 percent (EIU Country Report October 2002:10).
Chamber of Commerce	The Uganda National Chamber of Commerce is situated in Kampala (The Europa World Year Book 2002:4028).
Industry	
Industry	Mainly involved in processing the agricultural produce. The first vehicle assembly plant operated by General Motors produces 490 commercial vehicles per year. Other manufacturing industries: textiles, steel, hoes, wheelbarrows mattresses, cement, paints, malt brewery, cigarettes and matches (Africa south of the Sahara 2003:1123).
Industrial and trade associations	Coffee Marketing Board (CMB); Cotton Development Organisation; Produce Marketing Board; Uganda Coffee Development Authority; Uganda Importers', Exporters' and Traders' Association; Uganda Manufacturers' Association (UMA); and the Uganda Tea Authority (The Europa World Year Book 2002:4028).
Government agencies	Capital Markets Authority; Enterprise Development Unit (EPD); Export and Import Licensing Division; Uganda Advisory Board of Trade; Uganda Investment Authority (The Europa World Year Book 2002:4028).

Development organisations	Agriculture and Livestock Development Fund; National Housing and Construction Corporation; and Uganda Industrial Development Corporation (ULDC) (The Europa World Year Book 2002:4028).
Trade union	National Organisation of Trade Unions (NOTU) (The Europa World Year Book 2002:4029).
Minerals	Cobalt, tungsten, tin, clay and gypsum are mined on a limited scale (The Statesman's Yearbook 2003:1589).
Agriculture	In 2000/01 agriculture accounted for 90 percent of export earnings; contributed to 39.7 percent of the GDP in 2000/01; and employed 80 percent of the labour force. The principal agricultural export earners were coffee, cotton horticulture and tea. Livestock (in 1998) amounted to: 5.37 million cattle, 1.96 million sheep, 3.6 million goats and 0.95 million pigs (Africa south of the Sahara 2003:1121-1122; The Statesman's Yearbook 2003:1590).
Tourism	Uganda's principal tourist attractions are the forests, lakes, mountains, wild life and an equable climate. Uganda received 238 000 tourists in 1998 who spent an estimated US\$142 million while in the country (The Europa World Year Book 2002:4030).
Political	
Main political organisations	National Resistance Movement (NRM) [in government]; Conservative Party (CP); Democratic Party (DP); Uganda Freedom Movement (UFM); Uganda Islamic Revolutionary Party (UIRP); Uganda People's Congress (UPC); Ugandan People's Democratic Movement (UPDM); and Uganda Progressive Union (UPU) (The Europa World Year Book 2002:4025).
Organisations in armed conflict with the government	Alliance of Democratic Forces (ADF), Lord's Resistance Army (LRA), Uganda National Rescue Front Part II (UNRF II), Uganda People's Freedom Movement (UPFM) and West Nile Bank Front (WNBF) (The Europa World Year Book 2002:4025).

International Relations	
International relations	Uganda is a member of the following international organisations: United Nations; World Trade Organisation; African Union; African Development Bank; Common Market for Eastern and Southern Africa (COMESA); East African Community; Islamic Conference Organisation; Commonwealth; Intergovernmental Authority on Development (IGAD); and is an ACP (African Caribbean Pacific) member of the ACP-EU (African Caribbean Pacific-European Union) relationship (The Statesman's Yearbook 2003:1589).
Diplomatic representation	Countries with representation in Kampala: Algeria, Austria, Belgium, Burundi, Cuba, Democratic Republic of the Congo, Democratic People's Republic of Korea, Denmark, Egypt, Ethiopia, France, Germany, Holy See, India, Ireland, Italy, Kenya, People's Republic of China, Libya, Netherlands, Nigeria, Norway, Pakistan, Russia, Rwanda, South Africa, Sudan, Sweden, Tanzania, United Kingdom and the United States of America (The Europa World Year Book 2002:4025-4026).

4. The physical infrastructure of Uganda

The Ugandan infrastructure is not very well developed and roads, railroads, waterways and air travel require much maintenance and extensive upgrading.

(a) Roads and vehicular traffic: The main highway in the country, an all-weather tarmac road, runs east to west from Kenya to the western frontier with Rwanda. This road carries most of Uganda's road transport exports. The 2002/03 budget made provision for the upgrading of a number of roads, namely the Karuma-Olwiyo-Pakwach road, the Katunguru-Kasese-Fort Portal road, the Kasese-Kilembe road and the Equator road. In 2000 there were 49 016 passenger cars, 16 323 buses and coaches, 55 683 lorries and vans, and 64 305

motor cycles in use in Uganda (Jane's Sentinel 2001:524; The Europa World Year Book 2002:4023; Africa south of the Sahara 2003:1125).

(b) Railways: The Uganda Railways network totals 1 241 kilometres. More than 80 percent of railroad traffic is freight for export. Most freight passes through Kenya from where it is exported *via* the port of Mombassa but an increasing amount is exported through the Tanzanian port of Dar es Salaam. Export freight accounted for 97 percent of revenue earned by the railroad in 1994. Ugandan Railways travelled 28 million passenger-kilometres and 187 million ton-kilometres in 1996 (Jane's Sentinel 2001:524; The Europa World Year Book 2002:4023; The Statesman's Yearbook 2003:1591).

(c) Waterways and ports: No long, navigable stretches of river exist in Uganda but the Albert Nile in the northwest is navigable. Several lakes, including Lake Victoria, Lake Kyoga and Lake Edward carry substantial waterborne traffic. The main ports are on Lake Victoria of which the biggest is Port Bell on the outskirts of Kampala. From here most freight is carried on ferries to Kisumu in Kenya and Bukoba in Tanzania. Ferries from Masindi and Butibia also carry freight and passengers to the eastern parts of the DRC. A rail wagon ferry service connects the town of Jinja with the Tanzanian port city of Tanga on which export goods are transported (Jane's Sentinel 2001:524-525; The Statesman's Yearbook 2003:4029).

(d) Airports and airlines: The single international airport in Uganda is found at Entebbe, about 42 kilometres from Kampala. The only other civilian airport capable of handling heavy aircraft is at Gulu, 240 kilometres north of Kampala but it is mostly used by military aircraft. Uganda Airlines Corporation, a government owned company was formed in 1976 after the dissolution of East African Airways. It is the largest registered carrier in the country and used to service routes to Harare (Zimbabwe), Dar es Salaam (Tanzania), Bujumbura (Burundi), Johannesburg (South Africa), Mombassa and Nairobi (Kenya). After a partial buy-out deal with

South African Airways fell through in March 2000, the airline had to cease flights and its long-term future is in doubt (Jane's Sentinel 2001:524-525).

(e) Telecommunications: In 1992 the state owned Uganda Post and Telecommunications Company was divided into three businesses. The government retained the Post Bank and the postal services, while the telephone business Uganda Telecommunications Limited (UTL) was privatised. In 2001, Uganda had 63 700 fixed telephone lines and 322 700 cellular subscribers. In 2001, Uganda had 70 000 personal computers and 60 000 Internet users (Jane's Sentinel 2001:525; Africa south of the Sahara 2003:1125). There are two television stations in Uganda and at least five radio stations. In 1997 there were 2.6 million radio receivers and in 2001 610 000 television sets in Uganda. A number of daily and other newspapers as well as periodicals are published in Uganda and there are four local publishing houses (Africa south of the Sahara 2003:1133; The Europa World Year Book 2002:4027).

(f) Energy: Electricity production in 2000 was estimated to be 1 639 million kilowatt/hour. Electricity is mainly derived from hydro-electrical power plants. The electricity network is poorly maintained, power cuts are frequent and only 3-5 percent of the population has access to electricity. Uganda exports about ten percent of generated power to Kenya and local demand grows by about eight percent. Faults in the transmission grid together with electricity theft causes losses of about 34 percent and the Uganda Electricity Board (UEB) had, at times, to purchase power from the Kilembe mines group (EIU Country Profile 2002:20). The South African energy giant, Eskom, is set to enter the Uganda energy market having won the Uganda Electricity Generation concession after privatisation. Eskom is the only bidder and proposes to invest about US\$35.8 million in generation, operation and maintenance costs (EIU Country Report October 2002:25). Drilling for Uganda's first oil well was to have started in August 2002 in the Semliki basin but had to be postponed because of heavy rains in the area. Surveys suggest that commercial quantities of oil are present (EIU Country Report October 2002:25).

(g) **Economic infrastructure:** In 2000 the IMF indicated that levels of poverty in Uganda had decreased: in 1992/3 56 percent of the population lived in poverty; a percentage that declined to 44 percent by 1996/7. The Ugandan currency is the new Ugandan shilling (NUsh) which, on average during 2001, exchanged at NUsh1 755 to the US dollar (EIU Country Profile 2002:3). (For additional information, see Table 4).

As indicated, the infrastructure of Uganda is still relatively limited but the government is actively attempting to improve this situation, especially by attracting foreign assistance and investment. In 1999 Uganda received a total of US\$590 million from global donors. In March 2000 donor countries granted Uganda an amount of US\$2 000-3 000 million in support of its economic development plan (Africa at a Glance 2001/02 2002:54; The Europa World Year Book 2002:4019).

5. The political history of Uganda

The political history of Uganda can be subdivided in successive phases, namely those pertaining to pre-colonial Uganda, Uganda as a British Protectorate, the road to independence, the Obote regime, the Amin regime, the post-Amin *interregnum*, civil war, and the Museveni regime.

5.1 Pre-colonial Uganda

Pre-colonial Uganda was divided into monarchical and “republican” societies. Established and developing centralised kingdoms were found in the southern and western parts, whereas small chiefdoms and principalities were located in other parts of the country. Certain sectors of the population nevertheless continued with relatively small egalitarian polities within villages and clans. The inter-lacustrine kingdoms had certain common characteristics; more importantly, they had no smooth and established methods of succession, so that the death of a reigning king

usually resulted in anarchy and instability. Purges and political persecution of the losers often followed these contested successions (Africa Today 1996:1550-1551).

The peoples of Uganda functioned in relatively small egalitarian polities, their activities seldom extending beyond the village or clan level. In pre-colonial times, Ugandan society also had distinct socio-economic and political institutions. Extended families were the basic social unit in communities and above these were found patrilineal clans. Some of these clans undertook specialised economic and political functions. Almost all social and communal activities happened at either family or clan level. The main economic activities were of a pastoral nature and consisted of agriculture supplemented by hunting, carpentry, fishing and iron-smelting (Africa Today 1996:1550).

The first foreigners to arrive in Uganda were Zanzibari traders from the east African coast and trading links existed between Uganda and Zanzibar by the end of the 18th century. Amongst others, these traders introduced firearms and the Islamic religion to Uganda. At the same time Arabs from Egypt and the Sudan also penetrated Uganda from the north on slave-trading expeditions. During the latter half of the 19th century yet another group of foreigners came to Uganda, in the form of European travellers and adventurers. Amongst the first were Speke (born in England) and Grant (born in Scotland), who searched for the source of the Nile. In 1874 Stanley, another foreign adventurer, arrived in Buganda, the land of the Baganda (as Ugandans were known at the time). Mutesa I, the king of the Baganda expressed an interest in Christianity, whereupon Stanley promised to send some missionaries to Buganda following his return to the UK. The first group of Protestant missionaries duly arrived in 1877 and was followed two years later by Roman Catholic missionaries (Africa Today 1996:1552). Competition immediately ensued between the two missions with the result that religious disagreements soon turned into political divisions (Mutibwa 1992:2).

5.2 Uganda as a British protectorate

The political future of Uganda was eventually determined by the European powers. In 1885 the German explorer, Karl Peters, seized Tanzanian (formerly Tanganyika) on behalf of Germany. This prompted the British to seize, annex and occupy the area that is currently known as Kenya. East Africa was thus divided between German and British “spheres of influence” although the western borders of these territories were not clearly defined. When, in 1889, Peters with the support of the Catholic missionaries signed a treaty of friendship with the then *kabaka* (king) Mwanga, the “treaty” was opposed by the Protestants (Anglicans). The Anglicans then invited Jackson of the Imperial British East African Company (IBEAC) to sign an agreement with Mwanga on behalf of the British. Only the *Heligoland Treaty*, 1890 in which Germany recognised Uganda as a British “sphere of influence” averted a clash between the two powers over the country. The IBEAC was entrusted with the administration of Uganda and in 1890 Captain Lugard arrived in Kampala to act as agent of the company (Africa Today 1996:1552).

During 1892 the IBEAC experienced financial trouble and threatened to withdraw from Uganda. This contributed to the British government’s decision to take over the administration of the country. The British then proceeded to establish what is now known as Uganda through the declaration of the “Ugandan Protectorate” in 1894. The name of the country was derived from the pre-colonial kingdom of Buganda. Between 1894 and 1919 the British consolidated their presence in Uganda but the western borders of the country were not determined until 1919. This meant that the British occupied themselves with the conquest and pacification of the country for about 25 years. This conquest took two forms, namely an ideological conquest, which used Western religions to undermine the authority of the traditional leaders; and conquest by means of direct force and violence (Africa Today 1996:1552). From an Ugandan point of view, these approaches to and methods of conquest and occupation were tantamount to “force and fraud” (Lwanga-Lunyiigo 1989:25). The Ugandans had an ambivalent

response to British colonialism: whereas some citizens collaborated with the British, others openly resisted them. In respect of the latter, some Ugandans opted for passive resistance while others resorted to guerrilla tactics. The British though, were much too strong for the resisters and most resistance was crushed and the leaders either deported or executed (Africa Today 1996:1553).

Although a British protectorate, the traditional monarchy was retained. The British, however, implemented a system of “indirect rule”. Because the British did not have sufficient manpower to effectively administer the protectorate, a system was introduced whereby officials of the pre-colonial Kiganda system were employed without regard to local conditions. Bagandans were relocated all over the country, a measure deeply resented by the local population in these and other areas of the country. This resentment led to the phasing out of Bagandans and their replacement by members of other tribes. Furthermore, the education of the inhabitants of the country was undertaken by the missionaries and both Catholics and Protestants erected schools in an effort to effect conversion to their faith. This meant that the differences between Catholics and Protestants were reinforced and also that the future constitutional and political development of the country was seriously affected (Africa Today 1996:1553). From an Ugandan point of view, Mutibwa (1992:10), has no reservations in calling this rule by the British, “direct rule” because there was no doubt as to where the real power lay and that those ruled felt it directly.

During the period from 1919 to 1939, the inter-war years, no serious political change occurred in Uganda except at a provincial level. In the 1920s provincial government structures with limited political objectives were instituted in an attempt to redress the grievances of the people. These objectives included attempts to redress the system under which land had been given to chiefs who had supported the imposition of colonial rule. One important activity at the time was African opposition to the establishment of the East African Federation comprising of Uganda, Kenya and Tanganyika (Africa Today 1996:1554).

5.3 The road to independence

Provincialism and threats of separatism, together with the absence of a country-wide nationalist movement, hampered the efforts of Ugandans in their struggle for independence. The first “national” party, the Uganda National Congress (UNC), was formed in 1952 and was dominated from the outset by the Buganda (Africa Today 1996:1554). The UNC was also predominantly Protestant (Mutibwa 1996:13). The UNC suffered from internal divisions and split up in 1957 and again in 1959, with the result that by 1961 it had ceased to be a serious force in Ugandan politics. In 1954 the Democratic Party (DP) was formed that to a large extent promoted the interests of the Catholic community in Uganda in protest against Protestant privilege (Africa Today 1996:1554; Mutibwa 1992:15). This party was still one of the most important parties in the country by the time of independence in 1962. The Progressive Party (PP) was formed in 1955 and had the support of Protestant farmers, schoolteachers and businessmen. In 1959 the Ugandan Peoples Union (UPU) was founded and led by non-Bugandan politicians. This party merged with one of the factions of the UNC and became the UPC (Ugandan People’s Congress) led by Milton Obote. The *Kabaka Yekka* (“the king alone” or KY) party eventually formed an alliance with the UPC against the DP (Africa south of the Sahara 2003:1113).

As Uganda approached independence, problems arose concerning the status of Buganda, the most developed part of the country. The future status of Buganda within Uganda was the main obstacle to independence because it had become a state within a state during the colonial period. The British repeatedly obstructed any attempts at political or constitutional change, treating Buganda as an integral part of Uganda. As result, in 1960, the Buganda *Lukiiko* (Assembly) unilaterally declared its independence. This led many non-Bagandans to believe that the Baganda wanted to dominate the rest of the country and the British made many concessions to the Baganda in an attempt to preserve Uganda as a unitary country with a strong central government (Africa Today 1996:1554-1555).

In December 1960 the British government convened The Munster Commission to investigate the claims of the Bunyoro that they had lost territory to the Baganda. This commission recommended that Buganda should have federal status with the rest of the country. For the rest, the three western kingdoms should have semi-federal status and the remainder of the country a unitary relationship with the central government. Meanwhile, in 1961, the first general elections, largely boycotted in Buganda, were held in the country. Because of this boycott by Buganda the DP won the elections and their leader, Benedicto Kiwanuka, was appointed prime minister in March 1962. It was, however, decided to hold new elections throughout the country before independence. The *Kabaka Yekka* Party, in alliance with the UPC, won all but three seats in Buganda during March 1962. Then at pre-independence elections held in April 1962, the UPC won a majority of seats and the UPC-KY coalition formed a government with Milton Obote as prime minister and Mutesa II, the *kabaka* of Buganda, as non-executive president (Africa south of the Sahara 2003:1113). Independent Uganda has since been characterised by violence and even a ruthless, dictatorial leadership (Lwanga-Lunyiigo 1989:24). In addition, as stated by Mutibwa (1992:23), Uganda's woes did not start with the arrival of the British in 1862; they started with the departure of the British after independence in 1962.

5.4 The Obote regime

The newly independent state was neither a federation or a unitary state, nor a monarchy or a republic in the true sense of the words. In fact, described as “the sovereign state of Uganda”, it contained features of various forms of state and government. The relationship between Buganda and the central government remained a political problem and the citizens of the western kingdoms resented the special status that Buganda enjoyed. In 1963, Uganda was proclaimed a federal republic and King Mutesa II became the president of the whole country. However, in 1964, the UPC-KY alliance disintegrated. Despite this, Obote's government survived and was in a stronger parliamentary position because of

defections from both the DP and the KY to the UPC. Political tension within the ruling party and between the central government and Buganda resurfaced in February 1966. This happened when Obote, during his absence on a tour of the Northern Region, together with cabinet members and army officers were accused of smuggling gold (Africa south of the Sahara 2003:1113).

A parliamentary resolution was passed to suspend high ranking army officers, including col. Idi Amin Dada and others. This move was seen as an attempt by parliament to get rid of Obote. However, another army officer, brig. Opelot (chief of defence staff), was requested to intervene in case the parliamentary strategy failed. In response, Obote agreed to set up a commission of enquiry but refused to suspend Amin. Following this a cabinet meeting was called and five ministers were detained and accused of plotting to overthrow the government. Soon afterwards, Mutesa II was removed as head of state and, in April 1966, Obote suspended the constitution and declared himself executive president. Leaders in Buganda were outraged by these actions and demanded the withdrawal of the central government from Bugandan soil. Government troops stormed the palace of the *kabaka* on 24 May 1966. The palace fell after a day's fighting and the *kabaka* fled to the UK where he died three years later (Africa Today 1996:1555-1556).

Obote then decided to consolidate his own power and, in 1967, introduced a republican constitution, abolished the four kingdoms in the country and made Uganda a unitary state. During 1969, Obote launched the next important post-independence development by introducing the "Move to the left". Opponents believed this was an attempt to turn Uganda into a Communist state but other politicians thought that he had not gone far enough. This move to the left intended to involve the ruling group in sharing the economic surplus with multinational organisations (Mutibwa 1992:68). Furthermore, Obote ordered the nationalisation of 85 leading companies in Uganda, including all British-owned firms doing business in the country (Africa south of the Sahara 2003:1113). Also

in 1969, Obote and his government established state hegemony over economic affairs, effectively marginalising the Indian business community (Mutibwa 1992:68).

5.5 The Amin regime

While Obote was attending the Commonwealth Conference in January 1971, maj.-genl. Idi Amin Dada seized power in Uganda through an army *coup*, informing the citizens that he had done so to save the country from bloodshed and economic collapse. He suspended the constitution and all political activity and consolidated all legislative and executive powers into his own hands. Obote fled to Tanzania. These moves and Amin's military regime had considerable support, both inside and outside Uganda. Unfortunately, many of those who welcomed Amin's *coup* were to suffer at his hands in the future (Mutibwa 1992:83). Amin initially adopted a strong pro-Western stance and promised to denationalise foreign companies and to encourage foreign investment. In truth, however, the Amin regime was one of unrivalled dictatorship. Ethnicity determined the loyalty of soldiers. By the end of 1971 Amin had purged the army and packed it with new recruits who owed allegiance to him alone. An abortive invasion from Tanzania by supporters of Obote led to the mass elimination of civilians and many prominent Ugandans, including clergy, judges and academics who were murdered by Amin's supporters over the succeeding years. The death toll was estimated by *Amnesty International* to have been close to 300 000. This coincided with economic ruin and the deterioration of relations between Uganda and Western powers. As a result Amin turned to the former Soviet Union and the Arab world for assistance (Africa south of the Sahara 2003:1113).

In 1972 Amin expelled all Asians who did not have Ugandan citizenship and their shops were given to his henchmen – a move that precipitated the collapse of the Ugandan economy. Most of the competent ministers in Amin's cabinet were either fired or had resigned and were replaced by soldiers who were unsuitable for the task (Jane's Sentinel 2001:526). Because of all of this, Ugandans

became wary and suspicious of each other and no concerted action was initiated to resist the tyranny. Ever since independence Ugandans were politically fragmented and therefore unable to act in a concerted way against Amin. The Ugandan elite also gradually fled the country.

Another mass slaughter of the Acholi and Langi occurred in 1978 and some of Amin's henchmen were also purged. Amin's army crossed into Tanzania in October 1978 and committed crimes such as murder and robbery in that country. Amin also annexed the Kagara area of Tanzania, near the Ugandan border. Tanzania, under pres. Julius Nyerere, decided to retaliate and in January 1979 a major attack was launched by the Tanzanian People's Defence Force and Ugandan exiles against Amin's troops in Tanzania. Eighteen groups of exiles that were split along ethnic, ideological and political lines, came together and formed the Uganda National Liberation Front (UNLF) chaired by prof. Yusuf Lule. The UNLF with the support of the Tanzanians liberated Kampala on 11 April 1979 and pursued Amin to the Sudan and the former Zaire. Amin later fled to Libya and from there to Saudi Arabia (The Europa World Year Book 2002:4015).

5.6 The post-Amin *interregnum*

Following the counter-invasion and the expulsion of Amin, a provisional government, drawn from a cross-section of exiled groups, was set up with Joseph Lule as president. Lule was sworn in as head of a provisional government on 13 April 1979 and the National Executive Council (NEC) became the interim legislature (Africa south of the Sahara 2003:1114). Lule, a professor at Makerere University, was very naïve and amateurish in the conduct of politics and was removed from power after only 68 days (Mutibwa 1992:128). Godfrey Binaisa was voted in as the new president and supporters of Lule, mostly Baganda, demonstrated against Binaisa. He wanted to consolidate his position but did not want to offend the NEC. When he transferred the minister of defence, Yoweri Museveni, to a lesser portfolio he did offend the NEC but they were

persuaded by pres. Nyerere of Tanzania to accept this. Binaisa and Museveni represented two different schools: Binaisa the conservative and Museveni the left winger. Since Binaisa wanted to broaden the political base of the government, he enlarged the NEC to 91 members and his government also took steps to improve the security situation in the country, particularly in Kampala. In the north of the country, soldiers of the former Amin army nonetheless looted barracks and used the weapons they obtained to terrorise the population. Binaisa however succeeded in consolidating his position. In August 1979 he announced that no parties outside the UNLF would be allowed to contest the upcoming elections. This announcement was strongly opposed. It became clear that law and order had, after all, not been restored and that a crime wave, runaway inflation and the economic crisis still made daily life very difficult (Africa Today 1996:1558).

Reports of major disagreements between Binaisa and army commanders surfaced in February 1980 (Africa Today 1996:1558). Events came to a head when Binaisa removed the Army chief of staff from his post and appointed a colonel in his place (Mutibwa 1992:136). In May 1980 Binaisa was removed from the presidency by the military and his cabinet dismissed. A Military Commission under chairmanship of Paulo Muwanga became the executive authority whilst strong political rivalry existed within the Commission (Africa south of the Sahara 2003:1114). Amid the political chaos, destruction of lives and property at the hands of the Uganda Peoples Liberation Army, plans were prepared for the long-awaited general elections (Mutibwa 1992:137).

Various political parties contested the elections held in December 1980 but the UPC was the overwhelming victor even though there were many claims of election rigging (Africa south of the Sahara 2003:1114). Mutibwa (1992:139) contends that the elections were neither fair nor truly free. Some opposition candidates were prevented from handing in their nomination forms. Even though a Commonwealth observer team declared the elections free and fair, Yoweri Museveni, leader of

the newly formed Uganda Patriotic Movement (UPM) said that the elections had been rigged and declared war on the Obote government (Jane's Sentinel 2001:527).

5.7 Civil war

Obote, as the leader of the UPC, thus became the president of Uganda for the second time. According to Mutibwa (1992:150) Obote returned as a “wounded buffalo” and did not even consider reconciliation or compromise. The Obote government was soon under pressure from a range of exiled groups operating from outside the country and guerrilla forces inside. Violence and security problems persisted into 1982. A new wave of political violence was instigated by the opposition to the UPC government, armed attacks occurred throughout the country, and a civil war ensued. The war spread and by 1985, the government had lost territory to both Museveni’s National Resistance Army (NRA) and Kayira’s Uganda Freedom Movement (UFM) (Jane’s Sentinel 2001:527). The civil war, characterised by guerrilla warfare, inflicted large setbacks on the political stability of Uganda and the most productive areas were hardest hit. In May 1985 the NRA opened a new front beyond the “Luwero Triangle” and 6 000 guerrillas established a new base in the Mountains of the Moon in the west of the country (Africa Today 1996:1558).

Continued discontent in the Army, allegations of increasing atrocities by Obote, the disaffection of the Acholi ethnic group, the rise of the NRA and a stepped-up campaign against the NRA contributed to the mutiny of the Northern Brigade. The brigade was joined by the commander of the Army, Tito Okello, and proceeded to overthrow the government of Obote in a military *coup*. Tito Okello became the head of state, Paulo Muwanga was installed as executive prime minister and Basilio Okello became commander of the Army. Fighting between the army and the NRA continued while peace talks dragged on but in December 1985, pres. Moi of Kenya persuaded them to end the fighting. The two sides agreed to form a National Council made up of a cross-section of Ugandan

citizens. This Council would form a new cabinet, resettle displaced persons and rehabilitate war-ravaged areas. The integration of the two forces, however, never commenced and in January 1986 the NRA forces captured the capital Kampala (The Europa World Year Book 2002:4014).

This was the first time in post-independence Africa that a guerrilla movement took over power without external support, after defeating a heavily armed government army (Mutibwa 1992:174). Yoweri Museveni was sworn in as president of Uganda on 26 January 1986 and declared: "Nobody should think that what has happened today is a mere change of the guard. It is a fundamental change in the politics of the country" (Africa Today 1996:1560). Although Museveni promised a return to democracy, he also said that no elections would be held for five years. Museveni declared a ban on political party activity, but included several members of the main political parties in his first government (Jane's Sentinel 2001:527).

5.8 The Museveni regime

In order to implement democracy at the lowest levels, Museveni instituted people's committees at village, *mulula*, *saza* and district levels. "Grassroots democracy" was encouraged through the formation of Resistance Councils (RCs) at village level. This was based on the assumption that every Ugandan should be a member of at least one "legislative body", because every person, even non-Ugandans, is expected to attend the RC of the village or ward in which he or she resides. The RCs elect Resistance Committees from amongst their members, each comprising nine officials, namely a chairman, vice-chairman, general secretary and secretaries for youth, women, information, education and mass mobilisation, security and finance. RCs and Resistance Committees are found at village, parish, sub-county, county and provincial level. The National Resistance Council (NRC), which is the parliament, functions at a national level. The RCs are required to spread the political message and contribute to the effectiveness of the NRC (Mutibwa 1992:181-182).

War, however, still continued against rebels in the north and east of the country. The NRA maintained garrisons in many northern towns but did not have much control over the surrounding countryside. Of the rebel groups, the most unorthodox was the Holy Spirit Movement (HSM) of 21 year old Alice Lakwena, who used a mixture of witchcraft and coercion to induce followers to fight the NRA. The HSM suffered heavy losses because it was poorly armed and temporarily crushed in a battle with the NRA in 1987. The HSM later split into two factions: the “Lakwena Part Two” led by Joseph Kony and the “God the Father” led by Lakwena’s father. An amnesty for guerrillas and other measures weakened guerrilla actions with the result that activities remained concentrated in the Acholi areas. The military situation still posed huge problems for the economic rehabilitation of the country and was estimated in 1986 as having absorbed more than 50 percent of the country’s export earnings (Africa Today 1996:1561).

Non-party elections were held in 1989, which enlarged the parliament that had previously consisted of Museveni’s senior allies from his former rebel group. The village councils were also enlarged and some of their members in turn served in groups controlling the parishes. Some members of parish councils then served in groups controlling larger areas called districts. Many members of the district council were elected into the new national parliament (Jane’s Sentinel 2001:527).

A force of Rwanda Batutsi (Tutsis) entered Rwanda from Uganda in October 1990 in an attempt to enforce democracy onto Rwanda and the Ugandan government became embroiled in this new crisis (Africa south of the Sahara 2003:1120). Continued local conflict also confronted the Ugandan government and the LRA still operated in the north. The Rwandan conflict led to cross-border attacks by Rwandan government forces on Uganda (Africa Today 1996:1562).

In 1993, the government received a report from a Constitutional Committee recommending that political parties should be excluded from politics for at least seven years. In July 1993 the monarchy of Buganda was reinstated and Ronald

Mutebi installed as *kabaka*. In Toro, Patrick Kabayo was installed as king. In Ankole, Museveni opposed the monarchy. John Barigye installed himself as king but the president cancelled the proclamation. However, in Bunyoro, Iguri Gafabusa was crowned king in Museveni's presence (Africa south of the Sahara 2003:1115).

Initially, Museveni embraced a socialist economic doctrine and barter trade became a key component of economic policy. Later he moved away from socialism and accepted the structural adjustment programme of the IMF (Jane's Sentinel 2001:527). Museveni also made some restitution to the Asians expelled by Amin. In 1993, Asians expelled in 1972 were allowed to reclaim their property. However, in 1993, activities of political parties remained restricted and the government declined to register a new Islamic party. Ten thousand more soldiers were discharged in 1994 and the government proceeded with the Constituent Assembly elections that took place, peacefully, on 28 March 1994. All candidates were nominally independent but party leaders were allowed to explain their views on radio and television.

The Assembly continued the constitutional debate well into 1995 and on 21 June 1995 voted in favour of continuing the no-party system. This decision was incorporated in the new Constitution. There was a *proviso*, though: a referendum on the Constitution would have to be held in 1999. The new Constitution was adopted on 8 October 1995. In the presidential election held on 9 May 1996, Museveni was re-elected by a comfortable majority, gaining 74,2 percent of over six million votes cast (The Europa World Year Book 2002:4015). Museveni polled very few votes in the northern areas near the Sudan where rebels had been battling for ten years to topple his government (Jane's Sentinel 2001:527).

Following mounting criticism of incompetence and corruption, a major cabinet reshuffle was made in April 1999. In a referendum on the party political system, held in June 2000, in which only half the voters turned out, the non-party electoral system was endorsed with a 91 percent vote. This system is known in Uganda

as the “Movement” system. Parties are not banned but may not participate in elections. The opposition parties were criticised because they boycotted the referendum and for having failed to persuade Ugandans to opt for a multi-party system (Jane’s Sentinel 2001:527; Africa south of the Sahara 2003:1116).

Presidential elections were eventually held in March 2001 and pres. Museveni won it by polling 69 percent of the vote. As required by the 1995 Constitution, the elections were held on a non-party basis. Campaigning became violent at times and the main challenger, dr. Besigye, complained of intimidation and a massive over-extension of the voter’s roll. Even though the support for the president had waned, he is still the most popular politician in the rural areas of Uganda by far and it is these areas that dominate politics in the country. Interestingly, no candidate advocating a multi-party system received much support in the presidential elections of 2001. International observers claimed that the elections were flawed but fair (Jane’s Sentinel 2001:513,528).

Legislative elections were held on 26 June 2001, during which 50 parliamentarians, including 10 ministers, failed to secure re-election. The total number of seats in parliament was increased to 292 (comprising 214 elected and 78 nominated representatives). In July Museveni appointed a new Cabinet that included the 10 ministers who were defeated in the aforesaid election. Amama Mbabazi was appointed the minister of defence, a portfolio held by Museveni until then (Africa south of the Sahara 2003:1117).

6. Government features

6.1 Constitutional arrangements

According to the 1995 Constitution, Uganda is a unitary republic (Country Report July 2002:4) and a non-party state. Political parties, however, do exist and are allowed to explain their policies on radio and television. As previously indicated,

this political dispensation is known as the “Movement” system (Jane’s Sentinel 2001:527). The Ugandan Constitution formally prohibits a one-party state (in article 75) (Republic of Uganda 1995:Chapter 5) but limitations on party politics and the legal protection enjoyed by the Movement raise questions about the democratic character and the sustainability of the polity. A common understanding exists that the Movement system will only last for some time and the question is not whether political parties will eventually be allowed to participate freely in multi-party politics, but when they will be allowed (Carbone 2001:236).

As regards the executive, a president, presently Yoweri Museveni, rules the country as head of state and government. The current vice-president is dr. Speciosa Kazibwe and the prime minister is Apollo Nsibambi. There are, *inter alia*, ministers for state security, defence, finance and economic development, education and sport, health, and a ministry for internal affairs. The first deputy prime minister is also the minister of internal affairs, the second deputy prime minister the minister of disaster preparedness and refugees, and the third deputy prime minister the minister of foreign affairs. Ministries for defence, education and sport, energy and mineral development, health, justice and constitutional affairs also exist (The Statesman’s Yearbook 2003:1588).

As the legislature, the Ugandan Assembly previously consisted of 276 members of whom 214 were elected and 62 were nominated by special interest groups and approved by the president. After the June 2001 legislative elections the number of nominated members was increased to 78, 53 of whom were female, ten from the Uganda People’s Defence Force (UPDF) and five each representing workers, the disabled and the youth (The Europa World Year Book 2002:4024-4025).

Decentralisation has been at the centre of the NRM’s institution-building efforts ever since 1986 and the country resembles a unitary but highly decentralised state. Local political authority is vested in district councils elected every four years and the districts retain their internal hierarchical division into lower-level

units that had existed before the constitution of 1995. There are, therefore, five levels of decentralised political representation: each level elects an executive committee the members of which meet with committee members of neighbouring areas to form a higher-level council. This council elects its own executive committee forming part of another higher-level committee and so on (Carbone 2001:242).

There are 27 magisterial districts in Uganda, each presided over by a chief magistrate. The magisterial districts, in turn, are divided into 52 magistrate grade I courts and 428 magistrate grade II courts. Appeals from grade I courts go directly to the high court, and those from grade II courts go first to the grade I courts and thereafter to the high court. The high court has full criminal and civil jurisdiction, and consists of a principal judge and 27 *puisne* judges. The appeals court, consisting of the deputy chief justice and seven justices of appeal, hears appeals from the high court. The supreme court hears appeals originating from the appeals court and also acts as a constitutional court (The Europa World Year Book 2002:4026).

6.2 President Yoweri Museveni

The incumbent president of Uganda was born in Ntungamo in the south-western part of Uganda in 1944. He attended Dar es Salaam University (Tanzania) where he studied politics, economics and law. While at university he worked for the Mozambican freedom movement, FRELIMO, in their independence struggle against Portugal. After graduating he was employed as an assistant secretary for research in Obote's first government, going into exile when Amin seized power in January 1971. There, he took part in several military operations against the Amin regime. By 1972 his Front for the National Salvation of Uganda (FRONASA) had already set up several camps in Uganda. When Lule was chosen as the first president of post-Amin Uganda, Museveni was rewarded by being appointed as the minister of defence.

Following Obote's return from exile in December 1980, Museveni formed the Uganda Patriotic Front but was defeated in elections that were marred by severe electoral fraud and ballot rigging. Museveni blamed Obote for the situation and started his own guerrilla force, the NRM and eventually defeated the army of Tito Okello who had toppled Obote in a *coup*. Museveni was sworn in as president on 29 January 1986 and won non-party presidential elections in 1996 and again in 2001 even though his majority had been reduced in the last elections (Jane's Sentinel 2001:516).

6.3 The Ugandan People's Defence Force (UPDF)

Uganda has an active defence force consisting of between 50 000 and 60 000 military personnel. The defence force comprises four divisions with five brigades each, one armoured brigade and one artillery brigade. A paramilitary force comprising some 1 800 active members also exists. Of these about 600 belong to the border defence unit, 800 to the police air wing and 400 to the marines. There are also local defence units consisting of some 15 000 members (The Military Balance 2002-2003:216). Uganda spent an amount of US\$126 million on defence in 2001 and budgeted an amount of Ush250 billion for 2002 (The Military Balance 2002-2003:328,336). Spending on defence-related matters in Uganda as a percentage of the GDP decreased from 2.1 percent in both 1998 and 1999 to 1.8 percent in 2000 (SIPRI Yearbook 2002:283).

7. Conclusion

In order to assess the political-security risks in a country where investment or involvement is contemplated, a systematic and comprehensive procedure should be followed. An integral part and point of departure of this assessment is an obtrusive look at the basic features and the history of the country in question. Therefore, an overview of the core features and political history of Uganda was presented, to provide an indication of political-security risks from the past that

may impact on present or future foreign investment or involvement. On the basis of this country profile, the latter aspects are indicated in the next chapter.

Uganda's past, since independence in 1962, was characterised by violent, often deadly armed force used against ordinary citizens, the business community and members of opposition parties. This strong role played by the military led to the murder of hundreds of thousand Ugandan citizens and almost inestimable political damage. Furthermore, evidence exists of the nationalisation of the assets of international corporations that invested in Uganda. The prevalence of ethnic cleavages in Uganda has also had a significant impact by not only influencing, but in fact determining political alignments in the country. Ample evidence also exists of corruption and the negating of law and order, especially of looting, robbery, theft, murder and rape by out of control soldiers. There is even some historical evidence of corruption and the serious flaunting of laws by politicians and ministers. Ugandan soldiers have also been deployed on the territory of neighbouring countries and have, in one memorable instance, invaded Tanzania.

Knowledge of Uganda's infrastructural, geographic and geodemographic features is important for any prospective investor. In addition, the judicial, parliamentary, military and political systems should form part of this knowledge base, as should information regarding the banking sector, trade unions, co-operative organisations, international aid and international organisations actively involved. Information regarding the political system and the command structure of the country is also of cardinal importance. As a base-line construction, the aim of the aforesaid chapter was to provide this background overview or country profile.

The next chapter will utilise the proposed political risk analysis framework to establish what the chances are that the incidents detailed above may re-occur, therefore posing a political-security risk. This analysis should indicate whether the perceived political risk in Uganda correlates with the real risk pertaining there and, in addition, assist decisions as to whether or not the perceived risks are

acceptable to the institution envisaging investment or involvement there. This also requires risk communication and risk management in accordance with and as part of strategic planning.

CHAPTER FOUR

THE ANALYSIS OF POLITICAL-SECURITY RISK IN UGANDA

1. Introduction

In the preceding sections of this study political-security risk was enumerated and different methods for analysing and assessing (or measuring) risks were discussed. The importance of utilising political-security risk analysis in the strategic planning of an institution when contemplating foreign investment or involvement was also emphasised. A comprehensive, synthesised political risk analysis framework was proposed, which will subsequently be applied to Uganda for risk assessment purposes. Hence, the more recent situation in Uganda will be assessed - also considering aspects pertaining to risk evident from the preceding base-line country profile - against the indicators or variables as suggested in the political risk analysis framework. The aim is to determine to what extent the circumstances in Uganda pose political-security risks for potential investors.

2. Political-security risk factors in Uganda

Utilising the proposed framework requires that the various risk indicators, listed under the categories of security, political and socio-economic risks, be correlated with the actual situation in the country under analysis. The prevailing circumstances will be qualitatively assessed and awarded points, so as to quantify or put a value to the possible risks involved, also indicating the extent to which the risks are likely to impact on foreign investment or involvement in Uganda. Therefore, using the suggested scoring system, points will be awarded to the different risk indicators. These will be summed in order to produce a risk index figure, which will be interpreted in terms of the five-point interval interpretation scale.

Vertzberger (1998:44) suggests that the judgment of risks and the preference of information are affected by the following: the vividness and salience of the risk; prior planning for contingencies that involve risk; and existing commitments to a particular course of action. Each of these aspects can affect the chosen risk factors, the relative weight assigned to each, and also determining which risk will dominate rational calculations in the exercise of (policy) choice. Therefore, these aspects will be taken into consideration when assessing actual risk and subsequently awarding points in accordance with the scoring system.

Before assessing and comparing various risks, they must be noticed and marked for attention. Vividness and salience play a vital role in this process because all risks are not equally noticeable or get equal attention. Firstly, vividness is determined by the severity of the outcome: the more severe the expected outcome, the more vivid the risk. Secondly, vividness is determined by outcome ambiguity: ambiguous outcomes with negative features are more vivid. Salience of risks is the result of other attributes of risk.

When information about risks is detailed, they tend to be more salient than lesser-known risks. Risks that are expected to materialise sooner are more salient than those expected in future. Events that are risky without being dependent on contextual factors are more salient than those considered being benign or neutral. An irreversible outcome is more salient than a reversible one. If decision-makers believe they will be held personally responsible for adverse consequences of risks, those risks will be more salient. Risks that may be associated with prior theories, knowledge and expectations are more salient than are others. Risks appearing in a piecemeal fashion are likely to be less salient than those that appear all at once (Vertzberger 1998:45-47). Therefore, risk analysis is obviously limited and selectively biased towards those risks that are most immediate, vivid and salient.

2.1 Security risks

2.1.1 War

It is evident that this risk indicator is extremely prevalent in past but even in contemporary Uganda. Not only is the present government still involved in internal war, fighting against more than one rebel movement, but it has also intervened in and deployed soldiers in the DRC. This intervention commenced in 1998 when Uganda intervened in the former Zaire with the purpose of providing security from cross-border guerrilla attacks (EIU Country Profile 2002:12). The rebel movement headed by Laurent Kabila toppled the government of Mobutu (with the help of Ugandan soldiers) but the relationship between Kabila and Museveni soured within a year because of Kabila's inability to prevent attacks launched from the then Zairean territory on Uganda (Jane's Sentinel 2001:533). Other countries such as Zimbabwe and Angola have also become engaged in this conflict but on the side of the rebels. After the *Lusaka Accord* was signed in 1999, Uganda withdrew most of its troops from the DRC, but a small contingent stayed behind in the border area and in some border towns (Amnesty International Report Uganda 2002a:1). These soldiers have since been withdrawn (EIU Country Report October 2002:3).

As previously indicated, Uganda has a long history of internal political upheavals including military *coups* in 1971, 1979, and 1985; war with a neighbour (Tanzania) in 1978-79; and civil war during the period 1981-85 (Kiyaga-Nsubuga 1999:15). Omara-Otunnu (1995:223) states in this regard that "the impression that socio-political conflicts are endemic in Uganda is not far from the truth". This trend is still evident.

Uganda is currently, and has been for a long time, engaged in a bloody internal war against insurgents in the east and north of the country. Since August 1986, HSM rebels under Alice Lakwena have been engaged in fighting the Museveni

government. This group has been made up mostly of members of the previous (Obote) government toppled by Museveni (Jane's Sentinel 2001:529). The LRA, another guerrilla group that arose from the annihilated HSM, has since been very active in these areas. This has been the largest uprising against the Museveni government (Africa south of the Sahara 2002:1080). The LRA continued committing abuses against the civilian population in the north of the country during 2001, as did the Allied Democratic Front (ADF) in western Uganda (Amnesty International Report Uganda 2002a:2). In addition, Karamajong warriors (cattle raiders in the Karamajo district of north-eastern Uganda) loot, raid, rape and kill people in neighbouring districts. They also destabilise the sensitive borders of Sudan and Kenya. Uganda deployed some army units in these areas in early 2001, in an attempt to disarm these raiders (Jane's Sentinel 2001:xi, 539).

It is, though, clear that the government is winning the war against the various insurgent and rebel groups, as well as being in the process of withdrawing from the DRC. Indeed, presidents Museveni and Joseph Kabila have signed a peace accord in September 2002, aimed at ending three years of hostility. Recent reports on the fighting in DRC state that Ugandan troops, with the exception of two battalions, have in effect officially withdrawn from the DRC as from 4 September 2002 (United Nations 2002c:1). As indicated previously, these two battalions have since also been withdrawn (EIU Country Report October 2002:3).

Uganda has also improved relations with Sudan. As a result, the rebels that had previously been supported and given shelter by Sudan are no longer assured of this assistance. It has since transpired that the LRA has resorted to crude weapons such as machetes and axes in killing Ugandan citizens because it is no longer being supplied with military equipment by Sudan (United Nations 2002d:1). Sudan have also been actively involved in the fight against Ugandan rebels in southern Sudan, following attacks by the LRA on elements of the Sudanese army on 20 March 2002 in reprisal of the withdrawal of Sudanese support (EIU Country Report July 2002:15). These events occurred even though relations with Sudan have not been normalised.

On 20 July 2002, Museveni wrote a letter to the leader of the LRA, Joseph Kony, detailing terms for peace talks to end the struggle. This was brought about following pressure by the local population on the government to halt the fighting; the suffering of the people of northern Uganda; and “the initial luring of Kony into fighting by some treacherous politicians” even though Kony was reported to have fled to Kenya (EIU Country Report July 2002:14; IRINNEWS, 2002c:1). The Ugandan government has also achieved some successes in its attempt to manage the internal conflict.

The UPDF captured a large cache of weapons worth US\$1.9 million from the LRA on 3 April 2002. The cache included weapons such as 60mm mortars, rocket propelled grenades, a number of semi-automatic weapons as well as food supplies for the rebel force of 6 000 that would have lasted six months (Sub-equatorial African Defence Monitor April 2002:13). Previously, in December 2001, a colonel of the LRA movement had turned himself in at the Ugandan embassy in Khartoum, realising that the future of the rebel organisation was uncertain. It also appears that the LRA has become increasingly isolated because relations between Uganda and Sudan are continually improving (United Nations 2002a:1). The granting of amnesty to rebel fighters has also been successful to some extent. In accordance with the *Amnesty Act*, 1999 all rebel fighters who surrender will receive amnesty. This act was still in effect at the end of 2001 (Amnesty International Report 2002a Uganda:1).

Unfortunately, it makes little sense to suggest that all or even most rebel activity in Uganda has ended because new groups or old groups with new names tend to arise as a matter of course. Moreover, the efforts of the Ugandan army to disarm the Karamajong operating in the northwest of the country have proven to be unsuccessful (EIU Country Report July 2002:3).

War as a risk factor remains highly salient in the sense that it is current, independently risky, familiar and that war-related events occur almost

simultaneously. The lack and unavailability of primary intelligence or news sources concerning the ongoing armed struggles increases the risk factor. In addition, the risks associated with war are also well-known and therefore likely to be more easily noticed. The different outcomes of the wars and struggles are reversible, thereby decreasing the salience of the risk. However, considering the fact that it seems that the government of Uganda is winning the war against the internal rebel movements, has withdrawn its military contingent from the DRC, and is moving towards relative peace with most of its neighbours, **seven points are awarded** out of a maximum of 12 for this indicator.

2.1.2 Ethnic tension

Uganda, similar to most post-colonial countries of Africa, experience major political difficulties because of extensive and furious inter-group rivalries, including those based on tribal, ethnic, regional and religious differences (Gingyera-Pinycwa 1992:8). British colonial rule contributed to these differences in large measure since discriminatory administrations were introduced to different areas, whereas supplementary development and labour policies put the north of the country at a disadvantage. Ethnic alliances already existed in the army of 1966, where both Obote and Amin mainly promoted members of their own ethnic groups. Amin even eliminated all Acholi and Langi officers during the 1971 coup and later also the rank and file belonging to these two ethnic groups. At the same time the alliances at the highest political levels cut across ethnic lines (Okema 1993:63).

Okema (1993:65), however, contends that ethnic conflict is the result, rather than the cause of other conflicts. In addition, the conflicts within the army are a reflection of the conflicts in the country as a whole. Furthermore, the crises in Ugandan society emerged as ethnic conflict within the army and soldiers were manipulated along ethnic lines.

The opposition groups in the north and east of the country have not only ethnic identity in common but also the fact that historically they have only been peripherally included in the economic structures and processes of the country. Furthermore, alienation from government institutions and suffering at the hands of the army have exacerbated this exclusion. Mostly, these people in the north of Uganda were disadvantaged by ethnic categorisations and this contributed to the perennial problem that northern Uganda poses to unity in the country (Gingyera-Pinycwa 1992:17).

Some sections of Uganda's population tend to take their division into ethnic-racial-linguistic groups extremely seriously. These categorisations are also linked to notions of cultural superiority and inferiority. Even today, the divisions between the Bantu groups living mostly in the south and the Nilotic groups of the north still prevail (EIU Country Profile 2002:15). In addition, the ethnic balance previously present in the Museveni government has progressively been eroded and abandoned. As a result the current ruling group is largely of Banyankole origin (Carbone 2001:237).

According to Okema (1993:60), ethnicity indicates the causes and direction of politics in Uganda and the following are pointers of the ethnicity problem:

- Uganda is more a victim than a creator of ethnicity.
- Ethnicity has been used and manipulated as a political factor because of the moral and political bankruptcy of leaders.
- Ethnicity cannot be ignored in Uganda because it remains part of the political culture in the country and on account of its continuous use by corrupt politicians and political leaders in particular.

Ethnic tension as a risk indicator is salient in the sense that it is supported by sufficient secondary information; that the risk is current; that ethnic tension is risky in and by itself; and that prior theories and knowledge validate the risk. The salience of this risk factor is somewhat reduced by the fact that ethnic tension

may ease all at once or more gradually due to nation-building efforts and political reconciliation. Although manifest, the risk appears incrementally and is therefore likely to be deliberately underplayed or suppressed. The preceding assessment nevertheless points to problems concerning the prevalence and perennial nature of ethnic tension in Uganda. Consequently, **seven points are awarded** out of a maximum of 12 for this indicator.

2.1.3 Negative international relationships

Uganda has historically unstable and porous borders which allow insurgents almost free access to and egress from Ugandan territory (Jane's Sentinel 2001:534). This has impacted on and contributed to negative or dysfunctional relations with neighbouring states. Close links between Uganda, Tanzania and Kenya existed in the colonial period and immediately thereafter and in 1967 these three countries formed the East African Community (EAC) with a view of establishing a federation. Unfortunately, the EAC disintegrated in 1977 because of economic and political tensions (EIU Country Profile 2002:10). The more recent international relations between Uganda and its neighbours are inextricably linked to internal wars and conflicts between Uganda and neighbouring countries. These, having been previously discussed, can be summarised as follows:

(a) **Sudan:** As reported, Sudanese troops have repeatedly trespassed on Ugandan soil during the late-1980s in pursuit of Sudanese rebels. The relations between the two countries reached a low point in 1994 (The Europa World Year Book 2002: 4017). Even though a preliminary accord was signed between the countries in 1996, relations did not improve and in 1997 Sudan claimed that it had killed several hundred Ugandan soldiers who had been assisting Sudanese rebels. In May 1999, it was reported that the Sudanese government was prepared to re-evaluate its policy toward the Ugandan rebel movement, the LRA, and Uganda was prepared to improve relations if this happened. During May 2001, pres. Bashir of Sudan attended the investiture of pres. Museveni and

Uganda declared itself ready to restore diplomatic relations with its northern neighbour. Diplomatic relations were, indeed, recommenced with the appointment of a *chargé d'affaires* to the Sudanese capital, Khartoum, and the upgrading of relations to ambassadorial level in April 2002 (Africa south of the Sahara 2003:1119-1120).

The Sudanese government has also allowed the Ugandan army to execute a “limited” military operation against the LRA within its border - the Ugandans were allowed use of Sudanese bases. A joint anti-LRA liaison team has since been formed between Sudanese and Ugandan army units. This combined approach follows the warming of relations between the two countries, the restoration of diplomatic relations, and the mutual commitment to cease the support of rebel movements in the territory of each other (United Nations 2002a:1).

(b) Kenya: Uganda's relations with Kenya deteriorated in 1987 amidst allegations that the Kenyans sheltered Ugandan rebels. Clashes also occurred between the two countries in December of that year. Relations between Kenya and Uganda remained strained until 1996, mainly on account of reciprocal incursions. Relations with Kenya are to a large extent a product of developments in the East African region. In January 1996, however, presidents Moi and Museveni were publicly reconciled by the intervention of pres. Mkapa of Tanzania. A tripartite commission (Kenya, Uganda and Tanzania) for East African co-operation was inaugurated. The heads of state of Uganda, Kenya and Tanzania signed a treaty in November 1999 providing for the re-establishment of the East African Community (EAC); the creation of a free trade area; and the development of infrastructure, tourism and agriculture within the community. Provision was also made for the establishment of a regional legislative assembly and regional court (Africa south of the Sahara 2003:1118).

(c) The Democratic Republic of Congo (formerly Zaire): Tension arose along the DRC-Uganda border when DRC troops launched attacks on NRA

troops during 1988. In 1992 further clashes occurred. During 1997 reports surfaced that Ugandan troops were supporting Kabila's rebel movement against the former Zairean government, but Ugandan troops were later withdrawn from Zaire because Kabila was supporting rebels against Museveni's reign. Later, in August 1998, Ugandan troops even assisted anti-Kabila rebels supposedly to create a security zone for protecting Ugandan and Rwandan interests in Zaire. In 1999 Museveni and Kabila met clandestinely in Libya and signed a cease-fire agreement without engaging the Rwandan government, but this agreement was superseded by the comprehensive cease-fire agreement of the *Lusaka Accord*, 1999. This agreement stipulated that all foreign troops should be withdrawn from the DRC and be replaced with a UN peacekeeping force. Uganda, however, kept some 16 000 troops in the DRC, to be eventually withdrawn in August 2002 (Africa south of the Sahara 2003:1118-1119).

During August 1999, fighting erupted between forces of Uganda and Rwanda stationed in the town of Kisangani within the DRC and some 200 civilians were killed. In September Museveni transferred senior commanders out of the DRC in an attempt to reduce tension between Ugandan and Rwandan troops. Even after 500 UN troops had been deployed in this area, some factions refused to withdraw from military positions. A report by the UN, alleging the illegal exploitation of the DRC's mineral reserves, led to Museveni withdrawing the remaining Ugandan troops. In mid-August 2002 the leaders of the DRC and Uganda normalised relations between the two countries and the full withdrawal of Ugandan troops from the DRC followed (Africa south of the Sahara 2003:1118-1119).

(d) Rwanda: The relationship between Uganda and Rwanda has to a large extent been determined by events in and their respective relations with the former Zaire/DRC. When, in August 1998, anti-Kabila elements launched a rebellion against the former Zairian government, Uganda clandestinely intervened on the side of the rebels. Soon afterwards, Uganda admitted having deployed troops in the DRC in co-operation with the Rwandan government,

supposedly to protect interests of the two governments. During May 1999 the DRC rebel group that the Ugandans and Rwandans had jointly been supporting, the *Rassemblement congolais démocratique* (RCD), split into two factions and the Ugandan and Rwandan governments suspended their co-operation in order to support rival rebel leaders. In August 1999 fighting erupted between Ugandan and Rwandan troops in Kisangani in the DRC and many civilians were killed. Further fighting occurred in June 2000 before the area was demilitarised by the UN and the Rwandan and Ugandan factions agreed to leave the area. Negotiations (with mediation by the British) between Museveni and Paul Kagame, the president of Rwanda, led to the two countries signing a peace agreement in April 2002 (Africa south of the Sahara 2003:1119).

(e) **Regional relations:** The heads of government of Tanzania, Kenya and Uganda inaugurated the East African Assembly and the East African Community (EAC) Court of Justice in the beginning of 2001. A report issued by the EAC's Secretariat during the same week as the inaugural ceremony presented gravely negative views of the possible successful regional integration of the three states (EIU Country Profile 2002:11). On 23 January 2002, Museveni urged the east African countries of Kenya and Tanzania to expedite economic and political integration in the region (IRINNEWS@irinnews 2002a). These however, have produced no substantial or positive results.

As a risk factor, negative relations with neighbouring states is reversible, indicating a low salience. In contrast, its current and manifest nature, the availability of information, and the fact that these relationships are risky as such, are indicative of a higher level of salience. The risk factor in total indicates a high salient. It is evident that Uganda's relations with Sudan, Kenya, the DRC and Tanzania are improving somewhat. However, relations with Rwanda are strained but much improved from the situation in 1999. Hence, **five points are awarded** out of a maximum of 12 for this indicator.

2.1.4 Radical groups

No evidence could be found of any radical groups, leftist groups in particular, in action against the Ugandan government at the present moment. Even though several rebel groups are opposing the government, none can be said to have a specific or exclusive leftist ideological focus. Radicalism is therefore not a primary driving force of these rebel movements. Tomusange (2002b) states that the last group that might have been described as leftist was the first government of Obote in the 1960s. Since then no real or “true” leftist groups have existed within the country. An interview with the Ugandan High Commissioner to South Africa verified that available information regarding radical groups point to their relatively low profile. The possible effects of this risk factor, if it did exist, are reversible. Combined with the fact that this risk is not considered to arise soon makes it a risk with little or no salience. Because little indication could be found that radical groups exist in Uganda, **half a point is awarded** out of a maximum of four for this indicator (also considering that zero risk constitutes no risk at all).

2.1.5 Law and order

As previously indicated, the Ugandan judiciary operates as an independent branch of government and consists of magistrates courts, the high court, the court of appeals and the supreme court (doubling as the “constitutional court”) (The Europa World Year Book 2002:4026).

Officials of the judiciary and the police are apparently susceptible to bribery. A high percentage of the Ugandan population claims to have bribed a police officer and an almost as high percentage claims to have bribed a court official (Global Corruption Report 2001:70). Obviously, this does not bode well for the effective administration of justice.

The police are also apparently too intent on performing their duties and sometimes execute their duties in over-robust fashion. This has led to the death of several people participating in political rallies. On 12 January 2002, the police in Kampala used live ammunition to stop a planned rally by UPC, leaving one person dead and scores injured. The police immediately accepted responsibility and promised an investigation into the death. Earlier that same day the chairman of the UPC was arrested on a charge of “unlawful assembly”. Also, the police are sometimes selective in performing their duties, as happens when using article 269 of the Constitution (prohibiting any political party activity) to override article 29 (providing for freedom of expression, movement, religion, assembly and association) (Amnesty International 2002b:1).

Even the military tend to take the law into their own hands and on 25 March 2002, two soldiers of the UPDF were summarily executed for their part in the murder of a Catholic priest on 21 March 2002 in the Karamajo region of north-eastern Uganda. The hasty executions were seen as an attempt by the defence force to show the public that the crime was not an action of the defence force but rather that of a few individuals (Executive Research Associates April 2002:14).

It is evident that the president and parliament are serious about fighting crime and corruption; witness the recruitment of 500 police constables and 53 cadet officers (Executive Research Associates April 2002:16). Police units exist at *gombolola* (sub-county) level so that police protection is available locally. Micro zoning exists in the country and allocates responsibility for security in a certain zone to a designated police unit (Museveni 1992:91).

Some primary information, of government origin, verifies the assessment of law and order. In addition, this risk is reversible and where manifest, has emerged in a piecemeal fashion. Otherwise, this risk factor is of immediate effect, it is risky independent from other risk factors, and policy-makers believe that they are held

directly responsible for adverse conditions. Hence it has some salience. A point of **three and a half is awarded** out of a maximum of six for this indicator.

2.2 Political risks

2.2.1 Authoritarianism

Authoritarianism has always been prevalent in Uganda, as borne out by the country's political history. In respect of more recent developments, most recent trends date back to October 1989 when the NRM approved draft legislation extending the term of office of the government by five years from January 1990 when its mandate was due to expire. This extension was justified by the NRM on the grounds that they needed more time to prepare a new constitution, to organise elections, to eliminate continuing anti-government terrorist activities, to improve the judiciary, police force and civil service and also to improve the country's infrastructure. In March 1990 the NRM also extended a ban on party political activity by five years (Africa south of the Sahara 2003:1115). This was apparently done in response to disappointment with the country's poor record concerning multi-party politics (Carbone 2001:233). There also appears to be a constant fear of political insurrection and *coups*. For example, in April 1991, the minister of foreign affairs was arrested together with two other members of the NRC for allegedly plotting to overthrow the government (Africa south of the Sahara 2003:1115).

Political parties that had been in existence before the coming to power of the NRM in 1986, and also thereafter, are weak in structure with little national support and basically comprise a collection of factions built around individuals. The channels for community-based access to the Ugandan political system are also blocked by the limitations on the organisation of political parties (Carbone 2001:237,241). However, freedom of speech is guaranteed by the Constitution (s. 29[1]). Section 29 also guarantees freedom of assembly, freedom of the

press and freedom of association among other privileges (Republic of Uganda 1995:Chapter 4). These rights and freedoms, unfortunately, tend to be nominal on most counts.

In addition, authoritarian political arrangements have stifled individual initiative and denied basic human rights to the citizenry. Opposition parties nevertheless provide for a measure of internal checks and balances against government, represent a continuous corporate body and are representative of a group of followers. Moreover, although they are not allowed to contest government at the ballot box, the Ugandan opposition parties constitute at least a potential alternative to government and assist the government in shaping its programmes. As a further restrictive measure, the ruling party has at its disposal unlimited use of the print and electronic media so as to spread its political message all over Uganda without affording the opposition the same rights. Also, parties are not allowed open political meetings without police permission. The latter is sometimes arbitrarily withheld (Ssenkumba 1996:2,4,12). As indicated, this is in direct violation of the Constitution.

Authoritarianism also manifests in other forms. As previously indicated, a Constitutional Committee recommended in 1993 the proscription of political party activity for another seven years and a continuation of the non-party democracy in accordance with the Movement principle. *Amnesty International* has also expresses concern at remarks attributed to Museveni stating that those not supporting the Movement will be purged from the public service. This can only mean that people with dissenting views might become targets of political suppression and retribution (*Amnesty International Report Uganda 2002a:1*).

Even though the constitution of Uganda guarantees freedom of expression, movement, religion, assembly and association (section 29) *Amnesty International* alleges that the Ugandan government is increasingly repressing any form of non-violent opposition to the government. Since the results of the 2001 presidential

elections became known, basic internationally recognised freedom of expression, association and movement have been severely curtailed (Amnesty International 2001:1). The same report also mentions the flight to the USA of Kiiza Besigye, the strongest opposition candidate in the 2001 presidential elections, who was charged with the unlawful possession of a gun. The circumstances of this suggest the harassment of Besigye, but it is also the culmination of a series of restrictions on his movement leading to concerns about his safety.

The *Political Organisations Act* approved by Museveni in June 2002 is already in effect. The provisions of this Act will obviously intensify the accusation that Uganda is, in effect, a one-party rather than a no-party state. In addition, the fact that parties cannot register as political parties preparing for an election before 2005, only one year before the next elections, will necessarily curtail their preparations for and effectiveness in these elections (EIU Country Report July 2002:12).

According to Kasfir (quoted by Kiyaga-Nsubuga 1999:22), the way in which liberalisation in Uganda was handled after the 1989 elections did not really point to democratisation by the governing NRA because political parties were prevented from campaigning and openly fielding candidates. Because of this, the NRA was never really at risk of losing the elections. It must be said, though, that even in setting the parameters of the system, the regime also involved millions of citizens in politics for the first time by expanding RCs throughout the country (Kiyaga-Nsubuga 1999:22). The president, though, insists that a multi-party political system would lead to the return of ethnic conflict, and that the Movement thus ensures democracy (EIU Country Report July 2002:13). Tomusange (2002b) shares this view by saying that a multi-party state would not have the monetary, human or administrative skills to avoid or manage the recurrence of ethnic strife.

Only Museveni's leadership qualities have prevented Uganda from deteriorating into a dictatorship (Jane's Sentinel 2001:529). His image has been tarnished, though, by his attempts to deny his first serious challenger for the post of

president, Besigye, from maximising his support (Jane's Sentinel 2001:xi). This is, however, not a new development in Ugandan politics but a mere repetition of similar trends of the past. For example, in the late 1960s Obote installed his party, the UPC, as the only party in Uganda and in the 1970s Idi Amin did not revive party politics at all during his dictatorship (Carbone 2001:236). The NRA government is, however, able to retain control of the Ugandan political process because it has the full backing of the defence force. Additionally, it still has deep roots in and the support of people in the countryside, and it has been able to maintain a steady economic upturn (Kiyaga-Nsubuga 1999:24).

There is sufficient detailed information indicating the prevalence of authoritarianism in Uganda. Risks associated with authoritarianism are very likely to materialise sooner rather than later. Since authoritarianism can also be risky without being dependent on contextual factors, it is thus more salient. However, it also emerged in incremental fashion in Uganda, a factor that reduces or counters its salience. The same effect is produced by the fact that authoritarianism is reversible. Irrespective of these countervailing forces, authoritarianism remains a salient risk factor. Authoritarianism is thus clearly rife in Uganda but it is equally clear that a return to a multi-party political set-up might prove equally disastrous because political infighting may intensify the already entrenched ethnic and religious differences. **Eight points are awarded** out of a maximum of 12 for this indicator.

2.2.2 Government instability

During the mid-1990s the NRM government was enjoying widespread internal legitimacy within Uganda except for the northern and eastern parts of the country. Also, Uganda had moved away from the earlier chaos, but still had a long way to go towards cementing internal legitimacy and autonomy in a competitive international environment (Sathyamurthy 1994:523,529). In the late-1990s, Uganda could still boast 13 years of relative political stability (United

States of America 1999:3). Unfortunately, the past few years have seen a serious deterioration of this aspect. Increasing support for multi-partyism among the public as well as amongst some Movement supporters is likely to be matched by donor and international support (EIU Country Report July 2002:7).

Political tension is likely to intensify during 2002-2003 after the promulgation of the *Political Organisation Act* because it is expected to intensify the frustrations of multi-partyists since they have been given only six months to register with the registrar of companies. All the major parties have vowed to defy the requirement. Not conforming to these requirements will lead to large fines and even imprisonment and the possibility exists that a major confrontation may ensue between government and opposition groups (EIU Country Report July 2002:13).

Primary information on government instability is unavailable and this lack of information contributes greatly to the salience of this risk factor. Other aspects making this a salient risk factor are the immediacy and the familiarity of the risk. On the other hand, the risk is reversible and emerges in piecemeal fashion. However, the possible confrontation between opposition parties and government over the *Political Organisation Act* as well as the general dissatisfaction within opposition ranks indicate possible trouble for the government. **Four points are awarded** out of a maximum of six for this indicator.

2.2.3 Military in power

As previously indicated, Uganda has a sizeable defence force considering that it is a relatively small country. Also, considering the limited defence budget, the defence force is over-manned and not as effective as suggested by official propaganda. Furthermore, the most capable soldiers had, until recently, been committed to the fighting in the DRC, leading to an ineffective campaign against the rebel forces within Uganda (Jane's Sentinel 2001:512,538). Following the cease-fire in DRC this situation is expected to improve.

The army has been the main influence on political events since independence and the UPDF has grown out of the NRA, formed as a rebel army by Museveni in 1981. History has shown that previous regimes had collapsed because of power disputes in the defence force and that the military had played a key role in Ugandan politics in the past. Museveni can no longer rely on unified support from the Ugandan military because soldiers have become restless, officers have become fractious and the president has had to discipline many of them. This explains to some extent, Museveni's jealous cultivation of his role as commander-in chief of the UPDF (Jane's Sentinel 2001:511-512; EIU Country Profile 2002:13).

Although several African leaders are inclined to support military involvement in politics, Ugandan politics has been militarised to such an extent that it has caused much political upheaval, violence, loss of life, economic decline and a failure to adopt viable political institutions. Furthermore, in the mid-1990s the political system in Uganda was rated as one of the most highly and most dangerously militarised in Africa. Museveni himself had become involved in politics through the military and has at times expressed open support for military solutions to political problems. His Movement has also ensured the continuation of military involvement in politics by having come to power in Uganda by military means; and by continuing the process of militarised politics by exerting the "demonstration effect" of the military throughout the country. As a result, thousands of Ugandans have died because of the role of the military in Ugandan politics and the political cost has been equally high. Furthermore, the military forces in Ugandan politics have been largely "sectarian" in their social composition and have seldom contributed to national unity. In addition, the members of the various armies, because of their feelings of self-importance, have mostly behaved as if they were above the law (Gingyera-Pinycwa 1994:216-217,220,233).

Every previous regime in Uganda had needed the support of the defence force to stay in power and this situation is not expected to change in the foreseeable future. Museveni has indeed "donned his military cap" in the fight against the

rebels and has even directed operations against the ADF in the Semiliki National Park during January 2000 (Africa south of the Sahara 2002:1084). Also, in his position as commander-in-chief of the defence force, he took charge of a massive military operation in the north of the country against LRA rebels in August 2002 (EIU Country Report October 2002:13).

As in the case of war, this indicator suffers from a lack of primary information to verify the risk involved. It is, however, immediate and independently risky and therefore salient. In addition, this risk factor could lead decision-makers into believing that they will be held personally responsible for policy outcomes. Prior theories and knowledge concerning the involvement of the military in politics, also support it being a relatively salient risk factor. The risk factor is, however, tempered by the fact that the role and impact of the military in politics can be reversed. Even though the influence in and impact of the military is expected to diminish following the cease-fire in the DRC, it is clear that the defence force is still involved in the governing of the country. Therefore, **four points are awarded** out of a maximum of six for this indicator.

2.2.4 Religion in politics

Religion, Christianity in particular, which was introduced in the late 19th century, is one of the dominant sources of political division in Uganda. The two main societal cleavages in Uganda, namely religion and ethnicity determined political alignments during the 1960s (Lockard 1973:1-3). This was still the case in the 1990's as confirmed by Were (1992:137) who states that: "To a large extent, the character of Uganda's political trauma was shaped by religion at the early times of colonialism". Dating back to the pre-independence era, the influence of religion has always been evident. Both the Catholic and Protestant churches in Uganda are great "folk" churches meaning that they are integrated in a very basic way in social, cultural and political life. The Catholic Church in particular, has become a very powerful critical voice against the state because political power

has constantly eluded them even though they are the largest religious body in Uganda. This has given the Catholic Church a sense of having been denied their rightful place in Ugandan politics (Ward 1995:72).

For example, enmity between Protestants and Catholics increased in the 1950s when nationalist political parties developed along religious lines. The 1962 elections saw the mainly Protestant UPC in alliance with the KY Party emerge victorious. The opposition was the mainly Catholic DP which had previously won the 1961 elections. This alliance between two Protestant groups was struck up with the express goal of denying the Catholics, through the DP, from attaining power in Uganda (Okema 1993:63). At the same time, Muslims were the most marginalised religious group in Uganda and were too weak, numerically, to make any meaningful political impact. Muslims have gained greater visibility and have formed themselves into a very powerful political group (Mudoola 1996:49,57).

During the first elections for RCs in 1986, Protestant ex-UPC supporters were in some disarray and Catholic elements assumed a dominant position in some councils. In the 1989 RC elections, though, the Protestants were determined to reassert themselves. They identified strongly with the NRM and its position that a revival of party politics would not be in the best interest of Uganda. At the same time the DP strongly urged the government to allow multi-party elections. Hence Protestants could portray Catholic members of RCs as not really supporting the NRM (Ward 1995:100-101). Bishop Benoni Ogwal of northern Uganda attacked the NRM in 1987 for the current violent incidents in the north of the country, saying that it was worse than anything experienced under Amin. After this the bishop decided to leave Uganda and his assistant left the north to return to Kampala. The void that this left was the ideal breeding ground for the rise of the HSM of Alice Lakwena and other rebel groups (Ward 1995:101-102). Tomusange (2002b) confirms this by stating that the uprising of the HSM was in effect originally a religious war waged against the government of the day.

As the NRM of Museveni gained government experience, it (and he) realised that it is better to co-operate with religious groups than to engage in disputes with them. Museveni is an Anglican by upbringing and his religious commitment has changed into a strong political commitment. As president he has stressed the importance of good relations between all religious bodies and the state (Ward 1995:99). The ten point policy programme of the NRM features as point three the “(c)onsolidation of national unity and elimination of all forms of sectarianism” (Waliggo 1995:118). In addition, as Tomusange (2002b) states, Movement politics in Uganda is an excellent deterrent for religious infighting because it prevents the different parties from campaigning on a religious basis.

The NRM, nevertheless, has brought many advantages to Uganda, for example a more disciplined defence force, peace and stability, a “grassroots” democracy, as well as making officials accountable. This has also permeated to life in the church. The clergy has grown in popularity as traditional chiefs and politicians lost credibility. It is, however, increasingly felt that the church also shared in the corruption of national life. Also, the church is facing a severe moral crisis, since issues such as financial accountability, a clerical preponderance in church life and nepotism are not adequately addressed and resolved (Ward 1995:103).

The assessment of the effect that religion has on politics is heightened by the absence of primary information. It also constitutes an immediate threat. Moreover, it is a very familiar risk factor associated with prior theories and knowledge. The risk factor is redeemed somewhat by the fact that it is reversible. It nonetheless seems as if the NRM government will continue to be castigated by religious factions in Uganda, especially by the largest ones, namely the Protestants and Catholics. **Three and a half points are awarded** out of a maximum of six for this indicator.

2.3 Socio-economic risks

2.3.1 Corruption

Corruption is designated a cancer by no less a person than Museveni himself, which, if unchecked, will hinder progress in all sectors of Ugandan society (Museveni 1992:92). Corruption is found at all levels of Ugandan society. Although the public disenchantment with corruption is growing, some progress has been made to counter it (United States of America 1999:21).

According to Chapter 14 of the report of the *Public Service Review and Reorganisation Commission of Uganda*, the main causes of corruption are, amongst others, the income-expenditure gap; shortages and monopolies; and the complex and cumbersome bureaucracy. The effects of corruption are political, namely that corruption increases the cynicism of the public regarding the current political set-up; and administrative/managerial, namely that corruption detracts officials from their public functions by facilitating their private benefit. The effects are also economical/financial, namely that scarce resources are widely diverted from public to private use (Ruzindana, Langseth and Gakwandi 1998:19-25).

Corruption is, despite all the best efforts of the Ugandan government and especially of the president, still rampant in Uganda. In 1997 the then inspector general accused members of parliament of “making a lot of noise about corruption” but doing nothing about it. He also stated that parliament had more power than it realised but lacked the will to exercise it (Watt, Flanary & Theobald 1999:51). Transparency International has recently stated that Uganda is the eleventh most corrupt country out of 99 investigated. A local NGO, Uganda Debt Network, estimates that corruption has cost the country US\$500 million in the five years from 1997 to 2001. Corruption is particularly troublesome in the area of military procurement (EIU Country Profile 2002:26).

According to the *2001 Global Corruption Report*, Ugandan citizens consider the police and the judiciary the most corrupt: 63 percent of the population claimed to have bribed a policeman and 50 percent to have bribed a court official. In the same report it is alleged that during 2000-2001, more than US\$147 428 from revenue collections had been spent illegally by nine courts. In response, a recent government enquiry had recommended dismissals and forced resignations of top justice officers (Global Corruption Report 2001:70).

A UN special report (United Nations S/2001/357) alleges that top Ugandan soldiers and businessmen have enriched themselves in the war in the DRC. Members of Museveni's family were implicated in this report. Museveni's younger brother, Salem Saleh, resigned from his post as presidential advisor on defence, admitting "improper conduct" in private business affairs (The Europa World Year Book 1999:3563). Furthermore, it was also alleged that Uganda has become an exporter of gold, diamonds and cobalt, none of which is produced by the country (Global Corruption Report 2001:72).

In addition, it seems as if not even some officials working for the inspector general of government (IGG) are above reproach. According to a press report (New Vision 2002), investigators from the office of the IGG were paid Ush4.7 million to quash a case against the Uganda Bus Operators Association (Central) (UBOA(C)). Apparently, the same firm also bribed some Kampala City Council officers and the Central Division town clerk to the tune of Ush4.5 million in order to secure a tender. The financial controller of the UBOA(C) gave evidence to this effect in parliament, while an official from the office of the IGG was jailed by parliament for refusing to give evidence in this matter.

Concerted efforts are, however, being made to address the problem of corruption. The Ugandan government has promulgated very specific legislation in an effort to combat corruption, namely the *Prevention of Corruption Act*, 1970, the *IGG Statute*, 1997 and the *Penal Code (Amendment) Statute*, 1987. Uganda also has a ministry of ethics and integrity (Global Corruption Report 2003:237).

The IGG has also uncovered several incidents involving corruption. These included the non-declaration of goods; fictitious workshops existing only in the minds of corrupt officials; payment for non-existent road repairs; out of court settlements by the office of the attorney-general on behalf of the government; and “ghost” workers” in the public service (Ruzindana *et al.* 1998:27).

The government is also in the process of decentralisation which is reshaping public policies, thereby increasing service coverage; improving citizen satisfaction; bettering attention given to rural areas, women and the poor; and increasing cost consciousness and resource mobilisation. Decentralisation could prove to be a way of combating corruption because districts now have access to credit and will have to assume responsibility for the provision of services and the execution of public expenditure programmes (Kisubi 1998:105-106). Also, Uganda Debt Network, an Ugandan NGO, is actively combating corruption by periodically publishing a list of corrupt public figures. It has recently pointed out that vice-president Wandira has allegedly misspent US\$2 million earmarked for dams (Global Corruption Report 2001:75). Civil society also petitioned the World Bank to investigate whether there was corruption involved in the agreement between the government and AES to construct the US\$550 million Bujagali Dam. The World Bank announced in June 2002 that the loan had indeed been suspended because of corruption (Global Corruption Report 2003:245).

In addition, the Ugandan government is in the process of reforming the public service in an effort to root out corruption. In the process it has instituted the following measures, namely public service reform; reducing the size of the Public Service; and making salary levels more equitable and transparent. The government is also instituting a code of conduct for all civil servants; introducing a code of conduct for leaders; introducing economic reforms and liberalisation; reducing military spending; introducing preventive measures; and involving the public in the fight against corruption (Ruzindana 1997:5). Uganda has experienced a

positive surge toward real accountability and transparency and has also won recognition on the continent for the scale and success of its efforts in this regard.

Unfortunately, there are some factors that render the fight against corruption less effective. Both the World Bank and the Ugandan parliament have criticised the privatisation programme in the country for non-transparency; insider dealing; conflicts of interest; and corruption. Although progress has been made, Uganda is to a lesser extent than Ethiopia and Tanzania moving toward more open government (Global Corruption Report 2001:77-79). These additional factors have also proved to be counter-productive. Firstly, there is a chronic shortage of both material and human resources to act against corruption; secondly, the culture of the professional public service is not sufficiently developed to be able to act as a constraint; and thirdly, the ruling elite has been setting an example in which anti-corruption rhetoric is more important than action (Watt *et al.* 1999:60).

The fact that even those in the forefront of the fight against corruption, the IGG (now the Inspectorate of Government), have recently been caught taking bribes, is an indication that the risk of corruption is still prevalent. Due to the availability of information a clear assessment can be made of corruption as a risk indicator. The risk manifests prominently, although it appears in piecemeal fashion, and is therefore a salient risk factor in contemporary Uganda. Since corruption is a glaring problem that the government is trying very hard to combat with limited success, **eight points are awarded** out of a maximum of 12 for this indicator.

2.3.2 Socio-economic conditions

Uganda has one of the lowest percentages of city dwellers in Africa: only 10 percent of its citizens live in urban areas (Jane's Sentinel 2001:518). Development in the northern regions of the country has been neglected which, in turn, contributed to the migration of the workforce to the more affluent south (Kiyaga-Nsubuga 1999:15).

Uganda was one of the first countries in Africa to recognise the threat posed to development by AIDS because it understood at an early stage that long-term efforts were very important (UNAIDS 2000:1). Ugandans in the age group 15-49 suffering from HIV-AIDS have decreased from 8.3 percent in 1999 (The Europa World Year Book 2002:4020) to 5 percent in 2001 (Africa south of the Sahara 2003:1129). In contrast, however, aggregate health indicators, such as infant mortality (100.7 per 1 000 live births in 1998) and life expectancy at birth (41.8 years in 1998) are among the worst in the world (EIU Country Profile 2002:16).

Unfortunately, at the end of 1999, Uganda was also harbouring 218 000 refugees from neighbouring countries: amongst others 200 600 from Sudan, 8 000 from Rwanda and 8 000 from the DRC (United States of America 1999:2). This has had a debilitating effect on the continued improvement of socio-economic conditions in Uganda. Conversely, the numbers of refugees harboured by Uganda has started to decrease and at the end of 2001 the number had been reduced to 198 667: 176 766 from Sudan, 14 288 from Rwanda and 7 613 from the DRC (Africa south of the Sahara 2003:1120).

By the end of 1994, the government had stopped the economic slide and entered a constructive phase. GDP expansion since 1987 had grown by five percent annually and the reorganisation of the public sector was well underway. Inflation of 273 percent in 1988 had been reduced to single digit figures. The government's strict adherence to World Bank structural adjustment programmes had mainly been responsible for these improvements (Kiyaga-Nsubuga 1999:15). Strict adherence to the strategies suggested in these programmes decreased the part of the population living in poverty from 56 percent in 1992 to 35 percent in 2000 (International Monetary Fund 2002:3). Furthermore, 6.5 million children were enrolled in primary schools in March 1999 compared to only 2.3 million in December 1996. The enrolment figures increased from 56 percent in 1995/96 to 94 percent in 1998/99 (International Monetary Fund 2000:2). The number of teachers increased from 103 404 in 2000/2001 to 114 835 in 2001/2002 thereby improving the

pupil/teacher ratio from 57:1 in 2001 to 54:1 in 2002 (Africa south of the Sahara 2003:1121).

The economy turned in a solid performance during 1990-2000 and this is based on continued investment in the rehabilitation of infrastructure, improved incentives for export and production, reduced inflation and improved inland security (United States of America 1999:5). Concerning electricity supply, Uganda has developed only a fraction of its huge hydroelectric power potential, large sections of its electricity network is poorly maintained and power cuts are frequent. Only about five percent of the population have access to electricity (The Statesman's Yearbook 2003:1589). The demand for power is growing and the government is committed to a ten-year plan for rural electrification estimated to cost US\$375 million, in order to electrify an additional 400 000 homes (EIU Country Profile 2002:20).

As with most risk factors, the absence of primary information impacts negatively on the assessment of this indicator. Nevertheless, the improvement in socio-economic conditions, the fact that it is occurring currently and the fact that its negative impact is reversible, makes it a less salient risk. It is a risk that is emerging in piecemeal fashion and therefore more likely to go unnoticed and be less salient. Since the government of Uganda is in the process of improving general socio-economic conditions, albeit detrimentally affected by the large numbers of refugees from neighbouring countries, **two and a half points are awarded** out of a maximum of six for this indicator.

2.3.3 Investment profile

The Ugandan government is revising regulations in order to promote investment from overseas. No restrictions on foreign ventures with local investors exist. Ugandan policy toward investment is generally positive but work permits are at times difficult to obtain. The revenue service will often aggressively target foreign firms for payment of taxes. Foreign individuals pay tax of between 15 percent

and 20 percent of income and non-resident corporations pay 35 percent. Foreign companies are not allowed to own land, even though businesses may be disposed of at will. According to the most recent information contained in Uganda's Investment Code, investors who have invested more than US\$500 000 are allowed to repatriate their investments and dividends (United States of America 1999:3,9,19,22).

A comprehensive energy policy has been drafted requiring about US\$2 billion over the next ten years to implement. Approximately 68 percent of the amount needed will come from direct private investment and 32 percent from the government and development partners. Funding will be sought from environmental agencies by emphasising the development of renewable energy resources. The said policy has resulted in the power sub-sector attracting the largest private sector investments in the country and revenue from this sector is expected to be US\$2.3 billion over the next decade (Wakabi 2002:1).

Private sector investment, predominantly financed by private transfers from overseas, was 11.7 percent of GDP in 1997 (United States of America 1999:4). Mining and energy are expected to benefit from increased inflows from foreign direct investment in 2003 (EIU Country Report July 2002:3). As has been indicated, taxes imposed on foreign investments are relatively low and money may be repatriated. On the other hand, the revenue authorities aggressively target investors. The Ugandan government is revising regulations in order to promote investment from overseas. No restrictions on foreign ventures with local investors exist. Furthermore, the Uganda Business Forum is actively seeking new investors and state that business opportunities abound in Uganda (Tomusange 2002a:1).

According to Tomusange (2002b), the improved security situation, the positive economic policies instituted by the government and the environmental policies in effect in Uganda all contribute in large measure to the country's investor friendly

profile. The interest in investing in Uganda and circumstances surrounding investment seem to be favourable and **two and a half points are awarded** out of a maximum of six for this indicator.

3. Evaluating the political-security risk index

In accordance with the index (see Table 2), the political-security risk index figure for Uganda, based on the summated scores of each risk indicator, is as follows (see Table 5):

Table 5: Political-security risk index for Uganda

Indicators	Score for Uganda	Maximum points
Security indicators	23	46
War	7	12
Ethnic tension	7	12
Negative international relations	5	12
Radical groups	0.5	4
Law and order	3.5	6
Political indicators	19.5	30
Authoritarianism	8	12
Government instability	4	6
Military in power	4	6
Religion in politics	3.5	6
Socio-economic indicators	13	24
Corruption	8	12
Socio-economic conditions	2.5	6
Investment profile	2.5	6
Total (risk index score)	55.5	100

From the above it is evident that the most negative group of risk indicators (higher scores) is the political risks, where 19.5 points were awarded out of a

possible maximum of 30. This is followed by the more positive (lower scores) of socio-economic risks (13 points out of a possible maximum of 24) and security risks (23 out of a possible maximum of 46). This is to a large extent indicative of the improved security situation that enhances socio-economic growth and development. Due to the potentially volatile value of the political risks, any change for the worse may have a detrimental effect on the aforesaid positive trends concerning security and socio-economic risks. The summed political-security risk index score for Uganda is 55.5 out of a maximum of 100. In accordance with the interpretation scale (see Table 3), this falls within the range of between 40 and 60, which constitutes an intermediate risk. The intensifying fight against corruption, the continued successes against the rebel forces and improving international relations, as well as the work done by the Constitutional Review Commission regarding the Movement system may improve the situation.

4. Conclusion

Thorough and incisive pre-knowledge about the conditions prevailing in a country where investment or involvement is contemplated, is essential. Such information will place a political-security risk analyst in an advantageous position and facilitate a complete and incisive risk analysis. The prevailing conditions in Uganda as regards the political-security environment have been assessed and measured in accordance with the weighted scoring system in terms of the 12 risk indicators identified in the synthesised risk analysis framework. Each of the prevailing conditions has been awarded a number of points out of the pre-set maximum that were indicated for that specific risk. This provided a summed risk index score, indicative of political-security risk as it currently prevails in Uganda. It transpired that even though the government of Uganda has made great strides toward decreasing such risks, it still has to improve in certain aspects. Corruption, ethnic tension and the military influence on government are some of the indicators that still cause concern. War, relations with neighbours and other

countries, socio-economic conditions and the fact that no left-wing radical groups exist are factors that bode well if they can be improved even further.

Conditions in Uganda indicated a risk possibility of 55.5, which is in the intermediate range of the risk index. It means that investing in Uganda in the current climate carries an intermediate risk but that Uganda may, with continued improvement, soon become a destination country with huge potential for investment. The study, its findings and implications are subsequently evaluated in the final chapter.

CHAPTER FIVE

EVALUATION

It was the aim of this study to analyse (macro) political-security risk in Uganda. This aim emanated from the basic research question: *Does Uganda pose a political-security risk to prospective foreign investment or involvement?* The need to move beyond a political risk analysis but without entering into a comprehensive country risk analysis, therefore posed the research problem to develop a political-security risk analysis framework and to apply it to Uganda as an African country. This problem generated three subsidiary questions: *How appropriate (or inappropriate) are existing risk analysis frameworks? Do existing frameworks contain generic or common elements that can provide a basis for a synthesised framework? To what extent is a country specific framework applicable to other countries in the same region?* Therefore, three sub-problems were also addressed. Firstly, determining the appropriateness of selected frameworks; secondly, identifying generic elements in order to construct a synthesised framework; and thirdly, assessing the applicability of the composite framework for the analysis of political-security risk in other African countries.

As a point of departure, the concepts risk and risk analysis were described. Risk is the possibility that an occurrence or circumstance with a possible detrimental effect may threaten the continued welfare of an individual, company or country. Many different types of risk exist and prior to making an investment or becoming involved in any country, it is essential that the possible risks facing the investing company or intervener be known. Country risk refers to those actions or circumstances created or controlled mainly, but not exclusively, by the government of a country and include political, economic and financial factors. Country risk analysis can therefore be seen as the assessment of any potential change in the economic, political and/or social environment in a potential host country. Political risks pertain to those events and conditions of a political nature

that a government usually does not have complete control over and includes, amongst others, actions by non-governmental groups such as terrorist or crime groupings or NGOs, not excluding actions by a government. Political-security risks are those vulnerabilities with security implications flowing from the political risks found in a country.

Risk analysis utilises various methods in order to develop an understanding and awareness of risk associated with a particular variable or interest, in this case the political-security risks threatening Uganda and, by extension, the risk of investment or involvement there. Risk analysis can be either quantitative or qualitative and it can utilise various traditional methods. These traditional methods have however been replaced by newer, more efficient scientific methods. These include country risk analysis and political risk analysis. This study also requires, as a derivative, political-security risk analysis. As an extension of political risk and political risk analysis, but in nature and scope something less than country risk analysis, political-security risk analysis focuses on the existence of political risks that may include or lead to security vulnerabilities. Since this pertains to national security, political-security risk analysis must, therefore, consider all political risks that may compromise or relate to these interests.

Several frameworks exist for the analysis of either country or political risk. However, no specific framework exists for the analysis of political-security risk. In order to perform a macro political-security risk analysis, an original or at least a synthesised framework is required. It was therefore decided to select four existing frameworks to be synthesised into a single framework. The reason being that it is difficult to use different risk analysis frameworks in a single case study and it is well known that randomly using single aspects or indicators from different frameworks also cause problems. These frameworks, namely EIU, BERI, ICRG and PRS, were selected on the basis of their proven utility value and the fact that they contained elements pertaining to political and security risks.

Generic elements from the selected frameworks, were reduced to three categories and synthesised into a single framework. The risk indicators were separated into those factors impinging upon, firstly, the security of the country; secondly on the political environment; and finally on socio-economic circumstances. The security risks were war, ethnic tension, negative international relationships, radical groups and law and order; the political risks were authoritarianism, government stability, military in government and religion in politics; and the socio-economic risks were corruption, socio-economic conditions and investment profile. These indicators and the risk scores allocated to each, were used to construct a political-security risk index in respect of which the summed scores provided an index figure of risk to be interpreted in accordance with an interpretation scale. Considering that foreign investment or involvement in a host country requires strategic planning as a prerequisite for strategic management, the position of risk analysis in corporate strategic planning was also indicated. Strategic planning must be preceded by risk analysis in order to indicate the risks that may threaten investments or involvement. It is clear, therefore, that risk analysis should precede any foreign investment or involvement.

In respect of Uganda, its more recent political history was detailed and the political and socio-political circumstances currently prevailing in the country highlighted. These circumstances were measured against the indicated risk factors and according to the risk index, Uganda was given an index score of 55.5 which indicates an intermediate risk according to the interpretation scale. Based on this, Uganda is not, presently, the most suitable and viable destination for foreign investment or involvement. This does not disallow investment or involvement but if indeed the case, it should be done with circumspection as the situation is volatile to the extent that it can rapidly change for the better or the worse, depending on trends concerning the risk categories, or more specifically a turn of events in respect of a particular risk indicator. This point to the fact that positive changes have occurred, that the risk factor has decreased and that this trend is expected to continue. However, since the political-security risk in

Uganda lies in the middle of the interpretation scale, the Ugandan government must continue applying political will, volition and commitment in order to create the political-security conditions that will make the country an acceptable destination for foreign direct investment in particular.

In order to improve the investment environment and to reduce the risks involved, various aspects as pointed out by the risk assessment need to improve or be dealt with. It is also indicated that the government of Uganda will also have to apply a certain amount of risk management in order to improve the political-security circumstances if it hopes to draw substantial foreign direct investment.

In respect of security risk, it appears as if the internal wars have, if not won by the government, certainly decreased in intensity. These wars will have to be finally concluded if foreign investors are to be enticed to invest or become involved in Uganda. So too, the external relationship with especially Rwanda will have to keep on improving and effort, will and commitment must go into improving relationships with other neighbouring countries. Ethnic tension also appears to be deteriorating and the government will have to make a huge effort to accommodate ethnic aspirations, especially those in the northern regions. This will also have the effect of improving socio-economic conditions country-wide. The sometimes over-robust application of the laws of the country must be curbed and the police conditioned in order to apply laws and also the provisions of the Constitution in a more even-handed way. The recent appointment of a number of police recruits and officers will go a long way towards the realisation of this objective and must be extended to have even more success.

In respect of political risks, the authoritarianism of the government will have to be tempered. A start will be the speedy conclusion of the constitutional review currently underway. It seems as if non-party democracy as practiced in Uganda, does not meet with the approval of many citizens and the government would do well in heeding the calls for the re-institution of multi-party politics. Government

instability and the military in politics are two risk factors that go hand in hand in Uganda and the government will have to take every precaution in order to separate these two forces. Museveni as the president, also considering his reliance on the military to remain in power, can sometimes not be separated from his role as the commander-in-chief. This factor increases the perception of prospective investors that the Ugandan military has too strong a position in the government and may be detrimental to direct foreign investment or involvement. The role of religion in politics is not so great that it detrimentally influences direct foreign investment. In any event, the government is not capable of altering this aspect and the religious leaders are expected to dissociate themselves and their faith from government in order to improve the investment possibilities in Uganda. Corruption in Uganda, as elsewhere in the developing and sometimes in the developed world, appears to be rampant. The Ugandan government has instituted several measures against corruption but when those responsible for the application of these measures are themselves corrupt, something drastic will have to be done. Pres. Museveni has, more than once, promised action against the corrupt and the government will have to make a concerted effort to combat this scourge.

In respect of socio-economic risks, the government has attempted to make the investment environment as acceptable as possible by instituting tax concessions, the possibility of repatriation of funds, and other measures. This category compares favourably with others when managing the risk to investors. The socio-economic conditions have also improved as well as could be expected, considering the limited resources the government has at its disposal and its lack of capacity to deliver social services. Poverty reduction programmes sponsored by the IMF and World Bank have all contributed to this improvement in general living conditions.

The risk against investing or becoming involved in Uganda is an intermediate one and is situated in the centre of the interpretation scale. Unfortunately, the well-publicised political past of the country may predispose prospective investors not

to become involved there unless radical and decisive actions are instigated by the government in order to address the political-security risks detailed here.

Emanating from the research problem(s) as posed, the aim of the study was to develop a synthesised framework for the analysis of political-security risk and to apply this framework to Uganda. This required the assessment and critical evaluation of existing frameworks; the extraction of generic elements from these frameworks as a basis for the composite framework; and the application of this framework through a detailed country profile and individual indicator based risk assessment concerning Uganda. This was accomplished and led to the final assessment of the political-security risk in Uganda. Since this synthesised risk analysis framework is able to accommodate key variables pertaining to politics and security in African states, and since it has been able to provide an indication of risk in respect of Uganda, it is suggested for application to other African states. The need for modification, based on the particularities of the respective countries to which it is applied, is not excluded. It is, furthermore, proposed that a similar exercise is conducted after a period of six months and six-monthly thereafter. Such an exercise will indicate whether the variables utilised in this study were, in fact, correct and whether additional variables should be incorporated. The repetition of the analysis will also indicate risk trends and allow for the monitoring of risks, which will be conducive to risk management.

In conclusion, the study found that the main research problem as to the nature of political-security risks that may confront a prospective investor in Uganda, have been successfully addressed through the application of the composite framework developed for the analysis of such risks. Also, the study points out that existing frameworks for country risk and political risk analysis can be discounted for the purposes of political-security risk analysis, being too comprehensive and non-focused on indicators of risk particular to African countries. The synthesised framework is also deemed suitable to be applied to other African countries, admittedly with some modification.

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