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# The Impact of China-Africa Aid Relations:The Case of Uganda


*Building projects being done Chinese assistance in Uganda*

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## Introduction

China and Uganda have a long diplomatic history dating as far back as the post independence era. During the period 1962-1985, bilateral relations between the two countries remained steady in spite of the regime changes in Uganda. According to the information from the China Consulate in Uganda, development assistance from China to Uganda overtime has risen to the tune of US$4-5 million annually. Since the establishment of diplomatic relations the Government of China has continued to provide development assistance to Uganda in the form of interest-free loans and grants to a cumulative value of approximately US$80 million in 2003 although the bulk of China's aid to Uganda is in the form of non-concessional loans. This policy brief highlights the key findings from Guloba et al. (2010) whose paper provides insights on how the Ugandan government has benefited from its relations with the Chinese government. More specifically, the policy brief point out ways aid from China has been beneficial and the challenges government and the grassroots are facing in maximizing from the aid. Simply put, authors analyze how China's aid has impacted on the Ugandan economy and further more how the Ugandan economy can re-strategise to efficiently benefit from this relationship.

## Approach

The analysis heavily relied on administrative data from the diplomatic community, Ministry of Finance Planning and Economic Development (MFPED) – in particular the aid liaison office, and various relevant ministries. In addition, to complement desk research, field survey information was gathered using a questionnaire and interviews with key informants. And lastly, the study undertook a case study to further understand the extent of China's aid impact on Uganda either directly or indirectly. The major data limitation was on comprehensive China-Uganda aid data which is not easily accessible.

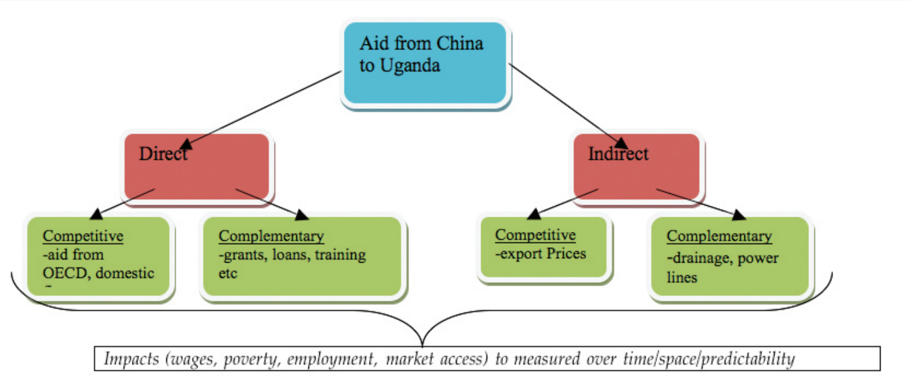
The analysis follows the Kaplinsky et al., (2006) framework as indicated in Figure 1.

## Findings

### *a) Sector specific finding*

Uganda has been the main initiator of aid between the two countries. Aid though sometimes not specific, has contributed towards meeting the goals of the Poverty Eradication Action Plan (PEAP). On the economic point of view, most project aid has been used for small scale plants producing light consumer goods grown on related agricultural schemes like Kibimba and Doho rice schemes. Here, infrastructure within the schemes such as drainages have been improved, machinery for processing and experts from China trained people handling machinery at various levels of processing. At the start of the project, a demonstration farm was established to illustrate planting and harvesting of rice. Currently, there are about 4,385 farmers utilizing the Doho Rice Scheme. This has greatly improved their incomes and a

**Figure 1: Analytical Framework**




*Source: Adopted and modified from Kaplinsky et al, 2006*

health facility was set up nearby to take care of the workers and the surrounding communities. Power lines and roads were constructed heading to the scheme and villages. Small businesses have been set up along the roads as well.

The Chinese-sponsored projects that have been completed are performing reasonably well such as the Ministry of Foreign Affairs and the Mandela National Stadium though maintenance by the Ugandan Government has been lacking hence leaving the entire burden to China. Nevertheless, the road network leading to the Stadium is a state-of-the-art and is well maintained; this has eased transportation for the surrounding communities. The drainage system constructed has improved the health conditions of the slum areas surrounding the stadium, when compared to the situation before the stadium was constructed. With the completed Ministry of Foreign Affairs building, more office space and parking lot were generated. A restaurant was opened within the building hence waitresses were hired.

In the agricultural sector, the Government of China has greatly offered aid through projects and this directly fits into the PEAP which emphasizes modernization of agriculture in order to enhance farmers' outputs, livelihoods and incomes. Furthermore, as a result of the first two rice schemes that were set up by China, many Uganda farmers have learnt from experience and have set up their own rice firms. The Chinese started the first rice growing scheme in Uganda, the 1,721 acres farm at Kibimba in Eastern Uganda. Thus, construction and improvement of the Kibimba and Doho rice schemes by China indirectly impacted on Ugandan farmers and has made them more competitive in the rice market regionally. Currently, rice imports have declined as a result of increased production of rice from within the country. "It has become very popular countrywide especially among commercial farmers," Katamba Lwasa, a rice trader reported. He said traders rarely import rice these days because the local varieties have a good market. The Chinese government has signed a memorandum of understanding with the Ministry of Agriculture Animal Industry and Fisheries (MAAIF) to carry out a feasibility study at the agriculture demonstration scheme in Kajjansi that will mainly focus on aqua-culture.

In the education sector, the impact of China has also been felt. According to the Ministry of Education and Sports, the government of Uganda and that of China have had a long standing agreement in which China has been offering up to 12 scholarships per year in higher education to Ugandans. The scholarships have mainly been in five fields of: engineering, computer science, medicine, business administration and food science. The scholarships have been fixed since 2000 up to-date. Upon return after studies, many of these students have managed to get better paying jobs in recognized institutions and industries as they are highly marketable given the hands on skills they have acquired during their stay in China. Many computer science graduates are working with the telecommunications companies in Uganda: MTN, UTL, ZAIN and WARID – and are in high ranking positions, which attract high salaries.

With regard to the infrastructure sub-sector we found that with the recent discovery of oil reserves in Uganda and the planned delivery of heavy oil in the market by 2009/10 had implications for the national development agenda and investments within in the sub sector. As a result of this discovery in the Albertine-Graben Basin in Western Uganda, we envisage the emergence of investors interested in offering all types of support in exchange for oil. China has not been participating in the oil sector in Uganda, although some Chinese firms have already expressed interest, but they have been challenged by the caveat of a lease for 40 years given to the European firms like Tullow Oil.

With respect to health, the Chinese government contributed medical equipment and medicine to the National referral hospital, Mulago. In addition, four medical staffs from the hospital were trained for 45 days in modernized malaria management and treatment. Another team of experts from China are expected back in 2010 for 15 working days to train more staff. Also between 2007 and 2009, the Chinese government donated anti-malaria medicine worth US$ 500,000 per annum through the ministry of health. According to the secretary at the Chinese consulate in Kampala, the Chinese anti-malaria drug called Arco/Coartin has been proved to not only be very effective but also very affordable for the wananchi (the masses). However, he commented that despite the drugs being of quality, they have not been put on the list of first line anti-malarials.

On trade facilitation, Chinese aid geared towards aid promotion in Uganda has been more of technical cooperation and not monetary aid. For example China has signed a contract with the Ministry of Tourism, Trade and Industry (MTTI) where it has offered MTTI free space in the upcoming Shangai Expo exhibition for Uganda to display its goods and services. The event will run for six months from June 1, 2010 to November 30, 2010. Put differently, Chinese aid has been of an indirect benefit to trade and this has been through infrastructure development like the Wakawaka landings site, which has led to value addition in the fishing industry and the Kibimba Rice Scheme which (was sold to Tilda (U) Limited) has also added value to the produce industry in Uganda to mention a few.

## Case study Findings

The Wakawaka landing site located in the eastern part of Uganda in Iganga District is among the projects which the Peoples' Republic of China has been involved in. It was built as part of

Chinese Development Assistance to the Republic of Uganda and also to enhance social-economic and political cooperation between the two countries. it was found that the project was valued at US$1.1 million with an agreement to construct a generator, an ice plant, water purifier, administration block, a perimeter fence, two fish shades, underground fuel tank, water pump plus a pier and a water treatment system.

## Policy Recommendations

Specifically, the following policy recommendations are worth adopting:

- Projects should be fully agreed upon by both Governments of Uganda and China prior to implementation. Hence the projects should not be about maintenance and who provides what but about government ownership and working in the interest of the Ugandan development framework which is geared towards poverty eradication.
- Uganda should develop her own capacities to sustain infrastructure otherwise China will continue to provide highly skilled manpower to do so. The challenge is to focus on capacity, use China's aid to build our own capacity. Internal capacity should be further developed in particular on how to negotiate and supervise in order for Uganda to have skills and resource endowment. China's technology can be accessed more easily than western technology. The issue is how we can strategise ourselves to benefit from the technology.
- China's aid to Uganda is not bad but Uganda should have a better strategy in order to benefit meaningfully in its relations with China. Put differently, Uganda has to re-strategise and negotiate to benefit the economy. China is organised, the south-south relationship China uses can be used by Uganda to benefit from it. At the moment as is documented in literature, only countries that are resource-rich are having a bigger stake/intensive relationship with China and thus benefit.
- It should be noted that what China brings is mainly competition with the other traditional donors thus it has made other donors more competitive when providing support to developing countries including Uganda. At the moment traditional donors are looking at their systems otherwise, they are going to be outcompeted. Now they are finding ways of making aid faster to speed up delivery without too much bureaucracy as China is currently providing assistance.
- A continued build-up of China-Uganda relationship is expected in the long run. Resource rich countries have been using oil resources to guarantee some investments and loans from China. Thus, given that Uganda in the near future will be mining its own oil, future relationships with China are most likely to change in this direction.
- The way forward is to develop our own capacities to sustain the infrastructure otherwise China will continue to provide highly skilled manpower to do so. The challenge is to focus on capacity, use China's aid to build our own capacity. Issues of environment, human rights and so forth should be further looked into. As China's economic strategy continues to grow, Uganda needs to find a way to benefit. If Uganda is to start mining oil, China will come in as we have seen from other economies that are resource rich like Angola and Sudan. Thus we need to look into this before time to re-strategise ourselves and learn from other countries that have similar relations with China given their resource endowments.

**Figure 1: Fish Shades**

*Source: Authors' Graphics taken on 16/6/2009*

## References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