‘Resources for Infrastructures Deals’ in Africa: Analysis of Chinese Companies Operations in Extractive Industries in Uganda.

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“Chinese support is not like a poor man’s support. If a poor man gives you a cock, he will always remind you about it, and expect you to thank him all the time,” President Yoweri Museveni, *The New Vision*, 22nd November 2012.

Abstract

The discovery of commercially viable oil deposits in 2006 in Uganda raised hopes that the enormous revenues expected to accrue would make poverty history (Bainemugisha et al, 2006). At the same time, however, the discovery has generated fear that the oil resources would turn out to be a curse rather than a blessing, especially if the anticipated revenues were not properly planned for and, more importantly, equitably and transparently utilized (Masiko, 2006). The discovery has also seen multiple players in the extractive industries coming to get a share in the industry. If poorly managed, Uganda will join the list of ‘resource curse’ countries which will erode the achievements made in the past and plunge the country into armed conflict and instability. Therefore, the research question to be explored in this paper is: “How does the Chinese companies and their concept of ‘Resources for Infrastructures deals’ in Africa in the extractive industries benefit those countries and vice versa?

Keywords: resources, infrastructure, east, west, business models.

What are Resource Financed Infrastructure?

Many names have been coined to describe the resource financed infrastructure. Halland, et al (2014) uses names like “Angola mode” transactions, “Resources for infrastructure” “deals” or “swaps” or “barter.” According the them a new form of financing infrastructure has been created in countries that are wealthy in natural resources—typically hydrocarbons or metal ore—but poor in the infrastructure essential for a growing economy. These transactions are in various packages; first the government grants a resource development and production license to a private developer, secondly, the government receives infrastructure pursuant to a financing mechanism linked to the resource activity (Halland, et al, 2014). However, within this new model, there is also the new trend of loan acquisition which is pegged to the revenues generated from the resources. This seems to be the new strategy Uganda has adopted since the discovery of oil in 2006.

According to Halland, et al (2014) the resource financed infrastructure (RFI) model is a financing model whereby a government pledges its future revenues from a resource development project to repay a loan used to fund construction of infrastructure. The key advantage of the model is that a government can obtain infrastructure earlier than it would have been able to if it had to wait for a resource project to produce revenues. Uganda has gone ahead to procure a loan to build the standard gauge railway, which would be managed by the contractor for a least 10 years after completion to recoup the initial capital invested in the project.

Halland, et al (2014) asserts that the transactions have attracted attention because of the novelty of the approach, and drawn criticism because the lack of transparency in the negotiation and implementation of the deals (especially regarding the establishment of a fiscal regime for the resource component and how the infrastructure contracts relate to the financing mechanism) fosters suspicions of corruption and self-dealing among the investors (and their lenders) and the government officials involved. They further argues that lack of transparency, and suspicions of corruption and self-dealing, are concerns that, unfortunately, are not limited to these transactions, but arise all too often in many countries in both resource and infrastructure projects. They acknowledge that this model has also been criticised, that some of the infrastructure constructed through these deals was of poor quality, involved "vanity" projects that did not meet the country's development needs, and/or was poorly maintained (or not maintained at all) and therefore deteriorated quickly (Halland, et al, 2014:13). According to them, these criticisms, even when justified in particular instances, do not necessarily mean that the financing model used in these transactions is flawed. Whereas they may have a point, but the reality is that the poor rich resource country may not have the same bargaining position with the lender/donor. This will in the end not go well for the recipient country much as they would have benefited from these projects.

West or East? Chinese money will build infrastructure

Western donors have raised a number of objections to China's expanding economic presence in Africa. They have warned about lack of transparency, the creation of new unsustainable debt, the promotion of China's commercial self-interest and the absence of conditionalities, especially with regard to governance. This Development viewpoint suggests, in contrast, that Africa has the potential to benefit from economic cooperation with China (Oya, 2008).

The activities of the Chinese Export-Import Bank (EXIM), established in 1994 and the country's biggest official lender to Africa, exemplifies China's rising investment in the region. By the end of 2007, it had approved a total of US$ 23.9 billion in loans to Africa. This included the signing in 2007 of a massive project in the Democratic Republic of Congo (DRC) worth almost US$ 9 billion, to be invested over a number of years. Similar loans have since been signed in Angola, Kenya, and Uganda among others. Over half of the EXIM Bank's total loans have gone to Africa, where they have been allocated mostly for large infrastructure projects, often linked to developing trade in energy, minerals, metals and other primary commodities. Some of these loans are concessional and, together with grants, constitute the growing Chinese aid programme in the region, estimated to be between US$ 500 million and US$ 800 million per year. China's official Africa aid target for 2009 is to reach US$ 1 billion (Oya, 2008).

Chinese direct investment, both concessional and commercial, has gone to over 20 African countries and has increased significantly in such resource-rich countries as Angola, Chad, DRC, Gabon, Nigeria, South Sudan (formerly part of Sudan), Zambia and of late Uganda. Despite the spectacular increase of Chinese investment and aid in Africa over the past eight years, its current magnitude remains limited compared to flows from OECD countries. Total aid (ODA) from all donor countries to sub-Saharan Africa was over US$ 30 billion in 2005. Total FDI flows increased to US$ 18 billion from just over US$ 4 billion in the mid-1990s. According to data from China's Ministry of Commerce, recorded Chinese FDI to sub-Saharan Africa increased from about US$ 70 million in 2003 to over US$ 419 million in 2006. Thus, it clearly remains a relatively small fraction of total FDI to the region. It is also a small share of China's own total outward FDI (Oya, 2008).

China has become a key investor in sub-Saharan Africa, channelling funds into roads, hydropower dams, stadiums and telecoms networks. Such activity helps drive the Asian giant's trade with the continent, which has grown from less than $10bn in 2000 to more than $200bn in 2013, overtaking the US and the former colonial European powers (Kynge, 2014). However, Uganda is more indebted to the International Development Association (IDA) than it is to China. Uganda's outstanding debt to the IDA is $2.567 billion (Shs9 trillion) whereas its debt to China is $1.099 billion (Shs3.8 trillion) as of June 2017, according to Uganda's Finance ministry. This means China is the second biggest lender to Uganda and this is going to increase with all the ambitious infrastructural projects that Uganda plans to build.

Uganda has also embarked on key infrastructural developments since the discovery of oil in the country in 2006. These investments are mostly in road, and electricity sectors. Uganda's two hydropower plants, the 600MW Karuma and the 188MW Isimba dams, are being financed by Chinese state-backed capital. There are also proposals to construct the Standard Gauge Railway (SGR) line connecting Kampala, the Ugandan capital, to Kenya, South Sudan and the oil-rich West Nile region that borders the Democratic Republic of Congo. The SGR is a pet project that came into being following a 2013 pronouncement by Presidents Paul Kagame of Rwanda, Kenya's Uhuru Kenyatta, and Uganda's Yoweri Museveni (Asiimwe 2016:1). The region is building SGR to ease importation of goods.

Uganda is also banking on a $2.3bn loan from China to build the railway, the country's largest infrastructure project to date. This loan was likely to come from more than one source in China, perhaps from a combination of the China Development Bank and the Exim Bank, according to Museveni. However, this idea has hit a snag, at least for now with China coming up with demands that Uganda should meet before the loan can be procured. According to Asiimwe (2016:1);

> China now demands that Uganda secure guarantees from Kenya that it is still interested in and will source financing for the Naivasha-Malaba section of the Standard Gauge Railway (SGR). While the Ugandan government attributes the potential delay to China's desire to take on a bigger portion of the financing responsibility in the wake of

> the agreement that the lender will run operations for 10 years in order to recoup its investment, other sources say Beijing is concerned about Uganda's ability to meet its repayment obligations.

These conditions have come as a surprise to many observers in Uganda and the region at large. According to Kynge (2014:1), in 2014 the Ugandan President, Yoweri Museveni, had praised China as a 'genuine development partner that doesn't set conditions before lending, like the West'. But China now wants Uganda 'to prove that construction of the standard gauge railway makes business sense, before a $2 billion loan is provided, and that once the project is completed, it will generate enough money to repay the loan' (Asiimwe 2016:1). The Secretary to the Treasury Keith Muhakanizi however, revealed that 'he has made progress and will soon get Kenya to provide the necessary assurances, so that Uganda can get the financing for the SGR'. This remains to be seen. Even with these assurance, the Kenyan government revealed that they were pulling out of this project all together after Rwanda, which was expected to contribute some funds towards this project opted to have their railway pass through Tanzania to the Indian Ocean noting that the route is cheaper and would take shorter time to complete instead of Uganda (Andae, 2016).

Uganda had done feasibility and studies for the railway, but the Chinese rejected these documents for being insufficient in stating the business case for funding the SGR project. Having borrowed at least $3.3 billion from the Exim Bank to construct several projects including the Karuma and Isimba electricity dams, the Kampala Entebbe Expressway and other projects, Ugandan public officials are familiar with the processes of acquiring money from this bank. As a result, Uganda gave the contract for construction of the SGR to a Chinese company, which was a precondition for acquiring the loan (Asiimwe, 2016). This is one of the ways through which China sets 'conditionalities' for Uganda by demanding that Chinese aid for infrastructural projects should be undertaken by Chinese contractors and the company comes along with their workers, recruiting mostly causal labourers from the country.

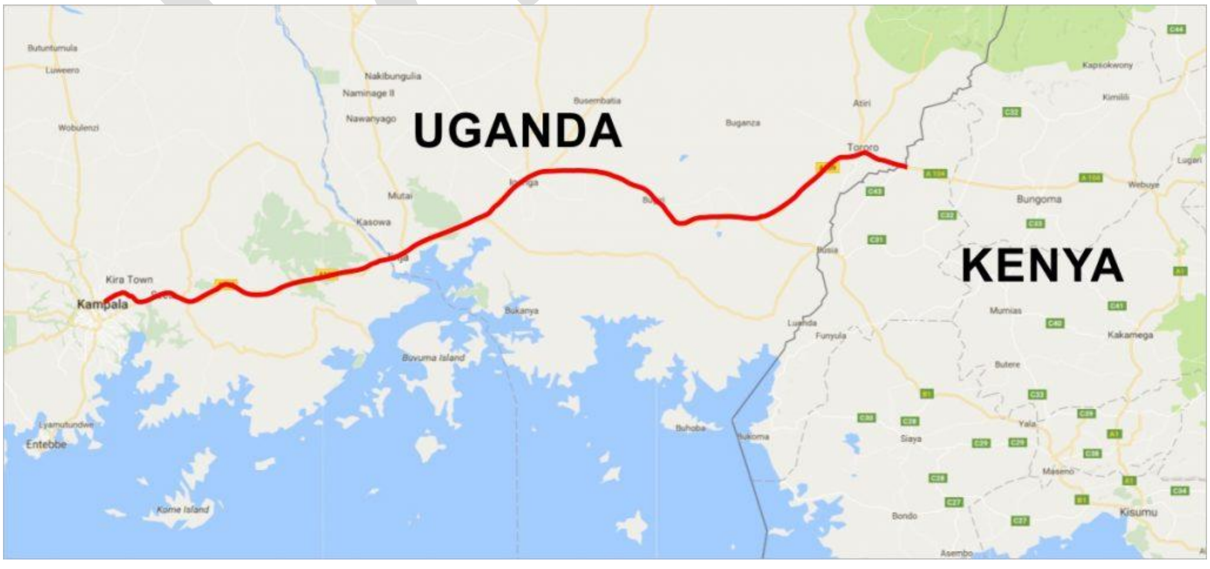
According to the Standard Gauge Railway Project Coordinator, Kasingye Kyamugambi, the Uganda government, which plans to start construction of a multi-billion dollar rail project to Kenya, has to wait until its neighbour agrees to extend the railway line to the border at Malaba for the financier to avail the funds. Kyamugambi noted that China's Import –Export Bank is willing to fund the US$8.5bn (Shs 8.13 trillion) railway project upon receipt of assurance that Kenya will extend the track from Kisumu to Malaba. Uganda applied for the loan about 18 months ago. We have been negotiating and made all the necessary requirements. The only issue remaining is us and Kenya to have a date of completing the railway line and the funds are availed (*The Observer*, 12, June 2017).

Kyamugambi observed that the only condition yet to be met as spelled out by the financier is to ensure that once the construction of Naivasha-Kisumu rail is ongoing, Kenya will also start working on the Kisumu-Malaba route. This is to ensure that the new rail snakes through Kenya to the neighbouring states in the region and thus generate revenues for recovery of the loan, which will be paid in 20 years, with a five-year grace period. He revealed that "The two countries are now engaged in negotiation with the bank to agree on the exact month that the Kisumu-Malaba-Kampala railway route will be completed. The heads of state are working on this and we hope the project will commence soon like in September (*The Observer*, 12, June 2017).

Whereas some African countries and their leaders think and believe the China's aid/loans have no 'strings attached', these are clear indications that the loans have mang strings attached to them. It is even more demanding than the traditional models of loans from the western countries. How can Uganda 'persuade and convince' Kenya that the project is worth the investments? This is even more complicated for Uganda which decided at the last minute to build the oil pipeline through Tanzania instead of passing through Kenya. This change of mind was not taken lightly by the Kenyan authorities.

If Uganda succeeds in getting the loan from China, the Malaba-Kampala route is expected to be completed in 42 months. John Holland, a subsidiary of China Herbor Engineering Company based in Australia, will run the railway line for 5-10 years before returning it to the East African governments. This is one way of describing resources for development. Whereas China Company may not be getting any resources in return for the construction of the railway for now, the guarantee that it will run the railway for a maximum of 10 years (or even more) is a sign that Uganda has entered is a long term relationship which may result into expropriation of profits as the firm will not reinvest their profits into the project. This calls into the question of sustainability.

China is 'risking' huge sums of loans to Uganda in extractive and infrastructural projects. Uganda is considered a good credit risk owing to the recent discovery of an oil field in the Lake Albert basin with an estimated 1.7 billion barrels of recoverable reserves forecast to net the Uganda government around US$43 Billion over the next twenty-five years (Davis,2017).



Source: Kampala to Malaba, Uganda Railway Project (Google Maps)

China's reluctance to issue Uganda a loan could be originating from the fact that Kenya has on a number of occasions threatened to stop constructing the railway line in Kisumu after Rwanda indicated that it would construct its SGR via Tanzania. Like the rest of the east African countries, Uganda is currently involved in rail infrastructure to provide conducive investment climate to attract large foreign direct investments especially in heavy industries and services. The rail network is also expected to reduce transport costs from Mombasa to Kampala by a third as well reduce the travel times from 10 to one day. The extension of the 273 km SGR line from Malaba to Kampala was expected to form part of the new rail network that is expected to be extended to Kigali, Rwanda, Juba, South Sudan, Addis Ababa, Ethiopia, and Vurra to the Democratic Republic of Congo. On the Kenyan side, the construction of the 120km Nairobi-Naivasha standard gauge railway is already on course after Kenya secured Ksh Sh155.5 billion from the Exim Bank of China in May 2017. On May 30, 2017 Kenya unveiled the first leg of the rail line linking the port of Mombasa and Nairobi. The railway line, which covers 472km, cost$3.2bn (Shs 11.32trillion).

Uganda's move to construct a railway line linking Mombasa Port rather than using railway line in Tanzania and eventually water through Port of Dar es Salaam to Port Bell in Kampala was based on the fact that Kenya's exports to the country are estimated at about US$1bn and imports millions of tonnes of various products through the Northern Corridor, according to the studies conducted by the government. Cargo capacity was another issue in that each wagon vessel carried 44 containers yet a train carries up to 215 containers. For the Malaba-Kampala SGR, up to 40 trains can be operated in a day transporting 8,460 containers. If such amount of cargo was going to be transported on the lake, assuming that a massive of five wagon ferries purchased, we would require 40 days to evacuate cargo of one train. This means that the route is not viable (The Observer, 12, June 2017). This coupled with the fact that oil products could not be transported on fresh water lake, made Dar es Salaam – Mwanza – Kampala route to be the only a minor alternative to the Mombasa-Kampala route.

It is important to analyse what has made Uganda to undertake these massive infrastructural projects yet its records of revenues is poor. It is also important to understand why China is ready and willing to 'gamble' in funding these projects. The discovery of oil can best explain this question. According to Museveni, 'if China was not forthcoming with funding for the railway, which is intended to replace the current dilapidated narrow gauge track, Uganda would build it using revenues from oil, estimating annual oil revenues of $5bn'(Kynge 2014, 1). According to Kynge (2014, 1), Museveni revealed that;

> Uganda is counting on China to provide $10bn to build much of its infrastructure backbone because Beijing offers the cheapest capital available, does not interfere in the African country's controversy over homosexuality and has "big money" available'. 'Uganda's previous intention to issue a debut sovereign bond to finance infrastructure projects was now a "last resort". Now the Chinese are coming and they come with a sense of solidarity and they come with big money, not small money, and they also have

experience. Finance from state agencies such as the Export-Import Bank of China and the China Development Bank was preferable to that from the World Bank in at least one respect. I was a bit embarrassed when I was talking to (representatives from) the World Bank. They talked about a lot of things like structural adjustment, but they don't understand the basics. How can you have structural adjustment without electricity? The Chinese understand the basics.

Chinese Support vs 'Other' donors

According to Oya (2008), China tries to consistently adhere to the principle of "non-interference in other countries' internal affairs". Thus, it is often blamed for its lack of criticism of undemocratic regimes. While recognizing the basis for such criticism, this Development Viewpoint focuses on the problems created by the practices of Western donors and the potential effect of Chinese aid on the resulting constraints. It is revealing that in December 2007, Robert Zoellick, the then President of the World Bank, announced that it had agreed to work with China's EXIM Bank on development projects in Africa. Chinese loans are competing, in effect, with those from the World Bank, while having the advantage of being free of the heavy baggage of conditionalities often attached to Bank loans under the 'augmented Washington Consensus' (Oya, 2008).

Because donors such as the World Bank insist on imposing external conditionalities, African policymakers have progressively lost the 'policy space' that they need to formulate their own development strategies and experiment with a meaningful range of policy options. Since the 1980s, aid flows from rich countries have been closely linked to requirements for market-oriented policy reforms. More recently, conditionalities have multiplied, so that they now cover the whole gamut of economic, social, institutional and political reforms (Oya, 2008).

African countries—especially those highly dependent on foreign aid—find themselves at an increasing disadvantage because there are few policy alternatives that are feasible (i.e., backed by external resources). Their policymakers, consultants and academics are increasingly being trained to embrace a pro-market ideology and encouraged to tie their careers to such an approach. Thus, donors are able to advertise that their externally imposed development 'consensus' is really 'nationally owned' (Oya, 2008).

In the process, a New Aid Agenda has become hegemonic: it combines neoliberal economic and institutional reforms with poverty reduction under an overarching umbrella of 'good governance'. But 'good governance' is narrowly equated, in practice, with the institutional framework of an Anglo-American laissez-faire model of capitalism. Such uniformity of views is being justified by the 2005 Paris Declaration, which has put a premium on greater alignment and harmonization of donor efforts. Although harmonization can, no doubt, reduce the transaction costs resulting from the fragmentation of aid, the drawback is that donors often confront individual low-income countries as a 'cartel' that lobbies in unison for orthodox policy reforms—which are often spawned and spearheaded by the Bretton Woods institutions.

In justifying his government's shift towards China, Museveni blamed the 'west' for not understanding the basics. He argued that it is not easy to make peasants have middle class values because they are peasants, many of whom are pre-capitalists. He wondered why the west was pressuring the country to have values such as liberalism. Museveni observed that the Chinese don't have these (condtitionalities), adding that they are more practical.

In addition, Uganda is also pushing ahead with plans to build a 60,000 bpd refinery in which a Russian company had won the bid to construct it but latter pulled out for unclear reasons. The refinery is scheduled to be built in two stages and be 60 per cent owned by private investors and 40 per cent by five east African governments. China was a desirable partner in this endeavour, he said, not only because of its funding capabilities but also because it desists from interfering in the internal affairs of other countries. Mr Museveni condemned those in the west who have criticised the country for strict anti-gay legislation, which was thrown out by Kampala's constitutional court in August 2013.

During the commissioning of the Kampala-Entebbe Expressway, a four-lane dual carriage toll road linking Kampala to Entebbe Airport, Museveni hailed the Chinese Government for supporting the construction of the highway through a $350m concessional loan from China EXIM Bank. The loan is repayable over a 40-year period, at a 2% annual interest while the Government contributed sh324b, in addition to $40m (about sh103b) to compensate land owners living along the route of the proposed highway. The 51-km highway will also connect to Munyonyo, a prominent Kampala suburb, located on the shores of Lake Victoria (Bwambale, 2012). According to the plan, the road will have 15 overpass bridges, 15 underpass bridges, two swampy crossing bridges and three interchanges at Busega, Kajjansi, and Abayita Ababiri along Entebbe road. The contract was awarded to China Communication Construction Company, which also constructed the Soroti-Lira Road.

Museveni hailed China for not tying its loan to conditionalities, unlike some donor countries, whose support he said was bent on creating subservience instead of independence. According to the *New Vision*, Museveni noted that;

> Chinese support is not like a poor man's support. If a poor man gives you a cock, he will always remind you about it, and expect you to thank him all the time. Ugandans should learn from Chinese people. They are organised and when government tells them to do something, they do it. They do not waste time in useless arguments like here, where there are so many political parties and bad behaviour, especially among leaders (*The New Vision*, 22nd November 2012).

The Nexus between Oil and the scramble for infrastructural deals

According to the *East African* (2016), in late August 2016, Uganda issued oil production licences to Joint Venture Partners of Total E&P Uganda, as the operator of Exploration Area 1 (EA1) and Tullow Uganda Operations Pty Ltd, as the operator of Exploration Area 2 (EA2). This comes three years after the first was awarded to China National Offshore Oil Corporation and signals that the country is inching closer to crude oil production. The licences will run for 25 years, with a possibility of renewing for a further five years.

Uganda granted three production permits to Total, as operator of Exploration Area 1, and five to Tullow, which is working on Exploration Area 2. Total E&P received approvals for their Field Development Plans and were granted Production Licenses for the Ngiri, Jobi Rii, Gunya fields in EA1 while the Mputa-Waraga, Kasemene-Wahrindi, Kigogole-Ngara, Nsoga and Ngege fields in EA2 were given to Tullow Uganda Operations Pty Ltd (East African Business, 4 September 2016).

Jimmy Mugerwa, the General Manager Tullow Uganda Operations Pty Ltd said, "It is exciting for Tullow and our Joint Venture Partners as we have been waiting for some time. It is a good milestone to reach but this is the beginning of a long journey and not a triumph in itself. The next phase will certainly create opportunities for the country in terms of foreign direct investment, infrastructure, employment and local industry development. We look forward to continue working with our JVP and the government as we enter the next stage of this world class resource (Tentena, 2016). The companies are expected to invest over $8 billion in the infrastructure required for all the production licenses. This investment will be for the drilling of the 500 wells, construction of central processing facilities and feeder pipelines, among others. The government will have a 15% interest in the licences through the Uganda National Oil Company, as specified in the Production Sharing Agreements signed with the oil companies. The revenues from the licences are estimated to average $1.5 billion annually for as long as production is ongoing in the oil fields. The licenced fields have the potential to produce between 200,000 and 230,000 barrels of oil per day, according to the energy ministry.

According to Tentena, (2016:1), Mugerwa noted that as;

> Joint Venture Partners they are grateful to the government for the approvals and it will enable them to proceed with activities required to make a Final Investment Decision (FID) for the integrated Lake Albert project. This approval marks a major milestone towards the production of Uganda's oil resources. It complements the production license issued to CNOOC Uganda Ltd as the operator of the Kingfisher Discovery Area and the important decision made to export crude oil to the international market through a 24 inch, 1443km pipeline from Kabaale to Tanga port.

The granting of production licences now paves the way for the Joint Venture Partners and other stakeholders to make considerations for significant long term capital and infrastructure investments in Uganda's budding oil industry. The three companies now licensed are London-based Tullow Oil Plc, Total SA of France and CNOOC Ltd., the state-owned Chinese producer. Uganda discovered oil in 2006 and has an estimated 6.5 billion barrels of oil of which around 3.5 billion is recoverable. CNOOC, the first company to be granted a production license in Uganda, has been developing the fields in western Uganda jointly with Tullow and Total. It is not clear why CNOOC had to wait and enter into a joint partnership with two other oil companies to start the production

The crude oil will supply a proposed 60,000-barrel-a-day refinery. The government invited a group of companies led by SK Engineering & Construction Co. of South Korea to submit detailed plans for the refinery. The rest of the oil will be shipped for export using a proposed pipeline through Tanzania to Tanga. In what has become a tension and release pattern, the plan to construct Africa's longest heated oil pipeline from Uganda to the Indian Ocean coast hit a milestone with the signing on May 26 2017 of a construction agreement deal between Uganda and Tanzania. But the signing brought new tension over the deal this time regarding its financing. The 1,445 km long pipeline is being billed as a major piece of regional integration infrastructure. There are interested three oil companies interested in constructing this pipeline; the China National Offshore Oil Corporation, Total E&P, the local subsidiary of the French oil giant Total SA, and Tullow Oil Uganda, a subsidiary of the Irish oil explorer. Behind these and readying to do the actual work were the Texas-based firm Gulf Interstate Engineering (GIE), China Communications Construction Company (CCCC), and the Toyota Tsusho Corporation (TTC) of Japan (Matsiko, 2017).

According to Matsiko (2017), the jostling over the construction deal has been intense because, although Uganda is the sponsor of the pipeline, Kenya, Tanzania, USA, Japan, and China stood to greatly benefit both from the project implementation phase and in long-term oil business accruals. In the end Tanzania and Total won the deal as Kenya the Japanese appeared to have gotten entangled in their own strategy. The length of pipeline is critical because it has to be a heated pipeline to carry Uganda's oil which is heavy, waxy, and quick to solidify at room temperature. As such, the pipeline has to be heated and kept at above 50 degrees Celsius for the crude to flow from Hoima in mid-western Uganda to Tanga port. This explains why the 1445 km long pipeline will have 48 independent power generation stations, 23 trace heating stations and six pumping stations. During its construction, there will be 11 construction camps. It will also have 53 block valve stations (for connections along water bodies) and five tanks of 500,000 barrels at Tanga.

The first production licence was issued to China National Offshore Oil Corp. for the Kingfisher field three years ago. CNOOC, however, entered into an agreement with Tullow and Total in 2012 in which the three companies each acquired an equal interest in the Lake Albert Exploration Areas 1, 1A-Lyec, 2 and 3-Kingfisher. The agreement gave each company an equal stake in the exploration areas operated by the three partners. The agreement also ensured that the three companies have to move in tandem with each. It was therefore not possible for CNOOC to move ahead with activities in its licenced areas until its two partners received licences from the government.

The delay in issuing the new licences – Tullow applied for its licence in 2013, Total in 2014 – has been blamed on the absence of an operational Petroleum Authority. But government has recently moved to operationalise the authority, constituting its board this year. The board's first

Executive Director was also appointed in May 2017. The petroleum authority is tasked with monitoring and regulating the exploration, development and production of petroleum in Uganda. It also advises the energy minister in the negotiation of petroleum agreements and in the granting and revocation of licences. First oil production is expected in 2020, according to the statement.

Conclusion

It is very clear that China has invested and will continue investing more resources in Uganda and the region at large. China's increasing support to the economic development of African countries and its focus on providing much-needed infrastructure and useful technical assistance—without dictating national forms of governance—could provide a welcome counterweight to donor cartels and restrictive conditionalities. China's development cooperation is motivated, of course, by economic and diplomatic self-interest—namely, by China's drive to secure vital resources, open new markets, widen investment opportunities and forge new political alliances. But has the history of western donors been any different? (Oya, 2008).

In addition to refraining from interfering in internal affairs and in African institutions, China's cooperation appears to have several other advantages: it is more flexible, takes a longer-term perspective, is more cost-effective, and is faster in execution. Some observers like Oyo (2008) have noted that African countries have the potential to take advantage of the counterweight offered by Chinese development cooperation to gain more 'policy space' and wield greater leverage in bargaining with both traditional and emerging donors. One potential benefit could be the reduction of excessively constraining conditionalities, which are also ultimately ineffective.

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