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Research Article

NIGERIA'S DEBT PROFILE WITH CHINA 2006-2021

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ABSTRACT

This study examines the dynamics of Nigeria-China debt relations between 2006 and 2021, focusing on the evolution, implications, and sustainability of Chinese loans to Nigeria. Over this period, China emerged as one of Nigeria's most significant bilateral creditors, providing concessional loans primarily for infrastructure development in sectors such as transportation, energy, and telecommunications. These loans were instrumental in bridging Nigeria's critical infrastructure gaps and fostering economic growth. However, they also led to an increased debt burden, raising concerns about fiscal sustainability, debt servicing capacity, and economic sovereignty. The research adopts a time-series design to analyse trends in Nigeria's external debt profile and incorporates both primary data from key informant interviews and secondary data from institutional sources. It identifies the processes, terms, and conditions of Chinese loans and evaluates their economic impact, transparency, and risks of dependency. Findings indicate that while Chinese loans have contributed significantly to Nigeria's infrastructure development, the growing debt servicing obligations, coupled with a lack of transparency and over-reliance on external financing, pose challenges to Nigeria's long-term financial stability. The study recommends diversified debt sources, enhanced transparency, and strengthened debt management frameworks to mitigate risks associated with Chinese loans. It underscores the need for policy strategies that balance the benefits of international financing with the imperatives of economic sovereignty and sustainable development.

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Introduction

China's recent economic and political engagement in Nigeria underscores the importance of analysing the Nigeria-China relationship. With its vast population and resources, Nigeria is a central player in Africa and has become a strategic partner for China, which sees Nigeria as the "gateway to Africa" (Akinterinwa B. A., 2013). In a globalized world, interdependence among nations is essential, and both China and Nigeria aim to strengthen their diplomatic, economic, and technical cooperation through mutually beneficial trade agreements and partnerships. As emerging markets, Nigeria and China share common ground in their potential for growth. China, the world's most populous country, has risen to economic prominence, while Nigeria, the most populous nation in Africa, is regarded as a regional power. Chinese Premier Li Keqianag's support of Nigeria's economic development reflects China's commitment to fostering Nigeria's growth as Africa's leading economy. Despite their economic disparities, both countries value each other's roles on the global stage. Formal diplomatic relations began in 1971, and in the following decades, Nigeria-China relations have expanded across politics, trade, investment, aid, and technology. While political tensions occasionally surfaced, such as during China's support for Angola's MPLA, they did not hinder economic ties. Relations deepened significantly in the 1990s when Nigeria, facing isolation from the West under Sani Abacha's regime, turned to China as a key partner. Today, trade between Nigeria and China continues to grow, although debates persist about its overall impact on Nigeria's development (LSE Press, 2023).

Between 2006 and 2021, Nigeria's debt profile experienced a marked increase, with China emerging as a significant creditor. Driven by the imperative to address infrastructure and development gaps, Nigeria sought international financing, particularly from China, whose favourable loan terms and emphasis on infrastructure development aligned with Nigeria's strategic priorities. Chinese loans were predominantly directed toward large-scale projects in transportation, power, and telecommunications sectors critical for fostering economic growth and enhancing regional integration (Ezenwa & Adegoke, 2021). While these loans facilitated infrastructure expansion, they also sparked concerns about debt sustainability, as Nigeria's external debt obligations rose substantially during this period. By 2021, China had become one of Nigeria's largest bilateral lenders, accounting for a notable share of its external debt (Chukwuka, 2021). As this financial relationship deepened, public discourse increasingly scrutinized the terms, transparency, and long-term implications of Chinese financing. Key issues included Nigeria's capacity for debt servicing and the strategic management of its

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financial resources to avoid potential debt traps and ensure sustainable economic outcomes (Udegbunam, 2022).

Methodology

This study employs a Time Series Research Design, chosen to capture the ongoing trends in Nigeria-China relations during the period under review (1999–2023). This design facilitates a comprehensive analysis of fluctuations in the variables of interest over the specified timeframe, providing a nuanced understanding of their dynamics. The study uses both secondary and primary data. Secondary data were obtained from libraries at the Nigeria Defence Academy, the National Defence College, and the Debt Management Office, along with academic journals and online resources. Primary data were collected from archival documents at the Debt Management Office. The data were analysed through content analysis, allowing the researcher to make informed conclusions. This approach ensures the study's findings are based on solid qualitative and quantitative evidence, enhancing its reliability and validity.

Conceptual Clarifications

There is need to clarify some concepts which are frequently employed in this study. These concepts include; debts, external debts, debt service, national security, foreign policy, international relation. The essence is to put them in perspective of their contextual usage.

Debt

According to Samuel, debt is an obligation that requires one party, the debtor, to pay money or other agreed-upon value to another party, the creditor. It is a deferred payment, or series of payments, which differentiates it from an immediate purchase. Ogboru opines that a debt may be owed by a sovereign state or country, local government, company, or an individual (ogboru, ,2006). Commercial debt is generally subject to contractual terms regarding the amount and timing of repayments of principal and interest, loans, bonds, notes, and mortgages are all types of debt. In finance, debt is one of the primary financial instruments, especially as distinct from equity. It can be internal or external. Our main concern here is on external debts.

Debt Service

Corporate Finance Institute (CFI), defines debt service or debt servicing as the process of repaying debts, including interest and principal, to lenders or creditors. It involves managing and fulfilling debt obligations to avoid default or delinquency (Corporate Finance Institute, n.d.). According to CFI, key aspects of debt servicing include: Regular Payments, Interest and Principal; Loan Terms; Creditworthiness (timely debt servicing), Default Risk (failure to service debt may lead to default, damaging credit ratings and relationships with lenders) (Corporate Finance Institute, n.d.). In the context of this research, debt servicing is a critical aspect of managing debt and avoiding security risks associated with debt distress.

Trends and Pattern of Nigeria's Debt with China

There is no contending the fact that Nigeria has a huge endowment and large market. Unarguably, the country has informal recognition as a giant of Africa whose oil wealth attracts global reckoning. In addition, Nigeria remains one of the largest producers of natural gas and crude oil in the world and is endowed with enormous human and natural resources (World Bank, 2018). Antithetically, however, Nigeria is still a developing economy that houses the largest extreme poverty population in the world. It also has a poor human capital index while over 82.9 million Nigerians are considered poor by national standards. (National Bureau of Statistics, 2020.) Nevertheless, one can say unequivocally that Nigeria is not an extremely needy country that should undermine her economic development with horrendous debts. But several reasons account for Nigeria's sustained external borrowings especially to China. One of such reasons is economic theory with its conviction that reasonable levels of borrowings by a developing country are likely to enhance its growth. What this implies is the capacity of external aid to support economic growth cum development in developing countries whose economies are characterized by perennial problems outlined by as overcoming poverty, absence of indigenous technology, military weakness, economic dependency and underdevelopment at the dawn of their independence and this have also justified Nigeria's borrowings (Okeke C. C., 2021). It has been observed that Nigeria is among one of the countries in West Africa with highest percentage of external debt. Table below shows the external debts composition of four West African countries such as Nigeria, Senegal, Ghana, and Cote d'Ivoire

Table 1.1: Showing external debt composition in West Africa's four largest economies (as of 2021, in percent)

Country	China	Other Bilateral Lenders	Multilateral lenders	Private lenders/bonds	Percent share of GDP
Nigeria	10.1	12.2	48.45	29.25	37.1
Ghana	9.76	11	17.27	61.97	48.5
Cote D' Ivoire	9.58	7.02	30.9	52.4	28.3
Senegal	11.07	11.08	21.33	56.52	47.5

Source: Nigeria's Debt Management Office, Ghana Public debt Statistical Bulletin, Cote D' Ivoire's Public Debt Statistics, and Senegal's 2021 IMF 4 Consultation.

According to the above table, Nigeria, just like other West African countries also borrow from other bilateral partners such as the US, France, and India; multilateral organisations such as the World Bank and IMF; and private firms such as Black Rock and Morgan Stanley. Notably, private lenders and bond stocks constitute most of the debt in West Africa, at least in the region's top four economies. Still, it is Chinese lending to Nigeria in recent times that is most striking. As at 2021, 8.5 percent of the country's external loans are from China (Gupta, 2023).

The history of Chines loans to Nigeria can be traced back to the early 2000s, when the country began to seek alternative sources of funding for its development projects. At the time, Nigeria was facing a significant infrastructure gap, and the government was seeking ways to address this challenge (Gupta, 2023). In 2002, Nigeria's then-President Olusegun Obasanjo visited China, where he signed a memorandum of understanding (MoU) with the Chinese government to establish a framework for cooperation in various areas, including trade, investment, and infrastructure development (Premium Times, 2019). There are different reports as regards to the exact date Nigeria collected the first Chinese loan. According to Premium Times, the first Chinese loan to Nigeria was agreed on 27th March, 2002. $114.89 million signed by former President Olusegun Obasanjo for the construction of two 335 MW gas power plants in Ondo and Ogun State. (Premium Times, 2019) Both plants were completed in 2007. The loan was obtained at six per cent interest rate and covered 65 per cent of the costs of the project, while Nigeria then covered the 35 per cent balance. In July 2002, two other loans totalling $159.83 million for rural telephony were offered at a 3.5 per cent interest rate. (Premium Times, 2019)

According to the Punch Newspaper, on January 12, 2006, the first Chinese loan was agreed upon for the Nigerian Communications Satellite project, totalling $200 million (Punch Newspaper, 2023). This was the last Chinese loan collected under former President Olusegun Obasanjo administration. Under former President Ebele Goodluck Jonathan, five different Chinese loans were signed between 2010 and 2013 (see details in table 1.2 below). Nigeria's loans further exacerbated under the Buhari's administration. According to Debt Management Office, Nigeria borrowed $2.02bn as loans from China from 2015 to 2021 just 6 years in office. (Debt Management Office, 2024) According to the statistics obtained from the Debt Management Office (DMO), Nigeria's total debt from China as of June 30, 2015 stood at $1.38bn which was a total of three administrations (Olusegun Obasanjo, Musa Yar'adua and Goodluck Jonathan's administrations). However, as at March 31, 2020, the country's debt portfolio from China had risen to $3.40billion and by 2021, it increased to over $4.3 billion. (Debt Management Office, 2024) Another report by the Punch Newspaper shows that back in June 2021, the total value of loans taken by Nigeria from China as at March 31, 2021, was $4.83 billion. This represents only about 3.94 percent of Nigeria's total public debt of $79.303 as at March 31, 2021 (Tunji, 2021).

According to Okeke, in terms of external sources of funds, loans from China accounted for 11.28 percent of the external debt stock of $27.67 at the same date. Most of the loans were drawn down in the Goodluck Jonathan era with over $2.7 billion drawn out of a total principal available of $3.1 billion (Okeke, 2021). The balance of $1.3 billion was drawn down between April 2016 and December 2019 as Nigeria stepped up borrowings under President Muhammadu Buhari administration (Debt Management Office, 2024). In 2021, Nigeria's outstanding debt to China amounted to US$4.83 billion promoting China to the status of Nigeria's largest bilateral financing partner in West Africa behind Senegal. (Orovwuje, 2020) The Debt Management Office (DMO), also reveals that, between 2006 and 2021, Nigeria obtained over 15 Chinese loans to fund projects across sectors (Orovwuje, 2020), (see Table 4.3 for details of the loans from 2006 to 2021).

Processes, Terms and Conditions of Chinese Loans

Specifically, Nigeria's loans from China are concessional in character with interest rates of 2.50 percent per annum, tenor of 20 years and moratorium of 7 years. According to Debt Management Office,

The total borrowing from China of USD4.85 billion as at 2021, are concessional loans with interest rate of 2.5 percent per annum, tenor of twenty (20) years and grace period of (moratorium) seven (7) years. These terms are compliant with the provisions of Section 41 (1a) of the Fiscal Responsibility Act, 2007 (Debt Management Office, 2007)

While this may seem reasonable, it is important to note that these loans are often tied to specific projects, and the interest rates may be higher than what Nigeria would pay if it borrowed from other sources. The terms are also compliant with the provisions of Section 41 (1a) of the Fiscal Responsibility Act (Debt Management Office, 2007). Also, external borrowings are subject of certain processes. Table 4.3 highlights the processes and conditions of the borrowings.

Table 1.2: Conditions for External Borrowing, Responsibility and Legal Requirements.

S/N	Activity/Requirement	Responsibility	Legal Basis/Reference
1	Preparation of a National Debt Management Strategy for the approval of the Federal Executive Council (FEC)	Debt Management Office (in collaboration with relevant Ministries, Departments and Agencies)	Debt Management Office Act, 2003, Section 6 (c). Section 6(c) states that the Debt Management Office is responsible for: *"Prepare and submit to the Federal Government a forecast of loan service obligations for each financial year;"* This means the DMO is tasked with estimating and providing detailed information on the Federal Government's loan repayment obligations, including principal and interest, for every financial year. This is part of its role in ensuring proper debt planning and management for Nigeria.
2	Identification of projects to be funded and preparation of proposed Borrowing Requests, to be submitted to the Minister. Such requests are to include Documents on the Projects to be funded, consistent with national development priorities and Creditor's Partnership Strategies	Ministries, Departments and Agencies	Fiscal Responsibility Act, 2007, Section 44 Section 44 of the Act states: "The functions of the Debt Management Office shall include— (a) maintaining a reliable database of all loans taken or guaranteed by the Federal, State, or Local Governments and their agencies; (b) preparing and submitting to the Federal Government, on a quarterly basis, a report on the

			debt stock and guaranteed loans of the Federal, State, and Local Governments; (c) ensuring that the proceeds of loans are applied to capital expenditures for development purposes; and This section enhances the role of the Debt Management Office (DMO) in promoting transparency and accountability in debt management by mandating detailed reporting and prudent application of loan proceeds for development purposes.
3	Collate Requests for funding and Conduct Appraisal of Projects to be financed with the Borrowing. This is to ascertain conformity with National Priorities, Cost- Benefit Analysis showing the economic and social benefits of the intended borrowing.	Federal Ministry of Finance, Budget and National Planning	Fiscal Responsibility Act, 2007, Section 44
4	Prepare Annual Budget which specifies the Financing Gap, and the Amount to be borrowed.	Federal Ministry of Finance, Budget and National Planning/ Budget Office of the Federation/ Debt Management Office	Debt Management Office Act, 2003, Section 19
5	Approval of the Federal Executive Council (FEC) and Presentation to the National Assembly: I. Annual Budget of the Federal Government, indicating the Budget Deficit and the plan financing the Deficit. II. Medium-Term External Borrowing Plan for the proposed External Borrowing of the federal Government, the States and the FCT	Federal Ministry of Finance, Budget and National Planning Federal Ministry of Finance, Budget and National Planning through Mr. President	Fiscal Responsibility Act, 2007, Section 11 (3)
6	Obtain Resolution for external Borrowing from NASS.	Federal Ministry of Finance, Budget and National Planning	Debt Management Office Act, 2003, Sections 21 (1) and 27 (1)
7	Provide Guarantee on behalf of any Government in the Federation for External Borrowing, after approval by NASS.	Minister	Debt Management Office Act, 2003, Sections 21 (2) Fiscal Responsibility Act, 2007, Section 47

Source: https://www.dmo.gov.ng/publications/other-publications/borrowing-guidelines

The table shows external borrowings by Nigeria are subject to certain processes and conditions. They are based on specific legal stipulations. Ultimately, the National Assembly must give final approval before the executive arm of government can implement the borrowing resolution. The Federal Ministry of Finance, Budget and National Planning, thus, works with the ministries, departments and agencies under whose portfolio a proposed loan falls and also with the Debt Management Office. Thereafter, the approval of the Federal Executive Council (FEC) is sought and it is only after the approval by FEC that the president requests for the approval of the National Assembly (NASS) as required by Section 41 of the Fiscal responsibility Act, 2007. More importantly, it is only after the approval of NASS that the loans are taken and Nigeria begins to draw on the loans.

Nigeria's Chinese Loan Servicing

Nigeria's debt servicing to revenue ratio has continued to rise, the high debt servicing to revenue ratio coupled with the increasing deficit financing of the budget is cause for concern. According to Sahara Reporters and statistics from the Debt Management Office,

In 2021, debt servicing cost N3.3 trillion, while revenue was N4.1 trillion. The federal government earned N2.5 trillion in 2020 but spent N2.9 trillion on debt servicing. This was for the third quarter of the year. In 2019, income totalled N4.1 trillion, with N2.2 trillion spent on debt payments. In 2018, debt servicing cost N2.2 trillion, while revenue was N3.8 trillion. In 2017, the federal government spent N1.8 trillion on debt servicing while earning N2.6 trillion. In 2016, debt servicing cost N1.4 trillion, while receipts amounted to N2.9 trillion. In 2015, debt servicing totalled N953 billion, while income was N3.2 trillion (Sahara Reporters, 2024).

According to statistics collected from the Debt Management Office, the nation has also spent N6.16 trillion in debt servicing payments over the last 16 months. A breakdown indicates that domestic debt service cost N3.3 trillion in 2021, while foreign debt service cost N946.29 billion (Debt Management Office, 2021) There have been worries over the Nigerian government's expenditure on debt repayments, particularly Chinese loans. For example, between June 2015 and December 2021, Nigeria's debt to state-owned Chinese banks more than quadrupled, bringing Beijing's portion of Nigeria's bilateral debt to 84.7 percent, according to figures supplied by the Nigerian Debt Management Office (DMO). DMO also revealed that Nigeria's total bilateral debt reached $6.7 billion at the end of December 2021, up from $1.58 billion at the end of June 2015 (see appendix for details). Aside from China, the country's largest bilateral creditors include France, Japan, India, and Germany (Debt Management Office, 2021).

Experts are concerned that the spending may impede the country's growth since resources intended for infrastructure are being diverted to debt payments. Despite the current scenario, the government has continued to receive loans from China and other international organisations. Economists have repeatedly cautioned the Federal Government that the growing cost of debt servicing might precipitate a catastrophe for the country.

Discourse on Chinese Loans in Nigeria

Nigeria's borrowings from China have attracted opposing opinions among scholars. In Sun's opinion, large bulk of Chinese loans to Africa including Nigeria is offered with the purpose of securing natural resources from Africa (Yun Sun, 2014). Sun's argument is based on the fact that most Chinese infrastructure loans in Africa are repaid through natural resources. In the case of Nigeria, no one knows the nature of the agreement signed, but there is tendency that China might be after Nigeria's natural resources. Sun thus argues that China recognizes most African countries have low credit ratings in international financial systems which makes it difficult for African countries to obtain funding sometimes from the western dominant international financial market. Chinese loans hence provide an alternative to the bottleneck that African governments encounter in the international financial market by enabling the loans to be reimbursed through the extraction of natural resources and long-term repayment.

Some experts argue that China is offering Africa an alternate development path. This narrative has led the Chinese government to refer to its commercial interactions with African countries as "win-win" economic connections. As a result, the concept of win-win economic interactions becomes more vulnerable to examination (Nicky L. Sum., 2022). Scholars like Okeke Chidi believe that the benefits of the relationship between Nigeria and China have become most apparent and that African countries have commonly found their development partnership with China more concretely beneficial and more satisfying than their experience with the Western donor countries (Okeke, 2021). Okeke argues that Nigeria as well as their African counterparts are comfortable with Chinese loans since China's approach to its aid and trade relationship with Africa attaches no strings in the face of the issues such as human rights, and are viewed as offering far more practical and concrete kinds of support such as infrastructure development that is essential for Africa's development but has been neglected by traditional donors (Okeke, 2021).

Michael and Victor argue that Nigeria is a country with a wide infrastructure gap, and this gap represented one of its biggest impediments to socio-economic development. To address these challenges, the government turned to China, which has been willing to provide funding for these projects through concessionary loans (Eze-Michael & Victor, 2023). Adewumi and Akinuga further posits that, in the sector transportation, over the years, the neglect that the railway sector suffered had a concomitant bearing on the high cost of maintaining highways and other transport infrastructure, which had in turn negatively impacted the country's trade and economic growth. (Akinnuga & Folasade, 2021) The former administrations of Goodluck Jonathan and Muhammadu Buhari were determined to reverse the trend with the initiatives to rehabilitate the country's rail network. It was the loans from the Chinese in this regard that has spurred what is now being described as the rail revolution. (Akinnuga & Folasade, 2021) In the words of Adewumi and Akinuga;

Nigeria currently has four operational rail routes: the Abuja Metro of about 37 kilometres, the 186-kilometer Abuja-Kaduna railway, the Ajaokuta-Itakpe-Warri 326-kilometer railway project, and the Lagos-Ibadan project of 156 kilometres, with an extension of 7 kilometres. Only the Ajaokuta-Itakpe-Warri standard gauge rail was loan-free and funded by the budget. The remaining rail lines were built with concessional loans from the Chinese government provided by the Chinese Export-Import Bank (EXIM) (Akinnuga & Folasade, 2021).

Growth in Nigeria's Debt Profile with China

Nigeria's external debt with China grew substantially from 2006 to 2021, with China accounting for a considerable share of Nigeria's bilateral debt. By 2021, China's loans comprised over $3 billion of Nigeria's external debt portfolio. These loans were largely concessional, with relatively low-interest rates and long repayment periods, which were attractive to Nigeria given its limited fiscal space and pressing infrastructure needs.

However, the debt accumulation was accompanied by growing debt service obligations, which increased Nigeria's vulnerability to external shocks and limited fiscal resources for other development priorities. The Chinese loans' predominance in infrastructure meant that debt servicing costs were expected to rise as projects matured, leading to concerns about Nigeria's ability to meet these obligations, especially given its reliance on oil revenues, which are prone to global price fluctuations.

Table 1.3: Showing Status of Loans Obtained from China Exim Bank from July 21 2006 to September 30 2021. Amounts in millions of United State Dollar

S/N	Project Description	Loan Amount	Agreement Date	Terms and Conditions				Amount Disbursed		Payment		Amount Outstanding
				Interest Rate	Grace period	Maturity Date	Tenor	Amount	Percentage	Principal	Interest	
1	Nigerian Communication Satellite	200	21/06/2006	3.0%	5 years	29/06/2018	12 years	200	100%	200.0	40.02	0.00
2	Nigerian National Public Security Communication System Project	399.50	20/12/2010	2.50%	7 Years	21/09/3030	20 years	399.50	100%	76.83	84.92	322.67
3	Nigerian Railway Modernisation Project (Idu-Kaduna Section)	500.00	20/12/2010	2.50%	7 Years	21/09/3030	20 years	500.00	100%	96.15	74.52	403.85
4	Abuja Light Rail Project	500.00	7/11/2012	2.50%	7 Years	21/09/3032	20 years	500.00	100%	19.23	60.63	480.77
5	Nigerian ICT Infrastructure Backbone Project	100.00	5/01/2013	2.50%	7 Years	21/09/3032	20 years	100.00	100%	0.00	9.38	100.00
6	Nigerian Four Airport Terminal Expansion Project (Lagos, Kano, Abuja and Port Harcourt)	500.00	10/08/2013	2.50%	7 Years	21/09/3034	20 years	499.99	100%	0.00	40.58	455.28
7	Nigerian Zungeru Hydroelectric Power Project	984.32	28/09/2013	2.50%	7 Years	21/09/3033	20 years	597.79	60.69%	0.00	19.28	518.24
8	Nigerian 40 Parboiled Rice Processing Plants Projects (Federal Ministry of Agric and Rural Development)	325.67	26/04/2016	2.50%	7 Years	21/03/3036	20 years	0.00	0.00%	0.00	0.00	0.00
9	Nigerian Railway Modernisation Project (Lagos-Ibadan Section)	1,267.32	18/08/2017	2.50%	7 Years	21/09/3037	20 years	1042.70	82.23%	0.00	19.11	759.84
10	Nigerian Rehabilitation and Upgrading of Abuja-Keffi-Makurdi Road Project	460.82	18/08/2017	2.50%	7 Years	21/09/3037	20 years	80.64	40.75%	0.00	1.84	80.64
11	Nigeria Supply of Rolling Stocks and Depots Equipment for Abuja Light Rail Project	157.00	29/05/2018	2.50%	7 Years	21/03/3038	20 years	0.00	0.00%	0.00	0.00	0.00
12	Nigeria Greater Abuja Water Supply Project	379.69	29/05/2018	2.50%	7 Years	21/03/3038	20 years	56.95	15.00%	0.00	0.00	56.95
13	Nigerian Four Airport Terminal Expansion Ancillary Project	183.62	27/12/2019	2.75%	7 Years	21/09/3039	20 years	0.00	0.00%	0.00	0.00	0.00
14	Nigerian Four Airport Terminal Expansion Incremental Project	208.90	27/12/2019	2.75%	7 Years	21/09/3039	20 years	0.00	0.00%	0.00	0.00	0.00
Total								4,084.35		565.23	477.98	3,519.12

Source: Debt Management Office, 2022.

Debt Sustainability Concerns

The rapid growth of Nigeria's debt, especially with China, has raised concerns about long-term sustainability. Critics point out several issues:

Debt Servicing Burden: Nigeria's debt service-to-revenue ratio has risen sharply, driven by bilateral and multilateral commitments, including Chinese loans. While these loans have funded critical infrastructure projects like roads, railways, and power, they have also added to Nigeria's fiscal pressures, especially during periods of low oil prices. The growing debt-servicing burden from Chinese loans has become a major concern, compounding Nigeria's broader economic challenges. (Brautigam, 2011). Nigeria's debt to China primarily consists of concessional loans with favorable terms, such as low-interest rates and extended repayment periods, aimed at funding critical infrastructure projects to drive economic growth. However, Chinese loans represent only 10-15% of Nigeria's total external debt, according to the Debt Management Office, with figures fluctuating due to new agreements and currency changes. (Chris, Large, & Soares de Oliveira, 2008). Servicing this debt has become increasingly challenging for Nigeria due to factors such as:

Oil Dependency and Volatility: Nigeria's economy relies heavily on oil exports, making it vulnerable to fluctuations in global oil prices. When oil prices fall, the country's revenue base is weakened, and debt servicing becomes more difficult.

Currency Depreciation: A depreciating Naira against the U.S. dollar (the currency in which most of the debt is denominated) increases the local currency burden of repaying foreign debt. (World Bank. , 2020)

Revenue Constraints: Nigeria faces challenges in generating sufficient revenue domestically. With a tax-to-GDP ratio among the lowest in the world, the country struggles to finance its budget and debt obligations simultaneously.

Implications of the Debt-Servicing Burden

Limited Fiscal Space: A significant portion of Nigeria's revenue is diverted towards debt servicing, limiting funds available for social services and other essential government functions. This constraint impedes Nigeria's ability to address pressing issues like poverty, unemployment, and infrastructure development (Mthembu, 2018).

-Economic Sovereignty Concerns: There is public apprehension that Nigeria's increasing reliance on Chinese loans could lead to excessive Chinese influence over Nigeria's economic policies or control of critical national assets if debt-servicing obligations are not met.

Risk of Default: Although the Nigerian government has, to date, managed to meet its debt obligations, the combination of high debt and limited revenue growth raises concerns about the possibility of default, which would impact Nigeria's creditworthiness and access to future international financing. (Mthembu, China-Africa Relations: Defining African Agency and a Response to Dependency and Power Asymmetries, 2018)

Policy Considerations and Alternatives

Nigeria has taken steps to manage its debt burden, including seeking debt restructuring or relief and exploring alternative financing sources such as Eurobonds, multilateral agencies, and private sector investments. Additionally, there is a renewed focus on improving domestic revenue generation by broadening the tax base, reforming public financial management, and encouraging investments in sectors other than oil.Potential for Future Collaboration and Risk Management

Nigeria may continue to collaborate with China on infrastructure financing while seeking to mitigate risks. This might involve structuring loans with longer repayment periods, securing revenue-generating assets, and diversifying its economic base to reduce its dependency on oil revenues. While Chinese loans have provided Nigeria with much-needed infrastructure, the debt-servicing burden poses significant economic challenges. A balanced approach focusing on sustainable financing, economic diversification, and improved domestic revenue will be critical for Nigeria's long-term debt sustainability (Office, Nigeria's External Debt Stock: 2022 Report, 2022).

Dependency and Sovereignty Risks

The concentration of loans in strategic sectors, such as transportation and power, raised concerns about dependency and sovereignty. Fears emerged about potential asset takeovers by China if Nigeria faced default, a scenario observed in other countries with similar debt arrangements. The dependency on Chinese loans in critical sectors like transportation, power, and infrastructure has led to growing concerns in Nigeria over economic sovereignty and the potential for excessive reliance on foreign financing, particularly from China (Mthembu, China-Africa Relations: Defining African Agency and a Response to Dependency and Power Asymmetries, 2018). Many Nigerian infrastructure projects, such as the Abuja-Kaduna railway, Lagos-Ibadan railway, and numerous power projects, have been financed through Chinese loans. Although these projects are seen as essential to Nigeria's economic modernization, the concentration of these loans in pivotal sectors heightens dependency risks, as any repayment issues could impact core areas of Nigeria's economy and infrastructure (Omitoogun Wasiu & Olusola, 2021).

The reliance on Chinese financing has raised concerns about Nigeria's economic sovereignty due to several reasons:

1. Long-Term Financial Commitments:

Loans from China often have lengthy repayment periods that extend over decades, meaning Nigeria could be financially obligated to China for an extended period. This extended debt relationship can create a level of dependency that may restrict Nigeria's flexibility in future economic or political decisions. The concern is that such dependency may compromise Nigeria's autonomy in decision-making, as Chinese financing terms may limit Nigeria's choices in certain strategic areas.

2. Limited Bargaining Power:

Nigeria's agreements with China have raised concerns due to terms favouring Chinese lenders, including clauses granting asset control in case of default. African nations like Nigeria, with less bargaining power than wealthier countries, may face terms that give creditors more control over their assets during repayment challenges (Omitoogun Wasiu & Olusola. , 2021).

3. Risk of Strategic Asset Takeover:

A major fear is the possibility of a debt-for-equity swap in which China could take control of critical Nigerian assets if the government fails to meet debt obligations. This scenario has precedent; in Sri Lanka, for instance, the government ceded control of the Hambantota Port to China for 99 years due to debt repayment difficulties (Omitoogun Wasiu & Olusola. , 2021) In Kenya, there have been similar concerns that the Mombasa Port could be at risk if debt payments are not met. For Nigeria, vital infrastructure such as ports, railways, or power plants could face similar risks, raising alarm about a potential erosion of control over nationally significant assets (Agbedo, 2022).

4. Political and Policy Influence:

There is also apprehension that reliance on Chinese financing could lead to political and policy influence, potentially compromising Nigeria's ability to act independently. Given China's strategic investments in Nigeria and across Africa, critics fear that economic dependence on Chinese loans may lead Nigeria to align its policies more closely with China, possibly at the expense of other international partnerships or internal priorities. This influence could shape Nigeria's foreign policy, trade relations, and even domestic regulations.

Managing Dependency and Mitigating Sovereignty Risks

In light of these concerns, Nigeria is exploring measures to mitigate dependency and protect its sovereignty:

Diversifying Financing Sources:

To reduce dependency, Nigeria has been actively seeking alternative financing sources, such as Eurobonds, partnerships with multilateral organizations, and private sector investments. By broadening its lender base, Nigeria can reduce its exposure to any single creditor and limit the risk of foreign influence over strategic sectors.

Structuring Loans with Safeguards:

Ensuring that future loans include safeguards can help protect Nigeria's strategic assets. Negotiating terms that explicitly prevent asset seizure or impose limitations on creditor control rights can help manage risks. Some African nations are increasingly moving toward stricter loan terms that limit creditors' ability to acquire assets.

Domestic Revenue Mobilization:

Nigeria is also working to improve its revenue base to reduce its dependence on foreign loans overall. Enhancing tax collection, reforming fiscal policy, and curbing illicit financial flows are some strategies Nigeria is employing to increase domestic revenues and reduce the need for foreign financing.

Strengthening Legal and Contractual Frameworks:

By strengthening Nigeria's legal and regulatory framework surrounding foreign loans, the government can better ensure that contracts align with the country's best interests and limit risks associated with default and asset seizure. While Chinese loans have enabled Nigeria to bridge critical infrastructure gaps, they have also introduced risks of economic dependency and sovereignty concerns, especially in the event of financial distress (Wenjie, Dollar, & Tang, 2018). Nigeria's efforts to diversify financing, improve fiscal responsibility, and incorporate legal protections in loan agreements are crucial steps to balance the benefits of foreign financing with the need to safeguard national sovereignty. The case of other nations facing asset takeovers serves as a cautionary reminder for Nigeria to approach its debt strategy with an eye toward sustainable financing and protecting long-term national interests (Akinpelu, 2021).

Lack of Transparency: The lack of detailed disclosures regarding the terms of Chinese loans added to public scepticisms. Many loan agreements were not publicly available, limiting insights into repayment structures, interest rates, and any potential collateral clauses. The lack of transparency surrounding Chinese loans has fuelled public scepticisms, as many of the terms remain undisclosed, making it difficult to assess the full implications of these agreements. Often, loan details such as interest rates, repayment schedules, and potential collateral requirements are not made publicly available, raising concerns about hidden conditions that could negatively impact the borrowing country's economic sovereignty and long-term stability (Pádraig & Kragelund., 2016).

Impacts of Chinese-Funded Projects

Chinese-funded projects contributed significantly to Nigeria's infrastructure, with visible improvements in transport and energy. The completion of major railways, highways, and power plants boosted accessibility and laid the foundation for future economic growth. Nevertheless, the economic benefits of these projects were often counterbalanced by the rising debt obligations, especially in sectors with delayed returns on investment.

Moreover, the reliance on Chinese contractors and materials in project execution raised concerns about the local job market and technology transfer. While some Nigerian workers were employed, and technical training was offered, critics argue that more could be done to ensure sustainable benefits for Nigeria's workforce and industrial base.

Policy Recommendations for Sustainable Debt Management

To effectively manage Nigeria's increasing debt burden and harness the benefits of its financial engagements with China, a suite of comprehensive policy recommendations is essential. Given Nigeria's position as an emerging economy with substantial infrastructure needs and China's role as a leading bilateral creditor, establishing a balanced and transparent debt framework is vital for long-term sustainability. These recommendations align with frameworks from institutions like the IMF and the World Bank, which encourage transparency, portfolio diversification, prudent debt management, and revenue diversification as cornerstones of sustainable debt management. For Nigeria, implementing these recommendations will require political will, institutional strengthening, and ongoing stakeholder engagement, including with China and other creditors. This approach could help Nigeria achieve a more sustainable debt profile, maintain financial independence, and better allocate resources for economic development. The following policy recommendations provide a pathway for achieving this balance:

1. Improved Transparency in Debt Agreements: Transparency is crucial for responsible debt management and sustainable economic planning. Nigeria should fully disclose the terms and repayment structures of its agreements with China to foster public trust, enable oversight, and support informed policymaking. Transparency deters unsustainable debt practices and ensures borrowed funds are used for projects with clear economic returns while keeping the public informed about financial obligations. Institutions like the IMF and World Bank emphasize transparency as essential for fiscal discipline and accountability (Kufre, 2019).

2. Diversified Debt Portfolio: Diversifying debt sources is essential for Nigeria to reduce risks associated with reliance on a single creditor, such as China. A diversified portfolio of multilateral, bilateral, and commercial lenders minimise vulnerabilities to financial or political pressures and enhances debt sustainability. By exploring concessional loans from multilateral and regional lenders, Nigeria can reduce reliance on high-interest bilateral loans and build resilience against economic shocks (Nwokedi, 2021).

3. Strengthened Debt Management Policies and Frameworks: Enhanced debt management frameworks, including rigorous debt sustainability analyses (DSAs), enable Nigeria to assess the long-term viability and economic impact of new loans. Advocated by the IMF and World Bank, DSAs help evaluate repayment capacity, especially for high-interest or foreign currency loans. Integrating DSAs into Nigeria's debt acquisition process can prevent unsustainable debt accumulation, safeguarding the economy and fiscal independence (Ogbonna & Ezekwesili, 2020).

4. Revenue Generation and Economic Diversification: Debt sustainability depends on a country's revenue generation. Nigeria's reliance on oil makes it vulnerable to price fluctuations, highlighting the need to diversify its economy. Expanding non-oil sectors like agriculture, technology, and manufacturing, along with improving tax collection and exports, can create stable revenue streams. Economic diversification reduces dependency on volatile oil revenues and supports meeting debt obligations without compromising social and development goals (Akpan & Atan, 2017).

Conclusion

Between 2006 and 2021, China became a key financier of Nigeria's infrastructure, driving advancements in transportation, energy, and telecommunications. However, this partnership increased Nigeria's debt to Beijing and raised concerns about debt sustainability, transparency, and economic sovereignty. Limited oversight, non-competitive bidding for Chinese-funded projects, and a lack of transparency have strained Nigeria's economy and undermined loan credibility. Critics highlight risks of debt traps and geopolitical implications, with the U.S. urging Nigeria to approach its relations with China cautiously. To balance benefits with risks, Nigeria must prioritize sound debt management, fiscal diversification, and transparency while exploring homegrown solutions to its development challenges.

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