Article

Foreign Loans and Infrastructure Development in Nigeria.

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Abstract

This study critically interrogates the impact of foreign loans on infrastructure development in Nigeria, particularly transport and power infrastructure. Anchored on modernization theory, it adopted explanatory design. The study adopted documentary method of data collection which includes official publications, academic literature, and reputable media reports. Content analysis was used to identify patterns in the data collected. The findings revealed that while foreign loans facilitated significant progress in key transport projects such as the Lagos-Ibadan and Warri-Itakpe rail lines and the Lekki Deep Sea Port, and attracted substantial power sector investments, outcomes were hindered by disbursement delays, dependency on Chinese bilateral financing, and weak institutional coordination. The persistent gap between financial inputs and developmental outputs underscored governance inefficiencies and fiscal indiscipline. The study concludes that although foreign loans remain essential for bridging Nigeria's infrastructure financing gap, their long-term efficacy depends on institutional reform and strategic diversification. It therefore recommends transparent procurement processes, reduced reliance on bilateral lenders, and the establishment of an autonomous coordinating agency to improve project execution. Additionally, it advocates for local content enforcement and domestic revenue reform to support sustainable infrastructure development and reduce loan dependency.

Keywords: Foreign Loan, Infrastructure development, Transport, Power.

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Introduction

The persistent challenge of underdevelopment, especially in the Global South, has compelled many sovereign states to seek foreign loans as a strategic tool for accelerating national development. For Nigeria, a country grappling with limited internally generated revenue, insufficient domestic savings, and mounting developmental pressures, foreign borrowing has become an integral component of its public finance strategy. This trend, which spans from pre-independence to the present democratic dispensation, reflects a longstanding dependence on external financial capital to bridge funding gaps and implement critical infrastructure projects. As observed by the Debt Management Office (2018) and Dapo-Thomas (2023), Nigeria has diversified its borrowing sources, engaging multilateral institutions like the World Bank and IMF, bilateral creditors such as China, France, Germany, and Japan, and tapping into international capital markets like Eurobonds and Diaspora bonds to finance infrastructure development across various sectors.

Historically, Nigeria's recourse to foreign loans began with the 1958 World Bank loan of USD 28 million for railway development, and continued with a USD 13.1 million loan from Italy in 1964 for the Niger Dam project (Akpochafo, 2015; Alada, 2017). These early borrowings laid the groundwork for Nigeria's continued reliance on foreign credit to supplement its development finance, particularly in infrastructure. By the late 1970s and 1980s, Nigeria's debt burden grew exponentially due to fiscal shocks from oil price collapses, prompting successive administrations to accumulate external debts to stabilise the economy and support capital-intensive projects (Chevillard, 2001; Udeh, Ugwu, & Onwuka, 2016). The resultant debts, however, were often poorly managed and failed to produce commensurate developmental outcomes, leading to economic distortions and heightened socio-economic vulnerabilities under programmes such as the IMF-World Bank Structural Adjustment Programme (Osundina, 2014).

The democratic transition in 1999 witnessed renewed efforts to address Nigeria's unsustainable foreign debt profile. Under President Obasanjo, significant progress was made through strategic negotiations that led to a major debt relief agreement with the Paris Club, reducing the country's external debt from $34 billion in 2005 to $2.11 billion by 2007 (Okonjo-Iweala, 2012; Okafor, 2022). Nonetheless, subsequent administrations reignited the borrowing trajectory, most notably under President Buhari, who rationalised increased external borrowing as essential for infrastructural renewal amidst declining oil revenues and economic stagnation (Ewodage, 2020; Angbulu, 2022). This borrowing spree pushed Nigeria's foreign debt to $37.2 billion by June 2023, raising fresh concerns over debt sustainability, fiscal prudence, and the efficiency of loan utilization (Alabi, 2023).

Despite the exponential growth in foreign loans, Nigeria continues to face a critical infrastructure deficit. In the transport sector, the inadequacy of road, rail, and air transport infrastructure severely constrains economic productivity and inclusive development. Nigeria's road network of 195,000 km, of which 65,000 km remain unpaved, is grossly inadequate for a population exceeding 213 million (Daily Trust, 2022; Falaiye, 2024). The railway system is similarly underdeveloped, covering less than 5,000 km compared to Egypt's 6,700 km network, despite Nigeria's larger landmass (Ayoola, 2023). Airports and seaports suffer from capacity constraints, and the power sector remains in a crisis state despite large-scale financial investments over the years (Eze, 2024). The cumulative effect is a stagnation in economic growth, high cost of doing business, and entrenched poverty, all contrary to the supposed developmental purpose of foreign loans.

While foreign loans are theoretically aimed at fostering infrastructural and economic advancement, the persistent infrastructural challenges and inefficiencies in Nigeria raise questions about the effectiveness of these borrowings. This paradox necessitates an in-depth examination of the relationship between foreign loans and infrastructure development in Nigeria, particularly transport and power infrastructure.

Literature Review

The concept of foreign loans occupies a central position in scholarly discourse on development finance, public policy, and international political economy. Scholars such as Nwagbo and Oddih (2021) define foreign loans as conditional financial transfers from external actors aimed at addressing development challenges. Sadibo and Adigun (2024) expand this by emphasizing the institutional structures and international currency implications of foreign loans, particularly those sourced from global financial institutions like the IMF and AfDB. Meanwhile, Aladejare and Musa (2024) frame foreign loans as vital instruments in addressing public financing gaps, but they introduce a critical concern over mismanagement, pointing to the risks of debt accumulation and its implications for sustainable development. Their work highlights a duality: foreign loans as instruments of development and as potential liabilities when poorly governed.

Further scholarly interpretations situate foreign loans within broader political-economic and macroeconomic contexts. Adepoju, Salau, and Obayelu (2019), along with Okoli (2019), underscore foreign loans as components of national debt sourced through various international creditors and financial instruments, often motivated by infrastructure deficits and fiscal constraints. Soludo (2018) and Todaro (2018) affirm this practical utility, stressing the alignment between foreign borrowing and fiscal policy objectives. In contrast, Adebamiwi and Abubakar (2023) frame foreign loans not only as development tools but also as mechanisms of dependency and vulnerability. While all perspectives converge on the function of foreign loans as external, interest-bearing financial tool for development, they diverge on the implications, ranging from economic empowerment to strategic vulnerability.

Academic literature extensively explores the nexus between foreign loans and infrastructure development, particularly in transport and power sectors, with Nigeria serving as a critical case study. Studies by Odongo & Kalu (2018) and Onodugo (2014) conceptualize infrastructure as both a physical and systemic backbone of economic development, with transport infrastructure viewed as a key enabler of national productivity and integration. Scholars such as Mayaki (2014), Nwokoye et al. (2017), and Akuesodo et al. (2024) emphasize the transformative potential of transport systems, roads, railways, ports, and terminals, not merely for mobility but for economic growth, labour efficiency, and investment attraction. Yet, empirical analyses highlight persistent underfunding and institutional deficiencies that compromise outcomes, reinforcing the argument that infrastructure development is as much a matter of governance and political economy as it is of engineering.

Foreign loans emerge in the literature as a pivotal mechanism for financing Nigeria's transport infrastructure, but scholarly opinions remain divided over their net effect. While Onwuka (2022) and Ele & Ocheni (2024) provide macroeconomic justifications for foreign borrowing, citing Nigeria's shifting debt structure and increasing reliance on multilateral institutions, critical voices such as Ajah & Onuoha (2024), Nura (2023), and Hassan et al. (2023) interrogate the geopolitical, legal, and governance implications, particularly in relation to Chinese loans. These studies foreground the Belt and Road Initiative's impact on Nigerian rail and port development, noting improved infrastructure delivery but raising alarms over project opacity, operational inefficiencies, and clauses that may compromise national sovereignty. The dual nature of Chinese engagement, providing scale and speed, but lacking transparency and long-term safeguards, illustrates the tension between developmental urgency and fiscal prudence.

Sector-specific studies further complicate the narrative. Road infrastructure, as analyzed by Oyedokun & Adewinle (2023) and Olaverri-Monreal & Jizba (2016), is deeply affected by foreign debt servicing, inflationary pressures, and governance capacity. Meanwhile, empirical evidence from railway, maritime, and aviation sectors reveals both the transformative promise and strategic risks of foreign-funded projects. Chukwurah et al. (2022) and Hassan (2023) point to efficiency gains under foreign management, while scholars like Nweke (2025) warn of debt dependency and potential loss of strategic assets. Across the board, the literature converges on a central theme: foreign loans are indispensable yet fraught tools. Their effectiveness is contingent upon integrated development

planning, institutional transparency, and the balancing of external capital with domestic agency and accountability mechanisms.

In the area of power infrastructure development, scholars such as Nwankwo and Njogo (2013) and Amadi (2014) contend that while foreign loans can bridge financing gaps in Nigeria's ailing electricity sector, their impact remains limited without systemic reforms, effective governance, and transparent regulatory frameworks. Ogunleye (2017) supports this view by highlighting the role of privatization in attracting investment, while also noting persistent fiscal and operational challenges. Ariyo (2023) and Atoyebi (2024) further argue that despite the inflow of foreign capital, the sector is undermined by infrastructural decay, mismanagement, and institutional inefficiencies that weaken the developmental potential of these loans.

From a policy and institutional perspective, entities like the African Development Bank and KPMG (2019) underline the importance of aligning foreign loan utilization with sustainable financing mechanisms, innovation, and rural electrification strategies. While significant funds have been deployed, such as AfDB's support for cooperative energy models and the EU's Electrification Financing Initiative, these efforts are continually constrained by weak revenue collection, aging infrastructure, and inconsistent policy execution. Tunji and Aina (2025) critically question the rationale of borrowing to finance a sector plagued by mismanagement, grid collapses, and poor project implementation, arguing that financial inflows alone cannot offset deep-rooted structural flaws. The National Energy Compact (2025) and US Department of Commerce (2023) echo this sentiment, emphasizing the scale of investment needed to achieve universal access while cautioning against the inefficiency of current spending models.

Finally, the literature increasingly positions foreign loans as part of a broader development matrix rather than a panacea. Studies by Lawal et al. (2025) and the Renewable Energy Association of Nigeria (2021) demonstrate that concessional loans and DFI-backed projects can lead to measurable gains in rural energy access and institutional strengthening. However, these benefits are tempered by concerns over debt sustainability, local ownership, and accountability. Collectively, the scholarship advocates for a holistic approach, one that marries external funding with domestic reforms, private sector engagement, and robust governance. Foreign loans, while critical, must be strategically integrated into a coherent policy framework that addresses the technical, managerial, and socio-political dimensions of Nigeria's transport and power infrastructure crisis.

Theoretical Framework

This study is anchored on the framework on Dependency Theory. Dependency Theory is first popularized by the Latin American structuralists, Raúl Prebisch, is rooted in the idea that the global economy is structurally unequal, producing systematically divergent outcomes for countries at the "centre" and those at the "periphery." Prebisch (1950) argued that the fundamental problem of Latin America was not simply about participating in global trade but about how the terms of such participation entrenched underdevelopment. Developing countries were structurally positioned in a way that made orthodox economic theory inapplicable (Kvangraven, 2023). Central to this was the observation that peripheral economies specialized in primary commodity exports, facing unfavorable and deteriorating terms of trade compared to the industrialized core (Love, 1980; Prebisch, 1950). Alongside Hans Singer, Prebisch further demonstrated that market structures reinforced this inequality: oligopolistic industries in the core captured gains in ways that competitive, disorganized primary producers in the periphery could not (Singer, 1950; UNCTAD, 2016). Thus, dependence was not accidental but embedded in the very fabric of international economic relations, perpetuating uneven development through trade and wage dynamics.

By the 1960s, structuralist thought expanded into "new dependency" approaches, highlighting technological-industrial, financial, and cultural dependence (dos Santos, 1970; Chilcote, 1974). In this formulation, dependence extended beyond trade to encompass the dominance of multinational corporations and persistent vulnerabilities of

peripheral economies to external finance. Financial dependence, marked by recurrent debt crises, underscored how balance-of-payments constraints and the need to attract foreign capital locked peripheral states into pro-cyclical policies, limiting their ability to replicate the countercyclical strategies of advanced economies (Vernengo, 2006; Kvangraven, 2023). This framework emphasized that technological progress is an outcome of successful development, not its cause, and therefore remains inaccessible under conditions of dependency. While critics often point to the 1980s debt crisis and the rise of East Asia as undermining dependency theory, these examples also highlight the historical specificity and uneven applicability of the model, revealing that while late development is possible, it often requires exceptional geopolitical and institutional conditions (Kvangraven, 2023).

An analysis of the relationship between foreign loans and infrastructure development in Nigeria, particularly in transport and power, can be situated within the dependency framework. Nigeria's reliance on external borrowing to finance infrastructure reflects the structural asymmetry between core and peripheral economies, where access to capital is mediated by dependence on foreign finance rather than endogenous accumulation (Prebisch, 1950; Vernengo, 2006). While such loans ostensibly aim to address deficits in critical sectors, they often entrench financial dependency by exposing the country to balance-of-payments constraints, high interest rates, and vulnerability to debt crises (dos Santos, 1970; Chilcote, 1974). The cyclical nature of these debts mirrors Prebisch and Singer's insights that peripheral countries cannot stabilize or counteract downturns in the same way as core nations, resulting in pro-cyclical fiscal policies that undermine long-term growth (UNCTAD, 2016; Kvangraven, 2023). Consequently, Nigeria's infrastructure development via foreign loans risks perpetuating uneven development, where gains are offset by mounting debt obligations, technological dependence on external actors, and constraints on autonomous policymaking, thereby reinforcing the dynamics of dependency rather than overcoming them.

Methodology

This study employed an explanatory research design to investigate the causal relationship between foreign loans and socioeconomic development in Nigeria from 2015 to 2024. Relying on qualitative methods, it utilized documentary analysis to gather secondary data from official publications of national and international institutions, such as the Debt Management Office (DMO), Central Bank of Nigeria (CBN), International Monetary Fund (IMF), World Bank, and National Bureau of Statistics (NBS), as well as academic literature and credible media sources. The collected data, focusing on infrastructure development in transport and power sectors and on poverty reduction, were analysed using content analysis to identify patterns and themes that elucidate the impact of foreign loans and loan servicing on Nigeria's development trajectory.

Discussion of Findings

Foreign loans have played a pivotal role in shaping the trajectory of transport and power infrastructure development in Nigeria, often reflecting the tensions between national development ambitions and external financial dependencies. This section of this study critically examines how such financing mechanisms have influenced infrastructure outcomes in the country.

Foreign Loans and Transport Infrastructure Development in Nigeria

- **Rail Infrastructure**

From 2015 to 2024, Nigeria's transport infrastructure development was significantly influenced by the government's strategic reliance on foreign loans, particularly in the railway sector. While other major transport infrastructure projects, such as roads and bridges, were largely financed through domestic instruments, including the Presidential Infrastructure Development Fund (PIDF), the Nigerian Capital Market Bond (SUKUK), the Road Infrastructure Development and Refurbishment Investment Tax Credit Scheme (Executive Order 007), and the

Highway Development Management Initiative (HDMI), foreign borrowing was pivotal in rail projects. These railway undertakings predominantly followed the Engineering, Procurement, Construction, and Financing (EPC+F) model, wherein 85% of the funding was sourced externally, with the remaining 15% provided through national budget allocations as counterpart funding (Ojoko, 2025). The Lagos-Ibadan, Kaduna-Kano, and Kano-Maradi lines, among others, illustrate how this funding structure shaped project outcomes. Delays in securing the external 85% component have been a consistent barrier to progress for several rail projects such as the Port Harcourt–Maiduguri, Lagos–Calabar, and Ibadan–Kano routes (Enenche, 2019; Adebayo, 2022; Akinsanmi, 2021; Olisah, 2021).

The Lagos-Ibadan Standard Gauge Rail Line serves as a prominent example of successful foreign-loan-driven infrastructure. As a critical segment of the Lagos-Kano corridor, it spans 156.65 kilometres, later extended by 8.72 kilometres to reach the Lagos Port Complex in Apapa. Its funding was secured through a $1.275 billion loan from the Export-Import Bank of China, approved in January 2017, while the Nigerian government provided a $200 million counterpart contribution (Bisiriyu & Ojoye, 2017; Muchira, 2021). This 85:15 percent funding ratio facilitated the project's execution by China Civil Engineering Construction Corporation (CCECC), with construction beginning on 7 March 2017 and commissioning on 10 June 2021 (Peak News, 2021). The Apapa extension was particularly significant for easing port congestion and supporting logistics efficiency (Premium Times, 2023). In contrast, the Kaduna-Kano Standard Gauge Rail Line, stretching 203 kilometres, faced critical financial obstacles. Initially to be funded by the China Exim Bank, the project was derailed due to the bank's post-COVID-19 withdrawal (Olisah, 2021). The Nigerian government resorted to domestic financing, releasing $318 million from the Ministry of Transportation by July 2021 (Olisah, 2021). The project was relaunched on 15 July 2021, and by April 2023, the China Development Bank (CDB) assumed responsibility for external financing at a new cost estimate of $973.4 million (Majeed, 2023; Eboh, 2023). Subsequently, CDB approved a $254.76 million loan in January 2025 (Obiowo, 2024; Egboboh, 2025; Ismail, 2025; Ojoko, 2025), with full completion anticipated by the end of that year.

Another notable case is the Kano-Maradi Rail Line, a transnational railway project linking northern Nigeria with the Republic of Niger. Approved by the Federal Executive Council in September 2020, the 393-kilometre rail line, traversing Kano, Jigawa, and Katsina states and reaching Maradi, was projected at $1.96 billion (Olatunji, 2021). The design included 13 train stations and additional facilities across 122 Nigerian and 11 Nigerien communities (Etuk, 2024; News Agency of Nigeria, 2024; Okpale, 2024). The financial structure retained the 85:15 ratio, with foreign funding provided by a consortium led by CCECC and backed by the African Export-Import Bank and the African Development Bank (Arise News, 2024; Eboh, 2024). As of March 2024, $1.3 billion had been secured from the consortium (Arise News, 2024; Eboh, 2024), and by October 2024, an additional $350 million loan was approved by the AfDB (Obiowo, 2024; Okpale, 2024). With completion set for 2026, the rail line is anticipated to accommodate 9,300 passengers and 3,000 tons of freight daily, promoting economic integration and growth in agriculture and manufacturing sectors across the region (Olatunji, 2021; Okpale, 2024).

The Warri-Itakpe Rail Line illustrates the revitalisation of an abandoned infrastructure project through foreign financing. Originally initiated in 1987 under the Babangida administration as a freight route, the line was repurposed in 2015 by the Buhari administration for passenger services (Agbakwuru & Yakubu, 2020). A $200 million investment from the China EXIM Bank facilitated its completion by China Civil Engineering Construction Corporation (CCECC). Spanning 326 kilometres, it connects Itakpe in Kogi State to Warri in Delta State (Railway Pro, 2020; Ajah & Onuoha, 2025). In October 2019, a $3.9 billion contract was signed with China Railway Construction Corporation Limited for an extension to Abuja. The Warri-Itakpe line was officially commissioned in September 2020 by President Buhari. This case typifies the broader narrative of infrastructure revival driven by external financial partnerships and reflects Nigeria's continued engagement with Chinese financiers and contractors as central agents in the rail infrastructure transformation agenda.

Table 1: Foreign Loans for Railway Construction (2015-2024)

Time Loan Obtained	Lender	Condition of Lender	Project Funded	Expected Completion	Loan Amount (USD)
January 2017	China Exim Bank (Bilateral)	EPC+F model (85% foreign, 15% Nigerian govt.)	Lagos-Ibadan Standard Gauge Rail	June 2021	1,275,000,000
January 2025	China Development Bank (Bilateral)	Loan restructured after Exim Bank withdrawal	Kaduna-Kano Standard Gauge Rail	December 2025	254,760,000
March 2024	CCECC-led Consortium + Afreximbank + AfDB (Mixed)	EPC+F model (85% foreign, 15% Nigerian govt.)	Kano-Maradi Rail Line	2026	1,300,000,000
October 2024	AfDB (Multilateral)	Multilateral project-based loan	Kano-Maradi Rail Line (additional funding)	2026	350,000,000
2015–2020	China Exim Bank (Bilateral)	Revival of stalled project	Warri-Itakpe Rail Line	September 2020	200,000,000
Total	—	—	—	—	**3,379,760,000**

Source: Adebayo (2022), Agbakwuru & Yakubu (2020), Ajah & Onuoha (2025), Akinsanmi (2021), Arise News (2024), Bisiriyu & Ojoye (2017), Eboh (2023, 2024), Egboboh (2025), Enenche (2019), Etuk (2024), Ismail (2025), Majeed (2023), Muchira (2021), News Agency of Nigeria (2024), Obiowo (2024), Ojisah (2021), Ojoko (2025), Olatunji (2021), Okpale (2024), Peak News (2021), Premium Times (2023), Railway Pro (2020).

Nigeria's foreign borrowing strategy for railway infrastructure has predominantly relied on bilateral lenders, especially Chinese institutions like China Exim Bank and China Development Bank, funding key projects such as the Lagos-Ibadan and Kaduna-Kano lines. Recently, however, there has been a discernible shift toward mixed financing models involving multilateral institutions, as exemplified by the Kano-Maradi Rail Line, co-financed by a CCECC-led consortium, Afreximbank, and the AfDB. This evolving lender diversification reflects Nigeria's effort to reduce dependency on a single source, enhance concessional financing terms, and ensure the long-term viability of infrastructure projects. Nonetheless, with the Nigerian Railway Corporation estimating a $66 billion funding gap for full rail modernization, foreign loans remain crucial, underscoring the urgent need for more sustainable and innovative financing mechanisms (Addeh, 2024).

- **Sea and Air Ports Infrastructure**

Between 2019 and 2024, Nigeria's reliance on international borrowing significantly influenced the development of its maritime infrastructure, with the Lekki Deep Sea Port emerging as a landmark project. Valued at $1.5 billion, the port is structured as a joint venture involving the Nigerian Ports Authority (5%), Lagos State Government (20%), and the majority stakeholder, Lekki Port Investment Holding Inc. (75%), under the Special Purpose Vehicle, Lekki Port LFTZ Enterprise Limited (Iwayemi, 2023; State House, 2023). The project gained critical momentum in October 2019 when the China Development Bank provided a $629 million loan, following a 45-

year Build, Own, Operate, and Transfer concession agreement signed with the China Harbour Engineering Company (CHEC), the principal investor (Anagor-Ewuzie, 2019; Asu, 2019). A further equity injection of $221 million by CHEC in March 2020 expedited construction (Proshare, 2020). The port was officially commissioned by President Muhammadu Buhari in January 2023, marking a transformative moment in Nigeria's foreign-financed infrastructural landscape (State House, 2023).

This pattern of foreign-financed maritime development continued into 2024, with the Nigerian Ports Authority securing a $700 million loan from Citibank, guaranteed by UK Export Finance, for the rehabilitation of the Apapa and Tin Can Island Ports, key logistics hubs in Lagos (The Cable, 2024; Egole, 2024). Unlike earlier projects dominated by Chinese funding, this arrangement reflects a broadening of Nigeria's external financing portfolio through bilateral export credit facilities. The rehabilitation aims to enhance port efficiency, modernise operations, and strengthen cargo handling capacities. These developments underscore a strategic shift in Nigeria's infrastructural policy, where international borrowing and public-private partnerships are instrumental in reconfiguring maritime assets to support trade expansion and economic diversification.

Table 2: Foreign loans on seaport infrastructure development

Time Loan Was Obtained	**Lender (Bilateral/Multilateral)**	**Lender Condition**	**Project Funded**	**Time of Completion**
October 2019	China Development Bank (Bilateral)	$629 million loan secured under a 45-year Build, Own, Operate, and Transfer (BOOT) concession between CHEC and Lekki Port LFTZ Enterprise Ltd.	Phase 1 of Lekki Deep Sea Port	January 2023 (Port inaugurated by President Buhari)
March 2020	China Harbour Engineering Company (Equity Investment - Bilateral)	$221 million equity infusion from CHEC as majority shareholder	Continuation and acceleration of Lekki Deep Sea Port construction	January 2023
April 2024	Citibank (Bilateral), backed by UK Export Finance	$700 million loan from Citibank funded by UK Export Finance for port rehabilitation	Rehabilitation of Apapa and Tin Can Island Ports in Lagos	Not yet completed as of April 2024

Source: Iwayemi (2023), State House (2023), Anagor-Ewuzie (2019), Asu (2019), Proshare (2020), The Cable (2024); Egole (2024)

Although most Nigeria's seaport modernization took place after 2019 through newly acquired loans, the development of its airport infrastructure was largely driven by a $500 million loan agreement with China, signed in July 2013. This loan, granted to the China Civil Engineering Construction Corporation (CCECC), aimed to facilitate the construction of four international airport terminals located in Abuja, Lagos, Port Harcourt, and Kano, and required an additional $100 million in counterpart funding from the Nigerian government (Tureta, 2018). Completion of these terminals faced delays primarily due to difficulties in securing the local funding component, resulting in the projects being finalized after the initial 2015 deadline. In contrast to these externally financed ventures, the development of the Akanu Ibiam International Airport in Enugu proceeded without foreign loans, relying exclusively on domestic funding sources (Idowu, 2019).

Foreign Loans and Power Infrastructure Development

Over the decades, Nigeria has pursued various strategies to resolve its chronic electricity supply problems, recognising stable power as crucial for economic growth. Since gaining independence, successive administrations have heavily invested in the power sector, particularly through external loans from international financial institutions and creditor countries. Despite these investments, the outcomes have remained largely unsatisfactory. The Socio-Economic Rights and Accountability Project (SERAP) reported that between 1999 and 2015, the Nigerian government spent over ₦11 trillion, drawn from both domestic budgets and foreign loans, on the power sector with little to show in terms of reliable electricity. SERAP attributed this underperformance to entrenched corruption (Premium Times, 2017).

Between 2015 and 2017, there was a conspicuous absence of publicly available records indicating that the Nigerian government accessed new foreign loans specifically for the power sector, even though the negative economic consequences of inadequate electricity supply were well-documented. The African Development Bank (2018) estimated that Nigeria lost approximately USD 470 billion in GDP between 2000 and 2016 due to unreliable electricity, equivalent to about USD 29 billion annually. In response, the government launched several reform initiatives to stimulate foreign investment and attract external financing. These included the Rural Electrification Strategy and Implementation Plan (RESIP) in 2016, the Economic Recovery and Growth Plan (2017–2020), and the Power Sector Recovery Plan (2017–2021), all aimed at structural transformation and improved energy access (African Development Bank, 2018).

From 2018 to 2024, Nigeria significantly increased its reliance on foreign credit to finance energy infrastructure. On February 15, 2018, the World Bank approved $486 million in IDA credits for the rehabilitation of Nigeria's electricity transmission infrastructure (World Bank, 2018; U.S. Department of Commerce, 2023). Later that year, it also approved a $27 million loan as part of the $465 million North Core Regional Power Interconnector Project to enhance regional energy trade between Nigeria, Niger, Benin, and Burkina Faso (World Bank, 2018, 2021). In December 2018, Nigeria secured a $200 million financial package from the African Development Bank and the Africa Growing Together Fund to finance the Nigeria Electrification Project (Okafor, 2018; U.S. Department of Commerce, 2023). This was followed by a $550 million World Bank loan in 2019 to expand mini-grids and solar home systems, and a $750 million Power Sector Recovery Operation loan in 2020 to supply an additional 4,500 MWh of electricity and restore financial accountability in the sector (Africa Energy, 2019; World Bank, 2020; U.S. Department of Commerce, 2023).

Additionally, the Nigerian government entered a landmark partnership with Siemens Energy in July 2019 under the Nigerian Electrification Roadmap (NER), targeting a scale-up in transmission capacity from 4,500 MW to 25,000 MW by 2025. Valued at €3.11 billion, the project was primarily financed (85%) by a German bank consortium backed by Euler Hermes, with Germany committing $2.3 billion by 2020 (Daily Trust, 2021; Nweke-Eze, 2021; Olawin, 2024). Further support came in 2021, when the World Bank approved a $500 million loan for the Distribution Sector Recovery Programme (Tunji & Aina, 2025). In June 2023, another $1.5 billion was approved under the Power Sector Recovery Performance-Based Operation, followed in December by a $750 million investment in the DARES project, aimed at integrating 5,000 MW of renewables into Nigeria's grid by 2030 (Ikeh, 2025; Tunji & Aina, 2025). This trend continued into 2024 with new loans for solar mini-grids, hydropower-linked irrigation (SPIN Project), and, most recently, a $500 million loan from the African Development Bank in July 2024 to support Nigeria's energy transition and fiscal reforms (Dakhling, 2024; Pmparrot, 2024; Tunji & Aina, 2025).

Table 4.3: Foreign loans for power infrastructure development (2015–2024)

Year & Month	Amount (USD)	Lender (Bilateral/Multilateral)	Program / Project Name	Purpose
2015-2017	-	-	-	-
Feb 2018	$486 million	World Bank (Multilateral)	Nigeria Electricity Transmission Project	Upgrade of transmission substations and lines
Oct 2018	$27 million	World Bank (Multilateral)	North Core/Dorsale Nord Regional Power Interconnector	Regional electricity trade and 330 kV interconnection line
Dec 2018	$200 million	AfDB & China (Multilateral/Bilateral)	Nigeria Electrification Project (NEP)	Rural electrification and energy access (AGTF co-financed)
2019	$550 million	World Bank (Multilateral)	Off-grid Solar/Mini-Grid Expansion	Mini-grid and solar home systems, incl. university pilots
July 2019	$2.3 billion	Germany (Bilateral)	Nigerian Electrification Roadmap / Presidential Power Initiative (PPI)	Transmission capacity expansion to 25,000 MW by 2025
June 2020	$750 million	World Bank (Multilateral)	Power Sector Recovery Operation (PSRO)	Grid improvement, accountability, and supply of 4,500 MWh
Feb 2021	$500 million	World Bank (Multilateral)	Distribution Sector Recovery Programme (DISREP)	Technical and financial performance of electricity distribution companies
June 2023	$1.5 billion	World Bank (Multilateral)	Power Sector Recovery Performance-Based Operation	Financial and operational sector efficiency (includes $750m from 2020 PSRO)
Dec 2023	$750 million	World Bank (Multilateral)	DARES – Distributed Access through Renewable Energy Scale-up Project	Addition of 5,000 MW renewable energy capacity by 2030
Mar 2024	$750 million	World Bank (Multilateral)	DARES (Subsidy Support Tranche)	Subsidies for private-led solar mini-grids for off-grid communities

Sept 2024	$500 million	World Bank (Multilateral)	Sustainable Power and Irrigation for Nigeria (SPIN)	Dam safety, hydropower, and irrigation infrastructure across 25 states
July 2024	$500 million	AfDB (Multilateral)	Economic Governance and Energy Transition Support Programme	Energy transition, budget support, and Electricity Act implementation
Total	**$8.513 billion**			

Source: World Bank (2018, 2020, 2023, 2024), African Development Bank (AfDB), (2018, 2024), Okafor (2018), Ikeh (2025), Dakhling (2024), Nweke-Eze (2021), Olawin (2024); Oladipo (2021), Tsagas (2019), Africa Energy (2019), U.S. Department of Commerce (2023), Tunji & Aina (2025), Pmparrot (2024), Daily Trust (2021)

Nigeria's foreign borrowings for power infrastructure development have been primarily sourced from multilateral institutions such as the World Bank and the African Development Bank (AfDB), which together accounted for the bulk of financing, with bilateral support, most notably Germany's €3.11 billion (approximately $2.3 billion) for the Nigerian Electrification Roadmap under the Presidential Power Initiative, also playing a significant role. The World Bank alone has invested over $6 billion in programs targeting transmission upgrades, distribution reforms, renewable energy expansion, and institutional efficiency, while the AfDB, often in collaboration with China through the Africa Growing Together Fund (AGTF), supported rural electrification and energy transition projects. This marks a shift from minimal pre-2018 activity to substantial and strategic post-2018 borrowing, aligned with international development objectives, energy access goals, and fiscal consolidation. Nevertheless, despite securing over $3.23 billion in international loans between 2020 and 2024, Nigeria still struggles with electricity generation, averaging only 4,500 megawatts daily for a population exceeding 200 million (Tunji & Aina, 2025), a stark contrast to countries like South Africa (58,095 MW for 62.3 million), Egypt (59,442.18 MW for 105.2 million), Algeria (22,591 MW for 46 million), and South Korea (130,000 MW for 49 million) (Anyaogu, 2021; Country Economy, 2023; Galal, 2024; La Redaction, 2024; Arise News, 2024). Nigeria's annual electricity consumption remains critically low at 2,548 kilowatt-hours, or approximately 212 kilowatt-hours per month, compared to South Africa's 23,392 kilowatt-hours (Arise News, 2024).

Table 4: Nigeria's current electricity generation capacity in megawatts with other countries

Country	**Electricity Generation Capacity (MW)**	**Population (Millions)**
Nigeria	4,500	200+
South Africa	58,095	62.3
Egypt	59,442.18	105.2
Algeria	22,591	46
South Korea	130,000	49

Source: Tunji & Aina (2025), Anyaogu (2021), Country Economy (2023), Galal (2024), La redaction (2024), Arise News

Recently, over 100 million Nigerians continue to lack consistent and affordable access to electricity, highlighting the country's enduring energy poverty (Arise News, 2024). In contrast, countries such as Mauritius, Egypt, Morocco, Tunisia, and Algeria have attained near-universal electricity access through substantial investments in both renewable and conventional energy sources, while others like Gabon, Ghana, South Africa, Botswana, and

Kenya are making significant strides. Despite these regional advancements, Nigeria lags considerably in providing adequate and equitable electricity access essential for sustainable development (Esifiho, 2024).

Conclusion and Recommendations

While foreign loans have played a pivotal role in advancing Nigeria's infrastructure development, particularly in the railway, maritime, and power sectors, their impact has been uneven and fraught with systemic limitations. Foreign financing, especially from Chinese and multilateral institutions, facilitated the delivery of flagship transport projects such as the Lagos-Ibadan and Warri-Itakpe rail lines, as well as the Lekki Deep Sea Port. However, these gains have often been undermined by delays in loan disbursements, over-reliance on bilateral lenders, and challenges in fulfilling counterpart funding obligations. In the power sector, despite multibillion-dollar investments from the World Bank, AfDB, and Germany under initiatives like the Nigerian Electrification Roadmap, Nigeria's electricity generation and access remain critically inadequate. This disparity between financial input and developmental outcomes reflects persistent governance inefficiencies, inadequate institutional coordination, and entrenched infrastructural deficits. Therefore, while foreign loans remain indispensable for addressing Nigeria's funding gap and broader infrastructural deficits, the findings reveal the urgent need for a more diversified, transparent, and performance-based financing framework that integrates sustainable public-private partnerships and enhances domestic capacity for project delivery and maintenance.

Based on the findings of this study, it is recommended that to reduce overreliance on Chinese bilateral loans and secure better financial terms, Nigeria should adopt transparent, competitive bidding processes and actively engage a wider range of multilateral lenders and export credit agencies. This approach would enhance bargaining power, lower borrowing costs, and promote adherence to global standards in procurement and debt management.

Also, to address persistent delays and inefficiencies, Nigeria should establish a professionally managed, autonomous body to coordinate loan disbursement, counterpart funding, and project execution. Independent of politically exposed ministries, this institution would enforce fiscal discipline, monitor progress, and enhance transparency, thereby reducing corruption and improving infrastructure outcomes.

Lastly, Nigeria should adopt policies that enforce local content requirements in engineering, procurement, and maintenance to promote skills transfer and job creation, while simultaneously reforming its domestic revenue system to ensure timely counterpart funding. Together, these measures will strengthen infrastructure sustainability, reduce dependence on foreign loans, and enhance the country's capacity for self-financed development.

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