Foreign Loans and Land Transport Infrastructural Development in Nigeria: A Study of the Buhari Administration (2015-2023)

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ABSTRACT

This study on foreign loan and land transport infrastructural development in Nigeria examined the extent to which foreign loans funded and impacted land transport infrastructure (roads and railways) in Nigeria during the Buhari administration (2015-2023), and how the volume, sources and terms of these loans affected debt sustainability in Nigeria. Anchored on modernization theory as the dominant framework and dependency theory as the contrasting lens, the study finds that foreign loans overwhelmingly funded and drove rail modernization, while domestic funds were the primary driver for road and bridge projects. Foreign borrowing contributed moderately to undermining debt sustainability through high debt service burdens and lender concentrations. The study recommends a financing hierarchy that prioritizes domestic sources, diversified multilateral loans and stronger debt sustainability safeguards.

Keywords: Foreign loans, infrastructure financing, debt sustainability, modernization theory, dependency theory, Buhari administration, Nigeria

INTRODUCTION

Nigeria faces a massive infrastructure deficit estimated at 2-3 trillion dollars over the next 30 years. (National planning commission, 2014; World Bank, 2019). This gap has severely constrained economic growth, productivity, trade and regional integration. During the Buhari administration (2015-2023), the government aggressively pursued foreign borrowing alongside innovative domestic mechanisms such as the Presidential Infrastructure Development Fund (PIDF), Sovereign Sukuk bonds and the Road Infrastructure Tax Credit Scheme to address this gap, particularly in land transport (roads and railways).

While these efforts produced visible outcomes, they also triggered intense debate about the sustainability of foreign borrowing. The Buhari Administration (2015-2023) marked the most aggressive use of foreign loan in recent history, especially bilateral Chinese loans for rail infrastructure. Did foreign loans truly serve as effective catalysts for infrastructural transformation as posited by modernization theory? Or, did they, as dependency theory warns, deepen debt vulnerability and long-term economic risks?

This study investigates the relative roles and outcomes of foreign versus domestic financing in the land transport sector and the sustainability of these foreign loans. The research objectives are to;

i. To investigate the extent to which foreign loans as opposed to domestic funds, funded and impacted road transport development in Nigeria between 2015 and 2023.

ii. To find out how foreign loan as opposed to domestic funds, funded and impacted rail transport development between 2015 and 2023.

iii. To explore the effects of the volume, sources and terms of foreign loans for land transport infrastructural development during the period under review, 2015 - 2023 on debt sustainability in Nigeria

CONCEPTUAL REVIEW

The core concepts underpinning this study are foreign loans, land transport infrastructure, debt sustainability and infrastructure financing in developing economies.

Foreign loans refer to external borrowing from bilateral and multilateral sources, often sourced to address capital shortages in infrastructure development (Todaro & Smith, 2020).

Land transport infrastructure encompasses roads, railways and bridges which are critical for internal connectivity, trade facilitation, Agricultural market access, and overall economic integration in Nigeria (World Bank, 2019).

Infrastructure financing in Nigeria has historically involved a mix of domestic and external forces. Domestic financing mechanisms include budgetary allocations, innovative tools such as, The Presidential Infrastructure Development Fund (PIDF), Sovereign Sukuk bonds and the Road Infrastructure Development and Refurbishment investment Tax Credit Scheme (DMO, 2022; NSIA, 2023). Foreign loans on the other hand are typically obtained from multilateral institutions like World Bank, African development bank and bilateral partners, notably China Exim Bank (AidData, 2023)

Debt Sustainability is the ability of a country to meet its debt obligation without compromising economic stability or growth (IMF, 2022). It is influenced by the volume of borrowing, the diversity of sources and the terms of loans (interest rates, maturity periods, grace periods, and conditionalities), with indicators such as debt service-to revenue ratio, external debt-to-GDP ratio and currency devaluation effects. In the Nigerian context, debt sustainability is further complicated by oil revenue dependence, naira volatility and external shocks (DMO, 2023; World Bank, 2023).

This study integrates these key concepts within the dominant framework of modernization theory, while using dependency theory as a contrasting lens to critically assess whether foreign loans for land transport infrastructure during the Buhari Administration (2015-2023) delivered sustainable developmental outcomes or contributed to long-term vulnerabilities.

EMPIRICAL REVIEW

Empirical studies on foreign loans and infrastructure in Nigeria present mixed findings. Several researchers support the modernization perspective.

Akinyosoye (2010) and Amadi & Alolote (2020) found that increased public infrastructure spending, including externally financed projects, positively correlates with economic growth. Similarly, studies on the Buhari Administration's rail projects have highlighted significant improvements in travel time, freight movement and logistics efficiency. (Amaechi, 2022).

However, a growing body of literature aligns with dependency theory concerns. Researchers such as Amaefula & Umekaaka (2016) and Akos & Istvan (2019) argue that heavy external borrowing has led to rising debt service burdens, reduced fiscal space and limited technology transfer in Nigeria. Recent studies have also questioned the sustainability of Chinese-funded infrastructure projects due to opaque terms, contractor dominance and repayment pressures exacerbated by naira devaluation (Amata, 2023).

Despite these contributions, significant gaps remain. Most existing studies either focus broadly on overall infrastructure or examine only foreign loans in isolation. Very few have systematically compared the outcomes of foreign versus domestic financing within the same sector and administration. Additionally, limited attention

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has been paid to the different impacts on road versus railways, or to the specific effects of loan volume, sources and terms on debt sustainability.

This study addresses these gaps by providing a comparative empirical analysis of foreign and domestic funding sources for road and rail infrastructure under the Buhari Administration, while assessing their implications for debt sustainability using both modernization and dependency theoretical lenses.

THEORETICAL REVIEW

The relationship between foreign loans and infrastructure development has long been framed by two major contending theories: modernization and dependency theory.

Modernization Theory

Rostow (1960) posits that developing countries can achieve economic progress by injecting external capital, adopting modern technology and building critical infrastructure. Foreign loans are seen as essential catalysts that help bridge the savings-investment gap, accelerate the "take-off" stage, and foster self-sustaining growth.

Applying the theory to the study, large-scale borrowing for roads and railways is viewed as a strategic investment that modernizes transport systems, integrates markets and drives industrialization.

Dependency Theory

Prebisch (1950), Frank (1966) and Amin (1976) argue that foreign loans and aid often perpetuate underdevelopment. It contends that such financial inflows create structural dependence, debt traps and unequal exchange between core (developed) and peripheral (developing) economies. Dependency scholars highlight how loan conditionalities, bilateral dominance, and currency risks reinforce peripheral status rather than genuine development. This theory therefore incorporates debt sustainability concerns in the bid to utilize large-scale borrowing for roads and railways as a strategic investment that modernizes transport systems, integrates markets and drives industrialization.

These two theories provide the theoretical foundation for this study with modernization theory serving as the dominant lens and dependency theory as the critical counter-framework.

MATERIALS AND METHODS FOR THE STUDY

This study adopted a descriptive and analytical research design with a comparative approach. It employed a mixed-methods strategy, combining quantitative data on loan volumes, debt stock and infrastructure outputs with qualitative analysis of policy documents, project reports and theoretical interpretations. The design was guided by modernization theory as the dominant framework and the dependency theory as the contrasting lens, allowing for balanced evaluation of the developmental outcomes and risks of foreign loans in land transport infrastructure.

This study covered the period of the Buhari Administration from May 29, 2015 to May 29. 2023.

Data sources

The study relied primarily on secondary data from official and credible sources:

Debt Management Office (DMO), Nigeria: External debt stock reports, Bilateral debts breakdown, status of China Exim Bank loans and External borrowing plans (2015-2023)

Presidential Infrastructure Development Fund (PIDF)/ Nigerian Sovereign Investment Authority (NSIA): Project reports on flagship domestic-funded projects

Federal ministry of works and housing: Project updates, Sukuk bond implementation reports and ministerial statements

Nigerian railway corporation (NRC): Operational and commissioning reports for rail projects

Multilateral Institutions: African development bank, and world bank project appraisal documents

Central bank of Nigeria (CBN): Statistical Bulletins and annual reports (2015-2023) for macro- economic and debt service data.

Other sources: AidData China global development finance database, Sukuk issuance circulars and credible secondary analyses

Because the DMO does not publish a single aggregate for land transport infrastructure, researcher-compiled estimates were derived by cross-referencing creditor based debt stock with project specific approvals and disbursement records. Domestic funding totals were aggregated from PIDF disbursements, Sukuk proceeds, Road tax credit scheme commitments and Federal budget capital expenditures. Data analysis involved Descriptive Statistics and Comparative ratios. Qualitative content analysis was applied to policy documents, ministerial statements and project reports to evaluate implementation outcomes and theoretical alignments. Triangulation across multiple official sources was used to enhance reliability and address data opacity.

KEY FINDINGS OF THE STUDY

Road Transport Infrastructure

Foreign loans played a limited supplementary role (between 1-2 billion dollars) mainly from multilateral sources like African development bank, World bank and Islamic development bank for rural and cross-border roads such as Mfum-Ekok Bridge, Ebonyi ring road and RAAMP. In contrast, domestic funds (between 9-10 billion dollars) dominated, funding flagship projects through PIDF (Lagos-Ibadan Expressway, Second Niger bridge), Sukuk bonds (over 4,100 km of roads), and the Tax Credit Scheme (Apapa-Oworonshoki-Ojuelegba by Dangote, Enugu-Onitsha by MTN). Domestic financing delivered greater scale and national impact on roads.

Rail Transport Infrastructure

Foreign loans were the primary and dominant source (between 4-5billion dollars, mostly from China Exim Bank), funding key standard-gauge lines such as Lagos-Ibadan and Abuja-Kaduna. These loans produced significant positive impacts in modernization, speed and connectivity. Domestic funds played a limited role, mainly supporting revival of Itakpe-Ajaokuta-Warri (200 million dollars) and partial narrow-gauge rehabilitation (Lagos-Kano and Port Harcourt-Maiduguri sections)

Impact on Debt Sustainability

The volume (between 6-8 billion dollars for land transport), sources (heavy bilateral concentration on China for rail) and terms of these foreign loans moderately undermined debt sustainability. High debt service-to-revenue ratios which is up to 90-100 percent in several post-2023 periods, naira devaluations (2016 and 2023), and lender concentration increased fiscal vulnerabilities, even though many loans were semi-concessional. Domestic-funded projects achieved substantial outcomes with lower external debt risks.

CONCLUSION

Foreign loans were critical for rail modernization but played a secondary role in roads, where domestic mechanisms proved more effective and sustainable. While delivering visible infrastructure gains, foreign borrowing contributed moderately to Nigeria’s debt challenges. The study demonstrates that a balanced mix of financing sources with strong domestic components offers a more sustainable path to infrastructural development.

RECOMMENDATIONS

Adopt a financing hierarchy: Prioritize domestic sources (PIDF, Sukuk, Tax credit) followed by concessional multilateral loans and use bilateral loans only as a last resort.

Establish a statutory infrastructure debt sustainability framework with clear thresholds (e.g debt service-to-revenue at less than 30 percent, external debt-to-GDP at less than 40 percent, and lender diversity rules)

Tie future foreign loans to revenue-generating mechanisms (tolls, freight charges) and enforce strict local content rules with more than 50 percent Nigerian participation

Strengthening transparency and independent evaluation of all major infrastructure loans.

Recommendations for further studies

Comparative analysis of infrastructure financing outcomes across different Nigerian administrations

Quantitative assessment of the economic returns of foreign-funded versus domestic-funded projects

Contributions to Knowledge

This study contributes empirically by providing a rare side-by-side comparison of foreign and domestic financing outcomes in land transport.

Theoretically, it demonstrates the value of integrating modernization and dependency theories for nuanced analysis.

Policy-wise, it offers evidence-based guidance on balancing infrastructure ambition with fiscal sustainability in resource-constrained economies.

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