Fifty Fourth Sovereign Debt News Update: Nigeria seeks foreign loans to complete rail projects, Tanzania seals lucrative investment deals with China and South Africa receives World Bank funding to pursue renewable energy

By:

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November 7, 2022

Nigeria has stated its intention to complete ongoing rail projects across the country with multi-billion-dollar loans from financial institutions based in China, Portugal, and Turkey.

The Nigerian Minister for Transportation noted this when he appeared before the Joint National Assembly Committee on Land and Marine Transport, chaired by Senator Danjuma Goje on Thursday, adding that his ministry was focused on completing the Nigeria Railway Modernisation project.

This comes in the wake of a report by AfronomicsLaw that Nigeria's external debt was pegged at 40.06 billion USD in June 2022, according to a statement by Nigeria's Debt Management Office (DMO). The Government is optimistic that the current negotiation of the loans with infrastructure development finance institutions from China, Portugal and Turkey will be successfully concluded soon.

The Minister noted that to *ensure completion and signing of the loan agreements, "evidence of source of funding of the balance of advance payment and other aspects of work to be financed directly by the federal government has to be made available to these financial institutions through adequate budgetary provisions in the 2023 budget and subsequent budgets*."

This debt financing plan is likely to push Nigeria's already high external debt to a new threshold by piling on its towering debt obligations to IMF and the World Bank and may confirm IMF concern that Nigeria may have to spend 100% of its revenue on debt servicing by 2026.

The Tanzanian government has successfully secured multimillion-dollar infrastructure deals with China. The series of agreements formed part of the agenda for the meeting between the presidents of both countries on November 2, 2022, in Beijing. These agreements were signed in a bid to foster bilateral trade relations, transport and agricultural development in Tanzania.

The Tanzanian president, Samia Suluhu Hassan and her Chinese counterpart, Xi Jinping, witnessed the signing of 15 strategic agreements including an upgrade of the Tanzania-Zambia – or Tazara – railway, which was first funded by China 50 years ago. The agreements also contain a debt waiver and duty-free access to China for Tanzanian products.

A statement from the State House spokesperson, Zuhura Yunus, noted that "*China had agreed to write off 31.4 billion Tanzania shillings (US$13.49 million) worth of debt*". It will be recalled that in August 2022, China indicated its

willingness to write off 23 interest-free loans which matured at the end of 2021, for 17 African countries, although the details of the write-off have not been clearly stated by China.

In furtherance of these agreements, Beijing will advance a US$56.72 million loan on concessional terms to build Zanzibar international airport's Terminal II project. It will also provide a grant of 100 million yuan (US$13.6 million) as part of an economic and technical cooperation agreement. In turn, Tanzania has pledged to an improved business environment and help Chinese companies that operate in Tanzania.

Both countries also signed protocols granting duty-free access to 98 percent of Tanzanian products to China. China has also pledged to increase its imports of specialty goods (avocado) from Tanzania and support Chinese companies to invest and operate in Tanzania.

The World Bank Group Board of Executive Directors has approved South Africa's request for a $497 million facility for decommissioning and repurposing one of its largest coal-fired power plants, the Komati coal-fired power plant, and converting it to renewable energy. The project is also expected to create opportunities for the affected workers and communities impacted by the closure of the power plant. This facility is aimed at supporting the South African government's efforts to transition the country toward a low-carbon development path with reliable, affordable, and sustainable energy for all. South Africa is one of the world's largest greenhouse-gas emitters, and this facility is in line with the Just Energy Transmission initiative which is focused on achieving "Net Zero" carbon emissions by 2050, with an increase in sustainable jobs. Some of the additional benefits of moving towards lower carbon technologies, according to ESKOM, are the positive impact on air quality and water usage, the potential to create new exciting jobs, and greater preservation of biodiversity in South Africa.

In a statement by the World Bank, the Komati power station which is northeast of Johannesburg will be repurposed using solar and wind sources, supported by batteries for storage, after being recently shut down. "*Closing the Komati plant this week is a good first step toward low carbon development,"* said World Bank Group President David Malpass.

The financing includes a $439.5m World Bank loan, a $47.5m concessional loan from the Canadian Clean Energy and Forests Climate Facility and a $10m grant from the Energy Sector Management Assistance Program (ESMAP), an initiative to help low and middle-income countries.

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