

China's Belt and Road Initiative and Debt Sustainability in Africa, Kenya

By

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Abstract

This article reports results of an investigation on China's Belt and Road Initiative in Africa. Two main questions were investigated, including; how relevant is the Belt and Road Initiative in Africa to Kenya's Development aspirations? And what are the risks of the Belt and Road Initiative to Kenya's debt sustainability? The study used a mixed method approach with a convergent design to examine the contributions of the BRI to Kenya's development agenda and the risks the initiative poses to Kenya's debt sustainability. This data was used to discuss findings using Hegemonic Stability theory and dependency theory. The study established that the BRI in Kenya promotes the country's development goals in areas of infrastructure development, industrialization, promotion of the agricultural sector, and job creation, which has a direct impact on the economic growth. The Standard Gauge Railway (SGR), is meant to make an immense contribution to the economy. However, given the challenges faced by the project, such as underutilization, low economic output, and running expenses, its impacts might take longer than expected. It was established that the SGR, even though not responsible for the current debt vulnerability in the country, its unproductivity contributes to debt challenges. Thus, the study recommends a thorough independent feasibility test for any other expensive BRI project before construction.

Key Words: Kenya, China's Belt and Road Initiative, Development Agenda, Debt Sustainability

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Introduction

The Belt and Road Initiative is China's economic strategy to normalize financial outflow to low-income countries. According to Johnson (2019), the BRI's objective is to encourage investment outside China especially in sectors that have declined in competitiveness within the country. The initiative has incorporated many Chinese companies as infrastructure players in many BRI projects to allow movement of industrial excess from China to the BRI recipient countries. As a result many BRI related contracts abroad are awarded to Chinese firms to enhance their capacity utilization.

The initiative was launched by president Xi Jinping in 2013, as a strategy to promote economic cooperation between the Eurasian countries and Africa through the BRI. The initiative is comprised of the "Silk Road Economic Belt" (SREB) and the "21st Century Maritime Silk Road" (MSR) (Cai, 2017). The initiative is also referred to as One Road One Belt, and it includes of more than sixty-five countries with the goal of reviving the Old Silk Road. The initiative comprises six major economic corridors ("a new Eurasian Land Bridge, China Mongolia-Russia, China-Central Asia-West Asia, China-Pakistan Economic Corridor, Bangladesh-China-Myanmar Economic Corridor and China Indochina maritime corridor") to enhance connectivity, cooperation in policy, finance, commercial integration and encourage cultural exchanges among people (Rahman, 2022).

The BRI and debt sustainability has attracted attention from many scholars as many developing countries part of the initiative are faced with debt related challenges. Although some scholars such as Shaomin and Jiang (2020) argue that the idea of the BRI related debt crisis in countries along the BRI projects is a western idea to discredit China's achievement in infrastructure cooperation promoted by the initiative, that China's lending model especially in Africa for the initiative projects has escalated debt crisis. Africa has the highest infrastructure gap and China through the BRI is willing to invest in critical sectors such as transport, telecommunication, and energy which makes Beijing a favorable development partner in the region. Additionally, China's lending does not attach any conditions nor does Beijing consider debt sustainability analysis of the recipient countries. Findings by Breen (2022) differs with Shaomin and Jiang's analysis by analyzing countries engaged with the BRI such as Sri Lanka, Angola, and Ethiopia and data from this countries indicates that their debt rose significantly during the BRI project implementation. For instance, Ethiopia's debt rose 25% more than the normal average in 2018 when the Addis-Djibouti rail opened.

Kenya is often used to describe China's lending to BRI related projects in the region with minimal economic benefit leading to rise in public debt. Kenya's location in the EAC region makes Nairobi a critical partner along the BRI as it provides a gateway to other EAC countries. Kenya is currently facing debt growth challenges with elevated risk of debt distress. In 2014 the government of Kenya signed a deal for the construction of the SGR from the coast port of Mombasa to the border with Uganda, making the rail the most expensive project in Kenya's infrastructure modernization endeavor as noted by Githaiga and Shifare's (2023). Despite the optimism that the SGR will boost the economy and make greater contribution to the country's vision 2030, the construction of the first and second segment of the line elevated the country's debt with limited economic returns. This concurs with Wissenbach and Wang's (2016) analysis that the SGR's economic value is in doubt as the

completed phase's revenue is limited against its construction cost posing a challenge to Kenya's debt sustainability. The Kenyan government has measures in place to curb debt growth but currently, public debt has surpassed the set threshold of fifty-five per cent of the GDP (National Treasury, 2024). The change in exchange rate and ballooning interests Kenya pays for the SGR loans poses a risk the country's debt sustainability thus its important to evaluate the development impacts the BRI (SGR) and debt risks of the project to influence future large-scale infrastructure-related borrowing decisions.

Statement of the Problem

The major problem facing Kenyan macroeconomic stability is debt sustainability. Kenya is at risk of falling into debt distress due to over-borrowing, especially the accumulation of commercial loans from bilateral lenders. According to the Central Bank of Kenya, Kenya's debt to Gross Domestic Product ratio has increased drastically after 2012 due to heavy expenditure on infrastructure. In 2014, the actual debt to GDP ratio was 48 per cent but the level has grown drastically due to infrastructure related spending. During this time actual public debt was Kes 2,342.13 billion against Kes 9.1 trillion in 2022.

On the same note, the treasury in its 2021 report indicated that Kenya's public debt is growing faster than the nominal GDP due to the negative impact of Covid-19 on the economy that resulted in trade disruption and the depreciation of the shilling in relation to foreign currency exchange rates. This means Kenya will have to pay higher debt interest rates and this is a concern, especially for loans for projects that are nonviable. In 2014 when the SGR project began under the banner of the BRI. Authorities in Kenya touted it as one of the projects that will unlock progress but when Beijing paused its financial support for the project due to the first phase' revenue struggle, the SGR became a nightmare as the project escalated the country's debt risk. There have been insufficient studies on the BRI project in Kenya and the likeliness of this project impacting the country's debt sustainability. This is a problem because there is a need to know how heavy loans on infrastructure from "non-Paris club members" may affect the country's debt sustainability.

It's important to carefully assess loans injected into the construction of SGR which is the flagship project of the BRI in the region. Determine how the project contributes to Kenya's vision 2030 to demystify debates surrounding China's "debt trap diplomacy". There have been concerns from Kenyan lawmakers on the productivity of the SGR especially the extension phase from Nairobi to Naivasha, and the need to renegotiate the loans from Beijing for the project. Although, Kenya is not at the top of those countries heavily indebted to China, its rising bilateral debt is of concern, exposing the country's debt to unsustainable levels. This will cripple Kenyan government's service delivery as most of its taxes will be used to repay its loans. Therefore, the study endeavors to find out whether Beijing's BRI project in Kenya risks the country's debt sustainability.

Research Objectives

The study sought to assess the impacts of China's Belt and Road Initiative in Africa to Kenya's development agenda and to examine the risks of the BRI to Kenya's debt sustainability

Research Questions

The study sought answers for the questions; how relevant is the Belt and Road Initiative in Africa to Kenya's development aspirations? What are the risks of the BRI to Kenya's debt sustainability?

Literature Review

The BRI has attracted scholars' concerns on the initiative's financial lending to already indebted developing countries that it might escalate debt vulnerabilities of these countries. Ameyaw-Brobbe (2018) found that majority of developing countries taking the Chinese loans have weak institutions and policies and might find it challenging to service these huge loans which will lead to chronic dependency on Beijing. Another study by Sun, Lu, Bao, Li, and Li (2022) indicate that Beijing's shifting economic policies have a direct effect on the debt vulnerability of the BRI participating countries. This is supported by research by scholars Sun et al (2022) who in their analysis, observed that "China's economic policy uncertainty" has a direct effect on the BRI countries' public debt on a long-term basis because the policy affects trade, and China's outward Foreign Direct Investment in some countries.

Ameyaw-Brobbe (2018) and Breen (2022) explains the link between the BRI and debt related challenges using Sri Lanka, Ethiopia and Djibouti to elaborate how huge loans uptake surrounding the BRI projects elevates countries' debt to China. Sri Lanka's debt to China for the construction of various projects under the BRI increased the country's debt that acted as a catalyst for the country's economic meltdown leading to the handing over of the strategic Hambantota port to Beijing in a deal that erased one billion USD leaving Sri Lanka under the influence of Beijing. This elaborates on the debt risks associated with the BRI especially on the developing countries. However countries are optimistic on the development impact the initiative brings.

Shen, Wang and Liu (2024) argues that the BRI promotes transport connectivity between China and its trading partners, at the same time the initiative provides opportunities for partner countries to deepen their engagement with international trading partners. Scholar Shen et al. (2024) found that the BRI has promoted quality development through enhancing diversification and innovation in China. In relation to this findings, many developing countries are impressed by China's economic advancement thus they have partnered with Beijing under the BRI to replicate the same with the hope that the initiative will have positive impacts on their development goals.

While China's activities around the BRI has attracted international attention, a study by Li et al. (2024) found that China's development assistance has contributed positively to the development goals of the BRI countries. However, the scholars admit that the contribution of the initiative to the participating countries' SDGs is not uniform but the initiative's robustness through the establishment of financial institutions such as "Silk Road Fund and Asian Infrastructure Investment Bank" (AIIB) to improve financial collaboration and close financing gap in BRI countries to improving their economies will help countries achieve their development goals. Through the BRI countries have developed their infrastructure, energy and trade collaboration.

From domestic experience, China sees infrastructure development as core for economic growth, thus the BRI focuses more on infrastructure development to kick start growth in other areas such as industry, services and agriculture along the BRI countries (Chen, 2023). The initiative's aim of interconnectedness meets the development aspiration of many regions especially the African continent. In 2015 the AU signed a deal with Beijing to construct railways, roads and airports to connect all states in the continent in line with the AU's agenda 2063 (Gummi, Rong, Mu'azu, & Ding, 2020). To this effect several infrastructure projects are undertaken across the continent such as the Ethiopia-Djibouti railway, Kenya's SGR, rehabilitation of Kampala-Malaba railway, Nigeria's SGR and other projects in Egypt under the BRI to support the continent's connectivity needs.

Additionally, CBRI is supporting Africa's industrialization, investment in IT supported by the Digital Silk Road is another milestone of China Africa partnership as observed by (Raza, & Khan, 2024). Investment in technological innovation will promote e-commerce, digital connectivity and environmental observation which is an area of interest for the region to avert natural disaster and for environmental management. Eguegu (2022) observed that majority of the African states have partnered with China's BRI and they are actively involved in the AU's digital cooperation initiative. Despite the much-anticipated success of the BRI's support for the development agendas in the continent, the broadness of the BRI policy leaves space for doubt on its success for instance Africa has many countries with varied level of income and development needs this will pose a challenge (Gummi et al., 2020). Similarly, Lammich (2020) found that bilateral agreement of the initiative's projects in the continent exposes countries to Beijing's influence undermining the concept of regional development.

Tripathi, Sondhit, Dubey and Zomuanpuiis (2021) in their analysis found that Kenya depends on Beijing for development assistance to achieve most of its development aims. Kenya's classification as a lower-middle-income country limits its access to concessional loans making the country more reliant on China. Kenya recognizes investment in infrastructure as critical for the achievement of vision 2030 thus engaging China's BRI puts Kenya at an advantage (Gu & Qiu, 2019). The study found that the BRI has a direct impact on the country's development strategies through infrastructure development such as the building of the SGR that has improved cargo hauling from Mombasa to the capital and beyond, ICT, promotion of tourism, urbanization along the SGR and improved efficiency in handling of agricultural produce.

China's investment in infrastructure in Kenya is a testament of Beijing's diversification of its activities in the continent from natural resources to economic influence (Wilson-Andoh, 2022). This is evident in China's investment in Kenya's SGR which upon completion will be a gateway to the EAC's landlocked countries. However, the SGR project, despite improving cargo hauling efficiency from the port of Mombasa to Nairobi, it has attracted attention due to its economic sustainability. On the same, Monyae and Chapotera (2023) argues that China has faced criticism of lending to its BRI partners without carrying out debt sustainability analysis of the borrower country subjecting them into debt trap but the scholars opine that despite this allegations China's lending to African countries is very cautious.

Mustapha and Prizzon (2015) defines debt sustainability as the country's ability to repay its current and future debt without requesting any debt holiday, relief or renegotiation. Due to global inflation escalated by geopolitical strife and effects of Covid-19, many countries including Kenya are struggling with debt vulnerabilities stemming from expensive infrastructure borrowing. According to Osman (2021), Angola's heavy borrowing from China under the BRI forced the country to request for refinancing and longer repayment terms that escalated the country's debt levels. This highlights the debt implications of some BRI projects that are expensive and not productive leaving countries with expensive loans to service. The Angola issue is relevant to Kenya's SGR which is struggling to generate enough revenue to cover its loans, leaving Nairobi scrambling to source for more loans to complete the project to make it economically profitable.

Major challenges facing the SGR (BRI) project in Kenya includes financial constraints for project completion, underutilization and management cost. Irandu and Owilla (2020) observed that the SGR costs the taxpayers more than ten million USD to operate every month without making any profits, aligning with Otele's (2021) study that sheds light into the

use SGR arguing that the rail's operational cost does not match its revenue generation due to lack of maximum usage. From this findings, Kenya's railway investment stretches the country's debt despite the reports of increase in cargo haulage the SGR remains a financial problem for the country. However, the only solution is the completion of the project to make it productive.

Moreover, Wissenbach and Wang (2017) elaborates that the SGR is a very crucial project to China as it gives Beijing access to the rest of the EAC countries in terms of market for its goods and ground for its companies to invest. Thus, the SGR (BRI) serves China's interest in the EAC region while addressing Kenya's infrastructure needs. However, Kenya's dream of the SGR remains certain because the project's initial plan was to reach Uganda's boarder for it to be economically productive. To achieve this, Kenya is forced to borrow more which will add stress on the country's debt portfolio.

Theoretical Framework

Hegemonic Stability Theory

Hegemonic Stability Theory is a mid-twentieth century theory introduced by Robert Gilpin (1930-2018), Charles Kindleberger. The theory asserts that international system dominated by a single state is more stable and there will be free economic activities with more foreign investments. Gilpin believe that the world is in a balance and this balance is maintained by a hegemony that sets rules that serves its interests. The proponents of the theory hold that global hegemony is preserved by providing the world with public goods such as security, financial resources, and technology. In other words, the hegemony is required to provide a framework for open and free trade, and a well-established global financial system. According to Keohane, "the hegemon" must have access to raw materials, dominance over financial resources and markets, and have a comparative advantage over production of goods in demand by other states (Liu et al., 2011). Thus, giving the hegemon leverage to pursue his selfish interests. The theory further points out that the hegemony pursues leadership through use of either hard or soft power to exert influence.

The Hegemonic Stability Theory assumes that a "global liberal economic order" exists managed by a hegemon (United States). However, Ham (1992) asserts that according to HST critics, the available mechanisms of "free trade" have excluded some economies. Despite the weakness of the theory, the study used HST to explain both countries' interests while engaging in the BRI and possible debt issue arising from the engagement. China is a regional hegemon in Asia and through its BRI; the country is creating a solid ground to challenge the US as a global power. For instance, in 2013 president XI Jinping proposed the establishment of an alternative financial institution as an alternative to (World Bank) and IMF. The two global financial institutions are dominated by the west and its allies in Asia such as Japan; hence, president Xi wanted to create a global monetary system (AIIB) that china controls (Danner & Martín, 2019). The prosperous Asian Infrastructure Investment Bank will portray china as a responsible global power in the international arena and an Asian regional hegemon.

Belt and Road Initiative in Kenya, provides Beijing strategic access to the East African region. According to Hanauer et al. (2014) China's investment in Africa is a strategy to give Beijing access to raw materials and market. Investing in Kenya's infrastructure network provides Beijing a direct access to other EAC countries thus strengthening China's international influence. The theory is used also to explain Kenya's interest to partner China's BRI. Thus this theory was used to define how Kenya's development agenda will be promoted by the BRI in the region.

Dependency Theory

Dependency theory, is a theory used to explain the economic underdevelopment as a result of global inequality. The theory was proposed by Rau Prebisch during the 1950s. The theory asserts that the state of underdevelopment was as a result of the inclusion of the developing world to the capitalist system dominated by developed countries (Jeffrey, 2013). According to the theory, one region or country depends on another country for development and survival. In this case the underdeveloped countries represents states from Asia, Africa and those from South America. Due to poverty, this countries depends on the advanced economies for assistance, which leads to exploitation of these countries.

The theory also asserts that the less developed countries are a source of raw materials and cheap labor for the international market. And the raw materials are processed and sold to them at high prices depleting their capital which could have been used to transform their economies and the result is a continuous cycle of dependence. Some dependency proponents argue that development of less developed countries is possible in this system while others believe that development will only be possible through abolishing this form of dependency and the creation of a socialist society (Munro, 2024).

Less developed countries including Kenya have joined the initiative for development assistance. This has created some form of reliance to Beijing for the supply of needed technology to operate the SGR trains since the contract was on EPC terms. Meaning its Beijing who supplied the technology and the rolling stock. In case of any breakdown of the trains replacement parts have to be sourced from China. Taylor and Zajontz (2020) explains that the BRI incorporates African countries including Kenya into China led infrastructure networks and in return creates conditions that escalates dependency on China while giving China access to the region's natural resources. Dependence on China includes more loans for the projects and industrial products and technology to support these projects. Dependency theory was used to elaborate debt risks of the Chinese loans for the BRI related project in Kenya.

Research Methodology

The study used mixed method design. This design was adopted because the study relied on the respondents' opinions supported by numerical data. Both qualitative and quantitative data was collected at the same time using both interviews and questionnaires to allow for triangulation. The study utilized convergent design where both qualitative and quantitative data was collected at the same time. Qualitative design dominated the study as it gave respondents opportunity to express their opinions and views, allowing the collection of data that cannot be obtained numerically. A case study was used to narrow down the broader topic of the Belt and Road Initiative into a focused researchable topic that was investigated in detail. Case study method provides the researcher with a complete and in-depth explanation of the research questions. As the study used a mixed-method approach, it allowed explanation of the cause and effect of the topic under study through allowing a holistic and context analysis of the subject under study.

The study targeted participants who were selected based on the position and the office they hold in the government. These included officials from the Ministry of National Treasury and Planning, Ministry of Transport, Infrastructure, Urban Development and Public Works, Members of the National Assembly specifically from the Public Investment Committee and Budget Appropriation Committee, Kenya Railways Corporation and experts from the field of academia. The study used purposeful sampling to select participants who were experts and knowledgeable on the issues of the BRI projects in Kenya and how loans borrowed for the

projects affect Kenya's debt sustainability. Also snowballing sampling was used alongside purposeful sampling. Crouse and Lowe (2018) define snowballing as a method of sampling that involves referrals by the study respondents to other respondents who have knowledge in the topic of the study. To get appropriate sample size the researcher applied Mugenda and mugenda (2003) principle that recommends for a ten to fifty percent sample size that uses purposeful sampling method to arrive at a sample size of fifteen participants.

The study used both primary and secondary data. Primary data was collected from the informants through one-on-one interviews using interview guide. The researcher also used questionnaires to collect information from some informants. Secondary data was collected through research at the library, online published materials. The findings were analyzed and presented thematically and using tables for quantitative data.

Presentation, Data Analysis and Discussion

The BRI and Kenya's development agenda

The study findings from the interviews conducted shows different opinions from the respondents who took part in the study on how the BRI contributes to Kenya various development goals. The study found that the "look east" policy initiated during Kibaki's tenure cemented the relationship between Nairobi and Beijing that led to the signing of a "comprehensive partnership" during president Uhuru's leadership between the two states (Mulati, 2016). Recently Kenya has become one of the largest recipient of China development assistance under the BRI burner.

Due to difference in development level, the BRI relationship between Kenya and China; Kenya has not full taken advantage of the initiative's connectivity to explore Chinese markets despite Kenyan goods' high demand in China such as Coffee, avocado and tea, still trade imbalance is more than seven billion USD (Karanja, 2019). This is in consistency with this study, as one of the respondents noted:

...the relationship between Kenya and China under the BRI has promote connectivity. However, in this relationship there is trade imbalance as more cheap goods are coming in from China but Kenya is exporting less to China which has killed local manufacturing, this is because the BRI has not supported other sectors such as manufacturing (RI, 2023).

This concurs with Mulati's (2016) study that found that China exercises unfavorable trade with its partners as Beijing encourages more exports than imports into China. The finding is validated by another separate study by Chang (2022) that observed, with the completion of SGR's phase one, cargo evacuation from the port of Mombasa to the capital increased at the same time trade deficit between Kenya and Beijing doubled. Thus, the study on this concludes that the BRI mostly opened Kenya as a market for Chinese commodities, but still Kenya chose to work with Beijing because it was ready to provide assistance without conditions unlike the west.

Kenya's core reason to join the BRI is to upgrade and develop its infrastructure to expand the transport sector in accordance with the country vision 2030, as noted by Otieno et al. (2022) study that it's the believe of the Kenyan authorities that joining China's initiative puts Kenya in a path to achieving its vision 2030. The view substantiates the study's findings that the SGR which is a regional project supports the country's development agenda by promoting industrialization and boosting the country's economy with an informant elaborating that:

...a country's development goals are measured through the development of the economy in terms of increase in manufacturing and job opportunities. The SGR has promoted industrialization which has brought life to dormant towns such as Emali, Kibwezi, and Mtito Andei (RIV, 2023).

Another informant noted that:

...the SGR has employed over four hundred staff both directly and indirectly making the SGR among the largest employer in Kenya, also through the SGR other initiatives have emerged such as people partnering with the Railway for example the Mombasa ICD, factories in Athi-river and improved grain handling in Kenya (RIII, 2023).

This is strongly supported by Mboya (2022) who agrees with the study that the SGR has created at least forty thousand jobs when accounting for both skilled and non-skilled laborers who work in the line and those who work in establishments that meets the demand of the SGR.

The BRI in Kenya has enhanced development in the agricultural sector which contributes around thirty three percent of the GDP. As observed by Juma et al. (2020) study, the extension of the SGR to the rift valley will provide farmers with a speedy and convenient mode of transport to move their produce to Nairobi. Farmers now have a faster way of transporting their produce to Nairobi including timely transportation of perishables thus boosting their income and in extension the country's economy. However, the study findings observed that the BRI in Kenya through the SGR have limited contribution to the country's development goals. An informant firmly said:

The line's profit will only be determined when the project is fully completed, however as of now the line has added value to cargo transportation from Mombasa to Nairobi ICD (RX, 2023).

This corroborates Anami's (2024) findings that observed that the SGR in its initial year, moved 1.3 million "twenty-foot equivalent unit" (TEUs) between the port and Nairobi improving cargo transportation in Kenya which shows the great potential of the railway's contribution to the Kenyan economy, however this will only be possible if the project is timely completed according to the initial plan.

The Belt and Road Initiative and Kenya's Debt Sustainability

The BRI project loans cannot be singled out as the sole cause of debt vulnerability in borrower countries. San (2024) uses the case of "China Myanmar Economic Corridor" to explain the controversies around the debt issues that accompany the BRI partner states, he argues that both the borrower and the creditor share responsibility of addressing challenges posed by the initiative projects' loans. Developing countries including Kenya choose to take loans from Beijing for development as explained in rational choice theory. However, external shocks and economic performance of the BRI projects such as the SGR poses challenges to debt sustainability of the country. For this study to examine the BRI's debt risk to Kenya's debt, the SGR project's economic viability was mostly analyzed as shown in table 1 below.

Table 1: participants' response on the economic viability of the Standard Gauge Railway in Kenya

| Statement | Agree (%) | Disagree (%) | Comments |
|---|-----------|--------------|--|
| Will you consider the SGR complete a viable project profitable | 75% | N/A | first phase is profitable and when to Malaba the SGR will be very profitable |
| Is it true the SGR cannot meet its operational cost customers use | 100 | 0 | at the initial project phase the cost was very high because half of the employees were foreign experts who were paid high salaries and very few trains were operated as the did not trust the rail and opted to road use |
| Will the reverting of the SGR operations to Mombasa port short- order from the Ruto regime affect that is not SGR operations grains | 100 | 0 | the SGR lost some cargo to the road and this affected the SGR operations in a term basis but it attracted cargo profitable in road haulage e.g. steal, |

Source: Field Data (2023)

Data from the above Table1 shows that the majority of the respondents have a strong believe that the SGR is a viable project with 75% agreeing that the SGR will be profitable when its construction is completed according to the initial plan, with 100% believing that the SGR cannot meet its operational cost currently (Field Data, 2023). The finding supports Taylor's (2023) observation that the SGR's overall cost and losses creates doubt on the future economic benefit of the project especially with the railway remaining uncompleted, at the same time Kenya using the tax payers' money to service the railway's loans making it unviable currently. Qualitative data supports this argument, with an informant pointing out that the SGR faced revenue generation challenges at the initial phase:

...the operational cost was very high at the initial phase because half of the operators were Chinese experts who managed the SGR technology and were highly paid and very few trains were operated, people imported less and used road transport because they did not trust the SGR (RIV, 2023).

However, the study found that the SGR's economic income will improve when all its operations are localized.

In 2018, president Uhuru issued an order of mandatory haulage of all cargo from the Port to Nairobi and beyond using the SGR in an attempt to make it profitable but the order

was reversed by his successor which affected income flow for an already struggling railway. 100% of the informants agreed that the action has negative implication on the revenue generated by the railway (Field Data, 2023).

The Kenyan economy is resilient but external shocks such as the Covid-19 pandemic and war in Ukraine affected the country leaving Nairobi at the blink of debt distress. The Covid-19 crisis activated depreciation of the Kenyan currency due to reduced exports and FDI as many investors paused their activities in the country, this negatively affected Kenya's Forex thus weakening the shilling making it expensive to service loans that were due including those owed to China for the SGR (Okumu, 2021). The economic impacts of the covid-19 pushed Kenyan government into more borrowing to support local business and support recovery measures which left the government with huge debts surpassing the IMF threshold of debt to GDP ratio.

Kenya's decision to embark on heavy infrastructure spending such as the SGR to meet the country's development agenda ballooned the country's public debt to above fifty percent from 48.6 percent in 2015, leaving the government with financial deficit because revenue generated does not match what is spent leading to cycle of more borrowing and increased public debt (Kongo, Kiano, Ogada & Omboto, 2023). This is in agreement with the study findings that investment in SGR rose the country's debt from 756 million USD in 2014 to 6.47 billion USD in 2019, a respondent stated that:

Kenya's current total debt is ten trillion beyond the set ceiling and the rise was expected to reach the level in 2024, this leaves Kenya with a narrow borrowing space which means there will be insufficient funds available to finance budget deficits (RII, 2023).

Another informant opined, "*Kenya's debt is sustainable but with elevated debt distress risk*" (RV, 2023). This supports the observation by the World Bank and IMF (2020) that Kenya's debt is stable but risk of debt distress is high since the country's debt has breached the debt to GDP threshold of fifty five percent.

The study found that only the BRI project in Kenya cannot be responsible for debt related challenges however the SGR loans contributes around two per cent to Kenya's debt to GDP ratio according to data from the National treasury. In light of this, Brautigam, Huang and Acker (2020) found that China accounts for more than sixty percent of debt by bilateral creditors and by 2020 debt service to china ate 38 percent of loans servicing amount, this is due to large high interest loans for the railway construction. To validate this the study observed that investment in the BRI (SGR) related infrastructures rose Kenya's debt to Beijing more than any other bilateral creditor to Kenya, with an informant firmly stating that:

China has emerged the biggest bilateral creditor to Kenya during Uhuru's administration and most of the loans from China went to BRI infrastructure projects, China owns 856,385.56 million Kenyan shillings as of 2023 April which represents 64 percent of Kenya's current total bilateral foreign loans and 17 percent of external public loans (RIV, 2023).

Therefore, the study established that China is the largest bilateral lender to Kenya and its strict lending terms threatens the country's debt sustainability, illustrating Kell's (2023) argument that Chinese loans are expensive to service, citing that between July of 2022 and

March 2023 Kenya spent 800 million USD to service loans owed to Beijing more than any commercial loans owned by Nairobi.

Despite being hailed as one of the successful BRI projects in EAC, the SGR is faced with challenges such as; one way use, the incompleteness of the project to the border with Uganda, lack of complementary facilities and inability to handle specialized cargo. RVI informant revealed that:

...the ministry of transport was supposed to jointly establish industrial hubs along the SGR route to create cargo for the rail which was not done making the train make empty journey to Mombasa to pick cargo, at the same time there is lack of complementary structures for smooth transition of cargo from the rail and lack of specialized containers to handle specialized cargo has made the train lose revenue to the road.

This response aligns with Oyugi's (2022) study that observed that the SGR performance is poor due to lack of wagons to carry more cargo, inadequate space and specialized machines to handle cargo at the Inland Depot, also the author established that lack of support facilities connecting the SGR and those available are in poor condition and the SGR's inability to do end to end cargo delivery thus requiring services of road haulers which is time consuming due to lack of waiting area for trucks at the ICD and expensive as the clients have to pay offloading charges for the goods and empty containers when returned. Thus making the SGR struggle to raise enough revenue as many customers prefer the road which is cheaper and with less logistical requirement making the project an investment risk to the country's debt sustainability.

Conclusion

In conclusion, the study noted that the BRI promotes Kenya's development agenda (Vision 2030) by supporting infrastructure development which will boost industrialization and economic development. However, investment in infrastructure comes at a huge cost with direct implication on the country's debt sustainability. The study revealed that investment in the SGR led to the growth of the country's debt and majority of informants believe the uncompleted SGR is not productive with a strong belief that at the moment it cannot meet its running cost. The study revealed that the BRI has a significant impact on the country's debt sustainability but only the SGR is not responsible for debt vulnerability risk of Kenya.

Recommendations

From the findings the study recommends that; the government to conduct independent feasibility to determine the economic productivity of any expensive BRI projects before commencement to avoid instances of uncompleted projects due to limited economic outcomes. Also the study recommends before commencement of any BRI projects the two sides of government to sign an agreement that will eliminate any imbalances that may arise in terms of economic gains since the initiative advocates for mutual gains and all stakeholders should sign favorable loans agreements with measures in place to shield the borrower from any vulnerabilities in the event of global economic disruptions.

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