

IMPLICATIONS OF DEBT-TRAP DIPLOMACY: THE CASE OF KENYA STANDARD GAUGE RAILWAY FROM MOMBASA TO NAIROBI

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ABSTRACT

More and more, China is playing an important role as a donor and in giving aid globally. This aid comprises Foreign Direct Investment (FDI), loans and grant to Less Industrialized Countries (LICs). China works with financial institution like the International Development Association (IDA) and the World Bank among others. For a long time China considered herself as poor and benefitted from international funding from the same institutions. This however, changed in 1999, when China “graduated” from IDA assistance and in 2016, during the last funding, she became one of the largest funding countries. This rapid shift among others, comprises the China’s Belt and Road Initiative (BRI) which spans across sixty eight countries across the globe. With this initiative, China hopes to give at least \$8 trillion for different projects including: energy, transportation and telecommunication across Europe, Asia and Africa. She also hopes to serve key foreign policy, economic and security endeavors for the government of China.

China to date has been giving huge loans to different countries where the conditions are sometimes not clear. If the Belt and Road Initiative follows the same practices, then it is a potential risk of debt problems for many recipient countries. It is with this background that this paper assesses the potential debt problems for Kenya due to the construction of the Standard Gauge Railway from Nairobi to Mombasa and which arrived in Nairobi on May 31, 2017. It was constructed at the cost of Sh372 billion, 90 per cent being funded by China Exim Bank. Evidently, this is the biggest infrastructural project in Kenya since 1963 when it got its independence. Kenya is expected to pay 26 billion annually.

The paper thus, attempts to answer the following questions: 1) *What are the positive impacts of the Standard Gauge Railway on Kenyan economy?* 2) *What are the implications of debt-trap for Kenya due to this project?* 3) *What is the way forward for Kenya?*