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The Missing Connection: Unlocking Sustainable Infrastructure Financing in Africa

A Technical White Paper

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Executive summary

Africa has huge infrastructure needs, estimated at $130-$170 billion a year. In recent years, only about $80 billion has been committed to infrastructure annually, about half of the need. African governments are the main investor in African infrastructure, committing over 40% of the total infrastructure finance. The role of external investors and partners is significant, accounting for about 35% of total commitments, but this total is in decline and is changing shape. The remaining financial commitments are covered mainly by the private sector. The role of the private sector as an infrastructure investor is increasingly important and critical.

Recognising the changing geopolitical context in 2025, including the new US administration and evolving economic power relations, requires reconsidering the current partnership models. Ensuring a cross-continental partnership that provides stable and long-term cooperation framework is key for infrastructure development. This provides impetus for the Africa-Europe Partnership to step up and build a long-term infrastructure investment strategy that can benefit both continents.

The private sector, in large, covers the remaining financial commitments. Its role as an infrastructure investor is increasingly important and critical.

Domestic resource mobilisation (including raising internal revenue and tackling illicit financial flows) is likely the most stable and sustainable source of finance to fill the gap between Africa's infrastructure needs and the currently available finance. In terms of external finance, increasing remittances has clear potential. Foreign direct investment is under pressure globally but will be stimulated if there are projects in Africa which are bankable, as several African green energy mega projects illustrate. There is some scope for innovative sources of private funding to increase infrastructure investment. Improving the quality of aid spending on infrastructure is urgent and the aims of the Global Gateway strategy demonstrate an acknowledgement of the need for change.

A key framework guiding infrastructure development in Africa is the Programme for Infrastructure Development in Africa (PIDA), launched in July 2010 and adopted as a master plan for 2012-2040 by Africa Heads of State. PIDA aims to enhance Africa's competitiveness and global economic integration through modern infrastructure. The first Priority Action Plan (PIDA PAP 1) included 51 programmes comprising over 400 projects across energy, transport, water and ICT. In 2021, the second Priority Action Plan (PIDA PAP 2) was adopted, featuring 69 projects with an estimated cost of $160.8 billion for the period 2021-2030, emphasizing integrated corridors and gender-responsive policies. The Continental Power System Master Plan (CMP), approved by the transport and energy ministers (STC) in September 2023 and adopted by the AU Executive Council in February 2024, has become the blueprint for electricity generation and interconnection projects to underpin the operationalisation of the African Single Electricity Market (AfSEM) between 2023 and 2040. The CMP projects complement the 19 energy projects under PIDA.

Sustainable digital infrastructure is a pivotal component of infrastructure decisions being made now and into the future in Africa. In October 2024, leaders from across the continent gathered at the Global Digital Public Infrastructure (DPI) Summit in Cairo to explore how DPI is reshaping the Africa's future[1]. DPI is indeed fast becoming the technological backbone of the continent's structural transformation and will form the foundation of its economic growth and social inclusion.

Global Gateway

Launched in 2021, Global Gateway is a €300 billion European public and private investment strategy to boost smart, clean, and secure links in the digital, energy, and transport sectors while also strengthening health, education, and research systems worldwide.

Announced at the 6th AU-EU Summit in February 2022, the inaugural milestone of the investment was to mobilize half of the envelope (€150 billion) for sub-Saharan Africa under the 'Global Gateway Africa-Europe Investment Package' by 2027. This investment focuses on 11 priority areas, in line with the AU's development aspirations and priorities under Agenda 2063, the EU-AU Joint Vision for 2030 and the Sustainable Development Goals and Agenda 2030:

1. Sustainable energy and accelerating the green transition
2. Environment, biodiversity, and water
3. Agri-food systems
4. Climate adaptation and disaster risk reduction
5. Digital and accelerating the digital transition, accelerating sustainable growth and decent job creation:
6. Transport
7. Supporting private sector development and strengthening African economic integration

[1] https://www.africa.com/the-transformative-power-of-digital-public-infrastructure-in-africa-shaping-a-connected-future/

8. Sustainable finance

9. Science, technology, and innovation, Accelerating human development

10. Health: Strengthening health systems and delivering on vaccines

11. Education: Investing in quality education and skills development

The Global Gateway and Team Europe initiatives represent a promising approach to pooling resources for large-scale projects. Standardising implementation processes, including coordination and monitoring frameworks, could enhance project efficiency whilst leveraging the in-country presence of implementing partners and ensuring clear delegation of roles can streamline efforts. A cross-sector approach that integrates key policy objectives into infrastructure investments is also crucial. Additionally, aligning infrastructure development with complementary initiatives, such as workforce training and regulatory frameworks, can enhance sustainability and impact, exemplified by linking pharmaceutical manufacturing hubs with healthcare workforce development and regulatory specialization.

By mid-2024, 264 flagship projects had been identified, more than half (138) focusing on Africa. Nearly half of the African flagship projects focus on climate and energy, with the remaining projects spread across digital, education, research, health and transport. As for the latter, the EU has adopted a corridor approach as a key programmatic tool for its investments in Africa, streamlining its focus and ensuring strategic allocation. To date, 25 African transport projects have been included, with transport investments totaling €2.6 billion—just 1.7% of the €150 billion earmarked for Africa under the Global Gateway Initiative for the 2021-2027 period.

Europe views the Global Gateway Initiative as a promising new strategy that can enhance its investment footprint in Africa while simultaneously positioning itself as a credible competitor to other investment plans, such as China's Belt and Road Initiative,

However, the exclusion of African institutions like AUDA-NEPAD from the negotiations and the main roll-out of the projects has sparked some scepticism on the ground, raising questions about ownership and inclusivity. In addition, the apparent complexity of the financing arrangements has raised concerns about the transparency and accessibility of funding.

At the G7 summit in Puglia, Italy, G7 leaders reaffirmed their support for multi-billion-dollar infrastructure projects in Africa, particularly those backed by the African Development Bank (AfDB). Over the past eight years, the AfDB has invested more than $50 billion in high-quality infrastructure, solidifying its role as the continent's leading financier. In line with the G7's Partnership for Global Infrastructure and Investment (PGII), which aims to mobilise $600 billion for infrastructure in emerging economies, a coalition of U.S. investors has committed billions to enhance African infrastructure. G7 Public Development Banks (PDBs) and Development Finance Institutions (DFIs) have played a role as well within the PGII framework. Through the G7 PGII Expert Group they lead, they have published the PGII Joint Action Proposal for Sustainable Infrastructure Investment in Africa, outlining concrete steps toward advancing infrastructure development on the continent.

Our analysis exposes gaps between the declared political objectives of the Global Gateway strategy and the intended impact on the ground – some gaps resulting from limited co-ownership and co-design at the Africa-Europe partnership level. Although the focus on infrastructure is positive and the aspiration to develop greater coherence with a 'Team Europe' approach is necessary, the results since 2021 have been mixed. Initial studies show there is strong political alignment between Global Gateway (and other foreign-funded projects) and Africa's infrastructure goals. Yet, high level alignment does not necessarily translate into effective operational coordination and implementation. There is evidence of a need to invest in effective communication of the Global Gateway strategy and financing, ensuring a real understanding within the ecosystem of African and European stakeholders of what the scope of the Global Gateway is, what is working and what is not, how captured learning is informing changes in approach, and how concretely different stakeholders can benefit from the Global Gateway initiatives and be involved. The portfolio of Global Gateway flagship projects includes twelve (12) priority corridors that have been selected for investment, from 55 existing corridors of the PIDA official list and RECs master plans[2,3]. In terms of implementation, there are projects on-going and under preparation under all flagship programmes, however the focus on hard infrastructure investment is striking, highlighting the need for more attention to be paid to complementary softer regulatory and well diagnosed and transformative capacity support. There is need for clarity with stakeholders for the identification, selection and management of projects, including projects' costs, how projects are financed and what their outcome will be, to avoid duplication by different actors and align investment agendas, prioritise projects that will be scalable and/or maximise impact, and ensure local buy-in and ownership of the selected projects for sustainability. However, care must be taken to avoid exacerbating the continent's debt crisis; investments should contribute to economic growth and help reduce the debt-to-GDP ratio of African countries.

Competing incentives, such as those driven by the U.S. evolving policy landscape, can divert funds from African initiatives, necessitating a global solution to ensure equitable investment distribution. Addressing the need for strategically structured incentives requires reforming the global financial framework,

streamlining project preparation processes, establishing homogeneous funding requirements, and designing projects that deliver significant economic, social, and environmental benefits that are vital for developing bankable projects and attracting private sector participation.

Additionally, Infrastructure investments tend to be more effectively implemented at the national level due to various challenges associated with regional projects, such as coordination difficulties and competing national priorities. Countries are often incentivised to focus on maximizing local benefits, which can deprioritise transnational initiatives that yield greater overall shared advantages. Despite these hurdles, regional and transnational projects are crucial for achieving the strategic objectives outlined in Africa's development agenda. To maximise the impact of regional initiatives, it is vital to ensure alignment with funders and foster co-ownership with key African stakeholders and interlocutors throughout the programme lifecycle, focusing on continental and regional actors like AfDB, Afreximbank, AUDA-NEPAD, appropriate national financial institutions (e.g. DBSA), Central Banks, and Regional Economic Communities (REC).

For transformative infrastructure financing, trade plays a critical role. The EU is implementing a Euro 1.1 billion programme in support of AfCFTA implementation through its Team Europe Initiative. Europe's support for AfCFTA presents a great opportunity for transformative infrastructure financing and is four-fold. First, it is a developmentally sound strategy that, if implemented effectively, can deliver transformative economic benefits for Africa and, probably, Europe. Second, almost all African governments and most African people support improving economic infrastructure for regional integration. Third, the AfCFTA has important additional non-economic benefits. Fourth, developing a functional single market amongst diverse member states is a unique capacity of the European Commission and presents a win-win situation for both continents.

1. Background and introduction

1.1 OBJECTIVES OF THE RESEARCH INITIATIVE

Africa is at a critical juncture in its development journey, characterised by ambitious aspirations and significant challenges. The continent's development framework is primarily articulated through Agenda 2063, which outlines a vision for an integrated, prosperous, and peaceful Africa driven by its own citizens. This blueprint encapsulates seven key aspirations aimed at fostering inclusive growth, sustainable development, and enhanced governance across the continent.

Despite these aspirations, Africa faces numerous challenges that hinder its progress. These include high levels of poverty, with over 400 million people living below the poverty line, significant youth unemployment rates, estimated at 60% among young Africans, and inadequate infrastructure that limits economic growth. Additionally, disparities in access to quality education exacerbate inequalities, with many children lacking access to basic educational resources due to infrastructural deficits. The 2023 Africa Sustainable Development Report highlights that progress toward achieving the Sustainable Development Goals (SDGs) has been uneven across the continent.

At the highest impact level, Africa faces a unique economic challenge: a continental GDP of just over $3 trillion in 2024 but distributed among a population of nearly 1.4 billion people. Per the World Bank, the average GDP per capita in Africa is $1,960, which is much lower than the world average of $13,840. This disparity is one of the key factors behind the fact that approximately one-third of the African population lives in absolute poverty, surviving on less than $2.15 per day. Enhancing the economic vitality of Africa is thus crucial for unlocking sustainable infrastructure financing in Africa and driving transformative change. Conversely, improving sustainable infrastructure financing can boost economic growth.

While there have been improvements in areas such as mobile network coverage[4] and access to clean water[5], persistent challenges remain in health care access[6], education quality, and economic opportunities for marginalised groups. Furthermore, climate change poses a significant threat to sustainable development efforts in Africa, necessitating urgent action to build adaptative capacity and resilience against environmental shocks[7]. Boosting infrastructure investment spending is also a determining factor in the continent's capacity to meet the SDGs.

Overall, the African Development Bank estimates that Africa requires between $130 billion and $170 billion annually for infrastructure development. In this regard, one of the key challenges faced by African governments consists in mobilising sufficient levels of resources to fund this infrastructure financing gap. First, adopting innovative financing solutions, including domestic resource mobilisation (DRM)[8], will be required.

Second, strengthening partnerships that can deliver in long term. Yet, the changing geopolitical context in 2025, including the new US administration and evolving economic power relations, require reconsidering current strategic partnerships. This provides particular impetus for the Africa-Europe Partnership to step up and build a long-term infrastructure investment strategy that can benefit both continents.

Third, leveraging key programmes of infrastructure investment targeting Africa, such as the G7 Build Back Better World Partnership, World Bank Infrastructure Program, ICA[9] members' infrastructure investment projects, and the European Union's Global Gateway.

This technical paper reviews the current state of play in infrastructure investment in Africa, identifies gaps and opportunities for partnerships, and provides areas of action for forward-looking infrastructure financing strategies in Africa in pursuit of the sustainable development priorities of the continent. It is a product of the multi-annual partnership between AUDA-NEPAD and the Africa-Europe Foundation (AEF) launched in November 2023 at the UN Climate Conference (COP 28), in collaboration with the African Climate Foundation (ACF). The research supports ACF's overall mission of working towards transforming key economic sectors to ensure social, economic, and climate resilience in Africa, including unlocking sustainable infrastructure investments for a just and equitable transition compatible with global climate goals. By the same token, the paper provides research-based technical backing to the AUDA-NEPAD-AEF-ACF tripartite collaboration as it focuses on strategic pathways to strengthen the relationship between Africa and Europe.

Overall, this research initiative aims to help boost sustainable infrastructure investments in Africa that can deliver long-term socio-economic transformation, and inclusive climate-resilient development for the continent. Specifically, the project intends to contribute towards improving the alignment between African infrastructure priorities and the EU Global Gateway, and to help to scale up the cooperation between European and African DFIs. Central to the paper is the hypothesis that with its scope and its innovative approach, the EU Global Gateway (GG) can become

a catalyst for boosting the level of infrastructure investment in Africa, in alignment with African priorities, thereby strengthening the continent's sustainable development prospects and solidifying the African-Europe relationship.

In addition to background technical research, the paper benefitted greatly from individual stakeholders' consultations by partner organisations, from stakeholders and sessions at PIDA Week held in Addis-Ababa, 25-29 November 2024, and from inputs by participants at the G7 PGII Experts Group Hearing on Sustainable Infrastructure Investment in Africa, held on 5 September 2024.

The G7 PGII Experts Group Hearings were part of the work undertaken by the Italian Financial Institution for Development Cooperation, Cassa Depositi e Prestiti (CDP), under the 2024 G7 Italian Presidency. CDP was entrusted with leading the G7 PGII Expert Group on Development Finance for Infrastructure and Investment to accelerate infrastructure investment mobilisation and enhance private sector participation. Composed of G7 PDBs and DFIs, the Expert Group has played a key role in advancing the PGII framework, particularly through its 2024 Joint Action Proposal for Sustainable Infrastructure Investment in Africa. This proposal outlines a series of actionable recommendations designed to strengthen and expand the PGII initiative.

Areas of action focus on the entire infrastructure lifecycle, covering the planning, development, and procurement phases. These provide a strategic roadmap for G7 PDBs, DFIs, and national and international stakeholders committed to unlocking the potential of sustainable infrastructure investments. By prioritising comprehensive risk mitigation, strengthening institutional governance, and enhancing regulatory frameworks, the foundation is laid for transformative infrastructure projects that can drive economic growth, foster social development, and promote environmental sustainability across the continent.

Informed by extensive consultations with multilateral development banks, international institutions, the private sector and key stakeholders such as the Africa Europe Foundation, the Joint Action Proposal was also mentioned in the 2024 Development Ministers' Meeting Communiqué.

2. Infrastructure financing strategies in Africa: challenges and solutions

2.1 INFRASTRUCTURE INVESTMENT GAPS, SOURCES OF INVESTMENT, AND SECTORAL DISTRIBUTION

The scope of the development funding requirements in Africa is breathtaking. Even prior to the COVID-19 pandemic, African countries faced tremendous challenges in mobilising sufficient resources to finance their development priorities. As indicated in Table 1, AfDB (2020) estimates that Africa's infrastructure financing needs have reached $130-170 billion per year, with an estimated annual financing gap of $53-93 billion in 2019 which rose to $59-$96 billion in 2020 due to the shift in resources away from infrastructure during the pandemic[10]. It has been estimated that this infrastructure gap is costing Africa a 2-percentage point reduction in its GDP growth[11]. One critical challenge for African decision-makers is that of straddling between supporting growth and scaling up strategic investments on one hand and maintaining fiscal sustainability and rebuilding fiscal buffers on the other. Another critical challenge relates to the existing track record in moving projects through the various planning and funding stages, as only 20% of Africa's infrastructure projects are successfully moved to financial close beyond the feasibility and business plan stages[12]. These challenges highlight the imperative of a robust infrastructure financing mechanism to respond to African development. The breakdown of Africa infrastructure investment needs is provided below.

Table 1. Africa infrastructure investment needs (billions of USD)

Insfrastructure	Target by 2025	Annual Cost
Power	- 100% urban electrification - 95% rural electrification	25-50
Water Supply and Sanitation	- 100% access in urban area - 100% access in rural area	56-66
Information and communication technology (ICT)	Mobile universal coverage 50% of population with 25 km of a fiber backbone Fiber to home/ premises internet penetration rate (10%)	4-7
Road and other transport sectors (air, rail and port)	80% preservation; 20% development	35-47
Total		130-170

Source: Africa50, AfDB

The continent lacks adequate infrastructure such as roads[13], railways and ICT, to support its growing economies, particularly in rural areas. AfDB also finds that Africa is characterised by minimal water storage capacity, inadequate energy supply, very low connectivity in paved road and rail network, lack of transport, notably by air, fluvial and maritime ways, processing and storage facilities, and limited capacity and technology. Furthermore, lack of stable and reliable energy supply constitutes a major constraint on the continent's agricultural and industrial transformation. For instance, in many African countries, access to the electricity grid is less than 1%, and according to the latest ESMAP[14] report on SDG7[15] 49% of the people in Sub-Saharan Africa still do not have access to electricity. The continent also has a potential of generating up to 14,000 MWs from geothermal sources[16]. Investments in these renewable sources of power will not only go a long way in meeting the need but to substantially raise the level of energy supply through sustainable and environmentally conscious energy systems. In this regard, CMP and AfSEM[17] flagship projects offer very recent scenarios of renewables with 763GW of 1200GW power generation planned by 2040 for geothermal, wind, solar and other sources [18].

In the agricultural sector, even though Africa holds more than 60% of the world's uncultivated arable land, and the agricultural sector employs about two-thirds of the continent's working population[19], only about 10% of its arable land is under cultivation[20] and only about 6% of its farmland is irrigated.[21] Low productivity in the agricultural sector is largely due to limited investment and lack of training, with the FAO estimating that in three decades total agricultural investment, measured in gross capital formation, has only increased from US$20 billion to US$35 billion. Studies estimate that the total annual financing need in the agricultural sector in Sub-Saharan is US$48 billion and the need for climate adaptation in agriculture will require that the continent raise an additional US$ 2.9 billion [22].Increasing investments in agriculture is therefore imperative for supporting employment creation and food security. Importantly, AfDB estimates that poor infrastructure development in Africa lowers overall productivity by 40% and cost the continent an average of 2% in GDP per year [23].

A different way to conceive of Africa's infrastructure gap is to assess its capital stock. Public and private investment flows into physical infrastructure assets include the economic infrastructure which the analysis above priorities (ports, railways, roads, airports, energy, digital) and social infrastructure (clean water and sanitation, schools, hospitals, etc.). Africa's capital stock has experienced a near stagnation over the past three decades. Its annual growth averaged 1-2% in the 1990s and 2-4% since the start of the Millennium. At this rate of investment, new investments only just exceed the depreciation of the existing capital stock, implying very slow net growth.

Another way of quantifying the infrastructure gap is to compare rail, road and energy infrastructure density with international benchmarks. These show that African infrastructure is deficient.

Box 1: Africa's infrastructure gaps

Africa's infrastructure and energy challenges are significant, with the continent needing a paved road network 60 times larger per person to match the road density in China or India[24]. Only six African countries, Namibia, South Africa, Botswana, Gabon, Eswatini, and Zimbabwe have a rail network density higher than the average for the US, China, and India, which is about 200 km of track per million population[25]. The other 48 African states have much lower rail densities. Additionally, Africa has the world's largest energy deficit, with over 600 million people lacking access to electricity[26].

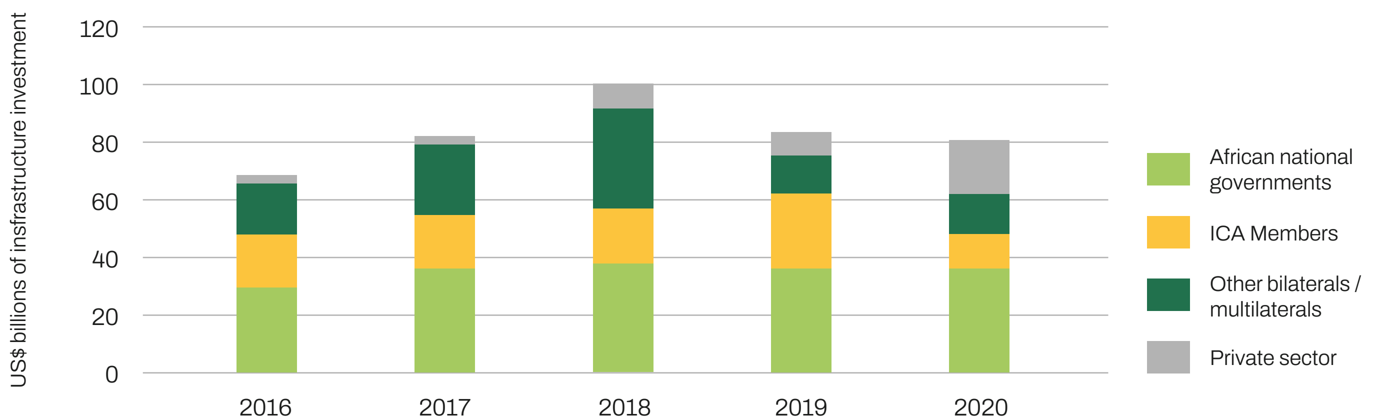
Our analysis suggests that the type of transformative infrastructure which should be prioritised is in the road and other transport sectors, power sectors, and ICT, leveraging Digital Public Infrastructure (DPI). These should be aligned with related social infrastructure for water, health and education. Not all power and transport sector investment needs listed in the table above will be located in priority corridors. These investments can be prioritised within the broad infrastructure sub-sectors mentioned above. In other words, it should be possible to support the economic infrastructure needs of priority corridors in Africa despite the overall gap in infrastructure investment in Africa.

HOW IS AFRICAN INFRASTRUCTURE CURRENTLY FINANCED?

The graphic below (**Figure 2**) illustrates the **distribution of infrastructure commitments in Africa by source over the 2016-2020 period**. Commitments are not synonymous with actual spending, as some public bodies may have budgets that overstate their actual investment. It shows total infrastructure spending varied between a low of $67 billion (in 2016) and $101 billion (in 2018). Over the past five years, an average of $83 billion was spent on infrastructure each year. Whilst significantly lower than the AfDB's estimate of infrastructure needs, this is still a huge amount of funding.

Despite a slight decrease in their overall infrastructure spending in 2020, mostly due to the impact of COVID-19, **national governments remain the largest and most consistent source of infrastructure investment in Africa**. African governments account for 41% of total infrastructure commitments.

Figure 2: Total infrastructure investment commitments in Africa, by source, 2016-2020

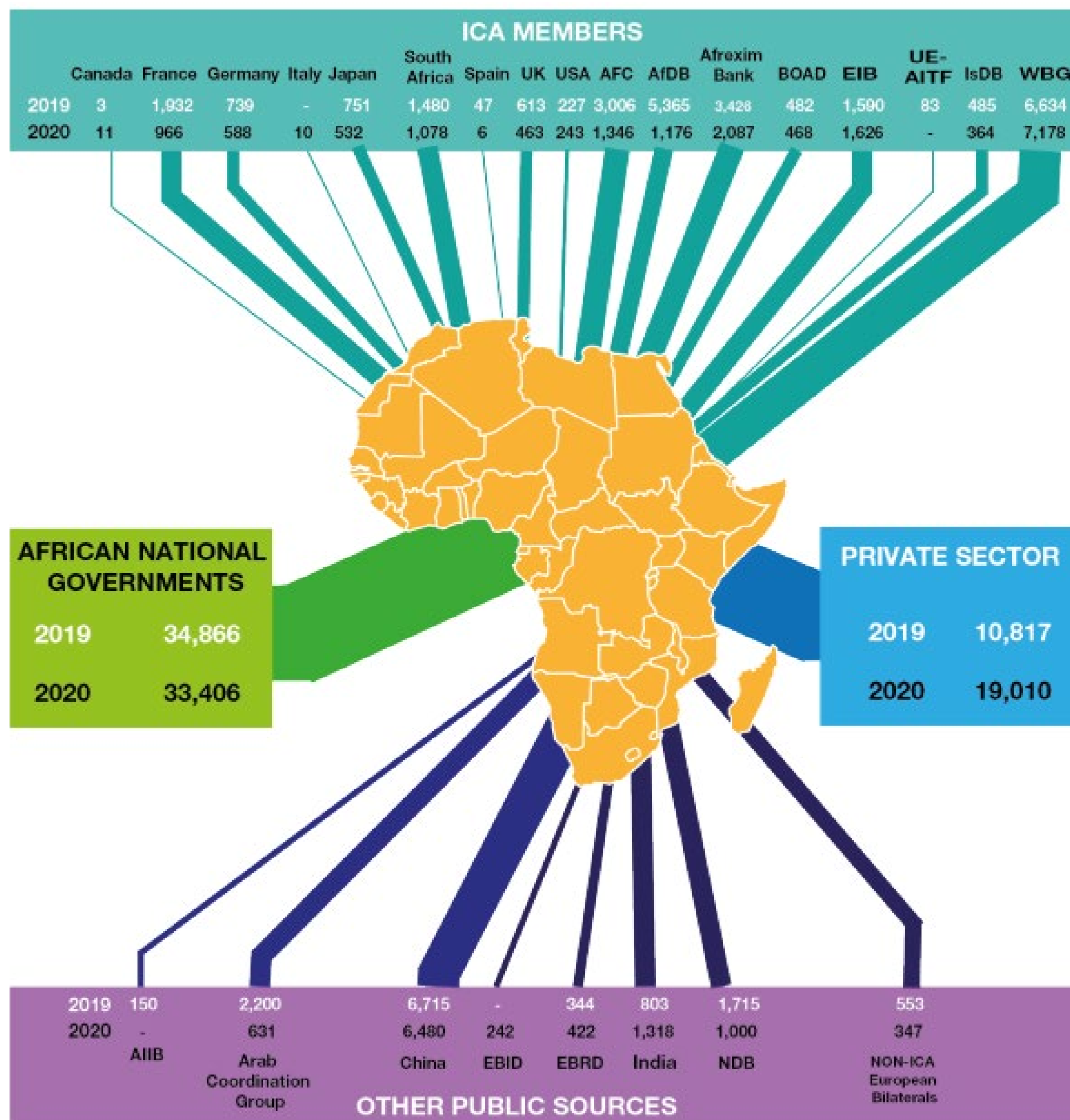


Note: Infrastructure Consortium for Africa members include the Western and African donors (i.e. World Bank Group, Afreximbank, European Investment Bank, EU and member states, USAID, Canada, Islamic Development Ban. Others include China, Arab Coordination Group, New Development Bank, European Bank for Reconstruction and Development, ECOWAS Bank for Investment & Development, India, Asian Infrastructure Investment Bank.
Source: AfDB (2022)[27]

External investors also play a significant role in financing Africa's infrastructure. In 2018 bilateral and multilateral investors spent $51.4 billion which halved by 2020 to $28.5 billion, 35% of the total spend. The largest external investors in African infrastructure in 2020 were the World Bank Group ($7.1 billion) and China ($6.4 billion), which together accounted for almost half total donor spend. These were followed by Afreximbank ($2.0 billion), European Investment Bank ($1.6 billion), African Finance Corporation ($1.4 billion), India ($1.3 billion), AfDB ($1.2 billion), South Africa ($1.1 billion) and the New Development Bank ($1.0 billion). This shows that external public investment in African infrastructure is significant and from a broad variety of multilateral and bilateral sources in the US, China, Europe, Africa, the Gulf and India (See **Figure 3**).

The emergence of China as a major player in African infrastructure financing is particularly interesting and is seen as disrupting the established development finance system[28]. Sixty three percent of total Chinese FDI in 2020 was focused upon ten countries with rich natural resources, including, South Africa, DRC, Zambia, Ethiopia, Angola, Nigeria, Kenya, Zimbabwe, Algeria and Ghana[29]. The linking of Chinese trade, loans and investment brings a different approach to Africa's external development financing. The Chinese speed, scale and non-interference policy also reveals a novel approach to external financing.

Figure 3: Details of sources of infrastructure investment spending in Africa, 2019-2020



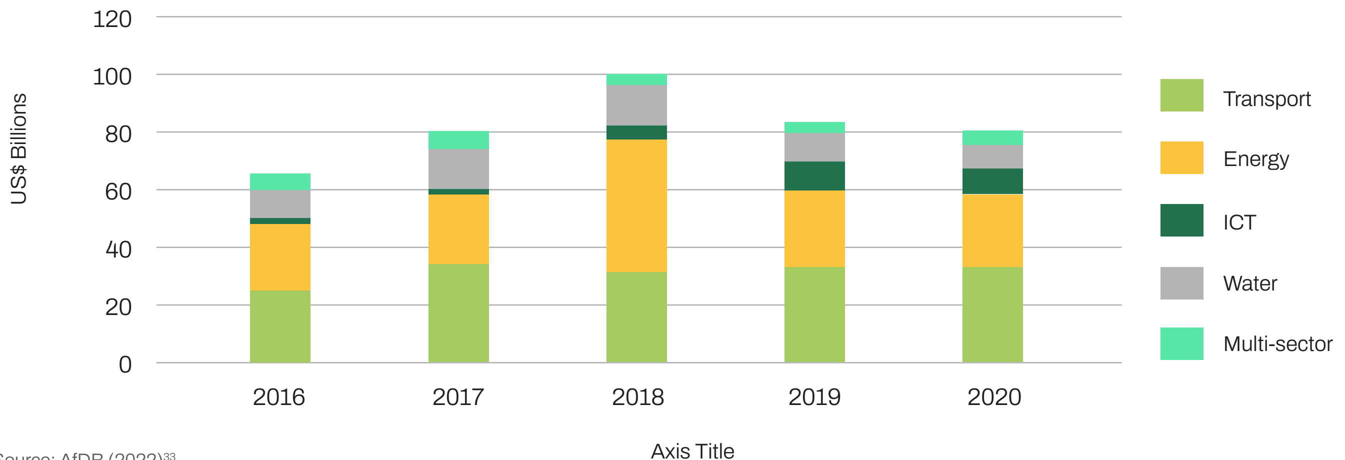
Source: AfDB (2024)

An important weakness linked to some Chinese infrastructure investments has reflected the extent of non-intervention by Chinese financiers, the lack of maintenance of assets. The Tanzania-Zambia railway project involved building 1,800 km of track and 320 bridges but, after 30 years of poor maintenance and mismanagement, has almost ceased operations[30]. Similar issues are plaguing the Ethio-Djibouti Railway and undermining the potential benefit of this $4.5 billion infrastructure investment. This could lead to debt sustainability issues as China typically lends to African countries on a LIBOR +3% basis which, although concessional, is much more expensive than standard World Bank rates and will become unaffordable, if assets are not generating a revenue stream[31].

Private investment in African infrastructure has historically been limited. However, this changed in 2018 when the private sector invested $11.8 billion (12% of total commitments) in 2019 it was $10.8 billion (13%) and $19 billion in 2020 (23%). These investments are mainly structured as public private partnerships (PPPs) and have been strongly focused on the transport, energy and ICT sectors. For instance, from 2012 to 2022, port investments with the participation of the private sector in Africa amounted to $13 billion[32].

The sectoral breakdown of total infrastructure financing in Africa over the past five years is illustrated below (**Figure 4**). This reveals that 72% of infrastructure investment commitments are on transport and energy. The amount of investment in ICT is growing rapidly and in 2020 constituted 12.8% of total spending, hence, spending on water and multi-sector infrastructure accounts for the residual 15% of total investment. This illustrates the concentration of investment in the transport, energy and ICT infrastructure required to transform Africa's economy.

Figure 4: Trends by sector of infrastructure commitments, 2016-2020



Source: AfDB (2022)[33]

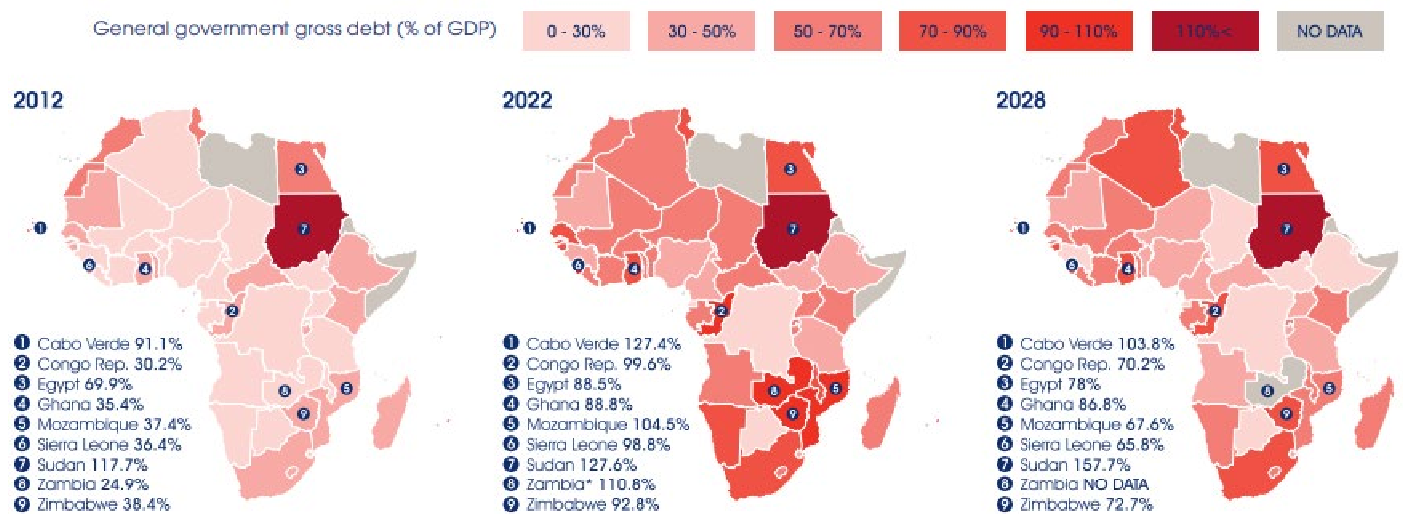
THE NECESSITY TO AVOID WORSENING AFRICA'S DEBT BURDEN

This section investigates ways in which the identified infrastructure financing gap in Africa can be closed. To ensure the success of sustainable investments, it is essential for African nations to engage in co-investment, while fostering local buy-in and aligning with investment agendas. However, care must be taken to avoid exacerbating the continent's debt crisis, as infrastructure financing should contribute to economic growth and not result in higher debt burdens.

African Countries Surging Debt

The ability of African governments to continue borrowing money to finance infrastructure development is severely constrained by the existing debt burden. According to International Debt Statistics (IDS)[34], the continent's debt burden reached $547 billion even prior to the COVID pandemic and rose significantly to $1.8 trillion in 2022. According to the IMF, the average debt-to-GDP ratio for Sub-Saharan Africa increased from 23.3% in 2008 to 57.1% in 2022 and is expected to remain at this level until 2029 (See **Figure 5**), which is concerning. The ratio of total external debts to export earnings rose from 74.5% in 2010 to 140% in 2022 for Africa[35], and the share of debt service in total government revenue amounted to 18%[36].

Figure 5: The surge in debt in Africa since 2012



Source: AFC (2024)

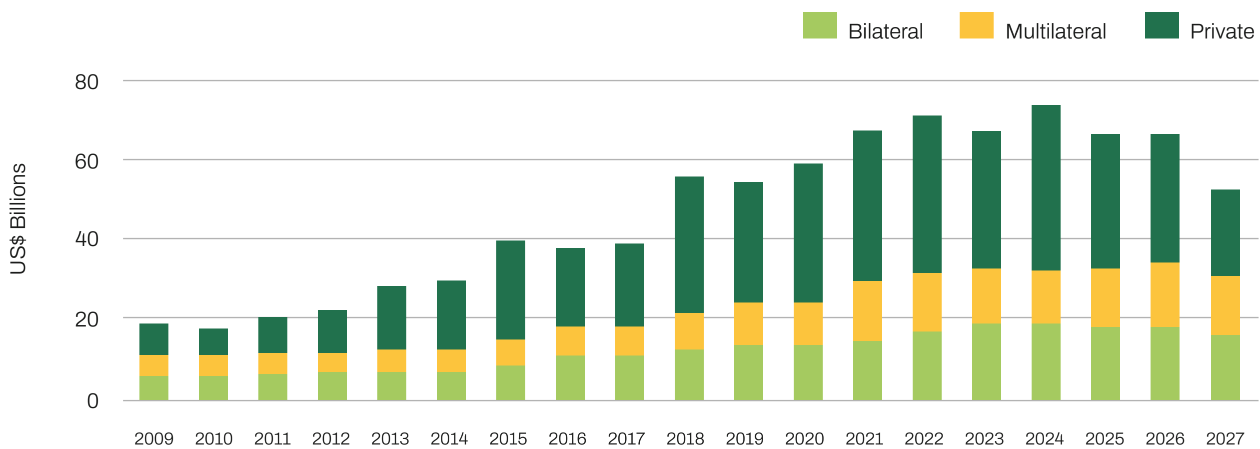
Many studies[27] have concluded that the higher the debt owed by countries, the less resources they have available to invest in growth-inducing sectors such as infrastructure, health, education, and therefore the lower the GDP growth. In 2018, Christine Lagarde, the then IMF Managing Director (MD) suggested that "rapidly growing debt burdens could jeopardise their development goals, as governments spend more on debt service and less on infrastructure, health, and education."[38]

In 2024 African countries spent about $74 billion on debt service, up from $17 billion in 2010. Just over half this total, $40 billion, is owed to private creditors (**Figure 6**). This illustrates the high costs of servicing existing debt and implies the difficulties of rescheduling debt with creditors, including public and private sector operators from the OECD as well as Asia. According to an analysis by The ONE Campaign, African nations are borrowing at interest rates up to eight times higher than wealthier countries. They face a 500% premium on capital market loans compared to those offered by the World Bank. This situation fosters the misconception that African countries are excessively indebted, when their debt is simply far more expensive[39].

Moreover, this misperception of African countries credit worthiness is largely driven by the opinions rendered by the credit rating agencies. There is an inherent bias within credit rating agencies which skews risk perceptions, unfairly penalising African countries and impeding their ability to attract investment on favorable terms. Africa has some of the lowest default rates on infrastructure projects, but credit rating agencies rarely account for this narrative, compelling African countries to justify their funding needs and navigate demanding approval processes, thereby putting them at a disadvantage when seeking access to funds. A UNDP (2023) study shows that African countries could save up to US$ 74.5 billion if credit ratings were based on less subjective assessments[40].

In response, African Heads of State and Government launched on 15 February 2025, during the AU General Assembly, the African Credit Rating Agency (AfCRA). During the launch, Kenya President Ruto declared that: *"Global credit rating agencies have not only dealt us a bad hand, they have also deliberately failed Africa... They rely on flawed models, outdated assumptions, and systemic bias, painting an unfair picture of our economies and leading to distorted ratings, exaggerated risks, and unjustifiably high borrowing costs."* [41] It is too early to measure the impact of the new AfCRA on Africa's investment risk perception, but the action is highly indicative of the continent's reaction to the vagaries of the global credit rating agencies.

Figure 6: Composition of debt service by creditor, 2000-2027



Source: AfDB (2024)

Increasing borrowing to finance infrastructure development is therefore not be a sustainable financing option for African governments. Other financing options include domestic resource mobilisation (including internal revenue options and curbing illicit financial flows), innovative financing options, incentivising the private sector through partnerships, and reforming outdated global financing institutions.

2.2 FINANCING INSTRUMENTS: STRATEGIES AND OPTIONS

2.2.1. A MULTI-STAKEHOLDER FINANCING LANDSCAPE

As discussed in Section 2.1 financing infrastructure in Africa is a complex issue. Due to the sheer size of the needs a multistakeholder approach is necessary to fill the financing gaps. Africa has seen sizable infrastructure investments from bilateral and multilateral partners. According to ABiQ[42], the top funders of infrastructure projects in Africa in 2022 included the African Development Bank, the Export-Import Bank of China, and the World Bank Group. More broadly, the Infrastructure Consortium for Africa (ICA), whose members include G20 countries, WBG, AfDB, EC, EIB and Development Bank of South Africa (DBSA), is a significant source of infrastructure financing for the continent, although with a declining proportion since 2018 as shown in figure 3. The ICA also works to improve co-ordination among its members, as well as between members and other significant sources of infrastructure development finance, such as China, India, Arab & Islamic financiers, African regional development banks and the private sector. As the Global Gateway looks to accelerate implementation of its projects, knowledge and

awareness of the financing landscape and coordination (where possible) with other major infrastructure finance stakeholders will prove extremely useful to ensure implementation success.

In this context, enhancing synergies among Public Development Banks (PDBs) and Development Finance Institutions (DFIs) is essential for tackling global economic challenges and driving sustainable development. These institutions play a vital role in filling the financing gap for infrastructure projects across Africa by offering long-term capital, risk-mitigation tools, and technical expertise that are crucial for the successful development of projects.

PDBs, with their public mandates, are typically able to provide patient capital and can invest in sectors and projects that may not attract immediate private sector interest. They also help in leveraging additional funds from other investors by providing guarantees and concessional financing, thereby crowding in private sector capital for large-scale infrastructure projects.

DFIs, on the other hand, are specialised institutions that focus on providing financing to projects that involve the private sector, particularly in emerging and frontier markets like Africa. DFIs bring not only funding but also valuable knowledge, technical expertise, and innovative financial instruments that can de-risk investments and facilitate greater private sector involvement. Through their ability to offer blended finance solutions, they play a crucial role in mobilising private capital, which is often required to scale up the development of sustainable infrastructure.

Moreover, by fostering stronger links with other stakeholders in the infrastructure financing landscape, such as bilateral and multilateral development partners, private sector investors, and regional development banks, PDBs and DFIs can create more integrated and efficient financing mechanisms. This collaboration will be instrumental in addressing the continent's infrastructure needs, ensuring that financing is deployed effectively, and that projects contribute to Africa's long-term economic growth, job creation, and climate resilience.

Within this framework, Platforms like the Long-Term Investors Club (D20-LTIC), the PGII Expert Group and the Finance in Common facilitate this collaboration, uniting key financial institutions from both European and non-European frameworks to promote long-term finance solutions.

2.2.2. AFRICAN GOVERNMENTS AS MOST SIGNIFICANT SOURCE OF FINANCING

Notwithstanding the urgent need for partnership in facing the infrastructure finance challenges, as illustrated in **Figure 2**, African governments remain the largest contributors to financing infrastructure development ahead of bilateral and multilateral partners. This reflects national commitment and ownership of countries' sustainable development and structural transformation prospects. Indeed, cohesive and nationally owned sustainable development strategies, supported by integrated national and regional financing frameworks, are necessary for the successful transition to structural transformation in Africa.

2.2.3. DOMESTIC RESOURCE MOBILISATION

Working towards the Fourth Financing for Development Conference (FFD4) there is global recognition that domestic resource mobilisation (DRM) is a more reliable, stable and predictable source of development financing for Africa than FDI and ODA. All current global and continental development frameworks (e.g., Agenda 2063, Agenda 2030, AAAA) urge governments to strengthen their capacity for Domestic Resource Mobilisation (DRM) as the most significant source of sustainable development financing. It is for this reason that the 2014 report of ECA and NEPAD Agency adopted by the AU Assembly of Heads of State identified 10 domestic resource potentials that can be mobilised for financing development in the continent .

Amit Jain (2024) notes that African countries should look to successful examples from countries like South Korea, and tailor domestic resource mobilisation efforts by reducing reliance on external sources of finance and mobilising domestic capital, such as by unlocking the $2.3 trillion of investment, pension and sovereign wealth funds that are currently locked-up overseas . Establishing a well-regulated capital market would facilitate such transactions and unlock domestic savings to fund investment in local projects large and small.

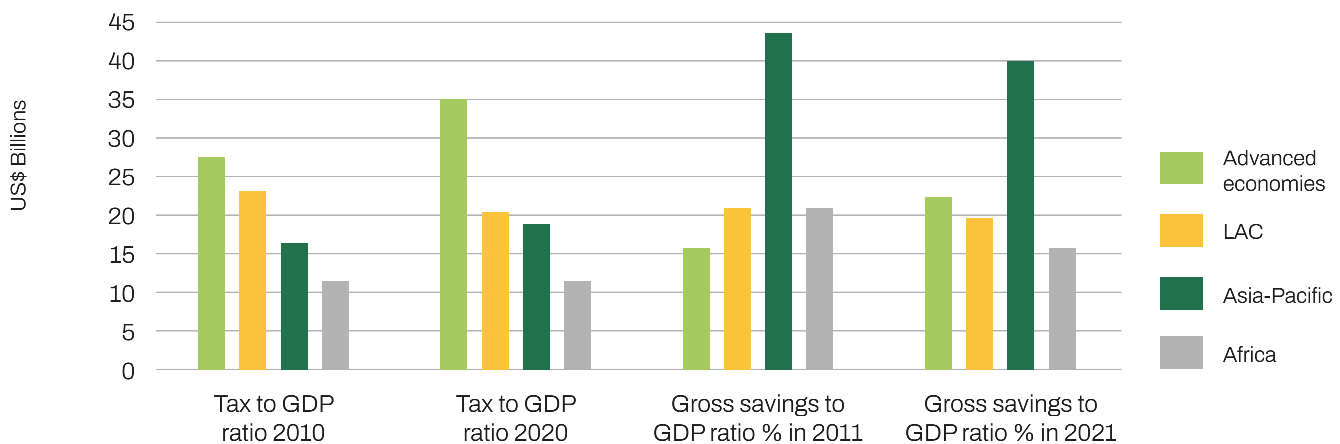
The average tax to GDP ratio for Africa is low, compared with the rest of the world. If the tax to GDP ratio in Africa increased

from the 2020 figure of 11.56% for Africa to the Asia Pacific ratio of 19.09%, this would raise $230 billion of additional finance for African governments to invest each year (Figure 7). This, alone, is more than enough to cover Africa's entire infrastructure investment needs.

Frameworks to monitor and evaluate the impact of tax incentives granted to corporations to ensure transparency in their management needs to be strengthened. Eliminating tax exemptions or digitising filing and payment systems have proven to be successful DRM strategies in Rwanda, Senegal, Uganda, Ethiopia, and Benin.

Savings ratios are very low in Africa at 16.45% of GDP, compared with 19.66% in LAC and 40.35% in Asia-Pacific, hence a need for increased savings, which would deepen domestic capital markets and enable domestic institutional investors to finance the parts of Africa's infrastructure needs which are revenue generating.

Figure 7: Africa's internal revenue mobilisation, 2010-11 & 2020-2021



Source: AFC (2024)

Leveraging African institutional sources, such as pension and sovereign funds, represents another important source of DRM. It is estimated that Africa has $2.3 trillion investment, pension and sovereign wealth funds (SWFs) that are currently locked-up overseas[46]. For instance, African pension funds offer enormous potential as a continental source for investment capital. In 2014, pension fund assets in Africa were estimated at US$334 billion, with growth variations across sub-regions and countries. This high growth trend was expected to continue as Africa moves towards increased coverage, and more inclusive and comprehensive systems. In 2018, African SWFs controlled $89 billion worth of assets, and several countries have currently established SWFs, including Angola, Gabon, Ghana, Morocco, Senegal, Rwanda, Djibouti, Nigeria, Namibia, Algeria, Uganda, Mauritania, and Zimbabwe. A total of 21 SWFs[47] can be used as a vehicle to invest in infrastructure, boost economic growth and create jobs through public-private partnerships.

By the same token, AUDA-NEPAD's 5%-Agenda, supported by the African Infrastructure Guarantee Mechanism (AIGM), launched in 2017 as an institutional infrastructure investment initiative between African Heads of State and Africa Pension and Sovereign Wealth Fund leaders, based on the latter's commitment to invest 5% of assets under their management into African infrastructure investment projects developed through Institutional Investor-Public Partnerships . In Ghana and South Africa, for example, national pension funds have been investing directly into infrastructure development. In Nigeria, the Pension Reform Act of 2004 established a contributory pension scheme which had over $31 billion in assets under management in 2022 - up to 20% of such funds can be invested in infrastructure.

Tackling Illicit financial flows

Tracking, recovering, and repatriating Illicit Financial Flows (IFFs) from Africa are an integral part of the continent's domestic resource mobilisation efforts. Estimates of the volume of IFFs leaving Africa range from a low of $50bn[49] from the UN Economic Commission for Africa to a high of $114.5bn[50]

per year from the Africa Growth Initiative for trade misinvoicing IFFs, estimated based on trade asymmetrical analysis. Overall, it is estimated that, since 1980, sub-Saharan Africa has lost an estimated $1.3 trillion in the form of illicit financial flows, and accumulated IFF since 2010 are higher than they were in the 1980 and 1990 decades or even the early 2000s, indicating that the loss of resources from Africa through IFFs has worsened over time. Illicit financial flows related to the extractive sector (estimated at $40 billion in 2015) are the largest component of IFFs in Africa according to the African Union (AU)[51].

The AU further suggests that the **lack of financial transparency in the extractive sector** is a key factor in burgeoning sector-wide corruption and loss of revenue. Successfully curbing and recovering illicit financial flows is a most crucial component of Governments' domestic resource efforts to strengthen their ability to increase infrastructure financing. Effective anti-IFF measures[52] will also require African governments to strengthen governance and the rule of law, and to adopt measures to improve regulation of financial markets, reduce corruption, harmful effects of tax optimization schemes and empower crime-fighting institutions. Information exchange by all countries globally, peer learning (from best practices like ATAF, Tax Inspectors without borders, and others) and active participation in global and continental initiatives such as the Global Forum, the Africa Initiative, The Team Europe Initiative to combat IFFs, the Convention on Mutual Administrative Assistance in Tax Matters, among others, are also crucial to combat IFF successfully. The Africa-Europe Foundation Strategy Group on Combatting Illicit Financial Flows also provides a critical platform that brings together key industry experts to advocate for recommendations aimed at sustainably combatting IFFs.

The upcoming global finance summits including the Finance in Common Summit, the United Nations General Assembly (UNGA), FfD4, and the AU-EU Summit, should emphasise the importance of comprehensive and standardised reporting for Sustainable Development Goal (SDG) 16.4.1, which tracks illicit financial flows. High-income countries must lead the way by improving data availability and strengthening country-by-country reporting (CBCR) frameworks to enhance tax compliance, corporate accountability, and financial transparency. Greater participation in global CBCR treaties, lowering reporting thresholds, and ensuring public access to this information will be pivotal. These steps will empower African tax administrations with the tools and transparency needed to effectively address corporate tax avoidance, promoting global financial fairness and fostering deeper economic cooperation between Africa and Europe.

Scaling and enhancing proven capacity-building initiatives while diagnosing and tailoring new capacity needs for African countries is vital. Support should extend beyond traditional technical assistance to prioritise sustainable knowledge transfer, institutional strengthening, and peer learning. Collaborating with international and regional organisations can foster local ownership of tax policy and promote South-South learning, thereby strengthening regional tax systems and enabling sustainable progress in combating illicit financial flows.

Successfully combatting IFFs requires collaborating with the destination countries into which the illicit flows have moved. Enhancing legal frameworks and leveraging big data analytics, Artificial intelligence models and machine learning to facilitate the tracing, freezing, confiscation, and repatriation of illicit assets is essential. This requires bolstering the capacity of law enforcement agencies, financial intelligence units, and judicial bodies to conduct thorough investigations and foster cross-border collaboration. Innovative approaches, such as using frozen assets for development projects or debt relief and establishing escrow accounts for seized assets, should be considered to address power imbalances and expedite the asset recovery process. This is an example of where close cooperation between the AU and EU can generate very significant funds for infrastructure investment.

External financial flows to Africa

The external environment facing Africa has suffered from tightening global financial conditions. Total external financial flows to Africa fell by 19.4% in 2022 compared with 2021 and, at $175 billion in 2022, was in nominal terms about 13% down on average inflows since 2015. There are, however, important changes in the composition of this total.

First, remittances to Africa are a remarkably large ($96 billion in 2022) and stable component of Africa's external financing (**Figure 8**). This represented 3.2% of GDP in 2022, higher than Latin America but lower than the 4$ of GDP in South Asia. This suggests greater opportunities for the continent to attract more resources from the diaspora. Due to the high levels of poverty, a significant portion of remittances is primarily used to cover essential social expenses such as health, education, and food. However, some of these funds are also invested by both the diaspora and their recipients in income-generating activities. This raises the question of how African governments can better direct these remittances towards reliable and trusted development investments. The proactive management of their diaspora in Senegal and Ethiopia are an example of how this can be achieved.

[46] Amit Jain et al (2024) ibid

[47] SWFI (2024) List of 32 sovereign wealth fund profiles in Africa https://www.swfinstitute.org/profiles/sovereign-wealth-fund/africa

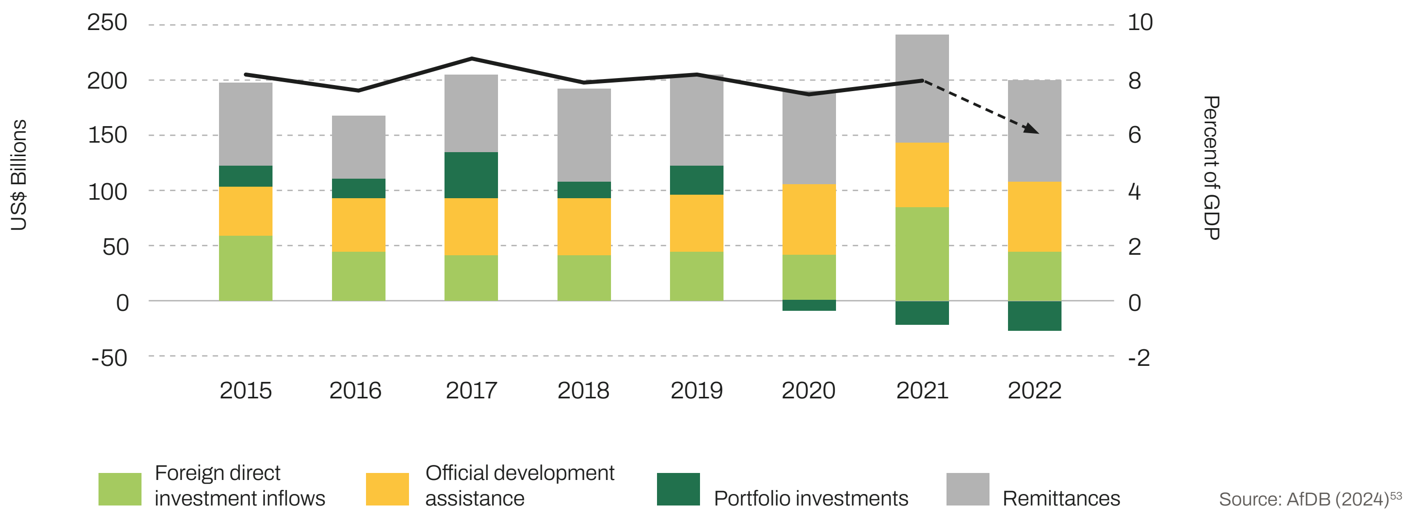
[48] Alliance of Innovative Regulation (2024) Hubert Danso profile https://regulationinnovation.org/team/hubert-danso

[49] UN Economic and Social Council and Economic Commission for Africa (Feb 2013) The state of governance in Africa: The dimension of illicit financial flows as a governance challenge. See also ECA (2015), Track it. Stop it. Get it: Report of the High-Level Panel on Illicit Financial Flows from Africa https://au.int/sites/default/files/documents/40545-doc-IFFs_REPORT.pdf

[50] In 2012 in L Signe; Sow, M; Madden, P (March 2020) Illicit financial flows in Africa – drivers, destinations and policy options Africa Growth Initiative Policy Brief. https://www.brookings.edu/wp-content/uploads/2020/02/Illicit-financial-flows-in-Africa.pdf

[51] EU (Dec 2020) Africa and Europe join forces to fight Illicit Financial Flows Africa and Europe join forces to fight Illicit Financial Flows (IFFs) in Africa | EEAS (europa.eu).

Figure 8: External financial flows to Africa, 2015-2022



Source: AfDB (2024)[53]

Second, foreign direct investment, more than doubled to about $80 billion from 2020 to 2021, but fell back sharply in 2022 to $45 billion. Although this decline was mainly driven by large corporate reconfigurations in South Africa, the longer-term challenge is investors' perceptions of risk due to global uncertainty. There is an evidenced argument that African risk is inflated, compared with the returns earned, so investors are more influenced by perceptions than economic fundamentals[53] but, either way, future FDI flows to Africa are likely to be constrained. The exception to this gloomy prognosis is African energy projects, both extractive and energy generation, have particularly interesting prospects. These projects have obvious relevance to the transformation of Africa's economy.

Box 2: African green energy mega projects

Egypt is accelerating renewable energy development with the rollout of the 10 GW Suez Wind Power Project, one of the world's largest wind power facilities. The project secured $170 m seed funding from AfDB in December 2024, is being developed by the Saudi clean energy firm, ACWA Power. This $1.1-1.5 billion project will power 11 million households, mitigate 25.5 million tonnes of carbon emissions and save Egypt $6.5 billion in annual gas cost. Morocco is collaborating with the UK to develop the **Xlinks** project. It secured $14.1 million funding from the FC and $10.2 million for GE Vernova in April 2024 and $25 million from TotalEnergies in December 2023. The project includes construction of 11.5 GW of wind and solar generation infrastructure, a 22.5 Gwh/5GW battery storage system and 4,000 km subsea cable to export electricity to the UK. The project will meet Morocco's local energy needs and power 7 million households in the UK. The project is valued at $20-$22 billion. A green hydrogen hub is developing in Africa with Globeleq's **SCZONE** ($37-$71 million) and ACME Groups **Sokhna** in Egypt ($13 billion); CWP Global's **AMAN** project in Morocco ($42 billion) and Mauritania ($40 billion); and TotalEnergies' **H2 Notos** (first phase $8 billion, second phase $40 billion) and **ACWA Power**'s 600,000 tonne per annum project in Tunisia ($4 billion) and Namibia (**Hyphen Hydrogen Energy** $10 billion) and earlier stage projects in Mozambique are also in planning.

Source: AfDB (2024)

[53] AfDB (2024) ibid
[54] AfDB (2024) African Economic Outlook https://www.afdb.org/en/documents/african-economic-outlook-2024

Beyond the exciting prospect of Africa becoming a green energy hub in the medium term, the continent needs FDI to enable its manufacturing transformation. This is partly about the capital, but also the technology and skills necessary to create a competitive industrial base in Africa.

Official development assistance declined 6% from $65.6 billion in 2021 to $62 billion in 2022 due primarily to fiscal challenges facing major donor countries and geopolitical tensions. In summary, ODA to Africa has been volatile and on a downward trend. Beyond the aggregate volume of aid inflows there is increasing evidence that aid is not helping Africa transform. Empirical evidence demonstrates that aid is associated with increasing indebtedness and rising budget deficits. This is prompting African voices to fundamentally transform the way aid works. We will return to this issue when discussing Global Gateway.

Box 3: AfDB proposal to reform aid architecture

This evidence suggests that most African countries have become trapped into the aid syndrome resulting in more spending increases or less efforts to mobilise domestic resources, or a combination of both. To create ownership of African development process, there is a need to rethink the current model of the aid architecture, focusing more on supporting countries' investments in growth and job-creating sectors. International support should focus more on transferring technology and skills and building capacity to mobilise domestic resources

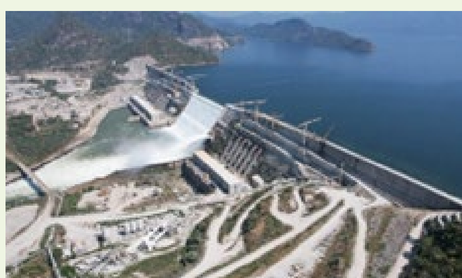
Source: AfDB (2024)

Exploring innovative financial solutions

Impact Investing: Impact investing or 'doing well by doing good' is gaining ground. Such investments which seek attractive financial returns as well as concrete social or environmental returns are also a good way to attract investible resources into African countries. The International Financial Corporation estimates for instance that channeling just 10% of the $269 trillion in financial assets held by firms and households into impact investments would go a long way to providing the sums needed to achieve the Sustainable Development Goals (SDGs)[54].

Diaspora Bonds: There are considerable opportunities to unlock additional value from remittances flows into Africa from the African diaspora. For instance, the use of diaspora bonds that are specifically targeted at a country's emigrant population is a time-tested but underused means to raise money to finance development. Several African countries have introduced diaspora bonds, to help bridge financing gaps (i.e. Ethiopia, Egypt, Nigeria etc.), as these bonds are useful for tapping into the wealth of the diasporas for financing infrastructure, housing, health, and education projects (Basu 2010). The World Bank estimated Africa's total inflow of remittances at $72.5 billion in 2023, with $54 billion flowing into Sub-Saharan Africa alone, representing a potentially substantial investment source for the continent. African countries could adopt further policy action to optimize remittances as a source of DRM, including promoting the use technology to reduce remittances cost and collaboration to improve interoperability of payment systems between the EU and Africa to lower the costs of sending money to Africa.

Box 4: Diaspora bonds in the financing of the Grand Renaissance Millenium Dam



The Grand Ethiopian Renaissance Dam (GERD) is located on the Blue Nile about 16 km from the border with Sudan. Constructed between 2011 and 2023, the dam's primary purpose is electricity production to relieve Ethiopia's acute energy shortage and to export electricity to neighbouring countries. With a planned installed capacity of 5.15 gigawatts when completed, the dam will be the largest hydroelectric power plant in Africa and among the 20 largest in the world. The third and fourth 400 MW turbines were commissioned in August 2024. GERD cost about $4 billion, $1.2 billion of which was financed with a loan from a Chinese bank. Government bonds were issued to raise finance. Estimates vary but between $450 million and $1 billion (11% to 25% of total cost) of early-stage funding was provided by donations, public sector workers forfeiting one month of their pay and diaspora bonds.

Source: Lavers (2024)[55]

Enhanced Capacity for Climate Finance Mobilisation: At COP29 in November 2024, attention focused on the need to upgrade Africa green infrastructure investment strategies. The Climate Policy Initiative (CPI) estimates that "Africa requires $2.8 trillion between 2020-2030 to implement its Nationally Determined Contributions under the Paris Agreement"[56] but mobilises only $30 billion annually as climate finance.

Tax Justice Network-Africa estimates that Africa needs $140 billion annually over the 2020-2030 period to support its climate change mitigation and adaptation[57] but has mobilised only 3% of this amount. The Stockholm Environment Institute (SEI) estimates that total financial commitments for adaptation in Africa amounted to $5.5 billion per year[58], but that the disbursement ratio for climate adaptation financial commitments stands at only 46% for Africa. The need for African countries to strengthen their capacities to effectively access the resources available under the various climate change commitments is therefore evident. This includes capacity-building on the United Nations Framework Convention on Climate Change (UNFCCC) Toolkit to Enhance Access to Climate Finance and implementing those suggestions at the national level including, developing robust national strategies, institutions and the coordination mechanisms to tackle climate change and its effects in alignment with global climate agendas such as the Paris Agreement and Agenda 2030.

Carbon Financing: Given its endowment in natural resources and assets, carbon financing provides another avenue for funding infrastructure projects, especially in renewable energy sectors. By monetising carbon credits, African countries can attract investments into green projects that contribute to both economic growth and climate resilience. Projects that reduce greenhouse gas emission can earn carbon credits, which can then be sold to companies or countries looking to offset their emissions. This approach not only provides funds but also promotes sustainable development. The carbon market option requires appropriate regulatory and governance frameworks are instituted, and that a fair revenue distribution mechanism is put in place between land users, green energy providers and government. Countries with carbon market regulatory governance frameworks are Kenya, Ghana and Rwanda are leading the way in Africa, with possibilities for others to follow[59].

Special Drawing Rights (SDR) reforms are equally integral to the International Financial Architecture reforms. The IMF Executive Board approved a major reform in its SDR mechanism, allowing members to channel unused SDRs to multilateral development banks (MDB), including the African Development Bank (AfDB). This move could unlock up to $80 billion of new MDB lending capacity globally. A reform of the Multilateral Development Banks (MDBs) would also need to be pursued commensurate with the IFA reforms. Increasing the efficiency and agility of MDBs could free up large sums of financial resources for sustainable development investment. For Africa, this is a potential source of important additional development finance resources. Looking ahead, it will be important to strengthen advocacy and support for Europe-Africa cooperation to ensure that the additional resources are effectively released to AfDB, and that African member States are able to access and mobilise those resources.

Investing in Digital Public Infrastructure (DPI) for DRM: As discussed in Section 2.4, there is a momentum building in African countries regarding investment in digital public infrastructure as a technological backbone to their sustainable development policies. In July 2024, the African Union (AU) launched a comprehensive Digital Transformation Strategy (DTS) for Africa, in collaboration with the UN Economic Commission for Africa, Smart Africa, AUDANEPAD, Regional Economic Communities, African Development Bank, Africa Telecommunications Union, Africa Capacity Building Foundation, International Telecommunication Union and the World Bank[60]. The aim of the AU DTS for Africa is to "prioritise digitally enabled socio-economic development to stimulate job creation, address poverty, reduce inequality, and facilitate the delivery of goods and services, all contributing to the achievement of Agenda 2063 and the Sustainable Development Goals."[61]

In this context, successfully deploying **Digital Public Infrastructure** will support DRM strategies in African countries by helping to enhance transparency and accountability in public finance management. Indeed, digital record-keeping, open data initiatives, and blockchain technology can reduce corruption and ensure public funds are spent more efficiently. Citizens can scrutinise government actions and expenditures, ultimately holding public officials accountable[62]. In addition, DPI can help strengthen the fight against illicit financial flows through better collaboration and enhanced data exchange.

2.3. THE IMPORTANCE OF THE PRIVATE SECTOR TO INFRASTRUCTURE FINANCING IN AFRICA

Public-Private Partnerships (PPPs) offer a proven mechanism for mobilising private sector resources while ensuring public interests are met and facilitate bridging the infrastructure development gap, particularly in emerging economies. These partnerships optimise resource allocation by combining public sector oversight with private sector efficiency and innovation. Through strategic risk sharing and financial structuring, PPPs enable the delivery of complex infrastructure projects while maintaining fiscal sustainability.

The model's effectiveness stems from its ability to leverage private sector expertise and capital while ensuring public accountability and social benefit delivery. PPPs facilitate technology transfer, introduce operational efficiencies, and implement life-cycle asset management approaches that enhance project sustainability.

Moreover, these partnerships can catalyse the adoption of environmental and social safeguards, as private sector participants often bring international best practices and standards to project implementation. When properly structured, PPPs create a framework for sustainable infrastructure development that balances economic viability with social and environmental responsibilities, ultimately contributing to long-term development objectives and improved service delivery.

Further underscoring the role of the private sector in accelerating the implementation of corridor infrastructure, the ministers in charge of transport and infrastructure in Kenya, Ethiopia and South Sudan at their second ministerial conference on LAPSSET, called for the establishment of a Business Council, consisting of Chambers of Commerce and the Organised Private Sector in the three countries, to actively coordinate private sector participation, including procurement, in the multi-billion dollar project.

Crucially, experts at the 2024 PIDA Week underscored the urgent need to ramp up private sector infrastructure financing in Africa. The World Bank's Private Participation in Infrastructure (PPI) 2023 report finds that in 2023, the private sector invested in 66 infrastructure projects in Sub-Saharan Africa, mostly in energy and ICT, for a total of USD3.5 billion, representing a 24% decrease in private sector infrastructure investment in the region year on year and a 45% decrease over the previous 5-year average. However, according to the IMF, private sector investment in infrastructure in Africa could, by the end of the decade, bring additional annual financing equivalent to 3 percent of GDP for physical and social infrastructure, representing about $50 billion per year[63].

Key Challenges in Implementing PPPs in Africa

The deployment of Public-Private Partnerships (PPPs) across Africa presents distinct challenges that require systematic attention to ensure successful project outcomes. These challenges that stem from institutional, financial, technical, and governance-related constraints. These challenges must be addressed to unlock the full potential of PPPs in driving sustainable development across the continent. Some of the challenges are briefly discussed below:

Institutional and Regulatory Weaknesses: A lack of robust and consistent regulatory frameworks undermines the ability to structure and manage PPPs effectively. Many African countries face limited institutional capacity for PPP planning, negotiation, and execution. Legal frameworks for contract enforcement are often inadequate, leading to uncertainty for private investors. Additionally, complex bureaucratic processes hinder timely decision-making and project implementation.

Financial Constraints: Access to long-term financing remains a major obstacle. High capital costs, coupled with limited domestic capital markets, restrict the ability to fund large-scale infrastructure projects. African governments often face fiscal constraints, while currency risks and exchange rate volatility further deter private sector participation.

Limited Technical Capacity: The global shortage of skilled professionals with expertise in PPP structuring and management is a critical barrier. Many public sector entities lack the capacity to develop bankable projects, conduct feasibility studies, or monitor contract performance. This technical gap reduces the quality and sustainability of PPP initiatives. Sufficient project preparation continues to be a key constraint due to limited funding for feasibility studies, environmental and social impact assessments and project pipeline development. Without a well-prepared pipeline of viable projects, private sector interest is diminished, and projects are more likely to fail.

Stakeholder Engagement and Management: Poor communication strategies, limited public consultation, and inadequate engagement frameworks often lead to community resistance and delays in project implementation. Effective stakeholder management is essential to building trust and ensuring project success.

Investment Market Fragmentation: Currently, the fragmentation of African investment market is a real impediment for mobilising additional private sector investment, prompting the recommendation that regional market integration initiatives, such as AfCFTA, can constitute the basis for finding appropriate solutions to the issue. Crowding in the private sector requires creating space for private investors to engage in project development from the start (including those involved in pipeline development, etc.), sharing knowledge and information (investment priority areas and how money will flow for investments), building capacity (e.g. for public sector to engage in negotiations...), and showing impact (i.e., demonstrating results of prior similar investments).

Key Pillars for Successful PPPs

Africa offers many potential opportunities for infrastructure investment, which can be attractive for the private sector, including abundant natural resources[64], a growing population that is young and innovative, and generally high return on investment[65]. However, as shown in the previous section, constraints to private sector investment abound, including weak legal and regulatory framework, project planning, development and preparation capacity limitations. In many African contexts, capacity building in project development and implementation, including for government officials, project managers, and other stakeholders plays an important role for effective implementation The following are some of the key pillars for achieving successful PPPs in Africa.

Effective capacity building: Capacity building constitutes one of the major factors in establishing a conducive environment for private sector investment. The first step is to conduct a comprehensive skills-gap diagnostic, at both regional and national level, to ensure that the capacity building exercises are tailored to the unique needs of the respective stakeholders involved at various stages of infrastructure programmes. This should be followed by the design of a capacity building programme for PPPs, which requires a multi-faceted approach that includes developing a tailored training programme customized for government officials, private sector participants, and local communities to address specific needs and skill gaps.

Such training programmes are bolstered by establishing knowledge exchange platforms to facilitate the sharing of best practices and lessons learned from successful PPP projects, promoting broader understanding and application of effective strategies. Mentorship programmes pairing experienced PPP practitioners with emerging professionals in African countries would foster practical skill development and knowledge transfer.

Project Planning and Preparation: Among the pillars of successful PPPs, capacity building for project planning and preparation, for both institutions and individual stakeholders, stands out as particularly crucial to ensure long-term sustainability and success. According to the Global Infrastructure Hub (GIH)[66], project preparation spans activities from conceptualisation and feasibility analysis to structuring and transaction support. These are essential steps in streamlining project preparation processes, establishing homogeneous and standardised funding requirements, and designing projects that deliver significant economic, social, and environmental benefits. As emphasised in the G7 PGII Expert Group's Joint Action Proposal, local technical expertise is key to successful project preparation. By investing in long-term targeted training and workforce development programmes, stakeholders can enhance the skills and capabilities of the workforce, leading to better project outcomes and reduced operational risks.

Furthermore, these steps are integral to developing bankable projects and can be determinant in whether a critical project moves forward to implementation or is abandoned. As pointed out by GIH, "quality project preparation is thereby an essential step to translate the demand for infrastructure into effective project development and service delivery."

The Importance of Technical Assistance: There exist initiatives addressing issues of project preparation and developing bankable projects, such as i) the PIDA Service Delivery Mechanism (SDM) of AUDA NEPAD; ii) the NEPAD Infrastructure Project Preparation Facility (NEPAD IPPF) of AfDB and iii) the AfDB's Alliance for Green Infrastructure in Africa (AGIA), which allocates $500 million for project preparation, aiming to attract $10 billion in private investments for green infrastructure, facilitating Africa's transition to net zero and iv) the multilateral G-20 platform Global Infrastructure Facility (GIF) housed at the World Bank and collaborating with AfDB in African countries; v. other project preparation facilities driven by regional economic communities and development banks such as the Southern African Development Community (SADC) and West African Development Bank (BOAD) or at a national level (e.g. Chad Infrastructure Preparation Fund).

Similarly, the **WAPPP Technical Assistance** is a strategic initiative by the World Association of PPP Units & Professionals (WAPPP) aimed at bridging the gap between public sector infrastructure needs and private sector participation in such infrastructure through provision of investment and technical expertise. These #NextLevelPPPs will serve as the new generation of SDG-driven public-private partnerships that deliver value for future generations, strengthen climate resilient infrastructure, and de-risk projects especially in low- and middle-income countries

The WAPPP Technical Assistance is established to address the critical need for capacity building and technical support in developing and implementing PPPs globally. In response to the growing challenges of infrastructure development, climate action, and socio-economic stability, the WAPPP Technical Assistance is designed to enhance the capacity of government agencies in

development and implementation of PPPs. The WAPPP Technical Assistance operates as an independent and neutral entity of the Development Financial Institutions community, providing support and advice to public sector agencies.

Robust Legal and Regulatory Frameworks: Clear and enforceable regulations are essential to build investor confidence. One of the earliest Decisions[67] of the AU Assembly of Heads of State in response to the challenges faced by the private sector in investing in corridor infrastructure was the mandate to the UN Economic Commission for Africa (UNECA) and AUDA-NEPAD to assess policies, laws and regulations which impact investment in transboundary infrastructure and develop an enabling framework that will enhance investment. The result was the PIDA Model Law, which, in 8 Sections and 23 Articles, deals with vexed private sector issues such as environmental and social standards, project regulation, investment assurance and protection; free movement of personnel, goods and services; procurement and dispute resolution.

The PIDA Model Law facilitates private sector investment and financing in transboundary infrastructure projects; ensures transparency, efficiency, accountability and sustainability of transboundary infrastructure projects; harmonises cross-border regulation of transboundary infrastructure projects; and promotes intra-African trade and opens domestic markets to international trade. The Model Law was endorsed by the AU Assembly of Heads of States in Addis Ababa in January 2018 and recommended for domestication in African countries[68]. To date, alignment of the PIDA Law to the appropriate national laws in African countries remains a challenge requiring further support and dedication.

In the same vein, the African Legal Support Facility (ALSF), an independently funded and administered facility hosted by AfDB, that provides support to countries in contracts negotiations, including for PPPs, has developed country profiles to evaluate the progress of PPP legal frameworks across Africa, based on its comprehensive survey titled Public-Private Partnerships, *Legal & Institutional Frameworks in Africa – A Comparative Analysis*[4]. Key findings of the survey indicate that 42 out of Africa's 54 countries have enacted PPP-specific legislation. Among these, 24 countries follow civil law systems, 13 adhere to common law systems, and 5 operate under a bi-jural system. The survey highlights that Western and Central Africa lead in the adoption of PPP-specific laws. The ALSF's survey underscores the importance of adopting robust PPP laws that facilitate the development of bankable and investor-friendly projects.

Risk mitigation mechanisms are critical to the success of PPPs, as they address the inherent uncertainties and risks that can deter private sector participation. By reducing perceived risks, these mechanisms create a more attractive environment for private investment, enabling the delivery of public infrastructure and services in a more efficient and sustainable manner. Key tools for financial risk mitigation include guarantees, insurance, and blended finance, each of which plays a distinct role in addressing specific risks. Additionally, innovative models such as the Hybrid PPP model, supported by the World Bank, have emerged as effective frameworks demonstrating the potential for PPPs to deliver complex and high-impact projects in even the most challenging contexts. By leveraging these mechanisms, governments and development institutions can unlock the full potential of PPPs to drive sustainable development and economic growth.

The Role of Philanthropy in PPPs

Philanthropy's role in Public-Private-Philanthropy Partnerships (PPPPs) is multifaceted, including catalysing and sustaining collaboration between public and private sectors by providing the necessary resources, expertise, and risk tolerance. It acts as a bridge, enabling partnerships to overcome barriers and achieve transformational change. Philanthropy provides the «activation energy» necessary to initiate and sustain partnerships around infrastructure, overcoming barriers that might otherwise prevent collaboration between public and private sectors.

Philanthropy is recognised as a key partner by the World Bank5 to achieve its goal of ending poverty on a liveable planet. Philanthropy's potential in partnering up with the private and public sector, including both financial and non-financial collaboration, and applying its systems lens - taking a holistic approach rather than breaking things down into composite parts - to PPPPs are well recognised also by the World Economic Forum[6]. Philanthropy, when strategically and effectively utilized, can extend beyond mere funding to actively shape and facilitate successful collaborations[69]. By leveraging its unique position, philanthropy helps unlock the full potential of PPPPs to address complex social, economic, and environmental challenges.

Importance of Enhancing the Business Climate: Attracting private sector infrastructure investment may also require African Governments to strengthen the business climate conditions, governance, transparency, accountability, and appropriate regulatory and legal frameworks. In addition, governments should pursue appropriate strategies specifically targeted to attract the private sector, including:

- Establishing a robust structured framework for Private Public Partnership (PPPs) that can attract private investment. This includes clear regulations, risk sharing and rewards mechanisms that protect the private investors while making sure the public interests are met.

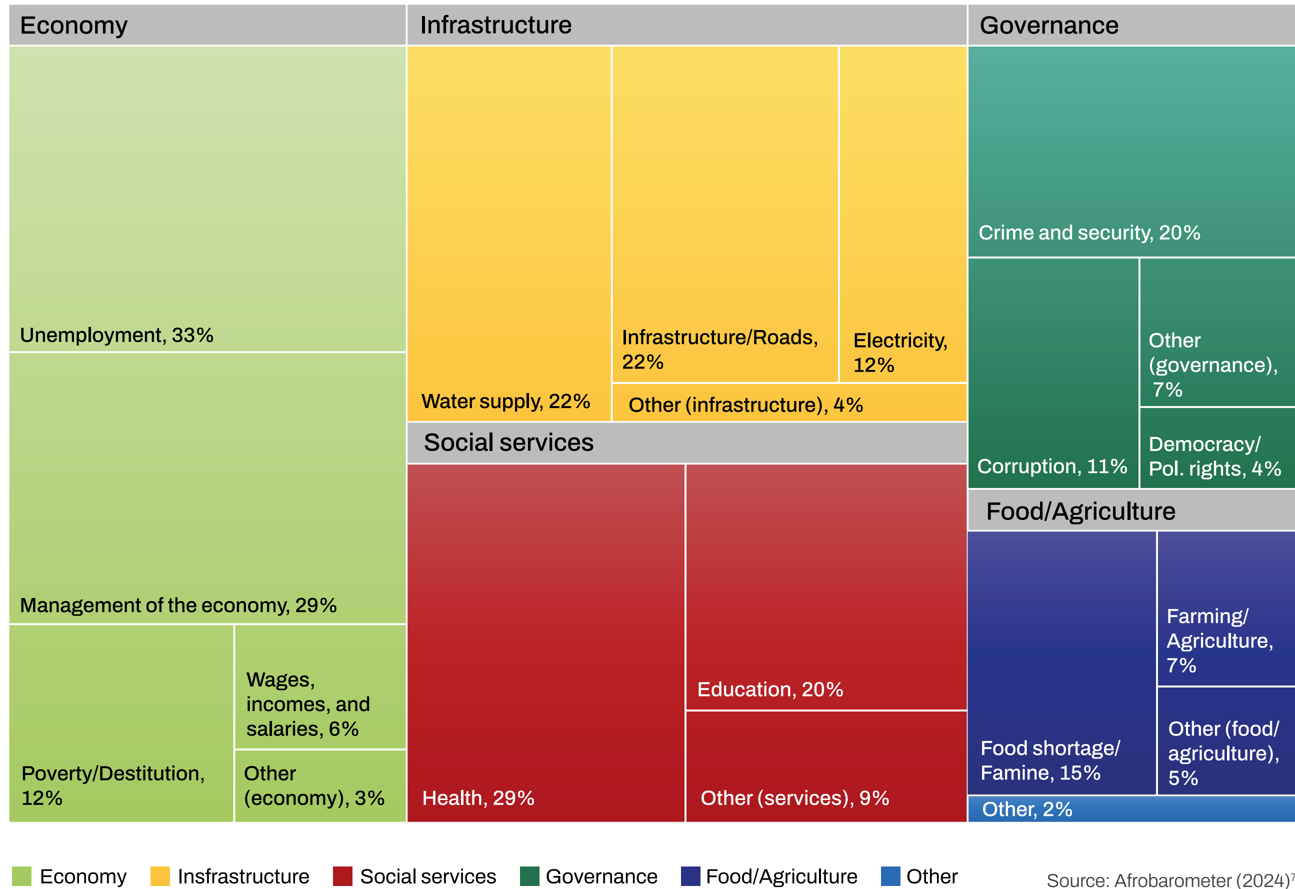
- Exploring blended finance models that combine public, private, philanthropic funds to leverage additional private sector investments. This can include guarantee or risk mitigation instruments that make projects more attractive to the private sector.
- Instituting a stable and predictable regulatory business environment is essential and important for the overall business climate, in addition to reducing bureaucratic red tape, and improving legal frameworks and transparency to build investors' confidence.
- Harmonising and simplifying requirements for private sector funders and making these readily available to ensure governments can easily have a pipeline of bankable projects that align with funder expectations.
- Leveraging convening opportunities that bring investors and project owners together to speed up access to a large pool of protentional funders and potential projects.
- Investing in geopolitical expertise by the African private sector for resource mobilisation and influencing funding decisions and project approvals.
- Encouraging cross-border infrastructure projects can help pool resources and expertise, making large projects more feasible. By forming strategic alliances, it is possible to enhance capabilities and increase competitiveness in accessing and executing large scale infrastructure. Regional integration can also enhance market size, making investment more attractive, where regional firms could take a lead alongside national entities.
- Pooling projects within a country, like schools at various completion stages or energy distribution networks, can be considered. This approach requires coordination among stakeholders but makes funding by larger investors more feasible, despite its challenges.

2.4. THE ROLE OF TRADE IN SUSTAINABLE INFRASTRUCTURE FINANCE IN AFRICA

A healthy trading system is crucial for meeting the 2030 Agenda and Agenda 2063. Trade is a critical driver of economic development, enabling nations to leverage comparative advantages and boost productivity. By accessing global markets, countries can scale production and innovation, boost productivity and amplify growth. Foreign exchange from exports can also finance vital imports, from technology to capital goods, thus boosting further productivity growth. A synergy between integration in Global Value Chains, increased capital and innovation investment, and reduction in trade barriers can foster structural transformation, as seen in China's trade-driven shift from agriculture to manufacturing. Yet, unless countries manage to capture part of the surplus created through the integration in Global Value Chains (GVCs) and **reinvest it in productive capacities and infrastructure**, immediate gains in output and employment are unlikely to translate into a dynamic move up the development ladder[70].

Improving the economic vitality of Africa through economic infrastructure is an important priority for Africans. According to a 2024 Afrobarometer 39-country survey, unemployment was cited by 33% of respondents as top priority, management of the economy was ranked as top priority by 29%, and poverty by 12% (**Figure 9**). Overall, 84% of all respondents raised economic concerns. Public infrastructure is also a top concern, with water supply and roads (highlighted by 22% of citizens) and electricity supply 12% - in total 60% of respondents identify infrastructure issues as critical. A smaller proportion, but still large (58%), of respondents identify social service delivery as a priority, including health (29%) and education (20%). Governance issues are mentioned by 42%, including 20% prioritising crime and security and 11% citing corruption.

Figure 9: Most important problems facing Africans in 39 countries, 2021-2023



Source: Afrobarometer (2024)[71]

This analysis suggests that the problem we should focus upon solving is increasing investment in economic infrastructure to accelerate regional integration and transformative development. This has the support of the public and a robust economic rationale. Our analysis suggests that an effective way to deliver this outcome to the public is to create broad-based economic development, which will generate jobs on a large scale, and increase productivity and higher incomes. This is likely to involve stimulating a green revolution and industrial revolution. Whilst there is no requirement for Africa to dogmatically follow the development path initiated in Europe from the 1750s and Asia from the 1990s, it is critical that African economies increase productivity to successfully achieve this transformation.

It is important to improve road, rail and energy infrastructure to achieve both revolutions. Farm productivity will not increase without the infrastructure to increase the availability of agricultural inputs and to efficiently transport surplus agricultural production to the market. Manufacturing also requires robust logistics and available energy to bring input to the factory efficiently, power production and to distribute finished products. There will be a need to increase access to finance for entrepreneurs to enable the investment in agriculture and non-farm activities required to raise productivity. This is not an argument that investment in social infrastructure is without merit. Indeed, there is a huge social infrastructure need on the ground to support human capital development (health, education, sanitation). Strengthening human capital is important to support the economic infrastructure development and maintenance. An intelligent mix of both economic and social infrastructure will be key in accelerating change and ensuring sustainability of projects.

The Importance of regional integration: Integrating the African continental economy is important to avoid perpetuating Africa's neo-colonial pattern of trade and vulnerability. The AfCFTA is a sound and necessary idea to overcome the economic smallness of individual African states constraining their development trajectories and, specifically, incentivise investment in productive facilities that require a larger-than-national source of market demand.

The African Continental Free Trade Area (AfCFTA) is actively being implemented, with 48 out of 54 signatory countries having ratified the agreement as of February 2025[72]. The trading

stage has commenced, with various products like value-added coffee from Rwanda and batteries from Kenya already being traded under the agreement. Key protocols on investment policy, intellectual property rights, and competition policy have been endorsed to facilitate market operations. The AfCFTA Secretariat has launched the Guided Trade Initiative to expand the range of products and participating countries, enhancing trade across the continent. Additionally, the Pan-African Payment and Settlement System allows countries to trade in their own currencies, simplifying transactions and reducing reliance on foreign exchange. The AfCFTA aims to create a single market for goods and services across Africa, boosting intra-African trade and economic integration.

Despite the above progress, more needs to be done by member countries and key funding stakeholders to prioritise implementation of trade by leveraging AfCFTA protocols and frameworks, and to transparently and regularly share progress to encourage funders to support and scale investment based on priority corridors that have proven to work

The case for Europe working with Africa to support the implementation of the AfCFTA is four-fold, as highlighted in earlier sections. First, it is a developmentally sound strategy that, if implemented effectively, can deliver transformative economic benefits for African people, and Europe, as Africa's largest trading partner, could also benefit from a more integrated and prosperous Africa. Second, almost all African governments have signed up for regional economic integration and most African people support improving economic infrastructure. Third, the AfCFTA has important additional non-economic benefits. These include directly redressing some of the insidious effects of the European 'scramble for Africa' in the 1880s and supporting the strengthening of a pan-African identity in Africa.

Fourth, this is a unique capacity of the European Commission. Since 1993, Europe has developed one of the world's largest and most successful single markets across 27 member states and 4 other states with highly diverse economies[73], people and culture. The European Commission has world-leading practical expertise both in hard infrastructure investments and softer regulatory and capacity building support which would be invaluable to the AU, seeking to accelerate implementation of the AfCFTA and open up avenues for much needed financing for sustainable, transformative and holistic infrastructure programmes in Africa.

Investment in digital public infrastructure (DPI), including capabilities such as for identification, payments, and data sharing, will help accelerate the implementation of the AfCFTA and boost opportunities offered by regional integration in Africa. DPI includes internet connectivity, devices, servers, data centers, the Cloud, and routers and enables applications across various sectors, including information systems and solutions to different verticals, e-commerce, social protection, remote education, and telehealth. Many African countries, including Benin, Ghana, Kenya, Nigeria, Rwanda, South Africa, Uganda, have invested in DPI systems as strategic instruments for public service delivery to citizens. Country-led DPI investment projects in Africa include Kenya's Huduma Kenya, Uganda's NBI-EGI[74] programme, Benin's Digital Transformation Strategy, Ghana's e-Transform programme, Nigeria's Mobile Identity Systems. In all, according to the UN Office of the Special Advisor on Africa (OSA), the African Continental Free Trade Area (AfCFTA) can benefit from DPI by supporting cross-border data flows, payment systems, and digital identity frameworks[75].

3. The EU global gateway as a catalyst for Africa's infrastructure development

3.1. OBJECTIVES OF THE GLOBAL GATEWAY

Can the EU Global Gateway be better aligned with African priorities?

Considering Africa's development aspirations and challenges explained in the previous sections, the European Union's Global Gateway emerges as a potential catalyst for addressing Africa's infrastructure needs while aligning with its development goals. **Global Gateway** is a European strategy to boost smart, clean and secure links in digital, energy and transport sectors and to strengthen health, education and research systems across the world. Between 2021 and 2027, Team Europe[76] aims to mobilise up to €300 billion of investments for sustainable and high-quality

projects, considering the needs of partner countries and ensuring lasting benefits for local communities. This will allow the European Union's (EU) partners to develop their societies and economies but also create opportunities for the EU Member States' private sector to invest and remain competitive, whilst ensuring the highest environmental and labor standards, as well as sound financial management[77].

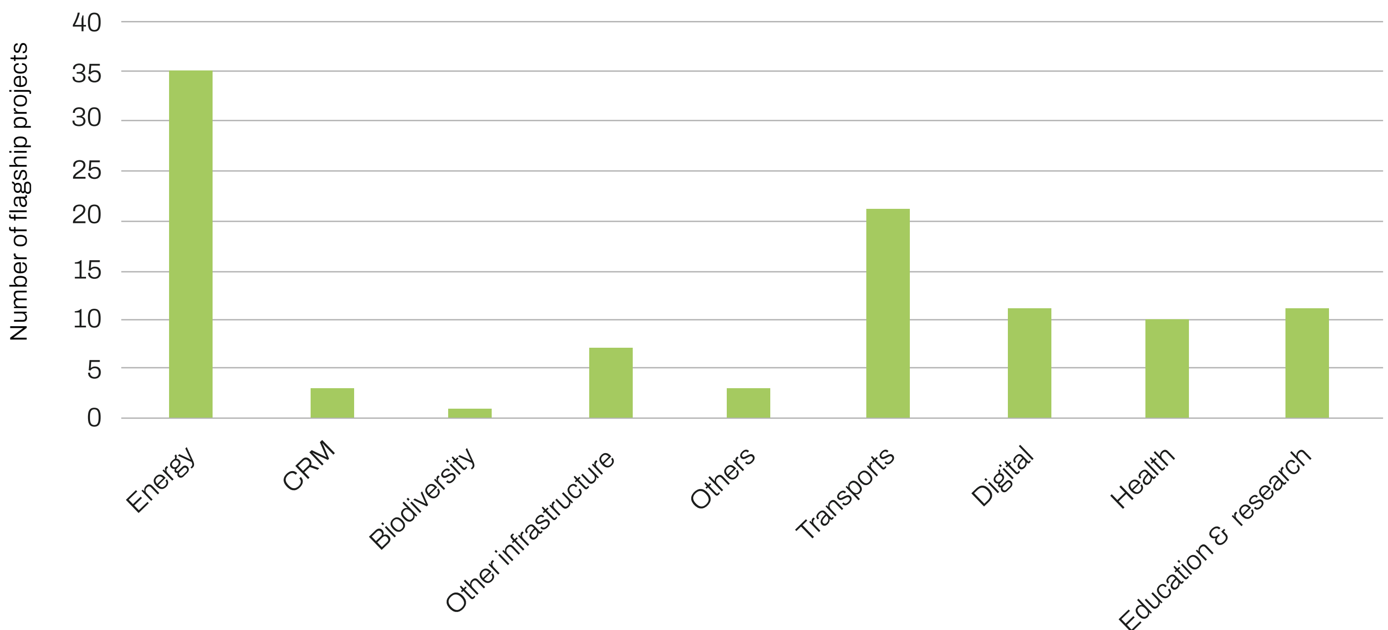
Global Gateway is positioned as the EU's contribution to narrowing the global investment gap worldwide. It is in line with the commitment of the G7 Partnership for Global Infrastructure and Investment (PGII), which represents the commitment of G7 leaders from June 2021 to launch a value-driven, high-standard and transparent infrastructure partnership to meet global infrastructure development needs. Global Gateway was also designed to be aligned with the UN's Agenda 2030 and its Sustainable Development Goals, as well as the Paris Agreement. Half of Global Gateway is dedicated to Africa (i.e., **the Africa-Europe Investment Package**) and is worth approximately €150 billion of investment dedicated to bolstering cooperation with African partners[78]. By fostering partnerships that prioritise sustainable investments in critical sectors such as climate and energy, transport, digital connectivity, human development, health, education, and research, Global Gateway can play a pivotal role in supporting Africa's journey toward achieving its ambitious objectives.

The EU has adopted a priority corridor approach as a programmatic tool for its investments in Africa. In this context and in line with the ambitions of the Programme for Infrastructure Development in Africa (PIDA), Global Gateway promotes investment in twelve (12) priority corridors on the continent and their broader ecosystem[79]. It is envisaged that investment in these corridors will have a higher development impact and make a difference in the quality of the infrastructure delivered by the EU in Africa. The Global Gateway is linked to the European Green Deal[80], which aims to support more clean and efficient corridors through the promotion of multi-modality and climate ambitions. The premise of these initiatives is that increased demand for transport in Africa should be paired with reduced environmental impacts and climate-resilient infrastructure.

What EU-Africa flagship projects have been identified?

Until now, 264 flagship projects have been identified, 138 of which are in Africa[81]. The African projects have a very strong focus on climate and energy projects, almost half of the total, with the other flagships spread across transport, digital, education and research and health (**Figure 10**).

Figure 10: Sectoral breakdown of African flagship projects (2023 & 2024)

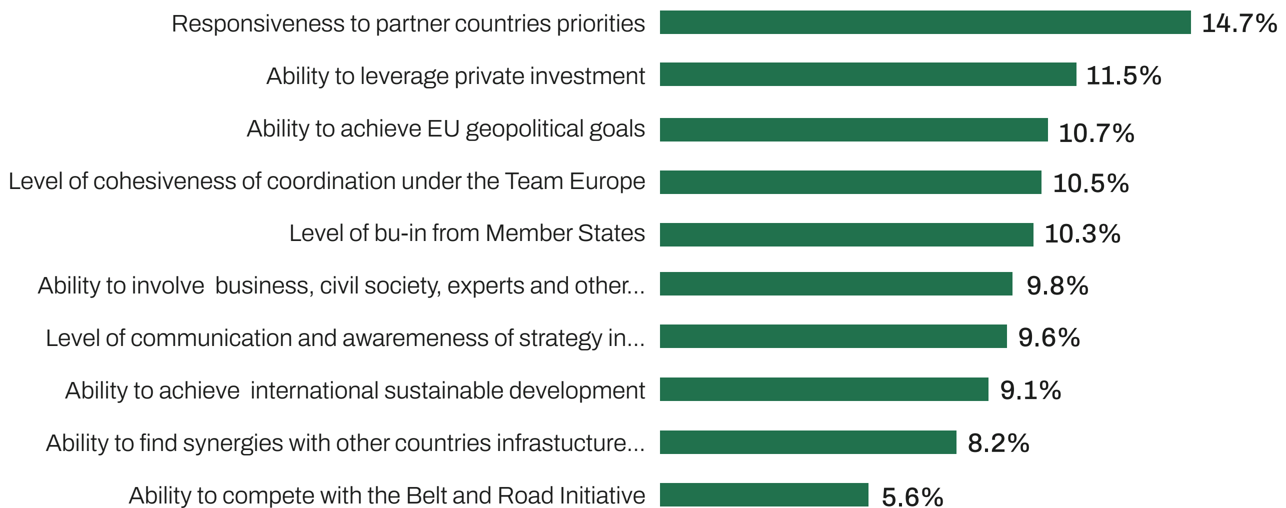


Source: Bilal and Teevan (June 2024)[82]

The African flagship projects are a diverse portfolio. Some of these appear genuinely strategic for instance, the high voltage electric interconnection between the Europe and Egypt, Europe and Tunisia, and between Zambia, Tanzania and Kenya; supporting hydrogen plants in Morocco, South Africa and Namibia; hydropower dams in Cameroon, Rwanda, Uganda, Burundi, Zambia, Tanzania, Mozambique and DRC; fibre optic cable across Central and Southern Africa; Critical Raw Materials (CRM) partnership in DRC, Tanzania and Zambia; Lobito Corridor and port rehabilitation in Senegal, Cape Verde, Gambia and Congo. These are projects where, even without project details, it is possible to construe significant mutual interest between Europe and Africa and development impact in Africa.

Figure 11 highlights the need for better transparency for the Global Gateway[83], as it is currently difficult to access detailed information about the flagship projects, in aspects such as why projects were selected, their sponsorship structure, or where projects are in the project pipeline.

Figure 11: Expert ranking of critical uncertainties of Global Gateway, 2024

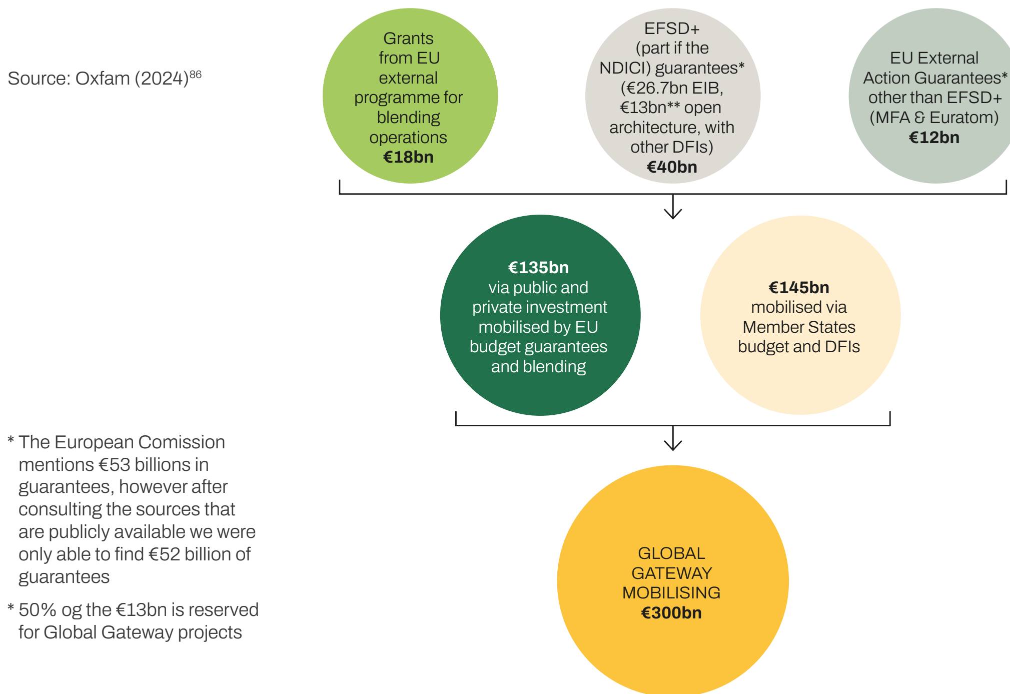


Source: European Parliament (May 2024)[84]

The financing arrangements for the GG are almost visibly complicated, as shown in Figure 12[85]. At the heart of critiques has been the failure of GG to explain how the strategy can support the alignment of European and African interests and reconcile commercial and development motivations. GG need to develop stronger linkages with African leaders, CSOs, African businesses and private sector players, and European private sector operators and financiers all of whom should be critical stakeholders.

Figure 12: Financial structures for the Global Gateway

Source: Oxfam (2024)[86]

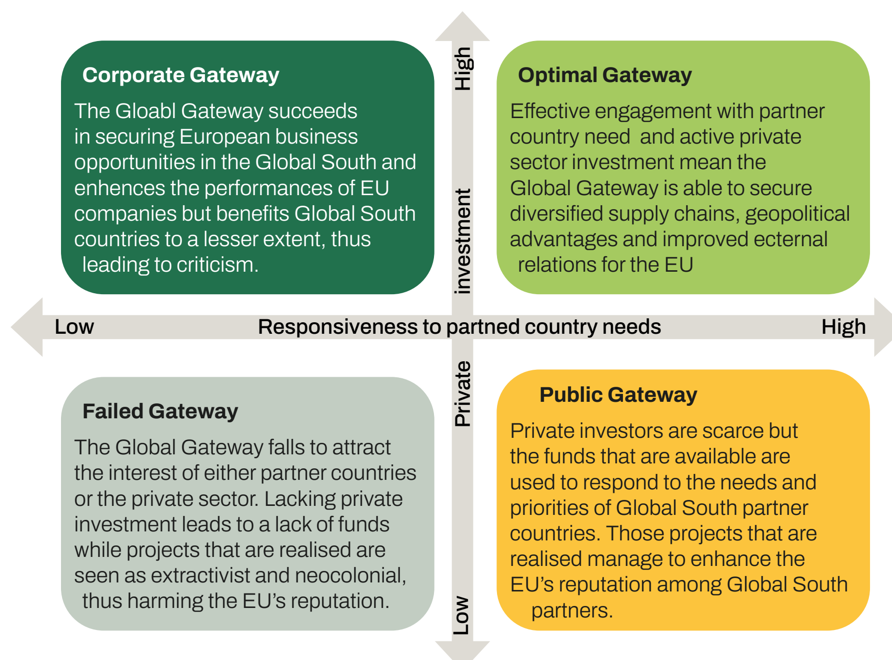


* The European Comission mentions €53 billions in guarantees, however after consulting the sources that are publicly available we were only able to find €52 billion of guarantees

* 50% og the €13bn is reserved for Global Gateway projects

The European Parliament has undertaken scenario planning based upon input from experts on the Global Gateway (**Figure 13**). The two axes represent the two primary critical uncertainties identified that could impact the future of the Global Gateway. The 'optimal gateway' scenario is the outcome of GG becoming more responsive to partner country's needs and private investors. The other three scenarios examine the likely outcome of failing to achieve either, or both, critical uncertainties.

Figure 13: Future scenarios for Global Gateway



Source: European Parliament (May 2024)[87]

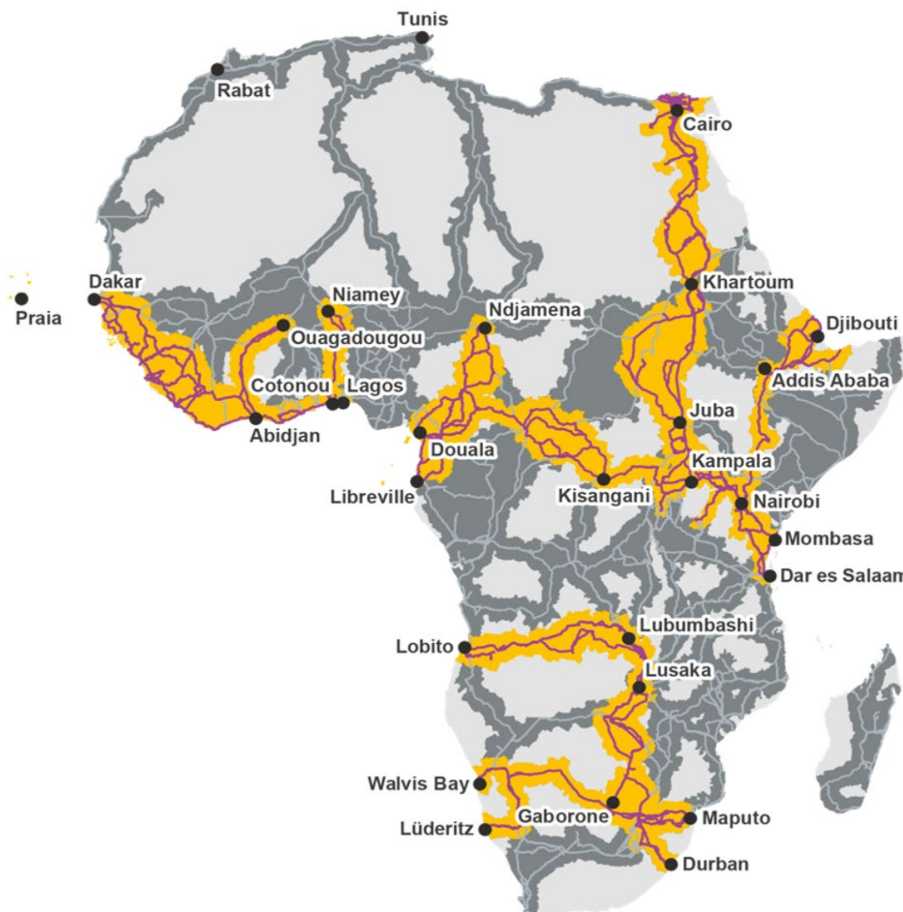
3.2. THE NEXUS BETWEEN EU GLOBAL GATEWAY AND AFRICA'S PRIORITY PROJECTS

Overall, the EU Global Gateway (GG) is positioned as a pivotal mechanism in the EU-Africa partnership to address Africa's critical infrastructure deficits in key sectors such as transport, energy, and digital connectivity. As outlined in the initiative's framework, approximately €150 billion of the total €300 billion budget is earmarked for projects in Africa, emphasising the EU's commitment to enhancing the continent's infrastructure landscape. Specific sectors addressed by the GG include Transport Infrastructure, Energy Infrastructure, and Digital Connectivity. The choice of these sectors demonstrates a high degree of alignment between GG projects and Africa's priority infrastructure projects as defined in the Programme for Infrastructure Development in Africa (PIDA) and the Continental Power System Masterplan (CMP).

In line with PIDA priorities, GG also aims to develop and upgrade transport networks across Africa, facilitating trade and economic integration. Such projects as the Praia-Dakar-Abidjan corridor are designed to enhance regional connectivity by improving road and rail systems, thereby reducing transportation costs and time (**Figure 14**). The initiative places a strong emphasis on sustainable energy solutions. The Africa-EU Green Energy Initiative aims to develop 300 GW of renewable energy by 2030, which includes investments in solar, wind, and hydrogen projects. This is particularly crucial for addressing energy access issues that affect millions of Africans. And, in a rapidly digitalising world, enhancing digital infrastructure is vital for economic growth. GG seeks to improve internet access through projects that establish fiber-optic networks and data centers across Africa. This digital transformation is expected to empower local economies by fostering innovation and entrepreneurship while ensuring that remote areas are connected.

Sustainable infrastructure is an important component of the continent's sustainable development objectives, aiming to meet current needs without compromising the ability of future generations to meet their own needs. The alignment of the Global Gateway with the Sustainable Development Goals (SDGs) is therefore a critical aspect of the continent's human development objectives.

Figure 14: Global Gateway Priority Corridors in Africa



Source: EU

Although Africa has ubiquitous infrastructure needs across all countries and sectors, trade corridors that will support international trade and strengthen regional economic integration remain key factors. To effectively stimulate enterprise, this corridor infrastructure will need to include energy, water, and digital infrastructure. However, successful implementation will require ongoing engagement with African stakeholders to ensure that projects reflect local priorities and foster genuine partnerships that benefit both continents.

4. Implementation strategies of global gateway projects

4.1. THE PROGRAMME FOR INFRASTRUCTURE DEVELOPMENT IN AFRICA (PIDA) AS FRAMEWORK FOR IMPLEMENTATION

A key framework guiding infrastructure development in Africa is the Programme for Infrastructure Development in Africa (PIDA). PIDA was officially launched in July 2010, in Kampala, Uganda, when the 12th Assembly of African Heads of State and Government adopted a Declaration (Assembly/AU/Decl.1 (XII)) requesting the African Union Commission (AUC) to formulate the programme. Subsequently, in 2012, PIDA was adopted as the continental master plan for infrastructure development for the period 2012-2040.

PIDA provides a strategic framework for priority projects aimed at transforming Africa through the construction of modern infrastructure to strengthen the continent's competitiveness and integration into the global economy. The first PIDA Priority Action Plan (PIDA PAP 1) consisted of projects and programmes to be implemented in the short (2012 – 2020) and medium term (2020 – 2030). PIDA PAP 1 was made up of 409 projects that were part of 51 programmes in the areas of energy (15), transport (24), water (9) and Information and Communication Technology (ICT) (3). PIDA was also designed to accommodate additional projects to meet the long-term infrastructure requirements of the continent (2030 – 2040).

In 2021, African Heads of State and Government adopted the second Priority Action Plan for PIDA (PIDA PAP 2) with 69 projects in the areas of transport (28), energy (18), water (12) and ICT (11) to be implemented between 2021 and 2030 at an estimated cost of US$ 160.8bn. PIDA PAP 2 was developed based on an integrated corridor approach and is accompanied by an implementation strategy, a financing strategy and a partnership strategy. The integrated corridor is an updated definition of the classical corridor and entails the deliberate planning and preservation of protected areas and infrastructure networks, as well as the interconnectivity of rural and urban areas to mitigate unequal access to infrastructure and related services, and the inclusion of gender sensitive policies that underscore equal infrastructure resource allocation.

As highlighted in **Table 2**, there is already a great deal of alignment between GG projects and those under PIDA. The AU-EU cooperation in implementing these projects can therefore further be bolstered through higher levels of engagement on the ground. The two regions can coordinate their infrastructure connectivity aspirations and policies for the purpose of mutual benefits. These benefits could be through deepened African regional integration and intra-African trade on the one hand, and opportunities for the EU Member States' private sector to invest and remain competitive, whilst ensuring the highest environmental and labour standards, as well as sound financial management on the other. These benefits are best achieved by using Africa's regional programmes as building blocks for the Global Gateway.

Table 2. Alignment Between PIDA and Global Gateway Projects.

Project Number	Project Title	REC	Countries Involved	Sector / Sub-Sector	Last Mile-stone Known	Project Cost (US$ m.)
PIDA	Abidjan-Lagos Corridor Highway Development Project	ECOWAS	Benin - Cote d'Ivoire - Ghana - Nigeria -Togo	Transport / Road	S2B - Feasibility	7.045,00
EU-GG1	Abidjan-Lagos		Cote d'Ivoire, Ghana, Togo, Benin, Nigeria			
PIDA	Regional Abidjan-Ouagadougou-Niamey-Cotonou-Lome railway loop project	ECOWAS	Benin - Burkina Faso - Cote d'Ivoire -Niger - Togo	Transport / Rail	S1 - Project Definition	5.402,90
EU-GG2	Abidjan-Ouagadougou		Cote d'Ivoire, Burkina Faso			
EU-GG4	Cotonou-Niamey		Benin, Niger			
PIDA	Praia-Dakar-Abidjan Multimodal Transport Corridor	ECOWAS	Cape Verde - Cote d'Ivoire - Gambia -Guinea - Guinea-Bissau - Liberia – Senegal - Sierra Leone	Transport / Road	S2B - Feasibility	21.070,00
EU-GG3	Dakar-Abidjan		Senegal, Gambia, Guinea-Bissau, Guinea, Sierra Leone, Liberia, Cote d'Ivoire, Cabo Verde			
PIDA	Project for the construction of the bridge over the Ntem river located on the Kribi-Campo-Bata Transnational Road linking the Republic of Cameroon and the Republic of Equatorial Guinea	ECCAS	Cameroon - Gabon	Transport / Road	S3B - Transaction Support & Financial Close	447,00
EU-GG5*	Libreville-Kribi-Douala-N'Djamena		Gabon, Equatorial Guinea, Cameroon, Chad, Sao Tome and Principe			
PIDA	Construction of a bridge over the Oubangui river, development of missing links in the Bangui-Kisangani-Kampala & Kisangani-Bujumburaroad corridors, and facilitation of transport, trade and transit along the two corridors	ECCAS	Central African Republic – Democratic Republic of Congo	Transport / Road	S1 - Project Definition	3.492,00
EU-GG6*	Douala-Kribi-Kampala		Cameroon, Central African Republic, Democratic Republic of the Congo, Uganda			
EU-GG8*	Mombasa-Kisangani		Kenya, Uganda, Rwanda, Democratic Republic of the Congo			
PIDA	Establishment of a Navigational Line between Lake Victoria and the Mediterranean Sea-Feasibility Study Phase 2 (VICMED)	COMESA	Egypt - South Sudan - Sudan - Uganda	Transport / Inland Water Transport	S2B - Feasibility	12.000,00
EU-GG11*	Cairo-Khartoum-Juba-Kampala		Egypt, Sudan, South Sudan, Uganda			

Note: * Potential overlap between PIDA and Global Gateway project

4.2. IMPLEMENTATION EXPERIENCE AND LESSONS LEARNED

REGIONAL APPROACH VS NATIONAL LEVEL IMPERATIVES

Infrastructure development in Africa is a dynamic process that requires keen awareness of the existing gaps and needs, but also the policy, political, and capacity landscape within investment operations are to be conducted, with necessary attention paid to the national, sub-regional and regional level specificities. As a matter of policy, the prevailing consensus in Africa for instance leans toward developing visions of large corridors of infrastructure projects within the framework of the continent's regional integration strategy, in order to overcome the challenges of small domestic markets.

During the November 2024 PIDA Week, participants highlighted the unique complexities of regional infrastructure projects in Africa, reflecting diverse histories, geographies, social contexts, and economic missions. Regional projects often face hurdles related to coordination among multiple stakeholders and integration across borders. Participants at the 2024 PIDA Week also emphasized the interconnectedness of African and European infrastructure priorities, pointing out that Africa's vast renewable energy potential, coupled with Europe's energy transition goals, presents an opportunity for deeper collaboration through initiatives like the EU-Africa Global Gateway and the Programme for Infrastructure Development in Africa (PIDA), as the two programmes align with shared visions for sustainable development and strategic autonomy for both continents.

While regional infrastructure development remains an important tool for regional integration in Africa, it is equally important to be mindful of the needs of individual countries. Infrastructure investments tend to be more effectively implemented at the national level due to various challenges associated with regional projects, such as coordination difficulties and competing national priorities. From a political perspective, countries are often incentivised to focus on maximising local benefits, which can deprioritise transnational initiatives that yield greater overall shared advantages. National governments may be under pressure to impose local content requirements (LCR) on investment projects, while many countries' laws may need to be modified in alignment with regional legal frameworks such as the PIDA Model Law for Investment in Transboundary Infrastructure, approved for domestication in African countries.

The PIDA Model Law is a veritable tool that effectively responds to many of the factors responsible for the lukewarm private sector interest in investing in transboundary and corridor infrastructure, including security of investment and project ownership.

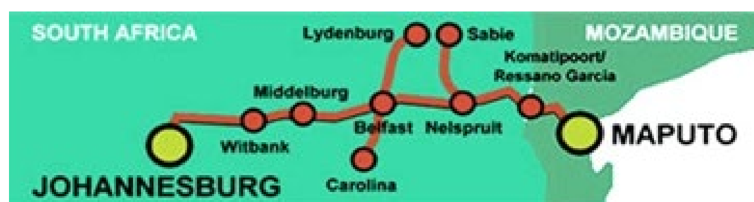
Despite the hurdles, regional and transnational projects are crucial for achieving the strategic objectives outlined in Africa's development agenda. To maximise the impact of regional initiatives, it is vital to ensure alignment with funders and foster co-ownership with key African stakeholders throughout the programme lifecycle focusing on regional actors (RECs, AUDA-NEPAD, etc).

Transport Corridor Case Study:
The Maputo Development Corridor

The Maputo Development Corridor is widely regarded as the most successful Spatial Development Initiative in Africa. It was implemented in shortly after democracy in South Africa in 1994 and was based upon clear developmental, commercial and political priorities. In the mid-1990s, South Africa was the most affluent country is Sub-Saharan Africa while Mozambique, after the end of the civil war, had the lowest GDP per capita on the continent.

Box 5 illustrates the details of the Maputo Development Corridor.

Box 5: The Maputo Development Corridor



The aim of the Maputo Development Corridor (MDC) was to develop the development potential along the 550 km route between the industrial hub of Gauteng and the port in Maputo. From the onset, the aim was to create a development, rather than a transport corridor. There was significant private sector investment in the toll road connecting Gauteng to Maputo, the port at Maputo and several mega investment projects, including the Mozal aluminium smelter near Maputo. By 2022, 30 million tonnes of freight passed along the corridor. The success of the MDC is due to its limited scope (two countries and short distance), the alignment of national and cross-border interests at a critical juncture in both countries' histories and strong private sector buy-in. However, the success of the MDC is not unequivocal, there have been challenges with the road concession, environmental and social issues, on-going difficulties with the operation of the border post and some evidence that larger businesses have benefited more than small SMEs along the Corridor.

THE POLITICAL ECONOMY AND THE NEED FOR COORDINATION IN INFRASTRUCTURE INVESTMENT STRATEGY IN AFRICA

There are many constraints that may influence the successful implementation of infrastructure investment in Africa, including capacity challenges, economic and financing factors, institutional and political considerations, and even socio-cultural factors. Likewise, there is a diversity of stakeholders, including regional authorities, national governments, legislative bodies, local authorities, other international partners, the private sector, Corridor Authorities, and civil society who may constitute barriers (potentially causing long and costly delays in project implementation) or facilitators of successful infrastructure investment in Africa.

The World Bank-guaranteed West Africa Gas Pipeline Project (WAGP)[88] was a well-known example of this. The project, implemented in the early to mid-2000s, involved building a gas pipeline extended from Nigeria, through Benin and Togo, to Ghana. It was at first beset with major resistance from civil society organizations, local communities, and even national-level actors causing the project to experience long delays in implementation. Solutions included instituting a framework for consistent and coordinated dialogue with the various stakeholders, particularly affected local communities, conducting more rigorous environmental and socio-economic impact assessments, developing corporate social responsibility (CSR) strategies, which included investing in local development projects, and identifying and supporting local initiatives.

Recognising these dynamics is therefore fundamental to the success or failure of infrastructure investment on the continent; hence the importance of developing a strong coordination mechanism as a precondition for implementation of infrastructure projects. Such coordination mechanism should target all potential stakeholders in the project at the regional, national, and local levels, and from technical, financial, political, social and cultural sectors. It should be aimed at achieving buy-in from all stakeholders and operational alignment with policy orientation from the start. Often this implies working with government, the legislative body, and other appropriate stakeholders to take early action on harmonisation of the regulatory framework with the requirements of the proposed infrastructure project. In case of a regional project involving multiple countries constant and coordinated dialogue and alignment across countries and across regional communities and other actors must pursue and maintained throughout the development and implementation of the project to avoid negative backlash to the project in the middle of implementation.

Case Study: The Ethio-Djibouti Corridor

The Ethio-Djibouti corridor illustrates the importance of improving logistics performance, but the difficulties of delivering change. Despite heavy infrastructure investment with the EDR and port, strong policy support from the AU with the AfCFTA since 2012 and the high costs of poor performance on Ethiopians, corridor performance remains very poor. The binding constraint appears to be securing the political will and authority to drive through reforms in the operation of infrastructure and regulating politically powerful interests like trucking businesses and ports and border posts, to enable infrastructure to work efficiently. The poor performance of the Ethio-Djibouti corridor illustrates the gulf between the bold ambition of the AfCFTA and the reality of the trade link between Addis Ababa (HQ of the AU) and Djibouti port, just 750 km away.

Box 6: Case study of Djibouti Port-case for planning for Geo-political sustainability planning

In 1993, with Eritrean independence, Ethiopia became the world's most populous land-locked nation. 130 million Ethiopians depend upon the effectiveness of the 750km trade corridor between Addis Ababa and Djibouti port for more than 90% of their exports and imports. Unfortunately, this corridor is performing poorly. Djibouti container port has dwell times ten times the global average of 3 days, the port ranked 379th out of the 405 container ports assessed by the World Bank in 2023 and port handling costs are very high by global benchmarks. Ethiopia's annual payments to Djibouti of $1.5bn equate to about 38% of Djibouti's macro-economy. The Ethio-Djibouti Railway (EDR) completed by the Chinese for freight transport in 2018 at a cost of about $4.5 billion, is performing badly. Due to a lack of spare parts, electrical outages on the line and poor management in the past, the railway is operating at 19% utilisation of its capacity - despite being half the cost of trucking. As a result, 90% of freight moves between Djibouti and Addis Ababa on very expensive, aging and inefficient trucks and through inefficient dry ports. As a result, it currently costs $3,000 to $3,500 to move a 20-foot container along this corridor using trucks, imposing significant costs on Ethiopian exporters and importers. Despite Ethiopia's economic and demographic size compared with Djibouti and Djibouti's dependence on Ethiopia's port revenue, Ethiopia has been unable to require better performance from Djibouti. Ethiopia is currently risking geo-political wrath from Somalia, Eritrea, most Gulf states and China, the US and EU by developing a new port in Somaliland at Berbera.

Source: Agora Global (Dec 2024) Market systems analysis and training needs assessment for the logistics sector in Ethiopia.

LEVERAGING POTENTIAL SYNERGIES

From an African perspective, three strategies could be pursued to ensure that the Global Gateway is of mutual benefit to the continent of Africa and Europe. Synergies could be built between Global Gateway and Africa's regional infrastructure programmes by promoting the implementation of projects in these programmes that are also part of the Global Gateway. This could be a model for 'win-win' cooperation as it would not only help Africa to fast-track the implementation of selected priority projects but also support the hastened achievement of the objectives of the Global Gateway.

Africa could promote projects linking national and rural networks with corridors that facilitate international imports and exports. Such projects ensure that the impact of cross-border infrastructure is not restricted to international trade, in this case trade between Africa and Europe, and that national producers also benefit. They also enhance trade of regional products (intra-African trade) and allow the full potential for economic growth to be harnessed.

EU could be involved in Africa's regional projects that may not necessarily link concerned African countries directly to Europe in an optimal manner but could be of interest to EU for reasons other than trade and physical connectivity. This could include projects that provide investment opportunities to European companies.

IMPORTANCE OF EFFECTIVE COLLABORATION

Several projects exemplify successful collaboration between the EU and African nations, particularly in the realms of renewable energy, transport corridors, and digital infrastructure. These include:

1. **Digital Transition:** One notable project is the MEDUSA submarine 7,100 km optical fiber cable in the Mediterranean which will upgrade the digital connectivity of Morocco, Tunisia, Algeria and Egypt with European countries. MEDUSA will increase the speed of internet in about 500 North African Universities, education institutes and research centers.

2. **Transport Corridors:** The East African Railways project, which aims to modernize and expand rail networks connecting Kenya, Uganda, and South Sudan, is another example. Funded partly through Global Gateway, this project seeks to improve trade efficiency and reduce transportation costs across the region. By enhancing connectivity, it supports regional economic integration and aligns with Africa's Agenda 2063 goals for infrastructure development.

3. **Digital Connectivity Projects:** The African Digital Transformation Strategy, supported by the Global Gateway, focuses on improving internet access across the continent. Projects include expanding fiber-optic networks and establishing data centers in countries like Kenya and Ghana. These initiatives aim to bridge the digital divide, enhance e-governance, and promote digital entrepreneurship, thereby fostering economic growth through technology.

4. **LAMU Port-South Sudan-Ethiopia Corridor (LAPSSET)[89]:** From relative obscurity as a Presidential Infrastructure Champion Initiative (PICI) project, LAPSSET has become one of the most successfully-implemented corridor projects in Africa due to three factors: a predictable budget by project owners (Kenya integrated LAPSSET into its Agenda 2030, thereby ensuring regular budgetary allocation to sustain the projects and inspire accelerated action in Ethiopia and South Sudan); a regular monitoring by a ministerial council which, inter alia, mandated the establishment and activation of the LAPSSET Business Council and, thirdly, series of intense stakeholder consultations which resulted in goodwill and understanding by a public that had been negative and suspicious of the corridor from inception. These minimum factors are useful lessons in scaling up successful corridor projects.

5. **Public-Private Partnerships (PPPs):** PPPs have proven to be effective in mobilising private sector capital, expertise, and efficiency. Successful examples include the Nairobi Expressway in Kenya, the Dakar-Thiès Expressway in Senegal and the Lekki toll road in Nigeria. Also in Nigeria, the Lekki Deep Sea Port is one of the largest infrastructure projects in West Africa exemplifying the effectiveness of PPPs in financing and executing large-scale infrastructure projects.

6. **Regional Integration:** Collaborative infrastructure projects across borders can enhance trade, reduce costs, and promote economic growth. Examples include the Trans-African Highway network and the East African Community's infrastructure projects. The Lobito corridor project, connecting Angola, the Democratic Republic of Congo and Zambia is also a notable example of regional cooperation.

7. **Sustainable and Resilient Design:** Incorporating climate resilience and sustainability into infrastructure projects is crucial for long-term viability. The Lamu Port-South Sudan-Ethiopia Transport Corridor (LAPSSET) in East Africa is a notable example of a project considering environmental impacts.

The implementation of these projects highlights key lessons for future Global Gateway projects, including the importance of stakeholder engagement, as seen in the Noor Ouarzazate project, where local input shaped operational strategies; the need for flexibility, exemplified by the East African Railways project's ability to adapt to shifting governance and economic conditions; and a strong sustainability focus, ensuring long-term viability and compliance with international standards, particularly in renewable energy projects.

4.3 MONITORING AND EVALUATION OF GLOBAL GATEWAY PROJECTS

Monitoring GG projects and conducting impact assessments are necessary steps in the GG project implementation strategy. Regular monitoring and evaluation can help to identify areas for improvement and ensure that projects are delivering the expected benefits. Impact assessments are also crucial in measuring commitment and strengthening accountability.

An example of existing assessment tools specific to infrastructure is the AfDB Infrastructure Development Index (IDI), which is a composite index of nine measures of the state of electricity, transport, information and communication technologies, and water and sanitation in an area. Applying this indicator on a regional scale, AfDB's finds that the overall Africa score stands at only 0.220 out of 1, with many countries scoring near zero. More specifically, the finding is that the infrastructure of 31 countries can be considered poorly integrated, with only 11 African countries having infrastructure that is moderately well integrated in their region[90]. For Global Gateway, indicators of impact and success may include the following considerations:

- The extent to which GG projects have addressed the specific needs and priorities of African countries including integration of local input.
- Demonstration of the clear value proposition of GG distinguishing it from other similar major infrastructure initiatives in Africa such as China's Belt and Road Initiative (BRI).
- Continuous assessment of the long-term environment and social impacts of GG-funded projects to ascertain alignment with GG's sustainable development principles.
- Evaluating the extent to which GG infrastructure projects are aligned with complementary initiatives, such as regional trade policies, regional infrastructure programmes through a dedicated regional interlocuter, workforce training based comprehensive skill gap diagnostics and regulatory frameworks, to enhance sustainability and impact.

5. Priority areas of action

Priority actions to improve the financing of African infrastructure emerging from the paper's analysis and discussion are included here in three different categories: for African governments, for the European Commission and for multiple stakeholders:

AREAS OF ACTION FOR LEVERAGING AFRICA'S COMMITMENT TO SUSTAINABLE DEVELOPMENT

- **Enhancing domestic resource mobilisation:** African governments should continue to strengthen their domestic resource mobilisation capacity and speak with one voice on on-going reforms of the international finance architecture and global tax negotiations, in order to bolster their funding ability in a sustained, reliable and predictable manner. These alternative means of expanding the fiscal space will require African countries to make bold policy choices, which will undoubtedly encompass a shift from traditional foreign-aid-focused strategies to reliance on more domestic driven development finance and investment strategies.

Recognising that climate is a primary obstacle to development, there is a need to shift investors' perception towards environmental and climate sustainability initiatives. This will be accomplished by challenging the business-as-usual approach regarding risk evaluation in order to de-risk sustainable investment and rechannel capital towards climate resilient projects. This means also challenging the behavior of credit rating agencies towards certain countries.

Strengthening the AU/EU support for member state governments to improve tax design and increase capacity to collect taxes is also highly recommended. Furthermore, to incentivize performance, it is recommended the AU issues guidance to target a tax to GDP ratio which is tough but achievable (suggest 19% as achieved in Asia-Pacific in 2020) and monitor progress towards achieving this target. Potential investors could consider using tax/GDP ratios of individual countries to determine their cost of capital for investment in these countries (i.e. lower tax/GDP ratio = higher cost of capital) to incentivize governments to take rapid and effective action to increase their domestic tax revenue[91].

- **Strengthening Africa-Europe Collaboration on IFF:** African and European governments should collaborate further to prevent, track, halt and repatriate illicit financial flows to reduce the volume of IFFs leaving Africa each year. This can be through Country-By-Country Reporting (CBCR) for all, through not only lowering CBCR thresholds, but participation of all high income countries in CBCR processes; scaling of proven capacity sharing measures based on skills gap diagnostics; leveraging innovative technology like AI and big data analytics to track, monitor trends and proactively curb IFFs; revise asset repatriation frameworks and find innovative and more efficient ways to return illicit assets and promoting constructive dialogues over unproven unliteral power decisions (black listing) by developed countries.

- **Scale-up Africa's Connectivity and Sovereignty of Digital Infrastructure Development:** The 2024 Ibrahim Index of African Governance points to substantial progress in Africa's mobile connectivity and internet access over the last decade, driven by investments in broadband and mobile networks. However, Africa should now expand this foundation by introducing more innovative solutions, such as increasing broadband access via fiber optic and satellite technologies, to improve connectivity in underserved regions and ensure more inclusive digital growth. Both Africa and Europe should focus on concrete regional and continental projects aimed at developing digital sovereignty, also focusing on cloud infrastructure, through policies that encourage the creation of more data centers. This could involve: 1) facilitating easier access to land in strategic locations; 2) offering preferential tariffs for energy and water usage; 3) providing tax incentives for digital infrastructure projects and related renewable energy initiatives; and 4) promoting the use of African cloud services over those provided by global tech giants.

- **Investing in Building Conducive Environment for Long-Term Infrastructure Investment:** African governments are cognizant that internal and regional peace and stability, and strengthening good governance, transparency, accountability and appropriate regulatory frameworks are necessary conditions for attracting and retaining long-term infrastructure investment and should continue their efforts to achieve such conditions in alignment with Agenda 2063 objectives. Adopting and accelerating the implementation of exiting frameworks like the PIDA Model law), the implementing the Continental Power System Masterplan (CMP),and AfCFTA agreements are critical for regional success, along with regular progress tracking and impact measurement of the same.

- **Strengthening Local Partnerships and Ownership:** Establishing formal mechanisms for ongoing dialogue between EU and local stakeholders, including national financial institutions, businesses and civil society, can enhance trust and ensure that projects are tailored to community needs. To ensure the success of sustainable investments, it is essential for African nations to engage in co-investment, which fosters local buy-in and aligns investment agendas. However, care must be taken to avoid exacerbating the continent's debt crisis; investments should contribute to economic growth and help reduce the debt-to-GDP ratio. Weak local partnerships and insufficient dialogue between stakeholders regionally and nationally across all stages of programme design reduce trust and hinder the tailoring of projects to community needs, affecting the success of sustainable infrastructure investments due to lack of project alignment. Strong political will and support is also a precondition for a successful infrastructure project, especially of a trans-national nature where project benefits may not be immediately visible to individual communities across the region.

- **Investing in Capacity Building:** African countries should leverage available infrastructure knowledge and capacity-building hubs such as the World Bank Global Infrastructure Hub (GI Hub), and AfDB's Alliance for Green Infrastructure in Africa (AGIA), which allocates $500 million for project preparation, and other partnerships to strengthen their internal project planning and preparation capacity thereby enhancing bankable project development skills. The continent should also elevate its absorption capacity as well as transparency in projects financial resources management in order to ensure more efficient allocation of resources.

AREAS OF ACTION FOR THE EUROPEAN UNION AS A STRATEGIC PARTNER TO AFRICA THROUGH GG

- **Strengthening Collaboration on IFFs:** Africa cannot effectively reduce illicit financial flows without the close cooperation of European authorities in the destination economies. Europe should work with African tax, financial, and judicial authorities much more intensively to trace, prosecute and return the proceeds of illicit financial flows. Key suggestions include availing country by country reporting data, scaling diagnostic based and tailored capacity building that's fit for purpose, choosing effective dialogue over unnecessary blacklisting of countries, and improving or leveraging innovative illicit asset repatriation processes, for example through using frozen and confiscated assets in their possession as debt collateral, given the painstaking process of asset recovery.

- **Enhancing Partnership on Digital Public Infrastructure and Data Governance:** While new technologies offer significant benefits, the uneven pace, scale, and adoption of digital infrastructure globally, especially with dominant powers like China and the USA, pose a risk of Africa and Europe lagging behind, with emerging economies particularly affected. EU should leverage the "Accelerating the Digital Transition" component of Global Gateway through support for AU Digital Transformation Strategy for Africa and boosting investment in country-led digital public infrastructure programmes. Focusing on local capacities in data governance and supercomputing should leverage existing high-quality training programs in data, AI, cloud computing, and supercomputing across Africa.

- **Investing in Connectivity and Sovereignty of Digital Infrastructure Development:** Both Africa and Europe should focus on concrete regional and continental projects aimed at developing digital sovereignty, also focusing on cloud infrastructure, through policies that encourage the creation of more data centers. Investment should focus on the Infrastructure of the Future, fostering digital and AI development rather than outdated digital infrastructure.

- **Continuous Monitoring and Evaluation of GG Effectiveness:** Europe is encouraged to engage African policy aspirations with the same level of urgency that is consistent with the continent's pressing needs. This necessitates honest evaluation of EU aid , learning from the results and making rapid improvements to implementation modalities.

- **Enhancing Institutional Collaboration:** Whilst Europe is the largest aid donor in the world, it should recognise that aid is a small but crowded component of total infrastructure investment. As such, Global Gateway should strengthen coordination with Africa's Duly Mandated Institutions for Infrastructure Development in Africa, to ensure co-ownership of projects. Background stakeholders' consultations with AUDA-NEPAD and PIDA technical, policy, and political staff in preparation of this paper tend to reveal the need for closer coordination between EU and the two continental institutions at all Programme stages, recognizing the African Union as the dedicated Interlocutor for Africa at a regional level, in addition to national-level coordination, in the selection of GG projects to ensure closer alignment with the continent's priorities and investment agendas.

- **Supporting Regulatory Capacity Building and Leveraging Existing Legal Frameworks:** Europe has genuine capacity working with African governments on the softer, regulatory and capacity building aspects of infrastructure investment. This competitive advantage should be recognized and given prominence alongside providing the capital to support hard infrastructure. EU should consider integrating the PIDA Model Law for Investment in Transboundary Infrastructure into the Global Gateway processes. Not only was the Model Law developed at the request of African heads of state , but it also evolved from a comprehensive review of policies, laws and regulations which apply to private sector investment in PIDA projects at RECs level. Additionally, the Model Law was endorsed by the Assembly for domestication in African countries.

- **Bolstering Partnership for Accelerating AfCFTA Implementation:** Taking note of the on-going Euro 1.1 billion EU AfCFTA implementation support project through TEI, it is recommended that AU-EU collaboration in this regard be bolstered in more specifically aligning with Africa's aspirations as expressed in the AU Agenda 2063 and ensure that the impact of this very promising project is tracked and scaled.

- **Comprehensive Application of the "Team Europe" Approach:** The European Commission should apply its 'Team Europe' approach comprehensively and avoid limiting itself to the aid domain. Europe should review its own agriculture, trade and investment policies to align these with the aspirations of the AU and specifically, the AfCFTA. This will require changes to EU trade policies some of which currently penalize the processing of African exports destinated for the European market.

- **Strengthening Partnership on Global Reforms:** Europe should support Africa in addressing structural power imbalances within the broader financial system through achieving its aspiration for a more inclusive and transparent global financial infrastructure in multilateral organizations such as the UN, Bretton Woods institutions, the G7 and G20.

- **Adopting Clear, Transparent, Predictable GG Application Process:** Europe should establish a clear, transparent, and predictable process for African countries/African institutions on applying GG financing with the involvement of relevant regional and national institutions in an inclusive manner.

ACTION AT GLOBAL AND MULTILATERAL LEVEL

- **Establishing Common Definition and Criteria of 'Bankable Projects' across Funding Platforms to Enhance Bankability of African Infrastructure Projects:** To address bankability issues in African infrastructure projects, there is need to leverage existing global, regional and national platforms, private sector led or public sector led, such as **Africa Investment Platform (AIP)**, Africa Water Investment Platform, AfIDA, DBSA, WAPPP and Africa50 among others. First, the **efforts should focus on aligning terms and requirements across funding bodies, including what bankability entails across key funders**, building capacity, and scaling up selected projects. Key priorities include strengthening the design phase for bankable projects, ensuring a cross-platform consistency and coherence of criteria of bankability is applied; then, facilitating matchmaking between private and public sector funds, accelerating project development through incubator programmes, and most importantly, ensuring that there is a pool of the right skill set in place in key ecosystem points, to increase the success rate of infrastructure funding proposals. This is crucial because foreign direct investment (FDI) in Africa is low and under pressure but can be stimulated by bankable projects. Currently, 80% of African infrastructure projects fail at the feasibility and business plan stage, as seen in the report.

- **Deployment of Blended Finance by Strategically using Public Funds in both Africa and Europe** to mobilise private sector investments, by lowering the risk levels of complex infrastructure projects and tapping into available but untapped funding opportunities. It is however important to ensure that there's sufficient capacity by both Africa and European stakeholders, coupled with business engagement from both continents to ensure there's a sufficient skillset to design, implement, coordinate and assess projects within blended finance mechanisms; to widely share instances where blended finance mechanisms have worked; and to have robust evaluation, risk management and impact assessment frameworks to ensure viability of projects funded through blended finance mechanisms, and most importantly, ensure that any such arrangements do not push African countries deeper into debt, for sustainable and transformative change.

- **Strengthening Governance, Impact Assessment, and Capacity Building Frameworks:** To ensure the success and sustainability of blended finance initiatives, it is crucial to leverage the role of PDBs and DFIs in promoting transparent risk management processes and comprehensive impact assessments. These frameworks will ensure that projects are financially viable, sustainable, and aligned with long-term development objectives, while minimizing potential risks. Furthermore, PDBs and DFIs have a key role in fostering knowledge sharing and capacity building across stakeholders, particularly in Africa and Europe. Investing in targeted training programmes and facilitating the exchange of best practices will not only improve project efficiency and sustainability but also ensure projects generate long-term social, environmental, and economic benefits.

- **Support Africa's Aspiration for More Inclusive, Transparent and Participative Global Reform Processes:** Strengthening Africa-Europe cooperation on global International Financial Architecture and tax reforms will result in increased fairness and transparency in international tax and financial governance and coordination. The ongoing negotiations on a United Nations Framework Convention on International Tax Cooperation hold a promise of establishing an inclusive, fair, transparent, efficient, equitable, and effective international tax system for sustainable development, while addressing challenges to strengthening domestic resource mobilisation.

- **Increasing Engagement in Monitoring GG and AUDA-NEPAD Projects and Conducting Impact Assessments** are necessary steps in both programmes' implementation strategies. Progress monitoring and sharing publicly the status of projects can help to identify areas for improvement and ensure that projects are delivering the expected benefits. Impact assessments are also crucial in measuring commitment and strengthening accountability, while also providing a case for multi stakeholder funders to gauge what projects to prioritise and fund.

Looking forward

This paper sets out to test the hypothesis that the EU Global Gateway (GG) can become a catalyst for boosting the level of infrastructure investment in Africa, thereby strengthening the continent's sustainable development prospects and solidifying the African-Europe relationship. The findings indicate that the alignment between Africa's development aspirations and the EU Global Gateway presents significant opportunities for sustainable growth through targeted investments in infrastructure.

By addressing critical deficits in transport, energy, and digital connectivity while aligning with sustainable development goals (SDGs) and the AU Agenda 2063[95], the initiative holds promise for transforming Africa's economic landscape on the one hand, and on the other hand also presents potential benefits for Europe in terms of market penetration and access to abundant natural resources and critical minerals important for the European continent's energy transition.

Further the analysis shows that these results can indeed be achieved, provided the following conditions hold:

1. GG implementation is aligned with Africa's existing infrastructure investment frameworks, especially those that are already endorsed by African heads of state and support of African priorities in global frameworks of the G7 and G20.

2. GG projects are designed to enhance collaboration and projects that prioritise revenue generating and social impacts solutions for African countries, including supporting the AfCFTA implementation, to sustainably and transformatively grow their internal revenue and fund infrastructure projects.

3. Co-ownership and equitable partnerships are fostered across all stages of programme life cycles, from conceptualization, design, implementation, coordination and impact assessment.

4. African Governments use the GG partnership to develop innovative infrastructure investment strategies, including strengthening public-private partnership opportunities

5. The GG is placed within the framework of a multi-stakeholder approach to infrastructure investment in Africa, where all partners appreciate each other's political and economic aspirations and equitably work towards win-win collaboration for transformative change.

List of Acronyms

1.	ACF	African Climate Foundation
2.	AEF	Africa-Europe Foundation
3.	AfCFTA	African Continental Free Trade Are
4.	AfCRA	African Credit Rating Agency
5.	AfDB	African Development Bank
6.	AfSEM	African Single Electricity Market
7.	AGIA	Alliance for Green Infrastructure in Africa
8.	AI	Artificial Intelligence
9.	AIGM	African Infrastructure Guarantee Mechanism
10.	ALSF	African Legal Support Facility
11.	AU	African Union
12.	AUDA-NEPAD	African Union Development Agency-New Partnership for Africa's Development
13.	CBCR	Country-By-Country Reporting
14.	CMP	Continental Power System Masterplan
15.	CPI	Climate Policy Initiative
16.	CRM	Critical Raw Materials
17.	CSO	Civil Society Organization
18.	DBSA	Development Bank of South Africa
19.	DFI	Development Finance Institution
20.	DPI	Digital Public Infrastructure
21.	DRM	Domestic Resource Mobilisation
22.	ESMAP	Energy Sector Management Assistance Programme
23.	EU	European Union
24.	FFD4	Fourth Financing For Development Conference
25.	GDP	Gross Domestic Product
26.	GERD	Grand Ethiopian Renaissance Dam
27.	GG	European Union Global Gateway
28.	GIF	Global Infrastructure Facility
29.	ICA	Infrastructure Consortium for Africa
30.	ICT	Information and Communication Technologies
31.	IDI	Infrastructure Development Index
32.	IFF	Illicit Financial Flows
33.	LAPSSET	Lamu Port-South-Sudan Ethiopia Corridor
34.	LCR	Local Content Requirement
35.	LIBOR	London Inter-Bank Offer Rate

36.	MDC	Maputo Development Corridor
37.	NBI-EGI	National Data Transmission Backbone Infrastructure and e-Government Infrastructure (NBI/EGI) Project (Uganda)
38.	ODA	Official Development Assistance
39.	OECD	Organization for Economic Co-operation and Development
40.	OSAA	(UN) Office of the Special Advisor for Africa
41.	PDB	Public Development Banks
42.	PGII	Partnership for Global Infrastructure and Investment
43.	PICI	Presidential Infrastructure Champion Initiative
44.	PIDA	Programme for Infrastructure Development in Africa
45.	PPP	Public-Private Partnership
46.	PPPP	Public-Private-Philanthropy Partnerships
47.	RECs	Regional Economic Commissions
48.	SDGs	Sustainable Development Goals
49.	STC	Specialized Technical Committee
50.	SWF	Sovereign Wealth Fund
51.	UNECA	UN Economic Commission for Africa
52.	UNFCCC	UN Framework Convention on Climate Change
53.	UNGA	UN General Assembly
54.	WAGP	West Africa Gas Pipeline

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