

EU's Global Gateway initiative to provide access to €150bn for African infrastructure development

The European Commission recently announced investment funding for Africa worth €150bn as part of the European Union (EU) Global Gateway Investment Scheme. This funding is said to be in the form of EU combined member funds, member-state investments and capital from investment banks.



Source: [Pexels](#)

Michael Foundethakis, Baker McKenzie's global head of Project and Trade & Export Finance, and Africa Steering Committee chair, explains that the scheme is seen as a way for the EU to build influence around the world, and is considered by some to be a counter to China's Bridge and Road Initiative (BRI), which began in 2013.

"It is also intended to boost post-pandemic growth in regions that were badly economically impacted by the pandemic. Although the current conflict in the Ukraine could, of course, affect or change the dynamics and/or timing of these proposals," he notes.

Foundethakis says that the Global Gateway Africa-Europe investment package will allow the EU to support projects in priority areas on the continent, with a focus on the green transition, sustainable growth and job creation. As part of this initiative, the Commission recently announced it would invest €1.6bn to support Morocco's energy and digital transition projects.

European Commission president Ursula von der Leyen recently noted that investment in Africa should not come at a heavy cost – financially, politically, environmentally and socially, and that the Global Gateway scheme would focus on investments that were grounded in transparency, good governance and with concern for the environment and the wellbeing of the population.

Aiming for sustainable investment in Africa

Foundethakis agrees, noting that "there are considerable opportunities across Africa's different regions and countries, but not without responsibility. As well as being bankable and yielding attractive returns, it is becoming increasingly imperative that investment in Africa should be sustainable and provide ancillary benefits to local economies. Simply put, it should be net positive for the region".

Foundethakis notes further that Africa needs strong partnerships to address its development challenges and to ensure that it is able to take full advantage of the African Continental Free Trade Area (AfCFTA), a continent-wide free trade zone launched in January 2021.

“For free trade across the continent to be successful, infrastructure is urgently needed to facilitate the movement of goods and services across Africa’s borders. There is therefore an urgent imperative to address the infrastructure funding gaps in transportation, energy provision, internet access and data services, education and healthcare projects in Africa,” Foundethakis explains.

China's banks a key for capital injection in Africa

To aid Africa with its massive infrastructure needs, China has provided significant capital for key infrastructure projects in Africa in the last few years. Baker McKenzie’s IJ Global – *New Dynamics: Shifting Patterns in Africa’s Infrastructure Funding report* – shows that lending by Chinese banks into energy and infrastructure projects in sub-Saharan Africa saw a small uplift in 2020, despite the pandemic, although deal values were well below their 2017 peak. In 2017, Chinese banks lent \$11bn to African infrastructure projects, which decreased to \$4.5bn in 2018, \$2.8bn in 2019 and \$3.3bn in 2020. Overall, the figures reveal that there has been a slowdown in the number of infrastructure deals backed by Chinese investors, although they are still the biggest investors in the region. In the short term, the report notes that more targeted lending from China is expected.

Prosper Africa boosts reciprocal trade between US and Africa

“The United States has also renewed its focus on impact-building and financing strategic long-term projects in Africa, with the Export-Import Bank of the United States (EXIM) supporting infrastructure development on the continent. Last year, the US announced a renewed Prosper Africa initiative, which focuses on improving reciprocal trade and investment between the two regions.

The US is also a major player in funding African infrastructure projects. For example, according to the infrastructure report, two US development agencies – EXIM and the Overseas Private Investment Corporation – funded infrastructure projects to the value of \$4.7bn and \$3.6bn respectively, between 2008-2020,” Foundethakis notes.

The United Kingdom is also making a strong play for influence, investment and trade with Africa post-Brexit. Further to key summits in 2020 and 2021, finance is being redirected into Africa from the UK.



EU to invest €1.6bn in Morocco's green, digital transition

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Europe’s strong ties with Africa are not new. According to the [European Commission](#), the EU, its member states, and the

European development finance institutions, together known as Team Europe, are Africa's top partners. In 2018, the EU had around €239bn in foreign direct investment stock in Africa. Team Europe is also the largest provider of Official Development Assistance (ODA) in Africa.

From 2018 to 2019, it provided €17bn of ODA to the African private sector and €5bn to large infrastructure projects. In the same timeframe, the European Fund for Sustainable Development leveraged more than EUR24bn in private funds, and the European public-development banks jointly invested more than €30bn on the African continent. One of the aims of Team Europe is to assist the continent with its pandemic recovery by investing in resilient healthcare systems and local vaccine production.

“In early 2020, the European Commission published its Comprehensive Strategy with Africa, outlining the region's plans for its new, stronger relationship with the continent. The strategy document laid out five top priorities for the EU in Africa – the green transition and improving access to energy, digital transformation, sustainable growth and jobs, peace and governance, and migration and mobility.”

Foundethakis adds that African Union (AU) member nations have noted that their primary needs included support in terms of safety and security on the continent, as well help in implementing the AfCFTA, and the massive infrastructure investment it needs to be successful.

In 2020, then AU chair, Cyril Ramaphosa said in his inaugural speech that the AU needed “African solutions to African problems”, setting the tone for a deepening relationship with Europe that was balanced and to the benefit of all. The Commission acknowledged Ramaphosa's comments, saying that Africa wants to take its future into its own hands and that Europe needs a strong Africa.

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