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Assessment of tomorrow

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# Can the EU's "Global Gateway" and Italy's "Mattei Plan" compete with the "Belt and Road" initiative in Africa?

Italy's proposal to convert 235 million euros of debt into infrastructure and development projects in Africa is an important step towards changing the way the West manages financial support for the most vulnerable countries.

At the summit in Rome on 20 June, Prime Minister Giorgia Meloni and European Commission President Ursula von der Leyen presented a joint programme under the Italian "Mattei Plan" and the European "Global Gateway" strategy.

The aim is to convert debt into concrete investments over the next ten years, which would relieve the burden on public coffers in low- and middle-income countries and lay the foundations for sustainable development.

The idea of replacing debt repayment with investment is not only of economic importance.

Countries in Africa facing rising debt servicing costs must simultaneously invest in agriculture, energy, and transportation if they want to raise living standards and curb migration pressures.

Congo, Zambia, and Angola are among the countries most indebted and could benefit the most from such an arrangement.

According to official estimates, the DR Congo exports 45% of its cobalt and relies on a stable income from the commodity.

By introducing a model where railways, roads, and energy capacities are built instead of financial commitments, it is expected that the average price of cobalt will stabilise and that local producers will have reliable access to markets.

## Changing the balance of power in African-European relations

The bilateral agreements, worth 1.2 billion euros, include the construction of a railway and road corridor from the port of Lobito (Angola) to Zambia and the Democratic Republic of Congo.

The new approach is expected to accelerate job creation and facilitate the transport of key raw materials to ports.

The European Commission plans to set up monitoring through the "Global Gateway" forum in October 2025 to keep track of the implementation of the projects and the impact on the local population.

> Joint management committees will reduce the possibility of misuse of funds and increase creditor confidence

The financial model envisages that profits from new projects will be reinvested in regional funds, while debts will be slowly amortised through more successful exports and better tax revenues.

For countries that have a problem with sovereign credit risk, joint management committees will be set up with representatives from the Italian, EU, and African governments.

This will reduce the possibility of misuse of funds and increase creditor confidence.

The decision by Italy and the EU comes at a time when China is rapidly expanding its influence on the continent through the "Belt and Road" Initiative.

Chinese loans often require major concessions in the mining sector. The European alternative envisages that local resources remain the property of the states and that the benefits of exploitation remain with the communities.

If the new model proves successful, the European Union could extend the programme to a larger number of countries, which would significantly change the balance of power in African-European relations.

## Risk/reward ratio

The World Bank's expert council warns that the effectiveness of the programme will depend on the administrative capacity of African countries and their willingness to prevent corruption.

Without strict control and transparent procedures, projects may be delayed or cancelled. It is therefore crucial that local oversight committees are formed immediately and independent auditors are recruited.

One of the unexpected challenges could be the rise of political tensions within the states themselves.

In some cases, local businessmen and politicians will see new projects as a threat to their own influence and try to block decisions.

Therefore, the European Commission is considering hiring experts from civil society and universities to monitor the impact on communities and report on the implementation phases.

> In ten years' time, this could change the face of African economies that currently rely on the export of raw materials at low prices

For investors from the EU and Italy, the risk/reward ratio is also important. While the short-term payments for infrastructure renewal cannot be compared with the profitability of typical private projects, the long-term effect can be significantly greater.

More stable transport routes will reduce logistics costs and encourage investment in the agricultural industry and the processing of raw materials.

In ten years' time, this could change the face of African economies that currently rely on the export of raw materials at low prices.

## Paving the way for economic growth

From the perspective of European industry, the main gain lies in the development of new markets for construction and energy companies in the implementation phase.

It is estimated that the construction of railway corridors alone will increase the growth of service exports from Italy by a fifth over the next three years.

In addition, energy projects in the solar and wind power sectors are increasing the demand for technological equipment, opening up space for small and medium-sized enterprises in the EU.

*Over the next 12 months, a prototype of the Lobito rail corridor will be built to connect the ore fields with the Atlantic harbour - Port of Lobito, Angola*

In a confidential area of cooperation, Italy and the EU are working on a plan to set up a joint export credit agency specialising in Africa. This would centralise investment guarantees and reduce financing costs.

Without such an instrument, companies are reluctant to participate in projects, which typically have longer amortisation periods.

The scenario analysis shows that if the programme is implemented without major setbacks, African growth could increase by 1.5–2 per cent per year above the World Bank's forecasts.

This would create greater financial scope for investment in education and health. Should there be unnecessary delays to the programme, the benefits would be reduced, but the value of restoring key transport links would remain.

Over the next 12 months, a prototype of the Lobito rail corridor will be built to connect the ore fields with the Atlantic harbour.

The test phase could reveal some unexpected logistical and technical challenges but could also serve as a model for replication in other regions.

Simultaneously, a survey on income and the positive impact of the new jobs will monitor the impact on local communities.

Although the initiative of the EU and Italy offers the possibility of recovering part of the strategic credit in Africa, the question of success lies in the operational willingness of African governments to take responsibility.

If this condition is met, the trend could become a mainstream model of development financing and encourage other donors to follow suit.

For countries on the continent that want to reduce their dependence on commodity markets and reorient their economies towards value creation, the current support package represents a rare opportunity.

Every mistake in project management can be costly, but every success paves the way for economic growth.

The precise and sustainable implementation of the transformation of debt into development investment could be the most significant event for the African development cycle in recent decades.