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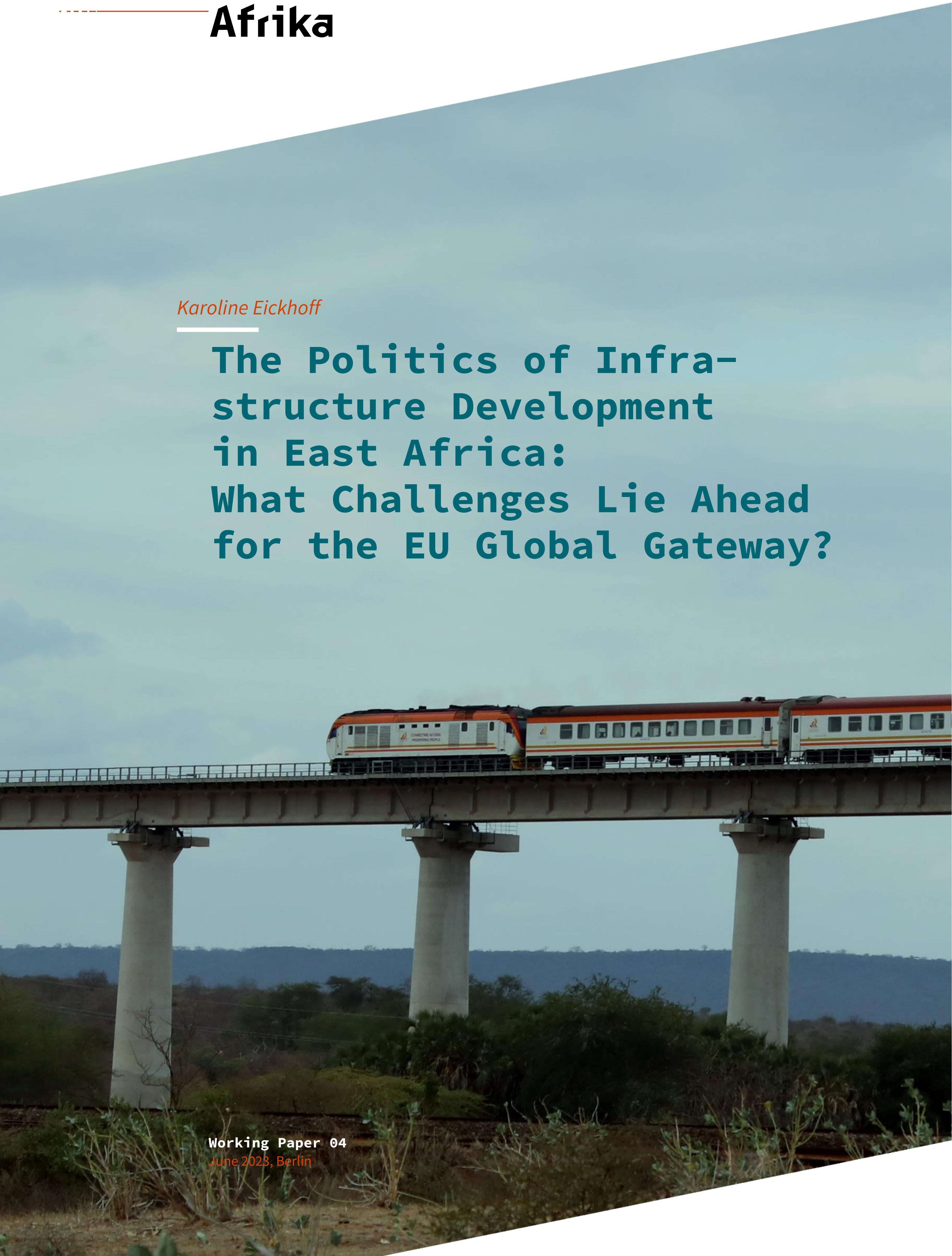

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The Politics of Infrastructure Development in East Africa: What Challenges Lie Ahead for the EU Global Gateway?

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Executive Summary

East Africa is a strategic hub for global trade. Governments and companies from around the world are seeking access to the region's markets and resource value chains, including through infrastructure investment offers. The European Union's Global Gateway Initiative is a case in point. With this investment package, Brussels aims to score points vis-à-vis China's Belt and Road Initiative (BRI), to identify business opportunities for European industries abroad, and to bring development benefits to the region. Yet, how to deliver on these ambitious goals and how to deal with risks and trade-offs is largely up to European actors on the ground.

This paper asks the following: Which (geo)political challenges do European actors implementing Global Gateway projects face in East Africa's infrastructure sector? And how can they be mitigated? Drawing on interviews with stakeholders involved in the design and operation of the connectivity architecture along the Northern Corridor, the region's busiest transport route, this paper highlights major challenges such as competitive attitudes among external partners, changing political priorities in the region, and rent-seeking dynamics in host countries, resulting in politicised projects with limited commercial viability and a connectivity architecture that is far from "seamless". In this environment, the paper recommends that European actors consider the following steps:

- Accounting for a broader range of risks: In addition to project-specific risks, unforeseen challenges are likely to arise from domestic governance dynamics, from the changing environment including a diversified landscape of external actors, and in related sectors. A holistic view of the region-wide connectivity network is required, where investment decisions in one country, for example on oil pipelines, can determine the economic prospects of roads and railways in other countries.
- Increasing regional coordination: European actors should seek regular exchanges with private sector actors operating in the regional transport network, who are familiar with infrastructure needs and global market trends. Regional authorities are important interlocutors to gauge changing political priorities. With China, Europe should seek to exchange views on infrastructure development and risk management, with intracontinental trade and mobility representing a common denominator.
- Planning strategically in a changing environment: The European cooperation model should have a clear focus on the mobility needs of the wider population in East Africa. In a political climate where criticism of external actors seeking unilateral benefits is growing, fairness, credibility, and the sustainability of investments are likely to become increasingly important foundations of partnerships in the longer term.

Content

The Renaissance of Infra-structure Development in Africa

Connectivity is a key element of Africa's development strategies. The African Union's Agenda 2063 and the African Continental Free Trade Agreement both promote the development of physical and digital infrastructure that connects people, markets, and countries, as a vehicle for economic growth, investment, and trade. Infrastructure is widely seen as a crucial enabler for development in other sectors too, such as agriculture and manufacturing. The continent's annual infrastructure financing gap is estimated at USD 68-108 billion.[1] Several development partners are addressing this shortfall, including the World Bank, the African Development Bank, as well as European bilateral investment banks, implementing agencies, and non-governmental organisations. Many European countries have also been engaged bilaterally in infrastructure development on the continent for a long time, including Germany.

At the same time, infrastructure investment in Africa is becoming increasingly politicised, especially when it comes to investment in transport corridors that are essential for global trade. In a climate of growing geoeconomic competition, governments from around the world are seeking to have a say in the integration of African economies into global markets and to gain strategic access to critical supply chains on the continent.[2] In 2020, the largest share of infrastructure financing in Africa went to the transport sector (42%, USD 34.4 billion).[3] In East Africa, a strategic hub for global trade, the trend is even more pronounced, with transport commitments amounting to 62% of overall infrastructure investments. In pursuit of lucrative business opportunities, private sector investment is increasing as well.[4]

Among the bilateral partners, China is Africa's largest infrastructure financier whose Belt and Road Initiative, launched in 2013, has become a symbol of the country's contributions to the continent's infrastructure development. Various other large-scale infrastructure development initiatives have been launched in recent years by the United States of America, the G7, and Japan.

Europe has recently signalled its intention to increase investments and become a more strategic partner for African countries in the field of connectivity as well. The EU's Global Gateway Initiative was conceived to transform Africa-Europe relations and "to position Europe in a competitive international marketplace".[5] By promoting connectivity between the two continents, with a strong infrastructure element, the Global Gateway is supposed to give Europe a competitive edge over China and to serve European strategic and economic interests, like access to markets and resources. As "the EU's positive offer to our partner countries",[6] the Global Gateway aims to create a "trusted investment brand around the world".[7] Much attention is being paid to investment incentives and the "win-win" nature of

1 African Development Bank, Africa's Infrastructure: Great potential but little impact on inclusive growth (2018).
2 Marieke de Goede and Carola Westermeier, "Infrastructural Geopolitics," International Studies Quarterly 66, no. 3 (2022).
3 Infrastructure Consortium for Africa, Infrastructure Financing Trends in Africa 2019-2020 (2022), 14.
4 Ibid., 29.
5 European Commission, Directorate-General for Neighbourhood and Enlargement Negotiations, First meeting of the Global Gateway Board (2022).
6 Ibid.
7 Marcin Szczepański, The Global Gateway. Taking stock after its first year (2023), 4.

projects – a framing that is associated with China but is increasingly used by Europe as well, and which highlights that both sides can expect benefits from the partnership. Therefore, similar to other investment offers in the sector, the Global Gateway seeks to showcase enhanced business opportunities and economic benefits for partner countries.

However, despite the potential benefits associated with infrastructure development, large-scale investments into regional connectivity architectures are risky endeavours. Infrastructures like ports, highways, and railways affect societies and the political economy, and are in turn affected by their surroundings.[8] Anticipating unforeseen risks and challenges is therefore key to avoiding (or at least limiting) damage and ensuring that investment potential can be realised.

Against this backdrop, this paper examines which (geo)political risks lie ahead for European actors involved in the implementation of Global Gateway infrastructure projects in East Africa, and how these can be mitigated. As most of the initiative is still in the planning stage, the paper looks at the intentions associated with the Global Gateway, important developments in the region, and the experience of other external actors active in the sector, particularly China. Drawing on interviews[9] with stakeholders involved in the design and operation of the connectivity architecture, the paper shows that Global Gateway projects are implemented in an environment characterised by competition between external investors, conflicting interests of countries within the connectivity network, and rent-seeking by political elites in host countries.

The paper recommends that European actors should broaden their risk management approaches to take greater account of the political dynamics in host countries and the wider region, seek complementarity with other actors in the sector where possible, and carve out a cooperation model characterised by fairness and a genuine focus on the longer-term interests of East African citizens.

8 Peer Schouten and Jan Bachmann, Roads to Peace? The Role of Infrastructure in Fragile and Conflict-Affected States (2017).
9 Interviews and background talks were conducted in Nairobi and Mombasa from October 16 to December 5, 2023.

The Global Gateway: The EU's Infrastructure Investment Offer to Africa

The Global Gateway Initiative is the EU's connectivity offer to the Global South. It is an investment pledge worth a total of EUR 300 billion until 2027. Half of the promised funds are earmarked for Africa.[10] The investment package is an important building block of the renewed Africa-Europe partnership proclaimed during the AU-EU summit in February 2022. It targets the digital, energy, and transport sectors in partner countries as well as healthcare, education, and research systems. In the transport sector, the EU aims to integrate African and European transport networks, while working to increase host countries' renewable energy production, and integrating their raw materials and resources into value chains.[11] Financial instruments include grants, concessional loans, and guarantees.[12] The preferred implementing actors on the ground are "Team Europe" partners. Team Europe is a strategy for pooling resources of the EU, its member states, and their implementing agencies.[13] In addition, mobilising private sector funding is key for the EU to honour its overall investment pledge.

While the Global Gateway's implementing mechanisms are rooted in development cooperation, such as financial and technical assistance, the EU is seeking to pursue a more strategic political and economic relationship with African countries through this initiative. Compared to previous cooperation frameworks, the objectives here are explicitly geostrategic, aiming to serve Europe's strategic autonomy, by diversifying partnerships and providing access to resources and supply chains, and creating trade and investment opportunities for European companies and industries. At the same time, its projects should strengthen the development of partner countries, as well as promote reciprocity in market access and the EU's postulated values, including democratic principles, transparency, and equal partnership. Moreover, they should benefit both European and African interests, in line with the Sustainable Development Goals (SDGs). While development objectives are less prominent in the Global Gateway framework, projects should nonetheless contribute to targets such as reducing poverty and promoting human security.[14]

Observers of European external action are divided over the extent to which these political, economic, and developmental ambitions can be pursued coherently with the funds and tools currently available. Supporters see the initiative as Europe developing "strategic muscle"[15] and as a "fresh chance"[16] for the EU to deliver tangible results to its partners. Critics, however, have pointed to diverging interests among member states, turf wars between European institutions, and a looming departure from development principles such as partner

10 Chloe Teevan et al., The Global Gateway: A Recipe for EU Geopolitical Relevance? (2022).
11 European Commission, EU-Africa: Global Gateway Investment Package.
12 European Commission, Global Gateway: up to €300 billion for the European Union's strategy to boost sustainable links around the world (2021).
13 Aline Burni et al., "Who Called Team Europe? The European Union's Development Policy Response During the First Wave of COVID-19," European Journal of Development Research 34, no. 1 (2022).
14 Frankfurter Rundschau, EU-Antwort auf Chinas „Seidenstraße": Global Gateway-Initiative nimmt Gestalt an (2023).
15 Miguel O. Iglesias and Raquel J. Ricart, The Global Gateway: it's not the money, it's the strategy (2022).
16 Francesca Ghiretti and Grzegorz Stec, Global Gateway: playing "catch-up" with China or a chance for change? (2022).

country ownership.[17] Others have argued that the Global Gateway is merely a repackaging of already planned projects, and that the initiative is largely a public relations exercise. The Kenyan Ambassador to Belgium, Bitange Ndemo, noted the initiative's potential to create new space for policy thinking, suggesting that "Africa should give the EU [the] benefit of the doubt".[18]

Clearly, for the EU's investment package to be taken seriously on a continent that is courted by many, it will need to deliver not only on its geostrategic ambitions but also on the development benefits promised to partner countries. European actors implementing Global Gateway projects on the ground play an important role in navigating these ambitious goals and potential trade-offs.

17 Mark Furness and Niels Keijzer, Europe's global gateway: a new geostrategic framework for development policy? Briefing Paper 1/2022 (2022).
18 Bitange Ndemo, Inside EU's Global Gateway Initiative (2022).

Strategic Transport Corridors in Africa: The Northern Corridor

The EU has identified 11 transport corridors in Africa on which Global Gateway investments will focus. These corridors are partly developed, comprising vast networks of roads, railways, waterways, ports, and pipelines built to connect sites of economic activity to urban centres and global markets. The target corridors were chosen through a quantitative, data-driven selection process in Brussels.[19] Several performance scenarios were run, focusing on different targets related to transport and logistics performance, socio-economic aspects, prospects for trade cooperation, and environmental impact.[20] Priority was given to the "EU interests" scenario (i.e., the presence of European institutions and private sector companies and access to raw materials), among other selection criteria.[21]

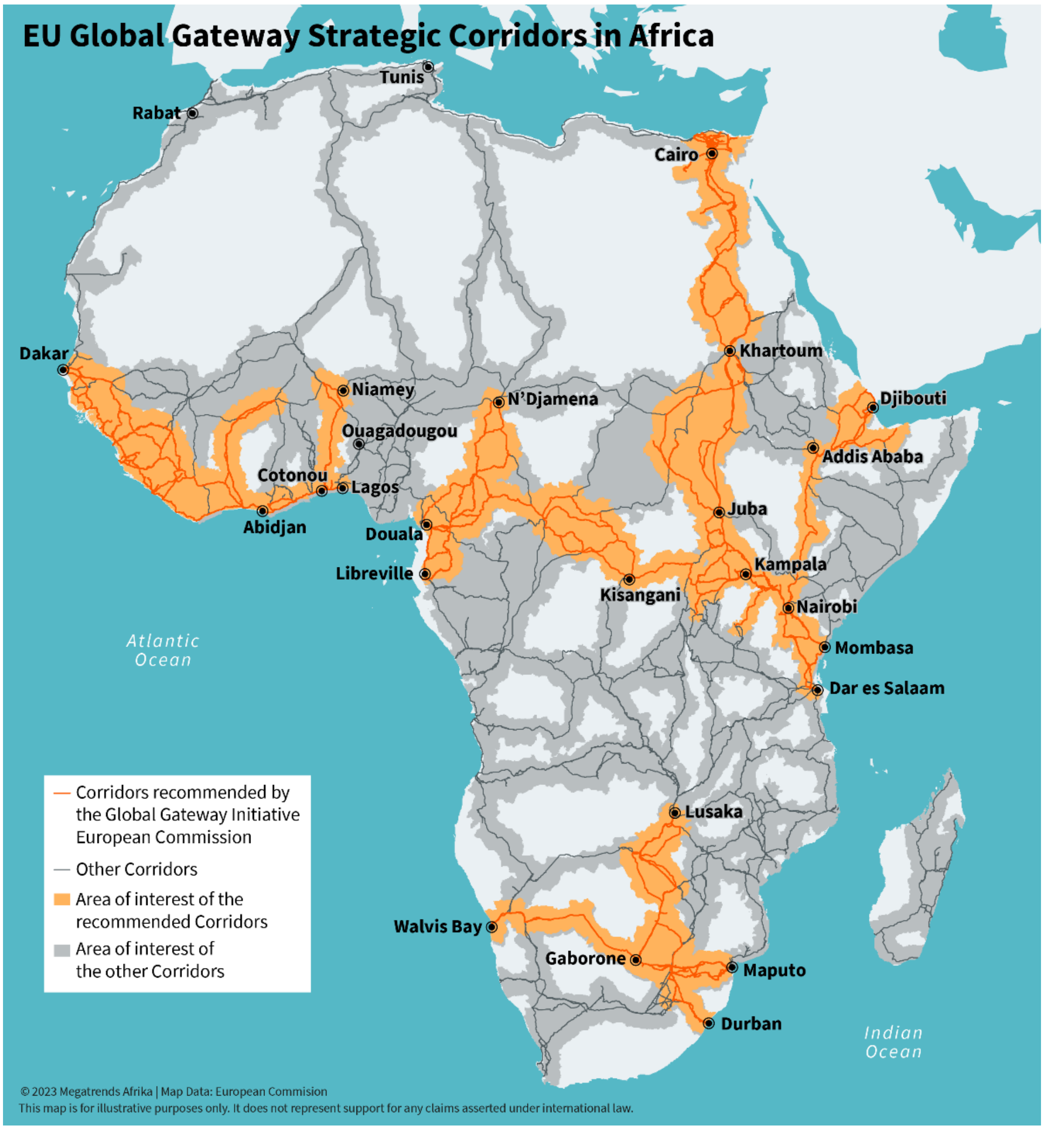
Observers with knowledge of the process noted that representatives of African regional institutions were consulted and requested to provide documentation for the assessment of indicators and feedback during the selection process, while decisions were taken within the EU institutions. As several corridors were excluded from the final selection, the process created perceived winners and losers among African countries before investment had even started.

In the realm of transport, the EU seeks to facilitate mobility and trade within Africa and with Europe along the corridors, largely through infrastructure investment.[22] With regard to outbound connectivity, the focus is on promoting trade, for example by rehabilitating roads and ports.[23] As much of the continent's infrastructure originates from colonial times, it is oriented towards the export of raw materials rather than human mobility. This is particularly the case in East Africa.[24] When it comes to intracontinental trade and mobility, the first investment tranche focuses on rehabilitating roads and energy infrastructure as well as on improving public transport within areas of urban agglomerations.

The selected corridors include the Northern Corridor.[25] The busiest transport route in East Africa links the Port of Mombasa in Kenya with the landlocked countries of Uganda, Burundi, Rwanda, eastern DRC, and South Sudan. Various development actors and investors are involved in the development of the infrastructure network. One-stop border posts and "last-mile" connectivity (physical connections to the end-users' premises) are high on the agenda of development actors, while profit-oriented investors currently favour toll roads.

For the EU, the Delegation in Nairobi has taken the lead. So far, four highway rehabilitation projects have been initiated in Kenya, in consortium with the African Development

19 European Commission - Joint Research Centre, Global Gateway: Strategic Corridors for an Enhanced and Greener EU-Africa Connectivity (webinar) (2022).
20 Claudia Baranzelli et al., Identification, characterisation and ranking of strategic corridors in Africa: CUSA project phase 1 (2022).
21 Interview with an officer of the European Commission (remote), November 9, 2022. See also: Claudia Baranzelli et al., "EU–Africa Strategic Corridors and critical raw materials: two-way approach to regional development and security of supply," International Journal of Mining, Reclamation and Environment 36, no. 9 (2022).
22 European Commission, Joint Research Center, Strategic corridors for an enhanced and greener EU-Africa connectivity (2022).
23 European Commission, Global Gateway: EU-Africa flagship projects for 2023.
24 Carlo Palleschi, African Conflictivity: How connectivity can affect conflict and fragility dynamics in Africa (2023), 6.
25 European Commission, Strategic northern transport corridor in Kenya (2022).



Bank and the Government of Kenya, with the EU providing EUR 85 million in grants and the European Investment Bank and the German KfW Development Bank supporting the projects with a combined EUR 190 million.[26] The aim here is to increase access to urban and rural areas and to foster regional connectivity. The EU further announced that it will support Nairobi's public transport system by providing electric buses.[27] According to the Delegation in Nairobi, other infrastructure projects for the corridor are in the scoping/identification phase, and may be aimed at addressing cross-border trade barriers (as of April 2023).

In the corridor selection process, the Northern Corridor showed limited potential to promote Africa-EU connectivity but demonstrated good prospects for human development and sustainable, green growth.[28] As the following sections show, this assessment is reflected in the challenges faced by European actors in implementing the EU's intentions to gain competitive advantage and access to markets and supply chains through infrastructure development.

26 European Commission, Press Release: Global Gateway: First section of modernised 560km highway along the strategic Northern Corridor, inaugurated in Kenya, will boost trade in East Africa (2022).
27 European Commission, Global Gateway: Team Europe invests in transformative green mobility in Nairobi (2023).
28 Baranzelli et al., Identification, characterisation and ranking of strategic corridors in Africa, 32.

East Africa's Northern Corridor

About two-thirds of the region's freight travels along the Northern Corridor. The corridor covers a large and diverse region over a length of approximately 2,080 km,[29] and crosses the spheres of responsibility of the EAC, the Common Market for Eastern and Southern Africa (COMESA), and the Intergovernmental Authority on Development (IGAD). It comprises various modes of transport, including a road network of 12,707 km,[30] national railways, border posts, and container terminals along the route. Goods and passengers are transported by ferry across Lake Victoria. Transport along the corridor is therefore "multimodal". All countries using the corridor are net importers, with imports accounting for three-quarters of the total trade through the Port of Mombasa. Kenya is the largest importer and exporter, while the majority of the transit goods are destined for Uganda (70%), followed by South Sudan and the DRC with much smaller shares.[31] While the countries in the region import manufactured goods and construction materials, they mostly export food items and agricultural products such as coffee, tea, hides, soda ash, cut flowers, and vegetables.

Further down the corridor, the Democratic Republic of the Congo (DRC) has a special status for global trade, due to its vast mineral resources.[32] The DRC's cobalt, coltan, and copper are critical for the manufacturing of batteries and electronic devices in countries around the world, including in Europe. Access to these supply chains is attractive for investors, although mining businesses in the DRC have been associated with insecurity and violent conflict, ethical and environmental risks, and illicit trade. Many companies consider business operations in the DRC too risky,[33] and EU member states have strict de-risking policies for trading minerals from the DRC, such as the EU Critical Raw Materials Act.

29 East African Community, Road Transport in East Africa.
30 Northern Corridor Transit and Transport Coordination Authority, The Road Network.
31 Trade Mark East Africa, Northern Corridor Quarterly Performance Dashboard: July to September 2022.
32 PwC, Democratic Republic of Congo.
33 Background talks with European private sector actors in the logistics sector in Nairobi and Mombasa.

The (Geo)politics of Infrastructure Development in East Africa

The following sections examine the interests of the various actors involved in the design and operation of the connectivity architecture along the Northern Corridor, focusing on Kenya. Reference is made to adjacent infrastructure (i.e., the Central Corridor), and major natural resource-related investments (i.e., the East African Crude Oil Pipeline) that are part of the wider connectivity network and affect the viability of investments into the Northern Corridor. The sections illustrate how key actors' interests at the local, regional, and international levels regularly conflict, making large-scale infrastructure investments in the region risky undertakings.

Partners of Choice: EU-China Competition over Strategic Partnerships

Development actors and investors largely agree on the benefits of intracontinental connectivity to unlock investment and trade potential, and the value of related strategies such as the Continental Free Trade Agreement. However, this is not the case when it comes to the region's integration into global markets, where conflicting interests between external actors such as Europe and China come to the fore. China and Europe increasingly view their relations with African countries through the prism of geoeconomic competition, seeking strategic partnerships to gain access to critical supply chains and business opportunities for their own industries. As Ursula von der Leyen, President of the European Commission, put it with regard to Europe's strategic autonomy in 2021, "it does not make sense for Europe to build a perfect road between a Chinese-owned copper mine and a Chinese-owned harbour".[34]

However, as this section shows, the ambitions of Brussels to provide an alternative to Beijing's connectivity offer contrast sharply with realities on the ground. Chances to foster Africa-EU connectivity along the Northern Corridor are very limited, given the dominance of other external actors. This creates confusion about the EU's geostrategic intentions in the region, as the Global Gateway is perceived to be mostly about infrastructure: Europe's investment strategy in the sector is by no means clear to observers.

In East Africa, China has invested heavily in large-scale infrastructure over the past decade, to connect the region with the BRI network. As China is committed to supporting regional development frameworks, major BRI projects have become an integral part of regional infrastructure plans, like the railway network.[35] Today, most of the region's outbound transport architecture is oriented towards China, which is also the main source of imports for several countries in East Africa. In Kenya, as the region's gateway to global markets, China has largely financed and built the Port of Lamu and the railway linking the Port

34 Martin Sandbu, Clear ambition is required if Europe is to rival China's Belt and Road (2023).
35 Cliff Mboya, China's Belt and Road Initiative in the East African Community (German Institute for International and Security Policy 2023); Frangton Chiyemura, Elisa Gambino, and Tim Zajontz, "Infrastructure and the Politics of African State Agency: Shaping the Belt and Road Initiative in East Africa," Chinese Political Science Review 8, no. 1 (2023).

Kenya's Standard Gauge Railway

The Standard Gauge Railway (SGR) is Kenya's most expensive infrastructure project and a key transport segment of the Northern Corridor. The railway connects the Port of Mombasa with the Naivasha Inland Container Depot, via the country's capital, Nairobi. The railway was built during the presidency of Uhuru Kenyatta, and has been promoted as the country's departure from colonial-era infrastructure. The China Exim Bank provided a USD 3.6 billion loan in 2014 for the construction of the Mombasa–Nairobi section, which was awarded to the China Road and Bridge Corporation without competitive bidding. A second loan of USD 1.6 billion was granted in 2018 for the extension to Naivasha. The SGR runs parallel to the colonial railway still in operation today (which, although slower, links Kenya and Uganda). The SGR's management reports moderately increasing annual revenues of about KES 15 billion (ca. EUR 110 million, by the end of 2020). However, revenues are dwarfed by the operating costs (estimated at KES 18 billion/year)[36] and the cost of servicing China Exim Bank's loans. Extending the line to Uganda is widely seen as the only option for the Kenyan SGR to have a chance of becoming commercially viable.[37]

of Mombasa via Nairobi with Naivasha (Standard Gauge Railway). China also tops Kenya's bilateral connectivity index, which measures the intensity of trade, investment, and other economic flows.[38]

European actors in Kenya are acutely aware of China's leading position in infrastructure development in the region. As one official in Nairobi put it pointedly: "There is a battle going on for Africa, and Europe is losing".[39] According to the same official, Europe is an important economic player in Kenya, but it lacks the long-term strategic dialogue at the political level that should ordinarily accompany large investment projects. Other European actors have expressed similar views. They have also noted that Europe's collective influence is weakened by EU member states who at present prefer bilateral visibility and are yet to embrace the spirit of Team Europe.[40]

Chinese dominance in infrastructure development was also remarked as an obstacle to creating business opportunities for European industries in this sector – another ambition of the Global Gateway. Germany Trade and Invest (GTAI) in Kenya sees some opportunities in the construction sector for suppliers of tools and equipment, and engineering service providers.[41] However, European construction companies play only minor roles in public construction tenders in the region, which are mostly won by Chinese contractors, including those issued by European investment banks. This is not a new dynamic, and cheaper offers for development projects indeed also have positive effects. However, these circumstances limit the ability of European actors to engage more strategically in the region's connectivity architecture.

Little if any coordination between the Global Gateway and the BRI seems to exist, while European actors concede having little knowledge about the future of Chinese investment in

36 Emmanuel Wanjala, SGR raised Sh15.2 billion in 2021 - survey.
37 Julius Barigaba, Uganda, Tanzania SGR line clear as Kenya derailed (2023).
38 United Nations Conference on Trade and Investment, Country Profiles, Dashboard Kenya (2022).
39 Interview with an official of a European institution, Nairobi, November 2, 2022.
40 Interviews with European and embassy staff and with regional observers in Nairobi. See also: Veit Bachmann, European External Action: The Making of EU Diplomacy in Kenya, Critical Geopolitics (Abingdon: Ashgate, 2016).
41 GTAI Germany Trade & Invest, Kenias Bausektor hofft auf volle Auftragsbücher (2022).

the region. The potential for coordination with China in the field of infrastructure development was seen as very limited, given geopolitical tensions. Kenyan actors, including researchers and journalists, have also expressed difficulties in gaining insights into China's investment intentions. This may be due to the fact that Beijing is currently re-orienting its investment approach on the continent – moving away from large-scale infrastructure to smaller, more profitable investments.[42] Negotiations between China and Kenya on major investments like the railway extension to the Ugandan border are ongoing, with no clear outcome yet. Fragmentation could be the result of this lack of insight into each other's investment intentions.

The situation is not so different in other countries along the corridor, when it comes to EU-China competition over strategic partnerships. In the resource-rich DRC, China is the most important external actor in mining and transport. Through infrastructure-for-mineral deals, amongst others, Chinese companies have obtained mineral rights in exchange for Chinese investments in the country's infrastructure.[43] Today, China is by far the most important export destination for the DRC's ores and metals (approximately USD 11 billion in 2021),[44] followed by South Africa, Singapore, United Arab Emirates, and Tanzania, who together do not reach China's share. In March 2023, the EU committed EUR 50 million to the mining sector and infrastructure projects in the DRC, under the Global Gateway.[45] While details about the investment are not yet available, the announcement can be seen as a signal that Europe wants to become more involved in these sectors. However, with the exception of the former colonial power Belgium, EU member states' share in the DRC's exports is minor, despite European industries' dependence on these raw materials. President Tshisekedi's lack of success in renegotiating existing trade contracts with China demonstrates the sizable influence Beijing has over the DRC's mining sector. Overall, opportunities for Europe to shape the region's connectivity architecture in pursuit of its own geostrategic interests seem limited at best.

What is more, China is by no means the only "partner of choice" in the region. While Beijing remains a dominant investor, the field of external actors pursuing economic and political interests in infrastructure development is diversifying. The Ugandan SGR is likely to be implemented by the Turkish company Yapi Merkezi. In Tanzania, a consortium of Egyptian companies is building the Julius Nyerere Dam and an associated hydropower plant, while Gulf states are increasingly investing in property on the East African coast. Elsewhere, Kenyan President William Ruto and the UK's Prime Minister Rishi Sunak recently agreed on a public-private partnership to build a large dam on the Tana River, which will be Kenya's second-most expensive infrastructure project.

The Global Gateway framework does not provide strategic guidance on how to deal with other external actors active in the sector. Yet, it is increasingly important to assess how European interests relate to – and potentially conflict with – the connectivity agendas of external actors other than China. Key issues here include, for example, identifying which actors pursue transformative mobility agendas, which of them are primarily interested in extractive industries, and what are the actors' cooperation principles. In this multipolar environment, European actors should look at China as one investor among several, in order to anticipate and manage investment risks and opportunities more strategically.

42 Yunnan Chen and Yue Cao, Changing tides for China-Africa cooperation: our key takeaways from the 8th FOCAC (2023).
43 David Rogers, DRC demands $17bn for infrastructure from China (2023).
44 United Nations Conference on Trade and Investment, Country Profile, Dashboard DRC: Top 5 Partners in 2021, exports.
45 Trademark Africa, EU to invest €50 million in infrastructure and mining in DRC (2023).

The "Ports Race": Conflicting Interests in Regional Transport Corridors

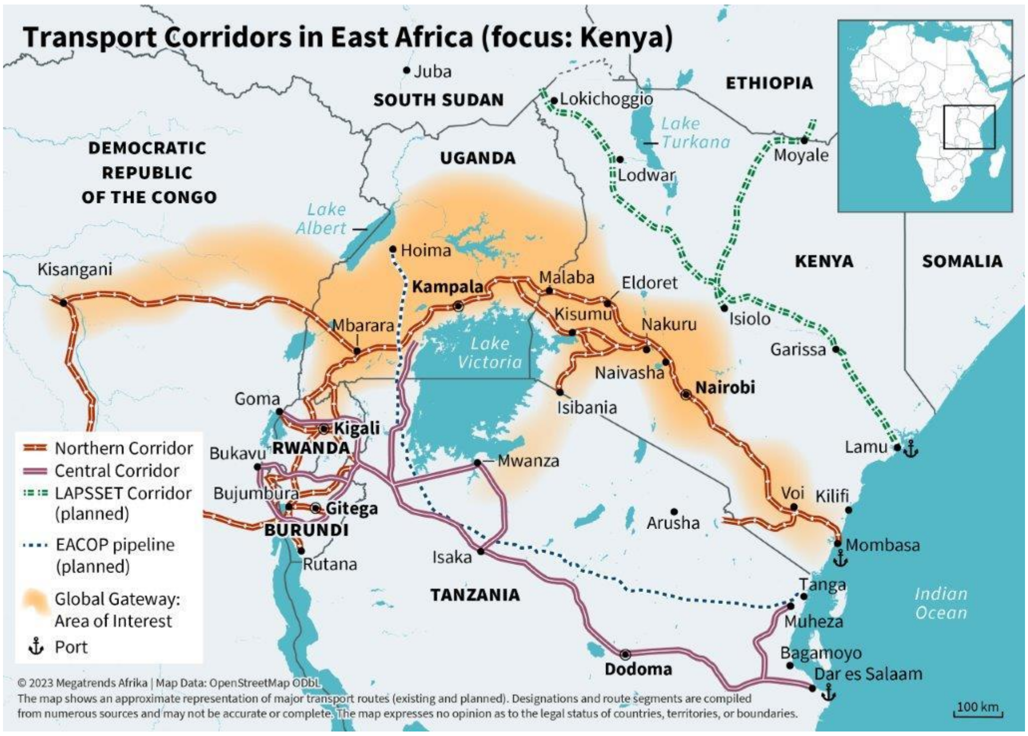
Competitive dynamics surrounding East Africa's connectivity network are being played out not only between international investors but also between the states in the region. On paper, the East African Community's member states agree on the desirability of integrated planning and connected transport, for example through the East African Railway Master Plan.[46] In practice, the infrastructure landscape today looks different from the initial regional integration plans.

Conflicts of interest between states in the region play a prominent role when it comes to transport corridors. In East Africa, the majority of goods are currently transported through the Northern Corridor to Kenya's Port of Mombasa, and the Central Corridor, which links the Tanzanian port city of Dar es Salaam via the capital Dodoma with Rwanda, Burundi, Uganda, and eastern DRC. While landlocked countries are seeking to diversify their trade options, Kenya and Tanzania are trying to attract public and private investment in the transport network along their main corridor, to make transport along these routes more attractive, leading to an ongoing "ports race".[47] Yet, the economic viability of investments in one country may critically depend on events and decisions taken in other countries within the connectivity network. In addition to market dynamics, this section shows that political agendas and preferences of heads of state play an important role in investment choices.[48]

Decisions taken in resource-rich countries on investments related to their natural resources affect the profitability of trade routes (see also the previous section on the DRC's minerals). In East Africa, Uganda's crude oil represents a profitable business opportunity. In 2013, the governments of Uganda and Kenya agreed to build a crude oil pipeline, to serve both countries' oil reserves and enable export via Kenya.

Terminating in Lamu, the pipeline would have boosted the profitability of transport through Kenya, also along the Northern Corridor. However, two years later, Uganda opted instead for the East African Crude Oil Pipeline (EACOP), which links the Lake Albert oilfields to Tanzania's Port of Tanga. Lower transit fees, fewer land compensation issues, and insecurity in northern Kenya were cited as reasons for giving preference to Tanzania's offer.[49]

46 CPCS Transcom, East African Railways Master Plan Study (2009).
47 Ricardo Reboredo and Elisa Gambino, "Connectivity and competition: the emerging geographies of Africa's 'Ports Race'," Area Development and Policy, 2022.
48 Wangui Kimari and Henrik Ernstson, "Imperial Remains and Imperial Invitations: Centering Race within the Contemporary Large-Scale Infrastructures of East Africa," Antipode 52, no. 3 (2020); Business Daily Africa, Tanzania's Sh24 trillion SGR link to DRC intensifies trade routes competition with Kenya (2022).
49 Loza Sleshie, Railways: Tracking East Africa's trade renaissance (2022),



Observers suggest though that the “cost of corruption padded into the project”[50] by the Kenyan side of the negotiations triggered President Yoweri Museveni’s decision to pull out of the deal (see also the following section: “Rent-seeking in Infrastructure Development in Kenya”).

Proponents of Uganda’s business interests like the Uganda Manufacturers Association have long complained about inefficiencies, theft, and high costs at the Port of Mombasa[51], as well as about Kenyan restrictions on the export of goods from Uganda. In 2008, post-election violence in Kenya temporarily disrupted transport to and from Uganda, reinforcing the perception that Uganda needed to move away from its perceived historical over-reliance on the Kenyan trade bottleneck.[52] Importantly, the case of the EACOP also involves a European actor, as the main stakeholder of the project is the French oil company Total Energies, in consortium with the Ugandan and Tanzanian governments and a Chinese state-owned company.[53] As the pipeline will cross protected natural areas, it has been sharply criticised by the European Parliament.[54] This example shows the interplay of political and private sector interests across different levels, and that interests of European for-profit companies can be at odds with the EU’s stated principles and objectives.

Museveni’s decision to accept Tanzania’s offer had implications for the region’s connectivity network, most prominently for Kenya. The planned oil pipeline through Kenya was supposed to strengthen the Northern Corridor and give countries an incentive to continue building the regional rail network. So far, only Kenya has partially implemented its railway plans for the Northern Corridor. In addition, the Kenyan government has started to invest in

50 Patrick Muinde, SGR contracts: What happens when private interest call the shots (2022).
51 IDL Group, Political Economy Analysis of Regional Transport Integration in the East African Community. Northern Corridor Report (2014), 7.
52 Brendon J. Cannon and Stephen Mogaka, “Rivalry in East Africa: The case of the Uganda-Kenya crude oil pipeline and the East Africa crude oil pipeline,” The Extractive Industries and Society 11 (2022).
53 The governments of Uganda and Tanzania hold 15% each and the Chinese National Offshore Oil Corporation holds 8%. See also:
Adrian Amann, Öl-Pipeline EACOP: Uganda, Tansania und Total Energies wollen umstrittenes Mega-Projekt starten (2022).
54 Audrey Garric, European Parliament slams two TotalEnergies oil projects in Uganda (2022).

other expensive infrastructure initiatives such as Lamu Port, in anticipation of a boom in the oil business. Lamu is a key element of the Lamu Port South Sudan Ethiopia Transport (LAPSSET) Corridor, East Africa's most ambitious corridor project. As the LAPSSET Corridor is a national flagship project, the Kenyan government has a strong interest in delivering on the development promises made to communities in the north of the country. Without the pipeline, however, further investment in the corridor is less attractive. Of the 32 planned berths at Lamu, only three have been completed so far. Other components such as the railway and the oil-processing facilities have not yet started. Crucially, the Kenyan government lacks the funds to continue investment and other potential investors have withdrawn.

The ripple effects of the pipeline's diversion were also felt in the wider region. The stalling of the LAPSSET Corridor reduced South Sudan's chances of attaining a much-desired connection to Lamu, which would have enabled the country to diversify its import and export transport routes (which currently go through the Port of Mombasa and Port Sudan). The government in Juba therefore announced that it would instead seek a link through Djibouti, in turn further weakening Kenya's role in the regional transport architecture. In addition, Tanzania's recent announcement to extend its SGR line to the DRC, Uganda, and Burundi was seen as "a major blow to Nairobi's northern corridor".[55]

There are many other conflicts linked to the region's connectivity network, some of which have a long history. Specifically, mutual accusations of supporting rebels have led to temporary border closures between Rwanda, Burundi, the DRC, and Uganda. For example, the key Gatuna border between Rwanda and Uganda was closed from 2019 to 2022, with underlying tensions remaining after it was reopened.[56] Meanwhile, Rwanda and the DRC are engaged in a long-running conflict. The DRC's entry into the regional bloc is likely to further intensify competition over the transport of commodities via Mombasa or Dar es Salaam.[57] Some observers expect a further fragmentation of the transport network into separate national plans.[58]

Against this backdrop, capturing the political dynamics and changing priorities in the wider region is critical for European actors to assess the economic prospects of infrastructure investment along the Northern Corridor. Importantly, competitive dynamics between states in the region can also have positive effects. For example, competition with Tanzania's transport network could, in the longer term, curb cost inflation trends in Kenya (see below) and provide incentives for the Kenyan government to improve port operations. Such regional developments should also be on the radar of European actors, as they could open up investment opportunities under the Global Gateway.

Rail vs. Road: Domestic Rent-seeking in Infrastructure Development in Kenya

Conflicting interests are not only being played out between external partners and between states in the region, but they also arise between key actors at the domestic level. In Kenya, the government is doing much to create a business-friendly, stable investment environment, to promote trade, and to attract private investors with simplified investment

55 Business Daily Africa, Tanzania's Sh24 trillion SGR link to DRC intensifies trade routes competition with Kenya.
56 Filip Reyntjens, Rwanda has reopened the border with Uganda but distrust could close it again (2022).
57 James Ndwaru, DR Congo's place in Africa's manufacturing, economic potential (2022); Michel Lunanga, DRC turns heat on Uganda, accuses it of supporting M23 rebels (2022).
58 Sleshie, Railways: Tracking East Africa's trade renaissance.

Mombasa Port

The Port of Mombasa is Kenya's prime national asset. As the main entry and exit point for cargo to and from East Africa, Mombasa is the region's main gateway for the supply and trade of landlocked states in the region. Port operations are a lucrative business, and so is the clearance, transport, and trade of goods within Kenya and with neighbouring countries. Tens of thousands of people in the Mombasa area are on the port's payroll or make their living from port-linked services such as warehousing and trucking. The port is growing steadily, generating annual revenues of about KES 53 billion (FY 2018/2019, ca. EUR 450 million).[59] It is managed by the Kenya Ports Authority, a government-owned parastatal. Hence, the proceeds all go to the national government. However, the Governor of Mombasa continues to press for a share for the county.[60]

procedures and preferential terms.[61] Political risks of investing are therefore generally considered to be low.

At the same time, the transport of goods within the country and to neighbouring countries has attracted the interest of political and business elites, elsewhere described as the "monopolising spirit of elites involved in infrastructure development".[62] As a consequence, large-scale infrastructure projects such as the Port of Mombasa, the SGR, and national highways have been subject to political interference by successive governments at the tendering, procurement, and operational stages. This section shows that conflicts between elites with different rent- and status-seeking interests can influence the commercial prospects of infrastructure investment.

The SGR was promoted as a national flagship project by the previous government under former President Uhuru Kenyatta (for details, see the section "Partners of Choice"). The project was completed several months ahead of schedule, allowing Kenyatta to preside over the opening ceremony on Kenya's Independence Day (Madaraka Day), two months before the country's parliamentary and presidential elections, a fact that was widely seen as a substantial factor in his re-election.

Subsequently, however, the railway has been the subject of allegations of corruption relating to tenders, subcontracting, and contentious land compensation claims. According to development economist Patrick Muinde, public spending on the railway has served the private interests of highly connected people associated with the government.[63] "Transport cartels"[64] and so-called "tenderpreneurs"[65] – contractors who seek to facilitate infrastructure deals and who are often business proxies for politicians and government officials – reportedly interfered in the tendering and operations of the railway to advance their economic interests.

As the SGR continued to operate at a loss, Kenyatta made it mandatory for cargo destined for Nairobi to be transported by rail. His government allocated land at the inland dry port of

59 Kenya Ports Authority, Annual Report & Financial Statements 2018/2019, , 10.
60 Charles Mghenyi, Nassir adamant Mombasa must benefit from port billions (2023).
61 Allan Odhiambo, Treasury woos private investors with sweet deals (2022).
62 Hugh Lamarque, "The Jealousy of Roads: Construction, Circulation and Competition on East Africa's Transport Corridors," in Transport Corridors in Africa, ed. Hugh Lamarque and Paul Nugent (Woodbridge: James Currey Imprint of Boydell & Brewer, 2022), 231–61, 232.
63 Muinde, SGR contracts: What happens when private interest call the shots.
64 Bruce Byiers, Alfonso Medinilla, and Karim Karaki, Navigating green economy and development objectives: The political economy of greening transport in East Africa (2023), 16.
65 Mfonobong Nsehe, Corruption And 'tenderpreneurs' bring Kenya's rconomy to its knees (2015).

Naivasha to Kenya's neighbouring countries, as an incentive to use the railway and the dry port instead of clearing cargo already in Mombasa, and to incentivise the government in Kampala to proceed with its railway construction plans. Moreover, the Kenyatta family is said to own land around Naivasha.[66] The increase in transport via the railway was expected to bring rising values of land and greater business opportunities to the area.

However, the tide turned when the government under President Ruto took office in August 2022. The railway was seen as strongly associated with the previous president. As one diplomat in Nairobi put it, "The SGR has Uhuru written all over it".[67] Shortly after taking office, Ruto issued directives to return port operations back to Mombasa – an election promise to coastal communities. The value of land around Naivasha dropped shortly after Ruto's announcement.[68] The president also announced that a new highway between Nairobi and Mombasa, which had been in the pipeline for a while, would be built by a South Korean contractor.

Ruto's directives were seen as a move to satisfy coastal voters, while dealing a blow to the former president: Kenyatta had not supported Ruto's presidential ambitions, despite serving as his deputy. Instead, he threw his weight behind the campaign of his opponent, Raila Odinga. While the effects on the economic viability of the railway are not yet clear, the directives signal certain government priorities in the transport sector. The railway case illustrates that political decisions on large-scale infrastructure development are not made primarily on the basis of cost-benefit considerations. Instead, the incentive and opportunity structure embedded in public procurement serves elite interests associated with the design and operation of national infrastructure. This dynamic is not limited to the infrastructure sector. According to Transparency International's Corruption Perceptions Index, Kenya shows serious levels of corruption across public sectors.[69]
External investors risk reputational damage if they are exposed to or are associated with domestic political interests entrenched in public procurement. China, for example, remains

Figure 1: Inland Container Depot (ICD) on the outskirts of Nairobi, Kenya. © picture alliance / Photoshot.

66 Africa Confidential, "Ruto plays the econonomy blame-game," Africa Confidential, no. 63 (2022): 6.
67 Interview with a diplomat from a European member state, Nairobi, October 25, 2022.
68 Macharia Mwangi, Value of land in Mai Mahiu plunges after port services move back to Mombasa (2022).
69 Transparency International, "Corruption Perceptions Index: Kenya".

the "partner of choice" for many governments in the region. However, as Kenya's Chinese-funded railway continues to operate at a loss, criticism of China's role in infrastructure development is growing.[70] Chinese investors have become part of political economies around the railway, feeding into the system. They have been accused of colluding with influential Kenyan business elites to inflate project costs by paying bribes to officials and awarding contracts to politically connected companies.[71] Drawing lessons from China's experience can provide valuable insights for European actors to inform their risk mitigation and management strategies, as European companies are not immune to being caught up in domestic rent-seeking dynamics either.[72]

Another concern is the sustainability of infrastructure financing. Kenya is currently struggling to service its loans.[73] The country's debt distress is in no small part driven by domestic rent-seeking dynamics.[74] For investors, this means that they may not get some or all of their money back. Yet, in the Chinese case, reputational risks also exist: Beijing's official "win-win/mutual benefit" narrative has come to be perceived as "win-win but China benefits more" in the eyes of many Kenyan citizens. Questions also arise as to whether Beijing's connectivity interests in the region are as well-aligned with regional interests as the friendship-oriented official narratives around the BRI suggest. As Beijing's investment approach is changing (see the "Partners of Choice" section above), Chinese loans to Kenya have declined significantly in 2023.[75] The longer-term consequences for China's status in the region remain to be seen but there is a risk that China will be perceived as leaving partner countries with half-finished, unviable infrastructure projects, and a heavy debt burden.

Team Europe actors should therefore avoid shifting investment risks to the region's taxpayers, when seeking to de-risk projects for private sector investors. As debt sustainability is becoming a growing concern for governments in the region, Brussels may need to reorient its investment approach: The current framework foresees that most Global Gateway investments are to be repaid as well.

70 The East African, Agencies between a rock and a hard place in railway revival journey (2022).
71 Edwin Mutai, Tycoons tied to Chinese contractors face probe (2022); Background talk with financial sector expert in Nairobi, November 29, 2022.
72 Alice Hancock and Andres Schipani, NGOs accuse EU's lending arm of due diligence failings (2023); Thomas Shipley, Integrity risks for international businesses in Kenya (2018), 9.
73 John Mutua, China fines Kenya $10m for defaulting on SGR loans (2022).
74 Fergus Kell, Kenya's debt struggles go far deeper than Chinese loans (2023).
75 Business Daily, China gives Kenya smallest loan since 2008 in new shift (2023).

Outlook: Mitigating Risks for the Global Gateway in East Africa

This paper has provided insights into the (geo)politics of infrastructure development along the Northern Corridor, with a focus on Kenya, where the EU and Team Europe partners have started to implement projects under the Global Gateway Initiative. It has demonstrated that the East African transport sector is undergoing profound changes, with a growing number of external and domestic actors pursuing political and economic interests related to connectivity in the region. Competition between the EU, China, and other external investors to become the region's "partner of choice" is intensifying, particularly in terms of access to markets and resource value chains. Investments in other corridors in the region and domestic rent-seeking dynamics also affect the economic prospects of infrastructure investments. As a result, Team Europe actors implementing Global Gateway projects face political, economic, and reputational risks. Mitigating these risks without compromising European interests is a tall order and requires a close look at key developments in the region and the experience of other actors operating in the sector.

To become more strategically involved in the development of the region's connectivity architecture, and to inspire the confidence of private sector investors, European actors should consider the following steps:

Paying increasing attention to (geo)political trends in risk management.
While most Team Europe actors have organisational risk management routines in place, many of the development-oriented actors, like investment banks, focus on the economic and fiscal risks of their projects and portfolios, and have traditionally preferred to stay out of politics. Current thinking on "de-risking" the Global Gateway is mainly about making projects bankable and attractive for private sector investors, through European financial guarantees.[76] Implementing agencies should therefore reassess whether their risk mitigation and management practices sufficiently take into account unforeseen (geo)political developments, including in related sectors. Examples of such risks include issues of debt sustainability and the increasingly diverse landscape of actors with potentially conflicting connectivity interests.

Taking a holistic view of the connectivity network in risk management.
Changing regional priorities can affect the economic viability of investments in other parts of the wider connectivity network and therefore need to be on the EU's radar (i.e., oil pipelines being rerouted). These regional dynamics are often not sufficiently captured when risk management focuses on individual projects and transport segments. Therefore, European actors should seek closer consultations with regional authorities involved in the management of transport corridors and with the East African Community. Adjustments to organisational structures may be necessary as well. The EIB, for example, has started to expand the capacities of its regional hub in Nairobi, to strengthen its regional perspective on risks and investment opportunities.

76 Sial and Sol, The Emperor's New Clothes: What's new about the EU's Global Gateway?, 10.

Addressing domestic governance dynamics in investment negotiations.
The EU Ambassador to Kenya recently expressed concern that the Kenyan government's limited efforts to tackle corruption, particularly in procurement, could deter investors.[77] Some government anti-corruption initiatives are underway, also driven by strong civil society advocacy, but improvements have been marginal so far. The Kenyan government's current financial constraints could present an opportunity for Europe to strengthen its position on the public service orientation of government investment decisions. Country-level political dialogues may also need to be broadened to deliver Global Gateway projects in a more strategic manner, throughout the design and implementation phases.

Involving private sector actors in strategic planning, rather than merely as investors.
The Global Gateway seeks to attract private sector investment to Africa. Yet those investments can become a reputational concern for Europe, as they may not always be in line with European cooperation objectives and principles (as outlined above in the involvement of a French company in crude oil extraction in Uganda vs. the EU green transition agenda). At the same time, companies who are already active in the region, for example in the logistics sector, are often familiar with infrastructure needs, regional economic and political developments, and global market trends. Team Europe actors should seek to engage with them on a regular basis, before investment decisions are finalised within European institutions. After all, the "branding" of European cooperation depends on the behaviour of all actors on the ground being perceived as European, especially since the Team Europe approach aims to present European actors as one bloc.

Prioritising complementarity over competition, including with China.
Connectivity architectures need to be well-integrated to achieve optimal operational results. Transport networks like East Africa's railway system need to be expanded to become more profitable. While governments in the region are in principle interested in diversified trade and investment partnerships, they also expect external partners to work in a complementary way where possible.[78] Parallel investment schemes may lead to further fragmentation of the region's connectivity architecture and could potentially fuel regional conflicts over external investment in transport routes. For the EU and China, intra-African connectivity is a common denominator. European actors should signal to China their interest in exchanging views on infrastructure development and risk mitigation measures, following experts' calls for common environmental and social standards in the sector.[79]

Carving out a European "win-win" model.
In the face of souring public opinion on Chinese investments and controversies over profit-oriented infrastructure development, Europe should develop a cooperation model that makes the Global Gateway a "game changer" for wider parts of the population along the Northern Corridor. There are ample opportunities for delivering on human development and green growth, given the high demand for infrastructure investment in the region. The recently announced investment in Nairobi's public transport system marks a step in this direction, and investment in social infrastructure could follow. While this approach may

77 Luke Anami, EU warns Kenya on graft, money laundering (2023).
78 Katja Sergejeff, Ennatu Domingo, and Pauline Veron, The EU, geopolitics and human development: Insights from Zambia, Kenya and Guinea (2023), 4.
79 Deborah Brautigam, Kenya Standard Gauge Railway contracts: what released documents say, and what they don't (2022).

not solve Europe’s immediate market access and supply chain concerns, or give Europe an instant competitive advantage, it would address reputational risks that the EU is facing (not only) in East Africa. In a region where external actors have historically been perceived as seeking unilateral economic advantage, relationship principles like fairness, credibility, and the sustainability of investments are likely to become important foundations of strategic relationships in the longer run.

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Note: The image on the front page shows a passenger train on the Tsavo River Super Major Bridge near the Tsavo National Park in Kenya, on July 28, 2022. © Dong Jianghui / XINHUA / Xinhua via AFP

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