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# EIC Analysis on

# European Strategy of Global Gateway Partnerships

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On 01st December 2021, EU Commission President Ms. von der Leyen announced the plans for an unprecedented global infrastructure financing strategy called the "EU Global Gateway Initiative" (GGI). Global Gateway aims to mobilise infrastructure development investments of up to 300 bn EUR in the years 2021-2027 and shall thereby represent a rules-and values-based alternative to China's Belt and Road Initiative.

The GGI was first articulated in July 2021 in the Council Conclusions on a "Globally Connected Europe" and builds on the objectives of the EU-Asia Connectivity Strategy (EIC July Newsletter). The GGI will be implemented via grant financing of up to 18 bn EUR provided by the new Neighbourhood, Development and International Cooperation Instrument (NDICI) and a 25 bn EUR initiative headed by the European Investment Bank (EIB). Combined, the EU seeks to leverage up to 135 bn EUR in investments secured by the EFSD+, supported by another 145 bn EUR of planned investment volumes by European financial and development finance institutions.

- EIC welcomes the GGI and its many parallels to the EIC recommendations formulated in the proposal for a *EU-Africa Partnership for Sustainable Infrastructure* and the position papers on the *Future of the EU Financing Architecture for Development* and the *New External Financing Instrument NDICI*:
- **EIC salutes the Commission's progressive stand to promote** *"physical infrastructure […] by offering attractive investment and business-friendly trading conditions, regulatory convergence, standardisation, supply chain integration, and financial services."* From a **geopolitical perspective**, **EIC is very much in favour of levelling the infrastructure financing ambitions from both sides of the Pacific and to "***reinforce initiatives such as the Build Back Better World […] with like-minded partners* [who] *express their shared commitment to addressing climate crisis through the development of infrastructure*."
- **EIC appreciates that the GGI acknowledges the role of "***transport networks* [as] *critical enabler of prosperous economies and societies*" and that it seeks to *"provide additional 4.6 bn EUR to enhance sustainable transport connections."* **European international contractors stand ready to contribute** to the goal of "*implementing transport infrastructure projects that foster the sustainable development of partner countries […]".*

- While the previous European External Investment Plan (EIP) has lacked an investment window for non-financially viable infrastructure projects, **EIC appreciates the Commission's foray to propose a Global Gateway Connectivity Window** under the EFSD+ Open Architecture. However, **EIC criticizes that such window shall cover both sustainably energy and transport.** Experience in the past has shown that financially viable energy investments tend to reflect financing activities away from non-financially viable transport projects.
- **EIC welcomes that** *"Global Gateway projects will be developed and delivered through Team Europe Initiatives [consisting of] the EU institutions, Member States, and European financial institutions [as well as] European businesses and governments."* **EIC and its members are available to engage in the desired consultation with** *"the private sector to unlock its capital, expertise and experience."*
- Whereas **EIC misses a central coordinating European development institution**, it **backs the plan for a European Export Credit Facility** that "*complement the existing export credit arrangements at Member State level and increase the EU's overall firepower in this area".* **EIC agrees that such** "*facility would help ensure a more level playing field for EU businesses in third country markets, where they increasingly have to compete with foreign competitors that receive large support from their governments*".
- **Referring to the unlevel playing field in international open bidding, EIC acclaims the ambition to base financing supported by EFSD+ on** "*systematic mechanisms to filter out abnormally low tenders, which put in danger the actual implementation of the projects or the principles of the Global Gateway, and foreign subsidies that undermine the level playing field.***"** **EIC stresses that such mechanisms are of utmost importance to ensure the control over project implementation and maintain visibility when blending finances under the lead of non-European partner institutions, and therefore supports the Commissions' demand addressed at the** *EU's development finance partners to "adhere to procurement standards similar to those applicable in the EU."*
- **EIC also welcomes the Commission's proposal to use "***EFSD+ blending facilities [grants and loans] to support non-bankable investment projects in EU partner countries."* Many non-financially viable projects as well as Public Private Partnerships (PPP) require an up-front grant element to demonstrate feasibility to other investors. To this end, **EIC urges the Commission to tailor such instruments to specific project needs.**

Whereas the Commission stresses that the "*EFSD+ guarantees are offered at favourable, highly competitive conditions* [that] *allow private investors to finance projects in more challenging markets,* EIC highlights that only two EFSD guarantee portfolios (RECIDE and AECID) were officially concluded with European DFIs – mainly due to the non-financially viability nature and risks associated with transport connectivity in the developing world.

To overcome this hurdle, **EIC stresses the importance of national Export Credit Agencies in leveraging additional financing and lifting-off projects alongside the envisioned corridors**. In addition, **EIC emphasises that Europe's competitiveness does not solely depend on the attractiveness of its financial offers**, but also on the ability to conclude and appease deals in a timely manner. To this end, **EIC encourages all involved stakeholders to streamline the project implementation cycle**, especially in light of possibly highly bureaucratic coordination procedures necessary under the "Team Europe Approach".