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The Global Gateway:

A RECIPE FOR EU GEOPOLITICAL RELEVANCE?

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The Global Gateway is the EU’s new connectiviy strategy that aims to create smart, sustainable and secure links with countries around the world in the thematic areas of digital, energy and transport. It also aims to strengthen health and education systems across the world. The paper argues that the Global Gateway strategy has the seeds of something new, but that it will need to overcome a number of challenges to be successful.

The Global Gateway strategy presents a clear European offer based on democratic values, equal partnerships, environmental sustainability, safe and secure infrastructure, and integrates the private sector. The EU wants to rival China’s Belt and Road Initiative and other regional and global players and to re-establish the EU’s standing, notably in Africa where the EU promised €150 billion of a €300 billion pledged under the Global Gateway investments.

It will be essential for member states to fully buy into the Global Gateway brand, bringing both their political and financial offer to the table. It will take time, patience and genuine impact to develop the Global Gateway into a successful brand. Overcoming reputational issues, particularly in Africa, will require showing that this is genuinely a new approach. The Global Gateway will also require a change in the way development, foreign and economic policy areas work together, combining geopolitical steering and an understanding of private sector needs. Finally, there will be no Global Gateway unless the EU and its member states manage to scale up private sector investment.

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Acronyms

AFD	Agence Française de Développement
AU	African Union
BRI	Belt and Road Initiative
DFIs	Development finance institutions
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECDPM	European Centre for Development Policy Management
EFAD	European financial architecture for development
EFSD+	European Fund for Sustainable Development Plus
EIB	European Investment Bank
EU	European Union
HR/VP	High Representative / Vice President
NDICI	Neighbourhood, Development and International Cooperation Instrument
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PDBs	Public development banks
SDGs	Sustainable development goals
TEIs	Team Europe Initiatives
UK	United Kingdom

1. Raising expectations

Against a turbulent geopolitical backdrop and a growing multipolarity in the international system, the European Union (EU) hopes to become a more important global actor through its new Global Gateway strategy. Launched on 1 December 2021, the Global Gateway is a broad connectivity strategy that aims to create smart, sustainable and secure links with countries around the world in the thematic areas of digital, energy and transport. While the focus is clearly on hard and soft infrastructure development and related regulatory frameworks, the initiative also aims to strengthen health, education and research systems across the world. The EU pledged to mobilise up to €300 billion between 2021 and 2027 in investments in quality infrastructure through a Team Europe approach, bringing together the EU, its member states, the European financial institutions and the private sector (EC 2021a).

The Global Gateway is the EU's latest effort to adapt its strategy to the geopolitical context and it is clearly framed as an alternative to the Chinese Belt and Road Initiative (BRI). European Commission President Ursula von der Leyen laid out the ambition for the Global Gateway to become a trusted brand around the world (EC 2021b). It is also the EU's contribution to the G7's commitment to narrow the global infrastructure investment gap in the wake of the COVID-19 pandemic (EC 2021c). Yet, what really drove the EU to launch the Global Gateway is the sense that the EU's influence in key regions is diminishing, while China and other powers are gaining in influence. This has only been heightened by recent events, including COVID-19 and Russia's invasion of Ukraine.

The reception of the Global Gateway has been ambiguous, raising interest, scepticism and scorn from some parts of the international press (The Economist 2021; Stevis-Gridneff 2022; Chadwick 2022). Some have argued that the €300 billion pledged for the upcoming seven-year financial period amounts to very little. Others have questioned the ability of the EU to mobilise that much investment. Policymakers maintained that criticisms about the lack of new EU resources are misplaced, and miss the strategic impetus of the Global Gateway as a step towards a more cohesive and stronger Europe in the world (Tagliapietra 2021). It aims to savvily combine hard and soft infrastructure development, promoting EU priorities, values, standards and value addition.

Yet the Global Gateway has raised many questions. Can the EU rival the Chinese BRI? Is the EU overselling or underselling itself? Can the EU mobilise additional resources and political buy-in to match its developmental and geopolitical ambitions? How will the Global Gateway be implemented in practice? How does it fit with existing processes, such as the programming of the Global Europe instrument and the Team Europe approach? How will the EU's partners be involved? What's the place of the private sector?

Despite these unresolved questions, the Global Gateway holds the seeds of something new and politically significant if implemented effectively. The EU's credibility as a global actor will be at stake if the adoption of the strategy is half-hearted and fails to deliver on its promises. The EU and its member states not only have to leverage private investment at scale to meet the ambitious financial target. They must also provide the necessary geopolitical steer, while responding to the developmental needs of their partners worldwide. In addition, they have to step up their collective efforts - beyond the EU budget and institutions - in a coordinated and synergistic manner, in a truly Team Europe spirit. In doing so, they need to clearly articulate the strategic added value of the Global Gateway.

This paper considers what it will take to make the Global Gateway deliver on its promises, from strategy to implementation. We look first at the geopolitical backdrop to the Global Gateway, before identifying four aspects of the Global Gateway on which it would need to deliver, namely a brand, a pledge, a policy direction and a methodology. We then analyse five key challenges facing the Global Gateway and what is required to overcome them. These challenges include: getting full buy-in from member states; building an effective brand; tackling the EU's perception problem, notably in Africa; shifting how various actors engage with the intersection between geopolitics, investment and development; and achieving a steady increase in private sector investments. We end with a brief reflection on the road ahead both in the short and medium term. This paper is based on desk research and interviews with EU and EU member state officials.

2. Backdrop to the Global Gateway

The Global Gateway was pushed by the July 2021 Council Conclusions on "Globally Connected Europe", which urged the EU to pursue a 'geostrategic and global approach to connectivity' (CoEU 2021a). This call came at a time of increasing geopolitical tensions, which soared since Russia's invasion of Ukraine. The initial impetus to develop a comprehensive connectivity strategy was China's growing global influence, which is directly linked to its Belt and Road Initiative (BRI). China's rapid increase in overseas financing for hard infrastructure in developing countries has long caused a growing sense of unease for Western governments.

European actors worry particularly about China's influence in Africa, which was traditionally European countries' core sphere of influence. European policymakers point to the fact that combined EU trade with and investments in Africa surpass those of China, and that the EU is also the continent's largest donor. For example, the EU estimates that in 2018 it had foreign direct investment stocks worth over €212 billion compared with €41 billion each for the UK and the US, and €39 billion for China (EC 2022a; EC 2020). Yet, due to the lack of a common European messaging and brand, the EU feels that its combined value-added is undervalued: it does not get the recognition, appreciation and political credit it deserves from its partners. Furthermore, China has become a lead actor in the area of infrastructure development, an area that is particularly in demand in a continent where the infrastructure funding gap is between $68-$108 billion a year (AfDB 2018). African leaders raised Africa's need for greater investments in infrastructure with European counterparts during the last European Union-African Union Summit. Subsequently, in the final declaration of the 2022 Summit, the Africa-Europe Investment Package of at least EUR 150 billion was announced, including investments in energy, transport and digital infrastructure aligned with the AU's Programme for Infrastructure Development (PIDA) (Nepad 2022: Apiko 2022: EC 2022). This indicates that the EU is trying to take an approach that is more in line with African needs and interests, although this will also need to be part of the planning and implementation stages of any infrastructure projects.

Western policymakers consider that China uses its investments and its digital technologies to promote its economic, political and security interests globally. The EU also increasingly sees the strategic merit in promoting its own interests, norms and values through its investments, notably in digitalisation, energy and transport. In the face of the rapid geoeconomic fragmentation brought on by the Russian invasion of Ukraine, and rising tensions between some global powers (Georgieva et al. 2022), the EU is keen to leverage its development aid and investment ambitions to raise its economic and political clout internationally.

The Global Gateway aims to provide a common brand and messaging for European investments globally, and in Africa in particular. It also seeks to influence the choice of the economic and governance model of partner countries. The strategy builds on existing connectivity strategies (for example, the 2018 EU-Asia connectivity strategy and connectivity partnerships with Japan and India), and aims to help the EU increase its visibility, reach and impact. But it is also clearly presented as an alternative to the BRI, emphasising five key principles: (1) a value-based approach promoting *democratic values and high standards*, *good governance and transparency*, (2) *equal partnerships* based on a close cooperation and consultation with partner countries, (3) *green and clean* approach based on the Green Deal principles, (4) *security-focused* infrastructure, and (5) *catalysing private sector investment*.

3. Four key building blocks of the Global Gateway

We identify four main components of the Global Gateway strategy that need to be further developed, namely a brand, a pledge (the financial targets), a policy direction, and a methodology (Team Europe). While each of these four elements was already a priority for the European Union, the Global Gateway is a way to push these further.

A 'trusted' brand: the EU is trying to create a recognisable brand to compete in a geopolitically more challenging world. The pandemic added to the EU's sense of urgency, to not only develop new financial tools that can reinforce the EU's role as a global actor with the ability to set standards and norms, but also to package the EU actions in an easily recognisable way (Jones et al. 2020; Jones and Teevan 2021). While the EU and its member states are the largest providers of official development assistance (ODA), they have traditionally not focused on communicating their collective impact or creating a brand that would help the EU and its member states position themselves in the competition over geopolitical rivals, including on infrastructure investments (Tagliapietra 2021).

A pledge: the EU has set a target of €300 billion in investments between 2021 and 2027. This figure is based on the ambition to mobilise more external investments for sustainable development under the EU budget, and in particular under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe) and its European Fund for Sustainable Development Plus (EFSD+). The EU aims to mobilise €135 billion in investments with the EFSD+ guarantees, leverage an additional €145 billion in investments via the European financial and development finance institutions, and provide €18 billion in grants from the EU budget (EC and HR/VP 2021; EP 2022). There are questions about the feasibility of this target in a time of crisis, but policymakers argue that this self-declared target holds the EU accountable and arguably pushes different stakeholders to work together to scale up investments in infrastructure. On top of the global pledge, there is the pledge vis-a-vis Africa. At the recent EU-AU Summit, it was announced that half of the funds should be invested in Africa through the EU-Africa Investment Package (EC 2022b). The high level of attention accorded to the Global Gateway by the Europeans at the Summit makes delivery of this pledge a matter of credibility for the EU.

A direction: the EU is shifting its focus away from traditional development aid. The launch of the Global Gateway follows a broader shift in EU policy towards a more policy-driven external investment, focused both on promoting sustainable development and meeting the EU's political and economic interests (EC 2022c). To this end, the EU is enhancing its tools and approaches, moving beyond traditional development policy towards a more effective mobilisation of public and private investments, combined with better articulated geopolitical ambitions. The Global Gateway is the public embodiment of this policy direction. This approach is not without its detractors and sceptics. Some worry about the EU's continued commitment to development policy principles (Furness and Keijzer 2022), while others point out the difficulties faced in mobilising private investments, identifying the relevant European private sector actors, and overcoming the slowness and complexity of EU processes, often perceived as unattractive to the private sector. The Global Gateway narrative also remains ambiguous about whether to mobilise public resources beyond development aid. For example, the Global Gateway could be strengthened by public support to the European private sector from other sources other than development funds (for example, through export credit agencies), articulated alongside development finance.

A 'methodology': the EU will operationalise the Global Gateway via the Team Europe approach and the Team Europe Initiatives. Launched in 2020 in response to COVID-19, the Team Europe approach tried to build out a more strategic approach to joint programming between the EU and its member states (Jones and Teevan 2021). At the time, this appeared to already be an exercise in branding as there was a clear focus on increasing European collective visibility. It was also meant as a way to improve the European collective approach, achieving scale through fostering greater coherence, complementarity and synergy across EU and member states' foreign, economic and development policies. A major innovation is the development of Team Europe Initiatives: these are flagship initiatives in each partner country or region which respond to local demand and demonstrate the EU's added value in specific areas, in line with the EU's own strategic priorities and partner countries' needs (Jones and Sergejeff, forthcoming).

4. Key challenges

The Global Gateway faces a number of challenges. Firstly, the Global Gateway will need both political and financial buy-in from EU member states, and its success will greatly depend on the effectiveness of a coherent and united Team Europe approach. Secondly, the EU has launched several brands and initiatives in recent years, but building the Global Gateway into an effective brand will require time, persistence and substance. Thirdly, the EU faces an uphill battle in rebuilding Europe's image in many African countries, and will need to demonstrate that the Global Gateway marks a real change in direction, including visible outcomes of its implementation. Fourthly, to help the EU policy steer, the Global Gateway will require a profound change in how various European actors engage. This means stepping out of the traditional development community, engaging more actively with foreign and economic diplomacy, and working differently with financiers and the private sector, at the European level and beyond. Finally, it will also require a greater capacity to mobilise sustainable finance at scale to steadily increase investments in both hard and soft infrastructure.

a) <u>No Team without players</u>

The Global Gateway originated at the request of EU member states in the Council. As with all new EU initiatives, there is a degree of waiting-and-seeing among EU member states, particularly on what the Global Gateway might consist of beyond the current batch of TEIs. It is clear that without the political and financial buy-in of member states, the Global Gateway will not achieve either its financial target or its political aims.

The level of ownership of the Global Gateway is likely to vary across member states. There appears to be broad support and consensus on some elements, like the need for a common brand emphasising the EU's added value on soft infrastructure and the principle of a more policy-driven and geopolitical approach to EU investment. Yet, certain member states are less keen to put more of their own resources on the table, while others have doubts about the usefulness of the EU collectively moving into large-scale hard infrastructure.

According to the Commission, about half of the €300 billion target (€145 billion) should be driven by EU member states' investments in addition to the EU budget. EU member states should not only steer the operations under the EU budget - through the EFSD+ Strategic and Operational Board and the Council - but also engage via their own institutions and use their own resources. Under a Team Europe approach, they can steer initiatives and coordinate with one another, with or without EU funding. The Global Gateway can serve as a rallying point and strategic pointer to that end, provided there is sufficient buy-in by enough member states. Part of the financial target might be achieved by rebranding EU member states' own development and investment projects. But this will require a coordinated and targeted approach to be useful beyond branding. New investment schemes will also need to be initiated in a coordinated manner to achieve some of the strategic goals of the Global Gateway.

In essence, the Global Gateway calls for a fundamentally different way of approaching foreign policy by both the EU institutions and member states. Making this work will require EU member state leaders, ministers and officials to be more present in partner countries - and notably in Africa - engaging with their peers, bringing along private sector delegations and continually referencing the Global Gateway. Foreign, economic, development and green diplomacy should work in a more coherent and coordinated manner; at the EU level and between the EU, its institutions and member states. Member states will also need to bring domestic actors to the table, including but not limited to their own development banks and financial institutions, ministries of finance and private sector actors.

Even where political leaders buy into the initiative, this may not necessarily trickle down into concrete actions in various ministries, institutions and development finance institutions (DFIs). Many development actors worry that these new priorities will mean a move away from development principles, even if European development ministries and agencies have been engaging more and more with (geo)political and economic priorities. European financial institutions for development also have their respective mandates, governance structures and principles of independence, following a market-oriented approach rather than a (geo)political agenda, which they might resist. Rivalries and competitions among (EU) institutions and member states might also hamper cooperation. Some member states and EU officials also seem unconvinced that the EU can effectively mobilise investment at scale, in particular on hard infrastructure, and doubt the EU's advantage in this area compared to other global powers that they perceive to move faster and at a larger scale.

The governance of the Global Gateway and more broadly the European financial architecture for development (EFAD)[1] is also a major issue. The Global Gateway builds on Team Europe initiatives and on guarantees provided in the EU budget under the EFSD+. The governance of the NDICI/Global Europe - and in particular the Strategic Board and the Operational Board of the EFSD+ - are the key policy steers and decision-making mechanisms. They are also formally enshrined in EU law (Regulation (EU) 2021/947), which is not the case for the Global Gateway. The Global Gateway Board, under the overall steer of Commission President von der Leyen, HR/VP Borrell and the responsible Commissioners (EC and HR/VP 2021), creates an additional layer of governance that will need to support existing governance mechanisms. Some EU member state representatives have already voiced concerns over the duplication of decision bodies and the fact that member states have not yet been given the opportunity to input into the (geo)strategic orientation of the EFSD+ Strategic Board. It is also unclear how the recent call for proposals to DFIs under the EFSD+ will be aligned to the Global Gateway strategic steer. EU and member state policymakers should pay greater attention to ensuring that there is coherence between the various governance mechanisms and Council Working Parties.

The EU and its member states will need to capitalise on their long-standing experience in development and historical links with partner countries, while also matching political commitments with financial ones (AFD 2022). Yet, by drawing mainly on ODA and development finance instruments, the EU limits its capacity to use other non-ODA public instruments – for example investment and export promotion and credit tools – to mobilise private investments and achieve broader economic and foreign policy objectives. This may further heighten tensions between development cooperation actors and other foreign and economic policymakers and actors.

b) Bringing a brand to life

The Global Gateway is meant to increase the visibility of EU activities across the world. It builds on existing initiatives and processes at the EU and member state levels, and articulates key dimensions of the Global Europe-NDICI programming process, including the Team Europe approach and its flagship Team Europe Initiatives. By emphasising the objective of mobilising investment at scale, it gives a higher profile and brand to the technical EFSD+ and EU External Action Guarantee. It will also brand some of the EU member states' investments under a common flag.

[1] The EFAD includes the Commission, the HR/VP, EU member states and their national development finance institutions and organisations, as well as the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD).

However, the proliferation of EU initiatives and brands has inspired a degree of scepticism, and even fatigue among partners of the EU, especially in Africa. The EU created Team Europe to coordinate and brand European joint programming in partner countries, giving it a more political orientation (Jones and Teevan 2021). The renaming of the NDICI as Global Europe also aims to make it a more recognisable brand. The European External Investment Plan (EIP) was launched in 2017 as a key EU initiative to stimulate investment, while the aforementioned Europe-Asia Connectivity Strategy also aimed to build connectivity with Asia. The EU has announced a number of other alliances and partnerships with various actors around the world, all of which presented a similar collection of 'tools' (grants, investment and values). The Global Gateway should help bring greater coherence and clarity to the EU visibility to be effective, and not be just an additional brand among many others.

Making the Global Gateway a successful brand will require sustained political communication around the brand, together with demonstrated impact. The launch of the Global Gateway appears to be the result of the EU's political leadership wanting something more political to compete with China. Now that the Global Gateway has been launched and has received much more publicity and political buy-in than earlier brands, it will be important to fully invest in making this brand what it envisions to be. The more political origins of the Global Gateway may allow for a greater degree of political buy-in, and thus a wider usage of the brand. However, wider usage will not be enough on its own. It will require feet on the ground, and actual follow-through, which we will touch on in the next two points.

c) Tackling perception problems

The EU faces perception problems, particularly in Africa, that it will need to address. This includes a perception of fragmentation and of slow and heavy procedures. EU engagement in African countries also carries significant historical baggage. European support is often accused of being riddled with prescriptive criteria and conditionalities, conveying a paternalistic and post-colonialist approach interfering with the domestic affairs of African countries (Kebret 2021; Orbie 2022).

This is also the context in which China moved into hard infrastructure financing in Africa. The Belt and Road initiative was presented as a more respectful alternative to the West's development model, offering to invest in critical infrastructure on a more equal footing, without the invasive conditionalities imposed by Western donors. Polling also shows that the perception of the influence of China in African countries is consistently positive (Appiah-Nyamekye Sanny and Selormey 2020).

The Global Gateway, therefore, presents an alternative to the original Chinese alternative, while it doubles down on a European 'democratic values' discourse and a focus on regulatory alignment (EC 2021a) that may bring back echoes of stringent conditionalities. While EU policymakers argue that the Global Gateway was welcomed by African leaders at the EU-AU Summit, the lukewarm reception of the Global Gateway in some parts of the African media illustrates that the EU is fighting an uphill public relations battle in Africa (Caslin 2022; van Staden 2022; Van Gaal 2022). European policymakers will need to demonstrate that they are truly listening to African counterparts and that investments are led by local demand.

The Global Gateway, together with the Global Europe Instrument, the Team Europe approach, the EFSD+, the EU External Investment Plan and the EU Green Deal can contribute to the EU's visibility worldwide. But they also reinforce the perception of an EU-centric approach, which leaves little space in the name and in practice for the equal partnership advocated by the EU, in particular in Africa. While the EU claims extensive consultation with its local partners, these consultations are usually conducted at the initiative of the EU, through processes set up by the EU. It has been suggested that a more inclusive approach would have implied setting up Team Europe-Africa approaches and mechanisms, bringing European and African financial institutions for development and their policymakers together (Bilal 2021a; Bilal 2020). The 'Global Gateway Africa-Europe Investment Package' is a better way to jointly brand the initiative. But it is at odds with the fact that only resources and investments mobilised by the EU are accounted for, and not those from Africa. And there is no explicit mechanism set up to coordinate the joint European-African actions under this investment package, which would bring African and European investment stakeholders together.

Russia's invasion of Ukraine has further highlighted the perception challenges, diverting the EU's attention to this conflict and raising accusations of double standards and racism by Western actors and Western media (Aamari 2022, Buccus 2022, Połońska-Kimunguyi 2022). Many African leaders have chosen to remain neutral. The rising price of grain and potential fertiliser shortages, which are being felt disproportionately in Africa, have led African leaders to appeal directly to Putin to end Russia's blockade of Ukrainian ports. Some also complained to the EU about the impact of its sanctions (Le Monde 2022, Mallet and Bounds 2022). The EU will need to show that while this conflict is a top priority, it has not forgotten other foreign policy priorities. With regard to the Global Gateway, there are likely to be pressures to divert the focus to Ukraine and its neighbours, or to Central Asia where Russia appears to be losing influence (Grynszpan 2022). EU member states are already redirecting aid budgets in response to the war (Gavas and Pleeck 2022). External investment needs and priorities may also further shift East, increasing the risk of underdelivering elsewhere. As EU actors are faced with difficult choices, its investment promises vis-a-vis Africa should not be forgotten.

d) A more geopolitical development finance

The Global Gateway will need to build more explicit complementarities and linkages between foreign policy, development, trade, investment, finance, and multiple other policy areas to be truly transformative. This has been an agenda point of the current 'geopolitical' commission from the beginning, with its emphasis on finding synergies between internal and external policy areas (Teevan and Sherriff 2019). The Global Gateway also aims to work closely with the private sector toward achieving foreign and development policy objectives. Finance ministries and financial institutions for development will have to engage with geopolitical and strategic development goals, and foreign policy and development actors will need a greater engagement with the private sector.

To this end, the integration of the EFSD+ into the programming of the NDICI-Global Europe, strategically steered at the EU level, gives a stronger policy direction to sustainable investments. But the mobilisation of investments for development by the EU, its member states and their financial institutions go beyond the EFSD+. The European financial architecture for development will need to be articulated more effectively to ensure the coherence of the overall geostrategic and developmental steering and implementation of the Global Gateway. A broad range of European institutional actors and the financial institutions for development must rise to this ambition, accepting to play a more coordinated and active role (EC 2022c; Bilal 2021b; Bilal 2022). In practice, this implies fostering not only greater cooperation among different European actors but also greater attention to the internal coordination for each group of actors. EU member states, in particular, must ensure efficient coherence mechanisms between various ministries, and as shareholders of financial institutions for development, as well as in the various Council committees, in the EFSD+ Strategic and Operational Boards, in the various Team European Initiatives, and the Global Gateway, as discussed above.

The Global Gateway is also an opportunity to engage more actively with the private sector on the strategic orientations and implementation of the EU external investment for development. The Business Advisory Group, set up as part of the Global Gateway, is a way to do so at the institutional level. Identifying members of such a representative body will require focusing on key business sector representatives, with large vested interests in European foreign economic policy and investment promotion. Such interests are generally articulated better in larger EU member states, through their business associations and big companies. To be representative, the Business Advisory Group will have to include business voices from both larger and smaller member states to be representative. It should also be a sounding board to help articulate European (geo)strategic economic and investment objectives, and identify key European business challenges abroad and possible remedies in terms of policies and mechanisms. The Global Gateway offers the opportunity to highlight the EU's efforts towards more comprehensive and diverse ways to engage with the European private sector and foster a more active European economic diplomacy (Bilal, 2021c).

However, it is important to avoid any form of tied aid and use ODA to achieve political objectives at the expense of SDGs and EU values and principles. Many diplomats and development policymakers and officials within the institutions remain uncomfortable with this kind of engagement, reluctant to mix development objectives with foreign and economic interests. Besides, many diplomats and development cooperation actors are not prepared, equipped nor trained to engage in the multi-dimensional agenda, connecting development objectives with foreign policy and economic interests. Amongst the member states, there is a great deal of variety of approaches and experiences in that respect as well. The Global Gateway is also a way for EU member states to share their experiences in engaging the private sector, mobilising private finance and promoting external investment in a sustainable and geostrategic manner, and draw lessons for the EU's global ambitions.

e) <u>Scaling up private investment</u>

A key challenge that policymakers in both the EU institutions and member states are puzzling over is how to mobilise sustainable finance at scale to boost investments in infrastructure. The EU needs to be able to put forward an attractive offer that is of interest to private sector investors as well. The €300 billion target for the Global Gateway is based on the ambitions of the EFSD+, with a leverage ratio of 10, meaning that €1 in public finance is expected to help mobilise up to €10 in private finance. This is a high ratio, claimed by the EFSD, but in practice often hard to reach, and dependent on a variety of factors, related to the type of instruments, project, the mix of countries, et cetera (Attridge and Gouett 2021; Poldermans and Pereira 2020; Convergence 2020).

Further, few EU member states have extensive experience and capacity in scaling up investment in hard infrastructure, even if they might have much to offer with regard to soft infrastructure. About 90% of the European official development finance for hard infrastructure comes from the EU institutions including the EIB, the EBRD, Germany and France, as shown in Table 1. Other EU member states tend to be more interested and active in soft infrastructure. Part of the issue is that infrastructure actors in many EU member states are simply too small to be significant global actors, while those companies that do have the capacity are already active and at times well established in emerging markets worldwide. By trying to bring the EU and its member states' efforts together, the Global Gateway (and the associated Team Europe approach) will need to create the mechanisms so that a number of small companies in multiple EU member states can see the interest in joining forces to develop projects outside the EU.

Table 1: European official development finance for infrastructure (2019, constant 2018 USD)

	Commitments	(%)	Disbursement	(%)
EU institutions	4,729	(23,7)	3,33	(24,9)
EBRD	3,644	(18,3)	2,66	(19,9)
Germany	4,972	(24,9)	3,53	(26,4)
France	4,801	(24,1)	2,82	(21,1)
Sub-total	***18,146***	***(90,9)***	***12,34***	***(92,3)***
Other EU MS	1,813	(9,1)	1,03	(7,7)
Total EU	**19,959**	**(100)**	**13,37**	**(100)**

Source: Authors' calculations, from OECD.

The Global Gateway should also focus on articulating the development of both hard and soft infrastructure to get traction and active participation from the broad range of EU member states. Yet, the Global Gateway makes big promises on delivering hard infrastructure, which should account for the lion's share of the €300 billion ambitions. It is also this focus on hard infrastructure - intended to increase the EU's global footprint vis-a-vis other international actors such as China - that marks the biggest shift from recent EU development policy, and will require building specific partnerships with private sector actors.

Scaling up European international private investment will also require public actions beyond development cooperation and development finance. Yet, the Global Gateway remains mainly silent on how non-ODA and development finance instruments could be mobilised to leverage private finance in line with a more active European geostrategic economic diplomacy. European policymakers should pay more attention to trade and investment promotion and facilitation tools, improving European companies and investors' effective market access to European partner countries based on European geostrategic and economic interests. This goes far beyond the current development-focused means and approaches identified in the Global Gateway, which remains mostly distant from the immediate concerns and opportunities of European businesses and investors. Yet, the Global Gateway could bring the seeds of a more active and coherent European geostrategic economic diplomacy, promoting core European economic interests in line with EU norms, values and principles.

5. Making the Global Gateway work: Short-term pragmatism and medium-term vision

The Global Gateway ultimately lays out clear goals:

- to create a 'trusted' global brand;
- to reach an ambitious investment target;
- to implement a considerable change in policy direction; and
- to bring the EU-27 along in a unified approach.

Along the way, there are a number of challenges that will need to be overcome. Member states will need to come on board in a coordinated manner, bringing both financial resources and political buy-in. Greater ownership by EU member states will also require a less directive approach by the EU institutions (Commission and in-country delegation), which should help coordination among European actors without being perceived as necessarily dominating the agenda.

Making the Global Gateway a 'trusted' brand will require sustained communication, political buy-in and also real impact that can be communicated. Bringing the Global Gateway to life will also require a major change of mindset to achieve a geostrategic approach to external investment. This will require setting clear (geo)political goals beyond some developmental thematic and geographic priorities. In the current context, this would include addressing questions such as:

- What are the political ambitions of the EU to help Ukraine face the war and the reconstruction efforts, as in the EU "RebuildUkraine" initiative (EC 2022d), which includes heavy investments in infrastructure?
- How will the EU best support Ukraine's neighbouring countries, also badly affected by the war?
- To what extent can the EU help address the dire consequences of the Russian war in Ukraine on other developing countries, and notably in Africa, on food security and (clean) energy access?
- What major sectors will European investors and companies focus on (for instance, digital solutions, solar panels, hydrogen energy, water and sanitation), and in which countries/regions?
- What are the major energy and security threats for Europe, and what are the key sectors where Europe would like to reduce its dependence on Russia and China? Where should the EU invest in the diversification of key value chains, and what are the (new) market opportunities Europe would like to collectively tap into?
- What are strategic initiatives the EU should support, based on political, economic and development considerations (such as the implementation of the African Continental Free Trade Agreement and related infrastructure and productive capacity needs)?

It will also require developing greater policy coordination between public and private sector actors, and between economic and foreign policy ministries. Scaling up private finance will require much more than guarantees. It will mean creating the conditions and incentives for companies to think long-term about opportunities for investing in developing countries, in particular in Africa. Addressing these various challenges is going to take time and effort, and it is likely that by the end of the current EU budgetary cycle in 2027 (also the deadline for the proposed €300 billion in investments), much of the work will just be starting to pay off.

The current geopolitical climate is extremely tense and volatile, and threats such as climate change or future pandemics might also completely shake up global power dynamics. Responding to future challenges will require flexibility, but this should not come at the expense of long-term vision. For example, COVID-19 led to an increased demand for investments in vaccine manufacturing in Africa, and the EU has tried to develop a timely response to this urgent and loudly voiced demand (Bilal et al. 2022, Karaki et al. 2022). However, it is also essential that the EU delivers on existing commitments if it hopes to be taken seriously as a global actor.

There are a number of vital steps the EU and member states can take to begin this journey and ensure the credibility of the Global Gateway. Pragmatism will be necessary during the current programming cycle to be able to start delivering. Yet, this should also be a time for setting something more significant in motion and laying the groundwork to build the Global Gateway into the kind of 'trustworthy' brand that the EU aspires to build.

Short-term (By 2027: End of this EU budgetary cycle):

1. **Working with the tools at hand:** 128 Team Europe Initiatives have been launched in partner countries, while regional TEIs are being developed (Jones and Sergejeff, forthcoming). This first batch of TEIs will be the calling

cards of the Global Gateway. Harnessing European public development banks (PDBs) and DFIs to the TEIs will be an immediate challenge. It can be done through the EFSD+, by selecting investment proposals according to the TEIs and Global Gateway priorities, as well as beyond the EFSD+, through the direct participation of PDBs and DFIs in TEIs. Success stories of joined-up EU action, in line with partner country priorities, should be shared widely, and used as the basis for scaling up this approach.

2. **Enhancing the (geo)strategic and political steering**: The Global Gateway should be better integrated into the European external relations apparatus, beyond development cooperation, to fulfil its expectations. Foreign and economic diplomacy should feature predominantly in the Global Gateway approach while ensuring that actions are fully aligned with the values, principles and sustainable development objectives of the EU. This also means greater attention to the coordination among development, foreign and economic policymakers in Europe, including between the relevant European Commission Directorate-Generals and the European External Action Service, and the different Council committees and working parties.
3. **Establishing the brand:** This will require a more coordinated and strategic political communication by the EU and member states, including around existing development and investment initiatives, but particularly around new strategic investments in the focus areas of the Global Gateway. European communication efforts should differentiate between European and external audiences and be tailored to the specific interests and expectations of partner countries and respective stakeholders.
4. **Building the architecture to deliver:** The Global Gateway architecture should be open and inclusive so as not to privilege only the EU institutions and bigger member states. It should also be clearly articulated with other initiatives, including NDICI/Global Europe and the EFSD+. Building on a Team Europe approach, the Global Gateway also offers an opportunity to turn the European financial architecture for development (EFAD) into a strategic and well-coordinated system. The EFSD+ and Global Gateway Boards should be closely aligned on the decision-making process related to EU guarantees, while recognising the primacy of the EFSD+ governance, enshrined by EU law. It will need to combine a strong geopolitical and developmental vision with the technical expertise necessary to deliver on the promise of the Global Gateway.
5. **Flagship investments with the private sector:** Less than six years remain in the current budgetary cycle, and it will be important not to over-promise and under-deliver. Policymakers should focus on working with the private sector to demonstrate that it can actually deliver by developing strategic investments in key areas by 2027. DFIs and their understanding of the private sector interests and incentives will be crucial for achieving the ambitions of the Global Gateway. They will also remain the main counterparts of the private investors and companies, which may not be directly involved in the Global Gateway initiative. It is only key private sector representatives and large companies that may take a direct role in shaping the Global Gateway, through the Business Advisory Group. The EU and member states will need to establish a larger pipeline of bankable projects. Initial impact will be very important if the Global Gateway is to have a basis on which to build.
6. **Partnerships building on local ownership**: The successful implementation of the Global Gateway will ultimately rest on the willingness and capacity of the EU and its member states to establish true partnerships with countries and regions globally. This means building on local priorities and actors' dynamics. It also means the capacity of the EU to mobilise international and local investments, together with local private and public actors. In particular, the Global Gateway should contribute to developing further cooperation endeavours between European and non-European financial institutions for development.

Medium-term (By 2034: End of next EU budgetary cycle):

1. **The strategy drives the tools:** For the 2021-2027 budgetary cycle, the Global Gateway was grafted on the existing Team Europe Initiatives. For the next budgetary cycle, it should be possible to cater the tools more to the strategy, refining the Team Europe initiatives, or indeed replacing them with a more appropriate methodology whilst maintaining the Team Europe spirit.

2. **The Global Gateway becomes a synonym for trustworthy investment:** The Global Gateway becomes a byword for European investment across the world, delivering on the promise of high standards and sustainability. This will require sustained commitment over time
3. **A truly integrated approach to foreign policy, development and international investment:** EU institutions and member states should continue the shift towards a more strategic and integrated approach to international investments.
4. **Sustained public-private investments around the world:** The Global Gateway should be able to truly begin to deliver in the medium term with a wider range of public-private partnerships while developing an ambitious pipeline of future investments.

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