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Europe's Global Gateway: A New Geostrategic Framework for Development Policy?

Summary

The proposal by the European Union (EU) to build a "Global Gateway" to the world is potentially an important juncture in EU foreign relations. Since its official launch in December 2021, most attention has been put on the initiative's geostrategic implications and whether the EU can compete with China. Less attention has been paid to the Global Gateway's implications for EU development policy in terms of strategic objectives, decision-making, thematic focus and financing.

Two aspects are important in this regard. The first is whether the Global Gateway is a serious proposal that can deliver on its headline promises to massively increase European infrastructure financing in developing countries, provide partners with an alternative economic and political model to that being offered by China, and make a meaningful contribution to their efforts to realise the 2030 Agenda.

The EU's announcement that the Global Gateway will generate up to EUR 300 billion in investment by 2027 grabbed headlines, many of them sceptical. There is, however, no reason to doubt that the initiative will be adequately financed. Although the planning for the EU's international aid budget for 2021-2027 has mostly been completed, a significant proportion remains flexible and could be spent on Global Gateway projects. As for the EU's implementing capacity, the Gateway's financial toolbox draws on the EU's recent experiences with the Juncker Investment Plan and the External Investment Plan, which have both been utilised by development banks and private investors.

The second aspect is whether the Global Gateway heralds a change in the EU's motivations, objectives and modalities for cooperation with developing countries and regions. On the surface, the Global Gateway does not seem to change much. There are many thematic overlaps with existing strategic frameworks for engaging with Africa and the EU's Neighbourhood. There is even a sense that the Global Gateway turns back the clock to the days when the EU focussed aid spending on infrastructure and emphasised its "political neutrality".

The geopolitical context in which the EU finds itself is, however, being transformed by pandemic, wars and multipolarity. The impacts of epochal events such as the Covid-19 pandemic and Russia's invasion of Ukraine are still playing out. The Global Gateway signals a major adjustment in the EU's response to these transformations, particularly regarding its engagement with the "Global South". This will create a new paradigm for EU development policy, defined by strategic interests.

It is likely that the new geostrategic framework will weaken the EU's commitment to, and observance of, core development policy principles, especially the focus on poverty, partner country ownership, open governance and the "do no harm" principle. The Global Gateway's use of aid to catalyse commercial investment risks further instrumentalising EU development policy. Specific measures are therefore needed to safeguard and promote the principles that the EU and its member states have committed themselves to.

Overview

On 1 December 2021, the EU presented its proposed global infrastructure investment scheme, the "Global Gateway" (EC/HR, 2021). The Global Gateway is intended to further the EU's ambition to become a global power by harnessing its economic size and political attractiveness. The initiative seeks to visibly and effectively incentivise European efforts in infrastructure investment (see Box 1). On a geostrategic level, the Gateway should provide countries with an alternative partnership to China's Belt and Road Initiative.

This considerable increase in investment, much of which is to be delivered in risky environments, should be achieved through a combination of EU development aid, loan guarantees and public investment capital raised by European investment banks as well as private finance. The scheme focusses on building "connectivity" via physical and digital communications infrastructure projects, renewable energy, trade and capacity-building. The Global Gateway should thereby strengthen connections between Europe and the world, thus improving value chains and promoting global interdependence and peaceful cooperation.

The European Commission has outlined several motivating factors behind the initiative, including:

- the challenges posed by the Covid-19 pandemic to crucial global supply chains;
- Europe's interest in ensuring that global connections and networks develop in line with democratic values and high-quality standards;
- the need to bridge a global infrastructure investment deficit of EUR 13 trillion by 2040;
- continuing support to Europe's partner countries to achieve the infrastructure-related Sustainable Development Goals.

This mix of motivations and objectives makes the Global Gateway a key example of the EU's efforts to integrate development policy in its wider foreign policy interests. Trade-offs between competing objectives such as the inclusiveness versus effectiveness of investments are not acknowledged in the dominant "win-win" discourse. Neither are the risks of deepening cooperation on infrastructure in authoritarian contexts and with private money.

Apart from the general motivations and process-oriented objectives, it is not easy to identify what the Global Gateway ultimately seeks to achieve or what Europe wants to be held accountable for by launching it. The geostrategic narrative about competing with China has not only been criticised, but also questioned by governments. Key questions about how decisions on concrete priorities will be set remain open. There are also several open questions about how the initiative will be governed, overseen and evaluated.

Box 1: The Global Gateway in a nutshell

The Global Gateway aims to mobilise public- and private-sector infrastructure investments of up to **EUR 300 billion by 2027.** This is proposed to include:

up to EUR 135 billion in investments from the European Fund for Sustainable Development plus (EFSD+), for which the EU provides **EUR 40 billion as loan guarantees**. EUR 26.7 billion will be managed by the European Investment Bank (EIB). The remaining EUR 13.3 billion will be provided via an EFSD+ "window", guaranteeing loans from member states' national development finance institutions;

EUR 145 billion in investments from EU countries' development finance institutions, facilitated by the EU-level loan guarantees;

EUR 18 billion in grants from EU external assistance programmes.

The Global Gateway will focus on five sectors: digital (secure and open internet); climate and clean energy; transport; health (including vaccines and supply chains); and education and research.

The proposal also announces plans to create **a European Export Credit Facility** to complement existing member state arrangements and safeguards, aimed at strengthening the competitiveness of EU businesses in developing countries.

Source: Tagliapietra (2021); authors

Is the EU serious about the Global Gateway?

Much of the initial scepticism about the Global Gateway proposal was focussed on its EUR 300 billion headline figure. Some commentators considered this target to be too small because it could not fill the global infrastructure funding gap. Others considered it to be too large, predicting that the EU would never be able to raise that much from member states and private investors. A more technical criticism was that the EU was not proposing to put "new money" on the table, but rather re-label funds available under the current seven year financial cycle adopted in late 2020. This would imply that the Global Gateway is a mere re-branding exercise or a repackaging of planned projects.

There is no reason to doubt that EUR 300 billion is beyond the EU's financial means. The Global Gateway draws upon key design features from existing investment schemes, both inside Europe under the Juncker Plan and outside Europe via the External Investment Plan. Both plans use public seed capital and loan guarantees to incentivise development banks and insure private-sector investment against failures.

From the perspective of the EU's own experiences and projections, the Global Gateway is optimistic, but not unrealistic. The proposal plans to use EUR 58 billion in seed capital and loan guarantees to catalyse up to EUR 300 billion in investments: This would mean a leverage factor of around 5.17. The leverage factor for the Juncker Plan was slightly higher, at 5.4 (EUR 393 billion in investments with a total financing volume of EUR 72.8 billion in the last five years). The anticipated rate for the External Investment Plan is much higher at 10, or EUR 54 billion in investments from EUR 5.4 billion in financing.

The reality of the world's various investment climates will of course determine what is achievable – and desirable, given the "affirmative action" nature of the Global Gateway in bringing investment to places considered hard to reach. As discussed in Box 2, a key development policy consideration – and potential risk – of this approach is captured by the concept of "additionality".

Box 2: The importance of ensuring additionality

From a European perspective, the policy choices made can be justified to the constituencies of EU development policy by showing both the "additionality" and the development results of the Gateway.

Additionality can be demonstrated by showing that investments in certain regions, countries and sectors would not have taken place in the absence of the EU's blended finance contributions, with the effect that investments are more inclusive and "leave no one behind". If not, the EU's investments merely subsidise actions that would have been taken anyway, wasting public resources and distorting developing-country markets.

Demonstrating the Global Gateway's additionality in the EU development policy context will be key to dispelling concerns that official development assistance (ODA) is being displaced from poverty-focussed cooperation, or being used to subsidise the private sector. This requires independent evaluation and transparent policy dialogue.

Source: Authors

The question of whether the EUR 18 billion in grants is "new money" or not distracts from the Gateway's significance for EU development policy. EUR 18 billion represents a significant share of the EU's external financing for 2021-2027, so the question of how it will be used is important. It is not, however, a major increase from the last Multiannual Financial Framework, when around 14 per cent of the external budget was spent on connectivity-related activities.

The EU's bilateral cooperation budgets adopted in December 2021 allocate finance until 2024, the "mid-point" in the seven-year budget cycle. There is plenty of scope and possibilities for new initiatives. It is likely that some of the EUR 18 billion in grants will come from the flexibility reserves that have been built into the EU's external financing framework. The rest will come from country and regional allocations that have not yet been programmed.

The Commission is also seeking to combine its investments and those from EU-level investment banks with member states' efforts in the form of Team Europe Initiatives (TEIs). Initial experiences suggest that member states have viewed TEIs primarily as vehicles for implementing projects that were already planned. Nevertheless, TEIs can draw in the EIB, the European Bank for Reconstruction and Development, development finance institutions from EU member states and private-sector financiers. TEIs thus synergise different types of cooperation under the heading of "blended finance", using ODA grants to leverage public-sector development banks and catalyse private investment. The inclusion of member state aid and blended financing via TEIs should eventually generate significant investment volumes for the Global Gateway.

There is, of course, an element of re-branding. Some projects that were already in the pipeline have been re-labelled as Global Gateway projects. In February 2022, President Ursula Von der Leyen announced a renewable energy project in Morocco and a vaccine plant in Senegal, both of which had been planned for a while. Nevertheless, it is clear that the EU intends to lift its infrastructure investment significantly, and it will be able to mobilise funds to achieve this.

Beyond the expected "input" side, the main issues from a development policy perspective are the Global Gateway's implications for the EU's engagement with the Global South.

The Global Gateway and EU development policy

The Global Gateway's high profile, geostrategic orientation and use of aid for financing serve to highlight the key trade-off in EU development policy, namely that between the EU's strategic priorities and core development principles. The principles that development cooperation should focus on the eradication of poverty, that partner countries should make and own decisions about their own development, that cooperation should support inclusive and transparent governance, and that external interventions should "do no harm" are reinforced by the EU treaties (Art. 208 TFEU and Art. 21 TEU). Although the policy relevance of these principles has declined in recent years, they reflect lessons learnt over decades of international development cooperation.

The EU has long insisted that there is no trade-off between its interests and those of poor people living in the Global South. The EU's Global Strategy, published in 2016, termed this approach "principled pragmatism". However, the approach envisaged by the Global Gateway continues the trend of instrumentalising EU development aid for the purposes of pursuing European economic and security interests, and "protection" against real or perceived "threats" emerging from neighbouring countries, in particular (Furness et al., 2020). These issues are important to powerful constituencies in Europe, meaning they will win out when trade-offs with development principles need to be made.

The Global Gateway has not changed the EU's core objectives in the Southern Neighbourhood and Africa, objectives that recent policy statements have framed in more interest-oriented ways. The ENP South Communication, published in February 2021, offered a "renewed partnership" focussing on common interests, with heavy emphasis on economic and security cooperation. The EU's Africa Strategy also offers an array of overlapping priorities and opportunities for Global Gateway projects. Connectivity and infrastructure were highlighted in the investment plans published alongside both strategies, and they were featured strongly in the recent EU summit with the African Union. The Global Gateway is likely, for example, to provide further impetus for efforts by the EU and the member states to support renewable energy production and transport, especially in North Africa.

The EU has insisted that poverty, socio-political exclusion and environmental degradation will be addressed by the Global Gateway, and that the EU's values will play a role in its investment decisions. This is welcome, of course, but nevertheless difficult to accept uncritically. The EU's external budget has binding targets for spending on climate change (30 per cent), human development and social inclusion (20 per cent), migration (10 per cent) and gender equality as an overarching objective (85 per cent). The tension between these input targets and those of the Global Gateway is likely to result in coherence problems.

For example, with regard to poverty, the additionality discussion highlighted in Box 2 illustrates that the Global Gateway could bring great benefits to those parts of the world with chronic underinvestment in infrastructure, where each new project would constitute an improvement. Such environments are, of course, the toughest places to attract private investors. The likely trade-off between the desired leverage factor of 5.17 and the EU's ambition to finance infrastructure in hard-to-invest places raises questions about whether investment will really be inclusive.

With regard to human development and governance, the risks of EU aid supporting authoritarian governments are likely to increase if private money is at stake. The Global Gateway does not draw a clear distinction between the EU's infrastructure investments and the prestige projects of autocrats. Infrastructure projects that ignore socio-environmental impact assessments not only lead to environmental devastation, but also fuel economic and political grievances. Investments in authoritarian countries serve to stabilise regimes, and it is more likely that human rights and environmental concerns will be sidelined before projects are abandoned and private capital is lost.

A Gateway to where, exactly?

The Global Gateway is a serious proposal with potentially far-reaching consequences for EU development policy. It provides an overarching strategic framework that can focus EU aid spending and provide a reference for member states, both in terms of their EU-level contributions and their bilateral programmes. The proposal to implement Global Gateway projects via TEIs has the potential to strengthen EU and member state policy coordination, and to embed the Gateway as a common objective for EU and member state cooperation in all regions of the Global South. However, the initiative's use of aid to catalyse private-sector investment risks further instrumentalising EU development policy.

While clear in announcing Europe's desire to be more geopolitical, the Global Gateway's specific focus and objectives are still negotiable. Rather than being seen as a ready-made package, it should be taken forward in dialogue with Europe's partners and transposed into tailor-made approaches for strengthening infrastructure investment, in line with national and regional priorities. At the EU level, it should be firmly embedded in the decision-making, oversight and evaluation processes for development cooperation. In this way, the EU and its member states can ensure that the initiative respects principles defined over decades of development cooperation and stated in the EU treaties.

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Dr Mark Furness
Senior Researcher
"Inter-and Transnational Cooperation"
German Development Institute /
Deutsches Institut für Entwicklungspolitik (DIE)

Dr Niels Keijzer
Senior Researcher
"Inter-and Transnational Cooperation"
German Development Institute /
Deutsches Institut für Entwicklungspolitik (DIE)

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Tulpenfeld 6 · 53113 Bonn · Germany · Tel.: +49 (0)228 94927-0 · Fax: +49 (0)228 94927-130
die@die-gdi.de · www.die-gdi.de · twitter.com/DIE_GDI · www.facebook.com/DIE.Bonn · www.youtube.com/DIEnewsflash
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